



PRESS RELEASE

Aspen Pharmacare Holdings Limited (“Aspen”)
(Incorporated in the Republic of South Africa)
(Registration Number 1985/002935/06)
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Aspen One

Aspen increases revenue by 16% to R41.2 billion

Johannesburg - JSE Limited listed Aspen Pharmacare Holdings Limited (APN), a leading global pharmaceutical company, has announced pleasing results for the year ended 30 June 2017.

Stephen Saad, Aspen Group Chief Executive said, “We have delivered on the promise of a strong second half performance with double digit growth in both revenue and earnings for the year. This is an impressive result in spite of a challenging global pharmaceutical environment. We are pleased with the underlying operational performance and had it not been for unfavourable relative movements in exchange rates, the growth reported would have been even higher. Highlights for the year include the acquisition of the anaesthetics portfolios from AstraZeneca and GlaxoSmithKline (“GSK”), a positive turnaround in the South African commercial business in the second half of the year and an improvement in working capital management which contributed to a doubling of cash generated from operations. Today we announced the acquisition of the supply rights to the AstraZeneca Anaesthetics Portfolio and together with the recently concluded exclusive licence agreement entered into with Teva to commercialise conjugated estrogens in the USA, is testament to our stated strategy of evolving into a global organisation focused on therapeutic specialities.”

GROUP PERFORMANCE

- Revenue increased by 16% to R41.2 billion.
- Normalised headline earnings per share (“NHEPS”) rose 16% to 1463.2 cents.
- Normalised EBITDA increased 13% to R11.4 billion.
- Operating cash flow per share grew 101% to 1 421.4 cents.
- A lower gross profit margin of 48.3% compared to 50.3% in the previous year was largely due to the dilutive effect of the lower margin anaesthetics portfolio acquired from AstraZeneca in the first half of the 2017 financial year.
- A dividend of 287 cents per ordinary share was declared.

Significant factors influencing performance for the year were as follows:-

- The acquisition of the commercial rights to AstraZeneca’s global (excluding the USA) anaesthetic portfolio (“the AZ anaesthetics”) which was effective from 1 September 2016 and the acquisition of GlaxoSmithKline’s anaesthetics portfolio (“the GSK anaesthetics”) which was effective from 1 March 2017 (together the “Anaesthetics Portfolio”). The Anaesthetics Portfolio generated revenue of R7.0 billion;
- The positive turnaround in the South African pharmaceutical business;

- The entry into China with the Anaesthetics Portfolio and a thrombosis portfolio supported by Aspen's largest regional sales force;
- The effect of the Venezuela exit and the fall-out from Chinese import restrictions on trade in Australia which constrained Nutritional sales;
- The cancellation of the collaboration with GSK in Sub-Saharan Africa outside of South Africa; and
- Improved working capital management which contributed to cash generated from operating activities more than doubling.

Relative movements in exchange rates had a net unfavourable impact on financial performance as is illustrated in the table below which compares performance for the past year to performance in the prior year at previously reported exchange rates and then at constant exchange rates ("CER") being a restatement of 2016 performance at 2017 average exchange rates.

Years ended 30 June	Reported 2017	Reported 2016	Change at reported rates	CER 2016	Change 2017/2016 at CER
	R' billion	R' billion	%	R' billion	%
Revenue	41.2	35.6	+16	33.8	+22
Normalised EBITDA*	11.4	10.1	+13	9.7	+18
NHEPS (cents)	1 463.2	1 263.7	+16	1 210.9	+21

* = Operating profit before depreciation and amortization adjusted for specific non-trading items as defined in the Group's accounting policy.

From this point forward in this press release, all 2016 revenue numbers are stated in CER and all percentage changes in revenue between 2017 and 2016 are based on 2016 CER revenue in order to enhance the comparability of underlying performance.

The synergy programme yielded benefits of approximately R1.2 billion during the year. This significantly bolstered profits against the effects of the currency headwinds, price erosion and the constrained Nutritional sales in Australia.

During the course of the year, the Group revised its operating model to align with the therapeutic areas identified for specific focus. Accordingly, Aspen has adjusted its reporting format to reflect this.

SEGMENTAL PERFORMANCE

Therapeutic Focused Brands

Therapeutic Focused Brands comprising the Anaesthetics, Thrombosis and High Potency & Cytotoxic portfolios, recorded revenue of R17.4 billion which amounted to 42% of Group revenue. Gross profit from Therapeutic Focused Brands of R9.0 billion was at a reduced gross margin percentage due primarily to the lower gross margin percentage contribution from the AZ anaesthetics.

Anaesthetics

Aspen established Anaesthetics as a therapeutic focus area following the acquisitions of the AZ anaesthetics and the GSK anaesthetics during the course of the year. Revenue of R7.0 billion was recorded post-acquisition with the largest contributions coming from Developed Europe (R1.7 billion), China (R1.5 billion) and Japan (R1.3 billion). The Anaesthetics acquisitions prompted Aspen's entry into China, requiring significant infrastructure investment and the establishment of a headcount exceeding 600, now comprising the Group's largest regional sales force. Early performance indications from this portfolio in China have been encouraging.

Thrombosis

The Thrombosis products delivered robust revenue growth of 13% in Emerging Markets to R2.5 billion, but retreated 16% in the Developed Market countries (predominantly Developed Europe) where sales of R3.2 billion were recorded. This led to an overall decline in the revenue from Thrombosis of 5% to R5.7 billion.

Key drivers in the growth in Emerging markets were good advances by Fraxiparine in Developing Europe & CIS, the acquisition of the GSK thrombosis products in China midway through the year and double digit growth delivered in the Latam and MENA regions.

In Developed Europe, mandated price cuts and an adjustment in the distribution model were the primary causes of the weak results of this portfolio.

High-Potency & Cytotoxic

The High Potency & Cytotoxic portfolio recorded flat sales at R4.7 billion. Double digit growth in Latam, Russia and South Africa led the performance in Emerging Markets to a 17% increase with sales of R2.0 billion. However, a delay in the transition of the manufacture of Thyrax to a new site resulting in prolonged stock-outs weighed on results in the Developed Markets where revenue fell 10% to R2.7 billion.

Other Pharmaceuticals

Other Pharmaceuticals, comprising Other Commercial Pharmaceutical Brands and Manufacturing, increased revenue by 5% to R20.6 billion and improved gross profit to R9.5 billion on a widening gross profit percentage.

Other Commercial Pharmaceutical Brands

Other Commercial Pharmaceutical Brands account for 45% of all revenue from Pharmaceuticals. This area largely comprises domestic products with South Africa and Australia being the most material contributors. Revenue from this category increased 4% to R14.0 billion. Adjusting for divestments and products discontinued or to be discontinued, the core of this portfolio grew 9% to R13.6 billion.

In South Africa, a strong turnaround in the second half lifted the full year private sector performance by 9%, while the public sector edged up 1% to R1.5 billion. Results in Australia for these products are distorted by divestments and products which have been or will be discontinued. The base portfolio was steady with revenue of R3.4 billion, up 1%. Latam, Asia and the USA, assisted by the launch of Hydroxyprogesterone Caproate, all moved forward positively.

Manufacturing

Manufacturing revenue was up 6% to R6.6 billion. This growth was underpinned by a 9% rise in revenue from active pharmaceutical ingredient manufacturing where both the Oss and Fine Chemicals sites made favourable contributions. Finished dose manufacturing revenue was flat.

Nutritionals

Revenue from Nutritionals eased 3% to R3.2 billion. While there was growth in Latam and sub-Saharan Africa, a 21% fall in sales in Australasia lowered the overall outcome. The fall-out in Australia from the withdrawal of informal traders banned from importing product into China continued to dampen demand and has also caused pricing pressure as operators have cleared consequent surplus inventory. This was a contributing factor to the lower contribution margin percentage achieved. Both Australasia and Latam showed positive upturns in performance in the second half. In Australia inventory levels seem to have found equilibrium allowing normal trading volumes to return while an improved performance in Mexico lifted the Latam business.

AGREEMENT WITH ASTRAZENECA TO ACQUIRE THE RESIDUAL RIGHTS RELATING TO AZ ANAESTHETICS

Aspen is pleased to announce that its wholly owned subsidiary, Aspen Global Incorporated (“AGI”), has signed an agreement with AstraZeneca AB and AstraZeneca UK (“AstraZeneca”) in terms of which AGI will acquire the residual rights to the AZ anaesthetics (“the Transaction”) for which it acquired the commercialisation rights via an agreement entered into in June 2016, as announced to shareholders on 9 June 2016. It is anticipated that the Transaction will complete during the final quarter of 2017.

The Transaction

The terms of the concluded agreement provide that AGI will pay US\$555 million as consideration for the remaining rights to the intellectual property and manufacturing know-how related to the AZ anaesthetics. Additionally, AGI will make performance related payments of up to US\$211 million based on sales and gross profit in the period to 30 November 2019. As part of the Transaction, the terms of the existing supply agreement that included an initial period of 10 years, have been amended. In terms of the new agreement, AstraZeneca will continue to supply the medicines manufactured at AstraZeneca owned sites to AGI for a transition period of up to five years. Management of supply from third party sites is anticipated to transition to AGI within one year of closing.

Had AGI owned the aforementioned additional rights to the AZ anaesthetics for the full twelve months ended 30 June 2017, based on the terms of the Transaction agreements and Aspen’s expected related incremental costs, the Transaction would have generated an additional contribution to operating profit of approximately US\$90 million. The value of the net assets attributable to the Transaction equates to the consideration payable.

Rationale

The September 2016 acquisition of the commercialisation rights to the AZ anaesthetics portfolio has proven to be an excellent strategic investment for Aspen, particularly when allied to the subsequent acquisition of the GSK anaesthetics. By acquiring the underlying intellectual property AGI is best placed to maximise the value of this portfolio, including through the development of additional products and markets, leveraging the intellectual property that it will own (as opposed to license).

PROSPECTS

Aspen looks forward to the new financial year secure in the knowledge that the significant undertaking of transforming the Group into a global multinational organization focused on therapeutic specialties is at an advanced stage. The financial and manpower investment in structural adjustments and the building of infrastructure has been substantial. A new foundation has been successfully established from which the Group is well positioned to pursue its strategies.

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About Aspen

Aspen is a leading global player in specialty, branded and generic pharmaceuticals with an extensive basket of products that provide treatment for a broad spectrum of acute and chronic conditions experienced through all stages of life.

With an acknowledged presence of nearly 2 decades in the pharmaceutical sector, Aspen remains committed to its core values of providing quality and effective healthcare solutions to millions of patients in more than 150 countries, with its core focus being in the Thrombosis, Anaesthetic, High Potency & Cytotoxic and Nutritional therapeutic categories.

Aspen has a strong presence in both emerging and developed countries. Its emerging market footprint includes Sub-Saharan Africa, Latin America, China, South East Asia, Eastern Europe and the Commonwealth of Independent States, comprising Russia and the former Soviet Republics. It is also a leading pharmaceutical company in developed countries including Australia and most notably in Western Europe.

Aspen operates with an established business presence in approximately 50 countries spanning 6 continents and employs more than 10,000 people. The Group operates 26 manufacturing facilities across 18 sites. Aspen holds international manufacturing approvals from some of the most stringent global regulatory agencies including the FDA, TGA and EMA. Aspen's manufacturing capabilities are scalable to demand and cover a wide variety of product-types including oral solid dose, liquids, semi-solids, steriles, biologicals, APIs and infant nutritionals.

With a market capitalisation of approximately \$10 billion, Aspen is the largest pharmaceutical company listed on the JSE Limited (share code: APN) and ranks amongst the top 20 listed companies on this exchange. For more information visit: <http://www.aspenpharma.com/>

Disclaimer

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