ASPEN HOLDINGS

ASPEN PHARMACARE HOLDINGS LIMITED AND ITS SUBSIDIARIES ("Aspen" or "the Group")
(Registration number 1985/002935/06)
Share code: APN / ISIN: ZAE000066692

Unaudited interim financial results for the six months ended 31 December 2016

COMMENTARY

GROUP PERFORMANCE

Revenue for the Group grew 13% to R19,8 billion and normalised headline earnings per share increased by 6% to 692 cents in the six months ended 31 December 2016.

The results were favourably influenced by the following:

- The acquisition of AstraZeneca's global (excluding the USA) anaesthetics portfolio ("the AZ anaesthetics") which was effective from 1 September 2016 and generated R2,8 billion of revenue during the period;
- Revenue of R0,4 billion from the sale of Hydroxyprogesterone Caproate ("HPC") in the USA following the conclusion of a supply and distribution agreement with a major pharmaceutical company; and
- Cash generated from operating activities improved considerably, more than doubling to R3,2 billion as measures to improve working capital management took effect.

Offsetting this were the following factors:

- The anticipated decline in the South African business, which is nonetheless well on its path to recovery;
- Margin pressure suffered by the nutritional business in Latin America due to reduced production activity as surplus inventories arising from Aspen's withdrawal from Venezuela were redeployed;
- Legislated price decreases, GBP weakness following the Brexit vote, supply constraints and adjustments to the distribution model weighing on performance in the Europe CIS territory; and
- Foreign exchange losses, primarily arising from the Rand strengthening against forward exchange contracts.

INTERNATIONAL BUSINESS

The International business remained the largest segment of the Group, contributing 50% to revenue from customers. Sales to customers in this business increased 11% to R10,0 billion.

The Europe CIS territory was the biggest contributor to the International business, increasing sales to customers by 2% to R6,7 billion. Sales of finished dose form pharmaceutical products to healthcare providers ("commercial pharma") in this territory were up 9% to R4,5 billion. This performance benefited from the inclusion of the AZ anaesthetics with the offsetting factors mentioned earlier tempering growth achieved.

In Latin America, revenue from customers increased 11% to R2,0 billion and commercial pharma sales were 26% higher at R1,3 billion. Excluding the AZ anaesthetics, the underlying pharmaceutical portfolio increased sales 4% to R1,0 billion. Revenue from nutritionals grew in local currencies, but the weakness of the Mexican Peso in particular caused reported revenue to decline 9% to R0,7 billion. Margins were unfavourably affected by lower volumes of production in the Vallejo manufacturing site in Mexico for the reasons reported earlier.

In the USA, the arrangements with the initially appointed distributor for HPC were terminated and a supply and distribution agreement was signed with a major pharmaceutical company which acquired R0,4 billion of product. Future sales of HPC in the USA will be dependent on the success of this distributor in placing the product in the trade. It is unlikely that there will be further material sales of HPC by Aspen during the course of the 2017 calendar year.

Capital projects to enhance production efficiency and ensure highest technical support levels continue at the Notre Dame de Bondeville site in France. At the Oss active pharmaceutical ingredient site in the Netherlands, new capacity is being added and investment in the sustainability of the site is ongoing.

SUB-SAHARAN AFRICA ("SSA") BUSINESS

In light of the cancellation of the collaboration with GSK in SSA outside of South Africa, the business segment previously referred to as SSA has been combined with South Africa, under the heading of the SSA business.

Sales to customers in SSA declined 1% to R4,6 billion.

Nutritionals revenue grew 9% to R0,5 billion and manufacturing revenue improved 34% to R0,7 billion. However, as previously communicated, commercial pharma remained under pressure as the resolution of supply chain issues continued, causing sales to decline 8% to R3,4 billion. Despite a month-long strike at the Port Elizabeth and East London manufacturing sites in August, significant progress has been achieved in overcoming the supply constraints affecting the commercial pharma division which delivered improved results in the latter months of the period.

The building of a second sterile facility in Port Elizabeth is under way, creating new opportunities to bring additional production to this site.

ASIA PACIFIC BUSINESS

Sales to customers in the Asia Pacific business increased 36% to R5,2 billion.

This region benefits most from the AZ anaesthetics which added R1,6 billion of sales from customers during the period. In Australasia sales from the base pharmaceutical portfolio grew 3% to R2,3 billion. Sales of nutritionals were 23% lower at R0,4 billion and margin percentages came under pressure. The Australian nutritional industry continues to adapt to lower demand following the withdrawal of informal traders banned from importing product into China. In Asia, the business has expanded substantially with the addition of the AZ anaesthetics. Trade has commenced in China where R0,6 billion of anaesthetic sales was achieved in the period. The underlying commercial pharma portfolio in Asia advanced revenue 17% to R0,9 billion.

FUNDING

During the period R7,4 billion was paid relating to acquisitions and other capital expenditure, in addition to which R1,1 billion was paid to shareholders by way of a dividend. As a result of strong operational cash flows (R3,2 billion) and favourable exchange rate benefits (R3,0 billion) the increase in net borrowings was limited to R2,9 billion. Borrowings, net of cash, amounted to R35,6 billion at the period end. The increase in working capital was limited to R0,7 billion which was primarily related to the acquisition of the AZ anaesthetics.

PROSPECTS

The transformation of Aspen into a global, multinational organisation focused on therapeutic specialties over the past few years has been a challenging undertaking, necessitating substantial investment. During this process, it has been necessary to build infrastructure, establish new supply sources and transition management of product portfolios across the world. There have been resultant inefficiencies in overhead structures and working capital management which continue to receive high levels of focus. Unfavourable currency movements and legislated price cuts have also placed pressure on performance. Consequently, this will dilute the synergies realised from various projects.

Results in the second half of the 2017 financial year will be influenced by the strengthening of the Rand which, if sustained, will dilute foreign earnings which comprise the greatest portion of Aspen's income. The outlook to 30 June 2017 will also be influenced by the following:

- The extensive work that has been undertaken in order to overcome the supply chain problems experienced in the South African business which is expected to result in a substantial improvement in performance anticipated in the second half of this financial year;
- The amended distribution model is expected to result in a stronger second half in the Europe CIS territory;
- The benefit from the inclusion of the AZ anaesthetics for six months, having contributed for four months to 31 December 2016;
- Aspen's leading position in anaesthetics (outside of the USA) will also be enhanced with the conclusion of the acquisition of the GSK anaesthetics portfolio which became effective on 1 March 2017;
- The completion of the acquisition of Fraxiparine and Arixtra in China will further bolster Aspen's entry to the world's second largest pharmaceutical market;
- The cancellation of the collaboration with GSK in SSA outside of South Africa; and
- The production volumes in the Vallejo nutritionals facility are scheduled to return to more normal levels which should result in an improved performance from this business segment in the forthcoming months.

Overall a stronger underlying performance in the second half of the 2017 financial year is anticipated.

By order of the Board

K D Dlamini
(Chairman)

S B Saad
(Group Chief Executive)

Woodmead
9 March 2017

GROUP STATEMENT OF FINANCIAL POSITION

	Unaudited 31 December 2016 R'billion	Unaudited 31 December 2015 R'billion	Audited 30 June 2016 R'billion
ASSETS			
Non-current assets			
Intangible assets	**53,6**	51,4	49,1
Property, plant and equipment	**9,7**	9,3	9,7
Goodwill	**5,7**	6,2	6,0
Deferred tax assets	**1,0**	1,3	1,1
Contingent environmental indemnification assets	**0,7**	0,8	0,8
Other non-current assets	**1,1**	0,5	0,4
Total non-current assets	**71,8**	69,5	67,1
Current assets			
Inventories	**13,2**	13,2	14,4
Receivables and other current assets	**13,5**	12,0	11,8
Cash and cash equivalents	**9,5**	10,4	10,9
Total operating current assets	**36,2**	35,6	37,1
Assets classified as held-for-sale	**0,1**	0,2	0,1
Total current assets	**36,3**	35,8	37,2
Total assets	**108,1**	105,3	104,3
SHAREHOLDERS' EQUITY			
Reserves	**37,7**	41,2	40,6
Share capital (including treasury shares)	**1,9**	2,0	1,9
Total shareholders' equity	**39,6**	43,2	42,5
LIABILITIES			
Non-current liabilities			
Borrowings	**35,7**	13,7	32,7
Other non-current liabilities	**3,3**	2,4	2,5
Unfavourable and onerous contracts	**1,8**	2,5	2,2
Deferred tax liabilities	**1,9**	1,9	1,8
Contingent environmental liabilities	**0,7**	0,8	0,8
Retirement and other employee benefits	**0,6**	0,6	0,7
Total non-current liabilities	**44,0**	21,9	40,7
Current liabilities			
Borrowings*	**9,4**	30,2	10,9
Trade and other payables	**10,0**	7,8	8,3
Other current liabilities	**4,8**	1,8	1,5
Unfavourable and onerous contracts	**0,3**	0,4	0,4
Total current liabilities	**24,5**	40,2	21,1
Total liabilities	**68,5**	62,1	61,8
Total equity and liabilities	**108,1**	105,3	104,3
Number of shares in issue (net of treasury shares) ('000)	**456,0**	456,1	456,1
Net asset value per share (cents)	**8 675,4**	9 466,8	9 320,5

* Includes bank overdrafts.

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Notes	Change	**Unaudited six months ended 31 December 2016 R'billion**	Unaudited six months ended 31 December 2015 R'billion	Audited year ended 30 June 2016 R'billion
Revenue		13%	**19,8**	17,5	35,6
Cost of sales			**(10,3)**	(8,7)	(17,7)
Gross profit		8%	**9,5**	8,8	17,9
Selling and distribution expenses			**(3,2)**	(2,8)	(6,0)
Administrative expenses			**(1,3)**	(1,2)	(2,6)
Other operating income			**0,2**	1,8	1,9
Other operating expenses			**(0,6)**	(0,5)	(2,2)
Operating profit	B#	(25%)	**4,6**	6,1	9,0
Investment income	C#		**0,1**	0,2	0,3
Financing costs	D#		**(1,3)**	(1,8)	(3,2)
Profit before tax		(23%)	**3,4**	4,5	6,1
Tax			**(0,6)**	(1,1)	(1,8)
Profit for the period/year		(15%)	**2,8**	3,4	4,3
OTHER COMPREHENSIVE INCOME, NET OF TAX*					
Currency translation (losses)/gains	E#		**(4,8)**	6,7	5,2
Cash flow hedges recognised			**0,2**	–	–
Remeasurement of retirement and other employee benefits			**–**	–	(0,1)
Total comprehensive (loss)/income			**(1,8)**	10,1	9,4
Weighted average number of shares in issue ('000)			**456,3**	456,3	456,4
Diluted weighted average number of shares in issue ('000)			**456,3**	456,4	456,5
EARNINGS PER SHARE					
Basic earnings per share (cents)		(15%)	**618,6**	727,1	945,4
Diluted earnings per share (cents)		(15%)	**618,6**	726,9	945,2
DISTRIBUTION TO SHAREHOLDERS					
Dividend/capital distribution per share (cents)			**248,0**	216,0	216,0

The dividend to shareholders of 248,0 cents relates to the dividend declared on 14 September 2016 and paid on 10 October 2016 (2015 distribution: the capital distribution of 216,0 cents relates to the distribution declared on 9 September 2015 and paid on 12 October 2015).

* The annual remeasurement of retirement and other employee benefits will not be reclassified to profit and loss. All other items in other comprehensive income may be reclassified to profit and loss.

See notes on Supplementary information.

GROUP STATEMENT OF HEADLINE EARNINGS

	Change	**Unaudited six months ended 31 December 2016 R'billion**	Unaudited six months ended 31 December 2015 R'billion	Audited year ended 30 June 2016 R'billion
HEADLINE EARNINGS				
Reconciliation of headline earnings				
Profit attributable to equity holders of the parent	(15%)	**2,8**	3,4	4,3
Adjusted for:				
– Net impairment of intangible assets (net of tax)		**–**	–	0,9
– Loss on the sale of intangible assets (net of tax)		**0,1**	–	–
– Profit on the sale of assets classified as held-for-sale (net of tax)		**–**	(1,5)	(1,2)
	53%	**2,9**	1,9	4,0
HEADLINE EARNINGS PER SHARE				
Headline earnings per share (cents)	53%	**640,9**	418,8	889,0
Diluted headline earnings per share (cents)	53%	**640,9**	418,7	888,8
NORMALISED HEADLINE EARNINGS				
Reconciliation of normalised headline earnings				
Headline earnings	53%	**2,9**	1,9	4,0
Adjusted for:				
– Restructuring costs (net of tax)		**–**	0,1	0,3
– Transaction costs (net of tax)		**0,2**	0,1	0,6
– Net monetary adjustments and currency devaluations relating to hyperinflationary economies (net of tax)		**–**	0,9	0,9
	6%	**3,1**	3,0	5,8
NORMALISED HEADLINE EARNINGS PER SHARE				
Normalised headline earnings per share (cents)	6%	**692,0**	655,5	1 263,7
Normalised diluted headline earnings per share (cents)	6%	**692,0**	655,3	1 263,4

GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital (including treasury shares) R'billion	Reserves R'billion	Total R'billion
BALANCE AT 1 JULY 2015	3,0	31,1	34,1
Total comprehensive income	–	10,1	10,1
Profit for the year	–	3,4	3,4
Other comprehensive income	–	6,7	6,7
Capital distribution	(1,0)	–	(1,0)
BALANCE AT 31 DECEMBER 2015	**2,0**	**41,2**	**43,2**
BALANCE AT 1 JULY 2016	**1,9**	**40,6**	**42,5**
Total comprehensive loss	**–**	**(1,8)**	**(1,8)**
Profit for the year	**–**	**2,8**	**2,8**
Other comprehensive loss	**–**	**(4,6)**	**(4,6)**
Dividends paid	**–**	**(1,1)**	**(1,1)**
BALANCE AT 31 DECEMBER 2016	**1,9**	**37,7**	**39,6**

GROUP STATEMENT OF CASH FLOWS

	Notes	**Unaudited six months ended 31 December 2016 R'billion**	Unaudited six months ended 31 December 2015 R'billion	Audited year ended 30 June 2016 R'billion
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash operating profit		**5,5**	5,0	9,8
Changes in working capital		**(0,7)**	(1,8)	(3,4)
Cash generated from operations		**4,8**	3,2	6,4
Net financing costs paid		**(0,9)**	(0,9)	(1,7)
Tax paid		**(0,7)**	(0,8)	(1,5)
Cash generated from operating activities		**3,2**	1,5	3,2
CASH FLOWS FROM INVESTING ACTIVITIES				
Capital expenditure – property, plant and equipment	A#	**(0,7)**	(0,9)	(1,7)
Capital expenditure – intangible assets	A#	**(0,6)**	(0,6)	(1,1)
Proceeds received on the sale of intangible assets		**–**	–	0,2
Acquisition of subsidiaries and businesses	J#	**(6,0)**	(0,5)	(0,7)
Hedging gains		**0,2**	–	–
Increase in other non-current assets		**(0,6)**	–	–
Payment of deferred consideration relating to prior year business acquisitions		**(0,2)**	(0,3)	(0,7)
Proceeds on the sale of assets classified as held-for-sale	H#	**0,1**	4,8	5,1
Cash (used in)/generated from investing activities		**(7,8)**	2,5	1,1
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from/(repayments of) borrowings		**6,0**	(2,0)	(2,0)
Capital distribution and dividends paid		**(1,1)**	(1,0)	(1,0)
Treasury shares purchased		**–**	–	(0,1)
Cash generated from/(used in) financing activities		**4,9**	(3,0)	(3,1)
Movement in cash and cash equivalents before effects of exchange rate changes		**0,3**	1,0	1,2
Effects of exchange rate changes		**(0,7)**	0,2	(0,2)
Movement in cash and cash equivalents		**(0,4)**	1,2	1,0
Cash and cash equivalents at the beginning of the period/year		**7,9**	6,9	6,9
Cash and cash equivalents at the end of the period/year		**7,5**	8,1	7,9
Operating cash flow per share (cents)		**708,7**	335,1	706,7
RECONCILIATION OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents per the statement of financial position		**9,5**	10,4	10,9
Less: bank overdrafts		**(2,0)**	(2,3)	(3,0)
		7,5	8,1	7,9

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash-on-hand, deposits held on call with banks less bank overdrafts.

See notes on Supplementary information.

GROUP SEGMENTAL ANALYSIS

	Unaudited six months ended 31 December 2016		Unaudited restated six months ended 31 December 2015			Audited restated year ended 30 June 2016	
	R'billion	**% of total**	R'billion	% of total	Change	R'billion	% of total
REVENUE							
International@	**11,5**	**58**	9,0	51	28%	18,9	53
Sub-Saharan Africa^*	**4,5**	**23**	4,7	27	(4%)	9,1	26
Asia Pacific	**3,8**	**19**	3,8	22	(1%)	7,6	21
Total revenue	**19,8**	**100**	17,5	100	13%	35,6	100
OPERATING PROFIT BEFORE AMORTISATION AND DEPRECIATION							
Adjusted for specific non-trading items ("EBITDA")							
International	**3,6**	**67**	3,1	59	22%	6,2	61
Operating profit#	**3,1**		2,7		19%	4,3	
Amortisation of intangible assets	**0,2**		0,2			0,4	
Depreciation	**0,2**		0,2			0,3	
Transaction costs	**0,1**		0,1			0,3	
Restructuring costs	**–**		0,1			0,3	
Profit on the sale of assets	**–**		(0,2)			(0,2)	
Impairment of assets	**–**		–			0,8	
Sub-Saharan Africa	**1,1**	**19**	1,1	24	(15%)	2,1	22
Operating profit#	**0,8**		2,5		(70%)	3,2	
Depreciation	**0,1**		0,1			0,2	
Loss/(profit) on the sale of assets	**0,1**		(1,5)			(1,4)	
Net impairment of assets	**0,1**		–			0,1	
Asia Pacific	**0,8**	**14**	0,9	17	(13%)	1,8	17
Operating profit#	**0,7**		0,9		(26%)	1,5	
Amortisation of intangible assets	**0,1**		0,1			0,2	
Depreciation	**–**		–			0,1	
Profit on the sale of assets	**–**		(0,1)			–	
Total EBITDA	**5,5**	**100**	5,1	100	7%	10,1	100
ENTITY-WIDE DISCLOSURE – REVENUE+							
Commercial revenue by customer geography							
Commercial – Pharmaceutical	**15,1**	**76**	12,6	72	19%	25,6	72
Europe	**4,1**	**21**	3,7	21	10%	7,7	22
CIS	**0,4**	**2**	0,4	2	2%	0,7	2
Australasia	**2,5**	**13**	2,4	14	5%	4,7	13
China	**0,7**	**3**	–	0	2 086%	–	0
Japan	**0,8**	**4**	0,3	2	185%	0,7	3
Other Asia	**0,6**	**3**	0,4	2	50%	0,9	2
Sub-Saharan Africa	**3,4**	**17**	3,7	21	(8%)	7,1	20
Latin America	**1,3**	**6**	1,0	6	26%	2,0	6
Middle East and North Africa	**0,5**	**3**	0,4	2	27%	0,9	2
USA and Canada	**0,8**	**4**	0,3	2	194%	0,9	2
Commercial – Nutritionals	**1,6**	**8**	1,8	10	(9%)	3,5	10
Latin America	**0,7**	**4**	0,8	4	(9%)	1,5	4
Australasia	**0,4**	**2**	0,6	3	(23%)	1,0	3
Sub-Saharan Africa	**0,5**	**2**	0,4	3	9%	1,0	3
Total commercial revenue	**16,7**	**84**	14,4	82	16%	29,1	82
Manufacturing revenue by geography of manufacturer							
Manufacturing revenue – finished dose forms	**1,0**	**5**	1,0	6	(2%)	2,1	6
Sub-Saharan Africa	**0,5**	**2**	0,4	2	32%	0,9	3
Europe	**0,3**	**2**	0,4	3	(40%)	0,7	2
Australasia	**0,2**	**1**	0,2	1	24%	0,5	1
Manufacturing revenue – active pharmaceutical ingredients	**2,1**	**11**	2,1	12	2%	4,4	12
Europe	**1,9**	**10**	1,9	11	(1%)	4,0	11
Sub-Saharan Africa	**0,2**	**1**	0,2	1	38%	0,4	1
Total manufacturing revenue	**3,1**	**16**	3,1	18	1%	6,5	18
Total revenue	**19,8**	**100**	17,5	100	13%	35,6	100
Summary of regions							
International	**10,0**	**50**	8,9	51	11%	18,4	52
Sub-Saharan Africa	**4,6**	**23**	4,7	27	(1%)	9,4	26
Asia Pacific	**5,2**	**27**	3,9	22	36%	7,8	22
Total revenue	**19,8**	**100**	17,5	100	13%	35,6	100

@ Excludes intersegment revenue of R1,4 billion (2015: R1,2 billion).

^ Excludes intersegment revenue of R0,2 billion (2015: R0,1 billion).

* The GSK Aspen Healthcare for Africa Collaboration which was a material component of the sub-Saharan Africa region has been terminated effective from 31 December 2016 and as a consequence the sub-Saharan Africa region is no longer a material region. On this basis the South African and sub-Saharan African regions have been consolidated into a broader all encompassing sub-Saharan Africa region. To ensure future comparability of the broader sub-Saharan Africa region, the GSK Aspen Healthcare for Africa Collaboration is no longer reflected at a gross revenue level and is reported at a net revenue level with the comparative periods being accordingly restated. Refer to the basis of accounting for detailed information.

The aggregate segmental operating profit is R4,6 billion (2015: R6,1 billion).

+ The entity-wide revenue disclosure format has been restated to reflect Aspen's current operating model. Refer to the basis of accounting for detailed information.

GROUP SUPPLEMENTARY INFORMATION

	Note	**Unaudited six months ended 31 December 2016 R'billion**	Unaudited six months ended 31 December 2015 R'billion	Audited year ended 30 June 2016 R'billion
A. CAPITAL EXPENDITURE				
Incurred		**1,3**	1,5	2,8
– Property, plant and equipment		**0,7**	0,9	1,7
– Intangible assets		**0,6**	0,6	1,1
Contracted		**0,8**	0,9	1,2
– Property, plant and equipment		**0,8**	0,6	0,8
– Intangible assets		**–**	0,3	0,4
Authorised but not contracted for		**2,1**	2,0	2,6
– Property, plant and equipment		**1,7**	1,8	2,1
– Intangible assets		**0,4**	0,2	0,5
B. OPERATING PROFIT HAS BEEN ARRIVED AT AFTER CHARGING/ (CREDITING)				
Depreciation of property, plant and equipment		**0,3**	0,3	0,6
Amortisation of intangible assets		**0,3**	0,3	0,6
Net impairment of tangible and intangible assets		**0,1**	–	0,9
Loss on the sale of intangible assets		**0,1**	–	–
Share-based payment expenses – employees		**–**	–	0,1
Transaction costs		**0,1**	0,1	0,3
Restructuring costs		**–**	0,1	0,3
Profit on sale of assets classified as held-for-sale		**–**	(1,7)	(1,6)
C. INVESTMENT INCOME				
Interest received		**0,1**	0,2	0,3
D. FINANCING COSTS				
Interest paid		**(0,9)**	(1,0)	(1,8)
Debt raising fees on acquisitions		**(0,1)**	(0,1)	(0,3)
Fair value (losses)/gains on financial instruments		**(0,1)**	0,2	–
Notional interest on financial instruments		**(0,2)**	(0,1)	(0,2)
Net monetary adjustments and currency devaluations relating to hyperinflationary economies	F#	**–**	(0,8)	(0,9)
		(1,3)	(1,8)	(3,2)

E. CURRENCY TRANSLATION LOSSES/GAINS

Currency translation losses/gains on the translation of the offshore businesses are as a result of the difference between the weighted average exchange rate used for trading results and the opening and closing exchange rates applied in the statement of financial position. For the period the stronger closing Rand translation rate decreased the Group net asset value.

F. HYPERINFLATIONARY ECONOMY

The Venezuelan economy is regarded as a hyperinflationary economy in terms of International Financial Reporting Standards. Effective March 2016 two regulated exchange rates were applicable to Aspen's business:

- The DIPRO rate (previously the official CENCOEX rate) for the importation of high priority goods including nutritionals and pharmaceutical medicines. This rate increased to VEF10,0 per USD from VEF6,30 per USD in March 2016.
- The DICOM rate (previously the SIMADI rate) which is a floating rate published daily by the Venezuelan central bank. The DICOM rate opened in March 2016 at an initial rate of VEF206,8 per USD and the closing rate at 30 June 2016 was VEF628,34 per USD. The previous SIMADI rate was VEF200 per USD as at 31 December 2015.

Due to political and economic uncertainty in Venezuela, the Group concluded in December 2015 that it would be more appropriate to apply the DICOM rate (previously the SIMADI rate) to report the Venezuelan business' financial position, results of operations and cash flows. This resulted in a devaluation loss on foreign denominated liabilities of R870 million in June 2016 (December 2015: R841 million).

The business has been downscaled pending a future change in the economic conditions. No significant trading activity has been undertaken since December 2015.

	Unaudited six months ended 31 December 2016 R'billion	Unaudited six months ended 31 December 2015 R'billion	Audited year ended 30 June 2016 R'billion
G. GUARANTEES TO FINANCIAL INSTITUTIONS			
Material guarantees given by Group companies for indebtedness of subsidiaries to financial institutions	**43,8**	13,6	40,6
H. PROCEEDS ON THE DISPOSAL OF ASSETS CLASSIFIED AS HELD-FOR-SALE			
Divestment of a portfolio of products in South African to Litha	**–**	1,7	1,7
Divestment of generics business and certain branded products to Strides entities	**0,1**	3,0	3,4
Divestment of land and buildings in Australia	**–**	0,1	0,1
	0,1	4,8	5,2

I. DISPUTED INCOME TAX MATTER

The Aspen Group has been subject to an international tax audit by the South African Revenue Service and Aspen Pharmacare Holdings Limited received a revised assessment in relation to its 2011 fiscal year as a consequence of this audit. Aspen has filed an appeal against the assessment. Aspen believes that it has appropriately dealt with its related party transactions and that this position is supported by Aspen's legal and tax advisers.

J. ACQUISITION OF SUBSIDIARIES AND BUSINESSES

December 2016

Set out below is the provisional accounting for the following business combinations:

AstraZeneca anaesthetics portfolio

With effect from 1 September 2016, AGI acquired the exclusive rights to commercialise the anaesthetics portfolio of AstraZeneca globally (excluding the USA). As consideration for the commercialisation rights, AGI paid USD410 million with a further payment of USD110 million due on 1 July 2017. Additionally, AGI will make sales-related payments of up to USD250 million based on sales in the 24 months following completion.

Post-acquisition revenue included in the statement of comprehensive income was R2,8 billion. The estimation of post-acquisition operating profits is impracticable and not reasonably determinable due to the immediate integration of the business into the existing operations of the Group.

Fraxiparine and Arixtra in China, Pakistan and India

As part of its acquisition of the thrombosis products Fraxiparine and Arixtra from GSK in 2014, AGI also acquired an option to acquire the same products in certain countries to which GSK retained the rights, most notably China. AGI has exercised its option and, with effect from 1 January 2017, acquired Fraxiparine and Arixtra in these countries for a consideration of GBP45 million.

	AstraZeneca anaesthetics portfolio R'billion	Fraxiparine and Arixtra in China, Pakistan and India R'billion	Total R'billion
Fair value of assets and liabilities acquired			
Intangible assets	**11,1**	**0,7**	**11,8**
Deferred tax liabilities	**(0,4)**	**–**	**(0,4)**
Fair value of net assets acquired	**10,7**	**0,7**	**11,4**
Goodwill acquired	**0,4**	**–**	**0,4**
Deferred consideration	**(5,1)**	**(0,7)**	**(5,8)**
Cash outflow on acquisition	**6,0**	**–**	**6,0**

J. ACQUISITION OF SUBSIDIARIES AND BUSINESSES continued

June 2016

Set out below is the final accounting for the following business combinations. There were no changes to the provisional accounting:

Norgine SA

On 21 May 2015, Pharmacare Ltd acquired 100% of the issued share capital of Norgine Pty Ltd in South Africa ("Norgine SA") for a consideration of EUR29 million. Norgine SA commercialises a portfolio of branded gastro-intestinal products in South Africa and surrounding territories. The approval of this transaction by the South African Competition Authorities was obtained on 25 August 2015. This transaction completed on 30 September 2015.

Post-acquisition revenue included in the statement of comprehensive income was R100.4 million. The estimation of post-acquisition operating profits is impracticable and not reasonably determinable due to the immediate integration of the business into the existing operations of the Group.

HPC business

AGI entered into an agreement with McGuff Pharmaceuticals Inc. ("McGuff") for the exclusive supply of the finished dose form of Hydroxyprogesterone Caproate ("HPC") in the United States. With effect from 1 December 2015, AGI acquired the related intellectual property and the approved Abbreviated New Drug Application for an upfront consideration of USD15 million. Milestone payments, of between USD21 million and USD28 million, are payable over a five-year supply term and are partly contingent on future sales performance.

In December 2016 AGI and a major United States-based pharmaceutical company entered into a supply and distribution agreement for HPC in that country, which resulted in initial revenue of R0,4 billion being recognised in the results for the six months ended 31 December 2016.

	Norgine SA R'billion	HPC business R'billion	Total R'billion
Fair value of assets and liabilities acquired			
Intangible assets	0,5	0,6	1,1
Trade and other receivables	0,1	–	0,1
Trade and other payables	(0,1)	–	(0,1)
Purchase consideration paid	0,5	0,6	1,1
Deferred consideration	–	(0,4)	(0,4)
Cash outflow on acquisition	0,5	0,2	0,7

SUBSEQUENT EVENTS

Acquisition of a portfolio of anaesthetic products

With effect from 1 March 2017 AGI acquired a portfolio of anaesthetics globally (excluding the USA) from GSK. As consideration for the commercialisation rights, AGI paid GBP180 million and further milestone payments of up to GBP100 million, based on the results of the acquired portfolio in the 36 months following completion.

BASIS OF ACCOUNTING

The unaudited interim financial results for the six months ended 31 December 2016 have been prepared in accordance with International Financial Reporting Standards, IFRIC interpretations, the Listings Requirements of the JSE Limited, South African Companies Act, 2008 and the presentation and disclosure requirements of IAS 34: *Interim Reporting*.

The accounting policies applied in the preparation of the unaudited interim financial results are in terms of International Financial Reporting Standards and are consistent with those applied in the Annual Financial Statements for the year ended 30 June 2016.

The Group segmental analysis has been revised to reflect the Group's current operating model and all comparative numbers have been restated accordingly. The updated segmental analysis is aligned to the way the business is managed and reported on by the Chief Operating Decision Maker ("CODM"). The regional split on the entity-wide revenue disclosure has been expanded following the recent business transactions.

The Group segmental analysis has changed as follows:

1. Certain previously reported regions on the entity-wide revenue disclosure (Europe/CIS and Asia Pacific) have been further expanded to show the following regions separately:
   a. Europe;
   b. CIS;
   c. Australasia;
   d. China;
   e. Japan; and
   f. Other Asia.

2. The GSK Aspen Healthcare for Africa Collaboration which was a material component of the sub-Saharan Africa region has been terminated effective from 31 December 2016 and as a consequence the sub-Saharan Africa region is no longer a material region. On this basis the South African and sub-Saharan African regions have been consolidated into a broader all encompassing sub-Saharan Africa region. To ensure future comparability of the broader sub-Saharan Africa region, the GSK Aspen Healthcare for Africa Collaboration is no longer reflected at a gross revenue level and is reported at a net revenue level with the comparative periods being accordingly restated.

The unaudited interim financial results have been rounded and disclosed in R'billions to assist financial analysis. All percentage change variances have been calculated using unrounded numbers to record accurate variance trends.

These unaudited interim financial results were prepared under the supervision of the Deputy Group Chief executive, MG Attridge CA(SA) and approved by the Board of Directors.

DIRECTORS
K D Dlamini (Chairman)*, R C Andersen*, M G Attridge, J F Buchanan*, M M Manyama*, C N Mortimer*, B Ngonyama*, D S Redfern*, S B Saad, S V Zilwa*
**Non-executive director*

COMPANY SECRETARY
R Verster

REGISTERED OFFICE
Building Number 8, Healthcare Park, Woodlands Drive, Woodmead
PO Box 1587, Gallo Manor, 2052
Telephone +27 11 239 6100
Telefax +27 11 239 6144

SPONSOR
Investec Bank Limited

TRANSFER SECRETARY
Terbium Financial Services (Pty) Ltd
Beacon House
31 Beacon Road, Florida North, 1709
PO Box 61272, Marshalltown, 2107

www.aspenpharma.com