Aspen Pharmacare Holdings Limited

Unaudited interim financial results

for the six months ended 31 December 2014

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

Unaudited interim financial results for the six months ended 31 December 2014

COMMENTARY

GROUP PERFORMANCE

Aspen increased gross revenue 47% to R19,0 billion and raised operating profit 50% to R4,3 billion in the six months ended 31 December 2014, supported by the contribution from acquisitions concluded in the prior year. Profit for the period and earnings per share each advanced 27% to R2,5 billion and 539 cents respectively. Normalised headline earnings, being headline earnings adjusted for specific non-trading items, and normalised headline earnings per share were both 22% higher at R2,6 billion and 569 cents respectively. The strong results were achieved despite foreign exchange losses of R343 million caused by the US Dollar strengthening relative to the Group's major trading currencies. This is estimated to have reduced earnings per share by 67 cents.

INTERNATIONAL BUSINESS

Revenue in the International business was 158% higher at R8,8 billion and operating profit before amortisation, adjusted for specific non-trading items ("EBITA"), was up 127% to R2,5 billion. The International business performance was boosted by the inclusion of the significant transactions completed during the previous financial year and delivered 46% of Group gross revenue and 53% of Group EBITA. The disposal of the rights to commercialise the fondaparinux products (being Arixtra and the authorised generic thereof) in the United States to Mylan for a consideration of USD300 million became effective during the period, with the consequential loss of contribution.

Europe CIS revenue climbed 229% to R5,1 billion. Sales of finished dose form pharmaceuticals to healthcare providers comprised R3,4 billion of the total sales with the greatest portion of the balance being from active pharmaceutical ingredient ("API") sales. Currency weakness relative to the Rand in Europe CIS diluted results in this region.

Revenue from customers in Latin America advanced 118% to R2,6 billion, largely driven by the recent infant milk formula acquisition. Results from Venezuela have been consolidated using hyper-inflationary accounting principles. In addition, given the economic uncertainty in this country, an average exchange rate of 10,0 Bolivars to the US Dollar has been adopted despite the exchange rate for supply of medicines being set at 6,30 Bolivars.

Sales to customers in the Rest of the World were up 36% to R0,9 billion despite the disposal of the fondaparinux products for the United States to Mylan.

Capital expenditure projects are continuing at Aspen Oss and Aspen Notre Dame de Bondeville ("NDB"). At Aspen Oss investments are being made in support of the sustainability of the site and at Aspen NDB additional capacity is being added.

ASIA PACIFIC BUSINESS

Revenue in the Asia Pacific region was 3% higher at R4,4 billion. EBITA declined by 1% to R1,0 billion. Positive underlying growth in the Australian business countered the consequences of disposals and licence terminations in the second half of the previous financial year. The Nutritionals products led the way with strong double-digit growth. Legislated price cuts have continued in Australia, but were largely negated by product launches, pricing strategies, reduction of discounts and improved cost of goods.

Sales to customers in Asia continued on an impressive growth trajectory, doubling to R0,6 billion.

SOUTH AFRICAN BUSINESS

Revenue in the South African business grew by 12% to R4,3 billion. Private sector pharmaceutical sales increased 10% through a combination of organic growth and new product launches. Sales in the public sector were flat. The consumer division raised revenue by 30%, led by the Nutritionals products, with Infacare achieving an increase in share of this category.

EBITA continued to be negatively affected by the weakening of the Rand relative to the US Dollar as well as high wage and energy cost inflation. Consequently EBITA only increased by 4% to R1,0 billion. There was also an improvement in revenue from manufactuing for third parties.

The capital expenditure projects at the Port Elizabeth finished dosage form manufacturing site and the Cape Town API manufacturing site are progressing well. In Port Elizabeth, the building of the high containment facility is nearing completion, after which validation of the facility will commence. The packing facility upgrade is also approaching finalisation and construction of the additional specialist sterile manufacturing facility is underway. This additional specialist sterile facility will provide enhanced security of supply for Arixtra and Fraxiparine as an alternate manufacturing source to Aspen NDB. At Fine Chemicals, production has started in certain of the newly constructed suites while other parts of this expansion and upgrade project remain in progress.

SUB-SAHARAN BUSINESS

In Sub-Saharan Africa, revenue improved by 5% to R1,5 billion. Supply constraints, particularly relating to Augmentin, a leading product in the region, limited growth. Margin improvement initiatives yielded positive results and lifted EBITA 12% to R210 million.

FUNDING

Borrowings, net of cash, reduced by R1,2 billion over the six months to R28,6 billion despite relative foreign exchange movements adding R1,5 billion to the closing balance. Group operating cash flows were again strong and cash generated from operating activities accelerated 128%. Gearing declined to 49% at the period end. Net interest paid was covered six times by operating profit before amortisation.

Net foreign exchange losses of R343 million were incurred, largely as a result of the strengthening of the US Dollar against Aspen's primary trading currencies during the course of the six months.

PROSPECTS

The results for the first six months have been unfavourably affected by relative currency movements. Aspen remains vulnerable to a continued strengthening of the US Dollar against its primary trading currencies of the Euro, the Australian Dollar and the Rand.

Recent acquisitions have enabled the Group to achieve end-to-end integration of the supply chain for injectable anti-coagulants. The effective integration of this supply chain and the harnessing of the resultant economies of scale are the focus of a number of profit-enhancement projects. Improved procurement and production efficiencies are being targeted for Aspen's key anti-coagulant portfolio. This portfolio will also benefit from the completion of the transaction which adds Mono-Embolex to the product offering in Germany. Positive advances have been made in the technical work being undertaken, which is focused on securing increased production of the API for Orgaran, an effective treatment for heparin-induced-thrombosis, with significant growth prospects once supply is unrestricted. The transition of the recently acquired products from GSK and Merck is nearing completion, which allows for better co-ordinated promotion and control of these products. Work is also proceeding favourably to improve the cost of goods for the Nutritionals products and strategies to increase share in Nutritionals in Latin America have been implemented.

These projects should particularly benefit the International region, the largest contributor to Group profits. This segment is, however, also exposed to political and economic instability in Venezuela and Russia, two countries in which Aspen had been expecting material growth. Remittance of funds to pay for products supplied to Venezuela has become significantly constrained. The sharp devaluation of the Ruble in recent months has significantly diminished the value of the business undertaken in Russia.

In the Asia Pacific region, the anticipated decline in performance due to the disposal of certain non-core products in the prior year and the exit from licence arrangements was substantially covered by a strong performance in the first half. However, Australia will remain exposed to these consequences, a weakening currency and a further regulated price cut into the second half. The recent formation of Aspen Japan, in which GSK has a 25% shareholding, is an important step towards the Group establishing itself in that country, which is ranked second in the world by value of pharmaceutical sales. Aspen Japan is scheduled to commence trade in July 2015.

Aspen continues to lead the industry in South Africa. The positive momentum established in private sector performance in the first six months should be maintained. The Department of Health awarded a 7,5% increase in the single exit price which will benefit the last quarter. Together with ongoing growth in volumes, this should provide some relief to the pressure on margins created by currency-influenced increases in imported materials and sharp rises in administered costs. The award of the anti-retroviral and other material public sector tenders recently provides guidance on volume expectations for supply to Government and should assist in production planning.

In spite of political uncertainty, particularly in Nigeria and Tanzania where elections are scheduled, the business in sub-Saharan Africa has potential for improved performance based on Aspen's strong positioning in the region and the underlying growth dynamic. However, continuation of the supply constraints experienced in the first half may prevent this potential from being fully realised.

The restructuring and consolidation which is currently prevalent in the global pharmaceutical industry is creating a number of acquisitive opportunities as businesses are re-sized and re-shaped. Aspen is well placed to participate in this process and executive management is actively engaged in assessing possibilities. The Group has a proven capability to successfully execute complex multi-territory transactions, which makes it a strong candidate for such opportunities.

By order of the Board

NJ Dlamini
(Chairman)

SB Saad
(Group Chief Executive)

Woodmead
5 March 2015

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Notes	Change	**Unaudited six months ended 31 December 2014 R'million**	Unaudited six months ended 31 December 2013 R'million	Audited year ended 30 June 2014 R'million
Revenue		51%	**18 033,3**	11 976,3	29 515,1
Cost of sales			**(9 562,3)**	(6 398,7)	(15 793,2)
Gross profit		52%	**8 471,0**	5 577,6	13 721,9
Selling and distribution expenses			**(2 809,7)**	(1 474,4)	(4 401,3)
Administrative expenses			**(1 184,1)**	(932,2)	(1 652,5)
Other operating income			**168,7**	51,5	692,4
Other operating expenses			**(327,5)**	(342,4)	(935,7)
Operating profit	B#	50%	**4 318,4**	2 880,1	7 424,8
Investment income	C#		**188,3**	132,0	278,1
Financing costs	D#		**(1 395,2)**	(537,9)	(1 346,4)
Profit before tax		26%	**3 111,5**	2 474,2	6 356,5
Tax			**(653,4)**	(544,3)	(1 351,0)
Profit		27%	**2 458,1**	1 929,9	5 005,5
OTHER COMPREHENSIVE INCOME , NET OF TAX*					
Net investment hedge profit in Aspen Asia Pacific			**–**	23,9	23,9
Net gains from cash flow hedging in respect of business acquisitions			**–**	115,9	75,1
Net losses from cash flow hedging of prepayment in respect of business acquisition			**–**	(41,0)	–
Currency translation movements	E#		**282,6**	1 066,0	1 829,3
Cash flow hedges recognised			**8,7**	4,3	3,0
Remeasurement of retirement and other employee benefits			**–**	–	(25,3)
Total comprehensive income			**2 749,4**	3 099,0	6 911,5
Profit attributable to					
Equity holders of the parent			**2 460,3**	1 930,6	5 007,6
Non-controlling interests			**(2,2)**	(0,7)	(2,1)
			2 458,1	1 929,9	5 005,5
Total comprehensive income attributable to					
Equity holders of the parent			**2 751,6**	3 101,4	6 915,4
Non-controlling interests			**(2,2)**	(2,4)	(3,9)
			2 749,4	3 099,0	6 911,5
Weighted average number of shares in issue ('000)			**456 346**	455 944	456 116
Diluted weighted average number of shares in issue ('000)			**456 449**	456 574	456 219
EARNINGS PER SHARE					
Basic earnings per share (cents)		27%	**539,1**	423,4	1 097,9
Diluted earnings per share (cents)		27%	**539,0**	422,8	1 097,6
DISTRIBUTION TO SHAREHOLDERS					
Capital distribution per share (cents)			**188,0**	26,0	26,0
Cash dividend per share (cents)			**–**	131,0	131,0
		20%	**188,0**	157,0	157,0

The capital distribution to shareholders of 188,0 cents relates to the distribution declared on 10 September 2014 and paid on 13 October 2014. (2013 distribution: the total distribution of 157,0 cents relates to the distribution declared on 11 September 2013 and paid on 14 October 2013).

#See notes on Supplementary information.
*Remeasurement of retirement benefit obligations will not be reclassified to profit and loss. All other items in other comprehensive income may be reclassified to profit and loss.

GROUP STATEMENT OF HEADLINE EARNINGS

	Change	**Unaudited six months ended 31 December 2014 R'million**	Unaudited six months ended 31 December 2013 R'million	Audited year ended 30 June 2014 R'million
HEADLINE EARNINGS				
Reconciliation of headline earnings				
Profit attributable to equity holders of the parent	27%	**2 460,3**	1 930,6	5 007,6
Adjusted for:				
– Net impairment/(reversal of impairment) of property, plant and equipment (net of tax)		**1,0**	0,1	(5,8)
– Net impairment of intangible assets (net of tax)		**10,4**	0,5	112,6
– Loss/(profit) on the sale of tangible and intangible assets (net of tax)		**0,2**	3,0	(478,7)
Headline earnings	28%	**2 471,9**	1 934,2	4 635,7
Headline earnings per share (cents)	28%	**541,7**	424,2	1 016,3
Diluted headline earnings per share (cents)	28%	**541,6**	423,6	1 016,1
NORMALISED HEADLINE EARNINGS				
Reconciliation of normalised headline earnings				
Headline earnings	28%	**2 471,9**	1 934,2	4 635,7
Adjusted for:				
– Restructuring costs (net of tax)		**24,2**	8,1	29,4
– Transaction costs (net of tax)		**101,0**	201,1	435,9
– Net foreign exchange (gains)/losses from hedging of business acquisitions (net of tax)		**–**	(9,3)	1,7
– Foreign exchange gain on settlement of transaction funding liability (net of tax)		**–**	–	(248,9)
Normalised headline earnings	22%	**2 597,1**	2 134,1	4 853,8
Normalised headline earnings				
Normalised headline earnings per share (cents)	22%	**569,1**	468,1	1 064,2
Normalised diluted headline earnings per share (cents)	22%	**569,0**	467,4	1 063,9

GROUP STATEMENT OF FINANCIAL POSITION

	Unaudited 31 December 2014 R'million	Unaudited 31 December 2013 R'million	Audited 30 June 2014 R'million
ASSETS			
Non-current assets			
Property, plant and equipment	**7 547,9**	6 058,3	7 150,8
Goodwill	**6 289,1**	6 182,6	6 641,8
Intangible assets	**38 615,6**	36 333,7	35 698,9
Contingent environmental indemnification assets	**699,2**	724,8	727,1
Other non-current assets	**450,3**	26,7	298,9
Deferred tax assets	**831,4**	415,0	817,1
Total non-current assets	**54 433,5**	49 741,1	51 334,6
Current assets			
Inventories	**10 124,1**	9 273,7	10 275,2
Receivables and other current assets	**10 413,5**	11 113,9	9 661,2
Cash and cash equivalents	**10 935,7**	10 425,6	8 225,6
Total operating current assets	**31 473,3**	30 813,2	28 162,0
Assets classified as held-for-sale	**–**	–	3 050,8
Total current assets	**31 473,3**	30 813,2	31 212,8
Total assets	**85 906,8**	80 554,3	82 547,4
SHAREHOLDERS' EQUITY			
Share capital and treasury shares	**3 006,4**	3 865,3	3 867,9
Reserves	**27 734,9**	21 300,0	25 006,3
Ordinary shareholders' equity	**30 741,3**	25 165,3	28 874,2
Non-controlling interests	**1,5**	2,7	1,9
Total shareholders' equity	**30 742,8**	25 168,0	28 876,1
LIABILITIES			
Non-current liabilities			
Borrowings	**30 324,4**	31 545,3	29 915,5
Contingent environmental liabilities	**699,2**	724,8	727,1
Unfavourable and onerous contracts	**2 412,7**	2 943,3	2 638,7
Other non-current liabilities	**2 439,9**	2 390,2	2 499,3
Deferred tax liabilities	**1 411,6**	596,9	1 351,1
Retirement and other employee benefits	**501,7**	148,7	497,6
Total non-current liabilities	**37 789,5**	38 349,2	37 629,3
Current liabilities			
Trade and other payables	**7 131,7**	10 856,6	6 884,0
Borrowings*	**9 230,1**	5 111,1	8 075,3
Unfavourable and onerous contracts	**324,8**	336,4	335,3
Other current liabilities	**687,9**	733,0	747,4
Total current liabilities	**17 374,5**	17 037,1	16 042,0
Total liabilities	**55 164,0**	55 386,3	53 671,3
Total equity and liabilities	**85 906,8**	80 554,3	82 547,5
Number of shares in issue (net of treasury shares) ('000)	**456 041**	455 781	455 914
Net asset value per share (cents)	**6 740,9**	5 521,4	6 333,3

*Includes bank overdrafts.

GROUP STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2014

	Share capital net of treasury shares R'million	Reserves R'million	Total attributable to equity holders of the parent R'million	Non-controlling interests R'million	Total R'million
BALANCE AT 1 JULY 2013	3 989,2	18 804,6	22 793,8	5,1	22 798,9
Total comprehensive income	–	3 101,4	3 101,4	(2,4)	3 099,0
Profit for the period	–	1 930,6	1 930,6	(0,7)	1 929,9
Other comprehensive income	–	1 170,8	1 170,8	(1,7)	1 169,1
Capital distribution and dividends paid	(118,6)	(597,6)	(716,2)	–	(716,2)
Issue of ordinary share capital – share schemes	1,6	–	1,6	–	1,6
Treasury shares purchased	(22,3)	–	(22,3)	–	(22,3)
Deferred incentive bonus shares exercised	15,4	(15,4)	–-	–	–
Share options and appreciation rights expensed (including deferred incentive bonus)	–	7,0	7,0	–	7,0
BALANCE AT 31 DECEMBER 2013	3 865,3	21 300,0	25 165,3	2,7	25 168,0
BALANCE AT 1 JULY 2014	**3 867,9**	**25 006,3**	**28 874,2**	**1,9**	**28 876,1**
Total comprehensive income	**–**	**2 751,6**	**2 751,6**	**(2,2)**	**2 749,4**
Profit for the period	**–**	**2 460,3**	**2 460,3**	**(2,2)**	**2 458,1**
Other comprehensive income	**–**	**291,3**	**291,3**	**–**	**291,3**
Capital distribution and dividends paid	**(857,3)**	**–**	**(857,3)**	**(0,3)**	**(857,6)**
Issue of ordinary share capital – share schemes	**0,2**	**–**	**0,2**	**–**	**0,2**
Treasury shares purchased	**(21,7)**	**–**	**(21,7)**	**–**	**(21,7)**
Deferred incentive bonus shares exercised	**17,3**	**(17,3)**	**–**	**–**	**–**
Share options and appreciation rights expensed (including deferred incentive bonus)	**–**	**8,1**	**8,1**	**–**	**8,1**
Acquisition of non-controlling interests	**–**	**(13,8)**	**(13,8)**	**2,1**	**(11,7)**
BALANCE AT 31 DECEMBER 2014	**3 006,4**	**27 734,9**	**30 741,3**	**1,5**	**30 742,8**

GROUP STATEMENT OF CASH FLOWS

	Notes	**Unaudited six months ended 31 December 2014 R'million**	Unaudited six months ended 31 December 2013 R'million	Audited year ended 30 June 2014 R'million
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash operating profit		**4 916,9**	3 278,3	7 911,2
Changes in working capital		**(655,1)**	(1 113,6)	(2 187,5)
Cash generated from operations		**4 261,8**	2 164,7	5 723,7
Net financing costs paid		**(1 029,8)**	(296,7)	(709,1)
Tax paid		**(544,9)**	(691,7)	(1 178,3)
Cash generated from operating activities		**2 687,1**	1 176,3	3 836,3
CASH FLOWS USED IN INVESTING ACTIVITIES				
Capital expenditure - property, plant and equipment	A#	**(809,2)**	(808,9)	(1 328,9)
Proceeds on the sale of property, plant and equipment		**13,0**	6,7	106,3
Capital expenditure - intangible assets	A#	**(764,1)**	(255,4)	(700,4)
Proceeds on the sale of intangible assets		**184,5**	11,9	898,8
Acquisition of subsidiaries and businesses	H#	**4,3**	(10 806,8)	(19 764,2)
Acquisition of non-controlling interests		**(11,7)**	–	–
Increase in other non-current assets		**(161,9)**	–	–
Proceeds on the disposal of assets classified as held-for-sale		**2 790,4**	–	–
Net investment hedge profit in Aspen Asia Pacific		**–**	23,9	23,9
Net losses from cash flow hedging of prepayment in respect of business acquisition		**–**	(41,0)	–
Prepayment in anticipation of acquisition		**–**	(3 316,4)	–
Payment of deferred consideration relating to prior year business acquisitions		**(359,1)**	–	(85,9)
Cash generated from/(used in) investing activities		**886,2**	(15 186,0)	(20 850,4)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from borrowings		**90,9**	20 445,6	20 183,3
Capital distribution and dividends paid		**(857,6)**	(716,2)	(716,2)
Proceeds from issue of ordinary share capital		**0,2**	1,6	2,7
Treasury shares purchased		**(21,7)**	(22,3)	(22,3)
Cash (used in)/ generated from financing activities		**(788,2)**	19 708,7	19 447,5
Movement in cash and cash equivalents before effects of exchange rate changes		**2 785,1**	5 699,0	2 433,4
Effects of exchange rate changes		**(241,3)**	517,5	312,2
Movement in cash and cash equivalents		**2 543,8**	6 216,5	2 745,6
Cash and cash equivalents at the beginning of the period/year		**6 161,8**	3 416,2	3 416,2
Cash and cash equivalents at the end of the period/year		**8 705,6**	9 632,7	6 161,8
RECONCILIATION OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents per the statement of financial position		**10 935,7**	10 425,6	8 225,6
Less: bank overdrafts		**(2 230,1)**	(792,9)	(2 063,8)
		8 705,6	9 632,7	6 161,8
	Change			
Operating cash flow per share (cents)	128%	**588,8**	258,0	841,1

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.

GROUP SEGMENTAL ANALYSIS

	Unaudited six months ended 31 December 2014		Unaudited six months ended 31 December 2013			Audited year ended 30 June 2014	
	R'million	**% of total**	R'million	% of total	Change	R'million	% of total
REVENUE							
International^	**8 803,8**	**46**	3 408,2	26	158%	12 724,8	40
Asia Pacific@	**4 422,7**	**23**	4 291,4	33	3%	8 517,2	27
South Africa+	**4 306,7**	**23**	3 836,7	30	12%	7 446,3	24
Sub-Saharan Africa	**1 466,6**	**8**	1 393,8	11	5%	2 744,3	9
Total gross revenue	**18 999,8**	**100**	12 930,1	100	47%	31 432,6	100
Adjustment*	**(966,5)**		(953,8)			(1 917,5)	
Total revenue	**18 033,3**		11 976,3		51%	29 515,1	
OPERATING PROFIT BEFORE AMORTISATION							
Adjusted for specific non-trading items ("EBITA")							
International	**2 452,1**	**53**	1 081,4	33	127%	3 636,1	47
Operating profit#	**2 269,0**		932,1		143%	3 633,1	
Amortisation of intangible assets	**115,4**		87,2			180,4	
Transaction costs	**34,3**		55,3			255,0	
Loss/(profit) on sale of assets	**1,1**		–			(522,0)	
Restructuring costs	**32,3**		6,8			–	
Impairment of assets	**–**		–			89,6	
Asia Pacific	**981,8**	**21**	988,1	31	(1%)	1 944,6	25
Operating profit#	**912,5**		915,5		0%	1 811,6	
Amortisation of intangible assets	**67,5**		61,9			138,2	
Transaction costs	**–**		6,8			7,0	
Restructuring costs	**3,2**		3,9			42,1	
Reversal of impairment losses	**–**		–			(5,8)	
Profit on the sale of assets	**(1,4)**		–			(48,5)	
South Africa	**993,1**	**21**	955,8	30	4%	1 816,5	24
Operating profit#	**930,3**		848,1		10%	1 652,7	
Amortisation of intangible assets	**45,8**		26,7			65,1	
Transaction costs	**5,2**		80,4			–	
Loss on the sale of assets	**0,2**		–			77,4	
Impairment of assets	**11,6**		0,6			21,3	
Sub-Saharan Africa	**209,7**	**5**	187,4	6	12%	333,6	4
Operating profit#	**206,6**		184,4		12%	327,4	
Amortisation of intangible assets	**3,1**		3,0			6,2	
Total EBITA	**4 636,7**	**100**	3 212,7	100	44%	7 730,8	100
ENTITY-WIDE DISCLOSURE – REVENUE							
Analysis of revenue in accordance with customer geography							
Europe CIS	**5 068,3**	**26**	1 540,8	12	229%	7 200,1	23
Asia Pacific	**4 645,0**	**24**	4 297,8	33	8%	8 798,7	28
South Africa	**4 310,0**	**23**	3 840,3	30	12%	7 451,4	24
Latin America	**2 618,0**	**14**	1 202,7	9	118%	3 484,6	11
Sub-Saharan Africa	**1 470,9**	**8**	1 397,4	11	5%	2 752,6	9
Rest of the World	**887,6**	**5**	651,1	5	36%	1 745,2	5
Total gross revenue	**18 999,8**	**100**	12 930,1	100	47%	31 432,6	100
Adjustment*	**(966,5)**		(953,8)			(1 917,5)	
Total revenue	**18 033,3**		11 976,3		51%	29 515,1	

^ Excludes intersegment revenue of R921,8 million (2013: R914,4 million).
@ Excludes intersegment revenue of R8,5 million (2013: nil).
+ Excludes intersegment revenue of R47,5 million (2013: R47,6 million).
* The profit share from the GSK Aspen Healthcare for Africa collaboration has been disclosed as revenue in the statement of comprehensive income. For segmental purposes the total revenue for the GSK Aspen Healthcare for Africa collaboration has been included to provide enhanced revenue visibility in this territory.
# The aggregate segmental operating profit total of R4 318,4 million (2013: R2 880,1 million) agrees to the statement of comprehensive income.

GROUP SUPPLEMENTARY INFORMATION

	Unaudited six months ended 31 December 2014 R'million	Unaudited six months ended 31 December 2013 R'million	Audited year ended 30 June 2014 R'million
A. CAPITAL EXPENDITURE			
Incurred	**1 573,3**	1 064,3	2 029,3
– Property, plant and equipment	**809,2**	808,9	1 328,9
– Intangible assets	**764,1**	255,4	700,4
Contracted	**2 156,1**	765,7	477,2
– Property, plant and equipment	**512,1**	635,8	425,7
– Intangible assets	**1 644,0**	129,9	51,5
Authorised but not contracted for	**2 302,5**	1 100,5	2 967,1
– Property, plant and equipment	**2 100,9**	723,4	2 652,9
– Intangible assets	**201,6**	377,1	314,2
B. OPERATING PROFIT HAS BEEN ARRIVED AT AFTER CHARGING:			
Depreciation of property, plant and equipment	**288,2**	188,0	433,9
Amortisation of intangible assets	**231,8**	178,8	389,9
Net impairment of assets	**11,6**	0,6	105,1
Share-based payment expenses – employees	**20,8**	15,5	47,5
Restructuring costs	**35,5**	10,7	42,1
Transaction costs	**39,5**	142,5	339,4
Hyperinflationary reduction in operating profit	**2,2**	–	80,9
C. INVESTMENT INCOME			
Interest received	**188,3**	132,0	278,1
D. FINANCING COSTS			
Interest paid	**(896,1)**	(459,4)	(1 295,9)
Debt raising fees on acquisitions	**(65,8)**	(83,3)	(154,7)
Net foreign exchange (losses)/gains	**(342,5)**	48,9	80,7
Foreign currency gain on settlement of transaction funding liability	**–**	–	248,9
Fair value gains/(losses) on financial instruments	**13,6**	(8,3)	(86,0)
Notional interest on financial instruments	**(88,2)**	(35,8)	(131,4)
Net hyperinflationary adjustments	**(16,2)**	–	(8,0)
	(1 395,2)	(537,9)	(1 346,4)

E. CURRENCY TRANSLATION MOVEMENTS

Currency translation movements 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 weaker closing Rand translation rate increased the Group net asset value.

	Unaudited six months ended 31 December 2014 R'million	Unaudited six months ended 31 December 2013 R'million	Audited year ended 30 June 2014 R'million
F. CONTINGENT LIABILITIES			
There are contingent liabilities in respect of:			
Contingency relating to product litigation	**30,0**	27,3	27,6
Customs guarantee	**14,2**	14,2	14,8
Indirect tax contingent liability	**24,4**	10,4	36,1
Contingencies arising from labour cases	**2,5**	4,3	2,8
Other contingent liabilities	**1,9**	2,2	5,7
	73,0	58,4	87,0
G. GUARANTEES TO FINANCIAL INSTITUTIONS			
Guarantees given by Group companies for indebtedness of subsidiaries to financial institutions	**13 488,4**	11 537,7	12 888,7

H. ACQUISITION OF SUBSIDIARIES AND BUSINESSES

2014

Set out below is the final accounting for the following June 2014 business combinations:

API business

On 1 October 2013, Aspen Pharmacare Holdings Limited acquired 100% shareholding of an active pharmaceutical ingredient ("API") manufacturing business from Merck which manufactures for Merck and the market generally and which is located in the Netherlands, with a satellite facility and sales office in the US ("the API Business") for a purchase consideration of EUR 31 million (net of cash acquired).

The initial accounting for this business combination was reported on a provisional basis in June 2014 and was finalised in the six months ended 31 December 2014.

Fair value of assets and liabilities acquired	Preliminary R'million	Adjustments R'million	Final R'million
Property, plant and equipment	589,1	–	589,1
Intangible assets	506,3	–	506,3
Contingent environmental indemnification assets	680,1	–	680,1
Deferred tax assets	47,0	(22,5)	24,5
Inventories	3 267,0	(119,2)	3 147,8
Trade and other receivables	392,5	160,8	553,3
Cash and cash equivalents	1 272,5	–	1 272,5
Contingent environmental liabilities	(680,1)	–	(680,1)
Environmental liabilities	(74,5)	–	(74,5)
Unfavourable and onerous contracts	(2 791,1)	(23,4)	(2 814,5)
Trade and other payables	(349,9)	–	(349,9)
Other non-current and current financial liabilities	(1 146,2)	4,3	(1 141,9)
Purchase consideration paid	1 712,7	–	1 712,7
Cash and cash equivalents in acquired companies	(1 272,5)	–	(1 272,5)
Cash outflow on acquisition	440,2	–	440,2

Merck products

Aspen Global Incorporated, a wholly owned subsidiary of Aspen Pharmacare Holdings Limited, exercised an option to acquire a portfolio of 11 branded finished dose form molecules ("the Merck Products") from Merck for a consideration of USD600 million effective on 31 December 2013. USD533 million of the consideration was paid on 2 January 2014, and the balance of this consideration will be paid in five equal annual instalments commencing at the end of the first year after the acquisition date.

The initial accounting for this business combination was reported on a provisional basis in June 2014 and was finalised in the six months ended 31 December 2014, with no subsequent changes.

Latin America infant nutritional business

On 28 October 2013 Aspen Group Companies concluded agreements with Nestlé in respect of the acquisition of certain licence rights to intellectual property, net assets (including an infant nutritional production facility located in Vallejo, Mexico) and a 100% shareholding in the infant nutritional businesses presently conducted by Nestlé and Pfizer in Latin America, predominantly in Mexico, Venezuela, Colombia, Ecuador, Chile, Peru, Central America and the Caribbean, for a purchase consideration of USD180 million.

The initial accounting for this business combination was reported on a provisional basis in June 2014 and was finalised in the six months ended 31 December 2014.

Fair value of assets and liabilities acquired	Preliminary R'million	Adjustments R'million	Final R'million
Property, plant and equipment	620,0	–	620,0
Intangible assets	736,2	12,4	748,6
Current tax assets	3,0	–	3,0
Inventories	520,6	–	520,6
Trade and other receivables	465,1	–	465,1
Retirement and other employee benefits	(37,2)	–	(37,2)
Deferred tax liabilities	(2,7)	–	(2,7)
Trade and other payables	(549,5)	(16,7)	(566,2)
Fair value of net assets acquired	1 755,5	(4,3)	1 751,2
Goodwill acquired	14,3	–	14,3
Cash outflow/(inflow) on acquisition	1 769,8	(4,3)	1 765,5

GROUP SUPPLEMENTARY INFORMATION continued

Subsequent events

Aspen Global Incorporated entered into an agreement with Novartis AG for the acquisition of the rights to Mono-Embolex®, an injectable anti-coagulant, for a consideration of USD142 million. The transaction was subject to the approval of the German competition authorities, which condition has been fulfilled, and the transaction became effective on 20 February 2015.

Basis of accounting

The unaudited interim financial results for the six months ended 31 December 2014 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 are consistent with those described in the Annual Financial Statements.

The entity-wide analysis included in the segmental analysis for the six months ended 31 December 2013 was restated to disclose the Europe CIS region seperately due to the increased materiality of this region to the Group. South Africa was restated to disclose only the total revenue in the entity-wide disclosure as the split between the pharmaceutical and consumer businesses is no longer material to the total Group results.

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.

Changes in directorate

D S Redfern was appointed to the Board with effect from 1 February 2015, following the resignation of S A Hussain with effect from that date.

Directors

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

Company Secretary

R Verster

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