

# Interim Results for the Six Months ended 31 December 2009



# STATEMENT OF COMPREHENSIVE INCOME RE-ANALYSED

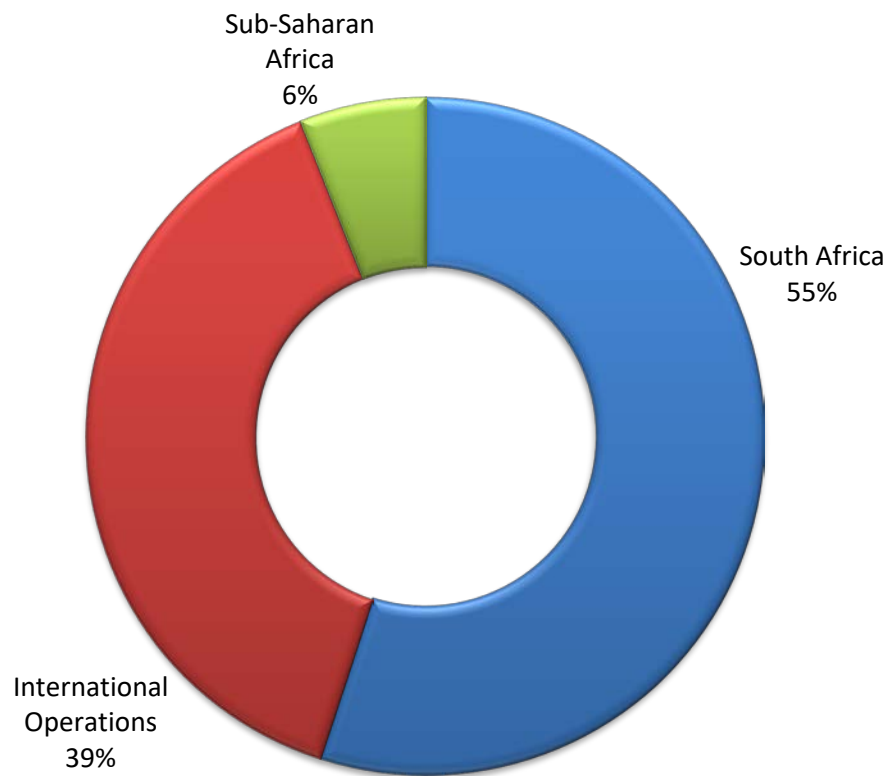
	6 Months Ended 31 Dec 2009 R'm	6 Months Ended 31 Dec 2008 R'm	% Change
Revenue from continuing operations	4 576	4 142	10%
Cost of Sales	(2 441)	(2 232)	
Gross Profit	2 135	1 910	12%
Net operating expenses	(925)	(730)	
Other operating income	151	4	
EBITA	1 361	1 184	15%
Amortisation	(47)	(48)	
Operating profit	1 314	1 136	16%
Net funding costs	(173)	(239)	
Share of after tax loss of associates	(1)	(2)	
Profit before tax	1 140	895	27%
Tax	(251)	(218)	
Profit after tax from continuing operations	889	677	31%
EPS from continuing operations	240.6 cents	188.7 cents	28%
HEPS from continuing operations	242.3 cents	190.2 cents	27%

# THE GSK TRANSACTIONS

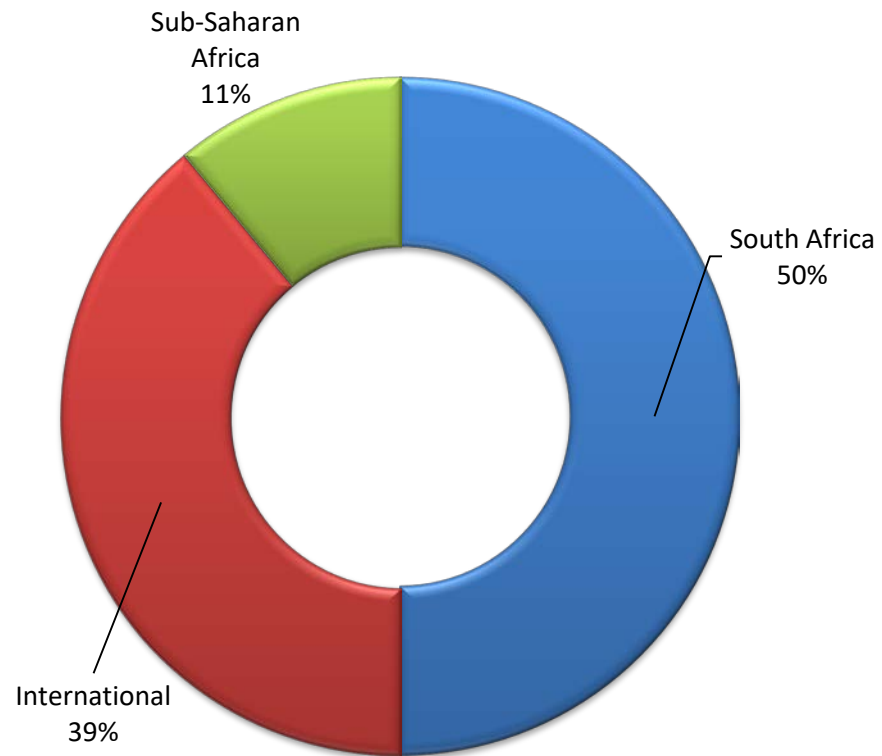
- 📌 Completed 1 December 2009
- 📌 Contribution for one month – in line with guidance
- 📌 68.5 million ordinary shares issued at R66.80 per share
- 📌 Transaction value of R4.6 billion
- 📌 Goodwill of R300 million
- 📌 South African transaction:
  - 100% of revenue disclosed by Aspen
- 📌 Sub-Saharan Africa collaboration:
  - Statement of comprehensive income – profit only
  - Segmental – 100% of revenue disclosed with reconciliation

# ANALYSIS OF SEGMENTAL REVENUE

**31 December 2009: R4.626bn**



**31 December 2008: R4.142bn**



# REVENUE BY MARKET – DOMESTIC BRANDS

	6 Months Ended 31 Dec 2009 R'm	6 Months Ended 31 Dec 2008 R'm	% Change
<b>SOUTH AFRICA</b>	<b>2 550</b>	<b>2 066</b>	<b>23%</b>
South Africa - Pharmaceuticals	1 975	1 525	30%
South Africa - Consumer	575	541	6%
<b>SUB-SAHARAN AFRICA</b>	<b>279</b>	<b>464</b>	<b>-40%</b>
<b>INTERNATIONAL</b>	<b>974</b>	<b>917</b>	<b>6%</b>
Asia Pacific	522	484	8%
Latin America	345	408	-15%
Rest of the World	107	25	334%
<b>TOTAL</b>	<b>3 803</b>	<b>3 447</b>	<b>10%</b>

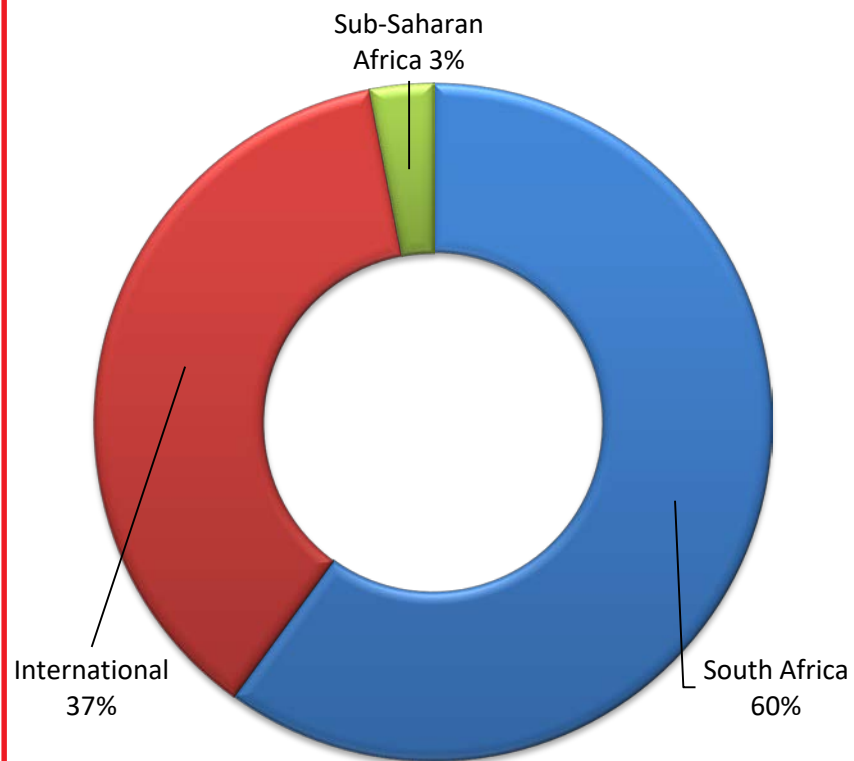
# REVENUE BY MARKET – GLOBAL BRANDS

	6 Months Ended 31 Dec 2009 R'm	6 Months Ended 31 Dec 2008 R'm	% Change
Asia Pacific	227	159	43%
Latin America	154	110	40%
EMENA	414	393	5%
Rest of the World	29	34	-15%
<b>Total</b>	<b>824</b>	<b>696</b>	<b>18%</b>

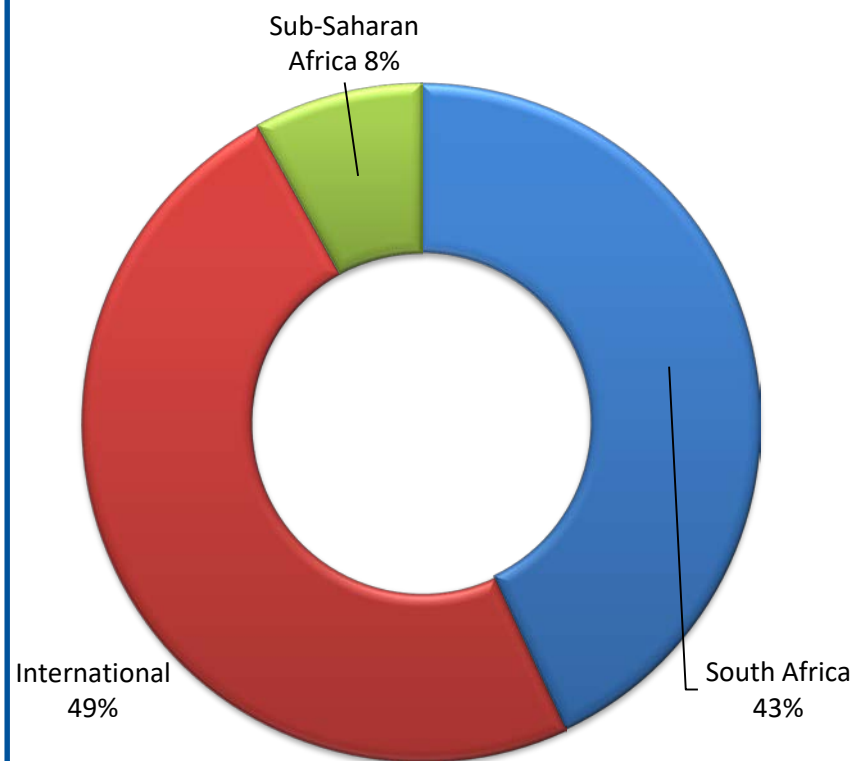


# ANALYSIS OF SEGMENTAL EBITA

**31 December 2009: R1.361bn**



**31 December 2008: R1.184bn**



# SEGMENTAL MARGINS

	6 Months Ended 31 Dec 2009	6 Months Ended 30 June 2009
<b>SOUTH AFRICA</b>	* 29%	26%
South Africa - Pharmaceuticals	32%	29%
South Africa - Consumer	* 17%	18%
<b>SUB-SAHARAN AFRICA</b>	16%	17%
<b>INTERNATIONAL</b>	27%	28%
<b>GROUP</b>	<u>* 28%</u>	<u>26%</u>

\* EBITA % has been normalised to exclude compensation for loss of profits received from insurers in respect of Aspen Nutritionals



# FUNDING COSTS

	6 Months Ended 31 Dec 2009 R'm	6 Months Ended 31 Dec 2008 R'm
Interest paid	281	311
Interest received	(91)	(116)
Net interest	190	195
Preference share dividends	14	21
Notional interest on financial instruments	1	(3)
Foreign exchange and fair value losses/(gains)	(32)	26
Net funding costs	<u>173</u>	<u>239</u>

# ABRIDGED BALANCE SHEET

## ASSETS

Non-current assets

Tangible fixed assets

Goodwill

Intangible assets

Investment in associates

Other non-current assets

Current assets

Cash

**TOTAL ASSETS**

**6 Months Ended**

**31 Dec 2009**

R'm

11 564

2 952

688

7 850

21

53

4 593

1 960

**18 117**

**Year Ended**

**30 June 2009**

R'm

6 921

2 374

398

4 104

22

23

3 536

2 065

**12 522**

## EQUITY & LIABILITIES

Capital & reserves

Non-current liabilities

Preference shares – liability

Long term interest bearing debt

Other non-current liabilities

Short term interest bearing debt

Other current liabilities

**TOTAL EQUITY & LIABILITIES**

9 713

3 821

390

3 052

379

2 428

2 155

**18 117**

4 263

4 038

392

3 434

212

2 670

1 551

**12 522**

# ABRIDGED CASH FLOW STATEMENT

	6 Months Ended 31 Dec 2009 R'm	6 Months Ended 31 Dec 2008 R'm	% Change
<b>Cash flows from operating activities</b>			
Cash operating profit	1 482	1 328	12%
Working capital requirements	(316)	(297)	6%
Cash generated from operations	1 166	1 031	13%
Net funding costs paid	(190)	(301)	-37%
Tax paid	(185)	(184)	1%
<b>Net inflow from operations</b>	<b>791</b>	<b>546</b>	<b>45%</b>

# KEY RATIOS

	6 Months Ended 31 Dec 2008	Year Ended 30 June 2009	6 Months Ended 31 Dec 2009
Gross margin %	46%	46%	47%
EBITA %	29%	27%	*28%
Gearing	59%	51%	29%
Net debt / EBITDA	2.3x	1.9x	1.5x
Net interest cover	6x	6x	7x
Return on shareholders equity (annualised)	38%	38%	38%
Working capital as a % of total Group sales (annualised)	24%	27%	**28%

\* Normalised to eliminate affect of insurance compensation

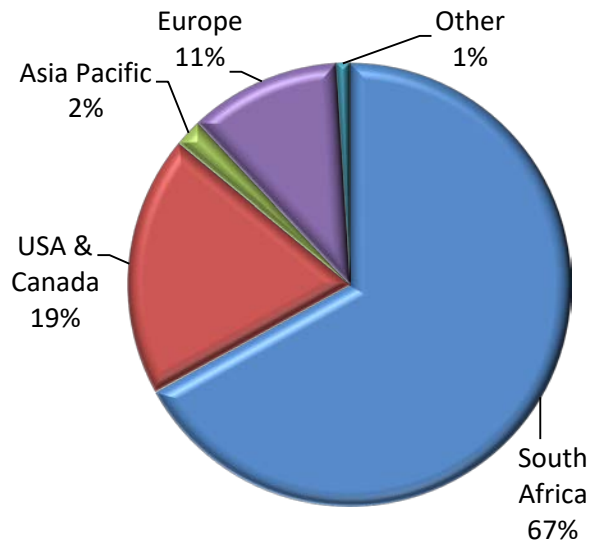
\*\* Excludes working capital acquired under the GSK transactions

# 2010 PERFORMANCE FACTORS

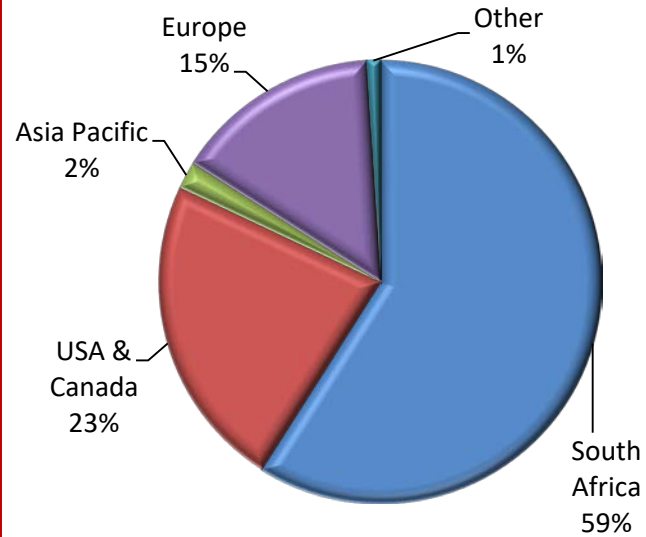
	September Presentation	YTD Actual	6 Months to June 2010
Effect of increase in SEP in SA	+	+	—
Organic growth in SA	+	+	+
Production capacity unlocked	+	+	+
Completion of GSK transactions	+	+	+
Transition of Global brands	—	Neutral	+
Relative currencies	?	Neutral	?
<b>Brazil</b>	<b>x</b>	<b>—</b>	<b>+</b>

# DISTRIBUTION OF FUND MANAGERS

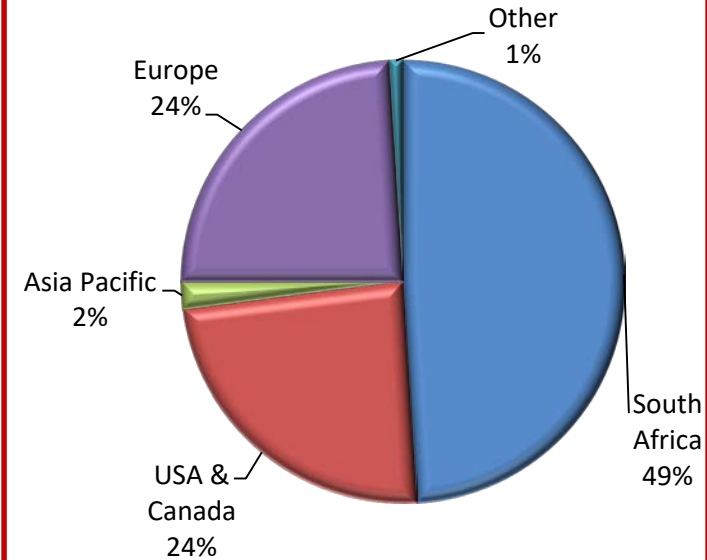
**As at December 2008**



**As at June 2009**



**As at December 2009**





# ASPEN GROUP – THE HEADLINES

- 💊 Aspen group sales has shown strong volume and value growths:
  - Global brands and Aspen South Africa overperforming
  - Latam and sub-Saharan Africa underperforming
  
- 💊 Results underpinned by strong cash flows:
  - Reduced funding costs
  
- 💊 Relative Rand hedge element displayed:
  - Strong Rand relative to basket of currencies
  - SA ↑ International ↓
  - Last year we saw the reverse
  
- 💊 GSK transactions to be included for the next six months
  
- 💊 The manufacturing investment is proving to be a competitive springboard:
  - Real reductions in costs achieved
  - Further reductions anticipated
  
- 💊 Key operational regions covered in detail:
  - Aspen in South Africa, sub-Saharan Africa, Latam and Asia Pacific

# Aspen in South



# ASPEN IN SOUTH AFRICA - INTRODUCTION

- 💊 Aspen's legacy stretches back over 150 years in South Africa, linking back to Lennon in 1850
- 💊 Through a passionate and committed team, the Group has achieved exceptional growth over the last 12 years:
  - CAGR of over 40% per annum
- 💊 Aspen is South Africa's number 1 pharmaceutical company in both the public and private sectors:
  - 16.2% of South Africa's total private market
  - 33.7% of South Africa's private generic market
  - Aspen's product offering includes more than 2000 SKU's
  - Aspen supplies one in four tablets to every public sector institution:
    - ~ Share to increase
  - Aspen supplies nearly three in four ARV tablets sold by the South African government
  - Aspen supplies between one in four / five of every dispensed script by pharmacists in the South African private sector



# ASPEN IN SOUTH AFRICA - INTRODUCTION

- 💊 Aspen is one of the top 20 generic manufacturers worldwide
  
- 💊 Aspen is arguably the largest manufacturer in the Southern Hemisphere, manufacturing in excess of 8 billion tablets with the capability of manufacturing, inter alia:
  - Steriles, lyophilised vials, liquids, semi-solids, oral contraceptives, infant nutritionals, fine chemicals, penems, hormonal vials, amps and FFS, cytotoxics, suppositories and injectables
  
- 💊 Aspen is Africa's largest pharmaceutical manufacturer:
  - 16 Manufacturing facilities
  - Across 5 continents
  - Aspen is the only company on the continent with FDA / WHO accredited facilities both at a FDF and API level
  
- 💊 Aspen is a global leader in generic ARVs:
  - Touch about 1 million lives per month

# ASPEN'S PERFORMANCE IN SOUTH AFRICAN MARKET

 Aspen has had an outstanding start in this financial year:


- Sales ↑ 23%
- Operating Profit ↑ over 50%

 Pharma business continues its growth trajectory:

- Price and volume increases
- Favourable exchange rate

 GSK business included for one month:

- Business seamlessly transitioned

 Consumer business has been affected by the economic cycles:

- IMF business affected by the fire:
  - ~ Expect to have manufacture back on line in July
  - ~ Alternate supply sourced ex Europe

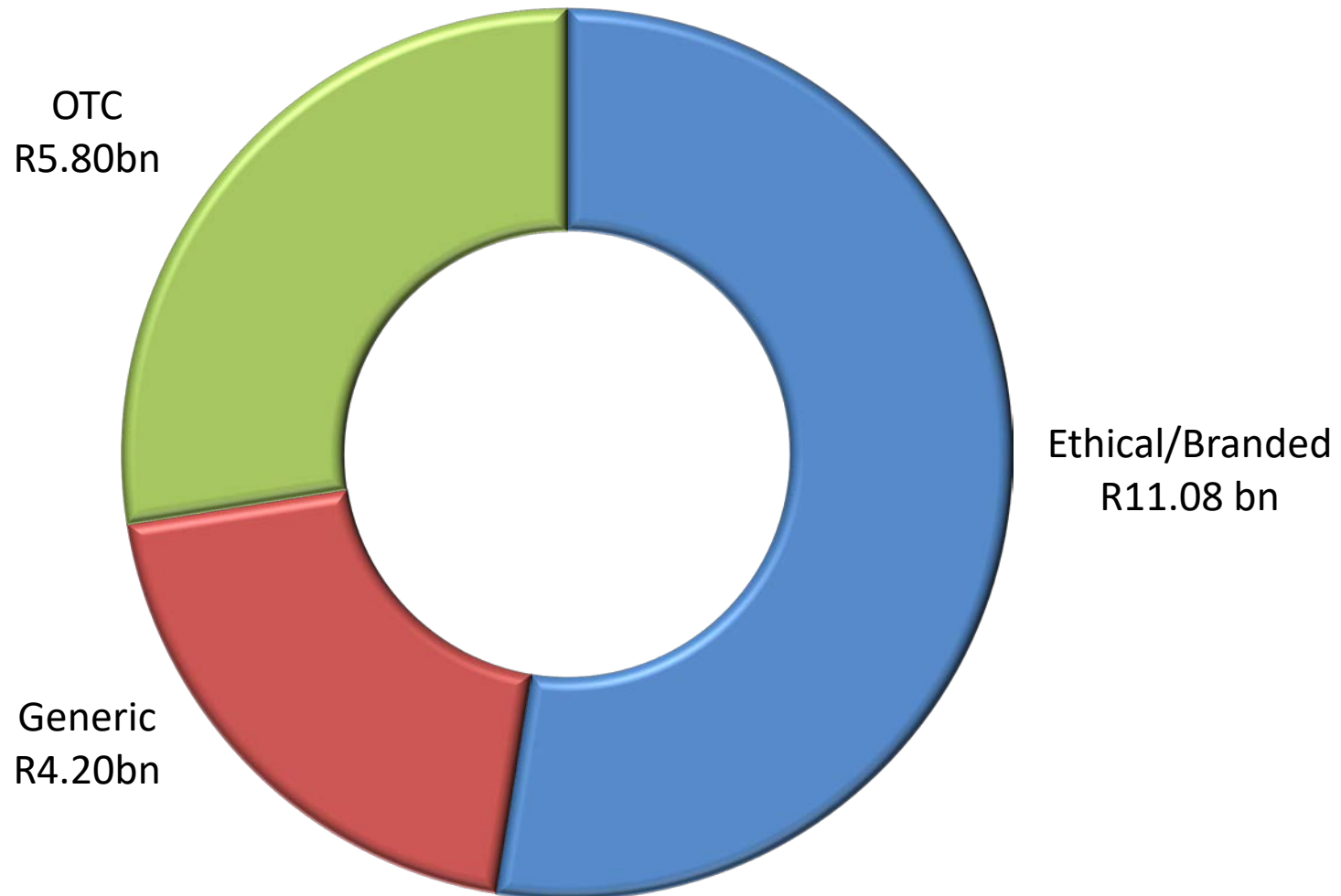
 Public sector:

- Recent awards confirm cost competitiveness:
  - ~ Analysed later
- Reliability proven during ARV scale up

 Results have underlined resilience of Aspen and our competitive advantages within the market

# THE MARKET PERFORMANCE

**Total Private Market as at December 2009 R21.08bn (December 2008 – TPM R18.56bn)**





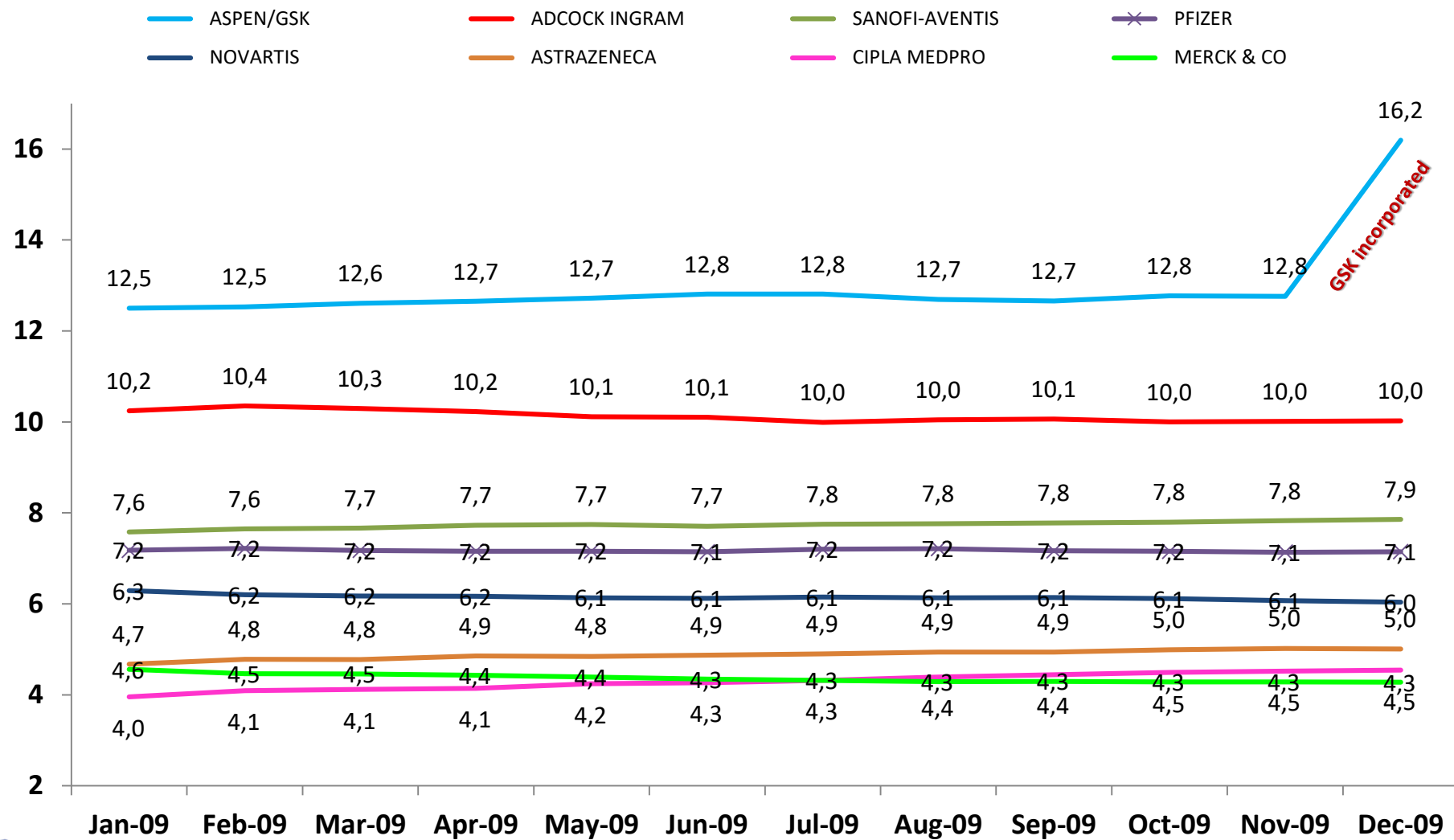
# THE MARKET PERFORMANCE

## South African Private Market Growth as per IMS – December 2009

	MARKET	ASPEN
Total	+14%	+18%
Generic	+18%	+15%
OTC	+12%	+18%
Branded	+13%	+24%

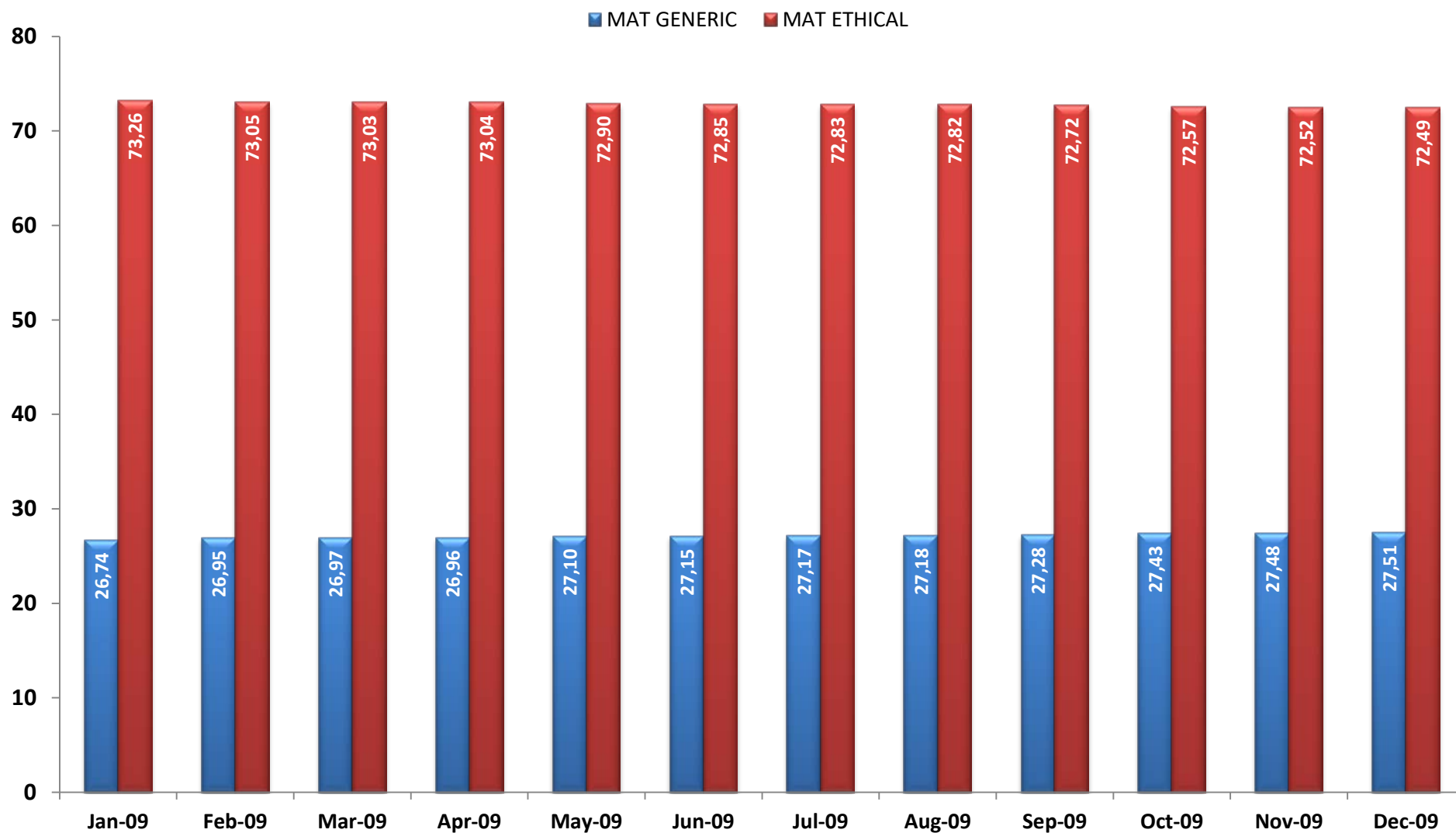
# ASPEN IN THE SOUTH AFRICAN MARKET

## Total Pharma Market MAT Rand Share % as per IMS – December 2009



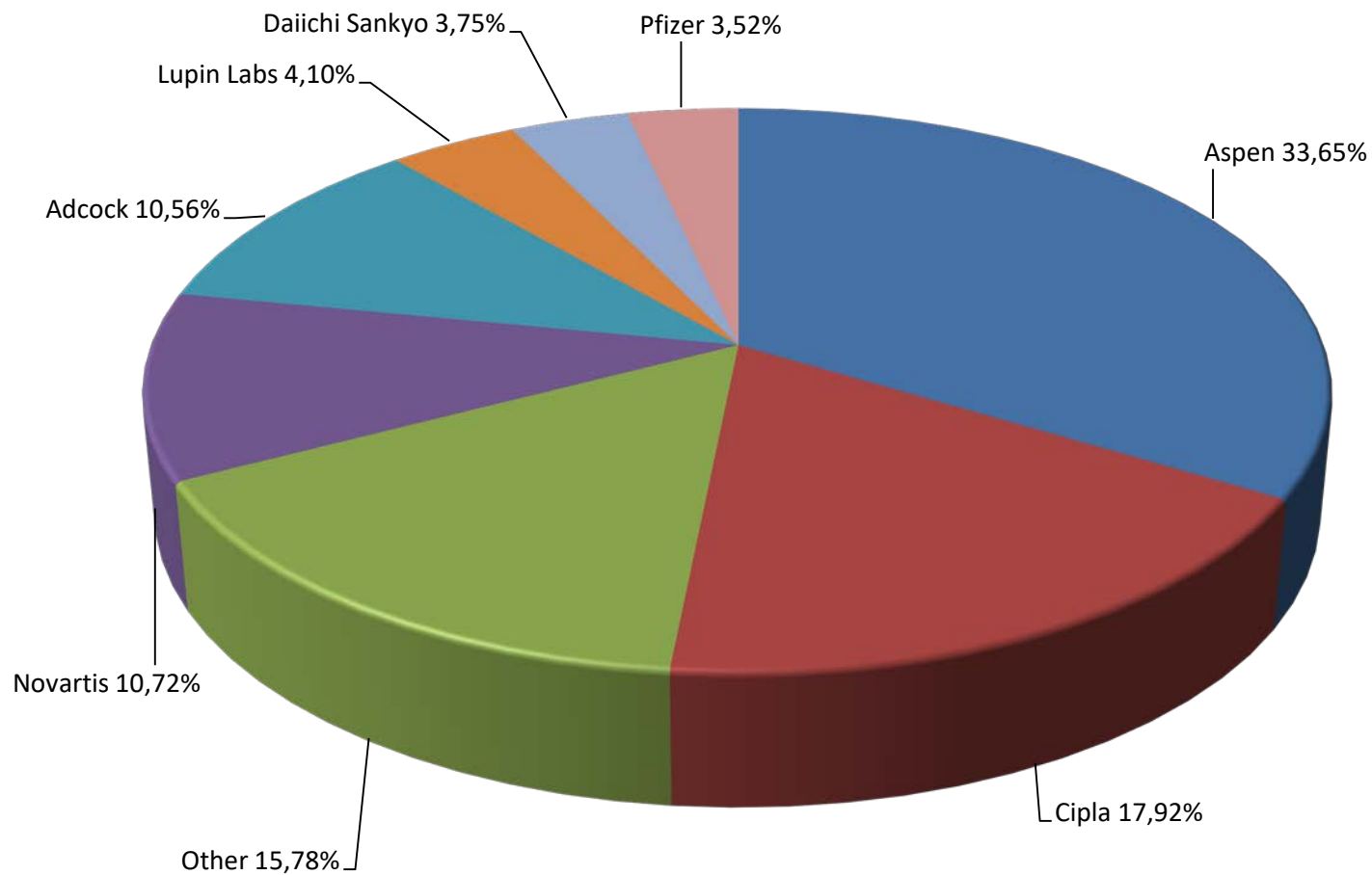
# GENERIC PERFORMANCE IN THE SOUTH AFRICA MARKET

South African Private Market MAT Rand Share % (Sch 3-7) as per IMS – December 2009



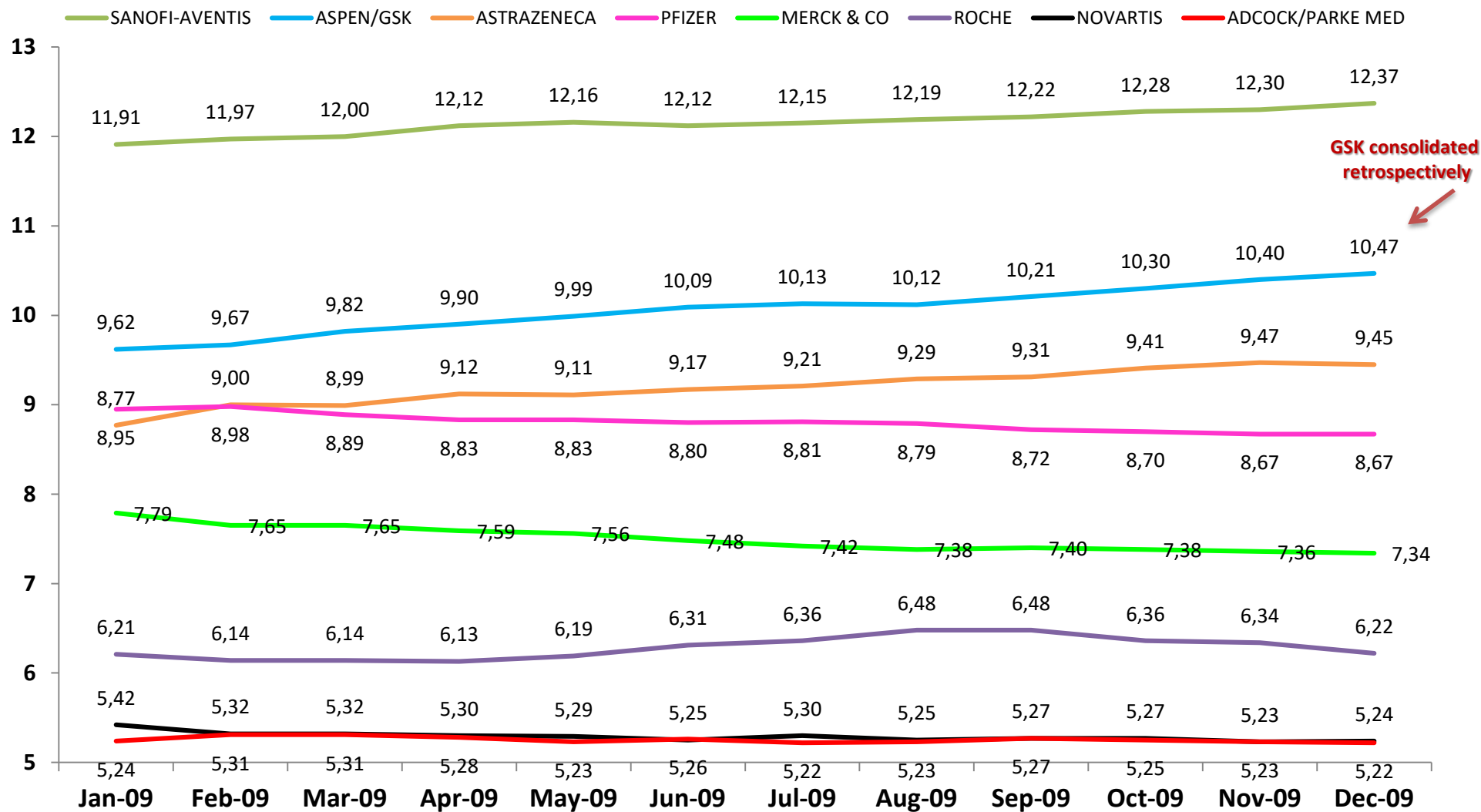
# PERFORMANCE IN THE SOUTH AFRICAN GENERIC MARKET

**Private Generic Market MAT Rand Share % as per IMS – December 2009**



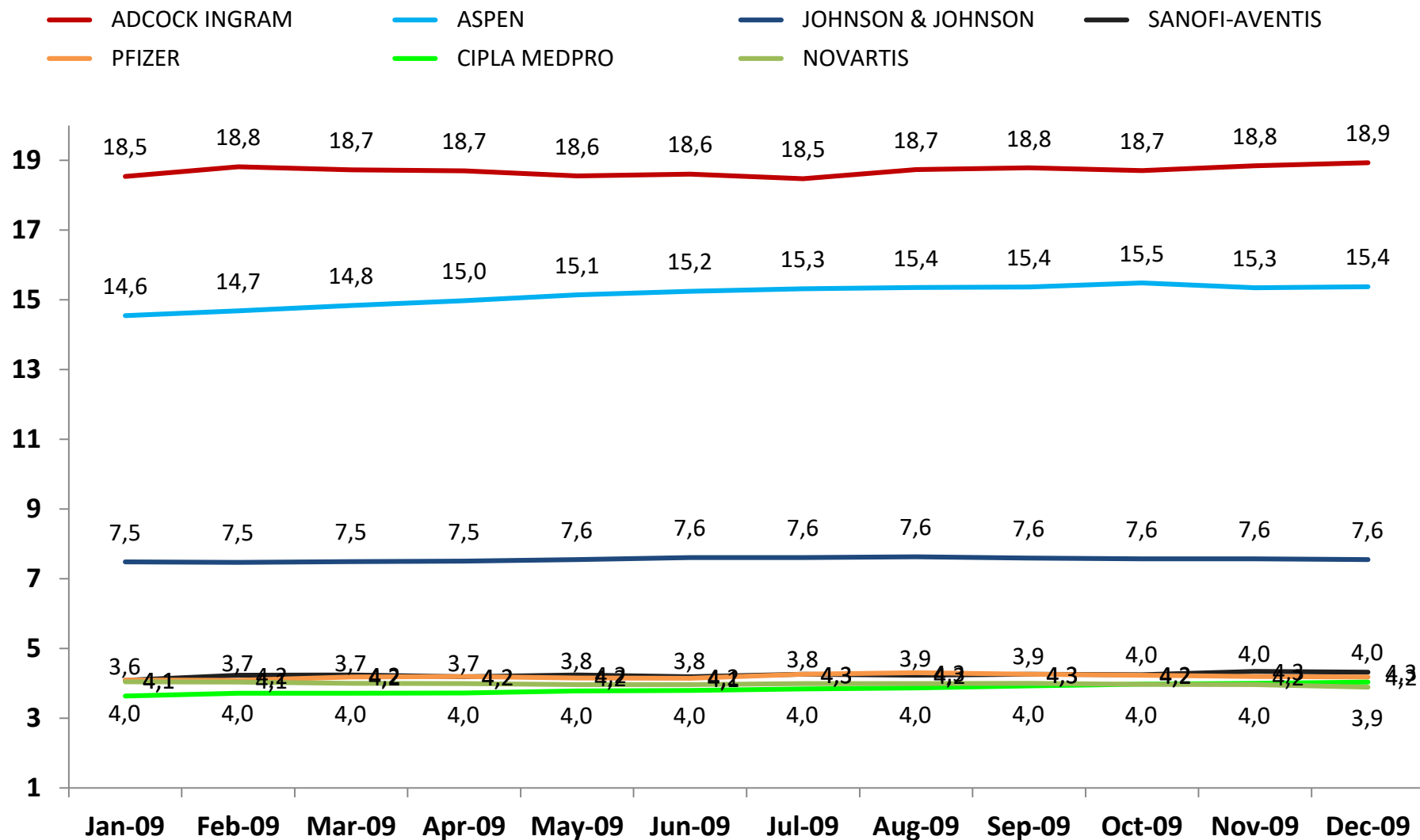
# ASPEN IN THE SOUTH AFRICAN MARKET

## Total Branded Market MAT Rand Share % as per IMS – December 2009



# ASPEN IN THE SOUTH AFRICAN MARKET

## Private OTC Market MAT Rand Share % as per IMS – December 2009





# ASPEN'S SOUTH AFRICAN MODEL

People



Pipeline



Products



Cost

Aspen has a simple model  
Business is simple – We don't complicate it!

# ASPEN'S STRENGTH OF REPRESENTATION FIELD FORCE SIZE IN SOUTH AFRICA

## People

	CUSTOMER SEGMENT	ASPEN RESOURCES
Private Sector	Prescribing GP's	275 Representatives
	Dispensing GP's	
	Pharmacies	
	Specialists	
	Private Hospitals	
	Key Accounts	9 Key Account Managers
	Funders and their intermediaries	3 Key Account Managers
Public Sector	Provincial Medicine Depots	7 Key Account Managers
	Hospitals, Clinics, etc. (Medical, Pharmacy & Nursing)	14 Representatives

Field force size affords Aspen a competitive share of voice and comprehensive coverage of all important customer segments

# TOP 20 THERAPEUTIC CLASSES – 1<sup>ST</sup> TEN

## Products/Pipeline

**Aspen has a presence in 19 of the top 20 therapeutic categories and in 14 of them we are performing better than the market**

MAT 11/2009			
	VALUE	GROWTH	SHARE
Selected Market Segment	20,871,409	13.4	100.0
N2B Non-Narcotic Analgesics	1,218,358	16.7	5.8
Aspen Group	186,093	22.4	15.3
A2B Antiulcerants	678,424	18.4	3.3
Aspen Group	104,718	31.2	15.4
J5C Antivirals	655,460	21.2	3.1
Aspen Group	363,939	23.7	55.5
N6A Antidepress. Mood Stab.	635,594	12.5	3.0
Aspen Group	155,636	29.1	24.5
C10A Cholest & Trigly Regulator	579,406	7.3	2.8
Aspen Group	20,006	10.6	3.5
M1A Antirheumatic Nonsteriod	533,724	11.2	2.6
Aspen Group	114,152	23.2	21.4
J1C Broad Spectrum Penicill	481,998	21.1	2.3
Aspen Group	224,361	17.7	46.5
R5A Cold Preparations	475,480	36.1	2.3
Aspen Group	85,008	45.1	17.9
L1X All Oth. Antineoplastics	419,452	12.0	2.0
Aspen Group	1,257	67.6	0.3
A10C Human Insulin + Analogues	407.029	13.9	2.0
Aspen Group	-	-	-



# TOP 20 THERAPEUTIC CLASSES – 2<sup>ND</sup> TEN

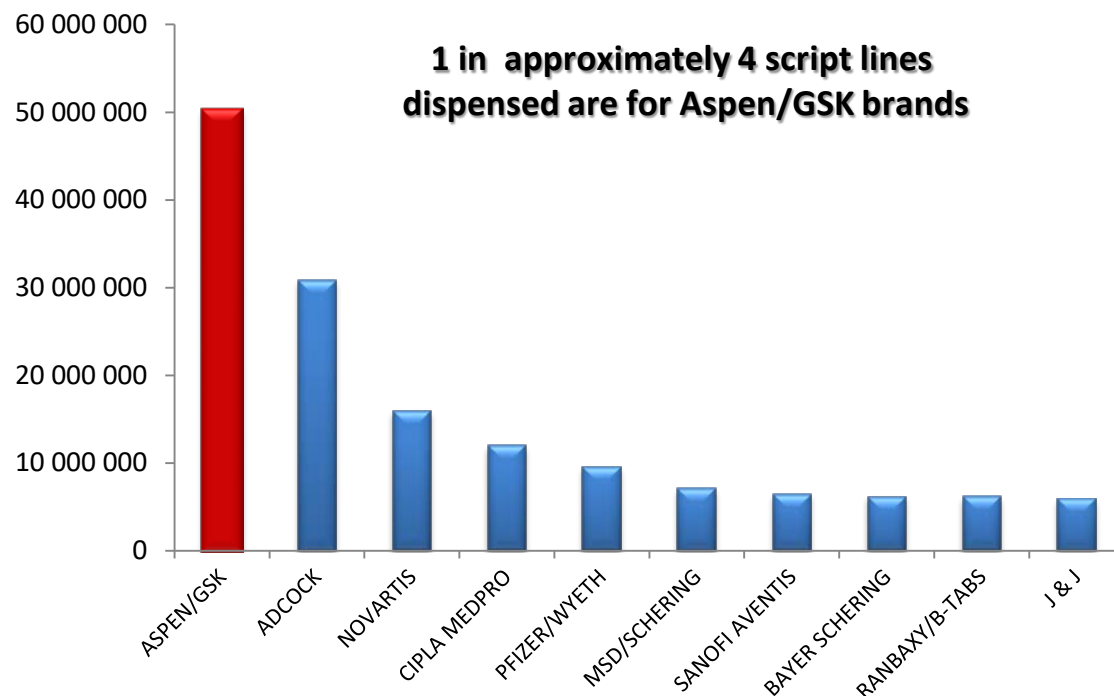
## Products/Pipeline

**Relevance of range displayed  
by our presence across a  
breadth of therapeutic classes**

MAT 11/2009			
	VALUE	GROWTH	SHARE
Selected Market Segment	20,871,409	13.4	100.0
N3A Anti-Epileptics	359,082	20.4	1.7
Aspen Group	49,761	26.3	2.4
J1D Cephalosporins + Combs	350,949	11.5	1.7
Aspen Group	74,829	-5.4	21.3
R1A Topical Nasal Preps	334,819	23.2	1.6
Aspen Group	53,704	63.8	16.0
R5C Expectorants	328,670	24.0	1.6
Aspen Group	42,769	33.3	13.0
J1G Fluoro-Quinolones	311,234	6.9	1.5
Aspen Group	13,358	0.4	4.3
N1A Anaesthetics General	309,099	-4.0	1.5
Aspen Group	35,550	20.1	11.5
C8A Calcium Antagonist Plain	279,099	16.2	1.4
Aspen Group	5,379	3.6	1.8
N5B Hypnotics + Sedatives	272,981	18.0	1.3
Aspen Group	50,298	25.1	18.4
R6A Antihistamines Systemic	250,433	21.3	1.2
Aspen Group	22,939	26.8	9.2
J1X Other Antibacterials	248,158	37.3	1.2
Aspen Group	12,173	4.0	4.9

# ASPEN IN THE SOUTH AFRICAN PRIVATE MARKET

**Result of having the best people and relevant, quality products**

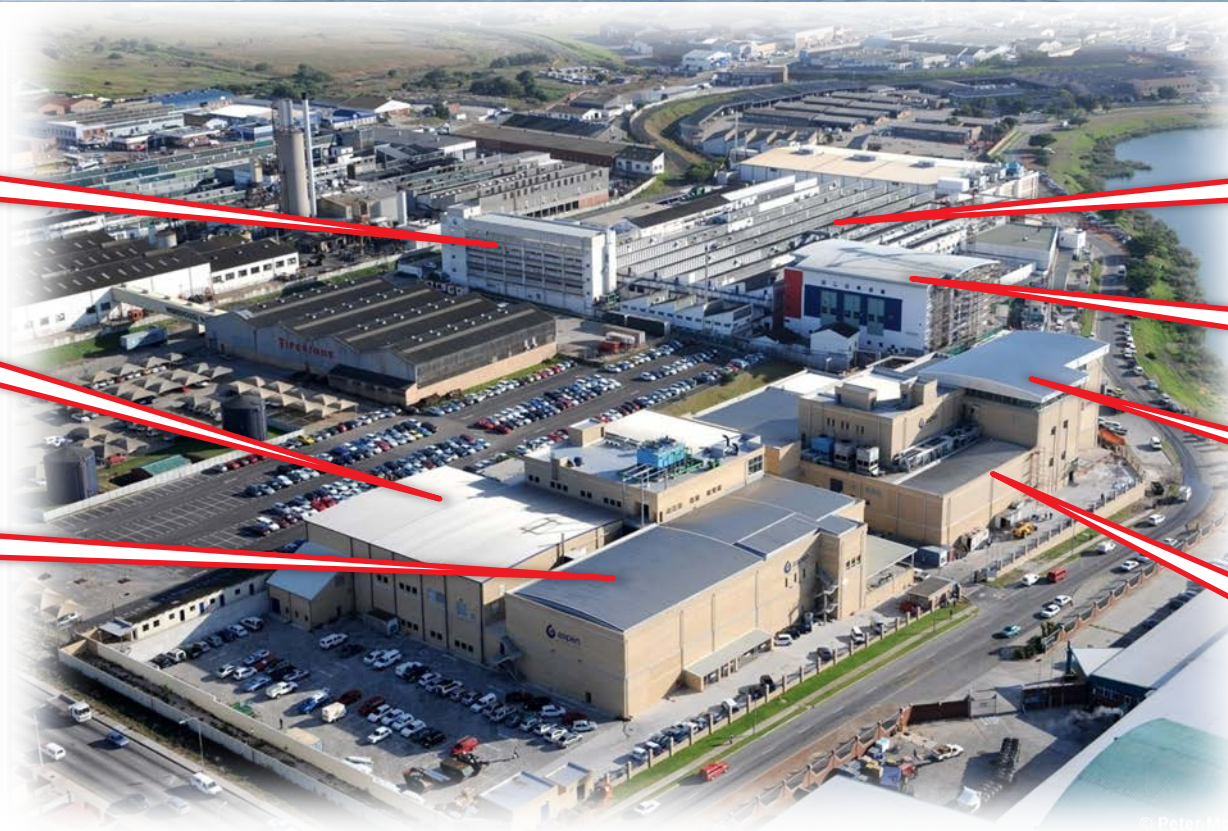


*Source: ImpactRx Report - this data was collected over the period January 2007 – June 2009*

**We don't only detail our products –  
we make sure they are actually dispensed**

MANUFACTURER	NO. OF SCRIPTS	% SHARE
ASPEN/GSK	50,289,176	23.8%
ASPEN PHARMACARE	44,709,665	21.1%
ADCOCK INGRAM	30,892,927	14.6%
NOVARTIS	16,034,743	7.6%
CIPLA-MEDPRO	12,022,442	5.7%
PFIZER/WYETH	9,601,399	4.5%
MSD/SCHERING	7,117,345	3.4%
SANOVI AVENTIS	6,479,418	3.1%
BAYER SCHERING PHARMA	6,277,183	3.0%
RANBAXY/BETABS	6,204,683	2.9%
JOHNSON AND JOHNSON	5,938,691	2.8%
MERCK	4,293,091	2.0%
ASTRA ZENECA	4,137,070	2.0%
SERVIER LABS	4,123,405	1.9%
PHARMA DYNAMICS	3,650,463	1.7%
BOEHRINGER INGELHEIM	3,369,168	1.6%
PHARMAFRICA	2,530,265	1.2%
NOVO-NORDISK	2,356,939	1.1%
RECKITT BENCKISER PHARMAC	2,273,038	1.1%
INOVA PHARMA	2,182,712	1.0%
ROCHE	1,986,812	0.9%

# GLOBAL COST COMPETITIVENESS – FOCUS ON COST OF GOODS



Technical Centre

Heritage facility

SVP facility

OSD 2

SVP Warehouse

OSD 1 Packing

OSD 1  
Manufacture

- Realising the benefits of our ambitious build plan
- Doubling capacity in OSD 1
  - 7% incremental cost
  - Can double this again
- Volume increases (including Global brand manufacture)
- Significant cost reductions – consolidation of sites

Electricity  
is 5% of  
our  
conversion  
cost

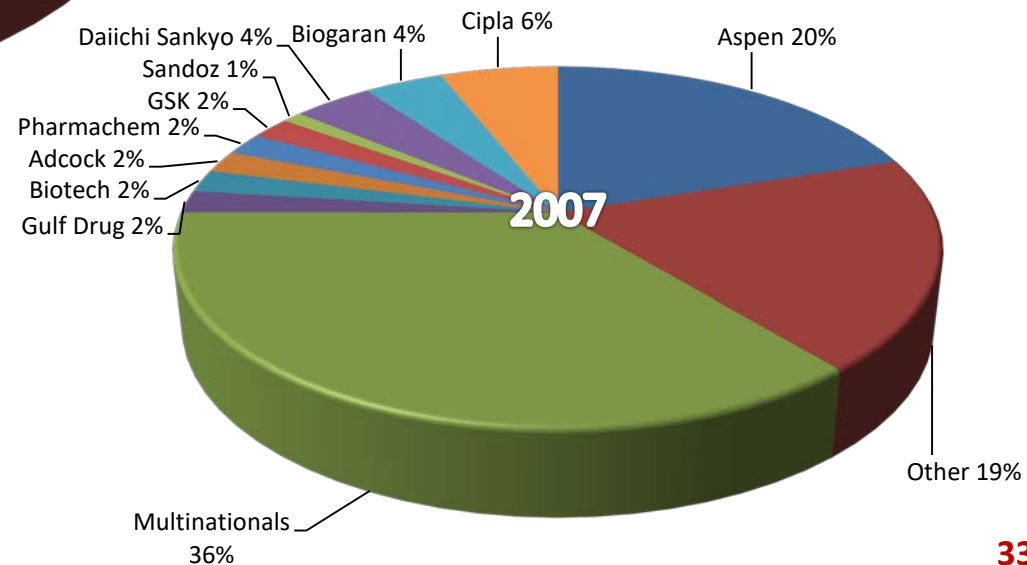
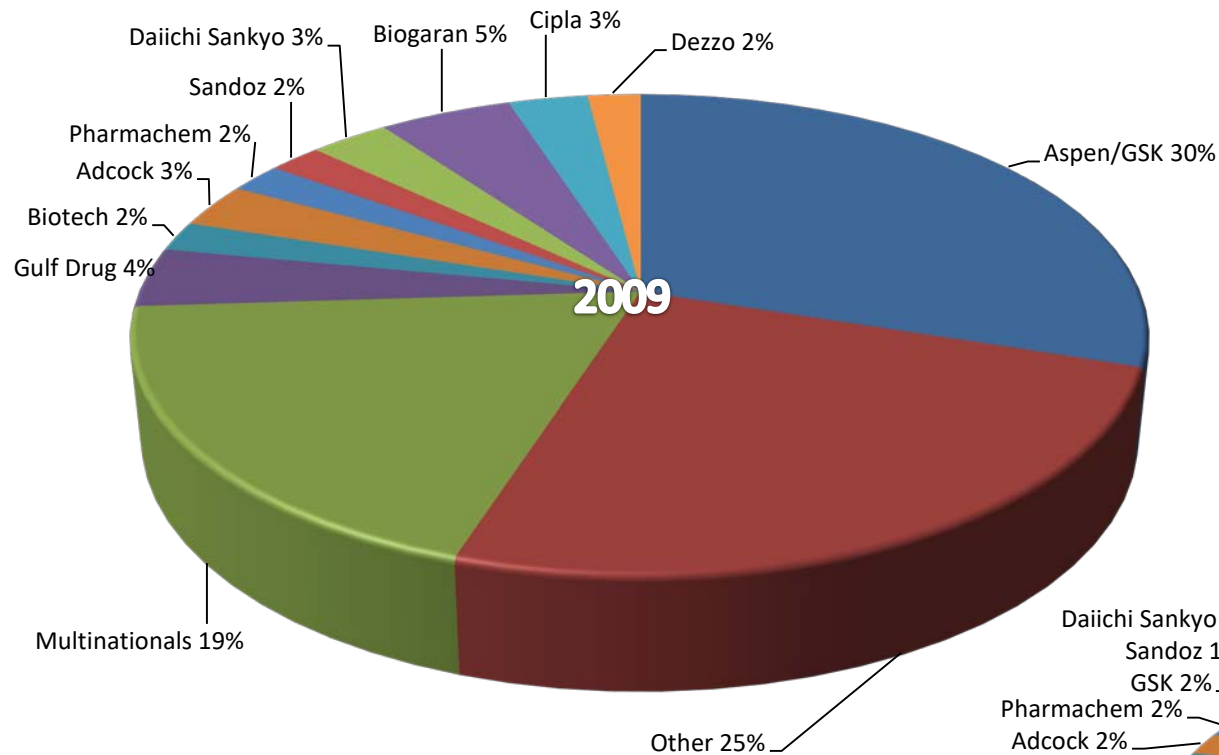


Targeting a 50% reduction in conversion costs over 3 years



# FOCUS ON GLOBAL COST COMPETITIVENESS

## Result of cost reductions – RT289 Solid Tender



# PROSPECTS FOR THE NEXT SIX MONTHS

 Volume increases to continue

 SEP price increase was in February 2009:

- SEP increase in April/May 2010?
- Relative increase versus last year will not include the same price effect

 Incorporation of GSK business:

- Will add about R400 million to sales for next six months

 Continued conversion efficiencies:

- Contribute to improved costs

 ARV tender to be awarded in June:

- Limited profitability:
  - ~ Predominantly affects manufacture / jobs
  - ~ Shifts will have more challenges operationally rather than commercially
- Expect a further ramp up in lives to be covered

# PROSPECTS – ASPEN IN THE SOUTH AFRICAN MARKET

We have said historically:

**“The greatest reward for those of us working within Aspen is the ability to successfully juggle”**

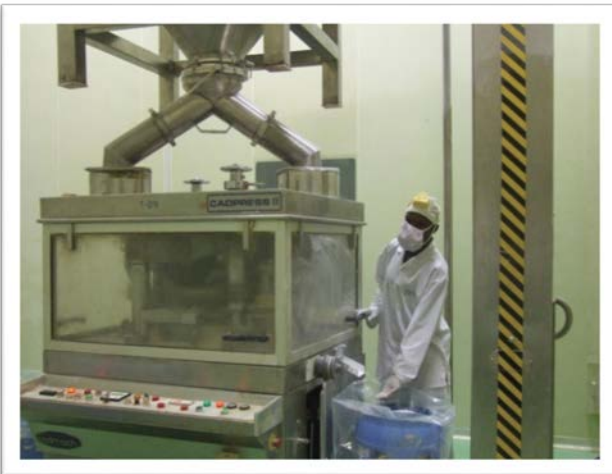
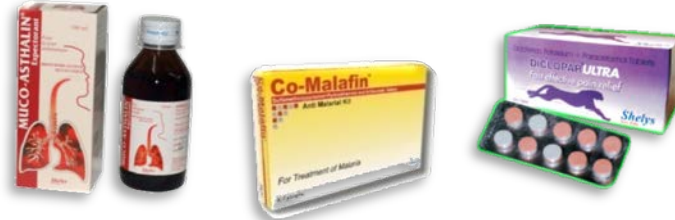


**For an additional challenge now we have added a new ball for the team**





# Aspen in Sub-Saharan Africa



# REST OF SUB-SAHARAN AFRICA (SSA)

💊 Current interest in SSA is in following broad categories:

💊 Export from South Africa:

- Negatively affected by ARV genericisation:
  - ~ Commitment to procure API from licensor
- Pipeline focus on hormonals, IMF, OTC and other niche products
- Have infrastructure / capability to register Aspen-owned IP

💊 Shelys/Beta in East and Central Africa:

- Focus on private market paying dividends

💊 Collaboration with GSK:

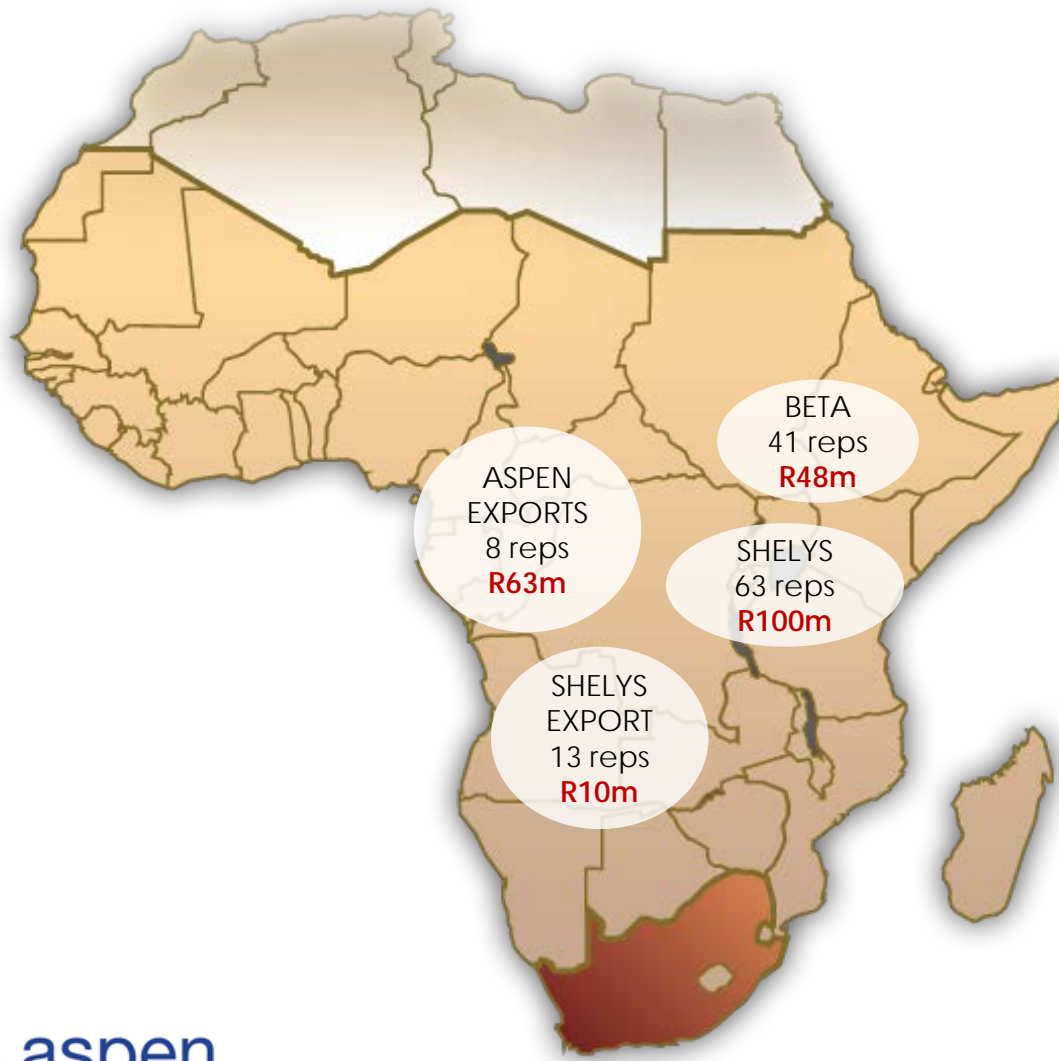
- See attached geographical sales breakdown
- Rolling out the regulatory process





# SHELYS AFRICA & ASPEN EXPORTS

Six Months to December 2009



## SHELYS/BETA

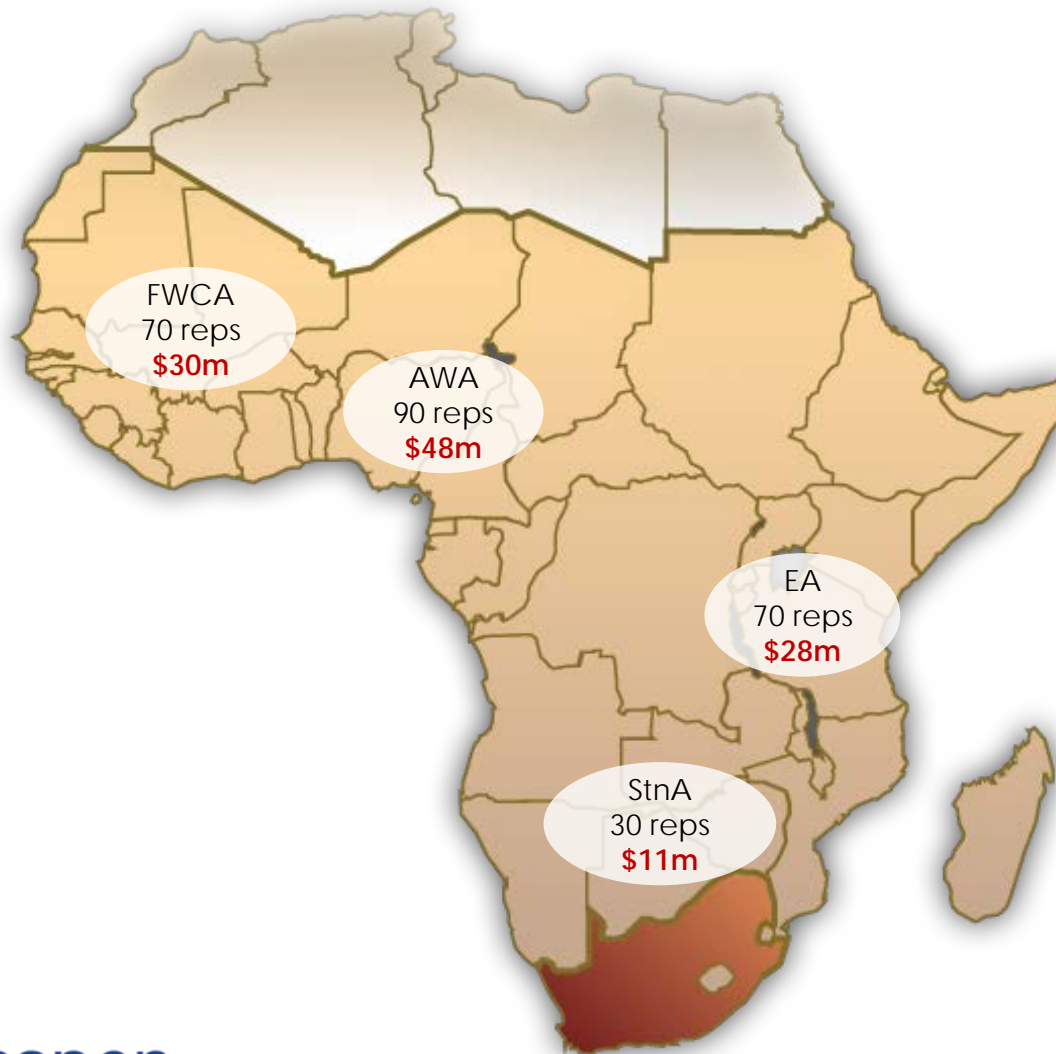
- Shelys Africa consists of:
  - ~ Shelys Pharmaceuticals (Tanzania)
  - ~ Beta Healthcare (Kenya & Uganda)
  - ~ Shelys Export – (focus on Southern/East Africa)
- Sales force is in-house and contract rep teams
- Total rep force : 98 + 19 contract

## ASPEN EXPORTS

- Local distributors for sales & distribution
- 8 reps and extensive distributor network

# GSK ASPEN HEALTHCARE FOR AFRICA

## Calendar Year 2009 – Annual Sales



- Extensive cover of 4 regions:
  - ~ FWCA – 15 countries
  - ~ AWA – 5 countries
  - ~ EA – 9 countries
  - ~ StnA – 9 countries
- Sales teams mostly in-house
- Some regions have additional contract / wholesale teams that work exclusively for the collaboration

**TOTAL REP FORCE : 260**

**TOTAL SALES : \$117 million**

# ASPEN IN REST OF SUB-SAHARAN AFRICAN (SSA)

- 💊 These territories are particularly difficult to trade in
- 💊 Individual territory market sizes are generally too small to warrant individual company representation
- 💊 Supply chain including distribution and collection are significant barriers to entry
- 💊 Have market coverage across all of SSA:
  - Currently hold 736 registrations
  - 274 products in the registration process
  - 1 261 registrations planned for submission in 2010
- 💊 Deep understanding of each market and its needs:
  - In-country relationship with regulatory authorities
- 💊 Over 360 reps and numerous distributors across the continent
- 💊 Demonstrated manufacturing commitment in Africa
- 💊 Number 1 together with GSK Aspen Healthcare for Africa in many if not most African markets with nearly \$200 million of annualised sales:
  - Scale is a critical success factor in smaller markets



**An investment with Aspen means not only investing South Africa's number 1 Pharma Company, but South Africa and the rest of Sub Saharan Africa's number 1**



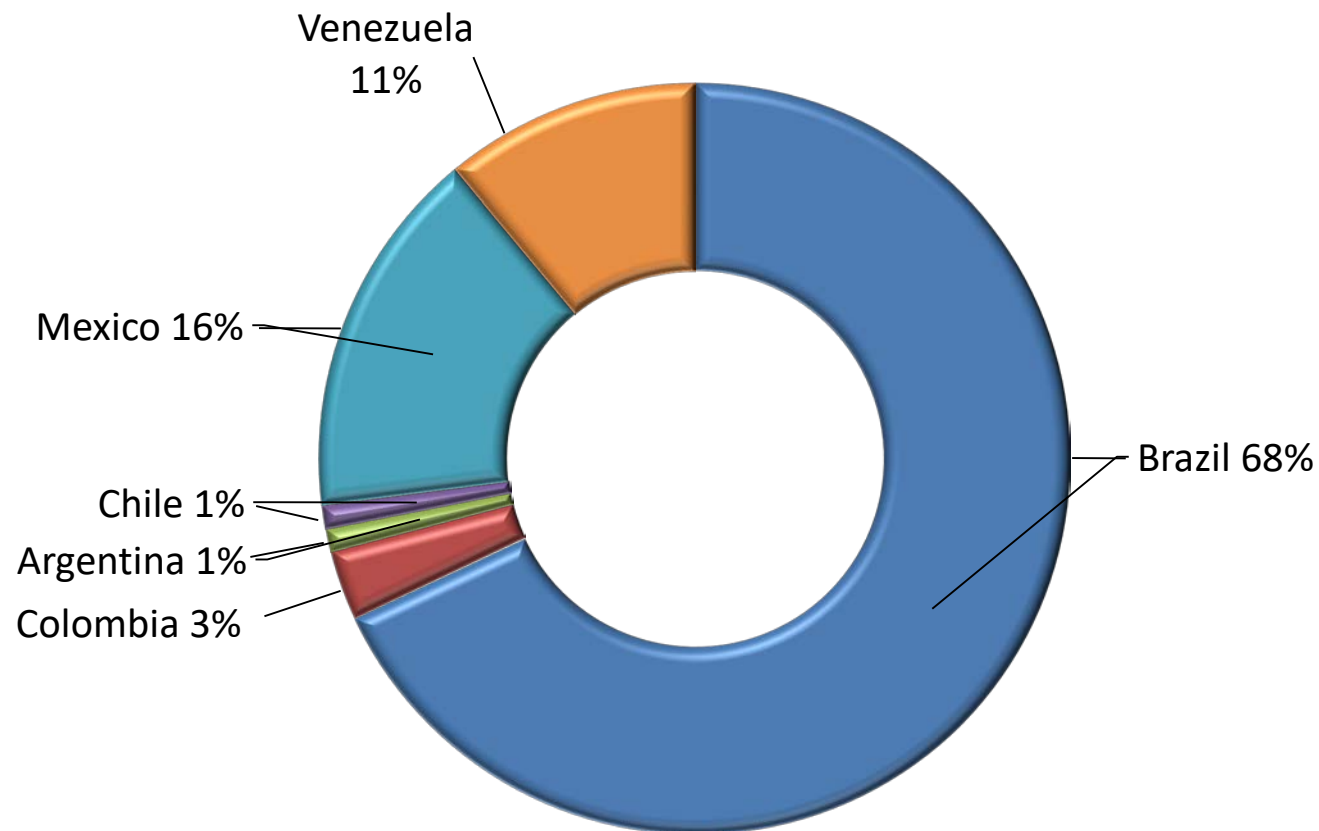


# Aspen in Latam





## Latam Sales by Territory - Six Months December 2009 : R500 million



Global brands constitute 31% of sales

- 💊 Exercised option on balancing 49%:
  - Awaiting regulatory approval
  
- 💊 Strides to pay ± \$75 million to Aspen for Campos and other assets:
  - Facility better fit for Strides' global strategy
  - Under recovers within Aspen infrastructure
  - Strides better positioned to manage commodity markets
  
- 💊 Significant restructure of Brazil:
  - Headcount reduced from over 450 to less than 300
  - Net expenses reduced by over R100 million annualised
  
- 💊 Advanced stage of negotiation to finalise branded opportunities
  
- 💊 Organic pipeline in Brazil is significant:
  - We expect numerous important registrations within the next 12 months

## Further insulin registrations:

- Will make a contribution to the second half results

## Brazil expected to return to profitability for the next six months:

- Result of restructuring
- Non-recurrence of current period once-off expenses
- Profitability enhanced through:
  - ~ Pipeline launch
  - ~ Successful closure of current negotiations
  - ~ Further transitioning of global products
  - ~ Regional Global brand sales to double post transition

## Now have both hands on the region the business is starting to take the intended shape

## Already making a meaningful contribution to revenue:

- Now resized to contribute to profitability

# ASPEN IN LATAM

- Increased representation in Mexico and Venezuela:
  - Support Global brands
  - Support own dossiers
- Moved a team to be headquartered in Colombia:
  - Will include Venezuela
  - Colombia, Chile, Ecuador, Peru and Argentina being assessed



# Aspen in Asia Pacific



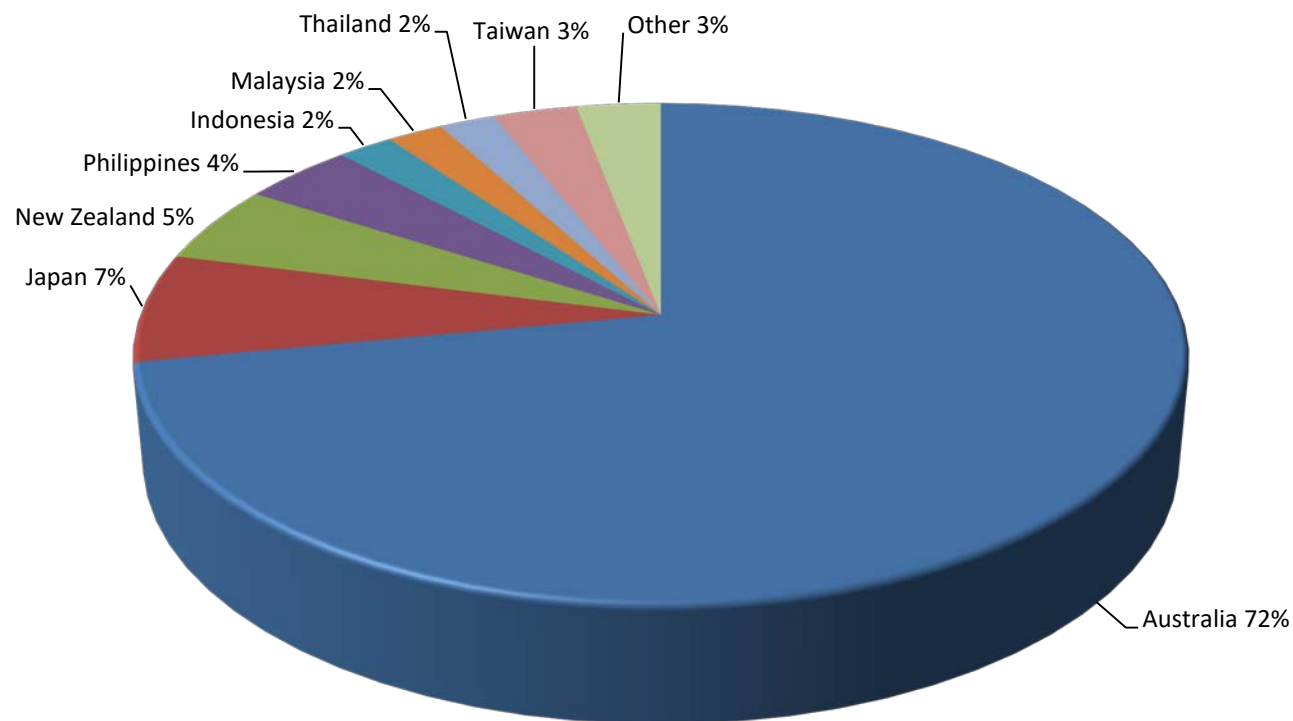


# ASPEN IN ASIA PACIFIC

## Asia Pacific Sales By Territory

- 📌 Australia – 72% of sales
- 📌 Asia will continue to grow:
  - Aspen Asia fully functional
  - Head quarters in Hong Kong
  - Volumes in Japan up by 10%
- 📌 Outstanding management team
- 📌 Growth trajectory continues

**Six Months to December 2009 : R748 million**



# ASPEN IN ASIA PACIFIC - PROSPECTS

## Additional growth from further licensing agreements and pipeline:

- Will add to the second half of financial year

## Reviewing opportunities in South East Asia:

- Intention to establish infrastructure in Philippines
- Base to supply ASEAN market
- Regulatory harmonisation

## Significant contributor to Aspen Group:

- This will continue
- Global brands for the region to increase
- Opportunities within Australia being explored
- Investment region for Aspen

# SUMMARY AND PROSPECTS

- 💊 Currency balance demonstrated:
  - Will continue into the future
  - Shift balance between South Africa and Global contributions
  
- 💊 GSK transactions to be included in next six months:
  - Contribute to both sales and operating income
  - Anticipate sales of nearly R900 million in the next six months
  
- 💊 Strong cash flows to continue
  
- 💊 Manufacturing investment paying dividends:
  - Volumes ↑
  - Costs rationalised
  - Reduced conversion cost
  
- 💊 In South Africa:
  - Sales growth influenced by SEP increase and timing
  - Volumes growth to continue
  - Simple plan – simple focus:
    - ~ People, relevant products, pipeline and costs
  - We have done this for years and we are sticking to the formula

# SUMMARY AND PROSPECTS

## Sub-Saharan Africa:

- GSK Aspen Healthcare commences and will be the major contributor
- Focus on pipeline enhancement with over 1000 filings planned in next 12 months

## Latam:

- Restructured and reshaped
- ~ Expect positive performance for the next six months

## Asia Pacific:

- Continues to deliver and Asia becoming more significant

## Global brands:

- Continue growth through increased representation in emerging markets
- Increased costs of distribution
- Cogs reductions will be significant in medium term

**Expect growth to be sustained with currency influencing geographic profitability and a continuation of our strong cash flows and profitability**