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celebrating 20 YEARS

PRESS RELEASE

Aspen Pharmacare Holdings Limited (“Aspen”)
(Incorporated in the Republic of South Africa)
(Registration Number 1985/002935/06)
(Share code APN ISIN: ZAE000066692)

13 September 2018 **Aspen One**

Aspen’s revenue increases to R42.6 billion and it reaches agreement on the divestment of its Nutritionals Business

Johannesburg - JSE Limited listed Aspen Pharmacare Holdings Limited (APN), a leading global pharmaceutical company, has announced today, in conjunction with the announcement of its annual results for the year ended 30 June 2018, that it has concluded an agreement to divest of its global Nutritional Business to the Lactalis Group.

Stephen Saad, Aspen Group Chief Executive said, “We are pleased to announce that an agreement has been signed to divest of our Nutritionals Business to French-based Lactalis Group, a leading multinational dairy corporation, for Euro 740 million (R12.9 billion at current exchange rates). The disposal is in line with our strategic intention to focus our attention on our core pharmaceutical business which includes the Anaesthetics, Thrombosis and High Potency & Cytotoxic portfolios. The heightened focus is expected to drive increased business efficiency and performance.”

“This year we celebrate 20 years since we listed on the JSE. Over the past two decades we have evolved from being a domestic generics player to a global multi-national focusing on specialised niche products that are complex to manufacture. Generic products contribute less than 15% to the Group’s pharma revenue today and our strategic focus is on building our specialty portfolio.”

DIVESTMENT OF GLOBAL NUTRITIONALS BUSINESS TO LACTALIS FOR EUR 739.8 MILLION

With reference to Aspen’s earlier announcement wherein it advised that it had undertaken a strategic review of its Global Nutritionals Business predominantly carried on in Latin America, Sub-Saharan Africa and Asia Pacific under the S-26, Alula and Infacare brands (“Nutritionals Business”), Aspen is pleased to announce that it has concluded an agreement to divest of its Nutritionals Business to the Lactalis Group, a leading multinational dairy corporation based in Laval, France, for a fully funded cash consideration of EUR 739.8 million / R12.9 billion (translated at ZAR17.4/EUR) (“the Transaction”).

The Lactalis Group is a privately owned, global leader in the dairy industry with revenue of EUR 18.4 billion, sales in over 200 countries, approximately 80 000 employees and 246 industrial plants in 47 different countries. Lactalis’ strategic intent is to develop a global infant nutritional business to complement their existing global product range. The transaction is considered to be a compelling opportunity for both the transferring Aspen employees as well as the shareholders of both Aspen and Lactalis.

In terms of the Transaction, the disposal of the Nutritionals Business will comprise the following elements:

- Intellectual property and any related goodwill presently owned by:
  - Aspen Holdings and Pharmacare Limited in respect of the South African and Sub-Saharan Africa Nutritionals Businesses; and
  - Aspen Global Incorporated in respect of the Latin American and Asia Pacific Nutritionals Businesses;
- Tangible assets (including plant, leased immovable property, equipment, associated fixed assets and inventory) presently owned by various Aspen Group companies in respect of the South African, Sub-Saharan Africa and Latin American Nutritionals Businesses;
- Product registrations and retail registrations regarding Aspen's nutritional products;
- Shares in companies conducting Aspen's Nutritional Business across Asia Pacific (including the acquisition of shares held by joint venture partners in New Zealand and Hong Kong); and
- Transfer of dedicated Nutritionals staff employed within each of the geographical regions.

Rationale

Aspen's disposal of the Nutritionals Business will allow the Aspen business units in Asia Pacific, Latin America and Sub-Saharan Africa to dedicate all of their time and attention to their core pharmaceutical businesses. This heightened focus is expected to drive increased business efficiency and performance.

Aspen believes that Lactalis' entrepreneurial spirit and commitment to develop a leading global position in infant nutrition will provide the Nutritional Business and the transferring Aspen employees with exciting future opportunities for growth and development.

Financial information

The Global Nutritional Business contributed ZAR 3.091 billion to Group revenue and ZAR 512 million to Group segmental contribution profit for the year ended 30 June 2018.

The proceeds of EUR 739.8 million will be reduced by approximately EUR 62 million which will be utilised to buy-out Aspen's joint venture partners in New Zealand and China.

The balance of the proceeds from the Transaction, after costs and taxes, will be utilised to reduce Aspen's gearing, creating greater headroom and capacity.

Conditions precedent and completion

The Transaction is conditional upon the fulfilment of a number of conditions precedent, the more material of which are the following:

- Approval by the Mexican and South African Competition/Anti-Trust authorities;
- South African Reserve Bank approval to the extent required under the Exchange Control Regulations;
- New Zealand and Australian foreign investment approvals to the extent required;

- Signature by Aspen and Lactalis of implementation agreements, including certain regional asset purchase and share purchase agreements with the various Aspen subsidiaries; and
- Signature or renewal of certain transitional service and other incidental agreements, some of which are with third parties.

It is anticipated that the Transaction will complete within the next 6 months.

Categorisation of the Transaction

The Transaction is categorised as a Category 2 transaction in terms of the JSE Limited Listings Requirements.

Withdrawal of Cautionary Announcement

Aspen has advised shareholders that following the release of the full details of the divestment of the Nutritionals Business, shareholders no longer need to exercise caution when dealing in their Aspen securities in this regard.

GROUP PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

- Revenue increased by 3% to R42.6 billion.
- Normalised headline earnings per share (“NHEPS”) rose by 10% to 1604.9 cents.
- Normalised EBITDA increased by 5% to R12.0 billion.
- Earnings per share grew by 17% to 1316.6 cents.
- Headline earnings per share increased by 13% to 1468.8 cents.
- Operating cash flow per share increased by 8% to 1537.3 cents.
- Distribution to shareholders per share increased by 10% to 315.0 cents.

Lower earnings in the second half of the year than in the first half were primarily influenced by the unfavourable impact of the strengthened ZAR. At constant exchange rates (“CER”), revenue in the second half of the financial year was in line with that of the first half. However, the stronger ZAR in the second half resulted in ZAR reported second half revenue being lower by R1.3 billion.

Significant factors influencing performance for the year were as follows:

- Underlying positive organic growth in Commercial Pharmaceuticals;
- Strong growth in China in the first full year of operation in that country;
- The inclusion for the full year of the Anaesthetics portfolios acquired during the course of the prior year and the margin benefit of the residual rights to the Astra Zeneca (“AZ”) Anaesthetics acquired with effect from 1 November 2017;
- A decline in manufacturing revenue and profitability; and
- Additional operating expenditure related to the development of structures in China and Japan.

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 CER being a restatement of 2017 performance at 2018 average exchange rates.

	Reported June 2018	Reported June 2017	Change at reported rates	CER 2017	Change 2018/2017 at CER
Years ended 30 June	R'million	R'million	%	R'billion	%
Revenue	42 596	41 213	3	40 690	5
Normalised EBITDA*	12 031	11 416	5	11 427	5
NHEPS (cents)	1 605	1 463	10	1 462	10

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

From this point forward in the commentary, all 2017 revenue numbers are stated in CER and all percentage changes in revenue between 2018 and 2017 are based on 2017 CER revenue in order to enhance the comparability of underlying performance.

The synergy programme yielded benefits of approximately R0.5 billion during the year. This helped offset the impact of Anaesthetics supply challenges and price cuts in Developed Markets.

SEGMENTAL PERFORMANCE

Therapeutic Focused Brands

Therapeutic Focused Brands comprising the Anaesthetics, Thrombosis and High Potency & Cytotoxic portfolios, recorded revenue of R18.9 billion which amounted to 44% of Group revenue. Gross profit from Therapeutic Focused Brands of R11.0 billion was at an improved gross margin percentage, primarily due to the benefits from the acquisition of the residual rights to the AZ Anaesthetics and improvements in cost of goods of the Thrombosis portfolio.

Anaesthetics Brands

Anaesthetics delivered revenue of R8.3 billion, advancing 21%. The inclusion of this portfolio for the full year following the acquisition of the products from AZ and GSK during the course of the prior year assisted to lift the rate of growth. Emerging markets grew more quickly, led by a strong performance in China. The full potential of the portfolio was not realised due to disruptions in supply from the AZ production network.

Thrombosis Brands

Revenue from the Thrombosis portfolio rose 12% to R6.4 billion supported by growth across all the brands in the portfolio. The addition of Fraxiparine and Arixtra in China midway through the prior year assisted this outcome. China produced pleasing half-on-half growth and was an important driver in the 18% advance in revenue in Emerging Markets. Developed Markets recorded a satisfactory 7% improvement in revenue.

High Potency & Cytotoxic Brands

Revenue from the High Potency & Cytotoxic Brands declined 9% to R4.2 billion. Increased generic presence in Developed Europe had a negative influence on results and performance in other Developed Markets was generally down.

Other Pharmaceuticals

Other Pharmaceuticals comprising Regional Brands and Manufacturing, delivered 1% higher revenue of R20.6 billion at a narrowing gross profit percentage due primarily to challenges in the manufacturing segment.

Regional Brands

Regional Brands comprise 34% of Group revenue with Sub-Saharan Africa ("SSA") and Australasia making up 80% of this category. Revenue from Regional Brands increased by 5% to R14.3 billion. The absence of Hydroxyprogesterone Caproate ("HPC") sales during the year resulted in reduced sales in the USA. Excluding HPC and various divestments/discontinuations from the results, the underlying revenue growth in Regional Brands was 8%. SSA was the leading contributor to growth, supported by a 11% rise in revenue from the South African business. Australasia produced solid results, raising revenue 2% despite the legislated price cuts imposed. The Latam and Asian countries also performed well, growing by 17% and 27% respectively.

Manufacturing

Manufacturing revenue declined 5% to R6.2 billion. Active pharmaceutical ingredient revenue was stable. Finished dose manufacturing revenue declined 22%, largely as a consequence of a major customer losing a tender for the supply of a product in China.

Nutritionals

The brand transition to Aspen's new global infant formula brand, Alula, and the launch of Alula in China were important milestones achieved during the year. Gross profit remained at prior year levels as initiatives to lower cost of goods offset a revenue decline of 2%. Sub-Saharan Africa continued to grow revenue while Australasia and Latam were slightly lower. Increased promotional spend was put behind the business to support the brand transition and the launch in China.

PROSPECTS

The impending disposal of the Nutritionals Business is another step towards shaping Aspen into an enterprise that is absolutely focused on its portfolio of valuable branded pharmaceuticals. The Group is a uniquely positioned multi-national with its weighting towards Emerging Markets and offers a portfolio of critical medicines with enduring global demand. Emerging Markets are expected to continue to lead growth in Commercial Pharmaceuticals. Supply constraints are expected to impact Anaesthetics at a similar level to that experienced in the past year.

Manufacturing revenue will be lower as limited availability of mucosa will prevent the Group from supplying third parties with heparin and the full year effect is felt of the termination of the major supply contract referred to earlier. The Nutritionals Business is well set to deliver a positive performance as benefits of many of the initiatives undertaken in the last year begin to be realised although the contribution will clearly be limited to the period prior to completion of the disposal.

The Group will continue its projects aimed at reducing cost of goods which have already proven successful in protecting gross profit margins from the price erosion experienced in recent years. This includes the capital expenditure programmes underway at the Port Elizabeth, Notre Dame de Bondeville and Bad Oldesloe sites targeted at bringing the manufacture of a significant portion of the Anaesthetics portfolio into Aspen facilities. Complex manufacturing capabilities represent a critical strategic advantage for the Group.

Strong operating cash flows are anticipated to continue although there will be additional investment in inventory required to facilitate various planned changes in manufacturing sites aligned to the initiatives aimed at lowering cost of goods.

Foreign exchange rates will continue to be a factor affecting relative ZAR performance. Further divestments will be considered where portfolios are identified which are no longer aligned to the Group's specific areas of focus. Deleveraging the Aspen balance sheet will give headroom for other potential opportunities.

Aspen declared a 10% higher dividend of 315 cents (2017: 287 cents) payable on 8 October 2018.

Ends

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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 and High Potency & Cytotoxic 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/

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