aspen HOLDINGS

Healthcare. We Care.

Business segment overview 2022

Business segment overview*

Sterile Focus Brands

Aspen's Sterile Focus Brands, used in an acute hospital setting, include a diverse range of sterile pharmaceutical preparations of high quality, niche medicines across the Anaesthetics and Thrombosis therapies.

27% of Group revenue

34% of Group gross profit

	2022 R'million	2021 (CER) R'million	Change %
Revenue	**10 253**	10 512	(2)
Gross profit percentage	**60,7%**	60,0%	

Key brands

Brand	Description
Diprivan	General anaesthetic
Emla	Local anaesthetic
Fraxiparine	Low molecular weight heparin
Marcaine	Regional and spinal anaesthetic
Ultiva	Opioid analgesic
Xylocaine	Regional anaesthetic

Performance

The Sterile Focus Brands portfolio showed resilient performance amidst headwinds in Asia and Europe CIS, withstanding global challenges. Revenue decreased by 2% to R10 253 million for the 12 months ended June 2022 as compared to the prior year. The prior year was positively impacted by COVID-19 vaccine demand showing an increase of 9%. Lower second half sales in Europe CIS and China negatively affected year-on-year growth. The geopolitical situation in Russia and Ukraine lowered sales performance in Europe CIS. Flat sales growth in Asia was maintained, despite the adverse effects of volume-based procurement ("VBP") and the recent COVID-19 lockdowns in China. Although China has started to reopen, the hospital volumes have not returned to pre-lockdown levels and are approximately at 60-80% of volume levels. A higher gross profit of 60,7% (FY2021: 60,0%) benefited from cost of goods savings through site transfers from third-party to in-house manufacture of anaesthetics, was partially offset by the impact of VBP and higher logistical costs.

Prospects

Sterile Focus Brands are expected to deliver solid single-digit growth in the coming financial year. Aspen's guidance is informed by an expected post-lockdown recovery in China and steady growth in Europe CIS notwithstanding the annualised impact of lower sales to Russia. In the medium term VBP in China will continue to remain a potential risk and Aspen has initiated several strategic plans to diversify, grow and de-risk the portfolio to ensure sustainable long-term growth.

The plan for the transfer of manufacture of a large proportion of our anaesthetic portfolio from FDF third-party contractor sites to Aspen-owned facilities in South Africa, France and Germany has commenced. This will result in steady gross margin benefits earned from Sterile Focus Brands in the medium term. Although we have made good progress in Germany, there have been delays in South Africa and France due to the reprioritisation of vaccines and COVID-19 disruptions, respectively. These delays will extend the completion date beyond the previously communicated timeline that all transfers would be completed by the end of the 2024 financial year by at least 18 to 24 months.

* All commentary in the Business segment overview reflects CER performance.

Business segment overview* continued

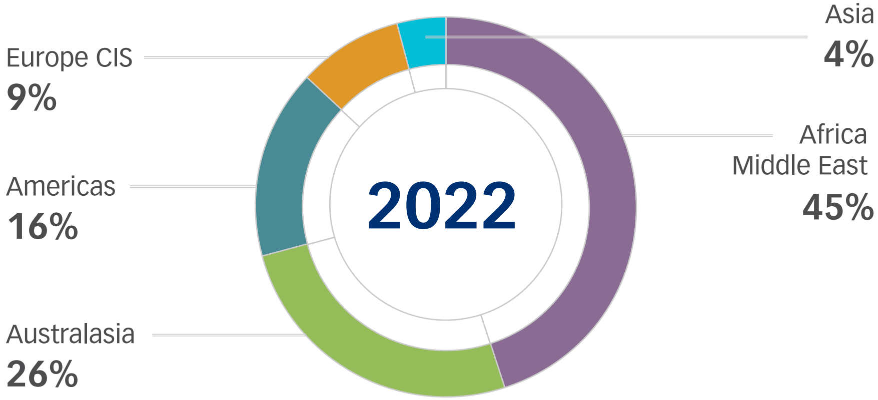
Regional Brands

Regional Brands is the largest revenue contributor and comprises a portfolio of global and domestically recognised brands across OTC, consumer, branded and generic prescription products. Across our key territories, experienced in-country marketing and sales teams promote and support the organic growth of these brands.

45% of Group revenue

54% of Group gross profit

Regional Brands revenue

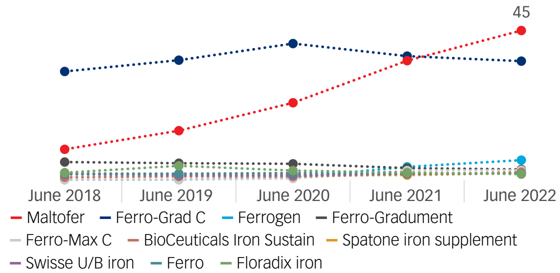


	2022 R'million	2021 (CER) R'million	Change %
Revenue	**17 405**	16 895	3
Gross profit percentage	**56,5%**	54,6%	

Key brands

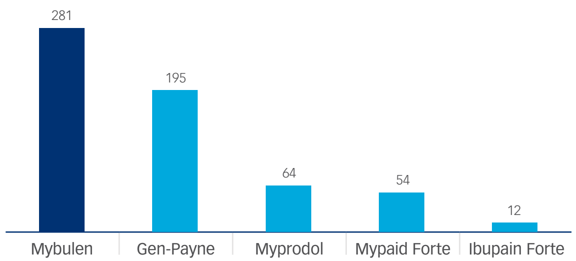
Brand	Therapeutic category
Circadin	Sleeping aid
Eltroxin	Thyroid hormone
Imuran	Immunosuppressant
Maltofer	Iron supplement
Mybulen	Analgesic anti-inflammatory
Ovestin	Hormone replacement therapy

Australia: OTC iron deficiency market, Maltofer vs competitors (MAT^ values, AUD'million)



^ Moving annual total ("MAT")
Source: IQVIA June 2022

South Africa: Mybulen vs competitors
(MAT^ values, R'million)



^ Moving annual total ("MAT")
Source: IQVIA June 2022

* All commentary in the Business segment overview reflects CER performance.

Business segment overview* continued

Performance

Regional Brands revenue increased by 3% to R17 405 million, with 13% growth from Australasia and 8% from the Americas, being the major contributors and benefiting from having strong OTC portfolio performances. Severe supply constraints, including a fire at Aspen's Alphamed site in India, and product portfolio divestments impacted the performance in South Africa, with Africa Middle East down 3%. The final impact of the mandated European oncology price cuts reduced the strong base revenue growth in Europe CIS from 11% to 1% as confidence begins to build in the restructured Europe CIS team. Excluding the annualised impact of the product divestments in South Africa and the oncology price cuts, Regional Brands grew 5%. Gross profit percentage was up at 56,5% (FY2021: 54,3%), driven by cost of goods savings and portfolio optimisation, combined with a favourable product mix.

Prospects

In the coming financial year, we anticipate the current organic growth momentum to be sustained, supported by a strong recovery in Africa Middle East through new product launches and stable product supply following a year of severe supply constraints.

The Australian region will be negatively impacted by the regulated price decreases, with an estimated impact of AUD10 million. However, the region will continue to focus its efforts on growing its OTC prescription (OTX) portfolio that has shown strong double-digit performance and that is not exposed to regulated price reductions. This includes the benefit of incremental revenue from the recent acquisition of OTC products from ENTT. We will continue to evaluate bolt-on acquisition opportunities in line with our capital allocation and portfolio management models with a strong preference for emerging markets and OTC products.

* All commentary in the Business segment overview reflects CER performance.

Business segment overview* continued

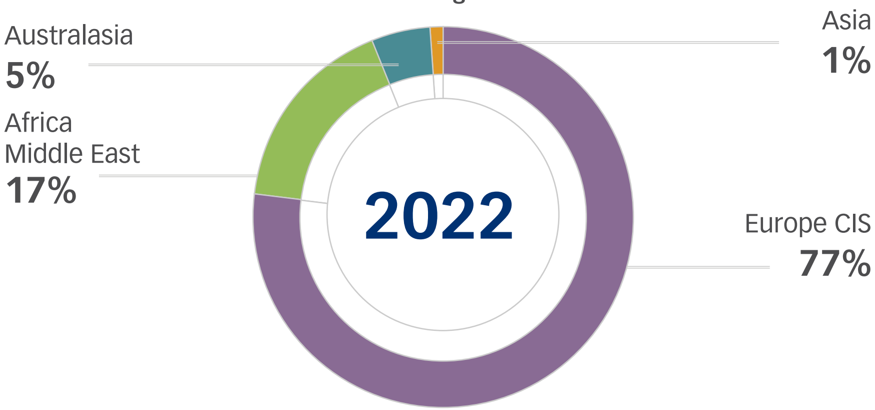
Manufacturing

Aspen has 23 manufacturing facilities across 15 sites. Our strategic manufacturing sites are widely accredited, holding international approval from some of the most stringent global regulatory agencies. We manufacture a wide variety of product types including steriles, oral solid dose, liquids, semi-solids, biologicals and APIs.

28% of Group revenue

12% of Group gross profit

Manufacturing revenue^



^ Based on source of manufacture.

	2022 R'million	2021 (CER) R'million	Change %
Revenue			
API	**4 737**	4 849	(2)
API (Biochem)	**778**	1 161	(33)
FDF	**5 433**	3 307	64
Total	**10 948**	9 317	18
Gross profit percentage	**20,6%**	20,6%	

Performance

Performance in the Manufacturing segment was sustained as revenue increased 18% to R10 948 million, led by FDF growth of 64%. This included R1,4 billion in revenue from the fill and finish production of the Johnson & Johnson COVID-19 vaccine at the Gqeberha sterile manufacturing facility. This growth was partly diluted by the API business. Manufacturing in general was negatively impacted by supply-related constraints imposed by COVID-19 in the first half of the financial year and enjoyed a strong second half recovery, growing sales by 14% compared to the first half.

Gross profit at 20,6% was consistent with the prior year, even after dilution for the annualised impact of the supply agreements at low/no margin, related to disposal transactions. Excluding the impact of these disposal transaction-related supply agreements, gross margin increased in all segments. These improvements were achieved despite numerous operational and supply chain related challenges, as well as notable inflationary increases in operating and supply chain costs.

Prospects

Aspen has manufactured over 225 million doses of COVID-19 vaccine, predominantly for Africa. The decline in demand from Johnson & Johnson will have an unfavourable impact on Manufacturing performance in FY2023. We anticipate that any future COVID-19 doses in Africa will be pivoted to Aspenovax, in line with the regional procurement pronouncement and as committed by the African Union, COVAX and AVATT, but the extent of this demand is uncertain. Strong second half weighted revenue growth in FDF from our French facility is expected to more than compensate for the loss of revenue from the Johnson & Johnson COVID-19 vaccine and single-digit revenue growth is anticipated.

Aspen has continued to invest in the expansion of its sterile manufacturing capacity in Gqeberha to be used for vaccines and other steriles, including biological products. The commitment to an additional capital investment of R2 billion will be spread over financial years 2022 to 2024. The statement from the African Union, which called for support to achieve at least a 30% offtake of all

* All commentary in the Business segment overview reflects CER performance.

Business segment overview* continued

vaccines from African manufacturers is a strong endorsement supporting this ongoing strategic capital investment. The signature of a long-term agreement with Serum Institute for Aspen to manufacture, market and distribute four Aspen-branded vaccines in Africa is an important milestone as Aspen seeks to optimise its sterile manufacturing capacity in Gqeberha.

Several other potential long-term opportunities are being explored with various multinational partners and Aspen's ambition is to secure these by the end of the 2023 financial year. The contribution from the manufacture of the Johnson & Johnson COVID-19 vaccine enhanced operating performance in the current year, but declining demand from Johnson & Johnson will have an unfavourable impact on Manufacturing performance in the 2023 financial year, unless substituted by orders for Aspenovax. Due to the technology transfer timelines, other sustainable long-term contracts and commercial manufacturing opportunities will only be realised from financial year 2024 onwards.

The four routine paediatric vaccines, Pneumococcal, Rotavirus, Polyvalent Meningococcal and Hexavalent vaccines, represent some of the most important vaccines to Africa and Gavi. Aspen will register its own marketing authorisation and Serum Institute will supply the drug substance to Aspen. It is anticipated that the registration process may be fast-tracked with transfers possibly from 12 to 24 months.

In addition to the agreement with Serum Institute, Aspen also anticipates receiving grant funding from each of the Bill & Melinda Gates Foundation and CEPI to support African regional manufacturing capacity for an affordable supply of vaccines to, among others, African countries and Gavi/UNICEF, as well as contributing to pandemic preparedness, through a share of Aspen's vaccine manufacturing capacity over a period of 10 years. These are both important endorsements of Aspen's sterile manufacturing capabilities and efforts to achieve enhanced access to medicines which is at the forefront of Aspen's ESG strategy.

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