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

Reviewed provisional Group financial results for the year ended 30 June 2019

COMMENTARY

GROUP PERFORMANCE (CONTINUING OPERATIONS)

Aspen increased revenue by 1% to R38,9 billion while normalised EBITDA declined 2% to R10,8 billion, influenced by a lower contribution from the Manufacturing business. Commercial Pharma delivered an increase in revenue of 3% to R33,1 billion. Normalised headline earnings per share ("NHEPS") was 7% lower at R14,14.

Strong cash flows in the second half allowed the Group to achieve a cash conversion ratio of 107% for the year. In the closing six months Aspen also completed the disposals of its Nutritionals Business and a portfolio of products distributed in Asia Pacific, realising cash proceeds before tax of R12,3 billion and a combined profit on disposal of R5,4 billion. The positive cash flows and the proceeds from the disposals have enabled net borrowings to be reduced from R53,5 billion at 31 December 2018 to R39,0 billion at financial year end. A leverage ratio of 3,62 times was achieved, comfortably below the covenant level of 4,0 times. Rigorous impairment testing of tangible and intangible asset values was once again performed, resulting in total impairments of R3,1 billion of which R2,4 billion related to intangible asset impairments.

Relative movements in exchange rates had an impact on financial performance, as is illustrated in the table below, which compares performance in the prior comparable period at previously reported exchange rates and then at constant exchange rates ("CER"). The CER results for the year ended 30 June 2018 re-state performance for that period using the average exchange rates for the year ended 30 June 2019.

	Year ended 30 June 2019				
Continuing operations	**Reported June 2019 R'million**	Restated Reported June 2018^ R'million	Change at reported rates %	Restated CER 2018^ R'million	Change at CER %
Revenue	**38 872**	38 314	1	39 856	(2)
Normalised EBITDA*	**10 824**	11 031	(2)	11 219	(4)
NHEPS** (cents)	**1 414,3**	1 518,4	(7)	1 536,6	(8)

^ *June 2018 has been restated for the adoption of IFRS 15 and IFRS 9 as well as discontinued operations.*
* *Operating profit before depreciation and amortisation adjusted for specific non-trading items as defined in the Group's accounting policy.*
** *NHEPS is headline earnings adjusted for specific non-trading items, being transaction costs and other acquisition and disposal-related gains or losses, restructuring costs, settlement of product related litigation costs, net monetary adjustments and currency devaluations relating to hyperinflationary economies and significant once-off tax provision charges or credits arising from the resolution of prior year tax matters.*

From this point forward in the commentary, (1) all performance references are to continuing operations and (2) all June 2018 financial information is stated in CER and all related percentage changes between June 2019 and June 2018 are based on June 2018 CER financial information in order to enhance the comparability of underlying performance.

GROUP PERFORMANCE (CONTINUING OPERATIONS)

Revenue for the Group declined 2% to R38,9 billion and normalised EBITDA was 4% lower at R10,8 billion with weaker Manufacturing results being the most material unfavourable influence on both results. Higher net financing costs contributed to an 8% decline in normalised headline earnings to R6,5 billion.

SEGMENTAL PERFORMANCE

Sterile Focus Brands

Sterile Focus Brands, comprising the Anaesthetics and Thrombosis portfolios, delivered improved gross profit up 3% to R8,4 billion despite revenue declining 2% to R15,3 billion. The gross margin percentage improvement was driven by lower Thrombosis manufacturing costs.

Anaesthetics Brands

Revenue from Anaesthetics was 2% lower at R8,7 billion as ongoing supply constraints weighed on performance. China (+5%), Latin America (+7%) and MENA (+12%) achieved good revenue gains, but these were offset by Europe CIS (-8%) and Australasia (-9%) which suffered the most from supply limitations. Japan ended the year flat (0%) as volume gains offset pricing decreases.

Thrombosis Brands

Thrombosis revenue was down 3% to R6,6 billion, negatively impacted by Europe CIS (-6%) which contributes 80% of Aspen's Group Thrombosis revenue. The decline in Europe CIS was exacerbated by the once-off impact of switching from a wholesaler model to Aspen's own distribution channel in Russia. Collectively, the other regions grew revenue by 14%, supported by a 34% increase from China.

Regional Brands

Regional Brands revenue was flat at R17,8 billion versus the prior year, despite the impact of the strike at our South African manufacturing facilities which has now been resolved, and a reduced contribution from the Oncology portfolio in Europe CIS. The downward pricing pressure on the oncology products also affected gross margins. Australasia grew 5% supported by the OTC business which grew 8% and Latin America delivered 6% growth due to a strong performance from the domestic brands.

Manufacturing

Manufacturing revenue was down 11% to R5,8 billion, with contributing factors to this being a major third-party customer losing a material tender in the prior year, the suspension of sales of heparin to third parties due to limited global availability and strike action undertaken at our South African manufacturing facilities. At Aspen Oss, sales of active pharmaceutical ingredients ("APIs") are generally contracted in advance and tend to be stable with a relatively even spread over the year, but there can be margin variability dependent on the mix of products ordered. In particular, the mix effect was such that the margin earned was higher in the first half of the year than in the second. This, together with the previous factors mentioned, weighed on gross profit percentages.

PROSPECTS

While the past year has presented its challenges, we have achieved most of our short-term goals. The completion of the disposals of the Nutritionals Business and the non-core product portfolio has allowed us to fully focus on our core pharmaceuticals business.

In March 2019 we announced a strategic review of our European and South African commercial pharmaceutical businesses. Our review of the European commercial business is ongoing. As a result of this review, we have adopted a more market-focused approach, reallocating and restructuring existing resources. We are also continuing to explore mutually beneficial partnering opportunities in this territory. Our South African commercial business has been divided into two divisions, allowing heightened consumer focus, which is showing promising initial results. This completes the review of the South African commercial pharmaceutical business.

We made meaningful progress in our objective of deleveraging the balance sheet over the past year. In the 2020 financial year, positive free cash flows and significantly reduced deferred payables should contribute to a further reduction in net borrowings. Favourable outcomes from our continued active assessment of value realisation opportunities would result in accelerated deleveraging of our balance sheet. These factors, together with a substantial decline in planned capital expenditure after the 2020 financial year, will support our goal of achieving a leverage ratio of less than 3.0 times in the medium term.

We continue to build on our strength of producing high quality pharmaceuticals at affordable prices and on our reputation as a leading global producer of injectable steriles. Aligned to this, we are making good progress with our major capital projects in South Africa, France and Germany. These projects are aimed at building world class manufacturing facilities to in-source a significant portion of the production for our Anaesthetics Business and at securing the supply of quality Anaesthetics medicines to patients across the world. Full commercial production from all of these projects is expected to commence in the 2024 financial year.

We will continue to assess our operations to ensure our business is relevant to the changing macro-economic environment. Adapting the business model to align with evolving circumstances has been a key strength of Aspen, moving us from a predominantly generics business to a business based on branded products with a focus on sterile injectables in recent years.

Increasing heparin prices, exacerbated by the outbreak of African Swine Fever in China, the world's biggest supplier of porcine for heparin (a key API sourced from pigs) will dilute margins from the Thrombosis portfolio. The Group has managed to dampen this impact by a considered stock build of heparin and the benefits of being a producer of heparin. Aspen intends to pursue the commercial opportunity of recommencing the sale of heparin to third-party customers, given the pricing and the significant stockholding established.

Certain of our initiatives are expected to result in better outcomes in the second half of the 2020 financial year. This, together with expected improving Anaesthetics supply in the second half, means that second half performance in the 2020 financial year is likely to be stronger than in the first half of that year. While the diversity of the Group's operations across many geographies and currencies, as well as exposure to an industry where regulators have significant influence on pricing and the costs of doing business, gives rise to many variables, we expect, based on current circumstances, the performance for the 2020 financial year to be broadly in line with the results reported for 2019.

Any forecast financial information above has not been reviewed or reported on by the external auditor.

DIVIDEND TO SHAREHOLDERS

Taking into account our prioritisation of deleveraging the balance sheet, existing debt service commitments during the 2020 financial year and the short term requirements of the ongoing capital projects, notice is hereby given that the Board has decided that it would not be prudent to declare a dividend at this time. The Board will re-evaluate the relevant circumstances regularly with a view to declaring a dividend when it is considered prudent to do so.

By order of the Board

K D Dlamini
(Chairman)

S B Saad
(Group Chief Executive)

Woodmead
11 September 2019

GROUP STATEMENT OF FINANCIAL POSITION

At 30 June 2019	**Reviewed 30 June 2019 R'million**	Restated reviewed* 30 June 2018 R'million	Restated reviewed* 1 July 2017 R'million
ASSETS			
Non-current assets			
Intangible assets	**67 180**	72 163	60 006
Property, plant and equipment	**12 065**	11 368	9 749
Goodwill	**4 649**	6 126	5 940
Deferred tax assets	**1 163**	966	987
Contingent environmental indemnification assets	**801**	802	747
Other non-current assets	**1 018**	1 189	801
Total non-current assets	**86 876**	92 614	78 230
Current assets			
Inventories	**14 648**	14 959	14 014
Receivables and other current assets	**12 511**	13 229	12 442
Cash and cash equivalents	**8 977**	11 170	10 707
Total operating current assets	**36 136**	39 358	37 163
Assets classified as held-for-sale	**16**	135	200
Total current assets	**36 152**	39 493	37 363
Total assets	**123 028**	132 107	115 593
SHAREHOLDERS' EQUITY			
Reserves	**53 012**	47 442	40 435
Share capital (including treasury shares)	**1 911**	1 905	1 929
Ordinary shareholders' equity	**54 923**	49 347	42 364
Non-controlling interests	**2**	28	27
Total shareholders' equity	**54 925**	49 375	42 391
LIABILITIES			
Non-current liabilities			
Borrowings	**39 713**	46 725	28 978
Other non-current liabilities	**3 702**	2 775	4 381
Unfavourable and onerous contracts	**1 055**	1 382	1 635
Deferred tax liabilities	**2 049**	2 213	2 085
Contingent environmental liabilities	**801**	802	747
Retirement and other employee benefits	**744**	635	570
Total non-current liabilities	**48 064**	54 532	38 396
Current liabilities			
Borrowings**	**8 248**	11 225	18 860
Trade and other payables	**9 555**	10 414	10 257
Other current liabilities	**1 911**	6 187	5 341
Unfavourable and onerous contracts	**325**	374	348
Total operating current liabilities	**20 039**	28 200	34 806
Total liabilities	**68 103**	82 732	73 202
Total equity and liabilities	**123 028**	132 107	115 593

** Please refer to note K regarding the restatements as a result of the adoption of IFRS 9 and IFRS 15.*
*** Includes bank overdrafts.*

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Notes	Change %	Reviewed year ended 30 June 2019 R'million	Restated reviewed* year ended 30 June 2018 R'million
CONTINUING OPERATIONS				
Revenue		1	**38 872**	38 314
Cost of sales			**(19 174)**	(18 628)
Gross profit		0	**19 698**	19 686
Selling and distribution expenses			**(6 846)**	(6 596)
Administrative expenses			**(3 097)**	(2 980)
Other operating income			**658**	417
Other operating expenses			**(4 885)**	(2 021)
Operating profit	B#	(35)	**5 528**	8 506
Investment income	C#		**439**	343
Financing costs	D#		**(2 477)**	(2 105)
Profit before tax		(48)	**3 490**	6 744
Tax			**(774)**	(1 122)
Profit for the year from continuing operations		(52)	**2 716**	5 622
DISCONTINUED OPERATIONS				
Profit from discontinued operations	I#		**4 467**	416
Profit for the year		19	**7 183**	6 038
OTHER COMPREHENSIVE INCOME, NET OF TAX				
Currency translation (losses)/gains	E#		**(26)**	2 372
Net losses from cash flow hedging in respect of business acquisition			**(32)**	(96)
Remeasurement of retirement and other employee benefits**			**(47)**	1
Total comprehensive income			**7 078**	8 315
Profit for the year attributable to				
Equity holders of the parent			**7 182**	6 037
Non-controlling interests			**1**	1
			7 183	6 038
Total comprehensive income attributable to				
Equity holders of the parent			**7 077**	8 314
Non-controlling interests			**1**	1
			7 078	8 315
Weighted average number of shares in issue ('million)			**456,5**	456,4
Diluted weighted average number of shares in issue ('million)			**456,5**	456,4
EARNINGS PER SHARE				
Basic earnings per share (cents)				
From continuing operations		(52)	**595,0**	1 231,3
From discontinued operations			**978,6**	91,2
		19	**1 573,6**	1 322,5
Diluted earnings per share (cents)				
From continuing operations		(52)	**595,0**	1 231,3
From discontinued operations			**978,6**	91,2
		19	**1 573,6**	1 322,5

* *Please refer to note K regarding the restatements as a result of the adoption of IFRS 9 and IFRS 15 as well as note I relating to discontinued operations.*

\# *See notes on Supplementary Information.*

** *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.*

GROUP STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital (including 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 2017 (PREVIOUSLY REPORTED)		1 929	41 182	43 111	27	43 138
Impact of adoption of IFRS 15 and IFRS 9	#K	–	(747)	(747)	–	(747)
BALANCE AT 1 JULY 2017 (RESTATED)		1 929	40 435	42 364	27	42 391
Total comprehensive income		–	8 314	8 314	1	8 315
Profit for the year		–	6 037	6 037	1	6 038
Other comprehensive income		–	2 277	2 277	–	2 277
Dividends paid		–	(1 313)	(1 313)	–	(1 313)
Treasury shares purchased		(44)	–	(44)	–	(44)
Deferred Incentive bonus shares exercised		20	(20)	–	–	–
Share-based payment expenses		–	26	26	–	26
BALANCE AT 30 JUNE 2018 (RESTATED)		1 905	47 442	49 347	28	49 375
BALANCE AT 1 JULY 2018 (RESTATED)		1 905	47 442	49 347	28	49 375
Total comprehensive income		**–**	**7 077**	**7 077**	**1**	**7 078**
Profit for the year		**–**	**7 182**	**7 182**	**1**	**7 183**
Other comprehensive losses		**–**	**(105)**	**(105)**	**–**	**(105)**
Dividends paid		**–**	**(1 437)**	**(1 437)**	**–**	**(1 437)**
Acquisition of non-controlling interest in subsidiary		**–**	**(14)**	**(14)**	**(27)**	**(41)**
Treasury shares purchased		**(29)**	**–**	**(29)**	**–**	**(29)**
Deferred incentive bonus shares exercised		**35**	**(35)**	**–**	**–**	**–**
Share-based payment expenses		**–**	**24**	**24**	**–**	**24**
Movement in joint ventures		**–**	**(45)**	**(45)**	**–**	**(45)**
BALANCE AT 30 JUNE 2019		**1 911**	**53 012**	**54 923**	**2**	**54 925**

DISTRIBUTION TO SHAREHOLDERS

A dividend of 315 cents per share has been paid during the year (2018: 287 cents). The dividend to shareholders of 315 cents relates to the dividend declared on 13 September 2018 and paid on 8 October 2018 (2018: the dividend of 287 cents relates to the dividend declared on 14 September 2017 and paid on 9 October 2017).

GROUP STATEMENT OF CASH FLOWS

	Notes	Change %	Reviewed year ended 30 June 2019 R'million	Restated reviewed year ended 30 June 2018 R'million
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash operating profit			**10 918**	11 925
Changes in working capital			**(1 378)**	(1 597)
Cash generated from operations			**9 540**	10 328
Net financing costs paid			**(1 742)**	(1 816)
Tax paid			**(1 796)**	(1 495)
Cash generated from operating activities		(14)	**6 002**	7 017
CASH FLOWS FROM INVESTING ACTIVITIES				
Capital expenditure – property, plant and equipment	A#		**(2 442)**	(2 145)
Proceeds received on the sale of property, plant and equipment			**9**	17
Acquisition of residual rights – AZ Anaesthetics			**–**	(5 202)
Capital expenditure – intangible assets	A#		**(1 141)**	(881)
Additions to intangible assets			**(1 522)**	(881)
Consideration outstanding			**381**	–
Proceeds received on the sale of intangible assets			**90**	62
Net proceeds received on disposal of Nutritionals Business	J#		**12 016**	–
Proceeds received on disposal of Asia Pacific non-core pharmaceutical portfolio	J#		**1 299**	–
Proceeds received on assets classified as held-for-sale			**25**	37
Acquisition of subsidiaries and joint ventures	L#		**(1 016)**	(152)
Proceeds received from other non-current assets			**42**	50
Payment of deferred contingent consideration relating to prior year business acquisitions			**(5 644)**	(4 599)
Cash generated from/(utilised in) investing activities			**3 238**	(12 813)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings			**23 365**	19 186
Repayment of borrowings			**(33 123)**	(11 496)
Dividends paid			**(1 437)**	(1 313)
Acquisition of non-controlling interest in subsidiary			**(41)**	–
Treasury shares purchased			**(29)**	(44)
Cash (outflow)/generated from financing activities			**(11 265)**	6 333
Movement in cash and cash equivalents before currency translation movements			**(2 025)**	537
Currency translation movements			**59**	389
Movement in cash and cash equivalents			**(1 966)**	926
Cash and cash equivalents at the beginning of the year			**8 114**	7 188
Cash and cash equivalents at the end of the year			**6 148**	8 114
Operating cash flow per share (cents)				
From continuing operations		(9)	**1 319,3**	1 455,3
From discontinued operations			**(4,4)**	82,0
		(14)	**1 314,9**	1 537,3
DISCONTINUED OPERATIONS INCLUDED IN THE ABOVE				
Cash (utilised in)/generated from operating activities			**(20)**	374
Cash generated from investing activities			**12 299**	–
Cash and cash equivalents per the statement of cash flows			**(63)**	–
			12 216	374
RECONCILIATION OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents per the statement of financial position			**8 977**	11 170
Less: bank overdrafts			**(2 829)**	(3 056)
			6 148	8 114

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

\# *See notes on Supplementary Information.*

GROUP SUPPLEMENTARY INFORMATION

GROUP STATEMENT OF HEADLINE EARNINGS

	Change %	**Reviewed year ended 30 June 2019 R'million**	Restated reviewed* year ended 30 June 2018 R'million
HEADLINE EARNINGS^			
Reconciliation of headline earnings			
Profit attributable to equity holders of the parent	19	**7 182**	6 037
Adjusted for:			
Continuing operations			
– Net impairment of property, plant and equipment (net of tax)		**405**	48
– Impairment of intangible assets (net of tax)		**2 274**	606
– Impairment of goodwill (net of tax)		**107**	–
– Loss on the sale of tangible and intangible assets (net of tax)		**47**	40
– Impairment of available-for-sale financial assets (net of tax)		**55**	–
Discontinued operations			
– Profit on sale of discontinued operations (net of tax)**		**(4 346)**	–
	(15)	**5 724**	6 731
Headline earnings			
From continuing operations	(11)	**5 603**	6 315
From discontinued operations		**121**	416
	(15)	**5 724**	6 731
HEADLINE EARNINGS PER SHARE			
Headline earnings per share (cents)			
From continuing operations	(11)	**1 227,6**	1 383,5
From discontinued operations		**26,4**	91,2
	(15)	**1 254,0**	1 474,7
Diluted headline earnings per share (cents)			
From continuing operations	(11)	**1 227,6**	1 383,5
From discontinued operations		**26,4**	91,2
	(15)	**1 254,0**	1 474,7
NORMALISED HEADLINE EARNINGS			
Reconciliation of normalised headline earnings			
Headline earnings	(15)	**5 724**	6 731
Adjusted for:			
Continuing operations			
– Restructuring costs (net of tax)		**100**	144
– Transaction costs (net of tax)		**547**	358
– Foreign exchange loss/(gain) on acquisitions (net of tax)		**9**	(178)
– Product litigation costs (net of tax)		**459**	293
– Reversal of deferred consideration no longer payable (net of tax)		**(264)**	–
Discontinued operations			
– Restructuring costs (net of tax)		**16**	–
– Transaction costs (net of tax)		**216**	5
– Foreign exchange gains on disposals (net of tax)		**(114)**	–
	(9)	**6 693**	7 353
Normalised headline earnings			
From continuing operations	(7)	**6 454**	6 932
From discontinued operations		**239**	421
	(9)	**6 693**	7 353
NORMALISED HEADLINE EARNINGS PER SHARE			
Normalised headline earnings per share (cents)			
From continuing operations	(7)	**1 414,3**	1 518,4
From discontinued operations		**52,1**	92,4
	(9)	**1 466,4**	1 610,8
Normalised diluted headline earnings per share (cents)			
From continuing operations	(7)	**1 414,3**	1 518,4
From discontinued operations		**52,1**	92,4
	(9)	**1 466,4**	1 610,8

** Please refer to note K regarding the restatements as a result of the adoption of IFRS 9 and IFRS 15 as well as note I relating to discontinued operations.*

^ Headline earnings is disclosed net of income from non-controlling interests which are not material.

*** Includes the fair value gain on revaluation of joint ventures.*

GROUP SUPPLEMENTARY INFORMATION continued

GROUP SEGMENTAL ANALYSIS

Reviewed year ended 30 June 2019

	Sterile Focus Brands R'million	Regional Brands R'million	Total Commercial Pharma R'million	Manufacturing R'million	Total R'million
Revenue	**15 267**	**17 817**	**33 084**	**5 788**	**38 872**
Cost of sales	**(6 902)**	**(8 032)**	**(14 934)**	**(4 240)**	**(19 174)**
Gross profit	**8 365**	**9 785**	**18 150**	**1 548**	**19 698**
Selling and distribution expenses					**(6 846)**
Contribution profit					**12 852**
Administrative expenses					**(3 097)**
Net other operating income					**332**
Depreciation					**737**
Normalised EBITDA*					**10 824**
Adjusted for:					
Depreciation					**(737)**
Amortisation					**(455)**
Loss on sale of assets					**(80)**
Net impairment of assets					**(3 093)**
Restructuring costs					**(131)**
Transaction costs					**(540)**
Reversal of deferred consideration no longer payable					**264**
Product litigation costs					**(524)**
Operating profit					**5 528**
Gross profit (%)	**54,8**	**54,9**	**54,9**	**26,7**	**50,7**
Selling and distribution expenses (%)					**17,6**
Contribution profit (%)					**33,1**
Administrative expenses (%)					**8,0**
Normalised EBITDA (%)					**27,8**

Restated reviewed year ended 30 June 2018

	Sterile Focus Brands R'million	Regional Brands R'million	Total Commercial Pharma R'million	Manufacturing R'million	Total R'million
Revenue	14 869	17 321	32 190	6 124	38 314
Cost of sales	(6 995)	(7 500)	(14 495)	(4 133)	(18 628)
Gross profit	7 874	9 821	17 695	1 991	19 686
Selling and distribution expenses					(6 596)
Contribution profit					13 090
Administrative expenses					(2 980)
Net other operating income					247
Depreciation					674
Normalised EBITDA*					11 031
Adjusted for:					
Depreciation					(674)
Amortisation					(435)
Loss on sale of assets					(55)
Net impairment of assets					(691)
Restructuring costs					(199)
Transaction costs					(154)
Product litigation costs					(317)
Operating profit					8 506
Gross profit (%)	53,0	56,7	55,0	32,5	51,4
Selling and distribution expenses (%)					17,2
Contribution profit (%)					34,2
Administrative expenses (%)					7,8
Normalised EBITDA (%)					28,8

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

GROUP SUPPLEMENTARY INFORMATION continued

GROUP SEGMENTAL ANALYSIS continued

	Change				
	Sterile Focus Brands %	Regional Brands %	Total Commercial Pharma %	Manufacturing %	Total %
Revenue	3	3	3	(5)	1
Cost of sales	(1)	7	3	3	3
Gross profit	6	0	3	(22)	0
Selling and distribution expenses					4
Contribution profit					(2)
Administrative expenses					4
Net other operating income					34
Depreciation					9
Normalised EBITDA*					(2)

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

GROUP SUPPLEMENTARY INFORMATION continued

GROUP REVENUE SEGMENTAL ANALYSIS

	Reviewed year ended 30 June 2019 R'million	Restated reviewed year ended 30 June 2018 R'million	Change %
COMMERCIAL PHARMACEUTICALS BY CUSTOMER GEOGRAPHY	**33 084**	32 190	3
Sub-Saharan Africa	**7 986**	7 987	0
Developed Europe	**7 381**	7 420	(1)
Australasia	**4 048**	3 890	4
Latin America	**3 083**	2 930	5
Developing Europe & CIS	**2 516**	2 693	(7)
China	**2 872**	2 415	19
Japan	**2 124**	1 931	10
Other Asia	**1 343**	1 298	3
MENA	**1 056**	978	8
USA & Canada	**675**	648	4
MANUFACTURING REVENUE BY GEOGRAPHY OF MANUFACTURE			
Manufacturing revenue – finished dose form	**1 235**	1 521	(19)
Australasia	**372**	360	3
Developed Europe	**627**	625	0
Sub-Saharan Africa	**236**	536	(56)
Manufacturing revenue – active pharmaceutical ingredients	**4 553**	4 603	(1)
Developed Europe	**4 087**	4 271	(4)
Sub-Saharan Africa	**353**	332	6
Other Asia	**113**	–	100
Total manufacturing revenue	**5 788**	6 124	(5)
TOTAL REVENUE	**38 872**	38 314	1
SUMMARY OF REGIONS			
Developed Europe	**12 095**	12 316	(2)
Sub-Saharan Africa	**8 575**	8 855	(3)
Australasia	**4 420**	4 250	4
Latin America	**3 083**	2 930	5
Developing Europe & CIS	**2 516**	2 693	(7)
China	**2 872**	2 415	19
Japan	**2 124**	1 931	10
Other Asia	**1 456**	1 298	12
MENA	**1 056**	978	8
USA & Canada	**675**	648	4
TOTAL REVENUE	**38 872**	38 314	1

GROUP SUPPLEMENTARY INFORMATION continued

GROUP REVENUE SEGMENTAL ANALYSIS continued

Commercial Pharmaceuticals Therapeutic area analysis

Reviewed year ended 30 June 2019

	Anaesthetics Brands R'million	Thrombosis Brands R'million	Sterile Focused Brands R'million	Regional Brands R'million	Total R'million
BY CUSTOMER GEOGRAPHY					
Commercial Pharmaceuticals					
Sub-Saharan Africa	111	8	119	7 867	7 986
Developed Europe	2 191	3 411	5 602	1 779	7 381
Australasia	663	22	685	3 363	4 048
Latin America	894	75	969	2 114	3 083
Developing Europe & CIS	283	1 868	2 151	365	2 516
China	1 976	869	2 845	27	2 872
Japan	1 332	32	1 364	760	2 124
Other Asia	675	167	842	501	1 343
MENA	237	118	355	701	1 056
USA & Canada	321	14	335	340	675
Total Commercial Pharmaceuticals	8 683	6 584	15 267	17 817	33 084

Restated reviewed year ended 30 June 2018

	Anaesthetics Brands R'million	Thrombosis Brands R'million	Sterile Focused Brands R'million	Regional Brands R'million	Total R'million
BY CUSTOMER GEOGRAPHY					
Commercial Pharmaceuticals					
Sub-Saharan Africa	143	8	151	7 836	7 987
Developed Europe	2 154	3 473	5 627	1 793	7 420
Australasia	713	21	734	3 156	3 890
Latin America	870	71	941	1 989	2 930
Developing Europe & CIS	397	1 876	2 273	420	2 693
China	1 779	616	2 395	20	2 415
Japan	1 213	48	1 261	670	1 931
Other Asia	658	151	809	489	1 298
MENA	207	159	366	612	978
USA & Canada	304	8	312	336	648
Total Commercial Pharmaceuticals	8 438	6 431	14 869	17 321	32 190

Change

	Anaesthetics Brands %	Thrombosis Brands %	Sterile Focused Brands %	Regional Brands %	Total %
BY CUSTOMER GEOGRAPHY					
Commercial Pharmaceuticals					
Sub-Saharan Africa	(22)	0	(21)	0	0
Developed Europe	2	(2)	0	(1)	(1)
Australasia	(7)	5	(7)	7	4
Latin America	3	6	3	6	5
Developing Europe & CIS	(29)	0	(5)	(13)	(7)
China	11	41	19	35	19
Japan	10	(33)	8	13	10
Other Asia	3	11	4	2	3
MENA	14	(26)	(3)	15	8
USA & Canada	6	75	7	1	4
Total Commercial Pharmaceuticals	3	2	3	3	3

		Notes	Reviewed year ended 30 June 2019 R'million	Restated reviewed year ended 30 June 2018 R'million
A.	**Capital expenditure**			
	Incurred		**3 583**	3 026
	– Property, plant and equipment		**2 442**	2 145
	– Intangible assets		**1 141**	881
	Contracted		**1 468**	1 812
	– Property, plant and equipment		**1 258**	1 786
	– Intangible assets		**210**	26
	Authorised but not contracted for		**3 882**	4 184
	– Property, plant and equipment		**3 191**	3 829
	– Intangible assets		**691**	355
B.	**Operating profit has been arrived at after charging/(crediting)**			
	Continuing operations			
	Depreciation of property, plant and equipment		**737**	674
	Amortisation of intangible assets		**455**	435
	Net impairment of tangible and intangible assets		**3 093**	691
	Net impairment of property plant and equipment		**515**	68
	Impairment of intangible assets	M#	**2 412**	750
	Reversal of impairment of intangibles		**–**	(127)
	Impairment of goodwill		**111**	–
	Impairment of available-for-sale financial assets		**55**	–
	Loss on the sale of tangible and intangible assets		**80**	55
	Share-based payment expenses – employees		**37**	43
	Transaction costs		**540**	154
	Restructuring costs		**131**	199
	Product litigation costs		**524**	317
	Reversal of deferred consideration no longer payable		**(264)**	–
C.	**Investment income**			
	Interest received		**439**	343
D.	**Financing costs**			
	Interest paid		**(2 058)**	(1 754)
	Debt raising fees on acquisitions		**(70)**	(209)
	Net (losses)/gains on financial instruments		**(66)**	88
	Foreign exchange (losses)/gains		**(66)**	104
	Fair value losses on financial instruments		**–**	(16)
	Notional interest on financial instruments		**(274)**	(408)
	Foreign exchange (losses)/gains on acquisitions		**(9)**	178
			(2 477)	(2 105)
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 year the stronger closing Rand translation rate has reduced the Group net asset value.		**(26)**	2 372
F.	**Guarantees to financial institutions**			
	Total guarantees		**70 984**	70 545
	Guarantees utilised		**48 326**	53 741
	Guarantees available and not utilised		**22 658**	16 804
	These guarantees are cross guarantees within the Group and there are no external guarantees.			

G. Potential disputed matter – European Commission

In May 2017 the European Commission ("EC") opened an investigation in terms of Article 102 of the TFEU ("Treaty on the Functioning of the European Union") in respect of Aspen's pricing practices for its products containing the active pharmaceutical ingredients Chlorambucil, Melphalan, Mercaptopurine, Tioguanine and Busulfan. The investigation covers all of the European Economic Areas, excluding Italy.

The EC's investigation is continuing and Aspen, supported by its economic and legal advisers are engaging and co-operating fully with the EC in its investigation.

This matter is complex. At this stage its outcome is unknown and accordingly no reliable estimate can be made of Aspen's liability (if any) and no liability has been raised in the statement of financial position.

H. Potential disputed matter – UK Competition and Markets Authority

In October 2017, the UK Competition and Markets Authority ("CMA") opened an investigation against Aspen in terms of Article 101 and Article 102 of the TFEU into alleged anti-competitive conduct and pricing practices in relation to Fludrocortisone Acetate 0.1 mg tablets and Dexamethasone 2 mg tablets in the UK. The CMA has advised that it will not be proceeding with its investigation in relation to Dexamethasone 2 mg tablets.

Aspen has offered commitments ("Commitments") to the CMA for the purposes of addressing the competition concerns arising from certain aspects of the CMA's investigation. The CMA has given notice that it proposes to accept the Commitments.

In terms of the Commitments:

1. Aspen will dispose of its rights to the ambient Fludrocortisone in the UK to an independent third party in accordance with a prescribed process, overseen by the CMA;
2. Aspen will reintroduce the cold storage Fludrocortisone into the UK market in accordance with a prescribed process, overseen by the CMA; and
3. Aspen will make an ex-gratia payment in the aggregate amount of £8 million to:
   3.1 the Secretary of State for Health and Social Care in the amount of £6 485 600;
   3.2 the Scottish Ministers in the amount of £788 000;
   3.3 the Welsh Ministers in the amount of £455 200; and
   3.4 the Department of Health, Social Services and Public Safety for Northern Ireland in the amount of £271 200.

The giving of the Commitments does not constitute an admission of any wrongdoing by Aspen with respect to the alleged anti-competitive conduct under Article 102 of the TFEU. In addition, the Commitments remain subject to the CMA's final approval.

The CMA and Aspen have entered into settlement discussions in respect of Aspen's alleged anti-competitive conduct under Article 101 of the TFEU. Within the context that historically Aspen had the only Fludrocortisone in the UK, Aspen has admitted liability for entering into an agreement to acquire a potential competitor Fludrocortisone with the consequence that the conclusion of this agreement resulted in anti-competitive behaviour. Pursuant to Aspen's aforesaid admission, the CMA will impose a penalty on Aspen for an infringement under Article 101 of the TFEU which shall not exceed £2 101 954. This penalty together with the agreed ex-gratia payment have been provided for as current liabilities in the statement of financial position.

Aspen and its advisers continue to fully co-operate with the CMA in its investigation.

I. Discontinued operations

Asia Pacific non-core pharmaceutical portfolio

Consistent with the Group strategy of divesting or discontinuing non-core pharmaceutical products, during the year the Group identified a portfolio of non-core pharmaceutical products in the Asia Pacific region for divestment and discontinuation. In Aspen's interim results for the six months ended 31 December 2018 these prospective discontinuations and divestments were classified as discontinued operations with all related assets and liabilities transferred to assets-held-for-sale in terms of IFRS 5. As at 30 June 2019 these divestments and discontinuations were complete and the results of the divestments are included as part of discontinued operations.

Nutritionals Business

In September 2018 the Group concluded an agreement (subject to conditions precedent) to divest of its Nutritionals Business predominantly carried on in Latin America, Sub-Saharan Africa and Asia Pacific under the S-26, Alula and Infacare brands ("Nutritionals Business") to the Lactalis Group, a leading multinational dairy corporation based in Laval, France. In Aspen's interim results for the six months ended 31 December 2018 the Nutritionals Business was classified as a discontinued operation with all related assets and liabilities transferred to assets-held-for-sale in terms of IFRS 5. The transaction was concluded effective 31 May 2019 and the results of the disposals are included as part of discontinued operations.

I. Discontinued operations continued

Summarised discontinued operations statement of comprehensive income

	2019 Nutritionals Business R'million	2019 Asia Pacific non-core pharmaceutical portfolio R'million	Reviewed year ended 30 June 2019 R'million
Revenue	2 730	739	3 469
Gross profit	1 175	349	1 524
Operating expenses	(1 015)	(56)	(1 071)
Selling and distribution expenses	(936)	(54)	(990)
Administrative expenses	(79)	(2)	(81)
Net other operating income	97	–	97
Normalised EBITA	257	293	550
Depreciation	47	–	47
Normalised EBITDA	304	293	597
Adjusted for:			
Depreciation	(47)	–	(47)
Amortisation	(35)	–	(35)
Transaction costs	(238)	–	(238)
Restructuring costs	(22)	–	(22)
Operating (loss)/profit	(38)	293	255
Net financing costs	(128)	–	(128)
Foreign exchange gains on disposals	159	–	159
Operating (loss)/profit after investment income and financing costs	(7)	293	286
Share of after-tax net profit of joint ventures	62	–	62
Profit before tax	55	293	348
Tax	(122)	(105)	(227)
(Loss)/profit after tax from discontinued operations	(67)	188	121
Profit/(loss) on the sale of discontinued operations (after tax)	4 863	(517)	4 346
Profit/(loss) from discontinued operations	4 796	(329)	4 467
Basic earnings per share – cents			978,6
Headline earnings per share – cents			26,4
Normalised headline earnings per share – cents			52,1

GROUP SUPPLEMENTARY INFORMATION continued

NOTES continued

I. Discontinued operations continued

Summarised discontinued operations statement of comprehensive income continued

	2018		
	Nutritionals Business R'million	Asia Pacific non-core pharmaceutical portfolio R'million	Restated reviewed year ended 30 June 2018 R'million
Revenue	3 102	1 137	4 239
Gross profit	1 394	543	1 937
Operating expenses	(933)	(54)	(987)
Selling and distribution expenses	(811)	(53)	(864)
Administrative expenses	(122)	(1)	(123)
Net other operating income	2	–	2
Normalised EBITA	463	489	952
Depreciation	66	–	66
Normalised EBITDA	529	489	1 018
Adjusted for:			
Depreciation	(66)	–	(66)
Amortisation	(197)	–	(197)
Transaction costs	(5)	–	(5)
Operating profit	261	489	750
Net financing costs	(131)	–	(131)
Operating profit after investment income and financing costs	130	489	619
Share of after-tax net profit of joint ventures	51	–	51
Profit before tax	181	489	670
Tax	(96)	(158)	(254)
Profit after tax from discontinued operations	85	331	416
Basic earnings per share – cents			91,2
Headline earnings per share – cents			91,2
Normalised headline earnings per share – cents			92,4

J. Proceeds received from sale of discontinued operations

	Nutritionals Business R'million	Asia Pacific non-core pharmaceutical portfolio R'million	Total R'million
PROCEEDS			
Proceeds receivable	12 079	2 199	**14 278**
Proceeds outstanding at year end	–	(900)	**(900)**
Cash disposed of in subsidiary	(63)	–	**(63)**
Cash inflow per cash flow statement	12 016	1 299	**13 315**
ASSETS DISPOSED			
Non-current assets			
Property, plant and equipment	723	–	**723**
Goodwill	413	906	**1 319**
Intangible assets	2 176	1 110	**3 286**
Investments in joint ventures	1 983	–	**1 983**
Other non-current financial receivables	–	308	**308**
Deferred tax assets	2	–	**2**
Total non-current assets	5 297	2 324	**7 621**
Current assets			
Inventories	817	–	**817**
Receivables and other current assets	241	–	**241**
Cash and cash equivalents	63	–	**63**
Total current assets	1 121	–	**1 121**
Total assets	6 418	2 324	**8 742**
Liabilities			
Trade and other payables	(91)	–	**(91)**
Deferred tax liabilities	(33)	–	**(33)**
Total liabilities	(124)	–	**(124)**
Net assets disposed	6 294	2 324	**8 618**
LIABILITIES RAISED AS PART OF DISPOSALS*			
Non-current liabilities			
Financial liabilities	618	167	**785**
Current liabilities			
Financial liabilities	233	–	**233**
Net liabilities raised	851	167	**1 018**
Profit/(loss) on sale of discontinued operations	5 690	(292)	**5 398**
Profit/(loss)	4 934	(292)	**4 642**
Fair value gain on revaluation of joint ventures	756	–	**756**

** The liabilities raised relating to disposals include post-closing working capital true-up adjustments, warranties related to saleability of inventory and other clawback mechanisms associated with the assets which have been disposed.*

K. Changes in accounting policies/new standards adopted by the group

The implementation of IFRS 15: *Revenue from Contracts with Customers* and IFRS 9: *Financial Instruments* became effective for Aspen in the 2019 financial year. Aspen has assessed and applied the new standards and the June 2019 results have been reported in line with the new requirements. The June 2018 comparative period has been restated in the reviewed results on a full retrospective basis.

IFRS 15: *Revenue from Contracts with Customers*

The new standard, IFRS 15: *Revenue from Contracts with Customers* was adopted by the Group and applied on a full retrospective basis in the financial year ended 30 June 2019. Following a detailed review of the impact of implementing the revised standard, the Group identified certain distribution arrangements in terms of which control of inventory did not transfer to the customer within the relevant financial period and this required a restatement in terms of IFRS 15: *Revenue from Contracts with Customers*. In adopting IFRS 15: *Revenue from Contracts with Customers* no incorrect treatment under IAS 18: *Revenue,* was identified.

The restatement was finalised at year-end with only one change (from the half year restatement) relating to a distribution contract for the supply of products in USA.

IFRS 9: *Financial Instruments*

Applying the incurred loss model, the Group assessed whether there was any objective evidence of impairment at the end of each reporting period. The assessment resulted in an increase in the allowance account for losses and the resultant restatement has been applied on a full retrospective basis.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

June 2018

Statement of comprehensive income	As originally presented 30 June 2018 R'million	Discontinued 30 June 2018 R'million	Continuing 30 June 2018 R'million	IFRS 15 R'million	Restated reviewed 30 June 2018 R'million
Revenue	42 596	(4 239)	38 357	(43)	38 314
Cost of sales	(20 991)	2 302	(18 689)	61	(18 628)
Gross profit	21 605	(1 937)	19 668	18	19 686
Tax	(1 385)	254	(1 131)	9	(1 122)
Profit after tax	6 011	(416)	5 595	27	5 622
Basic earnings per share – cents	1 316,6	(91,2)	1 225,4	5,9	1 231,3
Headline earnings per share – cents	1 468,8	(91,2)	1 377,6	5,9	1 383,5
Normalised headline earnings per share – cents	1 604,9	(92,4)	1 512,5	5,9	1 518,4

June 2018

Statement of financial position	As originally presented 30 June 2018 R'million	IFRS 9 R'million	IFRS 15 R'million	Restated reviewed 30 June 2018 R'million
ASSETS				
Current assets				
Inventories	14 496	–	463	14 959
Receivables and other current assets	14 421	(80)	(1 112)	13 229
Total current assets	28 917	(80)	(649)	28 188
SHAREHOLDERS' EQUITY				
Reserves	48 162	(80)	(640)	47 442
Total shareholders' equity	48 162	(80)	(640)	47 442
LIABILITIES				
Current liabilities				
Other current liabilities	6 196	–	(9)	6 187
Total current liabilities	6 196	–	(9)	6 187

K. Changes in accounting policies/new standards adopted by the group continued

June 2017

Statement of financial position	As originally presented 30 June 2017 R'million	IFRS 9 R'million	IFRS 15 R'million	Restated reviewed 30 June 2017 R'million
ASSETS				
Current assets				
Inventories	13 611	–	403	14 014
Receivables and other current assets	13 592	(80)	(1 070)	12 442
Total current assets	27 203	(80)	(667)	26 456
SHAREHOLDERS' EQUITY				
Reserves	41 182	(80)	(667)	40 435
Total shareholders' equity	41 182	(80)	(667)	40 435

L. Acquisition of subsidiaries and joint ventures

2019 – Nutritional joint ventures acquisition and disposal

As part of the disposal of the Nutritionals Business, Aspen acquired the remaining 50% of both the New Zealand Milk and Aspen Hong Kong joint ventures for a total consideration of R1 016 million. This led to these joint ventures being 100% owned subsidiaries of the Group. As these two subsidiaries were held exclusively with a view to resale, Aspen made a choice to account for these subsidiaries using the 'short-cut method' given in the IFRS 5: *Implementation Guidance*.

Subsidiaries acquired exclusively with the view to resale are valued at fair value less costs to sell. This valuation resulted in a R756 million fair value gain recognised in discontinued operations (included in profit on sale of discontinued operations). Refer to note J on the Supplementary information for more details.

M. Impairment of intangible assets (included in other operating expenses)

Impairment of intangible assets can be split as follows:

	Note	**2019 R'million**	2018 R'million
Specialist global brands	(1)	**876**	–
South African Regional Brands		**321**	–
GSK anaesthetics portfolio product	(2)	**264**	–
ELIZ products		**248**	–
GSK classic brands – Australia		**180**	191
Development costs in South Africa	(3)	**162**	124
MSD brands		**158**	44
Novartis brands		**98**	190
Other		**105**	201
		2 412	750

The impairments have generally arisen as a result of a decline in the outlook of revenue and profitability but notable circumstances exist in the case of:

(1) This impairment primarily relates to the oncology products within this portfolio and has arisen due to increasing generic entry and pricing pressures in Europe.

(2) This impairment represents the reversal of the final milestone payment of GBP15 million (R264 million) that was capitalised to the cost of the products and is matched by the release of an equivalent amount from deferred consideration payable (see note B).

(3) This impairment relates to product development projects which were no longer technically or commercially feasible and therefore were fully written off.

The carrying value of intangible assets impaired have been determined based on either fair value less costs to sell or value-in-use calculations, using a five-year forecast horizon.

M. Impairment of intangible assets (included in other operating expenses) continued

Other key assumptions used relating to the material brands that have been impaired were:

	Growth in revenue (% per annum)	Gross profit (% per annum)	Growth (% per annum)[1]	Pre-tax discount rate applied to cash flows (% per annum)
Specialist global brands	(6,9)	67,6	(1,9)	10,8
South African Regional Brands	5,2	46,0	2,6	18,8
ELIZ products	(0,8)	55,0	(1,0)	10,2
GSK classic brands – Australia	(0,3)	61,4	(1,0)	9,0
MSD brands[2]	7,6	52,5	–	10,4
Novartis brands	0,7	61,4	–	16,5

[1] *Growth rate used to extrapolate cash flows beyond the five-year forecast period.*
[2] *The growth in revenue is influenced by a large increase in 2020 as a result of one of the products returning from an out-of-stock situation.*

N. Illustrative constant exchange rate report on selected financial data

The Group has presented selected line items from the consolidated statement of comprehensive income and certain trading profit metrics on a constant exchange rate basis in the tables below.

The *pro forma* constant exchange rate information is presented to demonstrate the impact of fluctuations in currency exchange rates on the Group's reported results. The constant exchange rate report is the responsibility of the Group's board of directors and is presented for illustrative purposes only. Due to the nature of this information, it may not fairly present the Group's financial position, changes in equity and results of operations or cash flows. The *pro forma* information has been compiled in terms of the JSE Listings Requirements and the Revised Guide on Pro Forma Information by SAICA and the accounting policies of the Group as at 30 June 2019. The illustrative constant exchange rate report on selected financial data has been derived from the audited financial information and has been reported on by Aspen's auditors in an assurance report, which is available for inspection at the Company's registered office.

The Group's financial performance is impacted by numerous currencies which underlie the reported trading results, where even within geographic segments, the Group trades in multiple currencies ("source currencies"). The constant exchange rate restatement has been calculated by adjusting the prior period's restated results at the current period's reported average exchange rates. Restating the prior period's numbers provides illustrative comparability with the current period's reported performance by adjusting the estimated effect of source currency movements.

The listing of average exchange rates against the Rand for the currencies contributing materially to the impact of exchange rate movements are set out below:

	June 2019 average rates	June 2018 average rates
EUR – Euro	**16,193**	15,326
AUD – Australian Dollar	**10,149**	9,965
USD – US Dollar	**14,194**	12,856
CNY – Chinese Yuan Renminbi	**2,080**	1,975
JPY – Japanese Yen	**0,128**	0,116
MXN – Mexican Peso	**0,735**	0,686
BRL – Brazilian Real	**3,647**	3,867
GBP – British Pound	**18,367**	17,291
CAD – Canadian Dollar	**10,723**	10,126
RUB – Russian Ruble	**0,216**	0,218
PLN – Polish Zloty	**3,770**	3,620

N. Illustrative constant exchange rate report on selected financial data continued

Revenue, other income, cost of sales and expenses

For purposes of the constant exchange rate report the restated prior period's source currency revenue, other income, cost of sales and expenses have been restated from the prior period's relevant average exchange rate to the current period's relevant reported average exchange rate.

Interest paid net of investment income

Net interest paid is directly linked to the source currency of the borrowing on which it is levied and is restated from the prior period's relevant reported average exchange rate to the current period's relevant reported average exchange rate.

Tax

The tax charge for purposes of the constant currency report has been recomputed by applying the actual effective tax rate to the restated profit before tax.

Key constant exchange rate indicators	**Reported June 2019 (June 2019 at June 2019 average rates) R'million**	Restated Reported June 2018 (June 2018 at June 2018 average rates) R'million	Change at reported exchange rates %	Illustrative constant exchange rates (June 2018 at June 2019 average rates) R'million	Change in constant exchange rates %
Continuing operations					
Revenue	**38 872**	38 314	1	39 856	(2)
Gross profit	**19 698**	19 686	0	20 195	(2)
Normalised EBITDA	**10 824**	11 031	(2)	11 219	(4)
Operating profit	**5 528**	8 506	(35)	8 606	(36)
Normalised headline earnings	**6 454**	6 932	(7)	7 014	(8)
Basic earnings per share (cents)	***595,0***	*1 231,3*	*(52)*	*1 238,6*	*(52)*
Headline per share (cents)	***1 227,6***	*1 383,5*	*(11)*	*1 396,2*	*(12)*
Normalised headline earnings per share (cents)	***1 414,3***	*1 518,4*	*(7)*	*1 536,6*	*(8)*

	Reported June 2019 (June 2019 at June 2019 average rates) %	Restated reported June 2018 (June 2018 at June 2018 average rates) %
Revenue currency mix		
EUR – Euro	**29**	30
ZAR – South African Rand	**19**	19
AUD – Australian Dollar	**11**	10
USD – US Dollar	**6**	8
CNY – Chinese Yuan Renminbi	**7**	6
JPY – Japanese Yen	**5**	5
MXN – Mexican Peso	**3**	2
BRL – Brazilian Real	**4**	3
GBP – British Pound	**2**	2
CAD – Canadian Dollar	**1**	1
RUB – Russian Ruble	**1**	1
PLN – Polish Zloty	**1**	1
Other currencies	**11**	12
Total	**100**	100

N. Illustrative constant exchange rate report on selected financial data continued

Group segmental analysis

	Reviewed year ended June 2019 (June 2019 at 2019 average rates)				
	Sterile Focus Brands R'million	Regional Brands R'million	Total Commercial Pharma R'million	Manufacturing R'million	Total R'million
Revenue	15 267	17 817	33 084	5 788	38 872
Cost of sales	(6 902)	(8 032)	(14 934)	(4 240)	(19 174)
Gross profit	8 365	9 785	18 150	1 548	19 698
Selling and distribution expenses					(6 846)
Contribution profit					12 852
Administrative expenses					(3 097)
Net other operating income					332
Depreciation					737
Normalised EBITDA*					10 824
Adjusted for:					
Depreciation					(737)
Amortisation					(455)
Loss on sale of assets					(80)
Net impairment of assets					(3 093)
Restructuring costs					(131)
Transaction costs					(540)
Reversal of deferred consideration no longer payable					264
Product litigation costs					(524)
Operating profit					5 528
Gross profit (%)	54,8	54,9	54,9	26,7	50,7
Selling and distribution expenses (%)					17,6
Contribution profit (%)					33,1
Administrative expenses (%)					8,0
Normalised EBITDA (%)					27,8

	Illustrative constant exchange rate June 2018 (June 2018 at 2019 average rates)				
	Sterile Focus Brands R'million	Regional Brands R'million	Total Commercial Pharma R'million	Manufacturing R'million	Total R'million
Revenue	15 618	17 736	33 354	6 502	39 856
Cost of sales	(7 495)	(7 774)	(15 269)	(4 392)	(19 661)
Gross profit	8 123	9 962	18 085	2 110	20 195
Selling and distribution expenses					(6 866)
Contribution profit					13 329
Administrative expenses					(3 069)
Net other operating income					265
Depreciation					694
Normalised EBITDA*					11 219
Adjusted for:					
Depreciation					(694)
Amortisation					(450)
Loss on sale of assets					(55)
Net impairment of assets					(715)
Restructuring costs					(207)
Transaction costs					(162)
Product litigation costs					(330)
Operating profit					8 606
Gross profit (%)	52,0	56,2	54,2	32,5	50,7
Selling and distribution expenses (%)					17,2
Contribution profit (%)					33,4
Administrative expenses (%)					7,7
Normalised EBITDA (%)					28,1

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

GROUP SUPPLEMENTARY INFORMATION continued

NOTES continued

N. Illustrative constant exchange rate report on selected financial data continued

Group segmental analysis continued

	Change				
	Sterile Focus Brands %	Regional Brands %	Total Commercial Pharma %	Manufacturing %	Total %
Revenue	(2)	0	(1)	(11)	(2)
Cost of sales	(8)	3	(2)	(3)	(2)
Gross profit	3	(2)	0	(27)	(2)
Selling and distribution expenses					0
Contribution profit					(4)
Administrative expenses					1
Net other operating income					25
Depreciation					6
Normalised EBITDA*					(4)

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

Group revenue segmental analysis

	Reviewed year ended June 2019 (June 2019 at 2019 average rates) R'million	Illustrative constant exchange rate June 2018 (June 2018 at 2019 average rates) R'million	Change at constant exchange rates %
COMMERCIAL PHARMACEUTICALS BY CUSTOMER GEOGRAPHY	33 084	33 354	(1)
Sub-Saharan Africa	7 986	8 036	(1)
Developed Europe	7 381	7 829	(6)
Australasia	4 048	3 968	2
Latin America	3 083	2 910	6
Developing Europe & CIS	2 516	2 810	(10)
China	2 872	2 544	13
Japan	2 124	2 119	0
Other Asia	1 343	1 413	(5)
MENA	1 056	1 032	2
USA & Canada	675	693	(3)
MANUFACTURING REVENUE BY GEOGRAPHY OF MANUFACTURE			
Manufacturing revenue – finished dose form	1 235	1 621	(24)
Australasia	372	367	1
Developed Europe	627	666	(6)
Sub-Saharan Africa	236	588	(60)
Manufacturing revenue – active pharmaceutical ingredients	4 553	4 881	(7)
Developed Europe	4 087	4 527	(10)
Sub-Saharan Africa	353	354	0
Other Asia	113	–	100
Total manufacturing revenue	5 788	6 502	(11)
TOTAL REVENUE	38 872	39 856	(2)
SUMMARY OF REGIONS			
Developed Europe	12 095	13 022	(7)
Sub-Saharan Africa	8 575	8 978	(4)
Australasia	4 420	4 335	2
Latin America	3 083	2 910	6
Developing Europe & CIS	2 516	2 810	(10)
China	2 872	2 544	13
Japan	2 124	2 119	0
Other Asia	1 456	1 413	3
MENA	1 056	1 032	2
USA & Canada	675	693	(3)
Total revenue	38 872	39 856	(2)

GROUP SUPPLEMENTARY INFORMATION continued

NOTES continued

N. Illustrative constant exchange rate report on selected financial data continued

Commercial Pharmaceuticals Therapeutic area analysis

Reviewed year ended June 2019 (June 2019 at 2019 average rates)

	Anaesthetics Brands R'million	Thrombosis Brands R'million	Sterile Focused Brands R'million	Regional Brands R'million	Total R'million
BY CUSTOMER GEOGRAPHY					
Commercial Pharmaceuticals					
Sub-Saharan Africa	**111**	**8**	**119**	**7 867**	**7 986**
Developed Europe	**2 191**	**3 411**	**5 602**	**1 779**	**7 381**
Australasia	**663**	**22**	**685**	**3 363**	**4 048**
Latin America	**894**	**75**	**969**	**2 114**	**3 083**
Developing Europe & CIS	**283**	**1 868**	**2 151**	**365**	**2 516**
China	**1 976**	**869**	**2 845**	**27**	**2 872**
Japan	**1 332**	**32**	**1 364**	**760**	**2 124**
Other Asia	**675**	**167**	**842**	**501**	**1 343**
MENA	**237**	**118**	**355**	**701**	**1 056**
USA & Canada	**321**	**14**	**335**	**340**	**675**
Total Commercial Pharmaceuticals	**8 683**	**6 584**	**15 267**	**17 817**	**33 084**

Illustrative constant exchange rate June 2018 (June 2018 at 2019 average rates)

	Anaesthetics Brands R'million	Thrombosis Brands R'million	Sterile Focused Brands R'million	Regional Brands R'million	Total R'million
BY CUSTOMER GEOGRAPHY					
Commercial Pharmaceuticals					
Sub-Saharan Africa	144	9	153	7 883	8 036
Developed Europe	2 267	3 668	5 935	1 894	7 829
Australasia	729	21	750	3 218	3 968
Latin America	835	74	909	2 001	2 910
Developing Europe & CIS	411	1 961	2 372	438	2 810
China	1 874	649	2 523	21	2 544
Japan	1 331	53	1 384	735	2 119
Other Asia	717	165	882	531	1 413
MENA	211	170	381	651	1 032
USA & Canada	321	8	329	364	693
Total Commercial Pharmaceuticals	8 840	6 778	15 618	17 736	33 354

Change in constant exchange rates

	Anaesthetics Brands %	Thrombosis Brands %	Sterile Focused Brands %	Regional Brands %	Total %
BY CUSTOMER GEOGRAPHY					
Commercial Pharmaceuticals					
Sub-Saharan Africa	(23)	(11)	(22)	0	(1)
Developed Europe	(3)	(7)	(6)	(6)	(6)
Australasia	(9)	5	(9)	5	2
Latin America	7	1	7	6	6
Developing Europe & CIS	(31)	(5)	(9)	(17)	(10)
China	5	34	13	29	13
Japan	0	(40)	(1)	3	0
Other Asia	(6)	1	(5)	(6)	(5)
MENA	12	(31)	(7)	8	2
USA & Canada	0	75	2	(7)	(3)
Total Commercial Pharmaceuticals	(2)	(3)	(2)	0	(1)

BASIS OF ACCOUNTING

The reviewed provisional Group financial results have been prepared in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports and the requirements of the Companies Act of South Africa. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34: *Interim Financial Reporting*.

The accounting policies applied in the preparation of these provisional Group financial results are in terms of International Financial Reporting Standards and are consistent with those used in the annual financial statements for the year ended 30 June 2018 except for changes to the segmental analysis, new standard implementations as well as discontinued operations which are explained in detail below.

These provisional Group financial results have been prepared under the supervision of the Deputy Group Chief Executive, MG Attridge CA(SA) and approved by the Board of Directors.

Restatement of the Group Segmental analysis

Following the integration of the recent Anaesthetics business acquisitions into the Group and the finalisation of the disposal of the Nutritionals Business segment, the Group has revised its reportable segments to reflect the newly updated operating model which aligns to the way in which the business is managed and reported on by the Chief Operating Decision Maker ("CODM"). The business segments which make up the Pharmaceutical segment have been revised as follows:

- The High Potency & Cytotoxic therapeutic segment has been reclassified to Regional Brands as these products are now managed on a regional basis;
- The Therapeutic Focused Brand segment has been replaced by the Sterile Focus Brand segment and includes the Anaesthetics and Thrombosis portfolios;
- The total Pharmaceutical segment has been split at a revenue and gross margin level between the Commercial Pharmaceuticals and Manufacturing segments to give separate visibility to the gross margins earned by each of these segments;
- The Commercial Pharmaceuticals segment comprises the Sterile Focus Brand and Regional Brand segments;
- The Manufacturing segment relates to the manufacture and sale of active pharmaceutical ingredient and finished dose form products to third party customers; and
- The costs relating to manufacturing activities which support the manufacture and sale of Commercial Pharmaceutical Brands are included in the gross margins of the Commercial Pharmaceutical segment and the costs supporting the manufacture and sale of active pharmaceutical ingredients and finished dose form products to third party customers are included in the Manufacturing segment gross margin.

Restatement of discontinued operations

Asia Pacific non-core pharmaceutical portfolio:

Consistent with the Group strategy of divesting or discontinuing non-core pharmaceutical products, during the year the Group identified a portfolio of non-core pharmaceutical products in the Asia Pacific region for divestment and discontinuation. In Aspen's interim results for the 6 months ended 31 December 2018 these prospective discontinuations and divestments were classified as discontinued operations with all related assets and liabilities transferred to assets-held-for-sale in terms of IFRS 5. As at 30 June 2019 these divestments and discontinuations were complete and the results of the divestments are included as part of discontinued operations.

Nutritionals Business:

In September 2018 the Group concluded an agreement (subject to conditions precedent) to divest of its Nutritionals Business predominantly carried on in Latin America, Sub-Saharan Africa and Asia Pacific under the S-26, Alula and Infacare brands ("Nutritionals Business") to the Lactalis Group, a leading multinational dairy corporation based in Laval, France. In Aspen's interim results for the six months ended 31 December 2018 the Nutritionals Business was classified as a discontinued operations with all related assets and liabilities transferred to assets-held-for-sale in terms of IFRS 5. The transaction was concluded effective 31 May 2019 and the results of the disposals are included as part of discontinued operations.

Restatement due to changes in accounting standards

The implementation of IFRS 15: *Revenue from Contracts with Customers* and IFRS 9: *Financial Instruments* became effective for Aspen in the 2019 financial year. Aspen has assessed and applied the new standards and the June 2019 results have been reported in line with the new requirements. The June 2018 comparative period has been restated in the reviewed results on a full retrospective basis.

BASIS OF ACCOUNTING continued

IFRS 15: *Revenue from Contracts with Customers*

In applying the new standard the Group recognises revenue upon the transfer of control over the products to the customer and the amount of revenue can be measured reliably and it is probable that future economic benefits will flow to the entity.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue, net of trade discounts, distribution fees paid to independent wholesalers and excluding value added tax, comprises the total invoice value of goods and co-marketing fees.

Following a detailed review of the impact of implementing the revised standard, the Group identified certain distribution arrangements in terms of which control of inventory did not transfer to the customer within the relevant financial period and this required a restatement in terms of IFRS 15. The details of the restatement are set out in note K.

IFRS 9: *Financial Instruments*

Applying the incurred loss model, the Group assessed whether there was any objective evidence of impairment at the end of each reporting period. The assessment resulted in an increase in the allowance account for losses, the resultant restatement has been applied on a full retrospective basis, and the details are set out in note K.

IFRS 5: *Non-current Assets Held-for-sale and Discontinued Operations*

During the year Aspen acquired the remaining 50% of two joint ventures which led to these joint ventures being 100% owned subsidiaries of the Group. The details of this transaction is set out in note L on the supplementary information.

These subsidiaries were held exclusively with a view to resale and meets the definition of a discontinued operation in accordance with IFRS 5.

Aspen applied the 'short-cut method' given in the IFRS 5 *Implementation Guidance* to account for these subsidiaries.

A subsidiary acquired exclusively with a view to resale is valued at fair value less costs to sell, at each reporting date, as a single unit of account. There is no requirement to fair value the entity's individual assets and liabilities. The entity's identifiable liabilities are measured at fair value, and this amount is added to the fair value less costs to sell amount, to ascertain the value of the assets to be disclosed.

REVIEW CONCLUSION

These provisional Group financial results have been reviewed by Aspen's auditors, PricewaterhouseCoopers Inc, who expressed an unmodified review conclusion. A copy of the auditor's review report is available for inspection at the Company's registered office together with the financial statements identified in the auditor's report. Any reference to future financial performance included in this announcement, has not been reviewed or reported on by the Company's auditors.

The illustrative constant exchange rate report on selected financial data has been derived from the reviewed financial information and has been reported on by Aspen's auditors in an assurance report which is available for inspection at the Company's registered office. This information has been prepared for illustrative purposes only and is the responsibility of the Group's Board of Directors.

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