ASPEN PHARMACARE HOLDINGS LIMITED AND ITS SUBSIDIARIES (collectively "Aspen" or "the Group")
Registration number: 1985/002935/06
Share code: APN/ISIN: ZAE000066692
LEI: 635400ZYSN1IRD5QWQ94

Reviewed provisional Group financial results for the year ended 30 June 2020

COMMENTARY

RESHAPING OF THE GROUP

The recently announced agreement to divest the assets related to the commercialisation of Aspen's Thrombosis Business in Europe to Mylan (refer SENS announcement of 8 September 2020) marks the end of the process to reshape the foundation of the Group. Following the completion of this transaction, Aspen's Commercial Pharmaceuticals Business will be heavily weighted towards territories where we have demonstrated capabilities and a strong performance record, largely in Emerging Markets. A higher proportion of our business will be exposed to the private sector and will be better positioned to benefit from the expanding middle classes in Emerging Markets, where our trusted and proven brands are well placed to support the increasing medical demands of these growing populations.

The receipt of the proceeds from the aforementioned transaction with Mylan will again give us scope for acquisitive investment to support initiatives aimed at enhancing value in areas of strength.

Our significant investment in capital expenditure to build our sterile manufacturing capacities has been slightly delayed by the COVID-19 pandemic. This investment is planned to peak in the year ahead before reducing rapidly in subsequent years as the projects reach their end. The complex and niche production capabilities installed will allow us to reduce cost of goods within our existing portfolio. It also allows us to leverage this sought after capacity, particularly with big pharma, to further expand our global presence in steriles thus enhancing our offering of quality, affordable medicines.

As a result of our reshaping of the Group and our significant investment in sterile manufacturing, Aspen is highly differentiated from our peer group as it is the most Emerging Market-focused specialty pharmaceutical company and a global leader in the production of sterile products.

COVID-19 IMPACT

The COVID-19 pandemic has created great uncertainty and many challenges for people and companies across the globe. Despite this, Aspen's business model has proven resilient. Our relevant product portfolio, effective business continuity plans and safety measures to protect our employees have enabled us to remain in full operation throughout this period. We are most proud of the commitment shown by all of Aspen's employees, with special gratitude to those at the production sites, for ensuring we have been able to maintain the supply of essential medicines to COVID-19 and other patients around the world under these circumstances.

The volatility associated with the pandemic has had an adverse impact on our results in the second half of the 2020 financial year. This impact has varied by timing and region. The hard lockdown in China significantly restricted sales of medicines there for at least three months. Conversely, early in the first wave we experienced a spike in demand for certain of our medicines, most notably in South Africa, Australia and Mexico. This was followed by the predicted drop in demand as the resultant abnormally high inventory in-market levels were normalised. In Europe, there was a significant need for our sterile products required to treat COVID-19 patients during the height of infections, but a decline in orders for products related to elective surgeries. The period after the first wave has been characterised by continued social distancing, leading to reduced infection rates in non-COVID-19 communicable diseases and a slow and uncoordinated resumption of elective surgeries which has adversely impacted our performance.

Despite the many challenges experienced during the second half of the financial year, we have made great progress against each of our medium-term priorities, while maintaining the supply of our medicines to patients in need around the world.

GROUP PERFORMANCE (CONTINUING OPERATIONS)

Group revenue increased 9% to R38,6 billion and normalised EBITDA increased 7% to R11,0 billion for the 12 months ended 30 June 2020. The increase in Group revenue was supported by growth from Commercial Pharmaceuticals (+6%), despite the difficult trading conditions, and a pleasing performance from Manufacturing (+22%). Normalised headline earnings per share (NHEPS) increased 9% to R14,65, favourably impacted by lower financing costs.

Strong second half cash flows resulted in a positive cash inflow from working capital for the 12 months ended 30 June 2020 and supported a cash conversion rate of 142%. Net borrowings declined R3,8 billion to R35,2 billion. The strong cash generation was offset by R5,6 billion in unfavourable currency movements. The leverage ratio in terms of the Facilities Agreement of 2.89 times is comfortably below the covenant leverage ratio of 3.5 times.

Testing of intangible and tangible assets for impairment has resulted in impairments of R1,5 billion arising primarily from a decline in the outlook for the affected products.

Discontinued operations include the Nutritionals Business, the Asia Pacific non-core pharmaceutical portfolio, both divested in the 2019 financial year, as well as the Japanese Business and the public sector ARVs. The Japanese Business divestment became effective on 31 January 2020. The South African public sector ARV transaction with Laurus, a leading Indian producer of ARV APIs, became effective in June 2020.

Material relative movements in exchange rates in the last four months of the financial year have had a positive 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 12 months ended 30 June 2019 restate the performance for that period using the average exchange rates for the 12 months ended 30 June 2020.

	For the 12 months ended 30 June 2020				
Continuing operations	**Reported FY2020 R'million**	Restated Reported FY2019^ R'million	Change at reported rates %	Restated CER FY2019^ (CER) R'million	Change at CER %
Revenue	**38 647**	35 514	9	37 320	4
Normalised EBITDA*	**10 968**	10 277	7	10 699	3
NHEPS** (cents)	**1 464,6**	1 344,8	9	1 397,7	5

^ *FY2019 has been restated as a result of discontinued operations.*

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

** *NHEPS are HEPS 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.*

SEGMENTAL PERFORMANCE (CONTINUING OPERATIONS AT CER)

Commercial Pharmaceuticals

Commercial Pharmaceuticals, which comprises Aspen's Regional Brands and Sterile Focus Brands, grew 1% to R31,1 billion. Gross profit declined 3% to R17,1 billion on lower margins from Regional Brands (refer below).

Regional Brands

Regional Brands revenue increased 3% to R16,9 billion. Revenue was adversely impacted by reduced demand during the lockdown period. In these circumstances, Sub-Saharan Africa (+6%), Latin America (+10%) and MENA (+8%) all delivered excellent growth.

Gross profit percentage was adversely impacted by the increased cost of doing business under COVID-19, the recall of Zantac in Australia and generic competition placing pricing pressure on the oncology portfolio in Europe CIS.

Sterile Focus Brands

Despite heightened demand for certain Anaesthetics Brands used in the clinical management of COVID-19 patients, the postponement of elective procedures negatively impacted the Sterile Focus Brands segment.

Revenue from Sterile Focus Brands, comprising Anaesthetics and Thrombosis Brands, decreased 1% to R14,3 billion, primarily due to the lost sales in China during the hard lockdown period. Europe CIS revenue was flat while good growth was achieved in Latin America and MENA.

Despite the adverse effect of the material slowdown in China and the higher cost of goods sold for Thrombosis Brands (as guided), the gross profit percentage remained stable.

Manufacturing

Manufacturing revenue increased 14% to R7,5 billion, benefitting from the increase in sale of heparin (+R668 million) and non-heparin based APIs to third parties. Gross profit percentage increased to 30,1% on improved production efficiencies.

PROSPECTS

While the underlying business has demonstrated good performance over the past year and is well positioned for this momentum to continue, the uncertainty created by the enduring unfavourable influence of COVID-19 is likely to impact results in the year ahead.

As reported, the weakening of the ZAR against almost all of the basket of Aspen's trading currencies has resulted in an uplift of our reported 2020 results. Should prevailing ZAR weakness persist, this uplift in earnings will be even more pronounced in the 2021 financial year.

DIVIDEND TO SHAREHOLDERS

Taking into account the uncertainty created by the current COVID-19 pandemic, 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 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
9 September 2020

GROUP STATEMENT OF FINANCIAL POSITION

at year ended 30 June 2020	Notes	Reviewed 2020 R'million	Audited 2019 R'million
ASSETS			
Non-current assets			
Intangible assets		**73 040**	66 468
Property, plant and equipment		**14 232**	12 065
Right-of-use assets	L#	**601**	–
Goodwill		**5 375**	4 649
Deferred tax assets		**1 714**	1 163
Contingent environmental indemnification assets		**324**	801
Other non-current assets		**1 145**	1 018
Total non-current assets		**96 431**	86 164
Current assets			
Inventories		**16 413**	14 648
Receivables and other current assets		**13 232**	12 511
Cash and cash equivalents		**7 093**	8 977
Total operating current assets		**36 738**	36 136
Assets classified as held-for-sale		**–**	16
Total current assets		**36 738**	36 152
Total assets		**133 169**	122 316
SHAREHOLDERS' EQUITY			
Reserves		**67 313**	52 300
Share capital (including treasury shares)		**1 902**	1 911
Ordinary shareholders' equity		**69 215**	54 211
Non-controlling interests		**2**	2
Total shareholders' equity		**69 217**	54 213
LIABILITIES			
Non-current liabilities			
Borrowings*		**36 019**	39 713
Other non-current liabilities		**4 957**	3 702
Unfavourable and onerous contracts		**927**	1 055
Deferred tax liabilities		**2 701**	2 049
Contingent environmental liabilities		**324**	801
Retirement and other employee benefits		**945**	744
Total non-current liabilities		**45 873**	48 064
Current liabilities			
Borrowings*		**6 302**	8 248
Trade and other payables		**9 691**	9 555
Other current liabilities		**1 665**	1 911
Unfavourable and onerous contracts		**421**	325
Total operating current liabilities		**18 079**	20 039
Total liabilities		**63 952**	68 103
Total equity and liabilities		**133 169**	122 316

Refer to notes on Supplementary Information.
* *Includes bank overdrafts and IFRS 16 – Leases adopted prospectively from 1 July 2019.*

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2020	Notes	Change %	Reviewed 2020 R'million	Restated* 2019 R'million
CONTINUING OPERATIONS				
Revenue		9	**38 647**	35 514
Cost of sales			**(19 314)**	(16 930)
Gross profit		4	**19 333**	18 584
Selling and distribution expenses			**(6 528)**	(6 380)
Administrative expenses			**(3 231)**	(2 992)
Other operating income			**515**	658
Other operating expenses			**(3 029)**	(5 586)
Operating profit	B#	65	**7 060**	4 284
Investment income	C#		**156**	439
Financing costs	D#		**(1 614)**	(2 372)
Profit before tax		138	**5 602**	2 351
Tax			**(991)**	(671)
Profit for the year from continuing operations		174	**4 611**	1 680
DISCONTINUED OPERATIONS				
Profit from discontinued operations	F#		**53**	4 784
Profit for the year		(28)	**4 664**	6 464
OTHER COMPREHENSIVE INCOME, NET OF TAX				
Currency translation gains/(losses)	E#		**10 282**	(19)
Net gains/(losses) from cash flow hedging in respect of business acquisition			**67**	(32)
Remeasurement of retirement and other employee benefits**			**1**	(47)
Total comprehensive income			**15 014**	6 366
Profit for the year attributable to				
Equity holders of the parent			**4 664**	6 463
Non-controlling interests			**–**	1
			4 664	6 464
Total comprehensive income attributable to				
Equity holders of the parent			**15 014**	6 365
Non-controlling interests			**–**	1
			15 014	6 366
Weighted average number of shares in issue ('million)			**456,5**	456,5
Diluted weighted average number of shares in issue ('million)			**456,5**	456,5
EARNINGS PER SHARE				
Basic and diluted earnings per share (cents)				
From continuing operations		175	**1 010,2**	367,8
From discontinued operations			**11,6**	1 048,1
		(28)	**1 021,8**	1 415,9

Refer to notes on Supplementary Information.

* *Please refer to note F for restatement as a result of discontinued operations.*

** *The annual remeasurement of retirement and other employee benefits will not be reclassified to profit or loss. All other items in other comprehensive income may be reclassified to profit or loss.*

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2020	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 2018	1 905	47 442	49 347	28	49 375
Total comprehensive income	–	6 365	6 365	1	6 366
Profit for the year	–	6 463	6 463	1	6 464
Other comprehensive losses	–	(98)	(98)	–	(98)
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	52 300	54 211	2	54 213
Total comprehensive income	**–**	**15 014**	**15 014**	**–**	**15 014**
Profit for the year	**–**	**4 664**	**4 664**	**–**	**4 664**
Other comprehensive income	**–**	**10 350**	**10 350**	**–**	**10 350**
Treasury shares purchased	**(41)**	**–**	**(41)**	**–**	**(41)**
Deferred incentive bonus shares exercised	**32**	**(32)**	**–**	**–**	**–**
Share-based payment expenses	**–**	**31**	**31**	**–**	**31**
BALANCE AT 30 JUNE 2020	**1 902**	**67 313**	**69 215**	**2**	**69 217**

DISTRIBUTION TO SHAREHOLDERS

No dividend has been paid during the year (2019: 315 cents). The dividend to shareholders of 315 cents relates to dividend declared on 13 September 2018 and paid on 8 October 2018.

GROUP STATEMENT OF CASH FLOWS

for the year ended 30 June 2020	Notes	Change %	Reviewed 2020 R'million	Restated* 2019 R'million
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash operating profit			**11 110**	10 918
Changes in working capital			**192**	(1 378)
Cash generated from operations			**11 302**	9 540
Net financing costs paid			**(1 631)**	(1 742)
Tax paid			**(1 411)**	(1 796)
Cash generated from operating activities		38	**8 260**	6 002
CASH FLOWS FROM INVESTING ACTIVITIES				
Capital expenditure – property, plant and equipment	A#		**(2 039)**	(2 442)
Proceeds on the sale of property, plant and equipment			**6**	9
Capital expenditure – intangible assets	A#		**(651)**	(1 141)
Proceeds received on the sale of intangible assets	I#		**244**	90
Net proceeds received on disposal of Nutritionals Business	G#		**–**	12 016
Acquisition of subsidiaries and joint ventures			**–**	(1 016)
Proceeds received on disposal of Asia Pacific non-core pharmaceutical portfolio	J#		**389**	1 299
Proceeds received on disposal of Japanese Business	G#		**4 229**	–
Contractual adjustment – Nutritionals Business consideration	H#		**(334)**	–
Proceeds received on sale of other non-current assets			**86**	42
Payment of deferred contingent consideration relating to prior year business acquisitions			**(338)**	(5 644)
Proceeds received on assets classified as held-for-sale			**32**	25
Cash generated from investing activities			**1 624**	3 238
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings			**14 217**	23 365
Repayment of borrowings			**(25 641)**	(33 123)
Dividends paid			**–**	(1 437)
Acquisition of non-controlling interest in subsidiary			**–**	(41)
Treasury shares purchased			**(41)**	(29)
Cash utilised in financing activities			**(11 465)**	(11 265)
Movement in cash and cash equivalents before currency translation movements			**(1 581)**	(2 025)
Currency translation movements			**1 050**	59
Movement in cash and cash equivalents			**(531)**	(1 966)
Cash and cash equivalents at the beginning of the year			**6 148**	8 114
Cash and cash equivalents at the end of the year			**5 617**	6 148
Operating cash flow per share (cents)				
From continuing operations		45	**1 800,2**	1 238,0
From discontinued operations			**9,4**	76,9
		38	**1 809,6**	1 314,9
DISCONTINUED OPERATIONS INCLUDED IN THE ABOVE:				
Cash generated from operating activities			**43**	351
Cash generated from investing activities			**4 284**	12 299
Cash and cash equivalents per the statement of cash flows			**(109)**	(63)
			4 218	12 587
RECONCILIATION OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents per the statement of financial position			**7 093**	8 977
Less: Bank overdrafts			**(1 476)**	(2 829)
			5 617	6 148

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.

Refer to notes on Supplementary Information.
* *Please refer to note F for restatement as a result of discontinued operations.*

GROUP SUPPLEMENTARY INFORMATION

GROUP STATEMENT OF HEADLINE EARNINGS

for the year ended 30 June 2020	Change %	Reviewed 2020 R'million	Restated* 2019 R'million
HEADLINE EARNINGS^			
Reconciliation of headline earnings			
Profit attributable to equity holders of the parent	(28)	**4 664**	6 463
Adjusted for:			
Continuing operations			
– Net impairment of property, plant and equipment (net of tax)		**7**	405
– Net impairment of intangible assets (net of tax)		**1 282**	2 993
– Impairment of goodwill (net of tax)		**96**	107
– Impairment of available-for-sale financial assets (net of tax)		**–**	55
– Impairment of financial receivables (net of tax)		**9**	–
– (Profit)/loss on the sale of tangible and intangible assets (net of tax)		**(203)**	47
– Profit on the sale of assets classified as held-for-sale (net of tax)		**(14)**	–
Discontinued operations			
– Loss/(profit) on sale of discontinued operations (net of tax)		**194**	(4 346)
	5	**6 035**	5 724
Headline earnings			
From continuing operations	9	**5 788**	5 286
From discontinued operations		**247**	438
	5	**6 035**	5 724
HEADLINE EARNINGS PER SHARE			
Headline earnings and diluted headline earnings per share (cents)			
From continuing operations	9	**1 268,0**	1 158,1
From discontinued operations		**54,1**	95,9
	5	**1 322,1**	1 254,0
NORMALISED HEADLINE EARNINGS			
Reconciliation of normalised headline earnings			
Headline earnings	5	**6 035**	5 724
Adjusted for:			
Continuing operations			
– Restructuring costs (net of tax)		**307**	100
– Transaction costs (net of tax)		**402**	547
– Foreign exchange (gain)/loss on acquisitions (net of tax)		**(17)**	9
– Product litigation costs (net of tax)		**205**	459
– Reversal of deferred consideration no longer payable (net of tax)		**–**	(264)
Discontinued operations			
– Restructuring costs (net of tax)		**17**	16
– Transaction costs (net of tax)		**9**	216
– Foreign exchange gain on disposals (net of tax)		**(42)**	(114)
	3	**6 916**	6 693
Normalised headline earnings			
From continuing operations	9	**6 685**	6 137
From discontinued operations		**231**	556
	3	**6 916**	6 693
Normalised headline and normalised diluted headline earnings per share			
Normalised headline earnings per share (cents)			
From continuing operations	9	**1 464,6**	1 344,8
From discontinued operations		**50,5**	121,6
	3	**1 515,1**	1 466,4

** Please refer to note F for restatement as a result of discontinued operations.*
^ Headline earnings is disclosed net of income from non-controlling interests which are not material.

GROUP SUPPLEMENTARY INFORMATION continued

GROUP SEGMENTAL ANALYSIS

	Reviewed year ended 30 June 2020				
	Sterile Focus Brands R'million	Regional Brands R'million	Total Commercial Pharma-ceuticals R'million	Manufacturing R'million	Total R'million
Revenue	**14 263**	**16 881**	**31 144**	**7 503**	**38 647**
Cost of sales	**(6 223)**	**(7 844)**	**(14 067)**	**(5 247)**	**(19 314)**
Gross profit	**8 040**	**9 037**	**17 077**	**2 256**	**19 333**
Selling and distribution expenses					**(6 528)**
Contribution profit					**12 805**
Administrative expenses					**(3 231)**
Net other operating income					**428**
Depreciation					**966**
Normalised EBITDA*					**10 968**
Adjusted for:					
Depreciation					**(966)**
Amortisation					**(615)**
Profit on sale of assets					**223**
Net impairment of assets					**(1 458)**
Restructuring costs					**(413)**
Transaction costs					**(445)**
Product litigation costs					**(234)**
Operating profit					**7 060**
Gross profit (%)	**56,4**	**53,5**	**54,8**	**30,1**	**50,0**
Selling and distribution expenses (%)					**16,9**
Contribution profit (%)					**33,1**
Administrative expenses (%)					**8,4**
Normalised EBITDA (%)					**28,4**

	Restated** year ended 30 June 2019				
	Sterile Focus Brands R'million	Regional Brands R'million	Total Commercial Pharma-ceuticals R'million	Manufacturing R'million	Total R'million
Revenue	13 524	15 823	29 347	6 167	35 514
Cost of sales	(5 852)	(6 669)	(12 521)	(4 409)	(16 930)
Gross profit	7 672	9 154	16 826	1 758	18 584
Selling and distribution expenses					(6 380)
Contribution profit					12 204
Administrative expenses					(2 992)
Net other operating income					332
Depreciation					733
Normalised EBITDA*					10 277
Adjusted for:					
Depreciation					(733)
Amortisation					(437)
Loss on sale of assets					(80)
Reversal of deferred consideration no longer payable					264
Net impairment of assets					(3 812)
Restructuring costs					(131)
Transaction costs					(540)
Product litigation costs					(524)
Operating profit					4 284
Gross profit (%)	56,7	57,9	57,3	28,5	52,3
Selling and distribution expenses (%)					18,0
Contribution profit (%)					34,4
Administrative expenses (%)					8,4
Normalised EBITDA (%)					28,9

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

***Restated for discontinued operations and segmental classifications (refer to Basis of Accounting).*

GROUP SEGMENTAL ANALYSIS continued

	Change				
	Sterile Focus Brands %	Regional Brands %	Total Commercial Pharma-ceuticals %	Manufacturing %	Total %
Revenue	5	7	6	22	9
Cost of sales	6	18	12	19	14
Gross profit	5	(1)	1	28	4
Selling and distribution expenses					2
Contribution profit					5
Administrative expenses					8
Net other operating income					29
Depreciation					32
Normalised EBITDA*					7

** 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

for the year ended 30 June 2020	Reviewed 2020 R'million	Restated** 2019 R'million	Change %
COMMERCIAL PHARMACEUTICALS BY CUSTOMER GEOGRAPHY	**31 144**	29 347	6
Developed Europe	**7 548**	7 002	8
Sub-Saharan Africa	**7 194**	6 752	7
Australasia	**4 229**	4 048	4
Latin America	**3 412**	3 083	11
China	**2 940**	2 872	2
Developing Europe & CIS	**2 551**	2 516	1
Other Asia	**1 381**	1 343	3
MENA	**1 305**	1 056	24
USA & Canada	**584**	675	(13)
MANUFACTURING REVENUE BY GEOGRAPHY OF MANUFACTURE			
Manufacturing revenue – finished dose form	**1 388**	1 235	12
Developed Europe	**681**	627	9
Australasia	**393**	372	6
Sub-Saharan Africa	**314**	236	33
Manufacturing revenue – active pharmaceutical ingredients	**6 115**	4 932	24
Developed Europe	**5 628**	4 466	26
Sub-Saharan Africa	**372**	353	5
Other Asia	**115**	113	2
Manufacturing	**7 503**	6 167	22
TOTAL REVENUE	**38 647**	35 514	9
SUMMARY OF REGIONS			
Developed Europe	**13 857**	12 095	15
Sub-Saharan Africa	**7 880**	7 341	7
Australasia	**4 622**	4 420	5
Latin America	**3 412**	3 083	11
China	**2 940**	2 872	2
Developing Europe & CIS	**2 551**	2 516	1
Other Asia	**1 496**	1 456	3
MENA	**1 305**	1 056	24
USA & Canada	**584**	675	(13)
TOTAL REVENUE	**38 647**	35 514	9

***Restated for discontinued operations and segmental classifications (refer to Basis of Accounting).*

GROUP SUPPLEMENTARY INFORMATION continued

COMMERCIAL PHARMACEUTICALS THERAPEUTIC AREA ANALYSIS

	Reviewed year ended 30 June 2020				
	Anaesthetics Brands R'million	Thrombosis Brands R'million	Sterile Focus Brands R'million	Regional Brands R'million	Total R'million
BY CUSTOMER GEOGRAPHY					
Commercial Pharmaceuticals					
Developed Europe	**2 677**	**3 087**	**5 764**	**1 784**	**7 548**
Sub-Saharan Africa	**118**	**6**	**124**	**7 070**	**7 194**
Australasia	**665**	**18**	**683**	**3 546**	**4 229**
Latin America	**994**	**76**	**1 070**	**2 342**	**3 412**
China	**2 078**	**815**	**2 893**	**47**	**2 940**
Developing Europe & CIS	**174**	**1 942**	**2 116**	**435**	**2 551**
Other Asia	**691**	**144**	**835**	**546**	**1 381**
MENA	**266**	**198**	**464**	**841**	**1 305**
USA & Canada	**304**	**10**	**314**	**270**	**584**
Total Commercial Pharmaceuticals	**7 967**	**6 296**	**14 263**	**16 881**	**31 144**

	Restated year ended 30 June 2019**				
	Anaesthetics Brands R'million	Thrombosis Brands R'million	Sterile Focus Brands R'million	Regional Brands R'million	Total R'million
BY CUSTOMER GEOGRAPHY					
Commercial Pharmaceuticals					
Developed Europe	2 191	3 032	5 223	1 779	7 002
Sub-Saharan Africa	111	8	119	6 633	6 752
Australasia	663	22	685	3 363	4 048
Latin America	894	75	969	2 114	3 083
China	1 976	869	2 845	27	2 872
Developing Europe & CIS	283	1 868	2 151	365	2 516
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	7 351	6 173	13 524	15 823	29 347

	Change				
	Anaesthetics Brands %	Thrombosis Brands %	Sterile Focus Brands %	Regional Brands %	Total %
BY CUSTOMER GEOGRAPHY					
Commercial Pharmaceuticals					
Developed Europe	22	2	10	0	8
Sub-Saharan Africa	6	(25)	4	7	7
Australasia	0	(18)	0	5	4
Latin America	11	1	10	11	11
China	5	(6)	2	74	2
Developing Europe & CIS	(39)	4	(2)	19	1
Other Asia	2	(14)	(1)	9	3
MENA	12	68	31	20	24
USA & Canada	(5)	(29)	(6)	(21)	(13)
Total Commercial Pharmaceuticals	8	2	5	7	6

***Restated for discontinued operations and segmental classifications (refer to Basis of Accounting).*

GROUP SUPPLEMENTARY INFORMATION continued

NOTES

			Reviewed 30 June 2020 R'million	Restated* 30 June 2019 R'million
A.	**CAPITAL EXPENDITURE**			
	Incurred		**2 690**	3 583
	– Property, plant and equipment		**2 039**	2 442
	– Intangible assets		**651**	1 141
	Contracted		**1 819**	1 468
	– Property, plant and equipment		**1 279**	1 258
	– Intangible assets		**540**	210
	Authorised but not contracted for		**2 534**	3 882
	– Property, plant and equipment		**2 175**	3 191
	– Intangible assets		**359**	691
B.	**OPERATING PROFIT HAS BEEN ARRIVED AT AFTER CHARGING/(CREDITING)**			
	Continuing operations			
	Depreciation of property, plant and equipment and right-of-use assets		**966**	733
	Amortisation of intangible assets		**615**	437
	Net impairment of tangible and intangible assets		**1 458**	3 812
	Net impairment of property, plant and equipment		**9**	515
	Impairment of intangible assets	M#	**1 339**	3 131
	Impairment of goodwill		**96**	111
	Net impairment of financial receivables		**14**	–
	Impairment on available-for-sale financial assets		**–**	55
	(Profit)/loss on the sale of tangible and intangible assets		**(223)**	80
	Transaction costs		**445**	540
	Restructuring costs		**413**	131
	Product litigation costs		**234**	524
	Reversal of deferred consideration no longer payable		**–**	(264)
C.	**INVESTMENT INCOME**			
	Interest received		**156**	439
D.	**FINANCING COSTS**			
	Interest paid		**(1 396)**	(1 953)
	Debt raising fees on acquisitions		**(45)**	(70)
	Net losses on financial instruments		**(8)**	(66)
	Foreign exchange losses		**(15)**	(66)
	Fair value gains on financial instruments		**7**	–
	Notional interest on financial instruments		**(182)**	(274)
	Foreign exchange gains/(losses) on acquisitions		**17**	(9)
			(1 614)	(2 372)
E.	**CURRENCY TRANSLATION GAINS/(LOSSES)**			
	Currency translation gains/(losses) 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 weaker closing Rand translation rate increased the Group net asset value.		**10 282**	(19)

Refer to notes on Supplementary Information.
* *Please refer to note F for restatement as a result of discontinued operations.*

F. DISCONTINUED OPERATIONS

Asia Pacific non-core pharmaceutical portfolio

During the financial year ended 30 June 2019 the Group divested and discontinued a portfolio of non-core pharmaceutical products in the Asia Pacific region and the results of these divestments and discontinuations were reported as discontinued operations and included in the "Other" category of the discontinued operations statement of comprehensive income.

Nutritionals Business

During the financial year ended 30 June 2019 the Group divested its Nutritionals Business and the results were reported as discontinued operations in the discontinued operations statement of comprehensive income.

Japanese Business

In November 2019 the Group concluded an agreement (subject to conditions precedent) to divest of its Japanese operations and any related intellectual property to Sandoz, a Novartis Division. Sandoz is a multinational pharmaceutical company and a global leader in generic and biosimilar medicines, headquartered in Holzkirchen, Germany. In Aspen's interim results for the six months ended 31 December 2019 the Japanese 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 January 2020 and the results of the disposals are included as part of discontinued operations.

Public sector ARVs

The Group concluded a transaction in September 2019 (subject to conditions precedent which were fulfilled in June 2020) in terms of which the commercialisation and distribution rights for its major public sector ARVs were licensed to Laurus, a leading Indian API manufacturer. In terms of the agreement Aspen would continue to toll manufacture the products for Laurus. The deal forms part of Aspen's strategy to exit the commercialisation of public sector ARVs while ensuring that the South African Government gets access to competitively priced ARVs. The public sector ARV portfolio included in the transaction (mainly Tribuss and Emdolten) with Laurus has been classified as a discontinued operation and is included in the "Other" category of the discontinued operations statement of comprehensive income. Aspen will continue to sell ARVs in the South African private sector.

Summarised discontinued operations statement of comprehensive income

	June 2020			
	Nutritionals Business R'million	Japanese Business R'million	Other* R'million	Reviewed 30 June 2020 R'million
Revenue	–	1 434	454	1 888
Gross profit	–	637	123	760
Operating expenses	–	(337)	(7)	(344)
Selling and distribution expenses	–	(281)	(7)	(288)
Administration expenses	–	(56)	–	(56)
Normalised EBITDA	–	300	116	416
Depreciation	–	5	–	5
Normalised EBITDA	–	305	116	421
Adjusted for:				
Depreciation	–	(5)	–	(5)
Amortisation	–	(17)	–	(17)
Transaction costs	(2)	(10)	–	(12)
Restructuring costs	(27)	–	–	(27)
Operating (loss)/profit	(29)	273	116	360
Net financing costs	–	(74)	–	(74)
Foreign exchange gains on disposals	–	42	–	42
(Loss)/profit before tax	(29)	241	116	328
Tax	10	(42)	(49)	(81)
(Loss)/profit before tax from discontinuing operations	(19)	199	67	247
(Loss)/profit on the sale of discontinued operations (after tax)	(109)	(178)	93	(194)
(Loss)/profit from discontinued operation	(128)	21	160	53
Basic earnings per share (cents)				11,6
Headline earnings per share (cents)				54,1
Normalised headline earnings per share (cents)				50,5

* *Refer to split of revenue on the next page.*

F. DISCONTINUED OPERATIONS continued

SUMMARISED DISCONTINUED OPERATIONS STATEMENT OF COMPREHENSIVE INCOME continued

	June 2019			
	Nutritionals Business R'million	Japanese Business R'million	Other* R'million	Restated 30 June 2019 R'million
Revenue	2 730	2 123	1 974	6 827
Gross profit	1 175	920	543	2 638
Operating expenses	(1 015)	(553)	(74)	(1 642)
Net other operating income	97	–	–	97
Normalised EBITDA	257	367	469	1 093
Depreciation	47	4	–	51
Normalised EBITDA	304	371	469	1 144
Adjusted for:				
Depreciation	(47)	(4)	–	(51)
Amortisation	(35)	(18)	–	(53)
Transaction costs	(238)	–	–	(238)
Restructuring costs	(22)	–	–	(22)
Operating (loss)/profit	(38)	349	469	780
Net financing costs	(128)	(105)	–	(233)
Foreign exchange gains on disposals	159	–	–	159
Operating (loss)/profit after investment income and financing costs	(7)	244	469	706
Share of after-tax net profit of joint ventures	62	–	–	62
Profit before tax	55	244	469	768
Tax	(122)	(54)	(154)	(330)
(Loss)/profit after tax from discontinued operations	(67)	190	315	438
Profit/(loss) on the sale of discontinued operations (after tax)	4 863	–	(517)	4 346
Profit/(loss) after tax from discontinued operations	4 796	190	(202)	4 784
Basic earnings per share (cents)				1 048,1
Headline earnings per share (cents)				95,9
Normalised headline earnings per share (cents)				121,6

* *Included in other is revenue split as follows:*

	June 2020 R'million	June 2019 R'million
ARVs	**251**	1 235
Asia Pacific non-core pharmaceutical portfolio	**203**	739
	454	1 974

G. PROCEEDS RECEIVED FROM SALE OF DISCONTINUED OPERATIONS

PROCEEDS RECEIVED ON DISPOSAL OF JAPANESE BUSINESS	Reviewed 30 June 2020 R'million
Proceeds	
Proceeds receivable	5 274
Proceeds outstanding at year-end*	(936)
Classified as current deferred receivables	(461)
Classified as non-current deferred receivables	(475)
Cash disposed of in subsidiary	(109)
Cash inflow per cash flow statement	4 229
Assets disposed	
Non-current assets	
Property, plant and equipment	4
Right of use assets	22
Goodwill	45
Intangible assets	4 689
Total non-current assets	4 760
Current assets	
Inventories	427
Receivables and other current assets	403
Cash and cash equivalents	109
Total current assets	939
Total assets	5 699
Liabilities	
Non-current liabilities	
Borrowings	(3)
Retirement and other employee benefits	(4)
Deferred tax liability	(82)
Total non-current liabilities	(89)
Current liabilities	
Trade and other payables	(664)
Borrowings	(271)
Current tax liabilities	(32)
Total current liabilities	(970)
Total liabilities	(1 056)
Net assets disposed	4 643
Liabilities raised as part of disposals**	
Non-current liabilities	
Financial liabilities	471
Current liabilities	
Financial liabilities	276
Net liabilities raised	747
Loss on sale of discontinued operations	(116)

** The future disposal consideration receivables are dependent upon the achievement of various supply related, licence extension and new business development milestones.*

*** The liabilities raised relate to various future contractual obligations in terms of guaranteed supply prices and certain pharmaceutical regulatory commitments. The estimated liabilities raised of R747 million should be netted off the future estimated proceeds receivable of R936 million which results in estimated future net proceeds receivable of R189 million.*

G. PROCEEDS RECEIVED FROM SALE OF DISCONTINUED OPERATIONS continued

	June 2019		
	Nutritionals Business R'million	Asia Pacific non-core pharmaceutical portfolio R'million	Audited 30 June 2019 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	81	699
Current liabilities			
Financial liabilities	233	86	319
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 to the assets which have been disposed.*

		Reviewed 30 June 2020 R'million	Restated* 30 June 2019 R'million
H.	**CONTRACTUAL ADJUSTMENTS – NUTRITIONALS BUSINESS**		
	Amounts provided in prior year	**(225)**	–
	Current year losses incurred included in loss on sale of discontinued operations	**(109)**	–
		(334)	–
I.	**PROCEEDS ON THE SALE OF INTANGIBLE ASSETS**		
	Proceeds receivable from the sale of intangible assets	**402**	90
	Outstanding proceeds from the sale of intangible assets	**(158)**	–
		244	90
J.	**PROCEEDS RECEIVED ON DISPOSAL OF ASIA PACIFIC NON-CORE PHARMACEUTICAL PORTFOLIO**		
	Proceeds receivable	**900**	2 199
	Proceeds outstanding at year-end	**(511)**	(900)
		389	1 299

K. POTENTIAL DISPUTED MATTER – EUROPEAN COMMISSION

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

Aspen and the EC have settled the revised net selling prices of each of the Products in each of the Member States. The Aspen Commitments (settlement) are in the process of Member State review and should this process not raise any substantive issues the EC intends to accept the Commitments and make them binding upon Aspen. Once the Commitments are accepted by the EC, Aspen will need to work with each of the Member States on their implementation.

In terms of the Commitments, which are in respect of the Products:

i. Aspen will undertake to reduce its prices of the Products to achieve a predetermined EBITDA margin and, subject to exceptional circumstances, not exceed these prices for a period of 10 years.

ii. Aspen will commit to continuing supply of the Products for a period of at least five years. Should it elect to discontinue the supply of any of the Products prior to the end of 10 years, Aspen will either sell the rights to the Product(s) so discontinued or maintain the relevant marketing authorisations for the balance of 10 years.

iii. Aspen will make a one-time payment to the ultimate funders of the Products in each Member State. This payment will be calculated as the difference between Aspen's actual sales of the Products in the Member Sate between 1 October 2019 and the implementation date of the new prices and the same sales had they been made at the revised lower prices. It is estimated that the revised prices will be formally introduced in Q4 2020 in which case the payment will cover a period of between 12 and 15 months.

iv. The estimate of the above payment, based on an average 73% reduction in the prices of the Products, is between €20m and €24m which would be paid over an estimated implementation period of six months.

Consistent with Article 9 of Regulation 1/2003, these Commitments do not constitute an acknowledgement that Aspen has infringed EU competition law. Upon acceptance of the Commitments, the Commission will discontinue the investigation in the case, without concluding whether there has been or still is an infringement of EU law.

An estimated liability relating to the one-time payment of €24m has been provided for as a current liability in the statement of financial position.

** Please refer to note F for restatement as a result of discontinued operations.*

L. NEW STANDARDS ADOPTED BY THE GROUP

Adoption of IFRS 16 – *Leases*

The Group applied IFRS 16 retrospectively from 1 July 2019, using the modified retrospective approach. Comparatives are not restated under this approach. Consequently there was no impact to opening retained earnings on adoption of IFRS 16.

Depreciation on the right-of-use assets and finance costs on the lease liability is recognised in the Statement of Comprehensive Income, rather than previously recognised operating lease expenses (under IAS 17 – *Leases*). The net impact to earnings for the period ended 30 June 2020 resulting from the difference between operating lease expense under IAS 17 and IFRS 16 on the statement of comprehensive income (depreciation and finance costs) is not significant.

The Group used the following practical expedients as permitted by the standard, when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Accounted for leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Relied on previous assessments on whether leases are onerous contracts as opposed to performing an impairment review on 1 July 2019.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.
- The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 – *Determining whether an Arrangement Contains a Lease*.

These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 5%.

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16 because it is not party to any lease agreements where it is a lessor.

The associated right-of-use assets for all leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019.

On transition to IFRS 16, the Group recognised right-of-use assets included in non-current assets and lease liabilities included in non-current and current borrowings on the statement of financial position. The impact on transition is summarised below:

	R'million
Operating lease commitments disclosed as at 30 June 2019	**642**
Unreported opening lease commitments*	**141**
Adjusted operating lease commitments as at 30 June 2019	**783**
Discounted using incremental borrowing rate at 1 July 2019	**647**
Add: Finance lease liabilities recognised as at 30 June 2019	**20**
Less: Short-term leases not recognised as a lease liability	**(23)**
Less: Low-value leases not recognised as a lease liability	**(6)**
Lease liabilities and right-of-use assets recognised at 1 July 2019	**638**

* *At 30 June 2019, R141 million relating to operating leases was not disclosed in the operating lease commitments note. This has been included as part of the opening lease liability reconciliation on adoption of IFRS 16 –* Leases. *All contracts that meet the definition of a lease are actively managed and accounted for under IFRS 16 –* Leases.

L. NEW STANDARDS ADOPTED BY THE GROUP continued

Amounts recognised as at 30 June 2020

	R'million
Statement of comprehensive income	
Depreciation	186
Interest paid – leases	58
	244

The Group has recognised depreciation and interest costs of R244 million, instead of operating lease expenses of R166 million that would have been recognised under IAS 17.

	R'million
Statement of financial position	
Right-of-use assets (included in non-current assets)	
Land and buildings	450
Motor vehicles	127
Plant and machinery	5
Computer hardware	19
Total carrying amount	601
Lease liabilities (included in non-current and current borrowings)	
Non-current lease liabilities	436
Current lease liabilities	190
Total carrying amount	626
Lease liabilities movement	
Recognised 1 July 2019	638
Additions during the year	96
Finance costs	58
Repayments	(166)
Balance at 30 June 2020	626

IFRIC 23 – *Uncertainty over Income Tax Treatment*

As of 1 July 2019, Aspen adopted the interpretation IFRIC 23 which clarifies the accounting treatment for uncertainties in income taxes as a part of the application of IAS 12. The interpretation specifically addresses whether an entity considers each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty is followed and uncertain tax positions are measured at the most likely outcome. The Aspen Group maintains a provision, applying the principles of IFRIC 23 using methodologies that are made available in IFRIC 23 that are consistent with the methods that the Aspen Group has been following prior to the implementation of IFRIC 23. The Aspen Group was not required to raise a provision, to bring into account exposures that existed at 30 June 2019, as the Aspen Group held an adequate provision at that time.

M. IMPAIRMENT OF INTANGIBLE ASSETS

Impairment of intangible assets can be split as follows:

	Notes	2020 R'million	2019 R'million
Specialist Global Brands	1	63	876
South African Regional Brands		25	321
GSK anaesthetics portfolio product		20	264
ELIZ product		–	248
GSK Classic Brands distributed in Australia		133	180
Development costs in South Africa	2	96	162
MSD Brands		52	158
Novartis Brands		–	98
Zantac		–	719
Hydroxyprogesterone Caproate ("HPC")	3	640	–
GSK OTC Brands	4	286	–
Other		24	105
		1 339	3 131

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) Decline in sales outlook in the United States of one of the oncology products.
(2) Product development projects which were no longer technically or commercially feasible.
(3) The introduction by the market leader of a novel delivery system coupled with material price reductions by other competitors has resulted in a full impairment of this brand which is sold exclusively in the United States.
(4) The majority of this impairment relates to one brand that is primarily sold in the Middle East and which is experiencing a more subdued commercial outlook and heightened risk environment.

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 on the next page.

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 2020. 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 2020 average rates	June 2019 average rates
EUR – Euro	**17,327**	16,193
AUD – Australian Dollar	**10,494**	10,149
USD – US Dollar	**15,677**	14,194
CNY – Chinese Yuan Renminbi	**2,229**	2,080
JPY – Japanese Yen	**0,145**	0,128
MXN – Mexican Peso	**0,759**	0,735
BRL – Brazilian Real	**3,478**	3,647
GBP – British Pound	**19,735**	18,367
CAD – Canadian Dollar	**11,659**	10,723
RUB – Russian Rouble	**0,234**	0,216
PLN – Polish Zloty	**3,969**	3,770

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.

N. ILLUSTRATIVE CONSTANT EXCHANGE RATE REPORT ON SELECTED FINANCIAL DATA continued

	Reviewed June 2020 (at 2020 average rates) R'million	Restated June 2019 (at 2019 average rates) R'million	Change at reported exchange rates %	Restated illustrative constant exchange rates June 2019 (at 2020 average rates) R'million	Change in constant exchange rates %
Key constant exchange rate indicators					
Continuing operations					
Revenue	**38 647**	35 514	9	37 320	4
Gross profit	**19 333**	18 584	4	19 364	0
Normalised EBITDA*	**10 968**	10 277	7	10 699	3
Operating profit	**7 060**	4 284	65	4 307	64
Normalised headline earnings	**6 685**	6 137	9	6 380	5
Earnings per share (basic and diluted)	**1 010,1**	367,8	175	342,2	195
Headline earnings per share (basic and diluted)	**1 268,0**	1 158,1	9	1 192,9	6
Normalised headline earnings per share (basic and diluted)	**1 464,6**	1 344,8	9	1 397,7	5

	Reviewed June 2020 (at 2020 average rates) %	Restated reported June 2019 (at 2020 average rates) %
Revenue currency mix		
EUR – Euro	**32**	32
ZAR – South African Rand	**18**	17
AUD – Australian Dollar	**11**	11
CNY – Chinese Yuan Renminbi	**8**	8
USD – US Dollar	**7**	7
BRL – Brazilian Real	**4**	3
MXN – Mexican Peso	**3**	3
GBP – British Pound	**2**	2
CAD – Canadian Dollar	**1**	1
RUB – Russian Rouble	**1**	1
PLN – Polish Zloty	**1**	1
Other currencies	**12**	14
Total	**100**	100

N. ILLUSTRATIVE CONSTANT EXCHANGE RATE REPORT ON SELECTED FINANCIAL DATA continued

	Reviewed year ended June 2020 (at 2020 average rates)				
	Sterile Focus Brands R'million	Regional Brands R'million	Total Commercial Pharma-ceuticals R'million	Manufacturing R'million	Total R'million
Revenue	**14 263**	**16 881**	**31 144**	**7 503**	**38 647**
Cost of sales	**(6 223)**	**(7 844)**	**(14 067)**	**(5 247)**	**(19 314)**
Gross profit	**8 040**	**9 037**	**17 077**	**2 256**	**19 333**
Selling and distribution expenses					**(6 528)**
Contribution profit					**12 805**
Administrative expenses					**(3 231)**
Net other operating income					**428**
Depreciation					**966**
Normalised EBITDA*					**10 968**
Adjusted for:					
Depreciation					**(966)**
Amortisation					**(615)**
Profit on sale of assets					**223**
Net impairment of assets					**(1 458)**
Restructuring costs					**(413)**
Transaction costs					**(445)**
Product litigation costs					**(234)**
Operating profit					**7 060**
Gross profit (%)	**56,4**	**53,5**	**54,8**	**30,1**	**50,0**
Selling and distribution expenses (%)					**16,9**
Contribution profit (%)					**33,1**
Administrative expenses (%)					**8,4**
Normalised EBITDA (%)					**28,4**

	Illustrative constant exchange rate June 2019 (at 2020 average rates)**				
	Sterile Focus Brands R'million	Regional Brands R'million	Total Commercial Pharma-ceuticals R'million	Manufacturing R'million	Total R'million
Revenue	14 399	16 343	30 742	6 578	37 320
Cost of sales	(6 248)	(6 944)	(13 192)	(4 764)	(17 956)
Gross profit	8 151	9 399	17 550	1 814	19 364
Selling and distribution expenses					(6 676)
Contribution profit					12 688
Administrative expenses					(3 102)
Net other operating income					354
Depreciation					759
Normalised EBITDA					10 699
Adjusted for:					
Depreciation					(759)
Amortisation					(456)
Loss on sale of assets					(84)
Reversal of deferred consideration no longer payable					282
Impairment of assets					(4 084)
Restructuring costs					(139)
Transaction costs					(591)
Product litigation costs					(561)
Operating profit					4 307
Gross profit (%)	56,6	57,5	57,1	27,6	51,9
Selling and distribution expenses (%)					17,9
Contribution profit (%)					34,0
Administrative expenses (%)					(8,3)
Normalised EBITDA (%)					28,7

* *Normalised EBITDA represents operating profit before depreciation and amortisation adjusted for specific non-trading items as defined in the Group's accounting policy.*
***Restated for discontinued operations and segmental classifications (refer to Basis of Accounting).*

N. ILLUSTRATIVE CONSTANT EXCHANGE RATE REPORT ON SELECTED FINANCIAL DATA continued

	Change				
	Sterile Focus Brands %	Regional Brands %	Total Commercial Pharma-ceuticals %	Manufacturing %	Total %
Revenue	(1)	3	1	14	4
Cost of sales	0	13	7	10	8
Gross profit	(1)	(4)	(3)	24	0
Selling and distribution expenses					(2)
Contribution profit					1
Administrative expenses					4
Net other operating income					21
Depreciation					27
Normalised EBITDA*					3

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

	Reviewed June 2020 (at 2020 average rates) R'million	Illustrative constant exchange rate June 2019 (at 2020 average rates)** R'million	Change %
COMMERCIAL PHARMACEUTICALS BY CUSTOMER GEOGRAPHY	**31 144**	30 742	1
Developed Europe	**7 548**	7 498	1
Sub-Saharan Africa	**7 194**	6 810	6
Australasia	**4 229**	4 189	1
Latin America	**3 412**	3 093	10
China	**2 940**	3 077	(4)
Developing Europe & CIS	**2 551**	2 682	(5)
Other Asia	**1 381**	1 493	(8)
MENA	**1 305**	1 162	12
USA & Canada	**584**	738	(21)
MANUFACTURING REVENUE BY GEOGRAPHY OF MANUFACTURE			
Manufacturing revenue – finished dose form	**1 388**	1 317	5
Developed Europe	**681**	686	(1)
Australasia	**393**	378	4
Sub-Saharan Africa	**314**	253	24
Manufacturing revenue – active pharmaceutical ingredients	**6 115**	5 261	16
Developed Europe	**5 628**	4 780	18
Sub-Saharan Africa	**372**	360	3
Other Asia	**115**	121	(5)
Total Manufacturing revenue	**7 503**	6 578	14
TOTAL REVENUE	**38 647**	37 320	4
SUMMARY OF REGIONS			
Developed Europe	**13 857**	12 964	7
Sub-Saharan Africa	**7 880**	7 423	6
Australasia	**4 622**	4 567	1
Latin America	**3 412**	3 093	10
China	**2 940**	3 077	(4)
Developing Europe & CIS	**2 551**	2 682	(5)
Other Asia	**1 496**	1 614	(7)
MENA	**1 305**	1 162	12
USA & Canada	**584**	738	(21)
TOTAL REVENUE	**38 647**	37 320	4

***Restated for discontinued operations and segmental classifications (refer to Basis of Accounting).*

N. ILLUSTRATIVE CONSTANT EXCHANGE RATE REPORT ON SELECTED FINANCIAL DATA continued

	Reviewed June 2020 (at 2020 average rates)				
	Anaesthetics Brands R'million	Thrombosis Brands R'million	Sterile Focus Brands R'million	Regional Brands R'million	Total R'million
BY CUSTOMER GEOGRAPHY					
Commercial Pharmaceuticals					
Developed Europe	**2 677**	**3 087**	**5 764**	**1 784**	**7 548**
Sub-Saharan Africa	**118**	**6**	**124**	**7 070**	**7 194**
Australasia	**665**	**18**	**683**	**3 546**	**4 229**
Latin America	**994**	**76**	**1 070**	**2 342**	**3 412**
China	**2 078**	**815**	**2 893**	**47**	**2 940**
Developing Europe & CIS	**174**	**1 942**	**2 116**	**435**	**2 551**
Other Asia	**691**	**144**	**835**	**546**	**1 381**
MENA	**266**	**198**	**464**	**841**	**1 305**
USA & Canada	**304**	**10**	**314**	**270**	**584**
Total Commercial Pharmaceuticals	**7 967**	**6 296**	**14 263**	**16 881**	**31 144**

	Illustrative constant exchange rate June 2019 (at 2020 average rates)**				
	Anaesthetics Brands R'million	Thrombosis Brands R'million	Sterile Focus Brands R'million	Regional Brands R'million	Total R'million
BY CUSTOMER GEOGRAPHY					
Commercial Pharmaceuticals					
Developed Europe	2 346	3 247	5 593	1 905	7 498
Sub-Saharan Africa	112	7	119	6 691	6 810
Australasia	686	23	709	3 480	4 189
Latin America	882	75	957	2 136	3 093
China	2 117	931	3 048	29	3 077
Developing Europe & CIS	299	1 990	2 289	393	2 682
Other Asia	749	185	934	559	1 493
MENA	255	130	385	777	1 162
USA & Canada	349	16	365	373	738
Total Commercial Pharmaceuticals	7 795	6 604	14 399	16 343	30 742

	Change				
	Anaesthetics Brands %	Thrombosis Brands %	Sterile Focus Brands %	Regional Brands %	Total %
BY CUSTOMER GEOGRAPHY					
Commercial Pharmaceuticals					
Developed Europe	14	(5)	3	(6)	1
Sub-Saharan Africa	5	(14)	4	6	6
Australasia	(3)	(22)	(4)	2	1
Latin America	13	1	12	10	10
China	(2)	(12)	(5)	62	(4)
Developing Europe & CIS	(42)	(2)	(8)	11	(5)
Other Asia	(8)	(22)	(11)	(2)	(8)
MENA	4	52	21	8	12
USA & Canada	(13)	(38)	(14)	(28)	(21)
Total Commercial Pharmaceuticals	2	(5)	(1)	3	1

***Restated for discontinued operations and segmental classifications (refer to Basis of Accounting).*

O. BASIS OF ACCOUNTING

The Group financial results contained in the provisional report are 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 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 2019 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, M G Attridge CA(SA) and approved by the Board of Directors.

Restatement of the Group segmental analysis

Commercial responsibility for Turkey has been moved to MENA from Developed Europe and consequently the prior year numbers have been restated to reflect this segmental change.

The sale of Nadroparine to a manufacturer in Italy has been reclassified from Commercial Pharmaceuticals to Manufacturing due to a revision of the contractual arrangement with the manufacturer.

Restatement of discontinued operations

The Group is discontinuing the following portfolios:

Japanese Business

In November 2019 the Group concluded an agreement (subject to conditions precedent) to divest of its Japanese operations and any related intellectual property to Sandoz, a Novartis Division. Sandoz is a multinational pharmaceutical company and a global leader in generic and biosimilar medicines, headquartered in Holzkirchen, Germany. In Aspen's interim results for the six months ended 31 December 2019 the Japanese 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 January 2020 and the results of the disposals are included as part of discontinued operations.

Public sector ARVs

The Group concluded a transaction in September 2019 (subject to conditions precedent which were fulfilled in June 2020) in terms of which the commercialisation and distribution rights for its major public sector ARVs were licensed to Laurus, a leading Indian API manufacturer. In terms of the agreement Aspen would continue to toll manufacture the products for Laurus. The deal forms part of Aspen's strategy to exit the commercialisation of public sector ARVs while ensuring that the South African Government gets access to competitively priced ARVs. The public sector ARV portfolio included in the transaction (mainly Tribuss and Emdolten) with Laurus has been classified as a discontinued operation and is included in the "Other" category of the discontinued operations statement of comprehensive income. Aspen will continue to sell ARVs in the South African private sector.

Changes in accounting standards

IFRS 16 – *Leases*

The Group applied IFRS 16 – *Leases* retrospectively from 1 July 2019,using the modified retrospective approach. Comparatives are not restated under this approach. Consequently there was no impact to opening retained earnings on adoption of IFRS 16.

Depreciation on the right-of-use assets and finance costs on the lease liability is recognised in the Statement of Comprehensive Income, rather than previously recognised operating lease expenses (under IAS 17 – *Leases*). The net impact to earnings for the period ended 30 June 2020 resulting from the difference between operating lease expense under IAS 17 and IFRS 16 on the statement of comprehensive income (depreciation and finance costs) is not significant.

The details of the impact of the new standard are set out in note L.

The new accounting policy that has been applied from 1 July 2019 is set out below:

Right-of-use assets

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the lease commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Group elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Lease liabilities

The lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate.

The lease liability is measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments or changes in assessment of whether the option to purchase, extend or terminate will be exercised.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the statement of comprehensive income if the carrying amount of the right-of-use asset has been reduced to zero.

Subsequent events

In September 2020 (refer SENS announcement of 8 September 2020) the Group concluded an agreement (subject to conditions precedent) to divest the assets related to the commercialisation of Aspen's Thrombosis products in Europe to Mylan Ireland Limited ("Mylan") for a purchase consideration of EUR641,9 million, plus the cost of the related inventory (the "Transaction"). It is anticipated that the Transaction will complete before 31 December 2020. Mylan is a global pharmaceutical company, with principal offices in Canonsburg, Pennsylvania, United States of America. Mylan has a significant presence in Europe, generating sales of over USD4 billion in 2019. The Transaction was not considered highly probable as at 30 June 2020 and accordingly will be disclosed as a post-balance sheet non-adjusting event in terms of IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations* and IAS 10 – *Events after the Reporting Period*.

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.

DIRECTORS

K D Dlamini (Chairman)*, M G Attridge, L de Beer*, B J Kruger*, T M Mkhwanazi*, C N Mortimer*, B Ngonyama*, D S Redfern*, S B Saad, S V Zilwa*

** Non-executive director*

COMPANY SECRETARY

R Verster

REGISTERED OFFICE

Building Number 8, Healthcare Park, Woodlands Drive, Woodmead
PO Box 1587, Gallo Manor, 2052
Telephone +27 11 239 6100
Telefax +27 11 239 6144

SPONSOR

Investec Bank Limited

TRANSFER SECRETARY

Link Market Services South Africa (Pty) Limited
13th Floor, 19 Ameshoff Street, Braamfontein, 2001
PO Box 4844, Johannesburg, 2000

www.aspenpharma.com

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