

Group Chief Financial Officer's review

The Group has delivered resilient results for the year, absorbing the VBP impact in China and achieving the anticipated stronger performance in H2 2024. **Our bolstered product portfolio and increased sterile manufacturing volumes, supported by improved balance sheet metrics, provide a firm foundation for accelerated growth** in FY2025 and beyond.



Sean Capazorio
Group
Chief Financial Officer

Purpose-driven strategy delivers economic value

The 2024 financial period has been pivotal for the Group, as we begin to see the tangible benefits of the strategic initiatives implemented over the past few years. Despite anticipated headwinds, which included the absorption of VBP risks in China, the Group delivered resilient operational and financial results for the year ended 30 June 2024. Notably, the second half of FY2024 saw the highest-ever six-month normalised EBITDA, growing by 17% compared to H1 2024, marking a significant inflection point in shaping the Group's path toward sustainable growth.

Aligned with our purpose of improving the health and quality of life of patients across the globe, we continue to create economic value for our key stakeholders through our profitable and sustainable business model. The collective efforts of the Aspen team resulted in the creation of R20 456 million in wealth, distributed across key stakeholders: 50% to our employees, 19% to our providers of capital, 10% to the fiscus, and the remaining 21% reinvested to sustain and grow the business (refer to [page 91](#)).

Financial performance highlights

Revenue increased by 10% (5% CER) to R44,7 billion and normalised EBITDA increased 1% (-3% CER) to R11,3 billion.

Key features of 2024

Normalised EBITDA increased by 1% (-3% CER) to R11,3 billion

Higher proportion of Manufacturing revenue diluted the EBITDA profit margins.

[See page 23](#)

Normalised headline earnings per share ("NHEPS") flat (-4% CER) at 1 492 cents

Normalised headline earnings impacted by higher depreciation charge offsetting the 1% growth in EBITDA.

[See page 23](#)

Operating cash flow per share increased by 13% to 1 401,4 cents

Improved trading cash flows, coupled with lower working capital investment, drove stronger operating cash flow.

[See pages 23 and 24](#)

Value created and distributed increased by 5%

Our activities this year have created R20 456 million in wealth-generating economic value for our varied stakeholder groups.

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Group Chief Financial Officer’s review continued

Gross profit grew 3% (-1% CER), ending lower than the growth in revenue. A slight dilution in Commercial Pharmaceuticals gross profit margins as a result of VBP in China, together with the increased Manufacturing sales mix led by the liquidation of Heparin inventory, has contributed to a lower gross profit percentage. NHEPS, at 1 492,1 cents, ended marginally below FY2023 (-4% CER).

Our reported results have been favourably impacted by the rate of exchange prevailing during the period. The table which follows compares performance in the prior year at previously reported exchange rates and then at CER. The CER results for the 12 months ended 30 June 2023 restate the performance for that period using the average exchange rates for the 12 months ended 30 June 2024.

	2024 R'million	2023 R'million	Change %	2023 (CER) R'million	Change (CER) %
Revenue	44 706	40 709	10	42 660	5
Gross profit	19 454	18 934	3	19 688	(1)
Normalised EBITDA	11 255	11 100	1	11 551	(3)
NHEPS (cents)	1 492,1	1 498,5	—	1 559,6	(4)

Business segment performance

Positive revenue growth led by Manufacturing

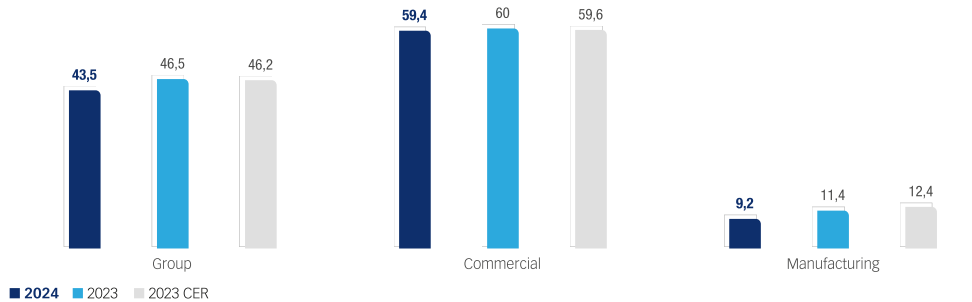
The revenue generated by the Commercial Pharmaceuticals business grew by 4% (0% CER) to R30,6 billion. Prescription delivered a sound performance, increasing revenue by 15% (11% CER) to R11,4 billion, driven by solid organic growth in Africa Middle East and organic and acquisitive growth in the Americas. The OTC segment posted an increase in revenue of 7% (3% CER) to R9,7 billion, supported by organic growth across all regions. The Injectables segment faced significant headwinds, reflecting the full impact of VBP in China during H2 2024 and the final decline of Russia CIS in H1 2024. Revenue reduced by 9% (-12% CER) to R9,5 billion in this segment. Overall, the Manufacturing segment achieved an increase in revenue of 25% (16% CER) to R14,1 billion. This performance reflects the increasing contribution from sterile manufacturing contracts and elevated Heparin sales following the transition to a new toll operating model in this business.

	2024 R'million	2023 R'million	Change %	2023 (CER) R'million	Change (CER) %
Commercial Pharmaceuticals	30 570	29 412	4	30 470	0
Prescription	11 380	9 921	15	10 286	11
Over the counter	9 706	9 106	7	9 388	3
Injectables	9 484	10 385	(9)	10 796	(12)
Manufacturing	14 136	11 297	25	12 190	16
Finished dose form	5 262	3 970	33	4 257	24
Active pharmaceutical ingredients	5 102	5 024	2	5 430	(6)
Heparin	3 772	2 303	64	2 503	51
Group revenue	44 706	40 709	10	42 660	5

Increased Manufacturing sales mix dilutes Group gross profit margins

Gross profit growth of 3% (-1% CER) ended lower than the growth in revenue, reflecting the dilution impact of VBP on Commercial Pharmaceuticals’ gross profit. In addition, the elevated level of Heparin sales, while benefiting revenue and operating cash flows, has diluted both Manufacturing and Group profit percentages. The Group gross profit percentage ended at 43,5% compared to the prior year of 46,2% (CER).

Gross profit percentage by business segment (%)



Group Chief Financial Officer's review continued

Momentum in H2 lifts EBITDA

Reflecting strong organic growth in our Commercial Pharmaceuticals, complemented by the inclusion of the acquired portfolios, and further supplemented by increased contributions flowing from the sterile manufacturing contracts, normalised EBITDA in H2 2024 increased 17% over H1 2024. For the year, normalised EBITDA rose 1% (-3% CER) to R11,3 billion, impacted by the higher-than-anticipated negative impact of VBP. Normalised EBITDA margin decreased by 2,1 percentage points to 25,2% influenced by the higher Manufacturing sales mix.

	2024 R'million	% of revenue	2023 R'million	% of revenue	Change %	2023 (CER) R'million	% of revenue	Change (CER) %
Revenue	44 706	100,0	40 709	100,0	10	42 660	100,0	5
Gross profit*	19 454	43,5	18 934	46,5	3	19 688	46,2	(1)
Operating expenses	(10 138)	(22,7)	(9 426)	(23,2)	8	(9 763)	(22,9)	4
Net other operating income	549	1,2	345	0,8	59	321	0,8	71
Depreciation	1 390	3,1	1 247	3,1	11	1 305	3,1	7
Normalised EBITDA	11 255	25,2	11 100	27,3	1	11 551	27,1	(3)

* Gross profit is after the deduction of depreciation.

Significant increase in impairments erodes basic earnings

Normalised headline earnings, which adjusts for specific non-trade items as set out in our accounting policies, is the primary measure management uses to assess our underlying financial performance. Normalised headline earnings of R6,6 billion was close to flat (-4% CER) against the prior year.

Given no change in issued share capital, the NHEPS was also close to flat (-4% CER) at 1 492,1 cents per share. The lower percentage reduction in NHEPS compared to headline earnings per share ("HEPS") is attributable to the increase in acquisition-related transaction costs in the current financial year. The higher percentage decline in earnings per share of -16% (-18% CER), relative to HEPS, is due to the net increase in the impairment of VBP impacted intangible assets.

Set out below is a reconciliation of earnings per share at the basic, headline and normalised headline levels.

	2024 Cents	2023 Cents	2023 (CER) Change %	2023 (CER) Cents	Change (CER)%
Basic earnings per share (EPS)	991,4	1 176,9	(16)	1 212,4	(18)
Impairment of property, plant and equipment	18,3	0,7		0,7	
Impairment of intangible assets	531,6	292,0		313,8	
Impairment of goodwill	32,7	—		—	
Reversal of impairment of intangible assets	(219,9)	(67,3)		(73,2)	
Loss on sale of tangible and intangible assets	2,5	9,8		11,6	
Insurance compensation on assets	—	(6,7)		(7,0)	
Headline earnings per share (HEPS)	1 356,6	1 405,4	(3)	1 458,3	(7)
Restructuring costs	48,9	47,2		52,6	
Transactions costs	86,6	45,9		48,7	
Normalised HEPS	1 492,1	1 498,5	—	1 559,6	(4)

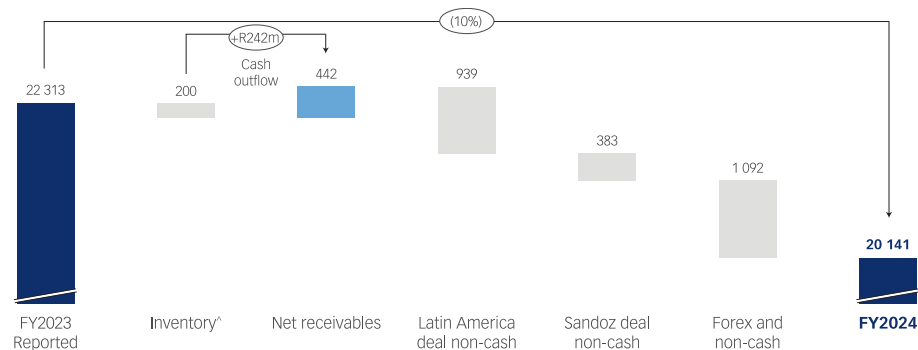
New Heparin operating model results in inventory unwind

The conversion of the Heparin operating model to a toll manufacture arrangement contributed to a R2,9 billion unwind in Heparin inventory levels, with opportunity to further reduce inventory levels going forward. This unwind has been substantially offset by increases required in the other Manufacturing segments and in Commercial Pharmaceuticals required to sustain business operations including take-on inventory from acquisitions.

Foreign exchange and non-cash aspects relating to the Latin America and China transactions have contributed to a 10% reduction in net working capital, decreasing the investment in working capital to 45% of revenue from 55% reported in the prior year. Our working capital levels are influenced by the long working capital cycle associated with our API business, and excluding this business, working capital reduces to 36% of revenue compared to 44% at June 2023.

Group Chief Financial Officer's review continued

Net working capital bridge (R'million)

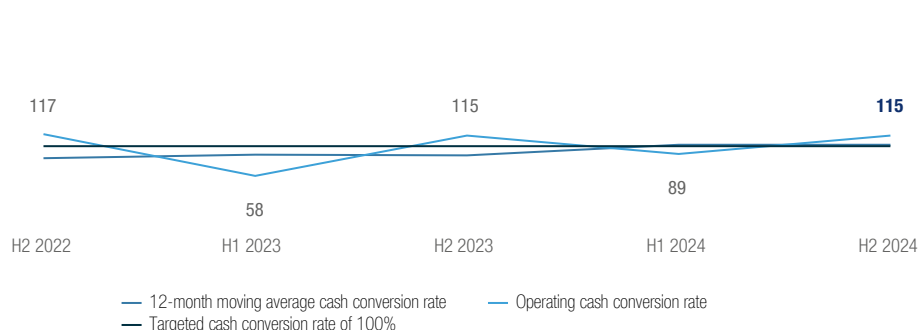


[^] Comprises: Heparin (-R2,9 billion); Other Manufacturing (+R1,3 billion); and Commercial Pharmaceuticals (+R1,4 billion).

Operating cash conversion rate exceeds benchmark

Solid operating cash flows, even after partial funding of the Latin America product portfolio acquisition of R2,1 billion, coupled with a reduced working capital investment were the key catalysts in growing cash generated from operating activities by 13% to R6,2 billion. Operating cash flow per share of 1 401,4 cents per share ensured a 103% conversion of headline earnings to cash, exceeding our benchmark of 100%.

Operating cash conversion cycle (%)



Non-current asset optimisation

Commercial Pharmaceuticals invests in derisking its portfolio

The transactions with Lilly and Applied Molecular Genetics Inc ("Amgen") for sub-Saharan Africa ("SSA"), Viartis for Latin America and Sandoz for China provide a firm platform for bolstering and de-risking our product portfolio footprint in emerging markets, ensuring that Commercial Pharmaceuticals is well poised for future growth.

Strategic investments in our manufacturing capabilities start to deliver enhanced contributions

We have continued to invest in the sterile manufacturing capacity at our Gqeberha and Notre Dame de Bondeville sites. This investment supports our strategy of insourcing production of our Anaesthetic portfolio and building a platform for the contract manufacture of niche sterile products. Total property, plant and equipment ("PPE") capex for FY2024 was R3,1 billion. Excluding any further potential market-related enhancements, it is anticipated that the level of capital expenditure will reduce from FY2025 as we complete the sterile capacity expansion and technical transfer projects currently in progress.

Impairment to intangible assets and goodwill

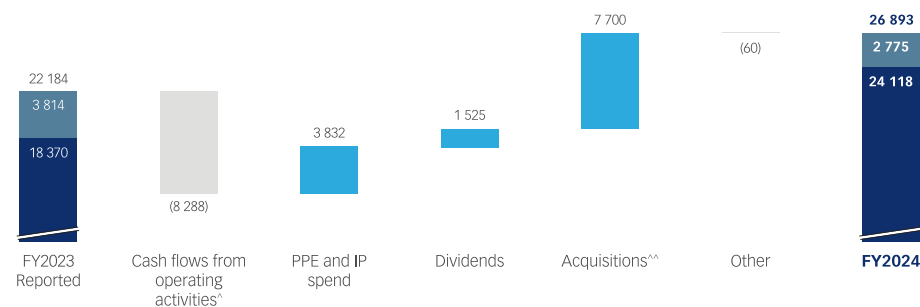
We classify certain of our intangible assets as being of indefinite life. Each year the carrying values of the intangible assets and goodwill are rigorously tested for impairment and carrying values are written down where there has been a reduction in value. Intangible assets, which are no longer assessed as indefinite life are reclassified as definite life assets. This year, net impairments of intangible assets and goodwill were R1,6 billion on a total combined net book value of R71,8 billion at financial year end. The increased impairments in FY2024 are largely attributable to the VBP impact on Diprivan and Fraxiparine.

Funding and debt profile

Value-accretive acquisitions increase net debt levels

The cash flows from operating activities have been substantially offset by capital outflows in respect of acquisitions, PPE and intellectual property ("IP") spend and dividend payments, leading to an increase in net debt to R26,9 billion. The leverage ratio of 2,28 times is well within the covenant level of 3,5 times and below our internal limit of 3,0 times providing headroom for future opportunities.

Net debt bridge (R'million)



* Inventory funding loan owing by Aspen Oss to Merck Sharpe & Dohme ("MSD").

[^] Comprises cash flow from operating activities per the cash flow statement of R6 225 million plus the funding of the Latin American portfolio acquisition of R2 063 million.

^{^^} Includes the R5,3 billion Latin American portfolio acquisition funded from both operating and investment cash flows.

Group Chief Financial Officer’s review continued

Second Development Finance Institution (“DFI”) loan

During September 2024, Aspen secured an additional EUR500 million loan from IFC, Proparco, DEG and DFC (the “DFIs”). This new loan builds on Aspen’s partnership with the DFIs, which was first established in 2021. The proceeds of the loan will be used by the Group to repay existing loan facilities and to fund expansionary capital expenditure. The commercial terms, covenants and undertakings of the second DFI loan are materially similar to the Group’s existing borrowings.

Net financing costs remain stable

Net financing costs have marginally increased, with higher net interest costs, fuelled by higher rates and increased net debt levels being offset by lower foreign exchange losses resulting from reduced volatility in emerging market currencies relative to the Euro.

	2024 R million	2023 R million	Change %
Net interest paid	(1 168)	(795)	
Effective interest rate for the period* (%)	4,67	3,21	
Foreign exchange losses	(64)	(434)	
Normalised net funding costs	(1 232)	(1 229)	0
Debt raising fees on acquisitions	(52)	(38)	
Foreign exchange gains on acquisitions	—	—	
Reported net financing costs	(1 284)	(1 267)	1

* Excluding amortisation of capital-raising fees.

Dividends to shareholders aligned to prioritisation model

In accordance with the Board-approved capital allocation prioritisation model and taking into account earnings and cash flow performance for FY2024, and the leverage ratio which is well below the limit of no more than 3,0 times, the Board declared a gross dividend of 359 cents per ordinary share, which was paid to shareholders registered in the share register as at 20 September 2024. This represents an increase of 5% over that declared in the prior year. Refer to [📄](#) page 33 for more information on our capital allocation model.

Maintenance of financial health

To sustain our business model and create value for investors, we have a fiduciary responsibility to manage our financial capital responsibly. We have implemented financial controls and treasury management systems to mitigate risks related to currency fluctuations, interest rates and credit exposure as much as reasonably possible. The Audit & Risk Committee supports the Board in fulfilling its duties by overseeing the safeguarding of assets, accounting systems and practices, internal control processes and the preparation of the Group and Company Annual Financial Statements.

Internal financial controls

Key internal financial controls for all significant operating businesses within the Group are documented in formal financial internal control frameworks. These frameworks are regularly maintained and updated by financial management throughout the year or during the year end process. Group Internal Audit performs audits of these key controls annually. This process provides support in corroborating that there are no material breakdowns in the internal controls underpinning the financial results.

Additionally, each subsidiary conducts an annual self-assessment, which is formally signed off by the respective financial head and reviewed and approved by the Group finance team. This assessment covers financial and disclosure controls, internal financial and operating controls, business performance-related representations and a detailed fraud assessment review. The assurance provided by this process provides the basis for meeting the requirements of section 3.84(k) of the JSE Listings Requirements.

Funding and treasury risk management

Under the Group’s Treasury Policy, all treasury activities are undertaken in a controlled and systematic manner to supports the Group’s commercial and manufacturing operations. This includes managing financial risks within agreed risk tolerances set by the Audit & Risk Committee, ensuring compliance with relevant laws, regulations and undertakings, optimising funding and deployment of capital within the Group and maintaining adequate liquidity to meet its strategic objectives. Additionally, the policy aims to facilitate transactions necessary to achieve the Group’s business objectives and, to the greatest extent possible, ensure the best cost execution of treasury-related trades, considering both explicit and implicit costs.

The Group Treasury Policy also outlines the management of specific risks, such as liquidity, refinancing, capital structure, covenant compliance, foreign exchange rate, interest rate and counterparty risks and sets out KPIs for each identified risk. The Group Treasury Committee monitors and provides guidance on treasury-related matters, including the control environment, its risk register, policies and procedures and structures. It also focuses on initiatives aimed at centralising, automating and optimising the Group’s treasury operations assessing capital structure, solvency and liquidity, and ensuring the effective implementation of the Treasury Policy.

The Audit & Risk Committee retains overall responsibility for overseeing that the Group meets its treasury objectives. It approves changes to the Treasury Policy, reviews the Group’s performance in terms of its treasury-related KPIs, approves the Group’s capital structure and the assessment of the Group’s solvency and liquidity, and reviews the Group’s treasury risk register. In addition, the Audit & Risk Committee ensures that the Group’s treasury function is subject to annual internal audit reviews.

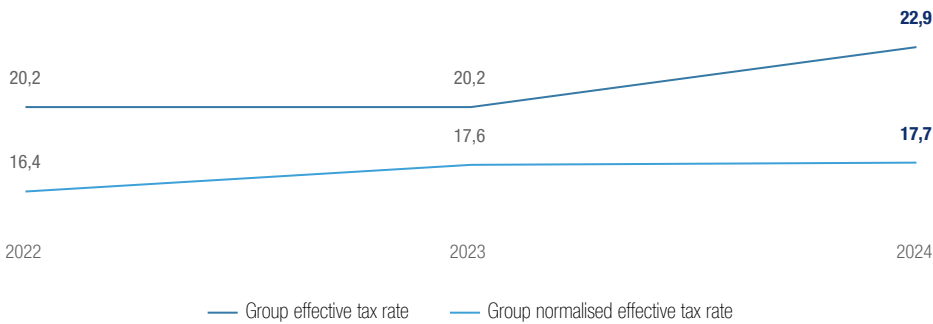
A responsible approach to taxation

As a global organisation with operations in many countries, we acknowledge our responsibility to pay the appropriate amount of tax in compliance with local laws. We maintain transparent and positive relationships with tax authorities and are committed to responsible tax practices. The Group Tax Committee oversees the Group’s tax strategy and risk management and ensures that our tax affairs are proactively managed. Our approach to taxation is more fully explained on [📄](#) page 92.

Group Chief Financial Officer’s review continued

In FY2024, the effective tax rate increased, primarily due to higher impairments of intangible assets that are not tax deductible. However, the normalised effective tax rate has remained stable.

Group effective tax rate (%)



Ongoing improvement in financial and tax reporting systems

Throughout the year, we continued to advance our digitalisation strategy by investing in enterprise resource planning (“ERP”) systems and advanced technology. These initiatives are key to improving the quality, timeliness, and depth of financial and tax reporting across the Group, aligned with our objective of achieving greater efficiency and transparency in financial management.

Looking ahead

The Commercial Pharmaceuticals business has been de-risked and is well positioned for future growth. We anticipate that in FY2025, Commercial Pharmaceuticals will achieve double-digit CER revenue and gross margin growth, driven by underlying organic growth and further bolstered by the full-year contributions of recent acquisitions.

For Manufacturing, we expect FDF, supported by increased contribution from Sterile manufacturing, to be the primary driver of CER EBITDA growth in FY2025. Over the period FY2025 to FY2026 (compared to FY2024), we estimate CER EBITDA to increase incrementally by R2 450 million due to these initiatives. While this aligns with previous guidance, the exact timing of this growth may vary between the two financial years, depending on the approval timeline from the South African regulatory authority. Additionally, the Group’s performance could be further enhanced from CY2026 onwards by the opportunities in the GLP-1 segment, as outlined in the Group Chief Executive’s review. We expect the overall EBITDA margin percentage to improve in FY2025, supported by a lower mix of Heparin sales and a higher contribution from Sterile contract manufacturing.

Finance costs will continue to be influenced by the prevailing interest rate environment. We anticipate an increase in net interest costs due to the carry-over effect of the current higher interest rates into FY2025. The effective tax rate is also expected to rise in FY2025 as Sterile manufacturing contributes a larger share of overall profit. However, lower working capital investment and strong operating cash flows should enable us to exceed our targeted operating cash conversion rate of 100%.

Guidance to FY2024 partially achieved with a positive outlook on revenue and EBITDA growth

Target	FY2022	FY2023	FY2024	Commentary
Increase from rebased FY2020 EBITDA margin of 25,8%	🟢	🟢	🔴	EBITDA margin of 25,2% negatively impacted by increased Manufacturing sales mix and China VBP
EBITDA growth > Revenue growth	🟢	🔴	🔴	EBITDA growth of 1% < Revenue growth of 10%
NHEPS > EBITDA growth	🟢	🔴	🔴	NHEPS flat < EBITDA growth of 1%
Leverage ratio no greater than 3x	🟢	🟢	🟢	Significant headroom providing capacity for value-enhancing investments
Improving free cash flow	🟡	🟡	🟢	Improved FCF in FY2024
Recommence dividends	🟢	🟢	🟢	Recommended from FY2021 and increased dividend declared for FY2024

🟢 Positive performance 🟡 Performance maintained 🔴 Negative performance

Closing remarks

While our financial performance in FY2024 was affected by many challenges, this year has highlighted our resilience and steadfast commitment to executing our Business Strategy. This is evident in the stronger performance in the second half of the year and the positive outlook for FY2025. The Group is well positioned for sustainable growth and poised to capitalise on value-accretive opportunities. I remain confident that with our continued focus on executing the Business Strategy, combined with disciplined financial management, we expect to achieve the higher growth projected for FY2025.

I would also like to sincerely thank the finance team members across all our operations for their hard work and dedication throughout the year. Their efforts have been critical in maintaining strong financial discipline and delivering meaningful financial reporting.

Sean Capazorio
Group Chief Financial Officer