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

Unaudited interim financial results for the six months ended 31 December 2018

COMMENTARY

GROUP RESULTS

Aspen's earnings for the six months ended 31 December 2018 are in line with management's expectations. A good performance from Commercial Pharmaceuticals in Emerging Markets is offset by a decline in revenue from Manufacturing (as guided in the September 2018 results announcement). Earnings are diluted by higher financing costs.

The published results record the impact of recent transactional activity and changes in accounting standards, namely:

- In September 2018 Aspen announced that it had reached an agreement to divest of its Nutritionals Business to the Lactalis Group ("Lactalis"). Positive progress has been made in satisfying of the conditions precedent and all but one of the conditions which are reliant on third-party consent had been fulfilled before the end of February 2019. The outstanding third-party condition relates to approval by New Zealand's Overseas Investment Office for Lactalis to invest in that country. The remaining conditions precedent are within the control of the parties. The parties are mutually committed to working towards a closing date for this transaction of 31 May 2019. The Nutritionals Business has accordingly been classified as discontinued and the related assets transferred to assets held-for-sale;
- The Group has concluded various agreements relating to the divestment and discontinuation of a non-core pharmaceutical portfolio in the Asia Pacific region. These products have also been classified as discontinued operations and the assets relating to this portfolio have been transferred to assets held-for-sale; and
- Aspen has adopted two new accounting standards, IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* which have resulted in the restatement of the disclosed comparable financial information for the six months ended 31 December 2017 and the year ended 30 June 2018.

Relative movements in exchange rates had an impact on financial performance, as is illustrated in the table below which compares performance in the prior comparable period at previously reported exchange rates and then at constant exchange rates ("CER"). The CER results for the six months ended 31 December 2017 restate performance for that period using the average exchange rates for the six months ended 31 December 2018.

	Six months ended 31 December				
Continuing operations	**Reported 2018 R'million**	Reported 2017^ R'million	Change at reported rates %	CER 2017^ R'million	Change 2018/2017 at CER %
Revenue	**19 673**	19 509	+1	19 743	0
Normalised EBITDA*	**5 534**	5 711	(3)	5 616	(1)
NHEPS (cents)	**743**	814	(9)	792	(6)

* *Operating profit before depreciation and amortisation adjusted for specific non-trading items as defined in the Group's accounting policy.*
^ *Restated for IFRS 9 and 15 implementation.*

In order to enhance comparability of relevant underlying performance, in this commentary, (1) all performance references are to continuing operations; and (2) all December 2017 revenue numbers are stated in CER and all percentage changes in revenue between December 2018 and December 2017 are based on December 2017 CER revenue.

SEGMENTAL PERFORMANCE

Sterile Focus Brands

Sterile Focus Brands, comprising the Anaesthetics and Thrombosis portfolios, delivered revenue in line with the prior comparable period at R7,8 billion. The gross profit from Sterile Focus Brands of R4,3 billion was at an improved gross margin percentage benefitting from lower Thrombosis manufacturing costs.

Anaesthetics Brands

Revenue from Anaesthetics was 1% lower at R4,4 billion. This is a sound performance given ongoing supply constraints affecting all major territories other than Japan. China (+6%) and Latin America (+22%) are the material regions driving growth. Supply limitations have adversely impacted sales in Europe CIS and Australasia. Price decreases in Japan offset strong volume gains. Supply is expected to improve from the commencement of the 2020 financial year and should be unconstrained midway through that year.

Thrombosis Brands

Thrombosis revenue of R3,4 billion is unchanged from the prior comparable period. Emerging Markets are up 7%, propelled by a strong performance in China, which offsets the declines in Developed Markets.

Other Pharmaceuticals

Other Pharmaceuticals, comprising Regional Brands and Manufacturing, deliver revenue of R11,9 billion, flat with the prior comparable period.

Regional Brands

Regional Brands, which comprise 45% of Group revenue, have shown growth of 3%. The High Potency & Cytotoxic Brands have been reclassified under Regional Brands in line with a change to regional management of this portfolio. Revenue growth has been recorded in most territories, but this has been partially offset by pricing pressure on the oncology portfolio in Europe, that also dilutes the margins.

Manufacturing

Manufacturing revenue declines 10% to R3,0 billion, primarily due to a tender lost in the prior year by one of Aspen's major third-party customers (as reported in the results announcement for the 2018 financial year) and the suspension of sales of heparin to third-parties due to limited global availability. Resultant lower volumes weigh on margins.

FUNDING

Borrowings, net of cash, have increased by R6,7 billion to R53,5 billion. R1,0 billion of this increase is the consequence of Rand weakness relative to foreign currency denominated loans. Payments relating to acquisitions of R4,9 billion and capital expenditure of R1,5 billion have been the main other drivers of the higher debt levels. The gearing ratio covenant measure is 4,43 times against an upper threshold of 4,75 times in terms of the temporary amendment to this covenant measure.

Operating cash flows have been constrained by an increased working capital investment, largely due to strategic stock builds. Operating cash flow per share of 317 cents represents a 47% rate of conversion of operating profit. Net interest paid is covered five times by EBITDA.

De-leveraging the balance sheet is a priority. The first steps in this process are well progressed with the pending receipt of the proceeds from the Nutritionals disposal, estimated at EUR635 million, in addition to the inflows received and expected from the divestment of the non-core pharmaceutical portfolio in the Asia Pacific region. This will bring the gearing ratio covenant measure within the specified level of 4,0 for each of the June and December 2019 measurement periods. Aspen's medium-term target for the gearing ratio is less than 3,0. Opportunities to accelerate the achievement of this target include potential collaborations and the ongoing assessment of opportunities to realise value.

PROSPECTS

The pending completion of the Nutritionals disposal will allow complete focus on pharmaceuticals. Aspen has embarked on a strategic review of its European and South African Commercial Pharmaceuticals businesses. As an outcome of the first phase of the South African review it has been decided to split South African Commercial Pharmaceuticals into two distinct divisions in order to achieve heightened product and customer focus. The second phase of the review will concentrate on developing strategies specific to each division to optimise value delivery.

Any re-shaping of the Group will be aimed at driving sustainable organic growth with a strong emphasis on Emerging Markets. Achievement of the de-leveraging objectives will provide headroom for further investment in building Aspen's product portfolio of niche specialty pharma brands in Emerging Markets.

The Group's most promising pipeline opportunities in the short to medium term are with the women's health products that are being developed for launch in the USA. Aspen has reached a memorandum of understanding with a partner that is committed to building a women's health franchise in that country. The partner will distribute Aspen's pipeline products in this therapeutic area in the USA.

Normalised headline earnings from continuing operations (at CER) for the full year are expected to be in line with the percentage decline recorded in the first half. Given the diversity of currencies to which the Group is exposed, exchange rate volatility could influence reported results. Operating cash flows are cyclically stronger in the second half of the financial year and a conversion rate of operating profits to cash of between 90% and 100% is anticipated for the full financial year.

By order of the Board

K D Dlamini
Chairman

S B Saad
Group Chief Executive

Woodmead
7 March 2019

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Notes	Change %	**Unaudited six months ended 31 December 2018 R'million**	Unaudited restated six months ended 31 December 2017 R'million	Restated year ended 30 June 2018 R'million
CONTINUING OPERATIONS					
Revenue		1	**19 673**	19 509	38 212
Cost of sales			**(9 437)**	(9 460)	(18 620)
Gross profit		2	**10 236**	10 049	19 592
Selling and distribution expenses			**(3 514)**	(3 262)	(6 612)
Administrative expenses			**(1 569)**	(1 539)	(2 981)
Other operating income			**31**	130	417
Other operating expenses			**(764)**	(677)	(2 025)
Operating profit	B#	(6)	**4 420**	4 701	8 391
Investment income	C#		**268**	195	343
Financing costs	D#		**(1 217)**	(833)	(2 107)
Profit before tax		(15)	**3 471**	4 063	6 627
Tax			**(600)**	(647)	(1 098)
Profit for the period/year from continuing operations		(16)	**2 871**	3 416	5 529
DISCONTINUED OPERATIONS					
Profit from discontinued operations	I#		**66**	230	436
Profit for the period/year		(19)	**2 937**	3 646	5 965
OTHER COMPREHENSIVE INCOME, NET OF TAX*					
Currency translation gains/(losses)	E#		**1 165**	(1 027)	2 372
Net gains/(losses) from cash flow hedging in respect of business acquisition			**71**	(115)	(96)
Remeasurement of retirement and other employee benefits			**–**	–	1
Total comprehensive income			**4 173**	2 504	8 242
Profit for the period/year attributable to					
Equity holders of the parent			**2 937**	3 645	5 964
Non-controlling interests			**–**	1	1
			2 937	3 646	5 965
Total comprehensive income attributable to					
Equity holders of the parent			**4 173**	2 503	8 241
Non-controlling interests			**–**	1	1
			4 173	2 504	8 242
Weighted average number of shares in issue ('000)			**456,5**	456,4	456,5
Diluted weighted average number of shares in issue ('000)			**456,5**	456,4	456,5
EARNINGS PER SHARE					
Basic earnings per share (cents)					
From continuing operations		(16)	**628,9**	748,2	1 211,0
From discontinued operations			**14,5**	50,4	95,5
		(19)	**643,4**	798,6	1 306,5
Diluted earnings per share (cents)					
From continuing operations		(16)	**628,9**	748,2	1 211,0
From discontinued operations			**14,5**	50,4	95,5
		(19)	**643,4**	798,6	1 306,5

 # See notes on Supplementary Information.

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

GROUP STATEMENT OF HEADLINE EARNINGS

	Change %	Unaudited six months ended 31 December 2018 R'million	Unaudited restated six months ended 31 December 2017 R'million	Restated year ended 30 June 2018 R'million
HEADLINE EARNINGS^				
Reconciliation of headline earnings				
Profit attributable to equity holders of the parent	(19)	**2 937**	3 645	5 964
Adjusted for:				
Continuing operations				
– Net impairment of property, plant and equipment (net of tax)		**7**	11	48
– Impairment of intangible assets (net of tax)		**209**	152	606
– Impairment of assets classified as held-for-sale (net of tax)		**–**	–	37
– Loss on the sale of tangible and intangible assets (net of tax)		**1**	4	3
Discontinued operations				
– Loss on the sale of intangible assets (net of tax)		**127**	–	–
	(14)	**3 281**	3 812	6 658
Headline earnings				
From continuing operations	(14)	**3 088**	3 582	6 222
From discontinued operations		**193**	230	436
	(14)	**3 281**	3 812	6 658
HEADLINE EARNINGS PER SHARE				
Headline earnings per share (cents)				
From continuing operations	(14)	**676,5**	784,7	1 363,2
From discontinued operations		**42,2**	50,4	95,5
	(14)	**718,7**	835,1	1 458,7
Diluted headline earnings per share (cents)				
From continuing operations	(14)	**676,5**	784,7	1 363,2
From discontinued operations		**42,2**	50,4	95,5
	(14)	**718,7**	835,1	1 458,7
NORMALISED HEADLINE EARNINGS				
Reconciliation of normalised headline earnings				
Headline earnings	(14)	**3 281**	3 812	6 658
Adjusted for:				
Continuing operations				
– Restructuring costs (net of tax)		**54**	72	144
– Transaction costs (net of tax)		**219**	169	363
– Foreign exchange gain on acquisitions (net of tax)		**–**	(173)	(178)
– Product litigation costs (net of tax)		**32**	66	293
	(9)	**3 586**	3 946	7 280
Normalised headline earnings				
From continuing operations	(9)	**3 393**	3 716	6 844
From discontinued operations		**193**	230	436
	(9)	**3 586**	3 946	7 280
NORMALISED HEADLINE EARNINGS PER SHARE				
Normalised headline earnings per share (cents)				
From continuing operations	(9)	**743,4**	814,1	1 499,3
From discontinued operations		**42,2**	50,4	95,5
	(9)	**785,6**	864,5	1 594,8
Normalised diluted headline earnings per share (cents)				
From continuing operations	(9)	**743,4**	814,1	1 499,3
From discontinued operations		**42,2**	50,4	95,5
	(9)	**785,6**	864,5	1 594,8

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

GROUP STATEMENT OF FINANCIAL POSITION

	Notes	Unaudited 31 December 2018 R'million	Unaudited restated 31 December 2017 R'million	Restated 30 June 2018 R'million
ASSETS				
Non-current assets				
Intangible assets		**70 297**	67 326	72 163
Property, plant and equipment		**11 692**	10 105	11 368
Goodwill		**4 976**	6 003	6 126
Deferred tax assets		**1 029**	1 017	966
Contingent environmental indemnification assets		**824**	743	802
Other non-current assets		**657**	1 157	1 189
Total non-current assets		**89 475**	86 351	92 614
Current assets				
Inventories		**15 575**	14 021	14 957
Receivables and other current assets		**13 343**	13 055	13 439
Cash and cash equivalents		**9 868**	8 454	11 170
Total operating current assets		**38 786**	35 530	39 566
Assets classified as held-for-sale	J#	**6 560**	168	135
Total current assets		**45 346**	35 698	39 701
Total assets		**134 821**	122 049	132 315
SHAREHOLDERS' EQUITY				
Reserves		**50 409**	42 002	47 667
Share capital (including treasury shares)		**1 879**	1 905	1 905
Ordinary shareholders' equity		**52 288**	43 907	49 572
Non-controlling interests		**2**	27	28
Total shareholders' equity		**52 290**	43 934	49 600
LIABILITIES				
Non-current liabilities				
Borrowings		**52 506**	29 579	46 725
Other non-current liabilities		**2 860**	3 067	2 775
Unfavourable and onerous contracts		**1 252**	1 476	1 382
Deferred tax liabilities		**2 259**	2 348	2 213
Contingent environmental liabilities		**824**	743	802
Retirement and other employee benefits		**669**	600	635
Total non-current liabilities		**60 370**	37 813	54 532
Current liabilities				
Borrowings*		**10 869**	22 015	11 225
Trade and other payables		**9 343**	9 406	10 414
Other current liabilities		**1 538**	8 557	6 170
Unfavourable and onerous contracts		**359**	324	374
Total operating current liabilities		**22 109**	40 302	28 183
Liabilities classified as held-for-sale	J#	**52**	–	–
Total current liabilities		**22 161**	40 302	28 183
Total liabilities		**82 531**	78 115	82 715
Total equity and liabilities		**134 821**	122 049	132 315
Number of shares in issue (net of treasury shares) ('000)		**456,0**	456,1	456,0
Net asset value per share (cents)		**11 467,3**	9 626,5	10 871,7

See notes on Supplementary Information.
* *Includes bank overdrafts.*

GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital (including treasury shares) R'million	Reserves R'million	Total attributable to equity holders of the parent R'million	Non-controlling interests R'million	Total R'million
BALANCE AT 1 JULY 2017 (RESTATED)	1 929	40 813	42 742	27	42 769
Total comprehensive income	–	2 505	2 505	–	2 505
Profit for the period	–	3 646	3 646	–	3 646
Other comprehensive loss	–	(1 142)	(1 142)	–	(1 142)
Dividends paid	–	(1 311)	(1 311)	–	(1 311)
Treasury shares purchased	(44)	–	(44)	–	(44)
Deferred incentive bonus shares exercised	20	(20)	–	–	–
Share-based payment expenses	–	15	15	–	15
BALANCE AT 31 DECEMBER 2017 (RESTATED)	1 905	42 002	43 907	27	43 934
BALANCE AT 1 JULY 2018 (RESTATED)	**1 905**	**47 667**	**49 572**	**28**	**49 600**
Total comprehensive income	**–**	**4 173**	**4 173**	**–**	**4 173**
Profit for the period	**–**	**2 937**	**2 937**	**–**	**2 937**
Other comprehensive income	**–**	**1 236**	**1 236**	**–**	**1 236**
Dividends paid	**–**	**(1 431)**	**(1 431)**	**–**	**(1 431)**
Acquisition of non-controlling interest in subsidiary	**–**	**(14)**	**(14)**	**(26)**	**(40)**
Treasury shares purchased	**(29)**	**–**	**(29)**	**–**	**(29)**
Deferred incentive bonus shares exercised	**3**	**(3)**	**–**	**–**	**–**
Share-based payment expenses	**–**	**17**	**17**	**–**	**17**
BALANCE AT 31 DECEMBER 2018	**1 879**	**50 409**	**52 288**	**2**	**52 290**

DISTRIBUTION TO SHAREHOLDERS

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

GROUP STATEMENT OF CASH FLOWS

	Notes	Change %	**Unaudited six months ended 31 December 2018 R'million**	Unaudited restated six months ended 31 December 2017 R'million	Restated year ended 30 June 2018 R'million
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash operating profit			**5 852**	6 092	11 835
Changes in working capital			**(2 253)**	(1 470)	(1 507)
Cash generated from operations			**3 599**	4 622	10 328
Net financing costs paid			**(765)**	(607)	(1 816)
Tax paid			**(1 123)**	(1 013)	(1 495)
Cash generated from operating activities		(43)	**1 711**	3 002	7 017
CASH FLOWS FROM INVESTING ACTIVITIES					
Capital expenditure – property, plant and equipment	A#		**(1 168)**	(820)	(2 145)
Proceeds received on the sale of property, plant and equipment			**4**	5	17
Acquisition of residual rights – AZ Anaesthetics			**–**	–	(5 202)
Capital expenditure – intangible assets	A#		**(330)**	(3 014)	(881)
Proceeds received on the sale of intangible assets			**405**	10	62
Acquisition of subsidiaries and businesses			**(50)**	(3)	(152)
Proceeds received/(investment in) other non-current assets			**7**	(321)	50
Payment of deferred contingent consideration relating to prior year business acquisitions			**(4 893)**	(4 009)	(4 599)
Other investing activities cash inflows			**61**	38	37
Cash used in investing activities			**(5 964)**	(8 114)	(12 813)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net proceeds from borrowings			**4 439**	6 496	7 690
Dividends paid			**(1 431)**	(1 311)	(1 313)
Treasury shares purchased			**(29)**	(44)	(44)
Cash generated from financing activities			**2 979**	5 141	6 333
Movement in cash and cash equivalents before currency translation movements			**(1 274)**	29	537
Currency translation movements			**172**	(117)	389
Movement in cash and cash equivalents			**(1 102)**	(88)	926
Cash and cash equivalents at the beginning of the period/year			**8 114**	7 188	7 188
Cash and cash equivalents at the end of the period/year			**7 012**	7 100	8 114
Operating cash flow per share (cents)					
From continuing operations		(45)	**317,4**	577,1	1 384,1
From discontinued operations			**57,4**	80,6	153,2
		(43)	**374,8**	657,7	1 537,3
DISCONTINUED OPERATIONS INCLUDED IN THE ABOVE:					
Cash generated from operating activities			**262**	368	699
Cash generated from investing activities			**405**	–	–
Cash and cash equivalents per the statement of cash flows			**173**	–	–
RECONCILIATION OF CASH AND CASH EQUIVALENTS					
Cash and cash equivalents per the statement of financial position			**9 868**	8 454	11 170
Less: bank overdrafts			**(2 856)**	(1 354)	(3 056)
			7 012	7 100	8 114

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

 # See notes on Supplementary Information.

GROUP SEGMENTAL ANALYSIS

	Unaudited six months ended 31 December 2018 Sterile Focus Brands R'million	Other Pharmaceuticals R'million	Total R'million
Revenue	**7 801**	**11 872**	**19 673**
Cost of sales	**(3 521)**	**(5 916)**	**(9 437)**
Gross profit	**4 280**	**5 956**	**10 236**
Selling and distribution expenses			**(3 514)**
Contribution profit			**6 722**
Administrative expenses			**(1 569)**
Net other operating income			**15**
Depreciation			**366**
Normalised EBITDA*			**5 534**
Adjusted for:			
Depreciation			**(366)**
Amortisation			**(240)**
Loss on sale of assets			**(1)**
Net impairment of assets			**(221)**
Restructuring costs			**(64)**
Transaction costs			**(185)**
Product litigation costs			**(37)**
Operating profit			**4 420**
Gross profit %	**54,9**	**50,2**	**52,0**
Selling and distribution expenses %			**17,9**
Contribution profit %			**34,2**
Administrative expenses %			**8,0**
Normalised EBITDA %			**28,1**

	Unaudited restated six months ended 31 December 2017 Sterile Focus Brands R'million	Other Pharmaceuticals R'million	Total R'million
Revenue	7 686	11 823	19 509
Cost of sales	(3 804)	(5 656)	(9 460)
Gross profit	3 882	6 167	10 049
Selling and distribution expenses			(3 262)
Contribution profit			6 787
Administrative expenses			(1 539)
Net other operating income			118
Depreciation			345
Normalised EBITDA*			5 711
Adjusted for:			
Depreciation			(345)
Amortisation			(210)
Loss on sale of assets			(6)
Net impairment of assets			(168)
Restructuring costs			(75)
Transaction costs			(133)
Product litigation costs			(73)
Operating profit			4 701
Gross profit %	50,5	52,2	51,5
Selling and distribution expenses %			16,7
Contribution profit %			34,8
Administrative expenses %			7,9
Normalised EBITDA %			29,3

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

GROUP SEGMENTAL ANALYSIS continued

	Change		
	Sterile Focus Brands %	Other Pharmaceuticals %	Total %
Revenue	2	0	1
Cost of sales	(7)	5	0
Gross profit	10	(3)	2
Selling and distribution expenses			8
Contribution profit			(1)
Administrative expenses			2
Net other operating income			(87)
Depreciation			6
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.*

GROUP REVENUE SEGMENTAL ANALYSIS

	Unaudited six months ended 31 December 2018 R'million	Unaudited restated six months ended 31 December 2017 R'million	Change %
COMMERCIAL PHARMACEUTICALS BY CUSTOMER GEOGRAPHY	**16 687**	16 323	2
Sub-Saharan Africa	**4 048**	3 883	4
Developed Europe	**3 770**	3 889	(3)
Australasia	**2 022**	2 010	1
Latin America	**1 551**	1 522	2
Developing Europe & CIS	**1 333**	1 452	(8)
China	**1 407**	1 166	21
Japan	**1 107**	1 069	4
Other Asia	**656**	704	(7)
MENA	**480**	356	35
USA & Canada	**313**	272	15
MANUFACTURING REVENUE BY GEOGRAPHY OF MANUFACTURE			
Manufacturing revenue – finished dose form	**694**	889	(22)
Australasia	**272**	218	25
Developed Europe	**302**	290	4
Sub-Saharan Africa	**120**	381	(69)
Manufacturing revenue – active pharmaceutical ingredients	**2 292**	2 297	0
Developed Europe	**2 138**	2 168	(1)
Sub-Saharan Africa	**154**	129	19
Total manufacturing revenue	**2 986**	3 186	(6)
TOTAL REVENUE	**19 673**	19 509	1
SUMMARY OF REGIONS			
Developed Europe	**6 210**	6 347	(2)
Sub-Saharan Africa	**4 322**	4 393	(2)
Australasia	**2 294**	2 228	3
Latin America	**1 551**	1 522	2
Developing Europe & CIS	**1 333**	1 452	(8)
China	**1 407**	1 166	21
Japan	**1 107**	1 069	4
Other Asia	**656**	704	(7)
MENA	**480**	356	35
USA & Canada	**313**	272	15
TOTAL REVENUE	**19 673**	19 509	1

GROUP REVENUE SEGMENTAL ANALYSIS continued

COMMERCIAL PHARMACEUTICALS THERAPEUTIC AREA ANALYSIS

Unaudited six months ended 31 December 2018

	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					
Sub-Saharan Africa	56	4	60	3 988	4 048
Developed Europe	1 131	1 785	2 916	854	3 770
Australasia	342	12	354	1 668	2 022
Latin America	463	38	501	1 050	1 551
Developing Europe & CIS	176	950	1 126	207	1 333
China	944	445	1 389	18	1 407
Japan	707	13	720	387	1 107
Other Asia	325	76	401	255	656
MENA	105	55	160	320	480
USA & Canada	163	11	174	139	313
Total Commercial Pharmaceuticals	4 412	3 389	7 801	8 886	16 687

Unaudited restated six months ended 31 December 2017

	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					
Sub-Saharan Africa	75	5	80	3 803	3 883
Developed Europe	1 134	1 799	2 933	956	3 889
Australasia	391	12	403	1 607	2 010
Latin America	435	38	473	1 049	1 522
Developing Europe & CIS	238	973	1 211	241	1 452
China	869	281	1 150	16	1 166
Japan	681	23	704	365	1 069
Other Asia	350	86	436	268	704
MENA	68	57	125	231	356
USA & Canada	164	5	169	103	272
Total Commercial Pharmaceuticals	4 405	3 279	7 684	8 639	16 323

Variances

	Anaesthetics Brands %	Thrombosis Brands %	Sterile Focus Brands %	Regional Brands %	Total %
BY CUSTOMER GEOGRAPHY					
Commercial Pharmaceuticals					
Sub-Saharan Africa	(25)	(20)	(25)	5	4
Developed Europe	0	(1)	(1)	(11)	(3)
Australasia	(13)	0	(12)	4	1
Latin America	7	0	6	0	2
Developing Europe & CIS	(26)	(2)	(7)	(14)	(8)
China	9	58	21	13	21
Japan	4	(44)	2	6	4
Other Asia	(7)	(12)	(8)	(5)	(7)
MENA	54	(4)	28	39	35
USA & Canada	(1)	>100	3	35	15
Total Commercial Pharmaceuticals	0	3	2	3	2

GROUP SUPPLEMENTARY INFORMATION

	Unaudited six months ended 31 December 2018 R'million	Unaudited restated six months ended 31 December 2017 R'million	Restated year ended 30 June 2018 R'million
A. CAPITAL EXPENDITURE			
Incurred	**1 498**	3 834	8 228
– Property, plant and equipment	**1 168**	820	2 145
– Intangible assets	**330**	3 014	6 083
Contracted	**1 730**	824	1 812
– Property, plant and equipment	**1 626**	794	1 786
– Intangible assets	**104**	30	26
Authorised but not contracted for	**3 528**	5 759	4 184
– Property, plant and equipment	**3 371**	5 426	3 829
– Intangible assets	**157**	333	355
B. OPERATING PROFIT HAS BEEN ARRIVED AT AFTER CHARGING			
Depreciation of property, plant and equipment	**366**	345	674
Amortisation of intangible assets	**240**	210	632
Net impairment of tangible and intangible assets	**221**	168	742
Net impairment of tangible assets	**10**	17	68
Net impairment of intangible assets	**211**	151	623
Impairment on assets classified as held-for-sale	**–**	–	51
Loss on the sale of tangible and intangible assets	**1**	6	4
Restructuring costs	**64**	75	199
Transaction costs	**185**	133	160
Product litigation costs	**37**	73	317
C. INVESTMENT INCOME			
Interest received	**268**	195	343
D. FINANCING COSTS			
Interest paid	**(952)**	(781)	(1 756)
Debt raising fees on acquisitions	**(47)**	(63)	(209)
Net (losses)/gains on financial instruments	**(41)**	50	88
Foreign exchange gains/(losses)	**24**	140	(16)
Fair value (losses)/gains on financial instruments	**(65)**	(90)	104
Notional interest on financial instruments	**(177)**	(217)	(408)
Foreign exchange gain on acquisitions	**–**	178	178
	(1 217)	(833)	(2 107)
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 period the weaker closing Rand translation rate has increased the Group net asset value.	**1 165**	(1 027)	2 372
F. GUARANTEES TO FINANCIAL INSTITUTIONS			
Total guarantees	**78 546**	58 676	70 545
Guarantees utilised	**63 153**	53 741	57 085
Guarantees available and not utilised	**15 393**	4 935	13 460

G. POTENTIAL DISPUTED MATTER – EUROPEAN COMMISSION

In May 2017, the European Commission (the "Commission") instituted an investigation of Aspen Pharmacare Holdings Limited and certain of its indirect wholly owned subsidiaries under Article 102 of the Treaty on the Functioning of the European Union ("Article 102") in respect of the molecules (i) Chlorambucil; (ii) Melphalan; (iii) Mercaptopurine; (iv) Thioguanine; and (v) Busulfan, for (a) alleged setting of unfair and excessive pricing in the form of significant price increases; (b) alleged unfair/abusive negotiating practices; (c) alleged stock allocation strategies designed to reduce supply; and (d) alleged practices hindering parallel trade, in the European Economic Area (excluding Italy).

The Commission's investigation is continuing and Aspen and its advisers are fully cooperating with the Commission in its investigation. The Commission's decision whether to formally open a case by issuing a statement of objection, is not likely to be made before the second calendar quarter of 2019 after conclusion of its investigation.

The outcome of the Commission matter is unknown at this stage and therefore no liability has been raised in the statement of financial position.

H. POTENTIAL DISPUTED MATTER – UK COMPETITION AND MARKETS AUTHORITY

In October 2017, the UK Competition and Markets Authority ("CMA") opened an investigation of Aspen in respect of alleged anti-competitive conduct and pricing practices in relation to the supply of fludrocortisone acetate 0.1mg tablets and dexamethasone 2mg tablets in the UK. The CMA has subsequently advised that it will not be proceeding with its investigation in relation to dexamethasone 2mg tablets.

A high level of cooperation and diligence is being afforded to the investigation team by Aspen and its advisers.

The CMA's decision whether to formally open a case by issuing a statement of objection, is not likely to be made before the second calendar quarter of 2019 after conclusion of its investigation.

The outcome of the CMA matter is unknown at this stage and therefore no liability has been raised in the statement of financial position.

I. DISCONTINUED OPERATIONS

Asia Pacific non-core pharmaceutical portfolio

The Group has continued following its strategy of divesting non-core pharmaceutical products. In the Asia Pacific region, a portfolio of non-core products has been selected for divestment and accordingly been classified as part of discontinued operations in terms of IFRS 5 and the assets relating to these portfolios have been transferred to assets held-for-sale.

Nutritionals Business

In September 2018, the Group concluded an agreement (subject to conditions precedent) to divest of its Nutritionals Business predominantly carried on in Latin America, Sub-Saharan Africa and Asia Pacific under the S-26, Alula and Infacare brands ("Nutritionals Business") to the Lactalis Group, a leading multinational dairy corporation based in Laval, France. Consequently the Nutritionals Business has been classified as a discontinued operation in terms of IFRS 5 and all related assets and liabilities have been transferred to assets held-for-sale.

	Unaudited six month ended 31 December 2018 R'million	Unaudited restated six month ended 31 December 2017 R'million	Restated year ended 30 June 2018 R'million
Summarised discontinued operations statement of comprehensive income			
Revenue	**1 924**	2 306	4 234
Gross profit	**901**	1 075	1 941
Normalised EBITDA	**409**	549	1 039
Loss on sale of non-core Asia Pacific intangible assets	**(127)**	–	–
Operating profit	**213**	411	776
Tax	**(83)**	(145)	(260)
Profit after tax	**66**	230	436
Normalised EBITDA split as follows:			
Nutritional Business	**224**	227	530
Asia Pacific non-core pharmaceutical portfolio	**185**	322	509
	409	549	1 039

	Unaudited six month ended 31 December 2018 R'million	Unaudited restated six month ended 31 December 2017 R'million	Restated year ended 30 June 2018 R'million
J. NET ASSETS CLASSIFIED AS HELD-FOR-SALE			
Split as follows:			
Assets classified as held-for-sale	**6 560**	168	135
Liabilities associated with assets classified as held-for-sale	**(52)**	–	–
Net asset classified as held-for-sale	**6 508**	168	135
Summarised as follows:			
Nutritional Business	**4 665**	–	–
Asia Pacific non-core pharmaceutical brands	**1 778**	–	–
Other	**65**	168	135
	6 508	168	135
Net assets classified as held-for-sale can be split as follows:			
ASSETS			
Property, plant and equipment	**773**	163	112
Intangible assets	**2 915**	–	–
Goodwill	**1 131**	–	–
Other non-current assets	**461**	–	–
Deferred tax assets	**18**	–	–
Inventories	**835**	5	23
Trade and other receivables	**165**	–	–
Current tax assets	**90**	–	–
Cash and cash equivalents	**172**	–	–
Total assets	**6 560**	168	135
LIABILITIES			
Deferred tax liabilities	**(33)**	–	–
Trade and other payables	**(19)**	–	–
Total liabilities	**(52)**	–	–
Net asset	**6 508**	168	135

K. CHANGES IN ACCOUNTING POLICIES/NEW STANDARDS ADOPTED BY THE GROUP

Please refer to the basis of accounting note for the background supporting the changes in accounting policy necessitated by the adoption of the new accounting standards IFRS 9: *Financial Instruments* and IFRS 15: *Revenue from Contracts with Customers.*

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

DECEMBER 2017

	As originally presented 31 December 2017 R'million	Discontinued 31 December 2017 R'million	Continuing 31 December 2017 R'million	IFRS 15 R'million	Restated 31 December 2017 R'million
Statement of comprehensive income					
Revenue	21 924	(2 306)	19 618	(109)	19 509
Cost of sales	(10 747)	1 231	(9 516)	56	(9 460)
Gross profit	11 177	(1 075)	10 102	(53)	10 049
Tax	(811)	145	(666)	19	(647)
Profit after tax	3 680	(230)	3 450	(34)	3 416
Earnings per share	806,0	(50,4)	755,6	(7,4)	748,2
Headline earnings per share	842,5	(50,4)	792,1	(7,4)	784,7
Normalised headline earnings per share	871,9	(50,4)	821,5	(7,4)	814,1

K. CHANGES IN ACCOUNTING POLICIES/NEW STANDARDS ADOPTED BY THE GROUP continued

DECEMBER 2017

	As originally presented 31 December 2017 R'million	IFRS 9 R'million	IFRS 15 R'million	Restated 31 December 2017 R'million
Statement of financial position				
ASSETS				
Current assets				
Inventories	13 570	–	451	14 021
Receivables and current assets	14 008	(80)	(873)	13 055
Total assets	27 578	(80)	(422)	27 076
SHAREHOLDERS' EQUITY				
Reserves	42 485	(80)	(403)	42 002
Total shareholders' equity	42 485	(80)	(403)	42 002
LIABILITIES				
Current liabilities				
Other current liabilities	8 576	–	(19)	8 557
Total shareholders' equity	8 576	–	(19)	8 557

JUNE 2018

	As originally presented 30 June 2018 R'million	Discontinued 30 June 2018 R'million	Continuing 30 June 2018 R'million	IFRS 15 R'million	Restated 30 June 2018 R'million
Statement of comprehensive income					
Revenue	42 596	(4 245)	38 351	(139)	38 212
Cost of sales	(20 992)	2 305	(18 687)	67	(18 620)
Gross profit	21 604	(1 940)	19 664	(72)	19 592
Tax	(1 384)	260	(1 124)	26	(1 098)
Profit after tax	6 011	(436)	5 575	(46)	5 529
Earnings per share	1 316,6	(95,5)	1 221,1	(10,1)	1 211,0
Headline earnings per share	1 468,8	(95,5)	1 373,3	(10,1)	1 363,2
Normalised headline earnings per share	1 604,9	(95,5)	1 509,4	(10,1)	1 499,3

	As originally presented 30 June 2018 R'million	IFRS 9 R'million	IFRS 15 R'million	Restated 30 June 2018 R'million
Statement of financial position				
ASSETS				
Current assets				
Inventories	14 496	–	461	14 957
Receivables and current assets	14 421	(80)	(902)	13 439
Total assets	28 917	(80)	(441)	28 396
SHAREHOLDERS' EQUITY				
Reserves	48 162	(80)	(415)	47 667
Total shareholders' equity	48 162	(80)	(415)	47 667
LIABILITIES				
Current liabilities				
Other current liabilities	6 196	–	(26)	6 170
Total shareholders' equity	6 196	–	(26)	6 170

L. ILLUSTRATIVE CONSTANT EXCHANGE RATE REPORT ON SELECTED FINANCIAL DATA

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

The *pro forma* constant exchange rate information is presented to demonstrate the impact of fluctuations in currency exchange rates on the Group's reported results. The constant exchange rate report is the responsibility of the Group's Board of Directors and is presented for illustrative purposes only. Due to the nature of this information, it may not fairly present the Group's financial position, changes in equity and results of operations or cash flows. The *pro forma* information has been compiled in terms of the JSE Listings Requirements and the Revised Guide on Pro Forma Information by SAICA and the accounting policies of the Group as at 31 December 2018. The illustrative constant exchange rate report on selected financial data has not been reviewed or audited by the Group's auditors.

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 reported 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:

	December 2018 average rates	December 2017 average rates
EUR – Euro	**16,342**	15,774
AUD – Australian Dollar	**10,270**	10,447
USD – US Dollar	**14,188**	13,410
CNY – Chinese Yuan Renminbi	**2,068**	2,019
JPY – Japanese Yen	**0,127**	0,120
MXN – Mexican Peso	**0,729**	0,724
BRL – Brazilian Real	**3,637**	4,227
GBP – British Pound	**18,365**	17,672
CAD – Canadian Dollar	**10,797**	10,627
RUB – Russian Ruble	**0,214**	0,229
PLN – Polish Zloty	**3,800**	3,714

Revenue, other income, cost of sales and expenses

For purposes of the constant exchange rate report the prior period's source currency revenue, 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.

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

	Reported December 2018 (December 2018 at December 2018 average rates) R'million	Reported December 2017 (December 2017 at December 2017 average rates) R'million	Change at reported exchange rates %	Illustrative constant exchange rates (December 2017 at December 2018 average rates) R'million	Change at constant exchange rates %	**Illustrative constant exchange rates (June 2018 at December 2018 average rates) R'million**
Key constant exchange rate indicators						
Continuing operations						
Revenue	**19 673**	19 509	1	19 743	0	**39 915**
Gross profit	**10 236**	10 049	2	9 995	2	**20 115**
Normalised EBITDA	**5 534**	5 711	(3)	5 616	(1)	**11 100**
Operating profit	**4 420**	4 701	(6)	4 633	(5)	**8 369**
Normalised headline earnings	**3 393**	3 716	(9)	3 615	(6)	**6 864**
Earnings per share (cents)	***628,9***	*748,2*	*(16)*	*728,7*	*(14)*	***1 200,3***
Headline earnings per share (cents)	***676,5***	*784,7*	*(14)*	*761,9*	*(11)*	***1 347,4***
Normalised headline earnings per share (cents)	***743,4***	*814,1*	*(9)*	*792,0*	*(6)*	***1 503,9***

	Reported December 2018 (December 2018 at December 2018 average rates) %	Reported December 2017 (December 2017 at December 2017 average rates) %
Revenue currency mix		
EUR – Euro	**29**	30
ZAR – South African Rand	**19**	18
AUD – Australian Dollar	**11**	10
USD – US Dollar	**7**	8
CNY – Chinese Yuan Renminbi	**7**	6
JPY – Japanese Yen	**6**	6
MXN – Mexican Peso	**3**	2
BRL – Brazilian Real	**3**	4
GBP – British Pound	**2**	2
CAD – Canadian Dollar	**1**	1
RUB – Russian Ruble	**1**	1
PLN – Polish Zloty	**1**	1
Other currencies	**10**	11
Total	**100**	100

GROUP REVENUE SEGMENTAL ANALYSIS

	Reported December 2018 (December 2018 at 2018 average rates) R'million	Reported December 2017 (December 2017 at 2017 average rates) R'million	Illustrative constant exchange rate December 2017 (December 2017 at 2018 average rates) R'million	Change in constant exchange rates %
COMMERCIAL PHARMACEUTICALS BY CUSTOMER GEOGRAPHY	**16 687**	16 323	16 434	2
Sub-Saharan Africa	**4 048**	3 883	3 899	4
Developed Europe	**3 770**	3 889	4 019	(6)
Australasia	**2 022**	2 010	1 978	2
Latin America	**1 551**	1 522	1 387	12
Developing Europe & CIS	**1 333**	1 452	1 450	(8)
China	**1 407**	1 166	1 194	18
Japan	**1 107**	1 069	1 129	(2)
Other Asia	**656**	704	736	(11)
MENA	**480**	356	375	28
USA & Canada	**313**	272	267	17
MANUFACTURING REVENUE BY GEOGRAPHY OF MANUFACTURE				
Manufacturing revenue – finished dose form	**694**	889	926	(25)
Australasia	**272**	218	214	27
Developed Europe	**302**	290	321	(6)
Sub-Saharan Africa	**120**	381	391	(69)
Manufacturing revenue – active pharmaceutical ingredients	**2 292**	2 297	2 383	(4)
Developed Europe	**2 138**	2 168	2 249	(5)
Sub-Saharan Africa	**154**	129	134	15
Total manufacturing revenue	**2 986**	3 186	3 309	(10)
Total revenue	**19 673**	19 509	19 743	0
SUMMARY OF REGIONS				
Developed Europe	**6 210**	6 347	6 589	(6)
Sub-Saharan Africa	**4 322**	4 393	4 424	(2)
Australasia	**2 294**	2 228	2 192	5
Latin America	**1 551**	1 522	1 387	12
Developing Europe & CIS	**1 333**	1 452	1 450	(8)
China	**1 407**	1 166	1 194	18
Japan	**1 107**	1 069	1 129	(2)
Other Asia	**656**	704	736	(11)
MENA	**480**	356	375	28
USA & Canada	**313**	272	267	17
Total revenue	**19 673**	19 509	19 743	0

GROUP REVENUE SEGMENTAL ANALYSIS continued

COMMERCIAL PHARMACEUTICALS THERAPEUTIC AREA ANALYSIS

	Reported December 2018 (December 2018 at 2018 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					
Sub-Saharan Africa	**56**	**4**	**60**	**3 988**	**4 048**
Developed Europe	**1 131**	**1 785**	**2 916**	**854**	**3 770**
Australasia	**342**	**12**	**354**	**1 668**	**2 022**
Latin America	**463**	**38**	**501**	**1 050**	**1 551**
Developing Europe & CIS	**176**	**950**	**1 126**	**207**	**1 333**
China	**944**	**445**	**1 389**	**18**	**1 407**
Japan	**707**	**13**	**720**	**387**	**1 107**
Other Asia	**325**	**76**	**401**	**255**	**656**
MENA	**105**	**55**	**160**	**320**	**480**
USA & Canada	**163**	**11**	**174**	**139**	**313**
Total Commercial Pharmaceuticals	**4 412**	**3 389**	**7 801**	**8 886**	**16 687**

	Restated December 2017 (December 2017 at 2017 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					
Sub-Saharan Africa	75	5	80	3 803	3 883
Developed Europe	1 134	1 799	2 933	956	3 889
Australasia	391	12	403	1 607	2 010
Latin America	435	38	473	1 049	1 522
Developing Europe & CIS	238	973	1 211	241	1 452
China	869	281	1 150	16	1 166
Japan	681	23	704	365	1 069
Other Asia	350	86	436	268	704
MENA	68	57	125	231	356
USA & Canada	164	5	169	103	272
Total Commercial Pharmaceuticals	4 405	3 279	7 684	8 639	16 323

GROUP REVENUE SEGMENTAL ANALYSIS continued

COMMERCIAL PHARMACEUTICALS THERAPEUTIC AREA ANALYSIS continued

	Illustrative constant exchange rate December 2017 (December 2017 at 2018 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					
Sub-Saharan Africa	76	5	81	3 818	3 899
Developed Europe	1 166	1 864	3 030	989	4 019
Australasia	385	12	397	1 581	1 978
Latin America	380	37	417	970	1 387
Developing Europe & CIS	228	989	1 217	233	1 450
China	890	288	1 178	16	1 194
Japan	719	25	744	385	1 129
Other Asia	366	91	457	279	736
MENA	72	59	131	244	375
USA & Canada	168	4	172	95	267
Total Commercial Pharmaceuticals	4 450	3 374	7 824	8 610	16 434

	Change in constant exchange rates				
	Anaesthetics Brands %	Thrombosis Brands %	Sterile Focus Brands %	Regional Brands %	Total %
BY CUSTOMER GEOGRAPHY					
Commercial Pharmaceuticals					
Sub-Saharan Africa	(26)	(20)	(26)	4	4
Developed Europe	(3)	(4)	(4)	(14)	(6)
Australasia	(11)	0	(11)	6	2
Latin America	22	3	20	8	12
Developing Europe & CIS	(23)	(4)	(7)	(11)	(8)
China	6	55	18	13	18
Japan	(2)	(48)	(3)	1	(2)
Other Asia	(11)	(16)	(12)	(9)	(11)
MENA	46	(7)	22	31	28
USA & Canada	(3)	>100	1	46	17
Total Commercial Pharmaceuticals	(1)	0	0	3	2

BASIS OF ACCOUNTING

The unaudited interim financial results for the six months ended 31 December 2018 have been prepared in accordance with International Financial Reporting Standards, IFRIC interpretations, the Listings Requirements of the JSE Limited, South African Companies Act, 2008 and the presentation and disclosure requirements of IAS 34: *Interim Reporting*.

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

The unaudited interim financial results have been reported in Rand millions in the current period to augment effective financial analysis. This has changed from the previous interim period where the financial results were reported in Rand billions.

These interim 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

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

- The High Potency & Cytotoxic therapeutic segment has been reclassified to Regional Brands as these products are now managed on a regional basis; and
- The Therapeutic Focused Brand segment has been replaced by the Sterile Focus Brand segment and includes the Anaesthetics and Thrombosis portfolios.

Restatement of discontinued operations

IAS 34 requires that the interim financial report disclose the effect of changes in the composition of the entity during the interim period. The Group is discontinuing the following portfolios:

Asia Pacific non-core pharmaceutical portfolio

The Group has continued following its strategy of divesting non-core pharmaceutical products. In the Asia Pacific region, a portfolio of non-core products has been selected for divestment and accordingly been classified as part of discontinued operations in terms of IFRS 5 and the assets relating to these portfolios have been transferred to assets held-for-sale.

Nutritionals Business

In September 2018 the Group concluded an agreement (subject to conditions precedent) to divest of its Nutritionals Business predominantly carried on in Latin America, Sub-Saharan Africa and Asia Pacific under the S-26, Alula and Infacare brands ("Nutritionals Business") to the Lactalis Group, a leading multinational dairy corporation based in Laval, France. Consequently the Nutritionals Business has been classified as a discontinued operation in terms of IFRS 5 and all related assets and liabilities have been transferred to assets held-for-sale.

Restatement due to changes in accounting standards

The implementation of IFRS 15: *Revenue from Contracts with Customers* and IFRS 9: *Financial Instruments* became effective for Aspen in the 2019 financial year. Aspen has assessed and applied the new standards and the December 2018 interim results have been reported in line with the new requirements. The 31 December 2017 and 30 June 2018 comparative periods have been restated in the unaudited results on a full retrospective basis.

IFRS 15

In applying the new standard the Group recognises revenue upon the transfer of control over the products to the customer and the amount of revenue can be measured reliably and it is probable that future economic benefits will flow to the entity. Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue, net of trade discounts, distribution fees paid to independent wholesalers and excluding value added tax, comprises the total invoice value of goods and co-marketing fees.

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

IFRS 9

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

DIRECTORS
K D Dlamini (Chairman)*, R C Andersen*, M G Attridge, L de Beer*, C N Mortimer*, B Ngonyama*, D S Redfern*, S B Saad, S V Zilwa*
**Non-executive director*

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