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

Unaudited interim financial results for the six months ended 31 December 2019

COMMENTARY

GROUP PERFORMANCE (CONTINUING OPERATIONS)

Aspen increased revenue by 3% to R18,4 billion for the six months ended 31 December 2019. Commercial Pharma increased 2% to R15,2 billion, supported by 6% revenue growth in Regional Brands. Manufacturing revenue grew 6% to R3,2 billion, favourably impacted by the recommencing of commercial sales of heparin API. Normalised EBITDA was flat at R5,3 billion and normalised headline earnings per share ("NHEPS") increased 1% to R7,07, benefiting from lower net financing costs.

The Group delivered an improved operating cash conversion rate of 87%, up from 43% in the prior comparable period, supported by controlled working capital outflow and reduced taxation payments. Internally generated cash flows have been used to reduce debt, assisting net borrowings to decline to R37,9 billion from R39,0 billion as at 30 June 2019. The implementation of IFRS 16: *Leases* on a modified retrospective basis resulted in a once-off increase in borrowings of R547 million. A leverage ratio of 3,5 times has been achieved, comfortably below the covenant ratio of 4,0 times.

Aspen classifies certain of its intangible assets as being of indefinite life. Lower performance against prior expectations resulted in the decision to impair certain Regional Brands by R489 million.

The Japanese Business was disposed of, with effect from 31 January 2020. Aspen has exited the commercialisation of public sector ARVs in South Africa. The Group has entered into an agreement with Laurus, a leading Indian producer of ARV APIs, to toll manufacture ARVs thus ensuring the South African government retains access to competitive prices for these critical medicines. Aspen will continue to sell ARVs in the South African private sector. Both the Japanese Business and the commercialisation of ARVs in the South African public sector have been reclassified to discontinued operations for the period ended 31 December 2019. The results for the comparative period ended 31 December 2018 as well as for the year ended 30 June 2019 have also been restated to exclude these discontinued operations, together with the previously discontinued operations, namely the Nutritionals Business and the Asia Pacific non-core pharmaceutical portfolio.

Relative movements in exchange rates had no material 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 2018 restate performance for that period using the average exchange rates for the six months ended 31 December 2019.

Continuing operations	Six months ended 31 December **Reported H1 2020 R'million**	Reported restated H1 2019^ R'million	Change at reported rates %	H1 2019^ CER R'million	Change at CER %
Revenue	**18 417**	17 878	3	17 937	3
Normalised EBITDA*	**5 260**	5 241	–	5 259	–
NHEPS** (cents)	**707,0**	702,4	1	706,8	–

^ *H1 2019 has been restated taking into account the impact of discontinued operations, namely the Nutritionals Business, the Asia Pacific non-core pharmaceutical portfolio, Japanese Business and the South African public sector ARVs.*

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

** *NHEPS is 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

Note: CER is used as the reference point for the six months ended 31 December 2018

Commercial Pharma

Commercial Pharma comprises Aspen's Regional Brands and Sterile Focus Brands. Revenue of R15,2 billion represented 2% growth while gross profit remained flat at R8,6 billion.

Regional Brands

Regional Brands grew 6% to R8,3 billion with positive growth well spread across the Group. Gross profit percentage was negatively impacted by the decline in revenues from the oncology portfolio in Europe CIS and the previously reported recall of Zantac in Australia. Sub-Saharan Africa (+7%) performed well, benefiting from the increased focus achieved by splitting the portfolio into two discrete divisions. Revenue from Latin America (+11%) continued to grow supported by a strong performance from domestic brands.

Sterile Focus Brands

Sterile Focus Brands, comprising Aspen's Anaesthetics and Thrombosis portfolios, maintained a flat gross profit at R3,9 billion despite revenue reducing 2% to R7,0 billion. The gross margin percentage improved to 56,6% benefiting from a higher relative weighting of Anaesthetics sales in the product mix.

Revenue from Anaesthetics grew 3% to R3,9 billion. China (+23%) delivered strong growth. Europe CIS (-6%) was impacted by changes in commercial structures and ongoing Anaesthetics supply constraints. Performance in Europe CIS accelerated over the six months as supply improved and changes to the commercial structure yielded a positive response.

Thrombosis revenue declined 8% to R3,1 billion, negatively impacted by Europe CIS (-10%) which contributes approximately 80% of the Group's total Thrombosis revenue. Europe CIS commenced a commercial restructure at the start of the half and results have progressively improved since this initiative was implemented resulting in a notably stronger second quarter.

Manufacturing

Manufacturing revenue increased 6% to R3,2 billion. The recommencement of commercial sales of heparin API to third parties added R273 million. Gross profit percentage of 26,6% was in line with that achieved in the full year to 30 June 2019 although lower than the 36,2% in the six months to 31 December 2018 when there was a favourable product mix in the API Business.

PROSPECTS

We anticipate a continuation of the positive progress towards the Group's medium-term priorities in the second half of the financial year. These priorities are directed towards ensuring Aspen is continuing to adapt effectively to the dynamic environment in which we operate, focusing on our areas of competitive advantage, driving organic growth and delivering the cash flows that will provide the capital capacity for future investment.

The completion of the divesture of the Japanese Business and the discontinuation of the commercial South African public sector ARV Business are further steps in our reshaping of the Group to ensure it remains relevant and robust in the dynamic and challenging environment in which we are operating. We continue to engage with potential partners regarding prospective collaborations to enhance the value proposition of our commercial business in Europe CIS while also working towards achieving structural improvements to bolster performance from this region. Efficiency and cost control remains a key focus area while we continue to invest in our major Anaesthetic capital projects, building production capacity to supplement our performance for the long term. We have embarked on an organisational redesign across our strategic manufacturing sites and are reviewing our manufacturing and procurement processes to ensure we are unlocking all potential efficiencies.

The net proceeds of EUR271 million from the sale of the Japanese Business were received in February 2020. These inflows, together with continued strong operational cash flows, are expected to support a leverage ratio at 30 June 2020 significantly closer to our medium-term target of below 3,0 times (our covenant threshold at 30 June 2020 is 3,5 times).

In the second half of the 2020 financial year, we anticipate Anaesthetics supply to continue to improve with the Europe CIS Thrombosis and Anaesthetics Brands continuing to build on the positive momentum experienced since beginning the restructuring of the commercial team. We expect growth in Regional Brands to be driven by positive performances in Sub-Saharan Africa and Latin America. Our manufacturing segment is set to deliver further revenue growth in the second half.

The outbreak of COVID-19 has created uncertainty and has resulted in our Chinese commercial team being largely inactive since February 2020 which will inevitably impact performance. To date our inventory holdings have been sufficient to prevent any negative impact arising from reliance on API and API intermediaries imported from China, but this risk remains under close assessment.

On a business as usual basis (i.e. excluding the impact of COVID-19), our performance in the first half creates the opportunity to outperform our previous guidance which expected our 2020 financial results to be broadly in line with the results reported for 2019.

By order of the Board

K D Dlamini
Chairman

S B Saad
Group Chief Executive

Woodmead
5 March 2020

GROUP STATEMENT OF FINANCIAL POSITION

	Notes	Unaudited 31 December 2019 R'million	Unaudited 31 December 2018 R'million	Audited 30 June 2019 R'million
ASSETS				
Non-current assets				
Intangible assets		**60 153**	70 297	66 468
Property, plant and equipment		**12 612**	11 692	12 065
Right-of-use assets	J#	**539**	–	–
Goodwill		**4 562**	4 976	4 649
Deferred tax assets		**1 161**	1 029	1 163
Contingent environmental indemnification assets		**242**	824	801
Other non-current assets		**476**	657	1 018
Total non-current assets		**79 745**	89 475	86 164
Current assets				
Inventories		**14 353**	15 575	14 648
Receivables and other current assets		**11 965**	13 343	12 511
Cash and cash equivalents		**5 953**	9 868	8 977
Total operating current assets		**32 271**	38 786	36 136
Assets classified as held-for-sale	I#	**5 694**	6 560	16
Total current assets		**37 965**	45 346	36 152
Total assets		**117 710**	134 821	122 316
SHAREHOLDERS' EQUITY				
Reserves		**54 091**	50 409	52 300
Share capital (including treasury shares)		**1 869**	1 879	1 911
Ordinary shareholders' equity		**55 960**	52 288	54 211
Non-controlling interests		**2**	2	2
Total shareholders' equity		**55 962**	52 290	54 213
LIABILITIES				
Non-current liabilities				
Borrowings*		**31 470**	52 506	39 713
Other non-current liabilities		**3 762**	2 860	3 702
Unfavourable and onerous contracts		**874**	1 252	1 055
Deferred tax liabilities		**1 938**	2 259	2 049
Contingent environmental liabilities		**242**	824	801
Retirement and other employee benefits		**753**	669	744
Total non-current liabilities		**39 039**	60 370	48 064
Current liabilities				
Borrowings*		**12 414**	10 869	8 248
Trade and other payables		**7 961**	9 343	9 555
Other current liabilities		**1 083**	1 538	1 911
Unfavourable and onerous contracts		**318**	359	325
Total operating current liabilities		**21 776**	22 109	20 039
Liabilities classified as held-for-sale	I#	**933**	52	–
Total current liabilities		**22 709**	22 161	20 039
Total liabilities		**61 748**	82 531	68 103
Total equity and liabilities		**117 710**	134 821	122 316

See notes on Supplementary Information.
* *Includes bank overdrafts and* IFRS 16: *Leases adopted prospectively from 1 July 2019.*

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Notes	Change %	**Unaudited six months ended 31 December 2019 R'million**	Unaudited restated six months ended 31 December 2018 R'million	Restated** year ended 30 June 2019 R'million
CONTINUING OPERATIONS					
Revenue		3	**18 417**	17 878	35 514
Cost of sales			**(9 007)**	(8 209)	(16 930)
Gross profit		(3)	**9 410**	9 669	18 584
Selling and distribution expenses			**(3 233)**	(3 290)	(6 380)
Administrative expenses			**(1 588)**	(1 516)	(2 992)
Other operating income			**277**	31	658
Other operating expenses			**(1 222)**	(760)	(5 586)
Operating profit	B#	(12)	**3 644**	4 134	4 284
Investment income	C#		**79**	268	439
Financing costs	D#		**(754)**	(1 168)	(2 372)
Profit before tax		(8)	**2 969**	3 234	2 351
Tax			**(536)**	(550)	(671)
Profit for the period/year from continuing operations		(9)	**2 433**	2 684	1 680
DISCONTINUED OPERATIONS					
Profit from discontinued operations	G#		**196**	253	4 784
Profit for the period/year		(10)	**2 629**	2 937	6 464
OTHER COMPREHENSIVE INCOME, NET OF TAX*					
Currency translation (losses)/gains	E#		**(970)**	1 165	(19)
Net gains/(losses) from cash flow hedging in respect of business acquisitions			**118**	71	(32)
Remeasurement of retirement and other employee benefits			**(1)**	–	(47)
Total comprehensive income			**1 776**	4 173	6 366
Profit for the period/year attributable to:					
Equity holders of the parent			**2 629**	2 937	6 463
Non-controlling interests			**–**	–	1
			2 629	2 937	6 464
Total comprehensive income attributable to:					
Equity holders of the parent			**1 776**	4 173	6 365
Non-controlling interests			**–**	–	1
			1 776	4 173	6 366
Weighted average number of shares in issue ('000)			**456,5**	456,5	456,5
Diluted weighted average number of shares in issue ('000)			**456,5**	456,5	456,5
EARNINGS PER SHARE					
Basic earnings per share (cents)					
From continuing operations		(9)	**533,0**	587,9	367,8
From discontinued operations			**43,0**	55,5	1 048,1
		(10)	**576,0**	643,4	1 415,9
Diluted earnings per share (cents)					
From continuing operations		(9)	**533,0**	587,9	367,8
From discontinued operations			**43,0**	55,5	1 048,1
		(10)	**576,0**	643,4	1 415,9

 # See notes on Supplementary Information.
** 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.*
*** Please see note G for restatement as a result of discontinued operations.*

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 2018	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
BALANCE AT 1 JULY 2019	**1 911**	**52 300**	**54 211**	**2**	**54 213**
Total comprehensive income	**–**	**1 776**	**1 776**	**–**	**1 776**
Profit for the period	**–**	**2 629**	**2 629**	**–**	**2 629**
Other comprehensive loss	**–**	**(853)**	**(853)**	**–**	**(853)**
Treasury shares purchased	**(42)**	**–**	**(42)**	**–**	**(42)**
Share-based payment expenses	**–**	**15**	**15**	**–**	**15**
BALANCE AT 31 DECEMBER 2019	**1 869**	**54 091**	**55 960**	**2**	**55 962**

DISTRIBUTION TO SHAREHOLDERS

No dividend has been paid during the period. The dividend to shareholders of 315 cents related to the dividend declared on 13 September 2018 and paid on 8 October 2018.

GROUP STATEMENT OF CASH FLOWS

	Notes	Change %	Unaudited six months ended 31 December 2019 R'million	Unaudited restated six months ended 31 December 2018 R'million	Restated** year ended 30 June 2019 R'million
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash operating profit			**5 577**	5 852	10 918
Changes in working capital			**(1 217)**	(2 253)	(1 378)
Cash generated from operations			**4 360**	3 599	9 540
Net financing costs paid			**(889)**	(765)	(1 742)
Tax paid			**(876)**	(1 123)	(1 796)
Cash generated from operating activities		52	**2 595**	1 711	6 002
CASH FLOWS FROM INVESTING ACTIVITIES					
Capital expenditure – property, plant and equipment	A#		**(1 012)**	(1 168)	(2 442)
Proceeds received on the sale of property, plant and equipment			**3**	4	9
Capital expenditure – intangible assets	A#		**(280)**	(330)	(1 141)
Proceeds received on the sale of intangible assets			**8**	405	90
Acquisition of subsidiaries and businesses			**–**	(50)	(1 016)
(Payments)/net proceeds received on disposal of Nutritionals Business			**(249)**	–	12 016
Proceeds received on disposal of Asia Pacific non-core pharmaceutical portfolio			**–**	–	1 299
Proceeds received on assets classified as held-for-sale			**27**	–	25
Proceeds received on the sale of other non-current assets			**67**	7	42
Cash transferred to assets classified as held-for-sale Japanese business			**(87)**	–	–
Payment of deferred contingent consideration relating to prior year business acquisitions			**(273)**	(4 893)	(5 644)
Other investing activities cash (outflow)/inflows			**(3)**	61	–
Cash (utilised in)/generated from investing activities			**(1 799)**	(5 964)	3 238
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings			**9 325**	14 613	23 365
Repayment of borrowings			**(11 841)**	(10 174)	(33 123)
Dividends paid			**–**	(1 431)	(1 437)
Acquisition of non-controlling interest in subsidiary			**–**	–	(41)
Treasury shares purchased			**(42)**	(29)	(29)
Cash (utilised in)/generated from financing activities			**(2 558)**	2 979	(11 265)
Movement in cash and cash equivalents before currency translation movements			**(1 762)**	(1 274)	(2 025)
Currency translation movements			**(16)**	172	59
Movement in cash and cash equivalents			**(1 778)**	(1 102)	(1 966)
Cash and cash equivalents at the beginning of the period/year			**6 148**	8 114	8 114
Cash and cash equivalents at the end of the period/year			**4 370**	7 012	6 148
Operating cash flow per share (cents)					
From continuing operations		104	**556,0**	273,2	1 238,0
From discontinued operations			**12,5**	101,6	76,9
		52	**568,5**	374,8	1 314,9
DISCONTINUED OPERATIONS INCLUDED IN THE ABOVE:					
Cash generated from operating activities			**57**	464	351
Cash generated from investing activities			**–**	405	2 199
Cash and cash equivalents per the statement of cash flows			**(87)**	173	(63)
			(30)	1 042	2 487
RECONCILIATION OF CASH AND CASH EQUIVALENTS					
Cash and cash equivalents per the statement of financial position			**5 953**	9 868	8 977
Less: Bank overdrafts			**(1 583)**	(2 856)	(2 829)
			4 370	7 012	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.

 # See notes on Supplementary Information.

*** Please see note G for restatement as a result of discontinued operations.*

GROUP SUPPLEMENTARY INFORMATION

GROUP STATEMENT OF HEADLINE EARNINGS

	Change %	**Unaudited six months ended 31 December 2019 R'million**	Unaudited restated six months ended 31 December 2018 R'million	Restated** year ended 30 June 2019 R'million
HEADLINE EARNINGS^				
Reconciliation of headline earnings				
Profit attributable to equity holders of the parent	(10)	**2 629**	2 937	6 463
Adjusted for:				
Continuing operations				
– Net impairment of property, plant and equipment (net of tax)		**7**	7	405
– Net impairment of intangible assets (net of tax)		**486**	209	2 993
– Impairment of available-for-sale financial assets (net of tax)		**–**	–	55
– Impairment of goodwill (net of tax)		**–**	–	107
– Loss on the sale of tangible and intangible assets (net of tax)		**5**	1	47
– Profit on the sale of assets classified as held-for-sale (net of tax)		**(19)**	–	–
Discontinued operations				
– Loss on the sale of intangible assets (net of tax)		**–**	127	–
– Loss/(profit) on sale of discontinued operations (net of tax)		**40**	–	(4 346)
	(4)	**3 148**	3 281	5 724
Headline earnings				
From continuing operations		**2 912**	2 901	5 286
From discontinued operations		**236**	380	438
	(4)	**3 148**	3 281	5 724
HEADLINE EARNINGS PER SHARE				
Headline earnings per share (cents)				
From continuing operations		**638,0**	635,5	1 158,1
From discontinued operations		**51,7**	83,2	95,9
	(4)	**689,7**	718,7	1 254,0
Diluted headline earnings per share (cents)				
From continuing operations		**638,0**	635,5	1 158,1
From discontinued operations		**51,7**	83,2	95,9
	(4)	**689,7**	718,7	1 254,0
NORMALISED HEADLINE EARNINGS				
Reconciliation of normalised headline earnings				
Headline earnings	(4)	**3 148**	3 281	5 724
Adjusted for:				
Continuing operations				
– Restructuring costs (net of tax)		**134**	54	100
– Transaction costs (net of tax)		**171**	219	547
– Foreign exchange (gain)/loss on acquisitions (net of tax)		**(33)**	–	9
– Product litigation costs (net of tax)		**43**	32	459
– Reversal of deferred consideration no longer payable (net of tax)		**–**	–	(264)
Discontinued operations				
– Restructuring costs (net of tax)		**–**	–	16
– Transaction costs (net of tax)		**4**	–	216
– Foreign exchange gain on acquisitions (net of tax)		**–**	–	(114)
	(3)	**3 467**	3 586	6 693
Normalised headline earnings				
From continuing operations	1	**3 227**	3 206	6 137
From discontinued operations		**240**	380	556
	(3)	**3 467**	3 586	6 693
NORMALISED HEADLINE EARNINGS PER SHARE				
Normalised headline earnings per share (cents)				
From continuing operations	1	**707,0**	702,4	1 344,8
From discontinued operations		**52,6**	83,2	121,6
	(3)	**759,6**	785,6	1 466,4
Normalised diluted headline earnings per share (cents)				
From continuing operations	1	**707,0**	702,4	1 344,8
From discontinued operations		**52,6**	83,2	121,6
	(3)	**759,6**	785,6	1 466,4

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

GROUP SEGMENTAL ANALYSIS

	Unaudited six months ended 31 December 2019				
	Sterile Focus Brands R'million	Regional Brands R'million	Total Commercial Pharma R'million	Manufacturing R'million	Total R'million
Revenue	**6 962**	**8 284**	**15 246**	**3 171**	**18 417**
Cost of sales	**(3 022)**	**(3 656)**	**(6 678)**	**(2 329)**	**(9 007)**
Gross profit	**3 940**	**4 628**	**8 568**	**842**	**9 410**
Selling and distribution expenses					**(3 233)**
Contribution profit					**6 177**
Administrative expenses					**(1 588)**
Net other operating income					**220**
Depreciation					**451**
Normalised EBITDA*					**5 260**
Adjusted for:					
Depreciation					**(451)**
Amortisation					**(285)**
Profit on sale of assets					**8**
Net impairment of assets					**(495)**
Restructuring costs					**(132)**
Transaction costs					**(212)**
Product litigation costs					**(49)**
Operating profit					**3 644**
Gross profit (%)	**56,6**	**55,9**	**56,2**	**26,6**	**51,1**
Selling and distribution expenses (%)					**17,6**
Contribution profit (%)					**33,5**
Administrative expenses (%)					**8,6**
Normalised EBITDA (%)					**28,6**

	Restated unaudited six months ended 31 December 2018				
	Sterile Focus Brands R'million	Regional Brands R'million	Total Commercial Pharma R'million	Manufacturing R'million	Total R'million
Revenue	7 081	7 811	14 892	2 986	17 878
Cost of sales	(3 121)	(3 196)	(6 319)	(1 889)	(8 209)
Gross profit	3 958	4 615	8 573	1 096	9 669
Selling and distribution expenses					(3 290)
Contribution profit					6 379
Administrative expenses					(1 516)
Net other operating income					15
Depreciation					363
Normalised EBITDA*					5 241
Adjusted for:					
Depreciation					(363)
Amortisation					(236)
Loss on sale of assets					(1)
Net impairment of assets					(221)
Restructuring costs					(64)
Transaction costs					(185)
Product litigation costs					(37)
Operating profit					4 134
Gross profit (%)	55,9	59,1	57,6	36,7	54,1
Selling and distribution expenses (%)					18,4
Contribution profit (%)					35,7
Administrative expenses (%)					8,5
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.*

Change

	Sterile Focus Brands %	Regional Brands %	Total Commercial Pharma %	Manufacturing %	Total %
Revenue	(2)	6	2	6	3
Cost of sales	(3)	14	6	23	10
Gross profit	0	0	0	(23)	(3)
Selling and distribution expenses					(2)
Contribution profit					(3)
Administrative expenses					5
Net other operating income					>100
Depreciation					24
Normalised EBITDA*					0

Restated 12 months ended 30 June 2019

	Sterile Focus Brands R'million	Regional Brands R'million	Total Commercial Pharma R'million	Manufacturing R'million	Total R'million
Revenue	13 903	15 823	29 726	5 788	35 514
Cost of sales	(6 022)	(6 669)	(12 691)	(4 239)	(16 930)
Gross profit	7 881	9 154	17 035	1 549	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	57,8	57,3	26,8	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.*

GROUP SUPPLEMENTARY INFORMATION continued

GROUP REVENUE SEGMENTAL ANALYSIS

	Unaudited six months ended 31 December 2019 R'million	Unaudited restated six months ended 31 December 2018 R'million	Change %	Restated 12 months ended 30 June 2019 R'million
COMMERCIAL PHARMACEUTICALS BY CUSTOMER GEOGRAPHY	**15 246**	14 892	2	29 726
Developed Europe	**3 609**	3 770	(4)	7 381
Sub-Saharan Africa	**3 608**	3 361	7	6 752
Australasia	**2 093**	2 022	4	4 048
Latin America	**1 694**	1 551	9	3 083
China	**1 596**	1 407	13	2 872
Developing Europe & CIS	**1 157**	1 283	(10)	2 516
Other Asia	**631**	656	(4)	1 343
MENA	**543**	529	3	1 056
USA & Canada	**315**	313	1	675
MANUFACTURING REVENUE BY GEOGRAPHY OF MANUFACTURE				
Manufacturing revenue – finished dose form	**628**	694	(10)	1 235
Australasia	**170**	272	(38)	372
Developed Europe	**303**	302	0	627
Sub-Saharan Africa	**155**	120	29	236
Manufacturing revenue – active pharmaceutical ingredients	**2 543**	2 292	11	4 553
Developed Europe	**2 349**	2 138	10	4 087
Sub-Saharan Africa	**141**	154	(8)	353
Other Asia	**53**	–	100	113
Total manufacturing revenue	**3 171**	2 986	6	5 788
TOTAL REVENUE	**18 417**	17 878	3	35 514
SUMMARY OF REGIONS				
Developed Europe	**6 261**	6 210	1	12 095
Sub-Saharan Africa	**3 904**	3 635	7	7 341
Australasia	**2 263**	2 294	(1)	4 420
Latin America	**1 694**	1 551	9	3 083
China	**1 596**	1 407	13	2 872
Developing Europe & CIS	**1 157**	1 283	(10)	2 516
Other Asia	**684**	656	4	1 456
MENA	**543**	529	3	1 056
USA & Canada	**315**	313	1	675
TOTAL REVENUE	**18 417**	17 878	3	35 514

GROUP SUPPLEMENTARY INFORMATION continued

GROUP REVENUE SEGMENTAL ANALYSIS continued

Commercial Pharmaceuticals Therapeutic area analysis

Unaudited six months ended 31 December 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	1 095	1 617	2 712	897	3 609
Sub-Saharan Africa	57	4	61	3 547	3 608
Australasia	364	10	374	1 719	2 093
Latin America	470	43	513	1 181	1 694
China	1 171	405	1 576	20	1 596
Developing Europe & CIS	111	845	956	201	1 157
Other Asia	306	68	374	257	631
MENA	120	104	224	319	543
USA & Canada	165	7	172	143	315
Total Commercial Pharmaceuticals	3 859	3 103	6 962	8 284	15 246

Restated 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					
Developed Europe	1 131	1 785	2 916	854	3 770
Sub-Saharan Africa	56	4	60	3 301	3 361
Australasia	342	12	354	1 668	2 022
Latin America	463	38	501	1 050	1 551
China	944	445	1 389	18	1 407
Developing Europe & CIS	151	950	1 101	182	1 283
Other Asia	325	76	401	255	656
MENA	130	55	185	344	529
USA & Canada	163	11	174	139	313
Total Commercial Pharmaceuticals	3 705	3 376	7 081	7 811	14 892

GROUP REVENUE SEGMENTAL ANALYSIS continued

Commercial Pharmaceuticals Therapeutic area analysis

Change

	Anaesthetics Brands %	Thrombosis Brands %	Sterile Focus Brands %	Regional Brands %	Total %
BY CUSTOMER GEOGRAPHY					
Commercial Pharmaceuticals					
Developed Europe	(3)	(9)	(7)	5	(4)
Sub-Saharan Africa	2	0	2	7	7
Australasia	6	(17)	6	3	4
Latin America	2	(13)	2	12	9
China	24	(9)	13	11	13
Developing Europe & CIS	(26)	(11)	(13)	10	(10)
Other Asia	(6)	(11)	(7)	1	(4)
MENA	(8)	89	21	(7)	3
USA & Canada	1	(36)	(1)	3	1
Total Commercial Pharmaceuticals	4	(8)	(2)	6	2

Restated 12 months 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	3 411	5 602	1 779	7 381
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	6 552	13 903	15 823	29 726

NOTES

	Unaudited six months ended 31 December 2019 R'million	Unaudited restated six months ended 31 December 2018 R'million	Restated year ended 30 June 2019 R'million
A. CAPITAL EXPENDITURE			
Incurred	**1 292**	1 498	3 583
– Property, plant and equipment	**1 012**	1 168	2 442
– Intangible assets	**280**	330	1 141
Contracted	**1 894**	1 730	1 468
– Property, plant and equipment	**1 150**	1 626	1 258
– Intangible assets	**744**	104	210
Authorised but not contracted for	**2 585**	3 528	3 882
– Property, plant and equipment	**2 378**	3 371	3 191
– Intangible assets	**207**	157	691
B. OPERATING PROFIT HAS BEEN ARRIVED AT AFTER CHARGING			
Depreciation of property, plant and equipment	**451**	363	733
Amortisation of intangible assets	**285**	236	437
Net impairment of tangible and intangible assets	**495**	221	3 812
Net impairment of tangible assets	**6**	10	515
Net impairment of intangible assets	**489**	211	3 131
Net impairment of goodwill	**–**	–	111
Net impairment on available-for-sale financial assets	**–**	–	55
(Profit)/loss on the sale of tangible and intangible assets	**(8)**	1	80
Transaction costs	**212**	185	540
Restructuring costs	**132**	64	131
Product litigation costs	**49**	37	524
Reversal of consideration no longer payable	**–**	–	(264)
C. INVESTMENT INCOME			
Interest received	**79**	268	439
D. FINANCING COSTS			
Interest paid	**(670)**	(903)	(1 953)
Debt raising fees on acquisitions	**(20)**	(47)	(70)
Net losses on financial instruments	**(11)**	(41)	(66)
Foreign exchange gains/(losses)	**2**	24	(66)
Fair value losses on financial instruments	**(13)**	(65)	–
Notional interest on financial instruments	**(86)**	(177)	(274)
Foreign exchange gain/(losses) on acquisitions	**33**	–	(9)
	(754)	(1 168)	(2 372)
E. CURRENCY TRANSLATION (LOSSES)/GAINS			
Currency translation (losses)/gains on the translation of the offshore businesses are as a result of the difference between the weighted average exchange rate used for trading results and the opening and closing exchange rates applied in the statement of financial position. For the period the stronger closing Rand translation rate has reduced the Group net asset value	**(970)**	1 165	(19)
F. GUARANTEES TO FINANCIAL INSTITUTIONS			
Total guarantees	**66 957**	78 546	70 984
Guarantees utilised	**43 754**	63 153	48 326
Guarantees available and not utilised	**23 203**	15 393	22 658

These guarantees are cross guarantees within the Group and there are no external guarantees.

G. 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. The Japanese Business has been classified as a discontinued operation with all related assets and liabilities transferred to assets-held-for-sale in terms of IFRS 5: *Non-current assets and discontinued operations*. The disposal transaction was implemented and became effective on 31 January 2020.

Public sector ARVs

The Group concluded a transaction in September 2019 (subject to conditions precedent which have not yet been fulfilled) 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

	December 2019			
	Nutritionals Business R'million	Japanese Business R'million	Other* R'million	Unaudited six months ended 31 December 2019 R'million
Revenue	–	1 284	292	1 576
Gross profit	–	585	111	696
Operating expenses	(19)	(298)	(7)	(324)
Net other operating income	16	–	–	16
Normalised EBITA	(3)	287	104	388
Depreciation	1	4	–	5
Normalised EBITDA	(2)	291	104	393
Adjusted for:				
Depreciation	(1)	(4)	–	(5)
Amortisation	–	(14)	–	(14)
Transaction costs	–	(6)	–	(6)
Operating (loss)/profit	(3)	267	104	368
Net financing costs	–	(56)	–	(56)
Profit before tax	(3)	211	104	312
Tax	(1)	(43)	(32)	(76)
(Loss)/profit after tax from discontinued operations	(4)	168	72	236
Loss on the sale of discontinued operations (after tax)	(40)	–	–	(40)
(Loss)/profit from discontinued operations	(44)	168	72	196
Basic earnings per share (cents)				43,0
Headline earnings per share (cents)				51,7
Normalised headline earnings per share (cents)				52,6

G. DISCONTINUED OPERATIONS continued

Summarised discontinued operations statement of comprehensive income continued

	December 2018			
	Nutritionals Business R'million	Japanese Business R'million	Other* R'million	Unaudited six month ended 30 December 2018 R'million
Revenue	1 491	1 108	1 120	3 719
Gross profit	697	478	293	1 468
Operating expenses	(510)	(266)	(30)	(806)
Net other operating income	3	–	–	3
Normalised EBITA	190	212	263	665
Depreciation	34	3	–	37
Normalised EBITDA	224	215	263	702
Adjusted for:				
Depreciation	(34)	(3)	–	(37)
Amortisation	–	(4)	(35)	(39)
Loss on sale of intangible assets	–	–	(127)	(127)
Operating profit	190	208	101	499
Net financing costs	(66)	(49)	–	(115)
Operating profit after investment income and financing costs	124	159	101	384
Share of after-tax net profit of joint ventures	2	–	–	2
Profit before tax	126	159	101	386
Tax	(30)	(28)	(75)	(133)
Profit after tax from discontinued operations	96	131	26	253
Basic earnings per share (cents)				55,5
Headline earnings per share (cents)				83,2
Normalised headline earnings per share (cents)				83,2

G. DISCONTINUED OPERATIONS continued

Summarised discontinued operations statement of comprehensive income continued

	June 2019 Nutritionals Business R'million	June 2019 Japanese Business R'million	June 2019 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 EBITA	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:*

	December 2019	December 2018	June 2019
ARVs	**134**	687	1 235
Asia Pacific non-core pharmaceutical portfolio	**158**	433	739
	292	1 120	1 974

H. POTENTIAL DISPUTED MATTER – EUROPEAN COMMISSION

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

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

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

		Unaudited six months ended 31 December 2019 R'million	Unaudited restated six months ended 31 December 2018 R'million	Restated year ended 30 June 2019 R'million
I.	**NET ASSETS CLASSIFIED AS HELD-FOR-SALE**			
	Split as follows:			
	Assets classified as held-for-sale	**5 694**	6 560	16
	Liabilities associated with assets classified as held-for-sale	**(933)**	(52)	–
	Net assets classified as held-for-sale	**4 761**	6 508	16
	Summarised as follows:			
	Nutritionals Business	**–**	4 665	–
	Asia Pacific non-core pharmaceutical portfolio	**–**	1 778	–
	Japanese Business	**4 757**	–	–
	Other	**4**	65	16
		4 761	6 508	16
	Net assets classified as held for sale can be split as follows:			
	Assets			
	Property, plant and equipment	**27**	773	16
	Intangible assets	**4 618**	2 915	–
	Goodwill	**44**	1 131	–
	Other non-current assets	**–**	461	–
	Deferred tax assets	**30**	18	–
	Inventories	**460**	835	–
	Trade and other receivables	**428**	165	–
	Current tax assets	**–**	90	–
	Cash and cash equivalents	**87**	172	–
	Total assets	**5 694**	6 560	16
	Liabilities			
	Borrowings	**(297)**	–	–
	Retirement benefits	**(4)**	–	–
	Deferred tax liabilities	**(84)**	(33)	–
	Trade and other payables	**(514)**	(19)	–
	Current tax liabilities	**(34)**	–	–
	Total liabilities	**(933)**	(52)	–
	Net asset	**4 761**	6 508	16

J. NEW STANDARDS ADOPTED BY THE GROUP

Adoption of 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: *Leases*.

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 six months ended 31 December 2019 resulting from the difference between operating lease expense under IAS 17: *Leases* and the IFRS 16: *Leases* 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: *Leases* to leases previously classified as operating leases under IAS 17: *Leases*:
- 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.

J. NEW STANDARDS ADOPTED BY THE GROUP continued

Adoption of IFRS 16: *Leases* continued

On transition to IFRS 16: *Leases*, 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
Discounted using incremental borrowing rate at 1 July 2019	647
Add: Finance lease liabilities recognised as at 30 June 2019	20
Less: Transition exemption short-term leases	(23)
Less: Transition exemption low-value leases	(6)
Lease liabilities/right-of-use assets recognised at 1 July 2019	638

Amounts recognised as at 31 December 2019

Statement of comprehensive income

Depreciation	78
Interest paid leases	16
	94

* *The Group has recognised depreciation and interest costs of R94 million, instead of operating lease expenses of R86 million that would have been recognised under IAS 17: Leases.*

Statement of financial position

Right-of-use assets (included in non-current assets):	
Land and buildings	414
Motor vehicles	104
Plant and machinery	6
Computer hardware	15
Total carrying amount	539
Lease liabilities (included in non-current and current borrowings):	
Non-current lease liabilities	385
Current lease liabilities	162
Total carrying amount	547

K. 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 31 December 2019. The illustrative constant exchange rate report on selected financial data has not been reviewed or audited by the Group 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 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.

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

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 2019 average rates	December 2018 average rates	June 2019 average rates
EUR – Euro	**16,300**	16,342	16,193
AUD – Australian Dollar	**10,054**	10,270	10,149
USD – US Dollar	**14,690**	14,188	14,194
CNY – Chinese Yuan Renminbi	**2,089**	2,068	2,080
JPY – Japanese Yen	**0,136**	0,127	0,128
MXN – Mexican Peso	**0,756**	0,729	0,735
BRL – Brazilian Real	**3,592**	3,637	3,647
GBP – British Pound	**18,511**	18,365	18,367
CAD – Canadian Dollar	**11,127**	10,797	10,723
RUB – Russian Ruble	**0,229**	0,214	0,216
PLN – Polish Zloty	**3,788**	3,800	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.

	Reported December 2019 (December 2019 at December 2019 average rates) R'million	Reported December 2018 (December 2018 at December 2018 average rates) R'million	Change at reported exchange rates %	Illustrative constant exchange rates (December 2018 at December 2019 average rates) R'million	Change at constant exchange rates %	Illustrative constant exchange rates (June 2019 at December 2019 average rates) R'million
Key constant exchange rate indicators						
Continuing operations						
Revenue	**18 417**	17 878	3	17 937	3	35 779
Gross profit	**9 410**	9 669	(3)	9 682	(3)	18 660
Normalised EBITDA	**5 260**	5 241	0	5 259	0	10 309
Operating profit	**3 644**	4 134	(12)	4 152	(12)	4 013
Normalised headline earnings	**3 227**	3 206	1	3 226	0	6 164
Earnings per share (cents)	***533,0***	*587,9*	*(9)*	*594,2*	*(10)*	*363,3*
Headline earnings per share (cents)	***638,0***	*635,5*	*0*	*641,6*	*(1)*	*1 160,0*
Normalised headline earnings per share (cents)	***707,0***	*702,4*	*1*	*706,8*	*0*	*1 350,4*

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

	Reported December 2019 (December 2019 at December 2019 average rates) %	Reported December 2018 (December 2018 at December 2018 average rates) %	Restated reported June 2019 (June 2019 at December 2019 average rates) %
Revenue currency mix			
EUR – Euro	**31**	32	31
ZAR – South African Rand	**18**	18	18
AUD – Australian Dollar	**11**	12	11
USD – US Dollar	**6**	7	7
CNY – Chinese Yuan Renminbi	**9**	8	8
MXN – Mexican Peso	**3**	3	3
BRL – Brazilian Real	**4**	4	4
GBP – British Pound	**3**	2	2
CAD – Canadian Dollar	**1**	1	1
RUB – Russian Ruble	**2**	1	1
PLN – Polish Zloty	**1**	1	1
Other currencies	**11**	11	13
Total	**100**	100	100

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

Group segmental analysis

	Reviewed year ended December 2019 (December 2019 at 2019 average rates)				
	Sterile Focus Brands R'million	Regional Brands R'million	Total Commercial Pharma R'million	Manufacturing R'million	Total R'million
Revenue	6 962	8 284	15 246	3 171	18 417
Cost of sales	(3 022)	(3 656)	(6 678)	(2 329)	(9 007)
Gross profit	3 940	4 628	8 568	842	9 410
Selling and distribution expenses					(3 233)
Contribution profit					6 177
Administrative expenses					(1 588)
Net other operating income					220
Depreciation					451
Normalised EBITDA*					5 260
Adjusted for:					
Depreciation					(451)
Amortisation					(285)
Loss on sale of assets					8
Net impairment of assets					(495)
Restructuring costs					(132)
Transaction costs					(212)
Product litigation costs					(49)
Operating profit					3 644
Gross profit (%)	56,6	55,9	56,2	26,6	51,1
Selling and distribution expenses (%)					17,6
Contribution profit (%)					33,5
Administrative expenses (%)					8,6
Normalised EBITDA (%)					28,6

	Illustrative constant exchange rate December 2018 (December 2018 at 2019 average rates)				
	Sterile Focus Brands R'million	Regional Brands R'million	Total Commercial Pharma R'million	Manufacturing R'million	Total R'million
Revenue	7 120	7 833	14 953	2 984	17 937
Cost of sales	(3 145)	(3 207)	(6 352)	(1 903)	(8 256)
Gross profit	3 975	4 626	8 601	1 081	9 682
Selling and distribution expenses					(3 281)
Contribution profit					6 401
Administrative expenses					(1 520)
Net other operating income					15
Depreciation					363
Normalised EBITDA*					5 259
Adjusted for:					
Depreciation					(363)
Amortisation					(235)
Loss on sale of assets					(1)
Net impairment of assets					(220)
Restructuring costs					(64)
Transaction costs					(185)
Product litigation costs					(37)
Operating profit					4 152
Gross profit (%)	55,8	59,1	57,5	36,2	54,0
Selling and distribution expenses (%)					18,3
Contribution profit (%)					35,7
Administrative expenses (%)					8,5
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.*

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

Group segmental analysis continued

	Change				
	Sterile Focus Brands %	Regional Brands %	Total Commercial Pharma %	Manufacturing %	Total %
Revenue	(2)	6	2	6	3
Cost of sales	(4)	14	5	22	9
Gross profit	(1)	0	0	(22)	(3)
Selling and distribution expenses					(1)
Contribution profit					(4)
Administrative expenses					4
Net other operating income					>100
Depreciation					24
Normalised EBITDA*					0

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

	Illustrative constant exchange rate June 2019 (June 2019 at December 2019 average rates)				
	Sterile Focus Brands R'million	Regional Brands R'million	Total Commercial Pharma R'million	Manufacturing R'million	Total R'million
Revenue	14 032	15 911	29 943	5 836	35 779
Cost of sales	(6 098)	(6 721)	(12 819)	(4 300)	(17 119)
Gross profit	7 934	9 190	17 125	1 536	18 660
Selling and distribution expenses					(6 408)
Contribution profit					12 252
Administrative expenses					(3 008)
Net other operating income					334
Depreciation					731
Normalised EBITDA*					10 309
Adjusted for:					
Depreciation					(731)
Amortisation					(440)
Loss on sale of assets					(81)
Net impairment of assets					(3 833)
Restructuring costs					(131)
Transaction costs					(553)
Product litigation costs					(527)
Operating profit					4 013
Gross profit (%)	56,5%	57,8%	57,2%	26,3%	52,2%
Selling and distribution expenses (%)					17,9%
Contribution profit (%)					34,2%
Administrative expenses (%)					8,4%
Normalised EBITDA (%)					28,8%

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

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

GROUP REVENUE SEGMENTAL ANALYSIS

	Reviewed year ended December 2019 (December 2019 at 2019 average rates) R'million	Illustrative constant exchange rate December 2018 (December 2018 at 2019 average rates) R'million	Change in constant exchange rates %	Illustrative constant exchange rate June 2019 (June 2019 at December 2019 average rates) R' million
COMMERCIAL PHARMACEUTICALS BY CUSTOMER GEOGRAPHY	**15 246**	14 953	2	29 943
Developed Europe	**3 609**	3 764	(4)	7 434
Sub-Saharan Africa	**3 608**	3 361	7	6 769
Australasia	**2 093**	1 982	6	4 012
Latin America	**1 694**	1 566	8	3 098
China	**1 596**	1 422	12	2 885
Developing Europe & CIS	**1 157**	1 300	(11)	2 578
Other Asia	**631**	682	(7)	1 396
MENA	**543**	554	(2)	1 071
USA & Canada	**315**	322	(2)	700
MANUFACTURING REVENUE BY GEOGRAPHY OF MANUFACTURE				
Manufacturing revenue – finished dose form	**628**	694	(11)	1 246
Australasia	**170**	267	(36)	362
Developed Europe	**303**	303	0	645
Sub-Saharan Africa	**155**	124	25	239
Manufacturing revenue – active pharmaceutical ingredients	**2 543**	2 290	11	4 590
Developed Europe	**2 349**	2 133	10	4 131
Sub-Saharan Africa	**141**	157	(10)	343
Other Asia	**53**	–	100	116
Total manufacturing revenue	**3 171**	2 984	6	5 836
Total revenue	**18 417**	17 937	3	35 779
SUMMARY OF REGIONS				
Developed Europe	**6 261**	6 200	1	12 210
Sub-Saharan Africa	**3 904**	3 642	7	7 351
Australasia	**2 263**	2 249	1	4 374
Latin America	**1 693**	1 566	8	3 098
China	**1 596**	1 422	12	2 885
Developing Europe & CIS	**1 157**	1 300	(11)	2 578
Other Asia	**684**	682	0	1 512
MENA	**543**	554	(2)	1 071
USA & Canada	**315**	322	(2)	700
Total revenue	**18 417**	17 937	3	35 779

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

Commercial Pharmaceuticals Therapeutic area analysis

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

	Anaesthetics Brands R'million	Thrombosis Brands R'million	Sterile Focused Brands R'million	Regional Brands R'million	Total R'million
BY CUSTOMER GEOGRAPHY					
Commercial Pharmaceuticals					
Developed Europe	**1 095**	**1 617**	**2 712**	**897**	**3 609**
Sub-Saharan Africa	**57**	**4**	**61**	**3 547**	**3 608**
Australasia	**364**	**10**	**374**	**1 719**	**2 093**
Latin America	**470**	**43**	**513**	**1 181**	**1 694**
China	**1 171**	**405**	**1 576**	**20**	**1 596**
Developing Europe & CIS	**111**	**845**	**956**	**201**	**1 157**
Other Asia	**306**	**68**	**374**	**257**	**631**
MENA	**120**	**104**	**224**	**319**	**543**
USA & Canada	**165**	**7**	**172**	**143**	**315**
Total Commercial Pharmaceuticals	**3 859**	**3 103**	**6 962**	**8 284**	**15 246**

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

	Anaesthetics Brands R'million	Thrombosis Brands R'million	Sterile Focused Brands R'million	Regional Brands R'million	Total R'million
BY CUSTOMER GEOGRAPHY					
Commercial Pharmaceuticals					
Developed Europe	1 128	1 781	2 909	855	3 764
Sub-Saharan Africa	56	3	59	3 302	3 361
Australasia	335	12	347	1 635	1 982
Latin America	464	39	503	1 063	1 566
China	954	450	1 404	18	1 422
Developing Europe & CIS	155	959	1 114	186	1 300
Other Asia	337	79	416	266	682
MENA	133	56	189	365	554
USA & Canada	168	11	180	143	322
Total Commercial Pharmaceuticals	3 730	3 390	7 120	7 834	14 953

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

Commercial Pharmaceuticals Therapeutic area analysis continued

	Change in constant exchange rates				
	Anaesthetics Brands %	Thrombosis Brands %	Sterile Focused Brands %	Regional Brands %	Total %
BY CUSTOMER GEOGRAPHY					
Commercial Pharmaceuticals					
Developed Europe	(3)	(9)	(7)	5	(4)
Sub-Saharan Africa	2	33	3	7	7
Australasia	9	(17)	8	5	6
Latin America	1	(10)	2	11	8
China	23	(10)	12	11	12
Developing Europe & CIS	(28)	(12)	(14)	8	(11)
Other Asia	(9)	(13)	(10)	(3)	(7)
MENA	(10)	86	19	(13)	(2)
USA & Canada	(2)	(36)	(4)	0	(2)
Total Commercial Pharmaceuticals	3	(8)	(2)	6	2

	Illustrative constant exchange rate June 2019 (June 2019 at December 2019 average rates)				
	Anaesthetics Brands R'million	Thrombosis Brands R'million	Sterile Focused Brands R'million	Regional Brands R'million	Total R'million
BY CUSTOMER GEOGRAPHY					
Commercial Pharmaceuticals					
Developed Europe	2 208	3 435	5 643	1 791	7 434
Sub-Saharan Africa	112	7	119	6 650	6 769
Australasia	657	22	679	3 333	4 012
Latin America	891	75	966	2 132	3 098
China	1 985	873	2 858	27	2 885
Developing Europe & CIS	307	1 895	2 202	376	2 558
Other Asia	700	174	874	522	1 396
MENA	221	122	343	728	1 071
USA & Canada	333	15	348	352	700
Total Commercial Pharmaceuticals	7 414	6 618	14 032	15 911	29 943

BASIS OF ACCOUNTING

The unaudited interim financial results for the six months ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standards, IFRIC interpretations, the Listings Requirements of the JSE Limited, South African Companies Act, 2008 (as amended) 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 2019 except for new standard implementations as well as discontinued operations which are explained in detail below.

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

Restatement of the Group segmental analysis

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.

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:

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. The Japanese Business has been classified as a discontinued operation with all related assets and liabilities transferred to assets-held-for-sale in terms of IFRS 5: *Non-current assets and discontinued operations*. The disposal transaction was implemented and became effective on 31 January 2020.

Public sector ARVs

The Group concluded a transaction in September 2019 (subject to conditions precedent which have not yet been fulfilled) 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: *Leases*.

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 six months ended 31 December 2019 resulting from the difference between operating lease expense under IAS 17: *Leases* and the IFRS 16: *Leases* 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 J.

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.

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