adcock ingram

Unaudited Group Interim Results and Cash Dividend Declaration

for the six months ended 31 December 2020

Commentary

Salient features

Turnover increased 4% to **R3,758 million**

Gross profit declined 7% **to R1,298 million**

Operating expenses decreased 4% **to R865 million**

Trading profit decreased 12% **to R433 million**

Retrenchment costs **R32.7 million**

HEPS decreased 15% **to 186.5 cents**

Dividend declared: **80 cents per share**

B-BBEE **Level 3**

Introduction

The Group delivered a resilient performance in a constrained environment, owing to the continuing adverse impact of COVID-19, and the resultant impact on the consumer and certain categories of products.

As Adcock Ingram is an essential service provider, it has been a privilege to play a role in supporting South Africa through the COVID-19 pandemic, ensuring continuity in producing and supplying medicines, particularly life-saving products such as intravenous fluids and ARVs, as well as other acute medicines and hygiene products that are used to minimise the impact of COVID-19. We pay gratitude to our employees, who are essential workers, and remember with sadness, six of our colleagues who tragically succumbed to the virus. The COVID-19 related trends on the business during the reporting period, were similar in nature to those reported on during the previous financial year. The Group still experienced good demand for immune-boosting products, and increased sales of renal products, but demand was poor in cough, colds and flu (because of the absence of a flu season); branded prescription (due to low levels of patients consulting doctors); ophthalmic surgical products and instruments, and hospital products (due to the postponement of elective surgeries).

Under these circumstances, the Board of Directors (Board) is satisfied with the results delivered, in the current depressed and unpredictable environment.

Financial performance

Revenue and trading profit

Revenue during the period under review increased by 3.6% to R3,758 million (December 2019: R3,628 million), driven by an increase in mix of 4.9%, which includes the Plush acquisition. Price realisation was 4.7%, slightly ahead of the SEP increase of 4.5% awarded in February 2020, evidencing the value of the Company increasing its non-regulated basket of products. Organic volumes declined by 6.0%, mainly as a result of the absence of a cold and flu season which severely impacted the OTC division, where cough and cold formulations normally make up 40% of their portfolio.

Gross profit for the six months decreased by 6.9% to R1,298 million (December 2019: R1,395 million) with the margin declining from 38.4% to 34.5%. The gross margin was adversely impacted by the unfavourable exchange rate (which on average was 14.5% weaker than the comparative period), higher than inflationary wage and utility increases, a higher proportion of ARVs in the sales mix and lower factory recoveries at the Clayville factory due to the decreased demand for OTC products.

Operating expense discipline has been outstanding, ending 4.3% lower than the comparative period, despite the inclusion of Plush, as the cost-saving initiatives implemented in the latter part of the prior financial year were realised.

This resulted in a 11.7% decrease in trading profit to R433.0 million (December 2019: R490.1 million).

Non-trading expenses

Non-trading expenses of R47.2 million include retrenchment costs of R32.7 million, the Group having further reduced its headcount towards the end of the calendar year, in response to the weak economic environment and declining demand. Share-based expenses of R13.4 million and corporate activity costs of R1.1 million make up the balance.

Net finance costs

Net finance costs of R20.8 million (December 2019: R12.5 million) were incurred during the period, including IFRS 16 (Leases) finance costs of R14.6 million (December 2019: R14.3 million).

Headline earnings

Headline earnings for the period decreased by 16.3% to R311.9 million (December 2019: R372.8 million). This translates into headline earnings per share of 186.5 cents (December 2019: 218.5 cents), a decrease of 14.6%, better than the headline earnings decline due to share repurchases by the Group.

Cash flows

Cash generated from operations amounted to R6.6 million (December 2019: R307.0 million) after working capital increased by R508.1 million (December 2019: R277.5 million). Inventories increased by R92.1 million due to investment in ARVs as demand for the State tender picked up, and higher safety inventory held to address global supply constraints consequent to COVID-19. Trade receivables increased by R235.8 million, due to higher sales in the later part of the reporting period. Nonetheless, the book remains well controlled and the average days outstanding are 60 days (June 2020: 66 days). Trade and other payables decreased by R180.1 million since June 2020, following the settlement of replenishment purchases from suppliers, after the spike in demand for a number of products in March and April 2020.

The Group had net cash resources of R125.7 million (December 2019: R363.4 million) at the end of the period.

Business overview

Consumer turnover improved by 42.0% to R599.0 million (December 2019: R421.9 million), substantially aided by the acquisition of Plush which contributed R119 million. On a like-for-like basis sales improved by 13.7%, a highly commendable performance, evidencing the consumer confidence in the brands in this portfolio. Strong performances were evident from Panado, Compral, ProbiFlora and Bioplus, and significant demand was experienced for immune-boosting products due to COVID-19. Bioplus launched its Vit-ality range in August 2020 and received a good response from consumers. Gross margins in this segment were adversely affected by the weak Rand, and the inclusion of Plush in the sales mix. Nonetheless, trading profit ended on an impressive R108.8 million, 48.2% ahead of the comparative period of R73.4 million.

OTC, which focuses on products in the pain, coughs, colds and flu, and anti-histamine therapeutic categories through the pharmacy channel, turnover decreased by 16.5% to R784.7 million (December 2019: R939.4 million), adversely impacted by the absence of a cold and flu season in South Africa. However, most of the top brands, including Adco-Dol, Allergex, Citro Soda, Alcophyllex and Corenza C, are growing ahead of their respective therapeutic categories, as measured by IQVIA. At December 2020, on a moving annual turnover basis, IQVIA reports Adcock Ingram's Schedule 1 and 2 OTC products growing at 3.4%, in a declining market. Gross margin ended lower than the comparative period, adversely impacted by the poor factory recoveries due to demand decline, and a weaker currency. Trading profit of R109.3 million is disappointing, ending well below the prior period of R197.8 million, but not surprising given that 40% of the OTC portfolio is traditionally used in winter for coughs and colds.

Prescription turnover increased by 5.6% to R1,503 million (December 2019: R1,423 million), aided by price realisation of 3.9%, and a mix benefit of 2.5%, which compensated for the organic volume decline of 0.8%. The ARV portfolio grew 40% to R310 million, benefitting from orders on the State tender. However, demand for the Branded prescription portfolio was severely impacted by COVID-19, which resulted in lower levels of patients consulting doctors, lower dispensary traffic in pharmacies, as well as the postponement of elective surgeries. This impacted the pain, dermatology, urology, surgical and instrumentation (Genop) and ophthalmology portfolios. Most of the larger products in these portfolios experienced double-digit sales declines. At December 2020, on a moving annual turnover basis, IQVIA reports the Prescription market declining by almost 5%. The gross margin ended lower compared to the comparative period impacted by the weaker currency, and an unfavourable sales mix, with a higher proportion of ARV tender sales at low margins. With good operating expense control, trading profit ended flat at R142.2 million (December 2019: R142.2 million), a satisfactory performance in the current environment.

Hospital turnover improved by 5.4% to R870.3 million (December 2019: R825.6 million) with the Renal segment benefitting from renal dialysis treatments consequent to COVID-19. The Renal performance compensated for the decline in demand for products used in elective surgeries, and lower levels of trauma and medical cases, which were reduced as a result of the COVID-19 pandemic. The gross margin improved, despite the weak Rand, benefitting from an advantageous sales mix in the private market and excellent throughput in the factory. Trading profit improved by 5.7% to R75.8 million (December 2019: R71.7 million).

Dividend distribution

The Board has declared an interim dividend of 80 cents per share for the six-month period ended 31 December 2020, out of income reserves.

Changes to the Board and in directors' functions

On 25 August 2020 Prof Michael "Mike" Sathekge was appointed as a non-executive director of the Board and as a member of the Risk & Sustainability Committee.

Prospects

The Group expects that the economy and the consumer will continue to remain constrained, at least for the remainder of this calendar year. The continued roll-out of the government's vaccination plan is eagerly anticipated, to bring relief to South Africa's healthcare system, frontline workers and economy.

The challenge faced in attempting to protect margins, due to the weakness of the rand, and another sub-optimal single exit price adjustment, will continue in the second half of the financial year, and may be exacerbated by weak factory throughput if demand for OTC products declines further.

The Group will continue to exercise strict cost control, and prudent capital allocation to improve the breadth of its portfolio, while preserving balance sheet strength. Despite the immediate challenges, the Board remains optimistic about the longer-term prospects of the Company.

The Board expresses its appreciation to Mr Lindsay Ralphs for his valuable contribution and leadership, whilst on the Board, and as the Chairperson. We wish him well in his retirement.

Dividend distribution

The Board has declared an interim gross dividend out of income reserves of 80 cents per share in respect of the six months ended 31 December 2020. The South African dividend tax ("DT") rate is 20% and the net dividend payable to shareholders who are not exempt from DT is 64 cents per share. Adcock Ingram currently has 175,758,861 ordinary shares in issue and qualifying for ordinary dividends. The income tax reference number is 9528/919/15/3.

The salient dates for the distribution are detailed below:

Last date to trade cum distribution	Tuesday, 16 March 2021
Shares trade ex distribution	Wednesday, 17 March 2021
Record date	Friday, 19 March 2021
Payment date	Tuesday, 23 March 2021

Share certificates may not be dematerialised or rematerialised between Wednesday, 17 March 2021 and Friday, 19 March 2021, both dates inclusive.

LP Ralphs
Chairman

AG Hall
Chief Executive Officer

23 February 2021

Condensed consolidated statements of comprehensive income

	Notes	Unaudited six months ended 31 December 2020 R'000	Increase/ (Decrease) %	Unaudited six months ended 31 December 2019 R'000	Audited year ended 30 June 2020 R'000
Revenue from contracts with customers		**3 758 258**	4	3 628 386	7 346 558
Cost of sales		**(2 459 833)**	10	(2 233 531)	(4 607 502)
Gross profit		**1 298 425**	(7)	1 394 855	2 739 056
Selling, distribution and marketing expenses		**(605 588)**	(5)	(640 400)	(1 263 723)
Fixed and administrative expenses		**(259 848)**	(2)	(264 321)	(531 053)
Trading profit		**432 989**	(12)	490 134	944 280
Non-trading expenses	2	**(47 176)**		(28 358)	(82 099)
Operating profit		**385 813**	(16)	461 776	862 181
Finance income		**2 036**		1 862	5 278
Finance costs		**(22 819)**		(14 324)	(38 764)
Dividend income		**82**		2 271	3 825
Equity-accounted earnings		**59 324**	(4)	62 107	97 489
Profit before taxation		**424 436**	(17)	513 692	930 009
Taxation		**(110 076)**		(136 314)	(247 815)
Profit for the period/year		**314 360**	(17)	377 378	682 194
Other comprehensive income which will subsequently be reclassified to profit or loss		**(105 773)**		(25 111)	118 300
Exchange differences on translation of foreign operations:		**(51 832)**		(12 689)	40 619
– Subsidiaries		**(4 820)**		(502)	4 801
– Joint venture		**(47 012)**		(12 187)	35 818
Movement in cash flow hedge accounting reserve, net of tax		**(53 941)**		(12 422)	77 681
Other comprehensive income which will not be reclassified to profit or loss		**–**		–	665
Fair value of investment, net of tax		**–**		–	43
Actuarial profit on post-employment medical liability, net of tax		**–**		–	622
Total comprehensive income for the period/year, net of tax		**208 587**		352 267	801 159
Profit attributable to:					
Owners of the parent		**311 874**		374 283	676 366
Non-controlling interests		**2 486**		3 095	5 828
		314 360		377 378	682 194
Total comprehensive income attributable to:					
Owners of the parent		**206 101**		349 172	795 331
Non-controlling interests		**2 486**		3 095	5 828
		208 587		352 267	801 159
Total operations:					
Basic earnings per ordinary share (cents)		**186.5**	(15)	219.3	398.0
Diluted basic earnings per ordinary share (cents)		**186.5**	(15)	219.3	398.0
Headline earnings per ordinary share (cents)		**186.5**	(15)	218.5	417.5
Diluted headline earnings per ordinary share (cents)		**186.5**	(15)	218.5	417.5

Condensed consolidated statement of changes in equity

	Issued share capital R'000	Share premium R'000	Non-distributable reserves R'000	Retained income R'000	Total attributable to ordinary shareholders R'000	Non-controlling interests R'000	Total R'000
As at 1 July 2019 (Audited)	17 142	664 014	196 348	3 417 928	4 295 432	2 762	4 298 194
Share issue	1	778			779		779
Movement in treasury shares*	4	2 225			2 229		2 229
Movement in share-based payment reserve*			(2 587)		(2 587)		(2 587)
Total comprehensive income			(25 111)	374 283	349 172	3 095	352 267
Profit for the period				374 283	374 283	3 095	377 378
Other comprehensive income			(25 111)		(25 111)		(25 111)
Dividends				(171 468)	(171 468)		(171 468)
Balance at 31 December 2019 (Unaudited)	17 147	667 017	168 650	3 620 743	4 473 557	5 857	4 479 414
Share issue	1	(1)					
Movement in treasury shares*	(1)	(20)			(21)		(21)
Movement in share-based payment reserve*			454		454		454
Share buy-back	(401)	(156 642)			(157 043)		(157 043)
Loss of control of owner driver subsidiaries						842	842
Total comprehensive income			88 225	302 083	390 308	2 733	393 041
Profit for the period				302 083	302 083	2 733	304 816
Other comprehensive income			144 076		144 076		144 076
Reclassified to cost of inventory – not included in other comprehensive income			(55 851)		(55 851)		(55 851)
Dividends				(171 473)	(171 473)	(6 713)	(178 186)
Balance at 30 June 2020 (Audited)	**16 746**	**510 354**	**257 329**	**3 751 353**	**4 535 782**	**2 719**	**4 538 501**
Share buy-back	**(40)**	**(16 040)**			**(16 080)**		**(16 080)**
Movement in share-based payment reserve*			**13 461**		**13 461**		**13 461**
Total comprehensive income			**(95 858)**	**311 874**	**216 016**	**2 486**	**218 502**
Profit for the period				**311 874**	**311 874**	**2 486**	**314 360**
Other comprehensive income			**(105 773)**		**(105 773)**		**(105 773)**
Reclassified to cost of inventory – not included in other comprehensive income			**9 915**		**9 915**		**9 915**
Balance at 31 December 2020 (unaudited)	**16 706**	**494 314**	**174 932**	**4 063 227**	**4 749 179**	**5 205**	**4 754 384**

** Relate to equity and BMT option schemes.*

Condensed consolidated statements of financial position

	Unaudited 31 December 2020 R'000	Unaudited 31 December 2019 R'000	Audited 30 June 2020 R'000
ASSETS			
Property, plant and equipment	**1 519 117**	1 552 924	1 528 541
Right-of-use assets	**243 498**	282 741	264 274
Intangible assets	**923 810**	604 448	928 518
Investment in joint ventures	**503 826**	525 506	545 178
Deferred tax	**6 220**	6 125	6 385
Other financial assets	**25 871**	28 904	26 570
Loans receivable	**14 195**	–	17 861
Non-current assets	**3 236 537**	3 000 648	3 317 327
Inventories	**1 962 413**	1 638 048	1 909 767
Trade and other receivables	**1 843 584**	1 836 883	1 625 246
Cash and cash equivalents	**426 981**	363 366	316 825
Taxation receivable	**38 808**	12 022	12 585
Current assets	**4 271 786**	3 850 319	3 864 423
Total assets	**7 508 323**	6 850 967	7 181 750
EQUITY AND LIABILITIES			
Capital and reserves			
Issued share capital	**16 706**	17 147	16 746
Share premium	**494 314**	667 017	510 354
Non-distributable reserves	**174 932**	168 650	257 329
Retained income	**4 063 227**	3 620 743	3 751 353
Total shareholders' funds	**4 749 179**	4 473 557	4 535 782
Non-controlling interests	**5 205**	5 857	2 719
Total equity	**4 754 384**	4 479 414	4 538 501
Long-term portion of lease liability	**264 357**	294 737	281 295
Post-employment medical liability	**14 990**	15 775	14 852
Deferred tax	**136 254**	94 954	153 507
Non-current liabilities	**415 601**	405 466	449 654
Trade and other payables	**1 906 789**	1 844 122	2 035 505
Bank overdraft	**301 315**	–	–
Short-term portion of lease liability	**32 157**	25 011	28 986
Provisions	**98 077**	96 954	129 104
Current liabilities	**2 338 338**	1 966 087	2 193 595
Total equity and liabilities	**7 508 323**	6 850 967	7 181 750

Condensed consolidated statements of cash flows

		Unaudited six months ended 31 December 2020 R'000	Unaudited six months ended 31 December 2019 R'000	Audited year ended 30 June 2020 R'000
Cash flows from operating activities				
Operating profit		**385 813**	461 776	862 181
Other adjustments and non-cash items*		**128 868**	122 803	383 376
Operating profit before working capital changes		**514 681**	584 579	1 245 557
Working capital changes		**(508 051)**	(277 537)	(164 655)
Increase in inventories		**(92 105)**	(362 309)	(699 326)
(Increase)/Decrease in trade and other receivables		**(235 819)**	(56 468)	193 356
(Decrease)/Increase in trade and other payables		**(180 127)**	141 240	341 315
Cash generated from operations		**6 630**	307 042	1 080 902
Finance income received		**2 082**	2 464	5 394
Finance costs paid		**(22 862)**	(14 324)	(38 479)
Dividend income received		**53 746**	32 920	99 474
Dividends paid		**–**	(171 468)	(349 654)
Taxation paid		**(137 270)**	(137 616)	(271 757)
Net cash (outflow)/inflow from operating activities		**(97 674)**	19 018	525 880
Cash flows from investing activities				
Purchase of property, plant and equipment	– Expansion	**(7 076)**	(20 995)	(129 453)
	– Replacement	**(57 830)**	(68 616)	(24 086)
Proceeds on loan receivable		**3 666**	–	2 310
Proceeds of sale of interest in BMT		**699**	–	1 085
Proceeds on sale of investment		**–**	6 125	6 125
Disposal of other financial assets		**–**	723	–
Proceeds on disposal of property, plant and equipment		**–**	205	836
Acquisition of business		**–**	–	(308 979)
Deficit on loss of control of subsidiary		**–**	–	(13 866)
Purchase of intangible assets		**–**	–	(2 578)
Net cash outflow from investing activities		**(60 541)**	(82 558)	(468 606)
Cash flows from financing activities		**–**	–	–
Share repurchase**		**(16 080)**	–	(157 043)
Repayment of lease liabilities		**(13 766)**	(8 772)	(21 270)
Settlement of equity options		**–**	(9 352)	–
Settlement of Mpho ea Bophelo equity options		**–**	(6 081)	(6 081)
Sale/(Purchase) of treasury shares		**–**	2 229	(7 363)
Proceeds from issue of share capital		**–**	779	779
Net cash outflow from financing activities		**(29 846)**	(21 197)	(190 978)
Net decrease in cash and cash equivalents		**(188 061)**	(84 737)	(133 704)
Effects of exchange rate changes on cash and cash equivalents		**(3 098)**	(149)	2 277
Cash and cash equivalents at beginning of period/year		**316 825**	448 252	448 252
Cash and cash equivalents at end of period/year		**125 666**	363 366	316 825
Disclosed as follows:				
Cash and cash equivalents		**426 981**	363 366	316 825
Bank overdraft		**(301 315)**	–	–
		125 666	363 366	316 825

* *Includes depreciation, amortisation, IFRS 2 expense and inventory write-offs*

** *Refer to note 7*

Notes to the consolidated financial statements

1. BASIS OF PREPARATION

1.1 Introduction

The condensed unaudited interim results for the six months ended 31 December 2020 have been prepared in compliance with the Listings Requirements of the JSE Limited, International Financial Reporting Standards (IFRS), the requirements of the International Accounting Standards (IAS) 34: Interim financial reporting, SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act, No. 71 of 2008. The Board of Directors take full responsibility for the set of financial results which have been prepared by Ms Dorette Neethling, Chief Financial Officer.

1.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended standards and interpretations during the period.

a) **IAS 1 and IAS 8: *Definition of material – Amendments***

b) **IFRS 3: *Business Combinations – Amendments***

c) **IFRS 9, IAS 39 and IFRS 7: *Financial Instruments – Amendments***

None of these had a significant impact on the financial performance or position of the Group.

d) **The conceptual framework for financial reporting**

A revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the International Accounting Standards Board (IASB) in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

	Unaudited six months ended 31 December 2020 R'000	Unaudited six months ended 31 December 2019 R'000	Audited year ended 30 June 2020 R'000
2. NON-TRADING EXPENSES			
Retrenchment costs	**32 741**	–	33 507
Share-based payment expenses	**13 353**	20 472	936
Transaction costs	**1 082**	–	1 924
Ex-gratia B-BBEE expense	**–**	10 000	10 000
Profit on disposal of investment	**–**	(2 114)	(2 114)
Impairments	**–**	–	16 196
Fair value adjustment of long-term receivable	**–**	–	2 027
Deficit on loss of control of subsidiary	**–**	–	19 274
Lease cancellation fee	**–**		349
	47 176	28 358	82 099

3. SEGMENT REPORTING

The Group's reportable segments in Southern Africa are as follows:

Consumer – competes in the Fast Moving Consumer Goods (FMCG) space;

Over the Counter (OTC) – focuses on brands sold predominantly in the pharmacy market, where the pharmacist plays a role in the product choice;

Prescription – markets products prescribed by medical practitioners and includes specialised instruments and surgical products;

Hospital – supplier of hospital and critical care products, including intravenous solutions, blood collection products and renal dialysis systems; and

Other – shared services – other support services, including cash and bank overdraft balances which are managed on a central basis in Southern Africa.

	Unaudited six months ended 31 December 2020 R'000	*Increase/ (Decrease)* %	Unaudited six months ended 31 December 2019 R'000	Audited year ended 30 June 2020 R'000
3.1 Revenue from contracts with customers				
Southern Africa	**3 756 660**	4	3 613 307	7 309 337
Consumer	**598 938**	42	421 858	892 392
OTC	**784 656**	(16)	939 432	2 017 941
Prescription	**1 502 632**	6	1 423 364	2 758 538
Hospital	**870 323**	5	825 585	1 627 518
Other – shared services	**111**		3 068	12 948
Rest of Africa	**809**		30 399	53 583
Research and development services in India	**11 267**		11 441	24 944
	3 768 736		3 655 147	7 387 864
Less: Inter-company sales	**(10 478)**		(26 761)	(41 306)
	3 758 258	4	3 628 386	7 346 558

	Private R'000	**Public R'000**	**Export and foreign R'000**	**Total R'000**
3.2 Revenue from contracts with customers by channel				
31 December 2020				
Southern Africa	**3 112 013**	**578 742**	**65 905**	**3 756 660**
Consumer	**592 090**	**24**	**6 824**	**598 938**
OTC	**715 964**	**46 335**	**22 357**	**784 656**
Prescription	**1 224 149**	**272 732**	**5 751**	**1 502 632**
Hospital	**579 699**	**259 651**	**30 973**	**870 323**
Other – shared services	**111**	**–**	**–**	**111**
Rest of Africa	**–**	**–**	**809**	**809**
Research and development services in India	**–**	**–**	**11 267**	**11 267**
Less: Inter-company sales	**–**	**–**	**(10 478)**	**(10 478)**
	3 112 013	**578 742**	**67 503**	**3 758 258**

All of the Group's revenue from contracts with customers is recognised at a point in time.
Revenue from customers in terms of IFRS 15 and segmental revenue (note 3.1) are considered to be the same.

3. SEGMENT REPORTING (continued)

	Unaudited six months ended 31 December 2020 R'000	*Increase/ (Decrease)* %	Unaudited six months ended 31 December 2019 R'000	Audited year ended 30 June 2020 R'000
3.3 Trading profit				
Southern Africa	**435 958**	(10)	486 567	942 221
Consumer	**108 782**	48	73 415	155 134
OTC	**109 260**	(45)	197 791	426 272
Prescription	**142 249**	–	142 213	217 652
Hospital	**75 798**	6	71 733	140 453
Other – shared services	**(131)**		1 415	2 710
Rest of Africa	**(3 492)**		2 597	(525)
Research and development services in India	**523**		970	2 584
Trading profit	**432 989**	(12)	490 134	944 280
3.4 Total assets				
Southern Africa	**7 177 199**		6 534 913	6 780 824
Consumer	**825 072**		364 152	719 751
OTC	**1 741 105**		1 767 695	1 758 602
Prescription	**2 327 524**		2 271 670	2 241 489
Hospital	**1 523 110**		1 327 661	1 390 922
Other – shared services	**760 388**		803 735	670 060
Rest of Africa	**18 602**		35 376	25 570
Research and development services in India	**312 522**		280 678	375 356
	7 508 323		6 850 967	7 181 750

	Unaudited six months ended 31 December 2020 R'000	Unaudited six months ended 31 December 2019 R'000	Audited year ended 30 June 2020 R'000
4. INVENTORY			
The amount of inventories written down recognised as an expense in profit or loss in cost of sales	**28 003**	37 667	95 424
5. CAPITAL COMMITMENTS			
– contracted	**57 474**	50 852	50 485
– approved, but not contracted	**44 311**	65 562	75 647
	101 785	116 414	126 132
6. HEADLINE EARNINGS			
Headline earnings is determined as follows:			
Earnings attributable to owners of Adcock Ingram from total operations	**311 874**	374 283	676 366
Adjusted for:			
Loss on disposal/scrapping of property, plant and equipment	**–**	230	(922)
Tax effect on loss on disposal of property, plant and equipment	**–**	(54)	266
Impairment of intangible assets	**–**	–	16 196
Profit on disposal of investment	**–**	(2 114)	(2 114)
Tax effect on profit on disposal of investment	**–**	273	273
Loss of control of owner-driver subsidiaries	**–**	–	19 274
Adjustments relating to equity accounted joint ventures	**24**	155	182
Headline earnings from total operations	**311 898**	372 773	709 521

	'000	'000	'000
7. SHARE CAPITAL			
Number of shares in issue	**175 759**	175 759	175 759
Number of ordinary shares held by the Group company	**(8 701)**	(4 286)	(8 300)
Net shares in issue	**167 058**	171 473	167 459
During September 2020, a subsidiary, Adcock Ingram Limited, purchased 400 799 shares in the open market, at an average price of R40.12, (with the price ranging from R39.22 to R40.15), in terms of the approval granted at the Annual General Meeting held in November 2019.			
Headline earnings and basic earnings per share are based on:			
Weighted average number of ordinary shares outstanding	**167 219**	170 640	169 928
Diluted weighted average number of shares outstanding	**167 219**	170 640	169 946

8. RELATED PARTIES

The following services have been obtained from subsidiaries of The Bidvest Group Limited, the controlling shareholder of the Company. All of the services are in the ordinary course of business and on an aggregated basis these arrangements/agreements are less than 10% of the Company's market capitalisation, which is within the ordinary course of business exclusion pursuant to Section 9 of the JSE Listings Requirements.

		Unaudited six months ended 31 December 2020 R'000	Unaudited six months ended 31 December 2019 R'000
8.1 The following services are obtained with no contract in place for these services, as they are obtained on an *ad hoc* basis, with price and quality dictating the purchase:			
Company	**Description**		
Bidvest Afcom (Pty) Ltd	Consumables (tape)	**111**	164
Bidvest G Fox (Pty) Ltd	Protective wear	**425**	76
Bidvest Material Handling (Pty) Ltd	Maintenance	**210**	260
Bidvest McCarthy Ltd t/a Bidvest Car Rental	Vehicle rental	**38**	170
Bidvest Office (Pty) Ltd t/a Bidvest Waltons	Office stationery	**267**	609
Bidvest Office (Pty) Ltd t/a Cecil Nurse	Furniture	**12**	1 825
Bidvest Paperplus (Pty) Ltd t/a Lithotech Blesston	Consumables	**160**	706
Bidvest Paperplus (Pty) Ltd t/a Rotolabel Johannesburg	Packaging	**–**	41
First Garment Rental (Pty) Ltd	Factory laundry	**987**	1 027
HRG Rennies Travel (Pty) Ltd	Travel	**494**	4 839
Steiner Hygiene (Pty) Ltd	Cleaning consumables	**153**	53
		2 857	9 770
8.2 The following services are obtained where no contract is in place, but a 12-month price agreement has been concluded:			
Company	**Description**		
Bidvest Bank Limited	Forex	**–**	183
Bidvest Car Rental (Pty) Ltd t/a Budget Car & Van Rental	Car hire	**115**	477
Pureau Fresh Water Company (Pty) Ltd	Refreshments	**322**	535
		437	1 195
8.3 Contracts are in place for a period of time for the following services obtained:			
Company	**Description**		
Bidvest Facilities Management (Pty) Ltd	Facilities Management	**3 659**	4 463
Bidvest Managed Solutions (Pty) Ltd	Cleaning/Gardening	**2 409**	2 015
Bidvest Prestige Cleaning t/a Bidvest Managed Solutions (Pty) Ltd	Cleaning	**3 012**	2 380
Bidvest Protea Coin (Pty) Ltd	Guarding	**7 418**	11 759
Safcor Freight (Pty) Ltd t/a Bidvest International Logistics	Freight forwarding	**28 118**	27 515
		44 616	48 132
8.4 The following directors' fees have been paid following the authority granted at the Annual General Meetings, held in November 2019 and November 2020:			
Company	**Description**		
Bidvest Branded Products	Directors' fees	**214**	214
Bidvest Corporate Services	Directors' fees	**808**	808
		1 022	1 022
Total purchases from The Bidvest Group Limited		**48 932**	60 119
Balance owing at reporting date		**5 969**	7 688

9. FAIR VALUE HIERARCHY

The Group classifies all financial instruments and its fair value hierarchy as follows:

Financial instruments	Classification per IFRS 9	Statement of financial position line item	**Unaudited six months ended 31 December 2020 R'000**	Unaudited six months ended 31 December 2019 R'000	Audited year ended 30 June 2020 R'000
At fair value – Level 2[1]					
Foreign exchange contracts – derivative asset	Hedging derivative	Trade and other receivables	–	791	12 410
Foreign exchange contracts – derivative liability	Hedging derivative	Trade and other payables	**49 320**	34 842	471
At fair value – Level 3[2]					
Black Managers Share Trust	Fair value through profit and loss	Other financial assets	**24 167**	27 255	24 866
Investment	Fair value through OCI	Other financial assets	**1 703**	1 649	1 704
At amortised cost					
Trade and sundry receivables[3]	At amortised cost	Trade and other receivables	**1 759 504**	1 723 659	1 519 067
Cash and cash equivalents[3]	At amortised cost	Cash and cash equivalents	**426 981**	363 366	316 825
Trade and other payables[3]	At amortised cost	Trade and other payables	**1 790 275**	1 724 268	1 997 320
Bank overdraft[3]	At amortised cost	Bank overdraft	**301 315**	–	–

1 *Level 2. Fair value based on the ruling market rate at year-end. The fair value of the forward exchange contract is calculated as the difference in the forward exchange rate as per the contract and the forward exchange rate of a similar contract with similar terms and maturities concluded as at the valuation date multiplied by the foreign currency monetary units as per the Forward Exchange Contract (FEC).*

2 *Level 3. The value of the investment in Group Risk Holdings Proprietary Limited is based on Adcock Ingram's proportionate share of the net asset value of the Company. The value of the investment in the Black Managers Share Trust is based on the expected capital contribution to be received from the scheme beneficiaries.*

3 *The carrying value approximates the fair value due to the short-term nature.*

10. SUBSEQUENT EVENT

On 19 February 2021, Adcock Ingram concluded an agreement to acquire a portfolio of 17 Prescription, OTC and Hospital brands from Aspen Pharmacare, with historic annualised revenue of approximately R95 million. Closing of the transaction, including conditions precedent, is expected to be completed during March 2021. The terms include a two-year manufacturing and supply agreement for products manufactured by Aspen Pharmacare, to accommodate technology transfer to Adcock Ingram's facilities.

Corporate information

Adcock Ingram Holdings Limited

Incorporated in the Republic of South Africa
(Registration number 2007/016236/06)
Share code: AIP ISIN: ZAE000123436
("**Adcock Ingram**" or "**the Company**" or "**the Group**")

Directors

Ms L Boyce (Independent Non-executive Director)
Dr S Gumbi (Independent Non-executive Director)
Mr A Hall (Chief Executive Officer)
Prof M Haus (Lead Independent Non-executive Director)
Ms B Letsoalo (Executive Director)
Ms N Madisa (Non-executive Director)
Dr C Manning (Independent Non-executive Director)
Prof Michael Sathekge (Independent Non-executive Director)
Ms D Neethling (Chief Financial Officer)
Mr L Ralphs (Non-executive Director and Chairman)
Ms D Ransby (Independent Non-executive Director)
Mr K Wakeford (Non-executive Director)

Company secretary

Mr NE Simelane

Registered office

1 New Road, Midrand, 1682

Postal address

Private Bag X69, Bryanston, 2021

Transfer secretaries

Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank
Johannesburg, 2196
Private Bag X9000
Saxonwold, 2132

Auditors

PricewaterhouseCoopers Inc.
4 Lisbon Ave, Waterfall City
Waterfall, 2090

Sponsor

Rand Merchant Bank (A division of FirstRand Bank Limited)
1 Merchant Place, corner Fredman Drive and Rivonia Road
Sandton, 2196

Bankers

Nedbank Limited
135 Rivonia Road, Sandown
Sandton, 2146

Rand Merchant Bank
1 Merchant Place, corner Fredman Drive and Rivonia Road
Sandton, 2196

Investec Bank Limited
100 Grayston Drive
Sandton, 2196

1 New Road, (c/o New Road & 7th Street),
Midrand, South Africa

Private Bag X69, Bryanston,

2021, South Africa

Telephone: +27 11 635 0000
Fax: +27 86 553 0000
Customer Service: 0800 113 844