

ASPEN PHARMACARE HOLDINGS LIMITED
(Incorporated in the Republic of South Africa) ("Aspen Holdings")
Registration number: 1985/002935/06
Share code: APN
ISIN: ZAE000066692
LEI: 635400ZYSN1IRD5QWQ94
and its subsidiaries (collectively "Aspen" or "the Group")

VOLUNTARY UPDATE FOR THE 10 MONTHS ENDED 30 APRIL 2020

During these unprecedented times, Aspen management and Board have been monitoring the risks and challenges associated with COVID-19, taking the necessary steps to maintain delivery of quality medicines to patients across our regions while safeguarding the health and safety of our employees. Our immediate focus under COVID-19 has been to establish processes aimed at ensuring optimum production and the responsible allocation of essential drugs through heightened focus on our production and supply chain activities.

Aspen is experiencing an elevated demand for certain of its Sterile Brands in Europe. These products are of critical importance in the clinical management of patients infected with COVID-19 and we are making every effort to support the healthcare authorities in Europe and the other regions where we operate. We wish to, again, express our heartfelt gratitude to our employees throughout the world who have shown great resilience, dedication and fortitude in allowing Aspen to continue to operate, ensuring delivery of medicines to patients and caregivers reliant on our products during these exceptional times. In particular, we highlight the commitment of Aspen's production workers who leave the safety of their homes each day to produce medicines for patients around the world.

Performance for the 10 months ended 30 April 2020

Commercial Pharmaceuticals

Our Commercial Pharmaceuticals business is divided into two segments, namely Sterile Brands and Regional Brands. Certain products within both these segments have relevance in the management of COVID-19, however the impact of the virus on the business has varied between regions.

Within the Sterile Brands business, elevated demand for Anaesthetics in Europe CIS towards the latter part of the 10-month period has offset the expected decline in the Chinese business brought about by the postponement of elective surgeries and less frequent haemodialysis treatment of patients during the first four months of the calendar year 2020. The Chinese business has shown signs of recovery since the easing of the restrictions in that country. In Europe CIS, Aspen's largest Thrombosis region, the effect of COVID-19 on Thrombosis demand has been largely neutral, with declines in elective surgical procedures being countered by increased hospitalisation rates of medically ill patients. The restructuring of the Thrombosis business in Europe CIS has supported the continuing recovery of this business segment.

Stockpiling of everyday healthcare products and advanced filling of prescriptions by consumers in response to the COVID-19 pandemic has had a positive impact on the Regional Brands business. This has led to overstocking in supply channels and in households which we anticipate will result in decreased demand over the next few months as stock levels equalise.

Manufacturing

Aspen's manufacturing facilities have maintained operations at normal capacity, with enhanced safety measures introduced to protect employees. Aspen's API manufacturing business has been positively impacted by the sale of heparin API to third parties, while the underlying API and finished dose form operations have also continued to perform well.

Europe CIS strategic review

The strategic review and internal restructuring undertaken in respect of the Europe CIS business has been ongoing. Management continue to expect to finalise the outcomes of this strategic review and conclude on an appropriate course of action by September 2020.

Capital Expenditure

Progress on strategic capital expenditure projects related to construction of manufacturing facilities for the Anaesthetics products as well as smaller projects have been hampered by country specific COVID-19 restrictions and will resume as and when local regulations allow.

Working capital

Aspen's maintenance of reasonable levels of safety stock through its value chain has, to date, stood us in good stead during the COVID-19 crisis, allowing Aspen to continue to supply essential medicines to patients in need around the world. In Europe, which has been particularly hard-hit by COVID-19, Aspen has been well supported by its important manufacturing sites in France, Germany and the Netherlands and has managed to redirect inventory successfully to the locations most in need. Aspen is also working hard with its contract manufacturers and suppliers to overcome logistics hurdles as these arise in order to ensure ongoing replenishment of finished products and raw materials. Careful attention is being paid to collections of receivables and Aspen is ensuring that all of its creditors are paid to terms in this time of heightened financial pressure on many businesses.

FY 2020 outlook

The Group outlook for the 12 months ending 30 June 2020, as published on 6 March 2020, did not take into account the effect of the COVID-19 pandemic. The uncertainty surrounding the severity, impact and duration of COVID-19 prevents Aspen from reliably assessing and quantifying the future impact of the virus on the business. The unusual demand patterns experienced during the first four months of the calendar year 2020 do not necessarily represent trends which will persist over the rest of the period of the COVID-19 pandemic.

Aspen completed the disposal of its Japanese business at the end of January 2020 and applied the net proceeds received from it to repaying short dated Euro denominated debt. Aspen's leverage ratio will be measured at 30 June 2020 against a covenant level of 3.5x. The Group expects to deliver a leverage ratio below this covenant level, as guided at the interim results presentation in March 2020. Aspen has reviewed and is comfortable with its liquidity position.

The Group maintains the outlook published with its interim results announcement in March 2020 for Normalised HEPS from continuing operations in FY 2020 to be higher as compared to the prior year Normalised HEPS from continuing operations of R13.50.

Due to the high degree of uncertainty presently being encountered as a consequence of the pandemic, as more information becomes available, the outlook for FY 2020 will be updated if deemed necessary. Aspen is scheduled to release its annual result for the 12 months ending 30 June 2020 on 09 September 2020.

The financial information in this update has not been reviewed or reported on by the Group's auditors.

Durban

15 May 2020

Sponsor

Investec Bank Limited