adcock ingram

ABRIDGED PRELIMINARY AUDITED GROUP RESULTS

for the year ended 30 September **2012**

Heritage | Quality | Integrity

Adcock Ingram is a leading South African pharmaceutical manufacturer, marketer and distributor. The Company occupies a 10% share of the private pharmaceutical market in South Africa with a strong presence in over-the-counter brands. The Company is South Africa's largest supplier of hospital and critical care products. Its footprint extends to India and other territories in sub-Saharan Africa.

The extensive product portfolio includes branded and generic prescription medicines and over-the-counter/fast moving consumer goods (FMCG) brands, intravenous solutions, blood collection products and renal dialysis systems.

Vision

To be recognised as a leading world-class branded healthcare company.

Foreword

Adcock Ingram is now the number 1 in the Vitamins, Minerals & Supplements category in FMCG and number 2 in Pharmacy.

CEO, Jonathan Louw

FINANCIAL FEATURES

- Turnover increased **3% to R4,599 million**
- EBITDA decreased **16% to R986 million**
- HEPS decreased **9%** to **422,4 cents**
- Final distribution per share increased **8%** to **115 cents**

SALIENT FEATURES

- Improved to Level 3 BBBEE status
- Number 1 position in the OTC and hospital markets in South Africa
- New collaborative agreements with multi-nationals
- Completion of South African factory and distribution centre upgrades to world-class standards
- Acquisition of Cosme Farma Laboratories in India
- Public sector tender awards

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended 30 September 2012 Audited R'000	Change %	2011 Audited R'000
Continuing operations				
REVENUE	2	**4 644 406**	2,4	4 534 235
TURNOVER	2	**4 599 249**	3,3	4 453 567
Cost of sales		**(2 505 167)**		(2 284 606)
Gross profit		**2 094 082**	(3,5)	2 168 961
Selling and distribution expenses		**(571 500)**		(530 005)
Marketing expenses		**(208 625)**		(206 981)
Research and development expenses		**(81 601)**		(70 723)
Fixed and administrative expenses		**(363 535)**		(292 614)
Operating profit		**868 821**	(18,7)	1 068 638
Finance income	2	**18 285**		63 778
Finance costs		**(26 637)**		(30 225)
Dividend income	2	**26 872**		16 890
Profit from continuing operations before taxation		**887 341**	(20,7)	1 119 081
Taxation		**(168 265)**		(326 129)
Profit for the year from continuing operations		**719 076**	(9,3)	792 952
Loss after taxation for the year from a discontinued operation		**–**		(28 152)
Profit for the year		**719 076**	(6,0)	764 800
Other comprehensive income		**(37 896)**		17 591
Exchange differences on translation of foreign operations		**(26 181)**		4 709
Movement in cash flow hedge accounting reserve, net of tax		**(11 715)**		12 882
Total comprehensive income for the year, net of tax		**681 180**		782 391
Net profit attributable to:				
Owners of the parent		**705 641**		754 205
Non-controlling interests		**13 435**		10 595
		719 076		764 800
Total comprehensive income attributable to:				
Owners of the parent		**670 434**		770 658
Non-controlling interests		**10 746**		11 733
		681 180		782 391
Continuing operations:				
Basic earnings per ordinary share (cents)		**417,8**	(8,9)	458,5
Diluted basic earnings per ordinary share (cents)		**417,2**	(8,8)	457,5
Headline earnings per ordinary share (cents)		**422,4**	(9,2)	465,1
Diluted headline earnings per ordinary share (cents)		**421,8**	(9,1)	464,2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to holders of the parent						
	Issued share capital R'000	Share premium R'000	Retained income R'000	Non-distri-butable reserves R'000	Total attribut-able to ordinary share-holders R'000	Non-controlling interests R'000	Total R'000
As at 1 October 2010	17 365	1 190 290	1 357 939	349 061	2 914 655	158 685	3 073 340
Share issue	25	3 368			3 393		3 393
Movement in treasury shares	(502)	(291 427)			(291 929)		(291 929)
Share-based payment expense							
– continuing operations				6 685	6 685		6 685
– discontinued operation				(831)	(831)		(831)
Disposal of business						(12 644)	(12 644)
Acquisition through business combination						14 072	14 072
Acquisition of non-controlling interests							
– Addclin Research (Pty) Limited			1 345		1 345	(1 345)	–
– Ayrton Drug Manufacturing Limited			(4 120)		(4 120)	(5 225)	(9 345)
Total comprehensive income			754 205	16 453	770 658	11 733	782 391
Profit for the year			754 205		754 205	10 595	764 800
Other comprehensive income				16 453	16 453	1 138	17 591
Dividends			(177 157)		(177 157)	(27 652)	(204 809)
Distribution out of share premium		(136 943)			(136 943)		(136 943)
Balance at 30 September 2011 (audited)	16 888	765 288	1 932 212	371 368	3 085 756	137 624	3 223 380
Share issue	57	7 011			7 068		7 068
Movement in treasury shares	(73)	(45 610)			(45 683)		(45 683)
Share-based payment expense				20 068	20 068		20 068
Disposal of non-controlling interests in National Renal Care (Pty) Limited			11 279		11 279	9 108	20 387
Acquisition of non-controlling interests in Ayrton Drug Manufacturing Limited			(2 148)		(2 148)	(8 912)	(11 060)
Total comprehensive income			705 641	(35 207)	670 434	10 746	681 180
Profit for the year			705 641		705 641	13 435	719 076
Other comprehensive income				(35 207)	(35 207)	(2 689)	(37 896)
Dividends			(144 474)		(144 474)	(10 882)	(155 356)
Distribution out of share premium		(179 289)			(179 289)		(179 289)
Balance at 30 September 2012 (audited)	**16 872**	**547 400**	**2 502 510**	**356 229**	**3 423 011**	**137 684**	**3 560 695**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	**30 Sep 2012 Audited R'000**	30 Sep 2011 Audited R'000
ASSETS			
Property, plant and equipment		**1 560 177**	1 161 558
Deferred tax		**5 097**	3 775
Other financial assets		**139 751**	140 210
Loans receivable		**27 060**	–
Intangible assets		**710 960**	728 474
Non-current assets		**2 443 045**	2 034 017
Inventories		**956 164**	864 465
Trade and other receivables		**1 320 191**	1 202 858
Cash and cash equivalents		**492 716**	1 103 977
Taxation receivable		**70 170**	30 143
Current assets		**2 839 241**	3 201 443
Total assets		**5 282 286**	5 235 460
EQUITY AND LIABILITIES			
Capital and reserves			
Issued share capital	7	**16 872**	16 888
Share premium		**547 400**	765 288
Non-distributable reserves		**356 229**	371 368
Retained income		**2 502 510**	1 932 212
Total shareholders' funds		**3 423 011**	3 085 756
Non-controlling interests		**137 684**	137 624
Total equity		**3 560 695**	3 223 380
Long-term borrowings		**104 625**	346 811
Post-retirement medical liability		**15 341**	13 987
Deferred tax		**101 910**	93 884
Non-current liabilities		**221 876**	454 682
Trade and other payables		**983 589**	954 076
Short-term borrowings		**431 368**	496 032
Cash-settled options		**39 983**	64 036
Provisions		**44 775**	42 859
Bank overdraft		**–**	395
Current liabilities		**1 499 715**	1 557 398
Total equity and liabilities		**5 282 286**	5 235 460

CONSOLIDATED ABRIDGED STATEMENTS OF CASH FLOWS

	Year ended 30 September 2012 Audited R'000	2011 Audited R'000
Cash flows from operating activities		
Operating profit before working capital changes	**1 077 581**	1 185 976
Working capital changes	**(292 138)**	(157 419)
Cash generated from operations	**785 443**	1 028 557
Finance income, excluding receivable	**19 369**	59 116
Finance costs, excluding accrual	**(22 672)**	(29 624)
Dividend income, excluding receivable	**27 035**	14 298
Dividends paid	**(155 356)**	(204 809)
Taxation paid	**(196 158)**	(341 156)
Net cash inflow from operating activities	**457 661**	526 382
Cash flows from investing activities		
Decrease/(Increase) in other financial assets	**457**	(6)
Acquisition of businesses, net of cash	**–**	(328 775)
Proceeds on disposal of business	**–**	84 989
Purchase of property, plant and equipment – Expansion	**(276 401)**	(172 451)
– Replacement	**(235 392)**	(260 528)
Purchase of intangible assets	**(13 109)**	–
Proceeds on disposal of property, plant and equipment	**1 732**	4 220
Increase in loans receivable	**(11 221)**	–
Net cash outflow from investing activities	**(533 934)**	(672 551)
Cash flows from financing activities		
Acquisition of non-controlling interests in Ayrton Drug Manufacturing Limited	**(11 060)**	(9 345)
Proceeds from issue of share capital	**7 068**	3 393
Purchase of treasury shares	**(45 683)**	(291 929)
Distribution out of share premium	**(179 289)**	(136 943)
Increase in borrowings	**16 503**	371 536
Repayment of borrowings	**(321 777)**	(117 329)
Net cash outflow from financing activities	**(534 238)**	(180 617)
Net decrease in cash and cash equivalents	**(610 511)**	(326 786)
Net foreign exchange difference on cash and cash equivalents	**(355)**	(549)
Cash and cash equivalents at beginning of year	**1 103 582**	1 430 917
Cash and cash equivalents at end of year	**492 716**	1 103 582

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

1.1 Introduction

The condensed annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), IAS 34 Interim Financial Reporting, the South African Companies Act, the Listings Requirements of the JSE Limited as well as the AC500 standards as issued by the Accounting Practices Board or its successor. The condensed financial information has been audited by Ernst & Young Inc. The individual auditor assigned to perform the audit is Mr Warren Kinnear. The auditors' unqualified opinion is available for inspection at the Company's registered office.

Mr Andrew Hall, Deputy Chief Executive and Financial Director, is responsible for this set of financial results and has supervised the preparation thereof in conjunction with Group Finance Executive, Ms Dorette Neethling.

1.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except where the Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

IAS 24 Related Party Disclosures (Amendment)

The amended standard was effective for the Group from 1 October 2011. It clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application, but did not have an impact on the Group's financial position or performance

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)

The amendment to IFRIC 14 was effective for the Group from 1 October 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment had no impact on the financial statements of the Group.

Improvements to IFRS (issued in May 2010)

The IASB issued improvements to IFRS, an omnibus of amendments to its IFRS standards. The amendments have been effective for the Group since 1 October 2011. These improvements did not have a significant impact on the Group, other than additional disclosures and deal with:

- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Presentation of Financial Statements
- IAS 34 Interim Financial Reporting

	30 Sep 2012 Audited R'000	30 Sep 2011 Audited R'000
2 REVENUE		
Turnover	**4 599 249**	4 453 567
Finance income	**18 285**	63 778
Dividend income	**26 872**	16 890
	4 644 406	4 534 235

3 SEGMENT REPORTING

Following a restructuring towards the end of the previous financial year after the integration of the Hospital operations with the Pharmaceutical operations, decision-making changed, with a corresponding change in segmental reporting to align the reporting in accordance with IFRS 8. The segmental report below has been produced in the way the business is currently managed.

	30 Sep 2012 Audited R'000	30 Sep 2011 Audited R'000
Turnover		
Southern Africa	**4 435 938**	4 296 829
OTC	**1 791 875**	1 608 046
Prescription	**1 520 219**	1 632 071
Hospital	**1 123 844**	1 056 712
Rest of Africa and India	**295 545**	257 476
	4 731 483	4 554 305
Less: Intercompany sales	**(132 234)**	(100 738)
	4 599 249	4 453 567
Contribution after marketing expenses (CAM)		
Southern Africa	**1 245 746**	1 369 231
OTC	**660 492**	680 703
Prescription	**371 801**	485 182
Hospital	**213 453**	203 346
Rest of Africa and India	**75 703**	62 744
Less: Intercompany	**(7 492)**	–
	1 313 957	1 431 975
Less: Other operating expenses [1]	**(445 136)**	(363 337)
Research and development	**(81 601)**	(70 723)
Fixed and administrative	**(363 535)**	(292 614)
Operating profit	**868 821**	1 068 638

(1) Other operating expenses are managed on a central basis and are not allocated to operating segments.

4 INVENTORY

The amount of inventories written down recognised as an expense in profit or loss	**42 336**	20 907

5 CAPITAL COMMITMENTS

Capital commitments		
– contracted	**64 632**	292 983
– approved	**143 403**	120 845
	208 035	413 828

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

		30 Sep 2012 Audited R'000	30 Sep 2011 Audited R'000
6	**HEADLINE EARNINGS**		
	Earnings per share is derived by dividing earnings attributable from continuing operations to owners of Adcock Ingram for the year, by the weighted average number of shares in issue.		
	Headline earnings is determined as follows:		
	Earnings attributable to owners of Adcock Ingram from total operations	**705 641**	754 205
	Adjusted for:		
	Loss from discontinued operation	**–**	28 397
	Earnings attributable to owners of Adcock Ingram from continuing operations	**705 641**	782 602
	Adjusted for:		
	Impairment of leasehold improvements and intangible assets	**1 887**	–
	Impairment of investment	**–**	12 200
	Tax indemnity on discontinued operation	**2 355**	–
	Loss/(profit) on disposal of property, plant and equipment, net of tax	**3 526**	(857)
	Headline earnings from continuing operations	**713 409**	793 945

		Number of shares '000	'000
7	**SHARE CAPITAL**		
	Number of ordinary shares in issue	**200 735**	200 156
	Number of A and B shares held by the BEE participants	**(25 944)**	(25 944)
	Number of ordinary shares held by the BEE participants	**(1 782)**	(1 042)
	Number of ordinary shares held by Group company	**(4 285)**	(4 285)
	Net shares in issue	**168 724**	168 884
	Headline earnings and basic earnings per share are based on:		
	Weighted average number of shares	**168 894**	170 697
	Diluted weighted average number of shares	**169 131**	171 049

8 SUBSEQUENT EVENTS

8.1 Cosme Farma Laboratories Limited (Cosme)

On 10 July 2012, Adcock Ingram announced the acquisition of certain assets of Cosme, a division of the Cosme Group, based in Goa, India. Cosme is a mid-sized sales and marketing pharmaceutical business which has been operating in the Indian domestic pharmaceutical market for the past 40 years and is ranked 55th in India, per IMS Health, with a sales force of approximately 1 000 staff.

On 1 November 2012 shareholders were advised via SENS that, due to the regulatory approvals process in India not having been completed, the previously anticipated closing date for the Cosme transaction, being 31 October 2012, had not been achieved. Consequently, in terms of an extension agreement entered into between Adcock Ingram and Cosme, the closing date for the transaction was extended to 31 January 2013. On 12 November 2012, the Foreign Investment Promotions Board of India (FIPB) notified Adcock Ingram that it had approved the Cosme transaction, subject to certain conditions relating to investments in the pharmaceutical sector in India, *inter alia*: (i) a commitment to continue the supply of drugs listed on the National Essential List of Medicines for the pursuing five years; (ii) to maintain the current level of Research and Development expenditure of the acquired Cosme business over the pursuing 5 years; and (iii) notification to the FIPB of the details of any technology transfer into India from South Africa. The Company expects to be able to comply with all conditions imposed and to conclude all formalities related to the Cosme transaction in January 2013.

8.2 NutriLida

As of 30 September 2012, an amount of R8.0 million, held in escrow, remained in dispute between the Group and the previous owners of NutriLida. On 16 November 2012 the parties agreed that the Group would release R4.0 million of the escrow to the previous owners of NutriLida, in full and final settlement of the balance of the acquisition price.

Turnover increased 3% to R4,599 million
EBITDA decreased 16% to R986 million
HEPS decreased 9% to 422,4 cents
Final distribution per share increased 8% to 115 cents
BBBEE status improved to Level 3

FINANCIAL REVIEW

Headline earnings

The Group achieved headline earnings for the year ended 30 September 2012 of R713.4 million (422.4 cents per share). This represents a 10.1% decrease over the comparable figure for 2011 of R793.9 million and translates into a decrease of 9.2% in headline earnings per share.

Turnover

The acquisition of NutriLida supported turnover growth of 3.3% to R4,599 million (2011: R4,454 million). This was achieved notwithstanding the loss of sales of DPP-containing products and the reduced Anti-Retroviral (ARV) tender award. Price reductions across the business averaged 0.7% for the year, an improvement from the figure of 2.3% at the half-year.

In the Prescription segment, the Single Exit Price (SEP) increase of 2.14% granted by Government in March 2012 was implemented only on products where market conditions allowed and overall revenue decreased by 6.9%. Over-the-counter (OTC) turnover growth of 11.4% benefited from the inclusion of NutriLida, with volumes remaining flat for the balance of the portfolio and pricing marginally positive for the full year after having shown price deflation at the half-year. Hospital revenue grew by 6.4% as full production resumed after the Aeroton factory upgrade, but this business segment continued to experience price deflation.

Profits

Gross profit for the year decreased by 3.5% to R2,094 million (2011: R2,169 million) with margins declining from 48.7% to 45.5%. Gross margin as a percentage of sales was adversely impacted by production inflation, facilities undergoing upgrades, and by the weaker Rand, which affected imported raw materials and finished products. The average exchange rates for inventory procurement were R7.86 (2011: R6.98) and R10.50 (2011: R9.76) for US Dollar and Euro imports, respectively, with total contracts settled during the year amounting to R755 million (2011: R777 million).

Operating profit decreased by 18.7% to R869 million (2011: R1,069 million) with the percentage on sales reducing from 24.0% to 18.9%. Operating expenses increased by 11.4% to R1,225 million (2011: R1,100 million). The additional expenses of R125 million include increased amortisation (R11 million), IFRS 2 charges relating to additional units allocated to staff (R9 million), retrenchment costs (R23 million), M&A-related project costs (R21 million) and NutriLida operating expenses of R9 million.

After net finance costs and dividends received, profit before tax decreased 20.7% to R887 million (2011: R1,119 million). The effective tax rate for the year was 19.0% (2011: 29.1%), having taken advantage of the Strategic Industrial Project (SIP) allowance for approved capital projects, which reduced the tax charge by R86 million in the current year.

Cash flows and financial position

Cash generated from operations was R785 million (2011: R1,029 million) after working capital increased R292 million (2011: R157 million). Trade accounts and other receivables contributed R128 million to the working capital increase but trade accounts receivable days at the end of the year remained consistent at 65 days and virtually no bad debts were experienced. Inventory increased by R141 million as stockholdings of some strategic active ingredients were increased to improve service levels. After net finance income, dividends and taxation, cash inflow from operations was R458 million (2011: R526 million).

The upgrade at the Aeroton facility and the construction of the high-volume liquids facility at Clayville were both completed, with total capital expenditure in 2012 amounting to R512 million (2011: R433 million).

During the year R300 million was repaid on the loan facility for the factory upgrades. The remaining balance of R500 million is being repaid in quarterly instalments with the final instalment due in December 2013. Cash equivalents decreased by R611 million, but the business still has a healthy gross cash position of R493 million (2011: R1,104 million).

Dividend distribution

The Board has declared a final dividend of 115 cents per share for the year ended 30 September 2012 out of income reserves, bringing the dividend for the year to 201 cents (2011: 187 cents).

BUSINESS OVERVIEW

COMMERCIAL

Southern Africa

This segment encompasses all of the businesses in the Southern African region namely OTC, Prescription and Hospital. The most significant impact for the year remains the withdrawal of DPP-containing products and the disappointing Anti-Retroviral (ARV) tender award at the last adjudication in December 2010. The revenue reduction in the year under review was R80 million for DPP containing products and R68 million for ARV's. The NutriLida acquisition has offset this by R162 million year-on-year. The region posted an overall sales increase of 3.2% in a tough economic climate that has seen pressure on the consumer, coupled with continued down-trading and an unfavourable pricing environment.

Overall the business, as measured in IMS, has performed well in the private market with a growth of 9.7% in pharmacy, but some share erosion has taken place in the FMCG market in analgesics.

OTC sales increased by 11.4% to R1,792 million (2011: R1,608 million), assisted by the acquisition of NutriLida in the last quarter of fiscal 2011. Adcock Ingram is now number 1 in the Vitamins, Minerals & Supplements category in FMCG according to Nielsen and number 2 in Pharmacy as measured in IMS. Dependence on SEP products has reduced from 61% to 53% in this business over the year. The gross profit dropped by 370 basis points to 55.6% due to currency devaluation and input inflation. Contribution after marketing expenses (CAM) decreased by 3.0% to R660.5 million (2011: R680.7 million). This business has experienced the impact of a disrupted supply chain due to upgrades in the factories and a poor economic climate as consumers have continued to be under pressure. Strong brands in the portfolio have however helped Adcock Ingram retain its market leadership position in this highly competitive environment.

Excluding the DPP and ARV impact, the **Prescription** business has performed relatively well due to new multi-national collaborations, sound performance of Adcock Ingram's core brands and continued progress in the generics business. Overall turnover declined by 6.9% to R1,520 million (2011: R1,632 million), with gross margins dropping 640 basis points, with currency devaluation, product mix and input inflation the influencing factors.

Hospital turnover increased by 6.4% over the comparable period to R1,124 million (2011: R1,057 million), as organic volumes increased by 5.3%. Price deflation and aggressive competition remains a challenge in this segment.

The Renal division continues to grow market share in the public and private sectors, with growth reflected in all portfolios. In the generic market, the division continued to invest in injectable analgesics, antibiotics and specialty drugs. The Transfusion Therapy division was impacted by lower blood donor numbers which dropped by 2% compared to 2011.

The relationship with Baxter remains constructive, with Baxter having performed an audit of the upgraded facility in February 2012. No additional product is now being imported from Baxter, as the Aeroton factory is now able to meet market demand.

Rest of Africa

It has been a challenging year for Adcock Ingram in the Rest of Africa, with revenue flat over the prior year. The performance was impacted by product recalls in East Africa and factory upgrades and the attendant production bottlenecks, which adversely affected sales in Ghana and the SADC region.

In Kenya, sales of two flagship OTC analgesics, Dawanol and Betapyn, fell due to the illegal distribution of counterfeit products in the market, which required a temporary recall of Adcock Ingram's genuine stock. The reintroduction in June of Dawanol with anti-counterfeit security features boosted sales in the second half of the year.

In Ghana, poor quality water supply at the liquids factory led to a temporary shutdown of the facility in February. A rapid but significant upgrade of the plant was initiated and 70% of the manufacturing capacity restored with further improved production expected by March 2013. Adcock Ingram product sales showed good growth as the brands have gained the confidence of doctors and pharmacists following promotion activities.

SUPPLY CHAIN

The upgrades to the supply chain and implementation of new systems resulted in some disruption in supply to the market, as reflected in the sales performance, particularly in OTC liquids, the private hospital sector and the Rest of Africa.

The Aeroton facility is now performing well and the high-volume liquids (HVL) facility at Clayville has been commissioned, inspected by the Medicines Control Council (MCC) and opened by the Gauteng MEC for Health, Mr Hope Papo, in mid-October 2012.

Additional tablet capacity is being installed at Wadeville, in anticipation of future tender awards.

LOGISTICS

Distribution volumes have increased by 4% compared to the previous financial year, and warehouse capacity remains a focus. Distribution expenses, as a cost per unit, have increased by 3% year-on-year. Despite the increasing trend of the cost of fuel which attracts approximately 35% of the transport costs, the increase in cost per unit was kept relatively low. The successful upgrade of systems, in which processes were automated, resulted in increased throughput. Synergies were realised by rationalising the different distribution networks in the Group and closing the NutriLida and 15th Road warehouses.

REGULATORY ENVIRONMENT

The industry has submitted its response to the Department of Health's (DoH) proposal for a 6% SEP increase showing that this figure underestimates the CPI increase and Exchange Rate weakening over the last year.

Discussions continue with the DoH and the Pricing Committee on the final basket of countries and the method of measurement to benchmark pharmaceutical prices in the private sector. At this stage the timing and the quantum of any changes remain uncertain, but the focus appears to be on patent-protected products, which represent a small portion of Adcock Ingram's sales.

In October 2012, Adcock Ingram made its own submission with regard to the proposed capping of Logistics Fees and raised the elements of complexity and differentiation on the costing for transport of heavy liquid products and for home delivery.

TRANSFORMATION

Adcock Ingram's BBBEE transformation scorecard was certified by Empowerdex in October 2012. The Company improved its BBBEE status to Level 3, after the successful implementation of an Owner Driver Scheme which increased the Enterprise Development component. An Apprenticeship Programme and Learnerships for people with disabilities were implemented to further enhance the BBBEE score.

CHANGES TO THE BOARD OF DIRECTORS

Professor Matthias Haus was appointed as an independent non-executive director with effect from 1 June 2012.

PROSPECTS

The international accreditation of our recently completed manufacturing facilities remains a key focus area during the next year as the Group concludes its investment in its supply chain.

Adcock Ingram maintains its focus on the acquisition of businesses and brands in high growth emerging markets in Africa and India. It expects to conclude the acquisition of Cosme Farma in January 2013. We continue to invest in brands, people and customers off our existing platform.

The multi-national partner of choice strategy continues to deliver value with the recent addition of a co-operation agreement with Lundbeck. Additional collaborations are being explored to continue the path of revenue diversification and decrease the dependence on mature products. Supply chain collaborations will address the challenge in extending multi-national collaborations partnerships into sub-Saharan Africa.

New generic product launches are planned for early in the year in the cardiovascular category and further innovation will be taken to market on the Complementary Alternative Medicines (CAMs) portfolio.

The current economic climate remains uncertain and the impact on consumer spending is concerning. Margins will continue to be impacted by cost pressures, particularly labour, transport and utilities, and by active ingredient prices which are directly linked to currency fluctuations.

For and on behalf of the Board

KDK Mokhele	**JJ Louw**	**AG Hall**
Chairman	*Chief Executive Officer*	*Deputy Chief Executive and Financial Director*

DIVIDEND DISTRIBUTION

The Board has declared a final gross dividend out of income reserves of 115 cents per share in respect of the year ended 30 September 2012. No STC credits will be utilised for this distribution. The South African Dividends Tax ("DT") rate is 15% and the net dividend payable to shareholders who are not exempt from DT is 97.75 cents per share, as at the date of this declaration, Adcock Ingram has 174,809,918 ordinary shares in issue including 6,067,163 treasury shares. There are also 25,944,261 "A" and "B" ordinary shares in issue, all held as treasury shares, which are entitled to a dividend. Its income tax reference number is 9528/919/15/3.

The salient dates for the distribution are detailed below:

Last date to trade *cum* distribution	Friday, 4 January 2013
Shares trade *ex* distribution	Monday, 7 January 2013
Record date	Friday, 11 January 2013
Payment date	Monday, 14 January 2013

Share certificates may not be dematerialised or rematerialised between Monday, 7 January 2013 and Friday, 11 January 2013, both dates inclusive.

By order of the Board

NE Simelane
Company Secretary

Johannesburg
26 November 2012

CORPORATE INFORMATION

ADCOCK INGRAM HOLDINGS LIMITED
Incorporated in the Republic of South Africa
Registration number 2007/016236/06
Income tax number 9528/919/15/3
Share code: AIP ISIN: ZAE000123436
("Adcock Ingram" or "the Company" or "the Group")

Directors:
KDK Mokhele (Chairman)*, JJ Louw (Chief Executive Officer), EK Diack*, AG Hall (Deputy Chief Executive and Financial Director), M Haus*, T Lesoli*, PM Makwana*, CD Raphiri*, LE Schönknecht*, RI Stewart*, AM Thompson*
* Independent non-executive

Company secretary:
NE Simelane

Registered office:
1 New Road, Midrand, 1682

Postal address:
Private Bag X69, Bryanston, 2021

Transfer secretaries:
Computershare Investor Services (Pty) Limited
70 Marshall Street, Johannesburg, 2001
PO Box 61051, Marshalltown, 2107

Auditors:
Ernst & Young Inc.
Wanderers Office Park, 52 Corlett Drive, Illovo, 2196

Sponsor:
Deutsche Securities (SA) (Pty) Limited
3 Exchange Square, 87 Maude Street, Sandton, 2146

Bankers:
Nedbank Limited, 135 Rivonia Road, Sandown, Sandton, 2146
Rand Merchant Bank, 1 Merchant Place, cnr Fredman Drive and Rivonia Road, Sandton, 2196

Attorneys:
Read Hope Phillips, 30 Melrose Boulevard, Melrose Arch, 2196

Forward-looking statements:
Adcock Ingram may, in this document, make certain statements that are not historical facts and relate to analyses and other information which are based on forecasts of future results and estimates of amounts not yet determinable. These statements may also relate to our future prospects, developments and business strategies. Examples of such forward-looking statements include, but are not limited to, statements regarding exchange rate fluctuations, volume growth, increases in market share, total shareholder return and cost reductions. Words such as "believe", "anticipate", "expect", "intend", "seek", "will", "plan", "could", "may", "endeavour" and "project" and similar expressions are intended to identify such forward-looking statements, but are not the exclusive means of identifying such statements. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and there are risks that the predictions, forecasts, projections and other forward-looking statements will not be achieved. If one or more of these risks materialise, or should underlying assumptions prove incorrect, our actual results may differ materially from those anticipated. Forward-looking statements apply only as of the date on which they are made, and we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

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