PRESS RELEASE

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Adcock Ingram reports satisfying results

Johannesburg – The Adcock Ingram Group is pleased to report a 4% increase in turnover for the year ended 30 June 2020. The Group achieved these results despite the challenging conditions such as the general economic downturn, significant cost-push due to Rand weakness, global supply chain disruptions, and declines in demand for certain categories of medicine and products.

Performance highlights from continuing operations

- Increase of 4% in Turnover to R7.3 billion
- Operating Expenses decrease by 2%
- Increase of 1% in Headline Earnings to R710 million
- Cash on hand of R317 million
- Level 1 B-BBEE rating

'This set of results has been achieved despite the depressed trading environment and the challenges that have been brought about by the COVID-19 pandemic, such as the significantly weak Rand and unplanned expenditure. Despite these challenges we have remained focused on ensuring that we continue to produce and supply life-saving and acute medicines in South Africa that are much needed during the pandemic,' said Andy Hall, Chief Executive Officer.

Turnover increased by 4% to R7.3 billion, driven by an average price realisation of 2.6% and a mix benefit of 4.2%. Volumes declined by 3%, mainly in the OTC and Prescription businesses. The gross margin declined from 39.4% to 37.3%, adversely impacted by the by the unfavourable exchange rate and COVID-19 expenditure in the factories. Operating expenditure decreased by 2% resulting in a 1.2% decrease in trading profit to R944.3 million.

Although having to operate under extraordinary conditions, both the Consumer and Hospital divisions showed double-digit growth in sales and trading profit, supported by increased demand at the start of the COVID-19 outbreak, for products such as Panado, immune-boosting consumer products, and intravenous fluids; and exceptional demand for the Adco Hygiene range. The OTC division's performance was impacted by the absence of a cold and flu season in South Africa and the weaker currency, but it still grew sales and profitability. The Prescription division was significantly impacted by the COVID-19 outbreak and subsequent lockdown, which resulted in lower levels of patients consulting doctors and visiting dispensaries, and the postponement of elective surgeries.

Headline earnings from continuing operations for the year increased to R709.4 million when compared to R701.0 million in the previous year. This translates into headline earnings per share from continuing operations of 417.5 cents, a decrease of 1%, after taking into account the lower number of treasury shares subsequent to the unwinding of the B-BBEE Scheme.

As an essential service, the Group operated throughout lockdown, with the majority of our employees in the factories, distribution network and other departments critical to the continuity of the operations, working on site. During this period, Adcock Ingram, supported communities in need by providing food parcels and facemasks, made early settlement of payment to small medium enterprises, donated hospital beds and respirators through corporate social responsibility projects, and the non-executive and executive directors of the Board, and certain senior managers, voluntarily donated 20% of their fees or salaries, for three months, to the Solidarity Fund, or as a cost saving in their respective business unit.

To date, the Company has had 262 positive COVID-19 cases, of whom 253 have made full recoveries. Sadly, three employees succumbed to the virus. Apart from the positive cases, around 600 employees have self-quarantined and returned to work in line with strict protocols at various stages of the pandemic.

We are tremendously grateful to the people serving on the frontlines in essential services, especially healthcare workers, and we also salute our own employees who ensured that life-saving intravenous fluids and other medicines, essential to managing the COVID-19 crisis, were manufactured and distributed.

Although the Company is in a healthy financial position and generated strong cash flows in 2020, the pharmaceutical market has seen a slow-down subsequent to March 2020. The extraordinary levels of uncertainty in the economy and operating environment brought about by COVID-19, resulted in no final dividend being declared, the Company preferring to adopt a prudent cash preservation approach, until the full impact of COVID-19 is better understood.

'The COVID-19 pandemic will continue to adversely impact the economy and this will inevitably have a knock-on effect on our country's unemployment levels, the exchange rate, and a change in consumer spending and behaviour. In the absence of relief on the Single Exit Price, margin compression in the Group is inevitable at the current exchange rate levels. The uncertain lifespan of the pandemic will pose further risk on the current levels of weak demand which will negatively impact elements of the Group's portfolio. The Group continues to assess its structures and operating models and will adapt these based on customer and consumer behaviour. Despite the difficult short-term outlook, the Group remains optimistic about the sustainability of the Company' concluded Hall.

The full results information can be accessed on the Adcock Ingram website at:
http://www.adcock.co.za/Investors/FinancialReports.

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About Adcock Ingram

Adcock Ingram is a leading South African pharmaceutical manufacturer, founded in 1891, and listed on the Johannesburg Stock Exchange. Adcock Ingram manufactures, markets and distributes a wide range of healthcare and consumer products, and is a leading supplier to both the private and public sectors of the market. Adcock Ingram provides an extensive portfolio of branded and generic medicines. It also has a strong presence in over-the-counter brands, and is South Africa's largest supplier of hospital and critical care products. The Company's mission is to provide quality products that improve the health and lives of the people in the markets that we serve.
www.adcock.com

Media Contact:
Kavitha Singh
Corporate Communications Manager
Adcock Ingram Healthcare (Pty) Ltd
Mobile: +79 566 9527
Email: kavitha.singh@adcock.com