Abridged preliminary audited group results
for the nine-month period ended 30 June

2014

Adding value to life

Consolidated statements of comprehensive income

	Note	**Audited nine-month period ended 30 June 2014 R'000**	Reviewed nine-month period ended 30 June 2013 R'000	Audited Restated* year ended 30 September 2013 R'000
REVENUE	2	**3 640 780**	3 635 349	5 229 308
TURNOVER	2	**3 615 287**	3 617 402	5 195 185
Cost of sales		**(2 475 723)**	(2 113 615)	(3 091 486)
Gross profit		**1 139 564**	1 503 787	2 103 699
Selling and distribution expenses		**(567 435)**	(463 879)	(666 026)
Marketing expenses		**(160 236)**	(143 579)	(211 930)
Research and development expenses		**(81 096)**	(75 318)	(104 941)
Fixed and administrative expenses		**(337 887)**	(225 342)	(311 831)
Trading (loss)/profit		**(7 090)**	595 669	808 971
Non-trading (expenses)/income	3	**(967 645)**	11 092	(25 689)
Operating (loss)/profit		**(974 735)**	606 761	783 282
Finance income	2	**18 987**	10 153	21 510
Finance costs		**(98 620)**	(47 177)	(80 018)
Dividend income	2	**6 506**	7 794	12 613
Equity-accounted earnings		**31 895**	52 027	72 193
(Loss)/Profit for the period/year		**(1 015 967)**	629 558	809 580
Taxation		**53 811**	(166 492)	(213 127)
(Loss)/Profit for the period/year		**(962 156)**	463 066	596 453
Other comprehensive income which will subsequently be recycled to profit or loss		**51 792**	98 968	370
Exchange differences on translation of foreign operations		**52 967**	86 567	(772)
Profit on available-for-sale asset, net of tax		**350**	(80)	247
Movement in cash flow hedge accounting reserve, net of tax		**(1 525)**	12 481	895
Other comprehensive income which will not be recycled to profit or loss subsequently				
Actuarial loss on post-retirement medical liability		**(6 880)**	–	–
Total comprehensive income for the period/year, net of tax		**(917 244)**	562 034	596 823
(Loss)/Profit attributable to:				
Owners of the parent		**(965 343)**	455 034	587 844
Non-controlling interests		**3 187**	8 032	8 609
		(962 156)	463 066	596 453
Total comprehensive income attributable to:				
Owners of the parent		**(914 826)**	551 084	587 203
Non-controlling interests		**(2 418)**	10 950	9 620
		(917 244)	562 034	596 823
Basic (loss)/earnings per ordinary share (cents)		**(572,3)**	269,9	348,6
Diluted basic (loss)/earnings per ordinary share (cents)		**(571,9)**	269,6	348,3
Headline (loss)/earnings per ordinary share (cents)		**(179,5)**	271,7	350,4
Diluted headline (loss)/earnings per ordinary share (cents)		**(179,3)**	271,5	350,2

* *Refer note 1.2.*

Consolidated statement of changes in equity

	Issued share capital R'000	Share premium R'000	Retained income R'000	Non-distributable reserves R'000	Total attributable to ordinary shareholders R'000	Non-controlling interests R'000	Total R'000
	Attributable to holders of the parent						
As at 1 October 2012	16 872	547 400	2 502 510	356 229	3 423 011	125 500	3 548 511
Share issue	36	4 653			4 689		4 689
Movement in treasury shares	(47)	(27 265)			(27 312)		(27 312)
Movement in share-based payment reserve				15 154	15 154		15 154
Acquisition of non-controlling interests in Ayrton Drug Manufacturing Limited			(116)		(116)	(224)	(340)
Total comprehensive income			455 034	96 050	551 084	10 950	562 034
Profit for the period			455 034		455 034	8 032	463 066
Other comprehensive income				96 050	96 050	2 918	98 968
Dividends			(195 128)		(195 128)	(6 425)	(201 553)
Balance at 30 June 2013 (Reviewed)	16 861	524 788	2 762 300	467 433	3 771 382	129 801	3 901 183
Share issue	3	407			410		410
Movement in treasury shares	(32)	(21 131)			(21 163)		(21 163)
Movement in share-based payment reserve				(2 077)	(2 077)		(2 077)
Acquisition of non-controlling interests in Ayrton Drug Manufacturing Limited			(3)		(3)	1	(2)
Total comprehensive income			132 810	(96 691)	36 119	(1 330)	34 789
Profit for the period			132 810		132 810	577	133 387
Other comprehensive income				(96 691)	(96 691)	(1 907)	(98 598)
Dividends			(145 010)		(145 010)	(555)	(145 565)
Share issue expenses incurred by subsidiary				(3 669)	(3 669)		(3 669)
Balance at 30 September 2013 (Audited)	16 832	504 064	2 750 097	364 996	3 635 989	127 917	3 763 906
Share issue	46	6 856			6 902		6 902
Movement in share-based payment reserve				10 902	10 902		10 902
Acquisition of non-controlling interests in Ayrton Drug Manufacturing Limited			(66)		(66)	(175)	(241)
Total comprehensive income			(965 343)	50 517	(914 826)	(2 418)	(917 244)
Loss for the period			(965 343)		(965 343)	3 187	(962 156)
Other comprehensive income				50 517	50 517	(5 605)	44 912
Dividends						(6 746)	(6 746)
Balance at 30 June 2014 (Audited)	**16 878**	**510 920**	**1 784 688**	**426 415**	**2 738 901**	**118 578**	**2 857 479**

Consolidated statements of financial position

	Audited **30 June 2014 R'000**	Reviewed 30 June 2013 R'000	Audited Restated* 30 September 2013 R'000	Audited Restated* 30 September 2012 R'000
ASSETS				
Property, plant and equipment	**1 554 420**	1 609 244	1 648 709	1 450 815
Intangible assets	**836 178**	1 513 251	1 435 716	710 954
Deferred tax	**7 959**	12 544	7 829	5 097
Other financial assets	**138 955**	139 362	139 646	139 751
Investment in joint ventures	**202 237**	169 241	174 237	124 397
Other non-financial asset	**–**	39 707	36 987	–
Loans receivable	**–**	9 388	–	10 571
Non-current assets	**2 739 749**	3 492 737	3 443 124	2 441 585
Inventories	**1 106 261**	1 513 371	1 523 076	931 149
Trade and other receivables	**1 235 674**	1 242 738	1 548 059	1 255 511
Cash and cash equivalents	**247 852**	403 595	153 733	434 087
Taxation receivable	**76 306**	6 425	86 368	85 173
Current assets	**2 666 093**	3 166 129	3 311 236	2 705 920
Total assets	**5 405 842**	6 658 866	6 754 360	5 147 505
EQUITY AND LIABILITIES				
Capital and reserves				
Issued share capital	**16 878**	16 861	16 832	16 872
Share premium	**510 920**	524 788	504 064	547 400
Non-distributable reserves	**426 415**	467 433	364 996	356 229
Retained income	**1 784 688**	2 762 300	2 750 097	2 502 510
Total shareholders' funds	**2 738 901**	3 771 382	3 635 989	3 423 011
Non-controlling interests	**118 578**	129 801	127 917	125 500
Total equity	**2 857 479**	3 901 183	3 763 906	3 548 511
Long-term borrowings	**1 004 861**	108 211	4 841	101 404
Post-retirement medical liability	**22 034**	16 241	15 108	15 341
Deferred tax	**21 047**	104 177	121 564	93 113
Non-current liabilities	**1 047 942**	228 629	141 513	209 858
Trade and other payables	**1 115 563**	1 232 955	1 295 168	901 851
Bank overdraft	**319 613**	1 124 812	1 364 134	–
Short-term borrowings	**5 132**	102 584	100 483	402 922
Cash-settled options	**14 782**	32 675	39 150	39 983
Provisions	**45 331**	36 028	50 006	44 380
Current liabilities	**1 500 421**	2 529 054	2 848 941	1 389 136
Total equity and liabilities	**5 405 842**	6 658 866	6 754 360	5 147 505

* *Refer note 1.2.*

Consolidated statements of cash flows

	Audited nine-month period ended 30 June 2014 R'000	Reviewed nine-month period ended 30 June 2013 R'000	Audited Restated* year ended 30 September 2013 R'000
Cash flows from operating activities			
Operating profit before working capital changes	**59 574**	763 644	1 074 282
Working capital changes	**358 527**	(246 042)	(576 688)
Cash generated from operations	**418 101**	517 602	497 594
Finance income, excluding receivable	**17 287**	12 546	18 699
Finance costs, excluding accrual	**(101 480)**	(36 470)	(71 230)
Dividend income	**20 504**	21 502	34 990
Dividends paid	**(6 746)**	(201 553)	(347 118)
Taxation paid	**(36 869)**	(89 068)	(189 861)
Net cash inflow/(outflow) from operating activities	**310 797**	224 559	(56 926)
Cash flows from investing activities			
Decrease in other financial assets	**–**	291	409
Acquisition of Cosme business, net of cash	**–**	(821 593)	(821 593)
Purchase of property, plant and equipment – Expansion	**(12 278)**	(41 813)	(65 262)
– Replacement	**(83 187)**	(209 380)	(254 315)
Proceeds on disposal of property, plant and equipment	**54**	24	377
Increase in loans receivable	**–**	1 183	–
Net cash outflow from investing activities	**(95 411)**	(1 071 288)	(1 140 384)
Cash flows from financing activities			
Acquisition of non-controlling interests in Ayrton Drug Manufacturing Limited	**(241)**	(340)	(342)
Proceeds from issue of share capital	**6 902**	4 690	5 099
Purchase of treasury shares	**–**	(27 313)	(48 475)
Share issue expenses incurred by subsidiary	**–**	–	(3 669)
Increase in borrowings	**1 004 635**	6 188	3 924
Repayment of borrowings	**(100 000)**	(300 000)	(402 980)
Net cash inflow/(outflow) from financing activities	**911 296**	(316 775)	(446 443)
Net increase/(decrease) in cash and cash equivalents	**1 126 682**	(1 163 504)	(1 643 753)
Net foreign exchange difference on cash and cash equivalents	**11 958**	8 200	(735)
Cash and cash equivalents at beginning of period/year	**(1 210 401)**	434 087	434 087
Cash and cash equivalents at end of period/year	**(71 761)**	(721 217)	(1 210 401)

* *Refer note 1.2.*

Notes to the consolidated financial statements

1 BASIS OF PREPARATION

1.1 Introduction

The abridged audited preliminary consolidated annual financial statements for the nine months ended 30 June 2014 have been prepared in compliance with the Listings Requirements of the JSE Limited, the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the requirements of the International Accounting Standards (IAS) 34: *Interim Financial Reporting*, SAICA Financial Reporting Guides 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 30 June 2014 results have been extracted from the audited consolidated financial statements which were audited by the independent external auditors, Ernst & Young Inc. The 30 June 2013 results have been reviewed by Ernst & Young Inc. The unqualified audit opinion as well as the unqualified review opinion are available for inspection at the Company's registered office.

Mr Andy Hall, Deputy Chief Executive and Financial Director, is responsible for this set of financial results and has supervised the preparation thereof in conjunction with the 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 for the adoption of the following amended IFRS standards and IFRIC interpretations during the nine-month period.

a) The adoption of the following standards and interpretations did not have any effect on the financial performance or position of the Group.

* IFRS 10: *Consolidated Financial Statements; and*
* IAS 27: *Consolidated and Separate Financial Statements.*

b) The adoption of the following standards impacts the disclosure of the financial position of the Group, but does not impact the performance of the Group.

* IFRS 12: *Disclosure on Interest in Other Entities;*
* IFRS 13: *Fair Value Measurement;*
* IAS 28: *Investments in Associates and Joint Ventures;*
* IFRS 11: *Joint Arrangements; and*
* IFRS 11 and IFRS 12: *Transition guidance amendments*.

The application of IAS 28 and IFRS 11 impacted the Group's recording of its interest in the joint ventures: Adcock Ingram Limited (India) and National Renal Care (Pty) Limited. Prior to the transition, the Group's share of the assets, liabilities, revenue, income and expenses of these joint ventures were proportionately consolidated. Upon adoption of IAS 28 and IFRS 11, the Group is required to account for its interest in these entities using the equity method. This was applied retrospectively and the comparative information for the reporting periods in 2013 and 2012 is restated.

The detailed disclosures on the impact of the restatement of the September 2013 figures can be found in Annexure I to the Annual Financial Statements for the year ended 30 September 2013. The only changes to the revised figures reflected in that Annexure is an allocation of R33,5 million between fixed and administrative expenses and selling and distribution expenses as well as revised disclosure of borrowings and bank overdraft.

c) The adoption of IAS 19 *Employee Benefits* impacts the performance of the Group as the re-measurement gains or losses on defined benefit plans are now recognised in other comprehensive income and transferred immediately to retained earnings compared to being recognised in profit or loss before. The impact of this standard was considered to be immaterial for the prior periods and no restatements were made to the 2013 and 2012 periods.

d) The Group has elected to early adopt IAS 36 Amendment – *Recoverable amount disclosures for non-financial assets*. This had no impact on the financial position or performance of the Group.

	Audited nine-month period ended 30 June 2014 R'000	Reviewed nine-month period ended 30 June 2013 R'000	Audited Restated year ended 30 September 2013 R'000
2 REVENUE			
Turnover	**3 615 287**	3 617 402	5 195 185
Finance income	**18 987**	10 153	21 510
Dividend income	**6 506**	7 794	12 613
	3 640 780	3 635 349	5 229 308

		Audited nine-month period ended 30 June 2014 R'000	Reviewed nine-month period ended 30 June 2013 R'000	Audited Restated year ended 30 September 2013 R'000
3	NON-TRADING (EXPENSES)/INCOME			
	Impairments	**(843 364)**	–	–
	Intangible assets	**(601 789)**	–	–
	Inventories	**(130 966)**	–	–
	Property, plant and equipment	**(69 243)**	–	–
	Long-term receivable and non-financial asset	**(41 366)**	–	–
	Transaction costs	**(91 000)**	(7 473)	(34 630)
	Retrenchment costs and separation package	**(16 505)**	–	–
	Share-based payment expenses	**(10 016)**	(23 854)	(33 478)
	Scrapping of property, plant and equipment	**(5 561)**	–	–
	Lease cancellation expense	**(1 199)**	–	–
	Foreign exchange gain on Cosme acquisition	**–**	42 419	42 419
		(967 645)	11 092	(25 689)
4	SEGMENT REPORTING			
	Turnover			
	Southern Africa	**3 245 093**	3 368 028	4 809 518
	OTC	**1 136 916**	1 359 287	2 002 279
	Prescription	**1 387 655**	1 310 806	1 852 759
	Hospital	**720 522**	697 935	954 480
	Rest of Africa	**206 477**	144 426	220 635
	India	**177 709**	113 872	178 041
		3 629 279	3 626 326	5 208 194
	Less: Intercompany sales	**(13 992)**	(8 924)	(13 009)
		3 615 287	3 617 402	5 195 185
	Contribution after marketing expenses (CAM) and operating (loss)/profit			
	Southern Africa	**366 866**	829 091	1 137 098
	OTC	**200 446**	478 666	707 403
	Prescription	**156 900**	247 309	321 704
	Hospital	**9 520**	103 116	107 991
	Rest of Africa	**32 054**	33 063	48 253
	India	**21 475**	40 987	49 586
		420 395	903 141	1 234 937
	Less: Intercompany	**(8 502)**	(6 812)	(9 194)
	CAM	**411 893**	896 329	1 225 743
	Less: Other operating expenses[1]	**(1 386 628)**	(289 568)	(442 461)
	Research and development	**(81 096)**	(75 318)	(104 941)
	Fixed and administrative	**(337 887)**	(225 342)	(311 831)
	Non-trading (expenses)/income	**(967 645)**	11 092	(25 689)
	Operating (loss)/profit	**(974 735)**	606 761	783 282

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

		Audited nine-month period ended 30 June 2014 R'000	Reviewed nine-month period ended 30 June 2013 R'000	Audited Restated year ended 30 September 2013 R'000
4	SEGMENT REPORTING (continued)			
	Total assets			
	Southern Africa	**4 261 452**	5 389 332	5 341 345
	Pharmaceuticals	**3 645 069**	4 619 779	4 585 199
	Hospital	**616 383**	769 553	756 146
	Rest of Africa	**195 883**	177 859	286 104
	India	**948 507**	1 091 675	1 126 911
		5 405 842	6 658 866	6 754 360
5	INVENTORY			
	The amount of inventories written down recognised as an expense in profit or loss	**224 136**	22 124	38 283
6	CAPITAL COMMITMENTS			
	– contracted	**57 278**	133 823	34 737
	– approved, but not contracted	**23 880**	65 653	117 342
		81 158	199 476	152 079
7	HEADLINE (LOSS)/EARNINGS			
	Earnings per share is derived by dividing earnings attributable to owners of Adcock Ingram for the period, by the weighted average number of shares in issue.			
	Headline (loss)/ earnings is determined as follows:			
	(Loss)/Earnings attributable to owners of Adcock Ingram	**(965 343)**	455 034	587 844
	Adjusted for:			
	Impairment of property, plant and equipment	**69 243**	–	–
	Impairment of intangible assets	**601 789**	–	–
	Tax effect on impairment of intangible assets and property, plant and equipment	**(15 823)**	–	–
	Loss on disposal/scrapping of property, plant and equipment	**7 008**	3 169	3 750
	Tax effect on disposal of property, plant and equipment	**405**	–	(685)
	Headline (loss)/earnings	**(302 721)**	458 203	590 909

		Number of shares '000	Number of shares '000	Number of shares '000
8	SHARE CAPITAL			
	Number of shares in issue	**201 589**	201 102	201 128
	Number of A and B shares held by the BEE participants	**(25 944)**	(25 944)	(25 944)
	Number of ordinary shares held by the BEE participants	**(2 571)**	(2 255)	(2 571)
	Number of ordinary shares held by Group company	**(4 285)**	(4 285)	(4 285)
	Net shares in issue	**168 789**	168 618	168 328
	Headline earnings and basic earnings per share are based on:			
	Weighted average number of shares	**168 679**	168 618	168 618
	Diluted weighted average number of shares	**168 788**	168 753	168 753

9 Subsequent events

There are no material events which have occurred subsequent to the reporting date and up until the issue of these results which require additional disclosure.

INTRODUCTION

When profits decline materially contrary to expectation, such financial outcomes are never comfortably communicated to shareholders. Such is the case in this reporting period and the Board of directors (Board) can only record its serious concerns about the dramatic reversal of fortunes experienced by the Group in the nine-month period to 30 June 2014 compared to the results announced for the comparable period.

For a better appreciation of the results, shareholders are reminded of the change in year-end from September to June in each year, this having been effected for better performance management and other goal directed operational practicalities. In addition, for a more informed comparison with 2013, reviewed comparative figures have also been provided for the nine-month period ended 30 June 2013.

While there are several pharmaceutical sector specific reasons for the Group's weak trading performance, this was aggravated by a poor economic climate in South Africa as well as by Adcock Ingram's executive leadership being immersed in and substantially preoccupied with the CFR merger proposal.

FINANCIAL PERFORMANCE

Turnover

The sales performance during the period under review was disappointing, resulting in turnover of R3 615 million. This was marginally less than the comparative period, with a particularly weak performance in the over the counter (OTC) segment in Southern Africa. Price increases accounted for growth of 3,6%, whereas volumes declined by 10,4%. The balance relates to the inclusion of the Datlabs and Cosme businesses for the full nine-month period.

Profits

Gross profit for the nine-month period decreased by 24% to R1 140 million (2013: R1 504 million).

Gross profit as a percentage of sales was reduced to 32% (2013: 42%), this largely the impact of currency weakness (16% depreciation), which negatively affected the import costs of active ingredients and finished goods. This was compounded by input costs inflation (mainly utilities and labour), and the under recovery of fixed costs with certain facilities running below capacity. There was also an unfavourable sales mix weighted with a higher proportion of low yielding public sector sales and the need for certain inventory provisions. These factors were inadequately compensated by the Single Exit Price (SEP) increase of 5,8% granted in March 2014.

Operating overheads increased by 26% to R1 147 million (2013: R908 million). The increase relates mainly to the inclusion of Datlabs and Cosme costs for the full nine-month period, as these entities were only under the control of the Group for a portion of the comparative period. Group overheads increased by 8% excluding the overhead costs of Datlabs and Cosme.

A trading loss of R7,1 million was incurred, compared to a profit of R595,7 million in 2013.

Non-trading expenses

Non-trading expenses of R967,6 million (2013: R11,1 million income), include asset impairments of R843,4 million, R91 million related to the CFR transaction and also includes costs of R33,3 million for retrenchment, redundancy and other related expenditure.

Restructure and reorganisation

Immediately after the change in leadership and the partially reconstituted Board, a process of examinantion of the business was commenced, with a specific focus into the Group's separate business units. Substantive changes and a reorganisation of the business were found to be necessary to facilitate proper budgetary control and management with distinct structures of accountability. The reassessment which took place revealed and dictated that several substantial impairments were necessary and these have been accounted for in this period. Certain of these are explained below.

The risks arising through changes in regulation for complementary and alternative medicines (CAM's) and their poor trading performance, necessitated a review of the intangible asset values attributable to products within this portfolio. This comprehensive review resulted in impairments of R281,9 million being recorded at 30 June 2014.

The Prescription segment reflects an impairment of R24,6 million in relation to the Bioswiss trademark.

Impairments in the Rest of Africa segment relate to the carrying value of the Dawanol trademark (R8,6 million). Intangibles which arose on the Ghanaian investment (R49,5 million) have also been impaired, substantially due to the recent imposition of Value Added Tax on local pharmaceuticals in Ghana. This has negatively affected sales and the business in Ghana is presently being reviewed.

The India segment reflects impairments of intangible assets of R237,3 million. The Cosme business has generally not performed according to expectations. In addition, the Cosme brand is presently being phased out of the business, the market increasingly embracing the Adcock Ingram brand and banner.

Following the significant impairments described above, intangible assets, including goodwill, have a carrying value of R836,2 million at 30 June 2014 (2013: R1 436 million).

Property, plant and equipment was impaired by an amount of R69,2 million as the identified assets were no longer regarded as having a realisable value equivalent to the amount at which they were stated.

ARV inventory has been impaired by an amount of R131,0 million given that state depots and competitors are heavily over-stocked and that the likelihood of selling this inventory prior to the product expiry date is considered to be remote.

Headline loss

The headline loss after adjusting for capital items is R302,7 million (2013: R458,2 million earnings). This translates into a basic loss per share of 572,3 cents (2013: earnings of 269,9 cents) and a headline loss per share of 179,5 cents (2013: earnings of 271,7 cents).

Cash flows

Cash generated from operations was R114 million (2013: R121 million) after working capital decreased by R358,5 million (June 2013: increase of R246 million).

Trade and other receivables decreased by R316,9 million (57 days) at 30 June 2014, improving from the 62 days reported at September 2013. Receivables are well-controlled and 88% of receivables are due within 60 days. Government debt at 30 June 2014 is R180 million (September 2013: R176 million).

Inventory decreased by R260,2 million and accounts payable decreased by R218,6 million. Creditor days in payables are 74 days (September 2013: 69 days).

Total capital expenditure for the nine-month period under review amounted to R95,4 million.

Subsequent to September 2013, the final instalment of R100 million was repaid on the original capex facility. A secured term loan of R1 billion was advanced by Nedbank, replacing a portion of the bank overdraft. The secured term loan attracts interest, payable quarterly in arrears, the capital being due for repayment in December 2018.

BUSINESS OVERVIEW

Southern Africa

This segment encompasses all of the businesses in the Southern African region namely OTC, Prescription and Hospital. Overall, the region posted a sales decline of 3,7% to R3 245 million (2013: R3 368 million).

A particularly poor performance occurred in the **OTC** division where revenue was 16,4% below that of 2013.

Prescription revenue of R1 388 million (2013: R1 311 million) is 5,9% ahead of the comparable period, despite a disappointing performance in the generics portfolio.

Hospital turnover increased by 3,2% to R720,5 million (R697,9 million) supported by continued growth in the renal portfolio.

Rest of Africa and India

Revenue in Rest of Africa increased by 43,0% to R206,5 million (2013: R144,4 million).

In **Ghana** sales increased by 6,3% to R87,1 million (2013: R81,9 million). The introduction of a 17,5% Value Added Tax (VAT) rate on locally manufactured pharmaceuticals severely dampened activity in the Ghanian market.

In **East Africa**, sales increased to R30,8 million (2013: R23,2 million), driven by market expansion out of Kenya into neighbouring countries.

Sales in **Zimbabwe** continue to be adversely impacted by the liquidity crisis in that country.

Sales in **India** for the nine-month period to 30 June 2014 amounted to R177,7 million. This can be compared to R113,9 million in 2013 although this amount only included 5,5 months of trading. Performance to date has not been optimal.

REGULATORY ENVIRONMENT

In a Gazette dated 8 July 2014, the Department of Health invited comments on a methodology to be adopted for the calculation of the SEP adjustment.

A draft methodology on international benchmarking was Gazetted on 12 May 2014, calling for public comment. The methodology is intended to apply to originator medicines in the initial phase only to those products that have less than two generic competitors. The impact on the Adcock Ingram product range is not expected to be material in the initial phase, although a knock-on effect to generic medicines is possible.

PROSPECTS

Going forward, the reorganisation and corrective actions within the operating divisions are expected to stabilise the Group's immediate state of affairs, but it is too early to provide shareholders with any comfort regarding a return to profitability in the short term. However, in the short period since this curative initiative and renewed focus has occurred, a new culture of productivity and accountability has already taken root, hopefully restoring a positive direction in each of the business units and an improved demand for the Group's product range.

Notwithstanding the unfortunate events and results recorded for the period under review, the Group owns, produces and distributes an impressive range of pharmaceutical and medical products and given the Group's world-class production facilities, the Board remains optimistic about the longer term prospects.

By order of the Board

B Joffe
Chairman

KB Wakeford
Chief Executive Officer

AG Hall
Deputy Chief Executive and Financial Director

Johannesburg
28 August 2014

Notes

Notes

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:
Mr B Joffe (Non-Executive Chairman)
Mr K Wakeford (Chief Executive Officer)
Mr A Hall (Deputy Chief Executive and Financial Director)
Prof M Haus (Independent Non-Executive Director)
Dr T Lesoli (Independent Non-Executive Director)
Mr M Makwana (Independent Non-Executive Director)
Dr A Mokgokong (Non-Executive Director)
Mr R Morar (Non-Executive Director)
Mr L Ralphs (Non-Executive Director)
Mr C Raphiri (Lead Independent Non-Executive Director)
Mr M Sacks (Independent Non-Executive Director)
Dr R Stewart (Independent Non-Executive Director)

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.
102 Rivonia Road, Sandton, 2146

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

Bankers:
Nedbank Limited, 135 Rivonia Road, Sandown, Sandton, 2146
Rand Merchant Bank, 1 Merchant Place, corner 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.