

Aspen's five capitals

All organisations depend on various forms of capital for their value creation. In the International Integrated Reporting <IR> Framework, these capitals are defined as financial, intellectual and manufactured, human, social and relationship and natural capital.

The business model on pages 6 and 7 details Aspen's integration of its five capitals into the business. The icons below serve as an identifiable visual reference to these five capitals within this report.



Financial capital



Manufactured & intellectual capital



Human capital



Social & relationship capital



Natural capital

Strategic objectives

An analysis of these strategic objectives and key performance indicators ("KPIs") is set out on pages 18 to 23 of this Integrated Report and a review of how the Group has performed in respect of the related KPIs is detailed in the commentary on the capitals.



To create sustainable economic value for all our stakeholders



To enhance access to high quality, affordable medicines



To achieve strategic advantage through our integrated supply chain



To provide a safe, challenging and rewarding environment for our employees



To practise good corporate citizenship

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Overview

Content and scope of the report

This is Aspen's sixth Integrated Report and is aimed at providing its stakeholders with an enhanced understanding of:

- the Group's strategic objectives, progress made in pursuit of these and the outlook;
- the challenges and risks to achieve these strategic objectives;
- the capitals of the Group, with specific reference to the inputs, activities and outcomes relevant to them as well as a brief review of how the Group has performed in respect of achieving KPIs which measure the Group's financial and non-financial performance in respect of these capitals;
- the economic, social and environmental impacts of the Group;
- information relevant and material to the Group's business;
- how the Group operates; and
- the governance framework which regulates the conduct of the business.

All these aspects, interwoven, represent the fabric of the business that is Aspen. The Integrated Report of Aspen Pharmacare Holdings Limited ("the Company") and its subsidiaries (collectively "Aspen" or "the Group") has been prepared in accordance with the integrated reporting principles as set out in the King Report on Corporate Governance for South Africa 2009 ("King III") and covers the Group's operations, except where the scope is specifically stated as limited. This report has been structured to provide stakeholders with financial and non-financial information that is relevant and includes the Summarised Group Annual Financial Statements as approved by the Board of Aspen. The Summarised Group Annual Financial Statements are, however, not the Group's statutory accounts – the detailed audited Group and Company Annual Financial Statements for the financial year ended 30 June 2016 ("Annual Financial Statements") along with the supplementary documents as detailed below are available online at www.aspenpharma.com under Investor Information, Reports and Financial Information or from the Company Secretary & Group Governance Officer at rverster@aspenpharma.com.

Reference has been made to the International <IR> Integrated Reporting Framework to reflect the connectivity between the Group's strategic objectives, KPIs and the inputs, activities and outcomes in respect of the Group's capitals. Aspen endorses the view that reporting in an integrated manner assists shareholders, prospective investors and funders to make better informed decisions around investing and the allocation of resources. In pursuance of improving Aspen's approach to this reporting methodology, all material sustainability information relevant to its operations has been included as part of its reporting on the Group's capitals instead of publishing a separate Sustainability Report. The sustainability information has been prepared with reference to the Global Reporting Initiative's ("GRI") G4 Sustainability Reporting Guidelines. Aspen has also opted to combine reporting on manufactured & intellectual capitals into a single capital, reducing the capitals it reports on from six to five.

Comments or feedback regarding this Integrated Report are welcomed and stakeholders are requested to direct these to the Company Secretary & Group Governance Officer at the email address rverster@aspenpharma.com.

Company names, currencies and other references have been abbreviated throughout the Integrated Report. Full names can be referenced from the abbreviations bookmark. Abbreviations of the regulatory authorities and acronyms can be found on pages 135 and 136.

Determining materiality

In determining materiality, Aspen considers material issues to be those that have the potential to substantially impact Aspen's ability to create and sustain value for our stakeholders. The Board has considered and agreed that the Group's strategic objectives and the KPIs related to these objectives constitute Aspen's material issues and that these are appropriately aligned with Aspen's approach to managing risks.

Board endorsement of report and assurance

At its meeting held on 24 October 2016, the Audit & Risk Committee ("A&R Co") reviewed and recommended the Integrated Report and the supplementary documents for approval by the directors. The directors acknowledge that they are responsible for the content of the Integrated Report and the supplementary documents. The Board has applied its mind to this report and confirms that, read with the supplementary documents made available online, it addresses all material issues and fairly represents the financial, operational and sustainability performance of the Group. Aspen's external auditors, PricewaterhouseCoopers Incorporated ("PWC"), have provided an opinion on the financial statements and assurance over the Summarised Group Annual Financial Statements included in the Integrated Report. This opinion can be found on page 109 of this report. The Aspen Group Internal Audit function ("Internal Audit"), assisted by external expert service providers, where appropriate, has provided the relevant assurance on the following material aspects of this report:

- risk management;
- ethics management;
- IT governance;
- material business systems of internal control; and
- material financial systems of internal control.

Selected sustainability information in the Integrated Report has been independently assured by Environmental Resources Management (Pty) Limited ("ERM") in accordance with AccountAbility's AA1000 Assurance Standard (Revised, 2008) (Type II moderate level).

External assurance providers and Internal Audit have been engaged to provide limited assurance on the key sustainability aspects as referenced in the material sustainability issues and KPIs on pages 44 and 45 of this Integrated Report.

Supplementary documents

Accompanying this Integrated Report is the notice of annual general meeting and related proxy form. The following documents are available online:

- Unabridged Corporate Governance Report and reports of the Aspen A&R Co and Social & Ethics Committee ("S&E Co") for the 2016 financial year;
- the Sustainability Data Supplement; and
- the Annual Financial Statements (collectively the "supplementary documents").

About Aspen

Aspen is a global supplier and manufacturer of branded and generic pharmaceutical products as well as infant nutritionals and consumer healthcare products in selected territories.

Aspen manufactures approximately

24 billion
tablets annually



has

26 manufacturing
facilities at **18 sites** on
6 continents



and has more than

10 000 employees

How we have performed



Financial capital

- ▶ Comparable normalised headline earnings per share **increased 15% to 1 222,0 cents**
- ▶ **A highly successful refinancing of long-term debt facilities was undertaken**, resulting in the Group's USD term debt facilities being repaid and replaced by EUR term debt facilities, which are more appropriately aligned to Aspen's underlying cash flows
- ▶ **CAGR in excess of 40%** in respect of both gross revenue and EBITA since listing in 1998
- ▶ **Capital expenditure for the year of R1,7 billion** to enhance manufacturing capacity and technologies



Manufactured & intellectual capital

- ▶ **92 products launched in 22 countries**, the majority of which were in line with Aspen's core therapeutic areas
- ▶ Various product and intellectual property acquisitions during the year and after year end have **enhanced Aspen's product offering in its focused therapeutic categories**
- ▶ Products which were distributed in South Africa and in Australia were disposed of to allow for **greater commercial focus** on the products where Aspen is able to add more value
- ▶ **Strategic manufacturing expansion projects** completed at the Notre Dame de Bondeville, Port Elizabeth and FCC sites



Human capital

- ▶ Introduction of a **talent management process** throughout the South African business, aimed at identifying high-potential employees and building appropriate talent development plans
- ▶ **Several training initiatives in progress**, with a technical skills academy being established at the Port Elizabeth site and 46 employees from AGI and South Africa graduating from the Aspen Management Development Programme
- ▶ Aspen's manufacturing sites in Melbourne, Vitória and Notre Dame de Bondeville obtained **OSHAS 18001 certifications** for the first time



Social & relationship capital

- ▶ Employees across the Group participated in **96 Mandela International Day ("Mandela Day") projects reaching almost 60 000 beneficiaries** across six continents
- ▶ Aspen supported approximately **200 Socio-Economic Development ("SED") projects during the year**, with a total investment of R16,3 million
- ▶ Aspen maintained its **Level 4 Broad-Based Black Economic Empowerment ("BBBEE") accreditation** in South Africa
- ▶ The Group's ethics management programme was independently **assessed by the Ethics Institute** of South Africa and confirmed to be effective in all material respects



Natural capital

- ▶ Aspen's manufacturing sites in Melbourne, Vitória and Notre Dame de Bondeville obtained the **ISO 14001 Environmental Management System certification** for the first time
- ▶ The Group achieved a **"C – Awareness" performance rating** for the 2015 Carbon Disclosure Project, increasing its rating from 89% in 2014 to 96% in 2015
- ▶ Aspen's percentage of **waste recycled increased from 61% to 81%** as a result of continuous improvement of waste reduction, waste recycling and the identification of alternative waste treatment methods to prevent landfilling

Financial highlights

	Year ended 30 June 2016 R'-billion	Year ended 30 June 2015 R'-billion	Change	10-year CAGR# %
Financial performance highlights				
Revenue	35,6	36,1	(2)%	26
Comparable revenue†	35,4	31,6	12%	
Gross profit	17,9	17,3	4%	27
EBITA*	9,5	9,2	3%	25
Comparable EBITA*	9,4	8,6	9%	
Normalised headline earnings	5,8	5,2	10%	25
Comparable headline earnings	5,6	4,8	15%	
Cash generated from operating activities	3,2	4,8	(33)%	23
Financial performance indicators				
EBITA* margin (%)	25,0	24,1		
Comparable EBITA* margin	25,0	25,7		
Return on total assets (%)	10,4	12,0		
Gearing ratio (%)	43,5	47,1		
Return on ordinary shareholders' equity (%)	10,6	17,0		
Net interest cover (times)	6,1	6,2		
Performance per share				
Basic earnings per share (cents)	945,4	1 139,8	(17)%	18
Normalised headline earnings per share ("NHEPS") (cents)	1 263,7	1 145,8 [^]	10%	21
Comparable NHEPS (cents)	1 222,0	1 066,7	15%	
Operating cash flow per share (cents)	706,7	1 060,3	(33)%	20
Share performance indicators				
Price:earnings ratio (times)	28,7	29,5	(3)%	
Closing share price (cents)	36 228,0	36 000,0	1%	
Market capitalisation (R'-billion)	165,3	164,3	1%	

† Comparable revenue excludes the contribution from divestments and includes the results of Aspen's Venezuelan business translated at the DICOM (previously SIMADI) rate of VEF628,34 per USD for the prior reporting period.

* EBITA represents operating profit from continuing operations before amortisation adjusted for specific non-trading items as set out in the segmental analysis on page 116.

The compound annual growth rate ("CAGR") represents 10-year annual growth, calculated for the period 2006 to 2016.

[^] The definition of NHEPS was amended in terms of a change in accounting policy. NHEPS for the year ended 30 June 2015 has been restated from the previously reported value of 1 219,1 cents.

	Since listing	Last five years	Last three years
CAGR			
Gross revenue	42%	23%	22%
EBITA	44%	22%	19%
NHEPS	38%	18%	15%

The value Aspen has created...

Aspen recognises the importance of creating value for all its stakeholders.

This indicates how Aspen's wealth has been distributed and reinvested.



Government



Providers of capital



Reinvested

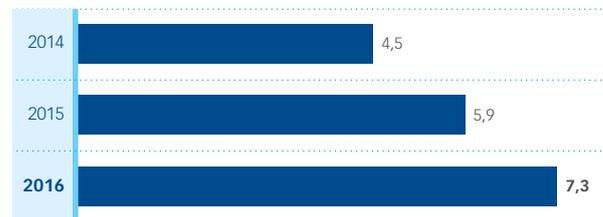


Employees

Government (R'billion)



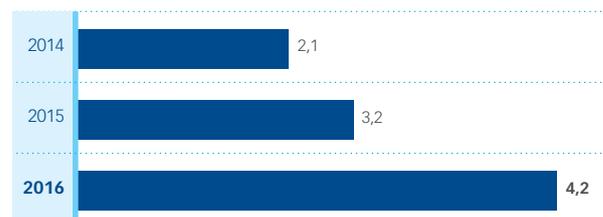
Employees (R'billion)



Reinvested in the Group (R'billion)



Providers of capital (R'billion)



Therapeutic focus

With an extensive basket of products that provide treatment for a broad spectrum of acute and chronic conditions experienced throughout all stages of life, Aspen continues to increase the number of lives benefiting from its products, reaching more than 150 countries across the world.

In line with the Group's commercial, production and territorial strategies, Aspen has identified four therapeutic categories which will get the highest focus based on materiality and future potential. These therapeutic categories, being Thrombosis, Anaesthetics, High Potency & Cytotoxics and Infant Nutritionals, will be explained in further detail through this report.

Thrombosis



Anaesthetics



High Potency & Cytotoxics



Infant Nutritionals



Business model



Aspen's vision

To deliver value to all stakeholders as a responsible corporate citizen that provides high quality, affordable medicines and products globally.

Aspen's values

- Commitment
- Excellence
- Innovation
- Integrity
- Teamwork

Aspen's capitals

- Financial capital
- Manufactured & intellectual capital
- Human capital
- Social & relationship capital
- Natural capital

1. Through understanding our key stakeholders' needs, identifying opportunities and managing risks

Key stakeholder expectations

Identified opportunities and risks

2. Strategy is developed and aligned to our values and vision



To create sustainable economic value for all our stakeholders



To enhance access to high quality, affordable medicines

3. Enabled through our unique value drivers

- Access to capital
- Cash flow generation capabilities
- Business acquisition and integration expertise
- Vertical integration advantages
- Globally competitive, scalable and widely accredited manufacturing facilities

4. Implemented through our globally integrated value chain

Product pipeline development

Manufacturing and

Patient/
consumer need

Product
development,
acquisition
and registration

Procurement

5. Providing high quality, affordable medicines and products to more than 150 countries focusing



Thrombosis

Arixtra
Fraxiparine
Fraxodi
Mono-Embolex
Orgaran



Anaesthetics

Anectine
Carbocaine
Citanest
Diprivan
EMLA
Marcaine
Mivacron
Naropin
Nimbex
Tracrium
Ultiva
Xylocaine

▶ External factors influencing Aspen's business



To achieve strategic advantage through our integrated supply chain



To provide a safe, challenging and rewarding environment for our employees



To practise good corporate citizenship

- Trusted Aspen brand
- High-performance and innovative culture
- Centres of excellence for product development, regulatory, supply chain and procurement resources
- Strong stakeholder relationships and corporate reputation
- Committed responsible corporate citizen

supply chain operations

Commercialisation



on niche therapeutic areas

High Potency & Cytotoxic
 Alkeran
 Benztropine
 Eltroxin
 Florinef
 Hydroxyprogesterone Caproate ("HPC")
 Imuran
 Ovestin
 Purinethol
 Thyrax

Infant Nutritionals
 Infacare
 S-26
 SMA

Why invest in Aspen?

Aspen has a proud heritage dating back more than 160 years and is committed to sustaining life and promoting healthcare through increasing access to its high quality, affordable medicines and products.

1

Strong market position

- ▶ One of the largest pharmaceutical companies in the southern hemisphere
- ▶ Substantial presence in major developing markets such as Latin America, Russia, Eastern Europe, sub-Saharan Africa ("SSA") and South East Asia
- ▶ Accredited manufacturing facilities that are scalable to demand
- ▶ Vertical integration advantages for the manufacture of certain of Aspen's leading global brands
- ▶ The leading pharmaceutical company in South Africa
- ▶ One of the top five pharmaceutical companies in Australia

2

Diversified geographies and product offering

- ▶ Well positioned in both developing and developed territories with products distributed in more than 150 countries and an established presence in approximately 50 of these countries
- ▶ Approximately 80% of revenues and EBITA are generated from territories outside of South Africa
- ▶ A broad product portfolio including branded medicines, biologicals, generics, infant nutritionals and other consumer healthcare products
- ▶ Targeted acquisitions of product portfolios in niche therapeutic areas which have a broad geographical footprint and which present value creation opportunities for the Group
- ▶ Diverse manufacturing capabilities across 26 manufacturing facilities covering a wide variety of product types including oral solid dose, liquids, semi-solids, steriles, biologicals, APIs and infant nutritionals
- ▶ Diversification of geopolitical and currency risk

3

Proven track record

- ▶ Delivered NHEPS CAGR of 38% since listing through acquisitive and organic growth
- ▶ CAGR since listing in excess of 40% for gross revenue and EBITA
- ▶ Skilled and experienced management teams to execute Aspen's strategy across multiple territories

4

Leverages on local knowledge and expertise

- ▶ Empowered local management take ownership of their businesses and are responsible for growth in their respective markets
- ▶ Products are acquired and product pipeline is developed in line with targeted therapeutic categories for each region

Aspen is the largest pharmaceutical company listed on the South African securities exchange, JSE Limited ("JSE"), and is one of the top 20 companies listed on this exchange. Aspen's market capitalisation at 30 June 2016 was R165 billion (approximately USD11 billion). The Group has 26 manufacturing facilities at 18 sites on six continents and more than 10 000 employees.

Aspen is well positioned in both developing and developed markets – it is the largest pharmaceutical company in Africa, and has an expanding presence in Latin America, Asia, Europe and the Commonwealth of Independent States, comprising Russia and the former Soviet Republics ("CIS"). Aspen is also one of the leading pharmaceutical companies in Australia and is establishing a presence in other developed markets such as the United States of America ("USA") and Canada.

5

Centralised Group activities facilitate synergies and mitigate pricing pressures

- ▶ Globally competitive manufacturing facilities that are aligned to commercial objectives and provide economies of scale
- ▶ Centralised regulatory, supply chain and procurement resources provide competitive advantages for the Group
- ▶ An ongoing focus on continuous improvement of efficiencies and performance

6

Positive growth drivers

- ▶ Provider of high quality, affordable medicines and products to historically under-served markets
- ▶ Exposure to faster growing developing markets
- ▶ Expanding footprint in targeted strategic growth territories
- ▶ Ongoing consolidation of production volumes and procurement efficiencies at strategic manufacturing sites will deliver competitive advantages to the Group
- ▶ Capital investment in production technologies and capacities to harness synergies from recent acquisitions in the medium term
- ▶ Strong cash generation enables reinvestment into the business

7

Responsible corporate citizen

- ▶ Committed to pursuing the Group's strategic objectives in a responsible and sustainable manner
- ▶ Operates on an established foundation of strong corporate governance
- ▶ Active participant in the United Nations Global Compact ("UN Global Compact") initiative, applying the 10 Principles
- ▶ Participant in the annual Carbon Disclosure and Water Disclosure Projects
- ▶ Focused investment for the development of our human capital and empowerment of future leaders
- ▶ A constituent of the FTSE/JSE Responsible Investment Index

8

Other considerations

- ▶ Aspen's shares have good trading liquidity, with an average daily trading volume of approximately 1,3 million shares for the 2016 financial year
- ▶ Aspen's executive directors are founders and material shareholders of the Group, ensuring alignment of shareholders' and executives' interests
- ▶ Aspen operates in the pharmaceutical industry which is considered to be defensive in nature



Thrombosis occurs as a result of the body's hemostatic pathway being activated inappropriately, leading to the formation of blood clots.

There are a number of drugs that are used to treat patients who are at risk either to treat or prevent clotting which can be divided into three broad categories:

- Anti-platelet;
- Anticoagulant; and
- Thrombolysis products.

A common example of an anti-platelet agent is Aspirin (COX-inhibitor) low-dose, which works to prevent blood stickiness by irreversibly acetylating the red blood cell. Other classes within this category are ADP receptor pathway inhibitors, GPIIb-IIIa antagonists and phosphodiesterase inhibitors.

Thrombolysis agents are molecules used to break up already formed clots to restore function to a vessel and prevent peripheral tissue damage. This form of therapy is performed in emergency situations using tissue plasminogen activators (t-PA).

Aspen's global basket of thrombolysis products fits into the anticoagulant category, aimed at the prevention and treatment of thrombotic disease, including deep vein thrombosis, pulmonary embolism and acute coronary syndrome.

This category is made up of oral and injectable agents, typically divided into the following categories:

- Vitamin K antagonists such as Warfarin;
- Heparin and derivatives such as low molecular weight heparins and heparinoids;
- Indirect Xa inhibitors such as Arixtra;
- Direct factor Xa inhibitors such as Rivaroxaban; and
- Direct Thrombin inhibitors such as Dabigatran.

Aspen's presence in respect of this therapeutic category is in the low molecular weight heparins (Fraxiparin and Certoparin), Xa inhibitors (Arixtra) and heparin derivatives (Orgaran) referred to as a Heparinoid, which are indicated for the treatment of Heparin-induced thrombocytopenia and also as an anticoagulant.

The Group is positioned as one of the leading worldwide providers in this therapeutic category. Aspen is currently the second largest provider to the European injectable anticoagulant sector (with 15% of the sector share) and the third largest participant in the total European anticoagulant sector (with 10% of the sector share). The IMS forecasts growth for the global demand for injectable anticoagulant products at a CAGR of 4,5% during the period 2016 to 2020.



Thrombolysis portfolio



The Aspen timeline



1850

The commencement of the business in Port Elizabeth, South Africa, which later became Lennon Limited, the originator company to the Group today.

1997

Aspen Healthcare (Pty) Limited began trading with Stephen Saad and Gus Attridge as two of the four founding members.

1998

Listed on the JSE through reverse listing into Medhold Limited.

1999

Acquired the pharmaceutical business of South African Druggists for R2,4 billion in a hostile take-over.

2000

Commenced construction of an oral contraceptive facility at its East London site.

2001

Aspen Australia commenced trade as a start-up operation.

Nelson Mandela officiated at the opening of a clinic constructed for the disadvantaged citizens of Engcobo, South Africa, the first of the community clinics established under Aspen's SED programme.



2003

Entered into a fostering arrangement with GSK for the marketing and distribution of 40 branded products into the South African private sector.

Aspen Stavudine was launched – Africa's first generic ARV.

2004

Aspen acquired FCC, the only South African manufacturer of APIs.

Aspen acquired Infacare, the infant nutritionals brand, from Dutch-based Royal Numico.

Aspen's multi-million Rand Port Elizabeth-based Unit 1 facility became operational.



2005

Extended its BBBEE ownership through the conclusion of an empowerment transaction with Imithi Investments (Pty) Limited.

Aspen's Unit 1 facility in Port Elizabeth became the world's first manufacturing site to receive tentative US FDA approval for the production of certain generic ARVs.

2006

Secured distribution rights for a number of important ARVs from Merck Sharpe & Dohme ("MSD"), Bristol Myers Squibb, Roche and Tibotec as the Group extended its portfolio as the biggest supplier of anti-retrovirals ("ARVs") in Africa.

2007

Prestige Brands Incorporated entered into an agreement with Aspen for the supply of eye drops from Aspen's Sterile facility in Port Elizabeth to the USA market.



Gross revenue (R' billion)



2002

Concluded a BBBEE deal with CEPWAWU Investments (Pty) Limited, the investment arm of the trade union representing the majority of Aspen's labour force in South Africa.

Aspen's new corporate identity was launched symbolising energy, innovation and nurturing.



2008

Entered the Latin American market through an investment with Strides in businesses established in Brazil, Mexico and Venezuela.

Acquired 60% of the share capital of Shelys with businesses in Kenya, Tanzania and Uganda.

AGI acquired the intellectual property rights to four GlaxoSmithKline Plc ("GSK") branded products for R2,7 billion, enabling Aspen to distribute these global brands, namely Eltroxin, Imuran, Lanoxin and Zyloric, to more than 100 countries.



2009

Concluded a series of strategic transactions with GSK worth R4,6 billion comprising the acquisition of the rights to distribute GSK's pharmaceutical products in South Africa, the formation of the GSK Aspen Healthcare for Africa Collaboration ("the SSA Collaboration") to market and sell pharmaceuticals in SSA, the acquisition of eight specialist branded products for worldwide distribution and the acquisition of a manufacturing site in Bad Oldesloe, Germany.



2010

Took full control of the Latin American businesses acquired in 2008.



2011

Aspen acquired the pharmaceutical business of Australian-based Sigma Pharmaceuticals Limited, now Aspen Pharma (Pty) Limited, for R5,9 billion.



2011
R13,2

2012
R16,4

2012

Established its first subsidiary in South East Asia in the Philippines. Aspen acquired a portfolio of established GSK over-the-counter ("OTC") products in selected territories for R2,1 billion.



2013

Acquired a portfolio of 25 established prescription-branded products from GSK ("classic brands") with distribution rights in Australia effective in the 2013 financial year.

In May 2013 Aspen Australia commenced the distribution of the leading infant nutritional products in that country following the acquisition of the rights to certain intellectual property licences and the related business by the Group.



2016

R37,7 billion*

2016

2015

R33,5*

2014

R31,4

2013

R20,8

2014

Acquired an API business and a portfolio of branded FDF molecules from MSD as well as two branded injectable anticoagulants and a specialised sterile production site from GSK.

Aspen established a number of additional offices across Europe, the CIS and in Latin America, increasing coverage to more than 50 countries across the world.

Intellectual property rights in related infant nutritional businesses in Latin America and South Africa were acquired from Nestlé.



2015

The Group expanded its global presence into Ghana and New Zealand and increased the focus on its thrombosis portfolio across Europe and its infant nutritionals portfolio in Spanish Latin America and Asia Pacific in line with its previously defined strategy.



2016

Reached agreement with AstraZeneca AB and AstraZeneca UK ("AstraZeneca") to acquire the exclusive rights to commercialise AstraZeneca's global anaesthetics portfolio in 100 countries worldwide, including China but excluding the USA.

Anaesthetics have been identified as a key therapeutic category for the Group's strategic development plans which will further strengthen Aspen's presence in the hospital sector.

* Comparable revenue excludes the contribution from divestments and includes the results of Aspen's Venezuelan business translated at the DICOM (previously SIMADI) rate of VEF628,34 per USD for the prior reporting period.

Where we are

Global presence

International business

R18,9 billion*



Contribution to comparable gross revenue



Key

- Group headquarters
- Combined sales, marketing, distribution and manufacturing centres
- Sales, marketing and distribution centres
- Marketing centres
- Branch/representative offices
- Manufacturing sites

- 1 ● Toluca, Mexico
- 2 ● Mexico City, Mexico
- 3 ● Vallejo, Mexico
- 4 ● San José, Costa Rica
- 5 ● Panama City, Panama
- 6 ● Bogotá, Colombia
- 7 ● Quito, Ecuador
- 8 ● Lima, Peru
- 9 ● Santiago, Chile
- 10 ● Buenos Aires, Argentina
- 11 ● Rio de Janeiro, Brazil

- 12 ● Vitória, Brazil
- 13 ● Sioux City, IL USA
- 14 ● Des Plaines, IA USA
- 15 ● Bridgewater, NJ USA
- 16 ● Montreal, Canada
- 17 ● Dublin, Ireland
- 18 ● London, United Kingdom
- 19 ● Bad Oldesloe, Germany
- 20 ● Munich, Germany
- 21 ● Oss, the Netherlands
- 22 ● Amsterdam, the Netherlands

- 23 ● Brussels, Belgium
- 24 ● Notre Dame de Bondeville, France
- 25 ● Paris, France
- 26 ● Baar, Switzerland
- 27 ● Verona, Italy
- 28 ● Prague, Czech Republic
- 29 ● Ljubljana, Slovenia
- 30 ● Baloži, Latvia
- 31 ● Warsaw, Poland
- 32 ● Bratislava, Slovakia
- 33 ● Budapest, Hungary

Aspen has a strong presence in both emerging and developed countries with more than 60 established business operations in approximately 50 countries. The Group supplies medicines and products to more than 150 countries.

Asia Pacific business

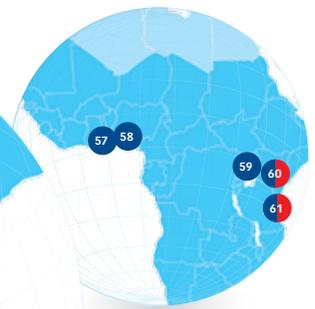
R7,4 billion*

South African business

R8,1 billion*

SSA business

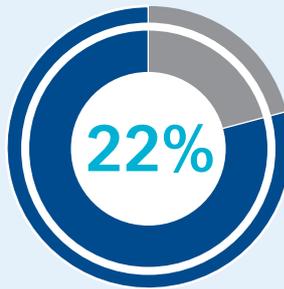
R3,3 billion*



Contribution to comparable gross revenue



Contribution to comparable gross revenue



Contribution to comparable gross revenue



- 34 ● Belgrade, Serbia
- 35 ● Athens, Greece
- 36 ● Moscow, Russia
- 37 ● Kiev, Ukraine
- 38 ● Bucharest, Romania
- 39 ● Sofia, Bulgaria
- 40 ● Hyderabad, India
- 41 ● Dubai, United Arab Emirates
- 42 ● Grand Bay, Mauritius
- 43 ● Kuala Lumpur, Malaysia
- 44 ● Quarry Bay, Hong Kong

- 45 ● Guangzhou, China
- 46 ● Tokyo, Japan
- 47 ● Taipei, Taiwan
- 48 ● Manila, the Philippines
- 49 ● Sydney, Australia
- 50 ● Melbourne, Australia
- 51 ● Auckland, New Zealand
- 52 ● Durban, South Africa
- 53 ● Cape Town, South Africa
- 54 ● Johannesburg, South Africa
- 55 ● Port Elizabeth, South Africa

- 56 ● East London, South Africa
- 57 ● Accra, Ghana
- 58 ● Lagos, Nigeria
- 59 ● Kampala, Uganda
- 60 ● Nairobi, Kenya
- 61 ● Dar es Salaam, Tanzania

* Comparable revenue excludes the contribution from divestments and includes the results of Aspen's Venezuelan business translated at the DICOM (previously SIMADI) rate of VEF628,34 per USD for the prior reporting period.

Manufacturing capabilities

Primary sites



Port Elizabeth, South Africa

Unit 1 facility

Capability: High-volume solids manufacturing and packing for domestic and export markets.

Capacity: 6 billion tablets.

Accreditation: ANVISA, FMHACA, GCC, ICHA, MCAZ, MCC, MHRA, NAFDA, NDA, PIC/S, PMPB, PPB, TFDA, TGA, US FDA, WHO.

Unit 2 facility

Capability: Small to medium-volume solids manufacturing for domestic and export markets.

Capacity: 4 billion tablets.

Accreditation: ANVISA, FMHACA, GCC, ICHA, MCAZ, MCC, MHRA, NAFDA, NDA, PIC/S, PMPB, PPB, TFDA, TGA, US FDA, WHO.

Unit 3 facility

Capability: End state packing for domestic market.

Capacity: 140 million packed units of tablets and capsules.

Accreditation: MCC and PIC/S.

Unit 4 facility

Capability: Hormonal and high potency solids manufacturing and packaging for the domestic and export markets.

Capacity: 3.2 billion tablets (hormonal); 395 million tablets (potency).

Accreditation: Facility has been commissioned. Initial trial batches are currently in process. The first regulatory body inspections will start in the first quarter of 2017.

API facilities



Cape Town, South Africa

FCC API facility

Capability: Specialised API manufacturing for domestic and export markets.

Capacity: 46 000kg

Accreditation: EDQM, MCC, PIC/S, PMDA, US FDA.



Notre Dame de Bondeville, France

Nadroparin facility

Capability: Specialised biochemical API – conversion of heparin to nadroparin.

Capacity: 200 batches of nadroparin.

Accreditation: ANSM, DQS.



Fondaparinux facility

Capability: Specialised chemical API – purification by chromatography of Fondaparinux.

Capacity: 34 batches of Fondaparinux sodium.

Accreditation: ANSM, ANVISA, DQS, KFDA, PMDA, TRA, US FDA.

Regional facilities

Johannesburg, South Africa

Capability: Infant nutritionals and UHT infant milk liquids manufacturing and packing for domestic and export markets.

Capacity: 6 800 metric tonnes of infant nutritionals; 9 million packed units of liquid UHT.

Accreditation: ISO 22000.

East London, South Africa

Capability: High-volume oral contraceptive manufacturing and packing for domestic market.

Capacity: 1 billion tablets.

Accreditation: MCC and PIC/S.

East London, South Africa

Capability: Solids, semi-solids and liquid manufacturing and packing for domestic market.

Capacity: 800 million tablets; 64 million packed units of liquids; 21 million packs of semi-solids.

Accreditation: MCC and PIC/S.

Melbourne, Australia

Capability: High-volume solids, liquids and semi-solids.

Capacity: 3 billion tablets; 90 million sachets; 1 167 tonnes semi-solids; 1 721 tonnes liquids.

Accreditation: TGA, UAERA, YRA.

Auckland, New Zealand

Capability: Infant nutritionals, dairy powder blending and packing for domestic and export markets.

Capacity: 24 000 tonnes of 900g cans (27 million cans); 70 million single serve sachets.

Accreditation: China GMP, CNCA, FSSC 22000, HACCP, Halaal, Organic, NZ RMP.



Sterile facility SVP 1: multi-product suites A and B
Capability: Eye drops, ampoules, liquid and lyophilised vials for domestic and export markets.
Capacity: Suite A: 42 million units of eye drops; 2,9 million units of liquid vials; Suite B: 11,75 million units of ampoules; 23,5 million units of liquid vials.
Accreditation: ANVISA, BFARM*, MCC, PIC/S, PPB*, US FDA, WHO (pre-qualification) (* pending).



Notre Dame de Bondeville, France

Block 3: Etna and Stromboli lines
Capability: Aseptic prefilled and terminally sterilised syringe manufacturing and packing for domestic and export markets.
Capacity: 85 million syringes (Etna line); 130 million syringes (Stromboli line).
Accreditation: ANSM, ANVISA, ASN, DQS, HPB, PMDA, US FDA.



Bad Oldesloe, Germany

Multi-product suite
Capability: Solid dose forms, oral and topical liquids, semi-solids and blow-fill seals, manufacturing and packing for domestic and export markets.
Capacity: 3,3 billion tablets; 6 240 tonnes of liquids; 1 404 tonnes of topical liquids; 351 tonnes of semi-solids, 60 million units for blow-fill seals.
Accreditation: ANVISA, GRA, IRA, LRA, PPB, PMDA, TGA, US FDA.



Sioux City, USA

Sioux City facility
Capability: Specialist biochemical API – heparin intermediates.
Capacity: Biologicals – capacity is measured on demand – dependent on product mix.
Accreditation: US FDA.



Oss, the Netherlands

De Geer site
Capability: Specialised hormonal and chemical APIs.
Capacity: 150 000kVH.
Accreditation: ANVISA, IGZ, KFDA, PMDA, US FDA.



Moleneind site
Capability: Specialised biochemical, hormonal and chemical APIs.
Capacity: Dependent on product mix.
Accreditation: ANVISA, IGZ, KFDA, PMDA, US FDA.



Boxtel site
Capability: Specialised biochemical API – gonadotrophin intermediates.
Capacity: Measured on demand.
Accreditation: IGZ, PMDA, US FDA.

Vitória, Brazil
Capability: Small to medium-volume solids and liquids.
Capacity: 220 million tablets and capsules; 96kℓ of liquids.
Accreditation: ANVISA, GMP, ISO 14001, OHSAS 18001.

Toluca, Mexico
Capability: Small to medium-volume solids.
Capacity: 38 million tablets; 50 million capsules.
Accreditation: COFEPRIS.

Vallejo, Mexico
Capability: Infant nutritionals manufactured and packed for the domestic and export markets. Small to medium-volume solids, semi-solids and liquids.
Capacity: 20 000 tonnes of infant nutritionals. 225 million tablets and capsules; 1 300 tonnes semi-solids; 2 000 tonnes liquids.
Accreditation: COFEPRIS, FSSC 22000, ISO 9001, ISO 14001, OHSAS 18001.

Dar es Salaam, Tanzania
Capability: Small to medium-volume semi-solids, large-volume solids and liquids.
Capacity: 1,2 billion tablets; 15 tonnes of semi-solids; 1 500kℓ of liquids.
Accreditation: DACA, FMHACA*, GFDB*, MOH – DRC, MOH – IC, NDA*, PIC/S, PMPD**, PPB, PRA, TFDA, ZAMRA.
 * To be re-inspected
 ** Routine renewal inspection applied for

Nairobi, Kenya
Capability: Small to medium-volume solids, liquids and fast-moving consumer goods.
Capacity: 500 million tablets; 488kℓ of liquid.
Accreditation: FMHACA, MCAZ, MOH – DRC, NDA, PMPB, PPB, PRA, TFDA, ZAMRA.

Accra, Ghana
Capability: Small to medium-volume liquids.
Capacity: 567kℓ of liquids.
Accreditation: GFDB.

Strategic objectives

The Board annually considers and agrees on Aspen's strategic objectives, its sustainability objectives and related material KPIs. Group and business unit executives are responsible for executing the Group's strategy through managing the use of, and impact on, its capitals to achieve the strategic outcomes. The Group's performance in respect of these strategic objectives and related KPIs is monitored by the Board on a quarterly basis. The performance of executive directors, executives and senior management is linked to financial, social,

KPI

Performance of the past year

To create sustainable economic value for all our stakeholders

1

Return on ordinary shareholders' equity

(page 49)

Growth in gross revenue

(page 49)

Growth in EBITA

(page 49)

Growth in NHEPS

(page 50)

Value added per employee

(page 50)

Operating cash flow per share

(page 51)

Leverage ratio

(page 51)

- ▶ Through a focus on profitable and sustainable business growth, Aspen continues to create economic value for its stakeholders creating R18,0 billion in value.
- ▶ Double-digit growth in comparable revenue was achieved across the pharmaceutical, infant nutritionals and manufacturing sectors, while the Group's primary indicator of financial performance, NHEPS, grew 15% on a comparable basis to 1 222 cents.
- ▶ Despite the growth in comparable revenue, the Group has experienced a challenging trading year, with the following factors impacting overall performance:
 - the expected short-term revenue impact as a result of the divestment of non-core products distributed in Australia and South Africa;
 - disappointing performance in the South African pharmaceutical business as a result of supply constraints and sub-optimal prioritisation of production capacity; and
 - the significant deterioration in the economic situation in Venezuela resulting in a once-off currency devaluation loss of R870 million and the suspension of trade until such time as economic conditions improve.
- ▶ A primary focus of the year was to bed down projects to realise synergies from the recent acquisitions. Benefits of approximately R300 million were achieved during the year.
- ▶ A successful restructuring of the Group's debt arrangements became effective 30 June 2016, resulting in the Group's USD term debt facilities being replaced with EUR term debt facilities, resulting in a better alignment with Aspen's underlying cash flows.
- ▶ An increase in working capital, influenced primarily by an unfavourable currency translation effect on inventory values and planned stockbuilds, has negatively impacted cash flows.
- ▶ The Group continued its acquisition of value-enhancing products, which have included the following strategic transactions aligned with Aspen's objectives in terms of therapeutic focus and regional diversification:
 - the acquisition of the intellectual property and the approved Abbreviated New Drug Application ("ANDA") in the USA in respect of the FDF of HPC;
 - the post-year end acquisition of the exclusive rights to commercialise AstraZeneca's global (excluding the USA) anaesthetics portfolio, which are sold in more than 100 countries worldwide including China, Japan, Australia and Brazil;
 - the post-year end acquisition of a portfolio of anaesthetic products globally (with the exception of certain territories, primarily North America) from GSK (subject to customary closing conditions being met); and
 - the post-year end acquisition of Fraxiparine and Arixtra in additional countries, most notably China, from GSK.

environmental and governance aspects related to their mandated responsibilities, resulting in an integrated approach to securing long-term business sustainability.

A high-level overview of the performance of the Group over the past year, the challenges and risks and the outlook for each strategic objective is set out below. Further detail on the application of the Group's capitals, the sustainability objectives and performance against the KPIs is set out on pages 44 and 45.

Challenges and risks

- ▶ There is an increased emphasis on rising healthcare costs and more scrutiny on the pricing of pharmaceuticals by governments, health insurers and consumers in most countries. Many governments have implemented programmes to control and/or reduce the pricing of pharmaceuticals, including price regulation of pharmaceutical products and introduction of programmes aimed at increasing the usage of generics.
- ▶ Evolving pharmaceutical regulations and application of increasingly stringent quality standards has led to raised costs of compliance across all territories. The complex regulatory environment makes it increasingly difficult to maintain returns on investment.
- ▶ While the Group is exposed to currency volatility in specific countries, trading in a diversified mix of currencies diminishes the risk on a Group-wide basis. This risk has been further mitigated by the replacement of USD debt with EUR debt.
- ▶ Competition in the global pharmaceutical market remains fierce. Low-cost Asian pharmaceutical companies are active in all major territories with many competing generics being launched upon patent expiry of a molecule. There is also the risk of the potential introduction of biosimilars in certain territories.
- ▶ The volatile geopolitical and economic conditions in many countries present a challenging trading environment, constraining organic growth in those countries.
- ▶ The operationalisation of multi-site, multi-product and multi-territory acquisitions is complex and can place strain on the financial and human capital resources of the Group. The integration of the acquired businesses into the Aspen culture is a key success factor of these transactions.

Outlook

Capitals involved



- ▶ Strategic initiatives have been undertaken to diversify market risks, currency risks and product risks supporting sustainable growth prospects. The Group's globally competitive production capabilities and economies of scale help to mitigate pricing pressures.
- ▶ Recent acquisitions represent further steps in Aspen's strategy to move towards a sharpened focus on key therapeutic areas and to move away from areas where the Group is less able to add value. The acquired anaesthetic portfolios present an opportunity to leverage both Aspen's existing hospital-focused sales force and potentially, in due course, its sterile manufacturing capabilities.
- ▶ These acquired anaesthetic portfolios, together with the thrombosis products from GSK, have allowed Aspen the opportunity to significantly expand its footprint in China.
- ▶ Aspen's private sector pharmaceutical division in South Africa is expected to return to a growth position in the forthcoming year although supply issues will continue to impact performance in the first half.
- ▶ It is anticipated that a further R0,5 billion to R1 billion in further synergies will be achieved in the next financial year as the Group works towards achieving the targeted R2,5 billion addition to EBITA by the 2019 financial year.
- ▶ The Group remains well positioned to assess and take advantage of acquisition opportunities which present strategic advantages and long-term value.

Strategic objectives continued

KPI

Performance of the past year

To enhance access to high quality, affordable medicines

2

IMS value of the total product pipeline for the next five years

(page 54)

Number of product recalls

(page 55)

- ▶ During the past year, the Group launched a total of 92 products in 22 countries, increasing access to high quality, affordable medicines and products. An extensive review of all product development and licensing initiatives has been undertaken to align with the Group's future growth plans and strategy.
- ▶ Aspen's product pipeline, as at 30 June 2016 (based on IMS values as at 31 December 2015), amounted to USD4,8 billion with 50% expected to be launched within the next two years and the balance over the next three years, subject to timing of technical validation and product registration processes. Increases in the product pipeline values are most notable in respect of Japan, the USA, Canada and Europe with more robust plans for growth in these countries, while declines predominantly affected the Australian, South African, Mexican and Brazilian businesses due to the continued rationalisation of the product portfolios and the removal of the Venezuelan pipeline.
- ▶ A strong focus on quality has been maintained with many manufacturing sites achieving positive results subsequent to inspections undertaken by regulators and audits conducted by customers.
- ▶ Product recalls experienced have been contained to specific batches and were mainly as a result of non-product integrity-related causes.
- ▶ Aspen has established a platform of domestic and international sales and distribution networks to serve its customer requirements across its territories. This platform is being expanded to meet the increased product portfolio and business needs.

To achieve strategic advantage through our integrated supply chain

3

Return on total assets

(page 55)

EBITA margin

(page 56)

- ▶ Further synergies from the integration into the Aspen supply network of the operations from the significant acquisitions that occurred in recent years have been achieved this year.
- ▶ The Group's investment in its manufacturing capability has continued through a number of projects aimed at providing it with the opportunity to add value to its expanding portfolio of products that require complex manufacture. Strategic projects include the installation of a new high-speed prefilled syringe filling line at the Notre Dame de Bondeville site, the construction of a new high-volume, high-potency multi-purpose API facility at FCC, construction of a high-containment facility as well as an additional specialist sterile facility at the Port Elizabeth site and further capital expansion projects at the Oss site that will maintain the sustainability of the site.
- ▶ Manufacturing revenue has shown positive growth, particularly in respect of API and third-party sales. This has been achieved through the successful completion of a number of projects aimed at increasing procurement and production efficiency and achieving synergies across Aspen's vertically integrated supply chain.
- ▶ Increased emphasis has been placed on the integration of regulatory, manufacturing and IT systems to achieve efficiency and manage risks across the complex supply chain associated with Aspen's operations.

Challenges and risks

- ▶ Regulatory requirements and product regulations continue to evolve and become more complex, requiring additional resources to maintain and upgrade the Group's intellectual property. Product registration timelines are long in certain key countries. The increasing cost of product ownership impacts the achievement of acceptable returns on investment from existing and new products.
- ▶ The higher potential returns associated with differentiated products, which make up an increased portion of the Group's pipeline, have greater investment requirements in the development phase.
- ▶ By its nature, the manufacture and supply of pharmaceutical products is highly technical, complex and regulated and therefore there is an increased risk of events that could result in batch rejection, product recall and/or disruption to supply.
- ▶ The introduction of large numbers of new sales representatives, particularly in countries where Aspen has not previously been represented, creates significant challenges of cultural orientation and alignment with the Group's business ethos.
- ▶ In certain markets, Aspen relies on third-party distributors to take its products to market.

Outlook

Capitals involved



- ▶ The Group's efforts to streamline its global product portfolio into niche therapeutic areas is intended to provide heightened focus of attention on Aspen's most important products.
- ▶ The newly acquired anaesthetics portfolio represents a strategic fit with the thrombosis portfolio, providing an opportunity for Aspen to establish a significant presence in these therapeutic areas.
- ▶ Development and refinement of the product pipeline in line with the Group's targeted therapeutic categories for each region will be pursued on an ongoing basis to sustain organic growth and efficient investment. Launch timing is dependent on the speed of processing of the necessary registrations by the regulatory authorities in each country.
- ▶ Aspen will work on optimising the contribution from the various sales teams deployed, while evaluating opportunities in new markets which may justify the introduction of further territories to the Group's promotional footprint.
- ▶ A considerable amount of time and attention is given to the communication and reinforcement of the Aspen way of doing business.

Capitals involved



- ▶ The manufacturing of pharmaceutical products is highly regulated and complex with manufacturing sites being subject to various regulatory inspections. Manufacturing sites in violation of regulated standards risk closure.
- ▶ The Group continues to be engaged in multiple projects to transfer production of certain pharmaceutical products to new lines within existing Aspen-owned facilities, alternative production facilities owned by Aspen and/or third-party manufacturers. These technical transfers, and the deployment of new technologies, pose execution risk.
- ▶ There is a key reliance on specialised raw materials, some of which can only be sourced from a single supplier.
- ▶ Aspen utilises contract manufacturers for the production of some of its products. There is a key reliance on these third parties for the continued supply of products within specification and required timeframes.
- ▶ Currency volatility and USD strength impact the cost of importing raw materials across Aspen's material manufacturing operations.
- ▶ Product registration times are unpredictable, which affects the supply chain readiness to launch products rapidly following registration.
- ▶ Technical transfer of products that have been on the market for long periods of time risk the requirement of upgrades before the transfer process can be completed.

- ▶ Dedicated project teams and experienced project leaders are in place to manage the complexity and the scale of projects. Project steering committee meetings are held regularly and the execution of pending projects are progressing accordingly to the project plans.
- ▶ The increased capacity as a result of the investment in strategic capital expansion projects is expected to favourably impact the Group's returns.
- ▶ A continued focus on product realignment projects will increase production efficiency and result in improved cost of goods.
- ▶ Targeted plans are in place to increase production volumes by means of new product introductions and the realignment of manufacture currently being outsourced to third-party manufacturers.
- ▶ Aspen's integrated supply chain, matched with its global distribution capabilities, places Aspen in a position to enter into value-creating partnerships.

Strategic objectives continued

KPI

Performance of the past year

To provide a safe, challenging and rewarding environment for our employees

4

Average staff turnover
(page 59)

Average training spend per employee
(page 59)

Percentage of female employees
(page 60)

Disabling incident frequency ratio ("DIFR")
(page 62)

Lost work day frequency ratio ("LWDFR")
(page 62)

- ▶ The project for the implementation of a global integrated human resources ("HR") management system has progressed and is expected to be completed during the course of the 2018 financial year.
- ▶ The staff turnover rate has stabilised in most businesses, with increased retention measures in respect of key executives and skills.
- ▶ A number of new executives have been successfully recruited to lead new business units and in areas of the business where renewed focus is required.
- ▶ A formal talent planning process has been introduced with initiatives to identify high-potential employees underway, with the focus being on leadership and management development across the Group.
- ▶ Synergies continue to be realised through the transfer of technical skills acquired by means of the significant business acquisitions completed in prior years.
- ▶ At the manufacturing sites in South Africa, substantial progress was made in the conversion of contract employees to permanent employees.
- ▶ Efforts aimed at the targeted restructuring of the workforce in selected operations have been undertaken to achieve operational efficiency.
- ▶ The exceptional performance of selected Aspen employees was recognised through the Aspen Group Employee Recognition Awards.
- ▶ High safety standards have been achieved with a further three manufacturing sites receiving OHSAS 18001 and ISO 14001 certifications.
- ▶ Specific emphasis on resolving inherent safety risks at the Oss site has resulted in a significantly improved safety culture at this site.

To practise good corporate citizenship

5

Number of material incidents of legislative infringements
(page 65)

BBBEE accreditation in South Africa
(page 67)

Carbon emissions
(page 70)

Waste recycled
(page 70)

Water used
(page 71)

Electricity used
(page 71)

- ▶ Aspen remains a contributing participant to the UN Global Compact and is committed to the application of this compact's principles in all of its business activities.
- ▶ Aspen operates on an established foundation of strong corporate governance.
- ▶ There has been ongoing emphasis on embedding the Group's values and the application of the Group's Code of Conduct across all operations.
- ▶ An independent assessment of the Group's ethics management programme undertaken by the Ethics Institute of South Africa confirmed that this programme was effective in all material respects.
- ▶ Aspen has been included as a constituent on the JSE/FTSE Responsible Investment Index following its listing on the former Socially Responsible Index of the JSE for five consecutive years.
- ▶ An extensive project has been initiated to address the reporting requirements stemming from the Organisation for Economic Cooperation and Development's ("OECD's") base erosion and profit shifting project.
- ▶ Aspen participates in the Carbon Disclosure and Water Disclosure Projects and has expanded the scope of disclosure, achieving improved scores. Progress has been made in the development of appropriate activity-based intensity measures for the measurement of energy and water usage and projects to improve resource efficiency and/or reduce environmental impacts have been implemented.
- ▶ There has been a continued focus on transformation initiatives in the South African business and the achievement of BBBEE objectives.
- ▶ Aspen employees in 37 countries were involved in 96 Mandela Day inspired initiatives.
- ▶ The Group legal and compliance function continues to support the business in managing compliance with the complex and varied regulatory environments in all of the countries in which Aspen operates.

Challenges and risks

Outlook

Capitals involved



- ▶ The ability to attract, retain and develop the diverse talent and specialist technical skills required to support the rapid growth and increasing complexity of operations remains a challenge.
- ▶ The successful integration of employees from acquired businesses into the Aspen culture and values remains a critical success factor and receives ongoing attention from senior leadership.
- ▶ The inherent safety risks relating to the pharmaceutical and chemical industry will always be a key focus as standardised safety, health and environment (“SHE”) processes are embedded across all of the Aspen operations.

- ▶ A global employee engagement survey will be conducted across the Group and will serve as a basis for further interventions.
- ▶ The implementation of the global HR management system is expected to provide access to real-time employee information to support various business requirements and enhance HR management processes across the Group.
- ▶ The establishment of a Technical Training Academy at the Port Elizabeth site has been undertaken as part of the Group’s leadership and technical training initiatives.
- ▶ The implementation of further development programmes that address the skills and knowledge gap needed for diverse and key talent in the business.
- ▶ The consistent application of the Group SHE standards and the phased approach to ISO certification will receive ongoing attention.
- ▶ Further measures aimed at reducing SHE risks at the Moleneind site at Oss, including the cessation of chemical operations which present the highest risks activities, will be executed over the next two years once the necessary authorisations have been received.

Capitals involved



- ▶ Reporting and disclosure requirements in respect of Aspen’s corporate citizenship and the application of international best practice remain onerous and require management focus and attention. Aspen will continue to meet these reporting requirements in a balanced and responsible manner.
- ▶ Aspen operates in multiple territories, with complex regulatory frameworks. Changes in legislation can impact Aspen’s operations or increase the risk of non-compliance.
- ▶ Aspen’s operations are dependent on stable and consistent water and energy supply and will be impacted by the future availability of these scarce resources.
- ▶ The age and design of the Moleneind site at Oss and the high level of regulatory scrutiny on this site continues to be a challenge for the site and are both receiving key focus from site management and Group executives.
- ▶ A continued focus of the Group is to maintain a consistent ethical culture across Aspen’s geographically and culturally diverse operations and offices.

- ▶ Ongoing emphasis will be placed on ensuring an ethical and values-driven culture throughout the Group.
- ▶ The Group intends to further the development of appropriate activity-based intensity measures and continue the focus on resource conservation across its operations.
- ▶ The Group plans to continue its investment in appropriate skills development and enterprise development initiatives in line with the increased targets and higher BBBEE recognition levels as a result of the updated Department of Trade and Industry’s BBBEE Codes of Good Practice (“BBBEE Codes”) revised in May 2015.
- ▶ Aspen will maintain its support of a number of SED projects, both in South Africa and the other countries in which it does business.
- ▶ Aspen Oss management will continue to work proactively with the authorities to address concerns relating to the SHE risks at the site, which will be significantly mitigated through the planned reduction in chemical activity at this site.

Engaging stakeholders

Aspen recognises the benefit of fostering and maintaining strong relationships with its stakeholders through transparent and effective communication. The Board is committed to sustaining Aspen's established credibility and rapport among its stakeholders.

Aspen has, having engaged with various stakeholders for more than 18 years since its listing on the JSE, identified its stakeholders as those persons, groups or organisations who are directly impacted by and/or interested in its activities, as well as those persons, groups or organisations who can reasonably be foreseen to be impacted by the Group's activities. A structured system of engagement exists to ensure the timeous communication of accurate and relevant information to and interaction with each stakeholder group in a consistent manner.

The Board has, after a thorough consideration of the Group's various stakeholders, categorised its key stakeholders as follows:

Our stakeholders



People

- ▶ Employees
- ▶ Trade unions
- ▶ Communities
- ▶ Bargaining councils
- ▶ Academia and educational institutions



Operations

- ▶ Pharmaceutical regulatory authorities
- ▶ Healthcare industry
- ▶ Suppliers
- ▶ Government and local authorities
- ▶ Customers and consumers
- ▶ Business and alliance partners
- ▶ Service providers



Corporate

- ▶ Shareholders
- ▶ Investors, analysts and the media
- ▶ Consultants and service providers
- ▶ Funders and corporate bankers

The means by which Aspen engages its key stakeholders is defined in the Group's Stakeholder Engagement Report, available online.

The Board takes overall responsibility for ensuring a stakeholder-inclusive governance approach and has, for this purpose, approved the Group's Stakeholder Engagement Report (also available online). Executive management has been entrusted with the responsibility for implementing this policy and for maintaining a robust and consistent system of communication with the identified stakeholder groups.

A wide range of regular, structured and *ad hoc* engagements take place at various levels in the organisation. Stakeholder engagement is a standing agenda item at scheduled meetings of the Board. Executive management submits quarterly stakeholder engagement reports detailing notable engagements with the Group's key stakeholders and any material topics or matters of concern which may have arisen are considered under this item. The documented feedback from these engagements assists Aspen in preparing its Integrated Report and to decide on what is to be included in the report from a materiality perspective. Management responds to material issues raised by stakeholders, as appropriate, in the ordinary course of business.

Included below are the more material stakeholder engagements by the Group undertaken since the publication of the previous year's Integrated Report:

Subject of engagement	Outcomes
Business and alliance partners	
Acquisition and disposal transactions undertaken during the year	<ul style="list-style-type: none"> ▶ Commercial and legal negotiations undertaken and concluded during the year to acquire the rights to HPC in the USA and the entire share capital of Norgine (Pty) Limited's ("Norgine's") South African subsidiary. ▶ Divestment of non-core products distributed in Australia and South Africa. ▶ Successful negotiations in respect of the acquisition of the rights to commercialise AstraZeneca's global anaesthetics portfolio (excluding the USA) and the acquisition of a portfolio of anaesthetic products globally (excluding certain territories) from GSK. ▶ Acquired Fraxiparine and Arixtra in China, India and Pakistan after exercising AGI's option in this respect. ▶ Agreed with GSK that the SSA Collaboration be cancelled.
Trade unions and works councils	
Restructuring at the Aspen Oss site	<ul style="list-style-type: none"> ▶ Consultation with works council regarding organisational restructuring to ensure the reduction of SHE risks at the Moleneind site.
South African bargaining council wage negotiations	<ul style="list-style-type: none"> ▶ Satisfactory settlement of wage negotiations with trade unions, limiting the industrial action undertaken at the Port Elizabeth and East London sites by the unions in furtherance of their wage increase demands.
Funders and corporate bankers	
Debt arrangements restructuring	<ul style="list-style-type: none"> ▶ The Group undertook a highly successful restructuring of its debt arrangements, including, <i>inter alia</i>, replacing the Group's USD term debt facilities with EUR term debt facilities and the restructuring of the banking covenant calculations to Group computations.
Government	
Currency flow from Venezuela	<ul style="list-style-type: none"> ▶ Liaison with the Venezuelan and South African governments in relation to the possible facilitation of a payment plan, which has been unsuccessful to date.
Environmental and safety regulatory authorities in the Netherlands	
Soil contamination and safety challenges at the acquired Moleneind site in Oss, the Netherlands	<ul style="list-style-type: none"> ▶ Aspen's ongoing initiatives to avoid and prevent further contamination at this site. ▶ Remedial actions in respect of reportable safety incidents and plans to reduce chemical manufacturing at this site.
Consumers, pharmaceutical regulatory authorities and the media	
Thyrax and Alkeran supply constraints in Europe	<ul style="list-style-type: none"> ▶ Aspen addressed concerns and engaged in a communication campaign in respect of supply constraints relating to Thyrax (used in the treatment of hypothyroidism) in the Netherlands and Alkeran (used to treat multiple myeloma) in Europe.
Government and healthcare industry	
2016 HIV/AIDS conference held in Durban	<ul style="list-style-type: none"> ▶ Aspen was represented at this conference and hosted a high-level panel of scientists, former African presidents and a number of other dignitaries at its headquarters in Durban.



Anaesthetic products are categorised into two classes, namely general anaesthetics, which cause a reversible loss of consciousness; and local or regional anaesthetics, which cause a reversible loss of sensation locally (eg for local surgical procedures) or for a limited region of the body such as epidural anaesthesia, while maintaining consciousness.

Aspen's acquisition of the rights to six local or regional and one general AstraZeneca anaesthetic products globally (except the USA), and five GSK anaesthetic products for general anaesthesia use globally (with the exception of certain territories, primarily North America) will position it as one of the leading providers of anaesthetic products worldwide as it will hold a 20% share in this therapeutic category globally (outside the USA), a sector IMS values at USD3 billion, and will be the leading supplier of these products in multiple countries, including China, Japan, Brazil, South Africa, Australia and certain Nordic countries. As a consequence of these transactions four of the top 10 anaesthetic products globally (excluding the USA) will be Aspen products.

A variety of products is used in general anaesthesia for induction, maintenance and recovery. The classes of products where Aspen has acquired the rights in general anaesthesia are related to:

- induction and maintenance (Diprivan – acquired from AstraZeneca);
- opioids used during induction, maintenance and recovery (Ultiva – acquired from GSK); and
- neuro-muscular, blocking drugs used to facilitate intubation and to relax the muscles for surgical procedures (Nimbex, Tracrium, Mivacron and Anectine – acquired from GSK).

Local/regional anaesthetics include topical agents, in which class Aspen has acquired ointments, creams, gels, patches and sprays (Emla – acquired from AstraZeneca).



Anaesthetics portfolio



Chairman's statement



Aspen's offshore business now accounts for **79%** of total gross revenue and **84%** of EBITA*

Offshore contribution to gross revenue and EBITA (%)



Kuseni Dlamini, Chairman

In this, my first Chairman's statement, I am pleased to report that Aspen delivered its 18th year of continued positive growth and impressive performance through the effective execution of its strategy. Aspen continues to make commendable progress towards its stated vision "to deliver value to all stakeholders as a responsible corporate citizen that provides high quality, affordable medicines and products globally".

Encouragingly, the Company is making positive strides in executing the projects aimed at delivering synergies from the various acquisitions undertaken in recent years. Aspen's offshore businesses, now accounting for 79% of total gross revenue and 84% of EBITA, have delivered strong performances through organic growth combined with some exchange rate fluctuation benefits. The performance constraints experienced in the South African business during the year are being addressed and the Board looks forward to an improved performance from this business in the next financial year.

Aspen's sustained success in delivering good performance comes from its people's relentless commitment to doing the ordinary well on a daily basis.

Strategy execution and delivery

The year under review was a challenging one for the global economy and also for Aspen. Although the global economy continued to grapple with pedestrian growth, Aspen demonstrated its robustness.

Aspen grew comparable revenue by 12% to R35,4 billion while comparable EBITA grew by 9% to R9,4 billion. This was against the backdrop of difficult economic conditions, which continue to affect a number of countries in which Aspen has a presence, particularly the Venezuelan market which deteriorated significantly due to political and economic instability.

The successful installation of a new high-speed prefilled syringe filling line at the manufacturing site at Notre Dame de Bondeville saw an important addition to the manufacturing efficiency of this site. At Aspen Oss, plans are in place to restructure operations aimed at securing the long-term sustainability of the site.

New frontiers

China and the USA are the new frontiers of Aspen's growth and expansion strategy, with China set to become a much more material contributor to Aspen's business into the future. The USA and China, respectively the largest and second largest pharma markets globally, present attractive growth opportunities which

Aspen is very keen to pursue into the future by maximising the value of our intellectual property and expanding our in-market footprint.

Refinancing of Group debt facilities

Aspen undertook a highly successful refinancing of its debt facilities, which involved the repayment of the Group's USD term debt facilities and their replacement with EUR debt arrangements. The latter are better aligned with the Group's underlying cash flows. The Board was pleased to note the very strong interest demonstrated by debt providers in supporting Aspen's new debt package. A special word of gratitude is extended to the Group's treasury teams involved in realising this notable achievement.

Developing Aspen's people for the future

A hallmark of Aspen's ongoing success in the multinational pharmaceutical arena has been the talent, skills and capacity of a committed workforce. A number of exciting skills and managerial development initiatives are currently in progress to further hone these capabilities. The S&E Co continues to monitor and guide the development of Aspen's talent pipeline, transformation initiatives undertaken in South Africa and the enhancement of gender equality throughout the Group.

I am particularly pleased to report that this has been the third consecutive year in which there have been no Aspen employees involved in fatal accidents while on duty. Although the Group's measured health and safety KPIs have steadied and improved slightly, ongoing efforts to improve occupational health and safety conditions at its 26 manufacturing facilities remain of the utmost importance to the Board and the executive management team.

Board and governance

The Group continues to combine an entrepreneurial and high-performance culture and good corporate governance as critical success factors. During the year the Group's ethics programme was effectively rolled out across all territories and levels in the organisation. We are committed to profitably growing and expanding the Group in an ethical and compliant way.

* Comparable business measures exclude the contribution from divestments and includes the results of Aspen's Venezuelan business translated at the DICOM (previously SIMADI) rate of VEF628,34 per USD for the prior reporting period.

Chairman's statement *continued*

Aspen's Board continues to function very effectively with its highly efficient subcommittees and committed and capable Board members. The Board's strength lies in the fact that it comprises directors with diverse perspectives and experiences.

Dr Judy Dlamini stepped down as Chairman of the Board at the last annual general meeting. I am very honoured and privileged to have been appointed to succeed Judy, who made a meaningful and lasting contribution to Aspen's growth and its rise to being a globally respected pharmaceutical company with more than 60 operations in approximately 50 countries.

Babalwa Ngonyama was welcomed to the Board and the A&R Co during the 2016 financial year and I am pleased to say that she has already made many meaningful and positive contributions to the Board's deliberations during the first few months of her tenure.

Conclusion

As the Group continues to extend its global footprint so it is able to increase the number of lives and people positively impacted by Aspen's medicines, products and service. The Board would like to express its deep appreciation to the more than 10 000 Aspen employees across the world whose commitment and capabilities make Aspen a very successful company that is able to make a meaningful and qualitative difference to people's lives and well-being.

I would also like to thank Stephen and Gus for their outstanding leadership of Aspen. My further thanks are extended to my Board colleagues, whose dedication to Aspen contributes to the ongoing success of the Group. This is an exciting time to be part of Aspen as it pursues strategies aimed at continuing to increase shareholder and stakeholder benefit.

Kuseni Dlamini

Chairman

24 October 2016

Accolades and achievements

Received the **funding deal of the year accolade** by Bank of America Merrill Lynch

Forbes ranked Aspen as the **74th most innovative company** in the world in its Most Innovative Growth Companies 2016 list

The Boston Consulting Group included Aspen as one of only **five** South African companies in its **2016 Global Challengers List** which recognises companies from emerging markets that "are reshaping industries and surpassing many traditional multinational companies"

Aspen was a recipient of the **2016 Africa Best Employer Brand Awards** which recognises African companies which have excelled in establishing themselves as "an employer of choice"

Aspen's Group Chief Executive, Stephen Saad, was awarded the **Entrepreneur of the Year Award** at the 2016 CNBC All Africa Leadership Awards

Adjudged the **Best Large Cap Presentation** by the Investment Analyst Society of South Africa in 2016

Aspen's 2015 Integrated Report was ranked **35th best annual report globally** by Report Watch, achieving an **A-score** and improving its ranking from 42nd in the prior year. It was one of only three South African companies to be in the top 100

Aspen's 2015 Integrated Report was ranked in the **Excellent category** of **Ernst & Young's Excellence in Integrated Reporting Awards 2016**

Aspen received the **Best Corporate Governance – Pharmaceuticals – Africa** award at the Ethical Boardroom Magazine 2016 Awards for the second year in a row

Aspen's Group Legal function was a finalist in **Legal Week Magazine's Legal Department of the Year Awards 2016**

Aspen has again been included in the **FTSE/JSE Responsible Investment Index** launched in 2015 and has had its absolute and relative scores increased in respect of this index after an analysis of the information contained in the 2015 Integrated Report

The Public Health Enhancement Fund in which Aspen is an active participant, was the winner of the **Titanium Awards for Excellence in Corporate Social Investment** at the Board of Healthcare Funders Conference held in July 2016

Group Chief Executive's report



Capital projects are adding value to the Group's expanding portfolio of products

Capital expenditure (R'billion)



Stephen Saad, Group Chief Executive

The 2016 financial year was a period in which Aspen did considerable groundwork in preparing the Group, operationally and strategically, for future growth. Operationally, there has been significant investment in multiple long-term projects, a number of which are starting to come to fruition. Strategically, it is Aspen's stated intent to move towards a sharpened focus on key therapy areas and to move away from areas where the Group is less able to add value. This intent is reflected in the divestments completed earlier in the year. A key element of Aspen's inorganic expansion strategy is to acquire products within therapeutic areas that are both niche in nature and complementary to its existing operations. Anaesthetics has been identified as a therapeutic category which is aligned with the Group's strategic development plans, and the transactions announced with AstraZeneca and GSK will create a leading position for Aspen in this area.

The financial results for the 2016 financial year are influenced by the aforementioned divestments and by the devaluation and suspension of trade in the Venezuelan business. On a comparable basis, NHEPS increased 15% to 1 222 cents. The International business performed strongly while the results from the South African business was disappointing. The following were highlights of the comparable performance for the year:

- The International business increased comparable revenue 19% to R18,9 billion and grew comparable EBITA 15% to R5,9 billion, bolstered by a 22% increase in commercial pharmaceutical revenue in Europe CIS. Other strong performances in the region were delivered by infant nutritionals in Latin America, which grew revenue by 18% and by the Manufacturing division, which raised sales by 22%.
- The South African business delivered an unsatisfactory performance, with comparable revenue declining 1% to R8,1 billion. This was attributable to a weak second half performance by the private Pharmaceutical division caused primarily by poor management of the supply chain. Comparable EBITA was 15% lower at R1,5 billion, with local currency weakness and operating expense increases placing pressure on margins. Remedial measures have been implemented and an improved performance is expected in the forthcoming financial year, particularly in the second half. On the positive side, revenue growth from infant nutritional products in South Africa maintained its momentum with an 11% increase, while the various South African manufacturing operations recorded impressive sales advances in respect of both APIs (up 52%) and FDFs (up 69%).
- In the Asia Pacific region, comparable revenue was 11% higher at R7,4 billion and comparable EBITA was up 10% to R1,6 billion. There was a steady performance from the Australasian business in a challenging trading environment. The Asian territory in this region posted a 29% revenue gain, with the Japan business being the largest contributor to this growth.

- Gross revenue from the SSA business increased 18% to R3,3 billion. A compensation payment in the SSA Collaboration assisted this business to raise EBITA 31% to R0,4 billion. The cancellation of the SSA Collaboration is expected to come into effect in the third quarter of the 2017 financial year.

Manufacturing capabilities – Aspen's competitive advantage

A primary value driver for Aspen has been the numerous strategic and competitive advantages it derives from its diverse and scalable manufacturing capabilities, with ongoing investment in these capabilities being aimed at ensuring production technologies, capacities and efficiencies are aligned with the Group's growth strategies.

During the year under review, important capital expansion projects in respect of Aspen's manufacturing sites were completed at the Notre Dame de Bondeville, FCC and Port Elizabeth sites. Bringing these previously unproductive assets into commercial production will benefit the Group through more efficient and expanded manufacturing capabilities.

Investment of R2,6 billion in ongoing capital projects is forecast for the 2017 financial year. Material projects are active at all of the strategic manufacturing sites, with the largest of these being the addition of a second sterile facility in Port Elizabeth, providing enhanced volume capabilities as well as security of supply over Aspen's important prefilled syringe products, most notably the thrombosis portfolio.

These capital projects, together with many other site improvement projects (as more fully detailed in the Group Strategic Operations Report on pages 74 and 75), will add value to the Group's expanding portfolio of products that require complex manufacture.

Group Chief Executive's report *continued*

Thrombosis and anaesthesia synergies – key to unlocking value

Aspen's commercial strategy in respect of its thrombosis portfolio remains directed at reducing manufacturing costs, creating supply chain efficiencies and expanding its business in developing countries. Progress has been made in increasing the supply of heparin from the USA, contributing towards a reduction in API costs for these products. The Notre Dame de Bondeville site is being prepared for the assembly and packaging of Mono-Embolex and this is expected to result in additional economies of scale and increased overhead recoveries for this site.

A generic of Arixtra in Germany was registered by a competitor during the 2016 financial year, but has not yet been launched. A number of applications are also pending in European countries for the enoxaparin biosimilar of Sanofi's originator product, the injectable anticoagulant global brand leader. The timing of and consequences from such launches are uncertain. An increase in competition and pressure on prices are probable outcomes, but there could also be increased access for Aspen's products in the influential hospital channel. Efforts to broaden the indications and geographic reach of the thrombosis products has also been initiated to enable Aspen to compete in more areas of treatment. The Australian Pharmaceutical Benefits Scheme listing of Fraxiparine was a notable success of this initiative.

Orgaran, used in the treatment of heparin-induced thrombocytopenia, is the product in the thrombosis portfolio with the greatest growth potential. Limited treatment options exist for heparin-induced thrombocytopenia, a rare, but life-threatening, reaction to heparin-based products. Orgaran is presently sold in restricted quantities in Germany, France and the United Kingdom. Manufacturing advancements recently achieved allow for increased production volumes of Orgaran and plans are in place to add to the number of countries in which this product is registered. Significant progress has been made in the reviving of a dormant new drug application for Orgaran in the USA with a best-case target registration date in the 2018 calendar year.

AGI's acquisition of the rights to AstraZeneca's global (excluding the USA) anaesthetics portfolio subsequent to year end and its acquisition of a portfolio of five anaesthetic products globally (with the exception of certain territories, primarily North America) from GSK will propel Aspen to being one of the world's leading providers of anaesthetic products:

- Aspen will have, excluding the USA, a 20% share in this therapeutic category globally.
- Aspen will be the leading supplier of these products in multiple countries, including China, Japan, Brazil (subject to competition authority approval), South Africa, Australia and certain Nordic countries.
- Four of the top 10 anaesthetic products globally, excluding the USA, will be Aspen products.

Anaesthetic products are characterised by strong brand loyalty and have very complex sterile manufacturing and supply chain requirements, resulting in high barriers to entry. In addition, this product portfolio, dispensed largely in hospitals and clinics, provides a very good fit with Aspen's thrombosis portfolio with prescribing anaesthetists being key to both portfolios and Aspen being able to provide a complementary yet diverse basket of products to these healthcare practitioners. The addition of the anaesthetic products presents an opportunity to leverage both Aspen's existing hospital-focused sales force that is currently promoting thrombosis products and, potentially in due course, the Group's sterile manufacturing capabilities. The portfolio is also an excellent fit with Aspen's geographic footprint, supply chain network and manufacturing capabilities, providing Aspen with an opportunity to unlock a number of future integration and synergistic benefits for the Group.

The acquisition of the AstraZeneca anaesthetic products provided Aspen with the meaningful point of entry it has been seeking to establish a presence in China. Approximately 360 sales and marketing personnel will transfer to Aspen in China in terms of this transaction. The additional acquisition from GSK of the rights to Fraxiparine and Arixtra in China, India and Pakistan will provide Aspen with considerable additional operational footing in China with approximately 300 additional sales representatives. Consequently, Aspen China has the advantage of beginning trade with a full complement of sales personnel who are experienced in the complexities of doing business in the country and who have established knowledge of the products they are promoting.

High Potency & Cytotoxic opportunities

The further development of this core therapeutic category for the Group is receiving focused attention. The Group has differentiated APIs at both Oss and FCC, where there is opportunity for vertical extension into the finished dose offering. In pursuit of this objective, the HPC finished dose product, indicated for the treatment of certain female cancers and hormonal imbalances, was launched in the USA in June 2016. This product is formulary driven and incremental sales increases in the USA are expected as commercial agreements to include the product into formularies are concluded. In the year ahead the launch in the USA of the FDFs of two products is planned, for which Aspen is also the API manufacturer – Benzotropine, used primarily for the treatment of Parkinson's disease, and an oncology product which could be the first ANDA registered for this molecule.

Infant nutritionals – margin improvement projects delivering value

Activities to realise margin improvements by means of cost of goods reductions from the infant nutritionals businesses progressed positively during the 2016 financial year and are ongoing. These include the implementation of a global procurement strategy, an improvement in the sourcing of

commodities and the achievement of greater operating efficiencies. Opportunities to build Aspen's infant nutritionals franchise are continuously under assessment.

Harnessing value creation opportunities from acquisitions

The Group remains cognisant of the fact that organic growth is a key factor in creating incremental value for Aspen and its stakeholders. This is an established and essential element of Aspen's business model and value proposition to stakeholders. Significant work has been done in effectively consolidating the major acquisitions that were concluded in the 2014 financial year, including bringing three major manufacturing sites into the Aspen supply network and transferring more than 2 500 new employees to Aspen.

Aspen has made pleasing progress in respect of a number of the projects aimed at delivering synergies from the various acquisitions undertaken in prior years towards achieving the target of contributing R2,5 billion in EBITA from these synergies by the 2019 financial year. These projects include:

- lowering the cost of goods for the thrombosis products;
- improving margins in the infant nutritionals business;
- bringing new manufacturing capacity and technologies online;
- building the third-party API business; and
- leveraging acquired intellectual property.

While opportunities to build a niche business based on the supply of specialised APIs and FDFs to the USA have been identified and are being pursued, significant progress has also been made in realising tangible organic growth from a number of operational synergies.

Aspen is confident that it will achieve the target it has set itself. While benefits of approximately R300 million were realised during the 2016 financial year, it is anticipated that between R500 million and R1 billion in further synergies will be achieved in the 2017 financial year. The realisation of these synergies, ongoing organic growth from the base business and the added contribution from the recently announced anaesthesia acquisitions, are expected to result in a strong increase in earnings in the 2017 financial year and provide Aspen with a solid platform on which to build into the future.

While organic growth is a key success factor for Aspen, the Group will also continue to seek and evaluate acquisition opportunities which are in line with its overall strategic objectives and which complement its geographic spread and focus. With the exit of GSK as a strategic shareholder in late September 2016, there is scope for alternative strategic investors in Aspen in the future.

Employee commitment – an Aspen hallmark

The enduring commitment of Aspen's employees is a fundamental element of Aspen's success over the past 18 years. This team now consists of more than 10 000 employees, with a number of new employees being added through the recently announced acquisitions, most notably in China. Considerable attention is paid to ensuring that the Aspen values and high-performance culture, or the "Aspen way", is well understood and actively applied throughout the Group. In this regard, ongoing investment in skills development is at the core of Aspen's objective to empower employees to perform at their peak and to develop our future leaders from within. I wish to express my appreciation to every employee in the Group for the contribution they make, it is sincerely valued.

I extend my thanks to Kuseni Dlamini who took on the role of Chairman in December 2015 and who has so ably led the Board since. I also thank each of the non-executive directors for their ongoing guidance and dedication to Aspen.

Stephen Saad

Group Chief Executive

24 October 2016

Financial review



Distribution to shareholders increased by **15%** to **216 cents**



Gus Attridge, Deputy Group Chief Executive

Highlights

The most significant aspects of Aspen's financial results for the year ended 30 June 2016 were:

- a strong performance from the International region underpinned by a combination of organic growth and exchange rate tailwinds;
- a disappointing performance from the South African business, particularly in the second half, caused primarily by supply chain issues which were poorly managed;
- continued growth momentum in infant nutritionals;
- an excellent contribution from the manufacture of APIs and FDFs for external customers;
- additional investment in working capital which weighed on cash generated from operating activities; and
- a highly successful refinancing of the Group's long-term debt facilities.

Comparable performance

The factors set out below significantly affected comparability of the 2016 financial year results with those of the prior year.

- The completion on 31 August 2015 of the divestment of the generics business conducted in Australia as well as certain branded products distributed in Australia to Strides group companies, the related termination of licence arrangements in Australia and the completion on 1 October 2015 of the divestment of a portfolio of products distributed in South Africa to Litha Pharm (Pty) Limited (collectively "the Divestments"). The Divestments gave rise to a pre-tax profit on disposal of R1,6 billion. However, as a consequence of the timing of these transactions, the contribution to the trading results by the Divestments is substantially reduced in the 2016 financial year. In the period from 1 July 2015 until the effective date of

divestment, revenue from the Divestments was R0,2 billion whereas revenue from the Divestments for the year ended 30 June 2015 was R1,8 billion.

- The economic situation in Venezuela deteriorated over the year to 30 June 2016 and the Venezuelan authorities have increasingly limited authorisations to pay for pharmaceutical imports using the official DIPRO rate during this period of between Venezuelan Bolivar ("VEF") 6,30 and 10,00 per USD. As a consequence of the limited payment approvals and the uncertain economic and political situation in Venezuela, before reporting the interim results for the six months ended 31 December 2015, the Group has concluded that it would be more appropriate to apply the DICOM exchange rate (VEF628,34 per USD at 30 June 2016) to report the Venezuelan business' financial position, results of its operations and cash flows for the year ended 30 June 2016. This has resulted in a one-off currency devaluation loss on foreign denominated liabilities of R870 million.

The profit arising from the Divestments, the currency devaluation loss and the hyperinflationary adjustments relating to Venezuela are excluded, in addition to other specific non-trading items, in determining normalised performance. In order to provide meaningful comparability of the financial performance of the ongoing underlying business, a comparable measure has been determined by removing the contribution from the Divestments and including the results of Aspen's business in Venezuela translated at VEF628,34 per USD in the prior reporting period.

The key performance measures for the Group for the year ended 30 June 2016 and the percentage change from the prior year are summarised as follows:

	Revenue R'billion	Change	Operating profit before amortisation R'billion	Change	HEPS** cents	Change
Comparable normalised***	35,4	12%	9,4*	9%	1 222,0	15%
Normalised	35,6	(2)%	9,5*	3%	1 263,7	10%
Unadjusted	35,6	(2)%	9,6	7%	889,0	(23)%

* Operating profit before amortisation, adjusted for specific non-trading items.

** Headline earnings per share.

*** The comparable information has been derived from the audited Annual Financial Statements and has been reported on by Aspen's auditors in a limited assurance report which is available for inspection at the Company's registered office. This information has been prepared for illustrative purposes only and is the responsibility of the Board of Directors of Aspen.

Financial review continued

Measures of earnings per share

The Group has reported various measures of earnings per share which record the earnings per share outcome under four scenarios. Reconciliation of these measures is set out in the table below:

	2016 cents	2015 cents	Change
Comparable NHEPS¹	1 222,0	1 066,7	15%
Removal of effects of Divestments	41,7	89,0	
Translation of Aspen Venezuela's earnings at the DICOM exchange rate	–	(9,9)	
NHEPS	1 263,7	1 145,8	10%
Aspen Venezuela translation adjustment ²	(190,6)	73,3	
Transaction, restructuring and capital raising costs	(184,1)	(69,2)	
HEPS	889,0	1 149,9	(23%)
Profit on sale of assets	258,1	27,1	
Impairments	(201,7)	(37,2)	
Basic earnings per share	945,4	1 139,8	(17%)

¹ Comparable business measures exclude the contribution from Divestments and includes the results of Aspen's Venezuelan business translated at the DICOM (previously SIMADI) rate of VEF628,34 per USD for the prior reporting period.

² Net monetary adjustments and currency devaluations relating to hyperinflationary economies.

Comparable results

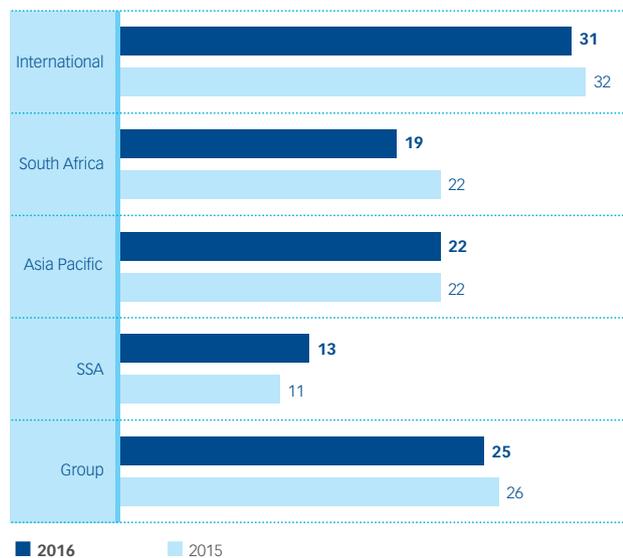
Set out below is the comparable Group statement of comprehensive income:

	Illustrative 2016 R' billion	Illustrative 2015 R' billion	Change
Revenue	35,4	31,6	12%
Cost of sales	(17,6)	(16,1)	
Gross profit	17,8	15,5	15%
Net operating expenses	(8,4)	(6,9)	23%
Normalised operating profit before amortisation	9,4	8,6	9%
Amortisation	(0,6)	(0,5)	
Operating profit	8,8	8,1	8%
Net financing costs	(1,9)	(2,0)	
Profit before tax	6,9	6,1	15%
Tax	(1,3)	(1,3)	
Profit for the year	5,6	4,8	15%

The International business contributed 50% of total gross revenue and was the main driver of the growth in sales of the Group. The Europe CIS territory was the biggest contributor to sales in the International business, growing at 22% to R13,2 billion. Comparable gross profit percentages improved from 49,0% in the 2015 financial year to 50,3%, supported by margin improvement initiatives. Increased selling and distribution expenses were the cause of net operating costs growing more quickly than revenue. The major reason for this was an increased investment in promotional activities in Europe CIS.

The comparable EBITA margin percentages by region are set out in the graph below:

Comparable EBITA margin by region (%)



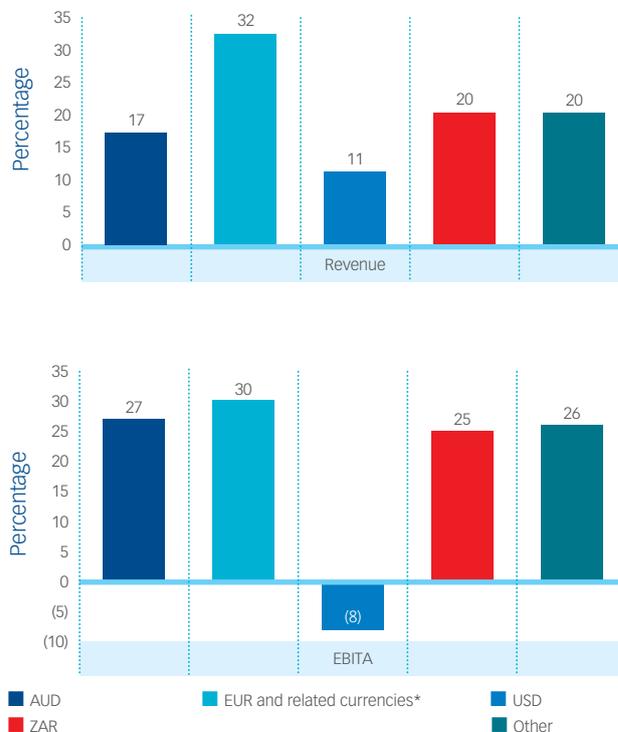
Note: comparable business measures exclude the contribution from Divestments and includes the results of Aspen's Venezuelan business translated at the DICOM rate of VEF628,34 per USD for the prior reporting period.

The main influences on the relative changes in EBITA percentages were:

- Termination of trade in Venezuela negatively affected the International margin, offsetting the benefits of margin improvements projects;
- A weakening exchange rate, low revenue growth and higher operating expense growth reduced the South African margin;
- The margin percentage in Asia Pacific remained stable despite pressure on prices from the Australian regulator; and
- Margins in SSA were boosted by the receipt of a compensation payment.

Four main currencies, the EUR (and related currencies), the Rand, the AUD and the USD were the leading contributors to both revenue and EBITA as demonstrated in the graphs above.

Currency contribution (%)



* Related currencies include Swiss Franc, Czech Koruna, Hungarian Forint and Polish Zloty.

The four major trading currencies comprised 80% of revenue and 74% of EBITA. There were positive trading cash flows in all but the USD. Operating costs in USD exceeded revenue in USD influenced by a significant proportion of the raw materials acquired across the Group being USD denominated. The negative USD operating cash flows were further exacerbated during the past year by a heavy interest burden denominated in USD. From the commencement of the 2017 financial year this additional USD denominated interest expense will no longer exist due to the refinancing of the USD portion of Group debt into EUR. This will achieve a better balance in exposure of the Group to its four major trading currencies and by so doing achieve a better diversification of currency risk.

Financial review continued

Funding and cash flows

The Group undertook a highly successful restructuring of its debt arrangements during the past year which became effective from 30 June 2016. The Group's USD term debt facilities were repaid under the restructure and replaced by EUR term debt facilities which are better aligned with Aspen's underlying trading cash flows. There was strong interest from debt providers in supporting Aspen's new debt package and the EUR facility was significantly oversubscribed. Restructured facilities are a mix between term and revolving arrangements with tenures of two to five years. Banking covenants have been consolidated and now only apply at Group level. The amended covenants also allow for greater flexibility in the event of a material acquisition. Blended interest rates for borrowings at the time of the refinancing were as follows:

Debt denomination	Post-refinance ¹ weighted average rate per annum %
ZAR	8,6
AUD	4,1
EUR	2,0

¹ Blended interest rates for borrowings as at 30 June 2016.

Borrowings, net of cash, increased by R2,7 billion to R32,7 billion as a result of unfavourable currency translation effects which together with the devaluation of the cash held in Venezuela exceeding net cash generated. The movement of the net borrowings balance over the course of the year is summarised in the table below:

Net borrowings	2016 R'billion
Opening balance	30,0
Cash generated from operating activities	(3,2)
Capital expenditure	2,8
Proceeds from sale of assets	(5,3)
Acquisitions of subsidiaries and businesses	0,7
Payment of deferred consideration	0,7
Distribution to shareholders	1,0
Other	0,4
Exchange rate effect	5,6
Closing balance	32,7

Group operating cash flows were negatively affected by a R3,4 billion increase in working capital. The unfavourable currency translation effect on foreign currency denominated working capital balances accounted for R1,4 billion of this increase and planned stock builds relating to transition of manufacturing arrangements was the other major contributing factor. The stock builds have been necessary to facilitate various changes of manufacturer and should start to be depleted during the 2017 financial year. There is therefore scope for a reduction in inventory levels. However, for the recently announced acquisitions, further investment in working capital will be required as working capital cycles are established for these new products.

Capital expenditure continues to be a major investment for the Group through the addition of assets to support the Group strategy. R1,7 billion was spent on property, plant and equipment as increased capacities and new technologies are established in Port Elizabeth, FCC, Notre Dame de Bondeville and Oss. It is gratifying that new manufacturing capacities and capabilities installed under recently completed capital projects have now commenced commercial activity at Notre Dame de Bondeville and FCC. An increase in capital expenditure of this nature is expected in the year ahead with major projects running at all strategic sites. The investment in intangible assets in the past year amounted to R1,1 billion as Aspen continued to expand its product portfolio.

Distribution to shareholders

A 15% increase in the distribution to shareholders was approved by the Board on 14 September 2016 in the form of a dividend of 248 cents per ordinary share. This is an expression of the confidence the Board has in the quality of the underlying results of the Group in the 2016 financial year and its future prospects.

Gus Attridge

Deputy Group Chief Executive

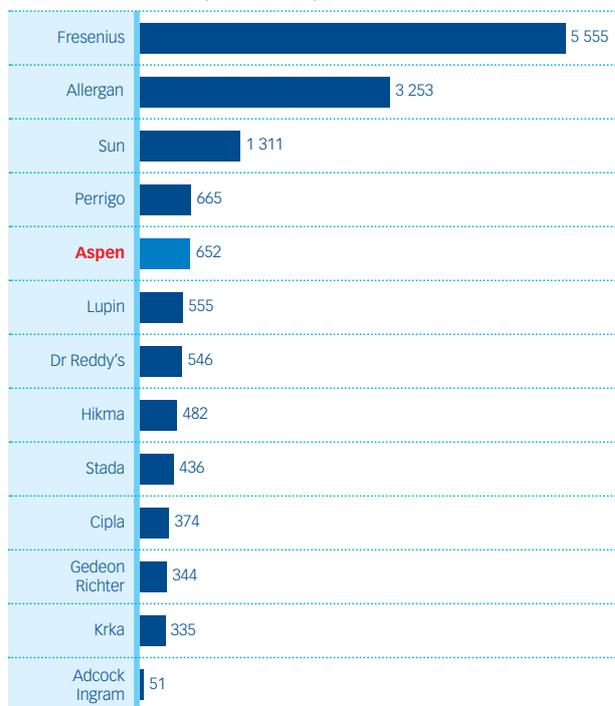
24 October 2016

Peer company comparatives

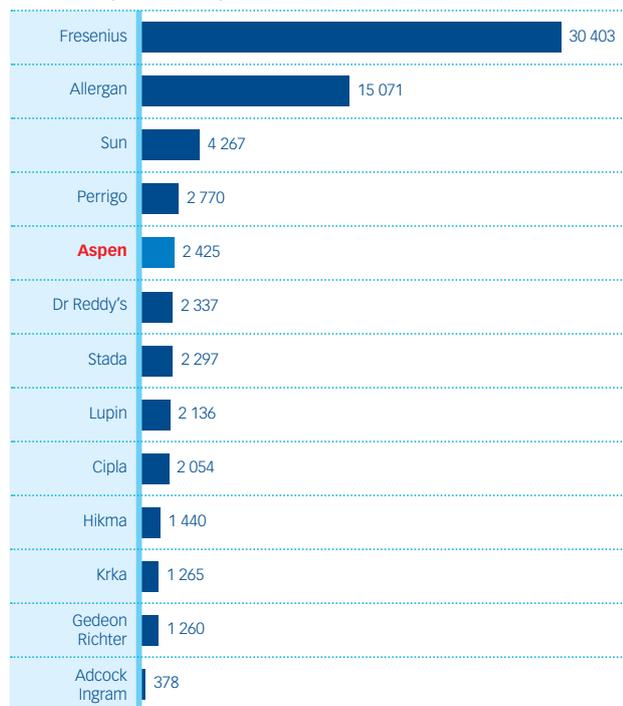
Market capitalisation and enterprise value (USD'billion)



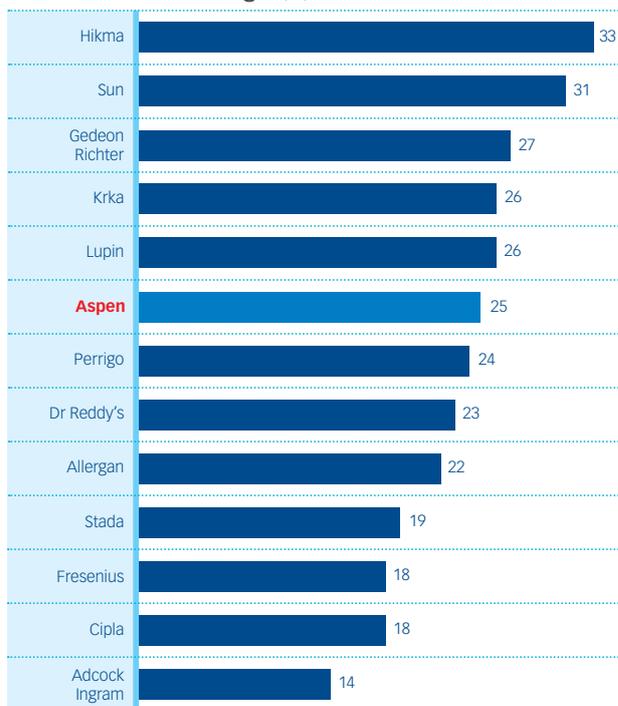
Normalised EBITA (USD'million)



Revenue (USD'million)



Normalised EBITA margin (%)



Source: Reuters Eikon.

Note: All information for peer companies is as per last reported annual results. Aspen's actual results for the year ended 30 June 2016 are reflected on the charts. Reported normalised EBITA and NHEPS is reflected for Aspen while normalised EBITDA and diluted NHEPS is reflected for peer companies.



High Potency & Cytotoxic products generally contain APIs which evoke the indicated response when administered at a low concentration. Due to their potency and toxicity these molecules require to be manufactured under specialised conditions, catering for both employee health and safety as well as product efficacy.

Most of these molecules have a narrow therapeutic index, allowing for a small window between the effective and toxic doses. These products are mainly used in life-saving chronic medical conditions. The leading class in this product segment, with a combined global value of USD3,4 billion and annual volume growth of 7% (as measured by IMS at 31 December 2015), are products designed to treat under-active thyroid conditions such as Aspen's Eltroxin, Eutroxsig, Oroxine and Thyrax. Another important product in this segment is Florinef, a specific high-potency mineral corticoid used in adrenal insufficiency, classified by the WHO as an essential medicine.

Aspen also actively promotes two anabolic steroid products in this product segment, namely Deca-Durabolin and Sustanon, as well as a basket of glucocorticoids, Meticorten/Oradexon/Decadron and Meticortelone in various dosage forms, mostly in the Latin American and Asian regions.

During the year under review Aspen acquired and launched the HPC FDF, which is indicated for the treatment of certain female cancers and hormonal imbalances, and Bantzropine, used primarily for the treatment of Parkinson's disease.

Cytotoxic products are mainly oncological molecules focused on haematology and immunosuppression. Aspen's products fall within the antimetabolites product class, which has a global IMS value of USD7,4 billion, and the alkylating agents class which has a global IMS value of USD2,7 billion. These brands are used in combination regimens with other oncological products, centred on research-based clinical trials aimed at ensuring improved survival and quality-of-life outcomes.

Female health has been identified as a potential growth segment for Aspen, considering that the Group manufactures the APIs for multiple female health products globally, including a number of oral contraceptive and hormonal replacement therapy products it acquired from MSD in the 2014 financial year. Aspen is well positioned to take advantage of its specialised manufacturing expertise to develop and commercialise its own branded portfolio in this growing segment.

High Potency & Cytotoxics portfolio



Aspen's approach to sustainability and the capitals

Aspen's vision, "to deliver value to all stakeholders as a responsible corporate citizen that provides high quality, affordable medicines and products globally", encapsulates the Group's inherent approach of conducting business ethically, with integrity and with a commercial wisdom which strives to enhance the economic and social well-being of its investors, employees, customers and business partners.

Aspen recognises that doing business in a sustainable manner is imperative to ensuring its future viability, as such sustainability considerations underpin Aspen's strategy and are integrated into its day-to-day activities. Aspen's material sustainability issues are those economic, social, environmental and governance issues and risks which are considered to be material to the Group's key stakeholders and/or that have a material impact on the Group's strategic objectives.

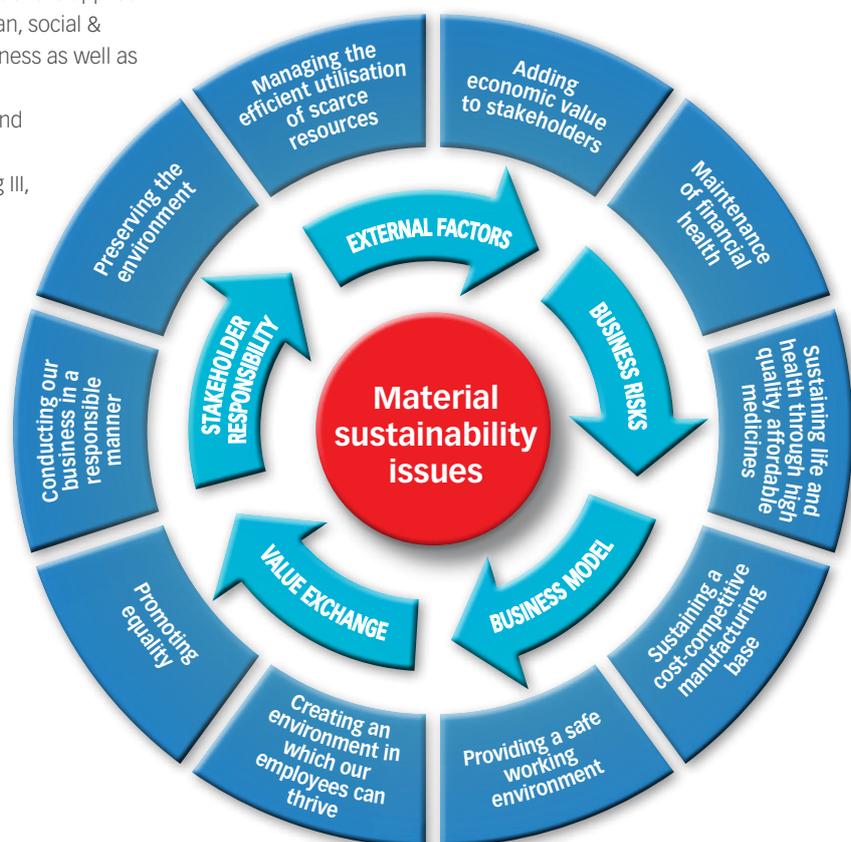
Material sustainability issues are determined through ongoing interactions with the Group's key stakeholders with reference to:

- external factors impacting the Group's business model and pursuit of strategic objectives;
- key business risks impacting the Group's sustainability;
- the Group's mandated responsibility to its stakeholders in terms of the business model and related stakeholder expectations;
- the value exchange and/or opportunity cost of the applied financial, manufactured & intellectual, human, social & relationship and natural capitals to the business as well as the responsible management of these; and
- the Group's responsibility to stakeholders and transparency in reporting as set out in the GRI Sustainability Reporting Guidelines, King III, Companies Act of South Africa, BBEE Codes in South Africa, the JSE/FTSE Responsible Investment Index, the Carbon Disclosure Project and the UN Global Compact.

Aspen's material sustainability issues are grouped into 10 sustainability objectives which are aligned to the Group's strategic objectives, the related capitals and the relevant KPIs. The A&R Co reviews and approves the sustainability objectives and the determination of the related KPIs. The Board monitors Aspen's performance with reference to these KPIs on a regular basis.

The reporting on the sustainability objectives is integrated into the reporting on capitals in this section of the Integrated Report, and accordingly, a separate Sustainability Report will no longer be prepared. A Sustainability Data Supplement is available online to provide the Group's stakeholders with further sustainability-related data.

Assurance in respect of the information reflected for these sustainability KPIs has been obtained by means of a combined assurance approach, with ERM providing assurance on the key SHE indicators in line with the AccountAbility AA1000 Assurance Standard, PwC providing assurance on the financial indicators and other assurance providers such as the Group's Internal Audit and Empowerdex providing assurance on the balance of the indicators reported. The assurance statements issued by ERM and PwC are available online.



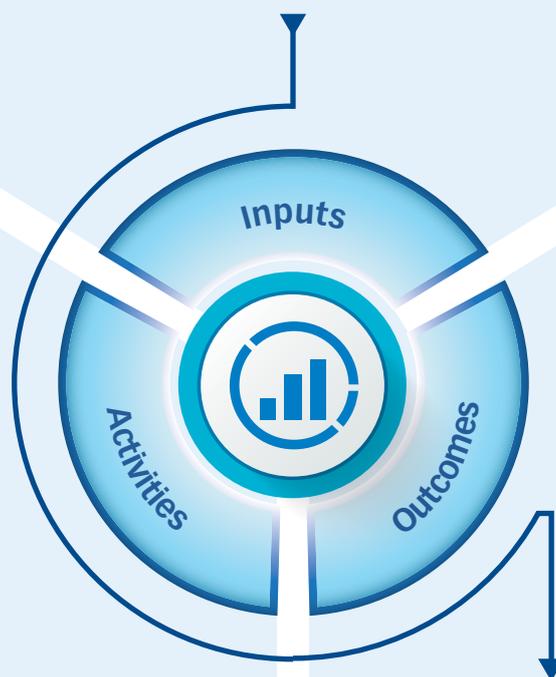
Capital	Strategic objective	Aspen's sustainability objectives	Material KPIs
Financial 	 <p>To create sustainable economic value for all of our stakeholders</p>	Adding economic value to stakeholders	<ul style="list-style-type: none"> Return on ordinary shareholders' equity Growth in gross revenue Growth in EBITA Growth in NHEPS Value added per employee <p>2016 assurance provided: PwC</p>
		Maintenance of financial health	<ul style="list-style-type: none"> Operating cash flow per share Leverage ratio <p>2016 assurance provided: PwC</p>
Manufactured & intellectual 	 <p>To enhance access to high quality, affordable medicines</p>	Sustaining life and health through high quality, affordable medicines	<ul style="list-style-type: none"> IMS value of total product pipeline for the next five years Number of product recalls <p>2016 assurance provided: Internal Audit</p>
		 <p>To achieve strategic advantage through our integrated supply chain</p>	Sustaining a cost-competitive manufacturing base
Human 	 <p>To provide a safe, challenging and rewarding environment for our employees</p>	Creating an environment in which our employees can thrive	<ul style="list-style-type: none"> Average staff turnover Average training spend per employee <p>2016 assurance provided: Internal Audit</p>
		Providing a safe working environment	<ul style="list-style-type: none"> DIFR[#] LWDFR[#] <p>2016 assurance provided: ERM</p>
Social & relationship 	 <p>To practise good corporate citizenship</p>	Promoting equality	<ul style="list-style-type: none"> Percentage of female employees <p>2016 assurance provided: Internal Audit</p> <ul style="list-style-type: none"> BBBEE accreditation in South Africa* <p>2016 assurance provided: Empowerdex</p>
		Conducting our business in a responsible manner	<ul style="list-style-type: none"> Number of material incidents of legislative infringements <p>2016 assurance provided: Internal Group Compliance Officer review</p>
Natural 	 <p>To practise good corporate citizenship</p>	Preserving the environment	<ul style="list-style-type: none"> Carbon emissions[#] Waste recycled[#] <p>2016 assurance provided: ERM</p>
		Managing the efficient utilisation of scarce resources	<ul style="list-style-type: none"> Water used[#] Electricity used[#] <p>2016 assurance provided: ERM</p>

[#] Measured for manufacturing businesses only (does not include Kama and NZNM).

* South African businesses only.

Financial capital

- Pool of funds available to Aspen through capital and debt funding
- Cash flow generation capabilities



- Maintenance of strict financial discipline and controls
- Deciding on deployment of available capital
- Measurement of financial performance, value creation and cash generation
- Active engagement with providers of capital and debt funding
- Seeking out investment opportunities to increase revenue generation, profitability and shareholder returns
- Focus on realisation of organic growth
- Generation of synergistic benefits from acquired businesses
- Refinancing and maintenance of debt arrangements
- Assessment of return on investments

- Economic value creation for Aspen's stakeholders, including its shareholders, employees, customers, providers of capital, governments and business partners
- Distributions to shareholders
- CAGR in excess of 38% for gross revenue, EBITA and NHEPS since listing
- Group debt refinancing at competitive rates
- Strong cash generation enabling reinvestment into the business

Aspen aims to create value for all of its stakeholders, including its shareholders, employees, customers, providers of capital, governments and business partners. To achieve this, the Group seeks to manage its financial capital in a commercially astute and diligent manner to harness opportunities for long-term sustainable economic growth.

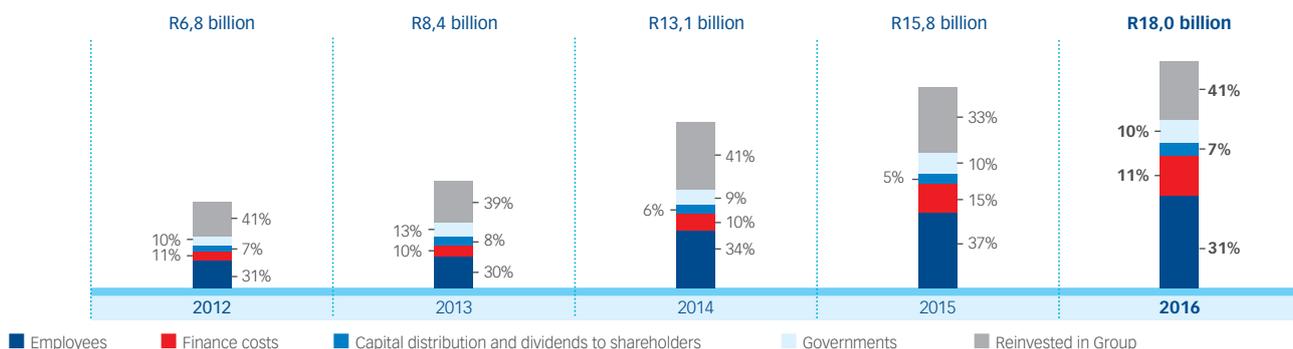
Adding economic value to stakeholders

While the provision of high quality, affordable medicines and products directly benefits patients and consumers, a focus on building a profitable and sustainable business model generates economic value for our varied stakeholder groups. To achieve this, the Group seeks to manage its capitals in a commercially astute and diligent manner to harness opportunities for sustainable growth.

The Deputy Group Chief Executive's Financial Review, set out on pages 36 to 40, provides an overview of the financial performance of the Group for the year.

Total wealth created and total value distributed increased by 13% this year. This is calculated after taking into account R19,8 billion that has been spent on purchasing materials and services, contributing to the sustainability of Aspen's suppliers and the economies in which Aspen operates.

Total value distribution



The Group's employees receive the largest share of total value distribution (41%) while a significant portion (26%) is reinvested in the Group to fund future growth and expansion. The increase in finance costs can be attributed to additional debt raising fees incurred on acquisitions and the devaluation loss realised as a result of the devaluation loss incurred in Venezuela.

Aspen's gross economic contribution in the form of corporate tax, customs and excise duties paid to central and local governments in the countries in which it operates, increased 23% to R1,9 billion.

Financial capital continued

Group value added statement for the year ended 30 June 2016

	2016			2015	
	Change	R'-billion	% of total	R'-billion	% of total
Net revenue					
Net revenue	(2%)	35,6		36,1	
International	2%	18,9		18,5	
South Africa	(5%)	8,1		8,6	
Asia Pacific	(6%)	7,6		8,1	
SSA	12%	1,0		0,9	
Other operating income		1,9		0,5	
Less: Purchased materials and services	(7%)	(19,8)		(21,2)	
Value added from operations	15%	17,7	98	15,4	98
Investment income		0,3	2	0,4	2
Total wealth created	13%	18,0	100	15,8	100
Employees	23%	7,3	41	5,9	37
Providers of capital	32%	4,2	23	3,2	20
Finance costs		3,2	18	2,3	15
Capital distribution and dividends paid to shareholders		1,0	6	0,9	5
Governments	23%	1,9	10	1,6	10
Reinvested in the Group	(10%)	4,6	26	5,1	33
Depreciation and amortisation		1,2	7	1,0	7
Deferred tax		-	-	(0,2)	(1)
Income retained in the business		3,4	19	4,3	27
Total value distribution	13%	18,0	100	15,8	100
Value added statistics					
Number of full-time employees*		9 174		9 056	
Ratio					
Revenue per employee (R'million)	(3%)	3,9		4,0	
Value added per employee (R'million)	13%	1,9		1,7	
Wealth created per employee (R'million)	12%	1,9		1,7	
Monetary exchanges with government					
Current taxes (excluding deferred tax)	22%	1,8		1,5	
Customs and excise duty	52%	0,1		0,1	
Gross contribution to central and local governments	23%	1,9		1,6	
Additional collections on behalf of government					
Employees' taxes	16%	1,2		1,1	
Net value added tax paid	9%	0,8		0,7	
	12%	2,0		1,8	

* The number of permanent employees who joined Aspen from acquired businesses during the year has been weighted and included for the number of months since the effective date of acquisition.

The ratios for 2016 using the total number of employees of 10 503 (with the inclusion of temporary employees) are as follows:

Revenue per employee (R'million) 3,4

Value added per employee (R'million) 1,7

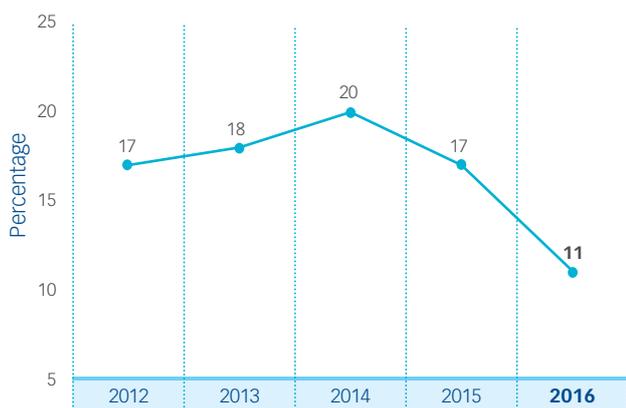
Wealth created per employee (R'million) 1,7

Delivering returns to shareholders

While the Group has a history of strong share price growth, driven by a trend in positive results and Aspen's proven business model which presents a strong investment case, this growth was unfortunately not maintained during the year under review. Aspen remains committed to ensuring the benefit of its long-term shareholders and has delivered a CAGR of 32% to shareholders who have remained continuously invested in the Company since listing.

After considering the Group's cash flow and earnings performance for the past year, existing debt service commitments, future proposed investments and funding options, the Board declared a gross dividend of 248 cents per ordinary share (2015: capital distribution of 216 cents per share).

KPI: Return on ordinary shareholders' equity (%)



There has been a decline in the return on ordinary shareholders' equity. This is driven by a significant increase in the foreign currency translation reserve caused by a weakening Rand and an increase in retained income, which increases shareholders' equity, while net profit has been negatively impacted by the Venezuela devaluation and intangible assets impairments.

KPI: Growth in gross revenue



Gross revenue has been negatively impacted by the loss of the contribution from divested businesses and the restatement of the Venezuelan business revenue to the DICOM rate. Comparable revenue has increased by 12% with double-digit growth being realised in Rand terms in all regions, except South Africa where there has been a decline. A number of factors have impacted the South African performance, notably supply challenges and sub-optimal prioritisation of capacity.

KPI: Growth in EBITA



Growth in EBITA reduced mainly as a result of the loss of EBITA from the divested businesses. On a comparable basis, the growth in Group EBITA was 9% which is lower than the comparable revenue growth of 12%. Comparable EBITA for the SA business declined by 15% with the International, Asia Pacific and SSA businesses recording double-digit growth. The weaker Rand supported the growth in EBITA earned from offshore businesses.

Financial capital continued

KPI: Growth in NHEPS



Note: The 2015 figure for NHEPS has been restated from 1 219 cents to 1 146 cents to reflect a change in accounting policy in terms of which the definition for normalised headline earnings was amended to exclude net monetary adjustments and currency devaluations relating to hyperinflationary economies.

Comparable NHEPS grew by 15%. The lower profitability of the South African business coupled with higher expense ratios in the Europe CIS commercial business diluted the Group's comparable NHEPS growth. Comparable NHEPS growth exceeded comparable EBITA growth of 9% due to the impact of higher foreign exchange losses incurred in the prior year.

KPI: Value added per employee (R' million)



The value added from operations grew by 15% due to an increase in other income and a decrease in purchased materials and services. This, coupled with a modest 1,3% increase in weighted permanent employee headcount, resulted in a 13% increase in the value added per employee. This reflects the Group's efforts to contain costs and optimise organisational structures.

Geographic and product diversity to sustain growth

Geographic diversification of Aspen's business has been a strategic priority in the development of the Group. Initially, Aspen primarily sold a portfolio of generic and consumer products into South Africa and parts of Africa. In 2001, the Group established a distribution business in Australia followed by the acquisition of businesses in Brazil, Spanish Latin America and East Africa in 2008 which increased its presence in emerging markets.

Between 2009 and 2014, the Group completed a series of transactions with leading multinational companies for the acquisition of specialist, branded products and specialist manufacturing facilities which expanded Aspen's reach across six continents, including both developed and emerging markets. Through the aforementioned transactions, the Group's existing manufacturing capabilities, which included oral solid dose, liquids, steriles, infant nutritionals and API technologies, were supplemented in 2014 by the acquisition of specialist API facilities in Oss, the Netherlands and Sioux City, USA, a specialist sterile manufacturing facility in Notre Dame de Bondeville, France and an infant nutritionals facility in Vallejo, Mexico. The Group's network of 26 manufacturing facilities presents a strategic advantage to sustain the supply of high quality, affordable products to its worldwide customer base.

The focus in the current year has been to further integrate the acquired businesses with a view to unlocking synergies and value creation opportunities across the global supply chain. Significant investment has been made in the establishment of experienced sales representative structures, a global supply chain network and regulatory intelligence centres to support the Group's global expansion. The improvement of financial and operational IT systems has also received significant investment to support the future growth of the Group.

The Group continues to seek opportunities to acquire value-enhancing products that are aligned with Aspen's objectives in terms of therapeutic focus and regional diversification. During the past year, the intellectual property and the approved ANDA in respect of the FDF of HPC for commercialisation in the USA was added to the Group's portfolio. After the closing of the 2016 financial year, the acquisition of the anaesthetics portfolios from AstraZeneca and GSK was announced. These acquisitions further enhance the product portfolio of the Group and present it with a number of opportunities to expand its geographic footprint, most notably in China.

Maintenance of financial health

To sustain the Group's business model and to generate accretive value for investors, Aspen has a fiduciary duty to its stakeholders to manage its financial capital in a responsible manner. Robust financial controls and treasury management systems are in place to mitigate currency, interest rate and credit risks as far as reasonably possible.

Working capital

The Group's investment in working capital increased by 24% to R17,7 billion mainly affected by an increase in inventory carrying value driven by strategic stock builds at certain sites and exchange rate effects. The working capital cycle for Aspen Oss is higher due to the long API production cycle. The Group's working capital, excluding Aspen Oss, as a percentage of revenue for 2016 increased to 40% (2015: 32%). Inventory carrying levels remain a focus for the Group and various projects are underway to optimise inventory carrying levels while taking into account required stock builds to mitigate supply risks relating to technical transfers, system implementations and acquisitions.

KPI: Operating cash flow per share (cents)



Operating cash flow per share has been negatively affected by increased working capital investment.

Funding and treasury risk management

The Group Treasury Committee monitors treasury relevant risks which affect the Group from time to time, such as liquidity, foreign exchange, interest rate, covenant compliance and counterparty risks, and provides guidance to local management in managing these risks. Local management is empowered to make decisions regarding how to manage these risks, as well as taking ownership for the implementation of any related action.

The Group undertook a successful restructuring of its debt arrangement during the past year which became effective on 30 June 2016. The Group's USD term debt facilities were repaid and replaced by EUR term debt facilities which are better aligned with Aspen's underlying trading cash flows.

The Group's net borrowings increased by R2,7 billion to R32,7 billion as a result of unfavourable currency translation effects together with the devaluation of the cash held in Venezuela exceeding positive cash generated.

KPI: Leverage ratio (times)

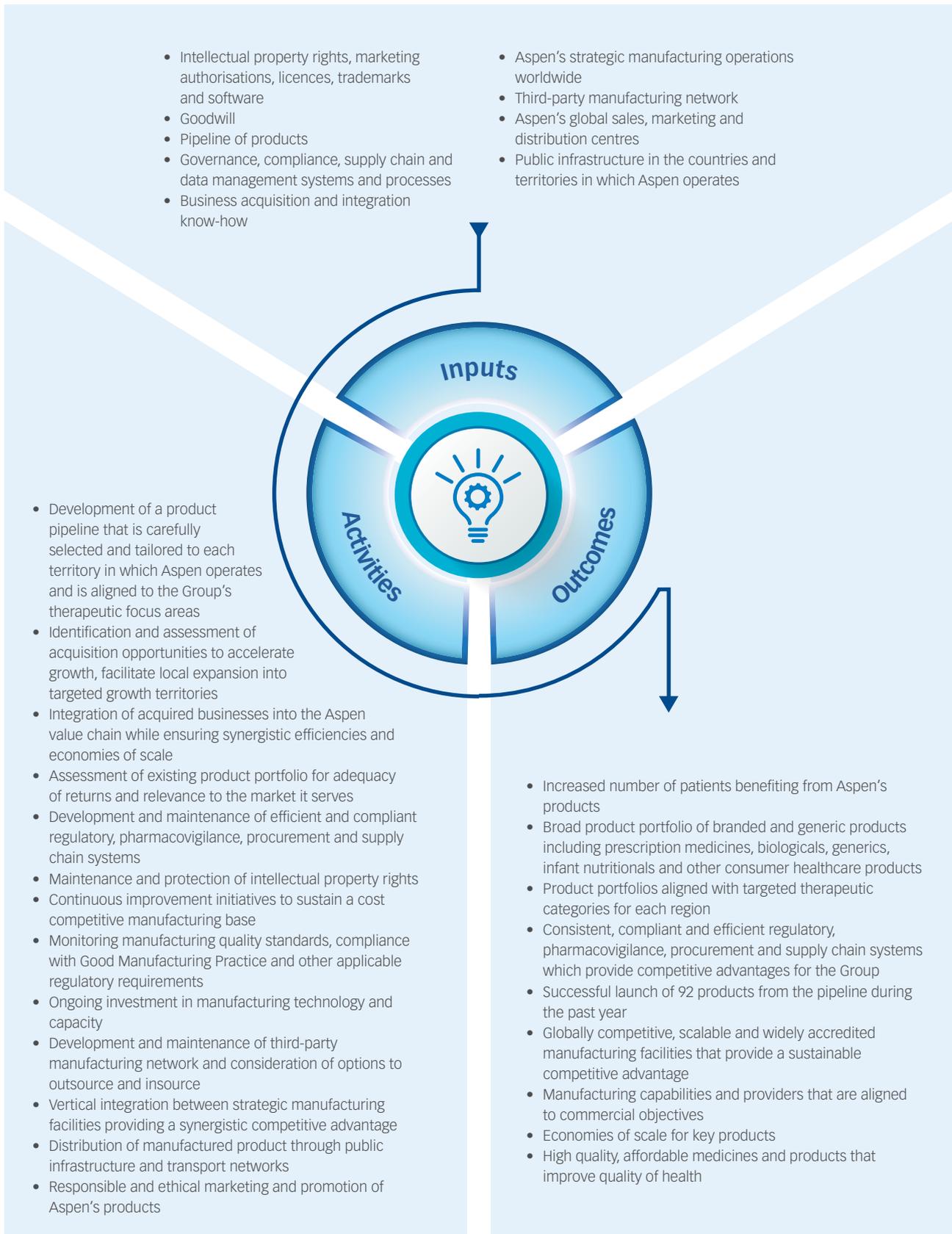


The leverage ratio achieved is generally in line with the Group's historic leverage levels and is below the Group's traditional covenant level of 3,5 times.

Additional information available online

- Annual Financial Statements; and
- Aspen Sustainability Data Supplement.

Manufactured & Intellectual capital



Through its strategically focused intellectual property portfolio, vertically integrated supply chain, specialist manufacturing capabilities and broad distribution network, Aspen produces and supplies high quality, affordable medicines and products, enhancing access to healthcare in over 150 countries.

Sustaining life and health through high quality, affordable medicines

Product portfolio

Aspen is committed to enhancing access to high quality, affordable medicines. Through a sharpened focus on developing a product portfolio that leverages its intellectual and manufacturing advantage, coupled with the expansion of its geographical reach, the number of lives benefiting from Aspen's products continues to grow.

During the year under review, the Group continued to consolidate its global portfolio of specialist products, building a strategic pipeline and ensuring vertical integration through optimising specific supporting assets held within the business. The divestment of certain products in South Africa to Litha and the divestment of the generics business and certain branded products to Strides were specifically undertaken to allow for greater focus in these territories where there are extensive product offerings.

The Group's contribution to the improved health and well-being of people is centred on the niche therapeutic areas that complement its existing operations. As highlighted in this report, these are:

- Thrombosis portfolio;
- Anaesthetics portfolio;
- High Potency & Cytotoxics portfolio; and
- Infant nutritionals.

The Group continued its acquisition of value-enhancing products, which have included the following strategic transactions aligned with Aspen's objectives in terms of therapeutic focus and regional diversification:

- the acquisition of the intellectual property and the approved ANDA in the USA in respect of the FDF of HPC;
- the post-year end acquisition of the exclusive rights to commercialise AstraZeneca's global (excluding the USA) anaesthetics portfolio, which are sold in more than 100 countries worldwide including China, Japan, Australia and Brazil;
- the post-year end acquisition of a portfolio of anaesthetic products globally (with the exception of certain territories, primarily North America) from GSK; and
- the post-year end acquisition of Fraxiparine and Arixtra in additional countries, most notably China, from GSK.

Aspen's regional portfolios continue to be enhanced in line with local therapeutic strengths and niche value propositions, specifically aligned to growth targets within branded prescription medicines, OTC franchises, consumer brands, as well as through more complex licensing deals in the biologic space.

A total of 92 (2015: 105) products were launched in 22 countries in the period under review, with the majority of the value being aligned to the core therapeutic focus areas. The business unit reviews set out on pages 74 to 91 provide further detail on the regional product portfolios and leading brands.

ARVs

Aspen continues to acknowledge the significant risk that HIV/AIDS and related diseases continue to present to both the future growth and social stability of South Africa. Over the past 10 years, Aspen has played an active and leading role in responding to the humanitarian and medical need for affordable ARVs and generic medication to address diseases, including tuberculosis. Aspen has been the leading supplier of ARVs to the South African state tender programme for a number of years and currently around one million South African patients use an Aspen ARV every day.

At the 21st International AIDS Conference held in Durban, Aspen announced the planned launch of a new ARV (containing the medical compound chemical known as Dolutegravir) with an improved safety profile, which is used in smaller quantities and, as a consequence, results in less side effects. Aspen is also seeking to introduce a number of new formulations that will combine current single compounds into a single pill, thereby improving therapeutic compliance by patients.

Aspen has also initiated talks, through the Joint United Nations Agency for HIV/AIDS, with high-level African leaders to explore opportunities to overcome regulatory challenges that impede the access to cheaper and new generic ARVs by patients across the African continent.

Product pipeline

Intellectual property, in the form of developed and acquired product molecule dossiers, is the key driver for organic growth in the pharmaceutical industry. Aspen's product pipeline largely

Manufactured & Intellectual capital continued

represents acquired product dossiers, planned product line extensions to leverage existing brands across relevant territories, targeted branded product acquisitions as well as selected products that are developed under the direction of highly skilled scientists employed by Aspen and in collaboration with other global pharmaceutical companies and research facilities.

Products in the pipeline are aimed at therapeutic categories relevant to emerging disease profiles in each territory. Generic products are launched once the patent for the originator equivalent has expired, subject to the relevant in-country product registration requirements being met. Dossiers in the pipeline are continuously monitored for technical feasibility and alignment with the Group's commercial objectives in key territories.

Additional organic growth is achieved through identifying opportunities to commercialise existing brands across other territories where customer demand exists and where technical and commercial feasibility of product supply are assured. Acquisitive growth, in the form of corporate acquisitions and product distribution arrangements, largely entered into with leading multinational pharmaceutical companies, supplements Aspen's organic growth strategy and strengthens the Group's ability to respond to identified healthcare needs.

KPI: IMS value of total product pipeline for the next five years (USD' billion)



Aspen's product pipeline as at 30 June 2016 (based on IMS values as at 31 December 2015) amounted to USD4,8 billion (2015: USD4,6 billion), with 50% expected to be launched within the next two years and the balance over the next three years, subject to timing of technical validation and product registration processes. The actual value realised through product launches will largely be influenced by market competition and prevailing pricing regulations and in the case of generic products, the level of discount to that of the originator molecule presently sold in the market.

The Group continues to enhance the product pipeline review process. The Product Portfolio Development Executive ensures that the product portfolio selected is aligned to the Group strategy. The rationalisation of the Group's product pipeline that commenced during 2015 continued in 2016, most significantly in Australia, South Africa, Mexico and Brazil ensuring that the regional product pipelines consist of molecules with confirmed commercial feasibility. As part of this process, the pipeline for Venezuela has been removed pending a stabilisation of the conditions being experienced in country.

Increases in the product pipeline values are most notable in respect of Japan, the USA, Canada and Europe with more robust plans being submitted for growth in these countries.

Managing the responsible supply of high quality products

Aspen recognises its accountability for the responsible manufacture and supply of products in accordance with applicable pharmaceutical regulations, legislation and guidelines. The Aspen brand is trusted for the supply of high quality, affordable products. Stringent compliance procedures are in place across the supply chain to maintain and grow customer confidence. Aspen has a zero-defect approach to managing product quality as this has a direct impact on patient safety. To this end, regulated in-process and supply chain quality management controls are in place and strictly applied. Raw materials and packaging materials are purchased from accredited and authorised suppliers who meet the necessary quality, regulatory and Aspen-specified requirements.

Products are manufactured at Aspen's own manufacturing sites or sourced from reputable, third-party suppliers. Manufacturing sites are required to comply with GMP, which governs the manufacture of products in the pharmaceutical industry, and to uphold the status of pharmaceutical regulatory approvals that are relevant to the supplied territories. The Quality Assurance Department conducts audits of potential and existing suppliers to support the Group's high quality objectives in the supply chain.

Only products that meet the prescribed quality and regulatory standards are released for sale into the market and regulated quality compliance controls are in place. The quality and efficacy of supplied products are monitored throughout the product lifecycle using systems approved and monitored by regulatory authorities. As the holder of the marketing authorisation, Aspen is responsible for the quality of its owned products across all territories. The S&E Co provides oversight on consumer relationships as it relates to pharmaceutical product quality and adverse drug reaction incidents reported globally.

KPI: Number of product recalls (number)

The increase in the number of product recalls is consistent with the increased number of product stock keeping units for which Aspen has pharmaceutical responsibility following the phased transition of this duty to Aspen in relation to the large number of products acquired in recent years. The product recalls experienced have been contained to specific batches, include voluntary recalls and comprise mainly non-product integrity-related causes. The circumstances resulting in the product recalls have been investigated, the root causes determined and corrective measures implemented to address the identified issues.

Responsible promotion of products

Products are promoted in accordance with applicable regulations, product packaging requirements and relevant marketing codes governing the marketing of products in each territory. Qualified medical representatives have specialist product knowledge to support and educate customers, including dispensing doctors and pharmacists. Product awareness training is conducted for employees and for customers, as relevant. Customer relationship management objectives and related customer engagement activities receive ongoing focus. Accredited third-party distributors are generally used to provide logistics services and in certain markets, wholesaling services. Aspen does not deliver products directly to the end customer or consumer.

Aspen infant nutritionals fully subscribes to the WHO International Code of Marketing of Breast Milk Substitutes and adheres to all national government legislation pertaining to the implementation of this code.

All suppliers and service providers to Aspen are bound by the Aspen Code of Conduct and are required to uphold prescribed ethical and human rights standards across the supply chain.

In the promotion of Aspen's brand and products, sales and marketing policies are aligned with the relevant marketing codes in each operating territory. In addition, Aspen undertakes to

comply with other relevant regulations and legislation in respect of matters relating to consumer relationships, including advertising standards and consumer engagement protection laws.

Sustaining a cost-competitive manufacturing base**Leveraging the Group's diverse and specialist production capabilities**

The Group's strategic objective of supplying high quality, affordable products is facilitated through vertical integration of its supply chain and ownership of its strategically important manufacturing capabilities. The Group's 26 manufacturing facilities present a range of production capabilities and capacities that are aligned to the Group's current and future commercial objectives. These include oral solid dose manufacturing, sterile manufacturing and API manufacturing. An overview of the Group's manufacturing capabilities is set out on pages 16 and 17.

During the last year, strategic manufacturing projects continued to be focused on the alignment of the acquired facilities with the Group's manufacturing and commercial strategies, its quality and compliance standards and its policies and procedures. Aspen continually invests in the upgrading of its world-class manufacturing facilities in order to supply quality products at competitive prices for its customers throughout the world. Capital expenditure on the replacement and expansion of property, plant and equipment amounted to R1,7 billion (2015: R1,6 billion). Highlights in the current year include the installation of a new high-speed prefilled syringe filling line at the Notre Dame de Bondeville site, the completion of the high containment facility at Port Elizabeth and the commencement of production at the new high-volume, high-potency, multi-purpose API facility at FCC. Construction of an additional specialist sterile manufacturing facility in Port Elizabeth is underway and further capital projects at the Oss site will enhance compliance at this site. The Group Strategic Operations Review is available on pages 74 and 75.

KPI: Return on total assets

■ Weighted average assets (excluding cash and cash equivalents) (R billion)
● Return on total assets (%)

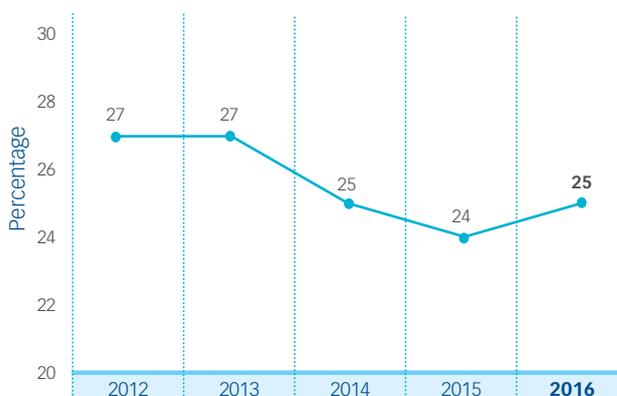
Manufactured & Intellectual capital continued

The marginal decline in the return on total assets is attributable to a modest increase in EBITA, with an increasing total asset value. Growth in the intangible asset value, continued investment in property, plant and equipment and increased inventory carrying levels have contributed to the increase in total assets. R3,3 billion of total assets is not yet productive as these remain capital projects in progress. The continued investment in intellectual property and manufacturing capacity will benefit the Group in the medium term.

Cost containment and increased efficiencies

There is a strong focus on continuous improvement initiatives and saving plans to enhance production efficiencies and optimise economies of scale across the Group. Procurement management is a key focus area to manage the cost and consistent supply of production materials. In addition, a number of the value creation projects that have been initiated are aimed at lowering costs, improving recoveries and optimising production capacity across the Group's manufacturing facilities. By owning its strategically important manufacturing capital, Aspen is able to better manage its product quality, production efficiencies and cost competitiveness to ensure responsive management of the supply chain. This, in turn, supports the maintenance of Group EBITA margins.

KPI: EBITA margin (%)



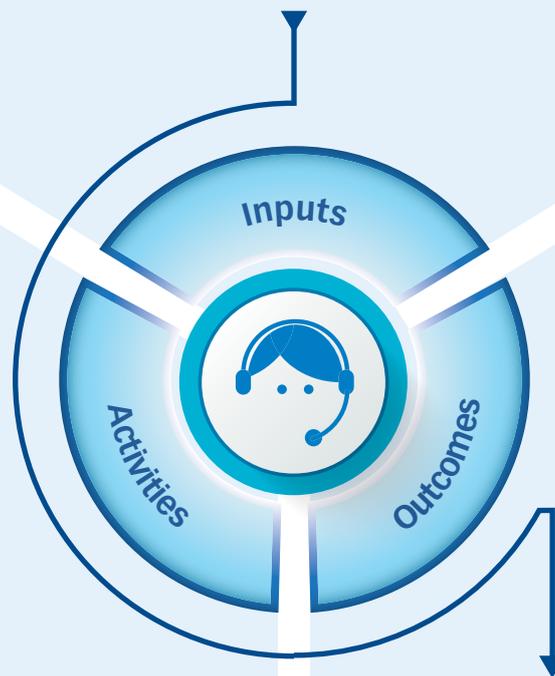
The improvement in the EBITA margin is as a result of EBITA increasing at a slightly higher percentage than gross revenue. The EBITA margin on a comparable basis has declined from 26% to 25%. This is mainly due to the lower margins achieved in the South African business as a result of a weakening exchange rate, low revenue growth and higher operating expense growth. It is anticipated that EBITA margins will continue to improve over the medium term as the Group's value creation projects begin to deliver results.

Additional information available online

- Aspen Sustainability Data Supplement; and
- Aspen Code of Conduct.

Human capital

- Employee expertise, skill sets and integrity
- Strong and diverse leadership team
- Organisational structures throughout the Group
- Bargaining arrangements and organisational rights in place



- Continued investment in training and upskilling of employees
- Talent management and succession planning to ensure continuity in respect of critical skills
- Constructive engagement of employees and representative labour organisations
- Fostering Aspen's commitment to integrity and a culture of values-driven leadership
- Focus on employee health, safety and well-being
- Appropriate and proven remuneration, incentive and performance management practices

- Skilled and capable employees who are motivated to achieve the strategic objectives of the Group
- Maintenance of a high performance culture and the retention of skills
- Stable and constructive industrial relations
- Employees as ambassadors of Aspen, its reputation and its values-based approach to ethics
- Safe and healthy workforce

Human capital continued

Aspen is made up of a team of more than 10 000 committed, responsible, dynamic and solutions-oriented individuals who, collectively, represent the Group's human capital. Built on the foundation of strong Group values and a commitment to the Aspen Code of Conduct, Aspen strives to provide a safe, challenging and rewarding environment for each of its employees.

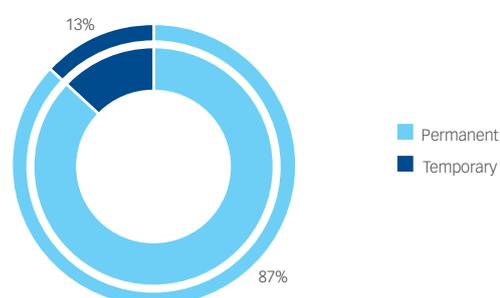
Creating an environment in which employees can thrive

The Aspen team, consisting of skilled, accountable and passionate employees, is a critical success factor for the Group. Aspen seeks to attract, develop and retain appropriately qualified and experienced individuals who present the right mix of technical and behavioural competencies that address targeted business requirements. The Group HR Department, under the leadership of the HR Executive, develops and monitors the employee management strategy and related policies. Decentralised HR structures, at a business unit level, are responsible for implementation of policies that are aligned to the Group's HR strategies and with relevant in-country labour legislation.

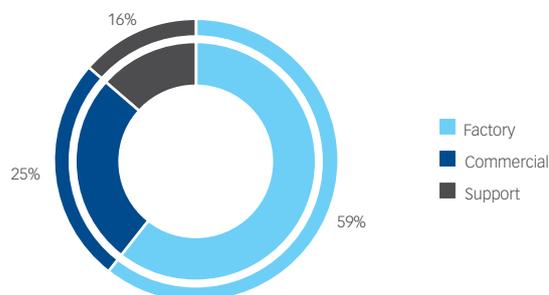
As the Group continues to grow organically and acquisitively, its HR function is evolving with the business to provide more integrated and relevant solutions. Efforts to cement the integration of the acquired businesses continued during the year under review, with the emphasis being on embedding the Aspen competencies into HR processes across all business units. The process of harmonising employment terms and conditions, such as salary structures and pensions, remains a priority as areas where consistent application would be beneficial are being identified and evaluated against areas where local practice should prevail. This is envisaged to be a long-term process for the Group. A project to implement a global HR system has been initiated. This system is intended to serve as a Group platform for employee data and aid the effective implementation of HR processes.

Aspen prides itself in its committed workforce and measures employee engagement on a regular basis in order to introduce initiatives to improve this level of engagement.

Total employees 10 513*



Employment categories



* Including contract and non-permanent employees.

Employee movement is robust and dynamic as Aspen grows organically. Employees were recruited to support business expansion requirements and to fill various vacancies while 21 employees joined Aspen due to the acquisition of Norgine in South Africa. During the year, 47 employees retired, including seven retirements due to non-work-related ill health. No occupational fatalities occurred during the year (2015: none) but the Group regrets to report the non-work-related deaths of 10 employees. Aspen acknowledges the value of these individuals have added to the Group during their tenure.

The Group's employee turnover ratio is monitored for each territory by the Group's HR Department and potential employee retention risks are identified. Group HR facilitates quarterly meetings with the various HR Managers to discuss matters pertaining to employee turnover, engagement and development.

The Group's employee turnover rate for the year was 14% (2015: 14%) and was mainly as a result of resignations and dismissals during the year. Rationalisation projects in certain business units have resulted in a reduction in employee numbers, most notably in Brazil and Australia and to a lesser extent in Tanzania and the Netherlands. The disposal of the generics business in Australia to Strides resulted in a further reduction in employee numbers in this region. While stable overall, high turnover rates experienced in certain business units are investigated and focused plans implemented to address employee engagement and retention.

KPI: Average staff turnover (%)



Building talent to drive performance excellence into the next growth horizon

Aspen's dynamic environment requires employees to be adaptable, results-driven, self-motivated, decisive and responsive team players. All employees are provided with equal opportunities for development, advancement and promotion on merit and without prejudice.

A key initiative this year was to introduce a talent management process throughout the South African businesses. The process

was used to identify and assess high-potential employees and to build appropriate talent development plans. It is envisaged that this programme will shape the way Aspen approaches talent planning globally. The Board's Remuneration and Nomination Committee ("R&N Co") monitors the adequacy of succession plans for the Company's executive directors and the Group's senior executives. Succession plans are also in place for key business unit executives and managers. The adequacy of these succession plans and the Group's talent planning landscape is monitored by the Group Talent Review Forum.

A structured performance management process is in place across the Group, with performance reviews being based on functional and business unit strategic objectives. During the year, performance appraisals were completed for 93% of the Group's permanent employees through formal one-on-one meetings between employees and their responsible managers. Short and medium-term performance incentives as well as annual salary increments for assessed staff are determined with reference to the completed appraisals. Development and training needs are also identified during this process. Business unit managers are responsible for the implementation of effective training programmes to address identified skills development needs with the support of regional HR Departments. The Group HR function supports business unit management teams to this end and monitors adequacy of implemented training plans.

Technical and managerial skills have been identified as critical and these areas have continued to receive focus during the year. A technical skills academy is in the process of being established at the Port Elizabeth manufacturing site, while 46 employees from the South African and AGI businesses have successfully graduated from the Aspen Leadership Development Programme which is run in partnership with the University of Pretoria's Gordon Institute of Business Science. Training interventions across the Group have included short training courses, management and leadership development programmes as well as executive coaching programmes.

KPI: Average training spend per employee (Rand)



Human capital continued

In total, 7 288 (2015: 7 270) employees were exposed to training interventions at an average cost of R5 829 (2015: R5 656) per employee. Aspen's total investment in employee training increased by 7% to R53,3 million (2015: R49,6 million).

Skills development programmes

During the year, the Group supported various skills development programmes in South Africa comprising apprenticeships, internships and learnerships. In total, 111 (2015: 61) learners successfully completed their skills development programmes, of which 99% comprised historically disadvantaged persons. Financial assistance towards studies was awarded to 121 (2015: 71) employees in South Africa in the form of bursaries. In an effort to create and maintain the supply of relevant qualified and skilled individuals in the future, an amount of R6,7 million has been invested in providing bursaries to 101 external students, targeting students from historically disadvantaged communities.

Respecting employee rights

As an active participant of the UN Global Compact, Aspen is committed to upholding the labour principles included therein. Aspen's working environment is free of prejudice, bias, harassment and/or violation. Aspen's Code of Conduct entrenches the right of all employees to be treated with fairness, equality and respect. Unfair discrimination of employees on the basis of gender, race, physical health, sexual orientation, individual belief systems and/or any other prejudicial grounds is prohibited. HR, industrial relations and legal compliance frameworks are in place to uphold employee rights and ensure compliance with labour legislation. Formal grievance procedures are in place and communicated to employees at each business unit.

During the year, no incidents of unfair discrimination were identified in the Group (2015: Nil).

Employee wage rates across the Group comply with legislated wage rates in the relevant jurisdictions and, where applicable, employees are paid in accordance with rates agreed upon with trade unions and/or collective bargaining councils. Salaries are benchmarked against industry standards in each territory to ensure that high-performing employees are offered competitive remuneration packages that would promote retention objectives.

Employees across the Group are free to exercise their rights to belong to trade unions and collective bargaining councils. Relationships with trade union representatives, considered to be key stakeholders, are managed in a proactive and responsible manner by site HR Managers. Formal processes are in place to foster a culture of transparency and constructive engagement with trade union representatives in each territory. Material operational changes are communicated to the employee trade unions, as necessary, within legislated timeframes and these vary across the territories.

During 2016, approximately 23% of the Group's employees belonged to a trade union (2015: 22%) and 40% are represented by collective bargaining councils (2015: 34%).

In August 2015, employees at the Melbourne manufacturing site embarked on a strike which resulted in the loss of eight production days. In August 2016 (after the 2016 financial year end), employees at the East London and Port Elizabeth sites embarked on a strike. As a result of this action, approximately 24 and 20 production days were lost respectively.

Respecting employee diversity and promoting equality in the workplace

As at 30 June 2016, Aspen's diverse team represents 45 different nationalities across six continents. In accordance with the Aspen Code of Conduct, available online, all employees are treated with fairness, equality and respect.

The attraction, retention and development of female employees are a priority for the Group and accordingly, gender diversity has been included as a new KPI for 2016 and is monitored by the S&E Co. Female employees currently comprise 48% of the total permanent workforce.

KPI: Percentage of female employees (%)



Empowering historically disadvantaged individuals in South Africa

Aspen's transformation policy and employee management policies in South Africa are developed in accordance with the Employment Equity Act and the BBBEE Codes to promote the advancement of historically disadvantaged individuals. Each business unit in South Africa has transformation plans in place and employment equity committees meet regularly to drive delivery against agreed employment equity priorities. Transformation indicators for South Africa are monitored by the S&E Co on a quarterly basis.

In South Africa, 80% (2015: 79%) of permanent employees represent historically disadvantaged individuals of which 55% (2015: 54%) comprise female employees. A key focus area for

Aspen in 2016 has been on improving the representation of people living with disabilities which has increased to 2% (2015: 1%) The Employment Equity Progress Reports for FCC and Pharmicare are available online.

Supporting the well-being of our employees

Employee health, wellness and fitness for work are fundamental contributors to an employee's ability to effectively execute his or her designated responsibilities and to implement innovative and value-adding initiatives for the business. To this end, employee benefit arrangements include subsidisation of tailored healthcare insurance plans for employees and their direct dependants where this is practicable and appropriate. Employees at selected sites also have access to on-site clinics, employee assistance programmes and wellness support programmes.

Supporting employees affected by HIV/AIDS and tuberculosis

Aspen is committed to promoting HIV/AIDS awareness and offering HIV-positive employees with required counselling and support. Each year Aspen participates in World AIDS Day on 1 December and World TB Day on 24 March. Employee awareness of these diseases is created through the dissemination of information booklets, posters and making relevant information available electronically to staff. An Aspen HIV/AIDS policy is in place. The HIV/AIDS policy complies with legal guidelines and prescribes confidentiality of the employee's status. Free condom dispensers are installed in accessible areas across the South African and Kenyan sites.

In South Africa, Aspen's HIV/AIDS management programme is administered by an independent health risk management company. Free HIV/AIDS testing is conducted every two years and is offered to all employees in South Africa. The HIV Counselling and Testing campaign was conducted in December 2015, where 609 employees participated in the voluntary HIV/AIDS testing in South Africa and 652 employees in SSA. HIV-positive employees have access to the disease management programmes through their healthcare insurance schemes which subsidise the provision of ARVs as well as voluntary counselling and support programmes. In South Africa, peer educators provide staff with necessary HIV/AIDS prevention and disease management training and, where required, this is also offered to family members of affected employees.

Providing a safe working environment

Aspen's commitment to safety and security management

Employees are entitled to a safe and healthy working environment and Aspen is committed to ensuring the safety and security of employees and third parties visiting its facilities. This principle is outlined in the Aspen Code of Conduct. The Aspen Code of Conduct for Suppliers and Service Providers echoes this

commitment, detailing the expectations and requirements in terms of adhering to Aspen's safety standards both in their own workplace and when operating at one of Aspen's facilities.

The prevention of work-related injuries, permanent disabling injuries and occupational diseases is a key focus area for site management teams, particularly at the manufacturing facilities where the inherent risks of health and safety incidents, including chemical exposure, are high. Due to the nature of pharmaceutical and chemical products, compliance control measures are in place across the supply chain to address the safe and compliant handling and transport of all materials and products. SHE awareness and competency training programmes are conducted to promote the effective implementation and maintenance of SHE policies and procedures.

Formal SHE representation and management structures are established at all manufacturing sites. SHE compliance is monitored and managed on a day-to-day basis and SHE KPIs form part of site management reporting processes. The Group SHE Department develops and promotes Aspen's SHE standards and monitors compliance and effectiveness of compliant SHE management systems across the business units. Independent SHE legal compliance audits are conducted annually across all manufacturing facilities. The Group SHE Department reviews the audit findings to establish trends and focus areas and tracks the status of corrective action plans.

Aspen's Board monitors material SHE KPIs on a quarterly basis and, through the S&E Co, monitors the effectiveness and compliance of SHE management systems across the Group.

Ensuring employee security

Access controls and security systems are in place across all manufacturing and commercial sites to prevent unauthorised entry in the interests of employees and asset security. Additional measures are implemented by local management teams to protect employee safety in countries where the risk of social and/or political unrest is high.

Managing SHE compliance

Three additional manufacturing sites in Melbourne, Vitória and Notre Dame de Bondeville obtained OHSAS 18001 certification in 2016. This has increased the percentage of certified manufacturing facilities to 44% within the Group. Certification for the remaining sites will be reviewed in line with the publication of the new ISO 45001 standard which will replace OHSAS 18001. The OHSAS 18001 certificates and SHE policies for all internationally certified facilities are displayed across the manufacturing sites and are available online.

Human capital continued

Measuring SHE performance

External independent SHE compliance audits were performed at 14 of the Group's material sites during the year. A significant improvement in legal compliance for the Group was achieved this year. All material findings have been addressed and the necessary corrective actions have been identified and are in the process of being implemented. The implementation of all corrective actions is managed by each facility and the progress made in closing out the findings is monitored by the Group SHE function.

The DIFR and LWDFR represent the Group's material safety KPIs. The DIFR reflects the percentage of employees who suffered disabling injuries in the 12 months ended 30 June 2016, irrespective of whether such incidents resulted in lost work days. DIFR tolerance is set at equal to or less than 1,00.

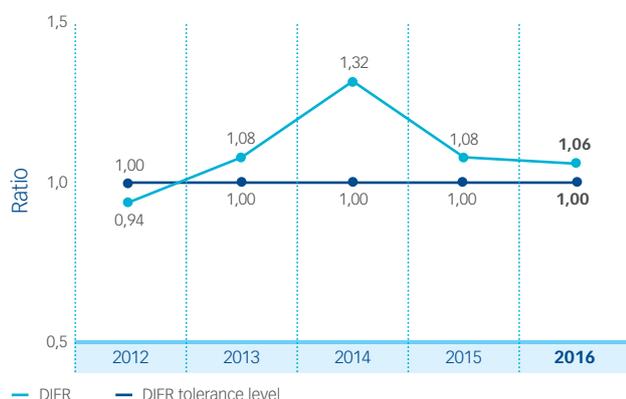
The LWDFR indicates the percentage of employees who were absent from work due to work-related disabling injuries over the last 12 months. LWDFR tolerance is set at less than or equal to 0,75.

During the year, 76 minor incidents were recorded across the Group's manufacturing facilities.

Although the DIFR and LWDFR have both improved marginally, further improvement is still required in order to achieve ratios within the tolerance levels set by the Board. The manufacturing sites in Nairobi, Vallejo and Vitória maintained a zero injury rate and significant improvements were made in the number of disabling incident cases at the infant nutritionals site in Johannesburg as well as the sites in Dar es Salaam and Oss. Material increases were experienced at Sioux City, which was mostly attributable to slips, trips and falls, and in Melbourne, which was mainly due to ergonomic risks. Three irreversible occupational disease cases (Carpal Tunnel Syndrome) were reported at Notre Dame de Bondeville. A special focus will be placed on ergonomic programmes and prevention of slips, trips and falls in 2017, with these two risk categories significantly impacting the incident results.

No permanent disabling injuries occurred during the year.

KPI: DIFR (ratio)



Additional information available online

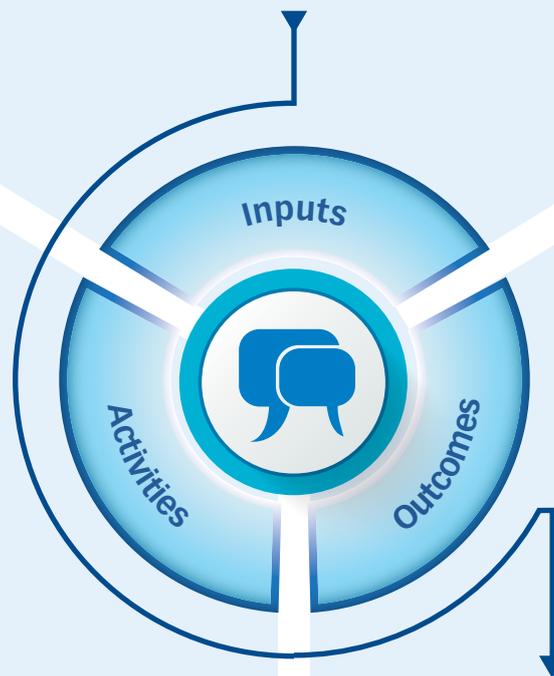
- Aspen Sustainability Data Supplement;
- S&E Co Report;
- Employment Equity Progress Reports for FCC and Pharmacare;
- Aspen Code of Conduct;
- Communication on Progress Report in respect of Aspen's application of the UN Global Compact's 10 Principles for 2016; and
- Responsible Corporate Citizenship Philosophy.

KPI: LWDFR (ratio)



Social & relationship capital

- Relationships with communities, customers, regulators, healthcare professionals, investors, suppliers, distribution partners, service providers, governments and other key stakeholders
- Responsible corporate citizenship



- Ongoing engagement with key internal and external stakeholders and management of reasonable stakeholder expectations
- Socio-economic investment focused on enhancing healthcare delivery to communities
- Participation in the South African Public Healthcare Enhancement Fund ("PHEF"), a collaboration between the South African Department of Health and private sector healthcare companies
- Support of Mandela Day across the Group's operations globally
- In-country initiatives aimed at community upliftment
- Support to empowering enterprises, including small and micro-enterprises, through preferential procurement and enterprise development activities

- Enhanced profile of Aspen as a good corporate citizen with a reputation for its high quality, affordable medicines and products
- Delivering value to stakeholders
- Increasing healthcare skills and resources, primarily in South Africa
- Meeting legitimate stakeholder expectations and maintaining a "licence to operate"
- Contributing to the transformation of South African society and the South African economy
- Uplifting the lives of the communities in which Aspen works around the world
- Giving credence to our slogan, "Healthcare. We Care"

Social & relationship capital continued

At Aspen, responsible corporate citizenship is more than a compliance requirement, it is fundamental to the Group's objectives. Aspen recognises that there are inseparable linkages between its sustainable growth, its relationships with key stakeholders and its contribution to society in the broader context.

Conducting business in a responsible manner

Aspen's Responsible Corporate Citizen Philosophy encapsulates the Group's inherent approach of conducting business ethically, with integrity and with a commercial wisdom which strives to enhance the economic and social well-being of its investors, employees, customers and business partners.

Engaging stakeholders

Aspen is committed to adopting a stakeholder-inclusive governance approach and sustaining strong relationships with its stakeholders through transparency and effective communication. The approach to stakeholder engagement is set out on pages 24 and 25 of this report.

Corporate governance

Led by an effective Board of Directors and long-serving, experienced executives, Aspen operates on an established foundation of strong corporate governance. The King III Report on Governance is implemented throughout the Group and more can be read about this in the abbreviated Corporate Governance Report set out on pages 96 to 98 of this report.

Ethics management and Code of Conduct

Aspen has a zero-tolerance approach to unethical behaviour. The Aspen Code of Conduct, signed by all permanent employees, governs the conduct of employees throughout the Group. Furthermore, Aspen's service providers and suppliers are required to adhere to the Aspen Code of Conduct for Suppliers and Service Providers in accordance with terms and conditions included in agreements with these stakeholders.

A formalised ethics management programme has been implemented at all of the Group's businesses. This programme is managed by the Company Secretary & Group Governance Officer under the direction of the S&E Co. The Group's ethics programme was assessed by The Ethics Institute of South Africa in the year under review and it was confirmed to be effective in all material respects.

No material breaches of this code had been identified during the period under review.

Anti-bribery and corruption

Aspen is committed to the fight against bribery and corruption. The Aspen Code of Conduct, which is aligned with the OECD's

recommendations on corruption, prohibits any employee or agent of Aspen from directly or indirectly offering, paying, soliciting or accepting bribes in any form. The Group has a written policy on gifts and benefits in terms of which employees of the Group, including directors, are prohibited from accepting or giving gifts or hospitality that are not of a nominal value or participating in events sponsored by current or prospective customers or suppliers.

Tip-Offs Anonymous Hotline

Aspen endeavours to promote a culture of openness and transparency throughout the Group and, as such, employees and other stakeholders are encouraged to report unethical conduct and other transgressions which they may become aware of. An independently monitored whistle-blowing hotline, Deloitte's Tip-Offs Anonymous, has been made available to employees across the Group's businesses and allows all stakeholders to report suspected fraud and/or activities which are considered to be transgressions of the Aspen Code of Conduct. Quarterly reports detailing the tip-offs received, how these tip-offs have been investigated and the corrective measures taken, are submitted to the A&R Co and S&E Co as appropriate.

Respecting human rights

Aspen is a signatory of the UN Global Compact and is committed to upholding the principles of respecting and protecting internationally proclaimed human rights, as well as ensuring that Aspen is not complicit in human rights abuses. The Aspen Code of Conduct details the Group's commitment to fundamental human rights and the S&E Co monitors the effectiveness of ethics management in the Group. It is mandatory for all Aspen's suppliers and business partners to sign the Aspen Code of Conduct for Suppliers and Service Providers to provide assurance that human rights and good ethical standards are upheld within the supply chain.

No businesses in the Group are deemed to be at risk of violating human rights which protect child labour, forced or compulsory labour. During the year, no incidents of discrimination, forced labour or compulsory labour were reported within the Group (2015: Nil).

As part of its commitment to good corporate citizenship, Aspen supports the United Nations Declaration on the Rights of Indigenous Peoples as adopted on 13 September 2007 and respects the rights of indigenous peoples in the countries and

territories in which it operates. There were no reported incidents where the rights of indigenous people were violated (2015: Nil). These aspects are monitored in respect of all business units.

Approach to taxation

The decision to establish a business presence for Aspen in a country is based on the strategy of the Group and the commercial viability of doing so, taking into consideration the Group's need to support its customer base, the location of its investments in specialised manufacturing facilities and the availability of appropriately skilled people who contribute to the overall value chain. The Group's tax philosophy is to ensure each business is appropriately managed, it pays the correct level of tax in the country in which it operates and that a cooperative relationship with the local tax authority is maintained. Aspen is fully committed to implementing the new transfer pricing reporting standards that were published by the OECD in the last quarter of 2015.

Adherence to Aspen's tax philosophy is managed by its Group Tax Committee under the guidance and direction of the A&R Co. The Group Tax Committee is responsible for recommending new policies and, once approved, the Group Tax Department is responsible for ensuring these are implemented by all Group companies. The effectiveness of the implementation of the policies is actively monitored by the Group Tax Department and feedback on this is presented to the A&R Co on a regular basis.

Political contributions

Aspen does not make payments or other contributions to political parties, organisations or their representatives or take part in party politics.

Legal compliance

Lawful compliance and respect for the rule of law underpins an ordered and effective society. Aspen and its employees are committed to complying with the applicable legal and regulatory requirements wherever it does business. The Group Legal & Compliance Officer is responsible for the implementation of an effective legislative compliance framework and provides the Board with assurance that the Group is compliant with applicable laws and regulations.

KPI: Number of material incidents of legislative infringements

No material incidents of legislative infringements were recorded over the current year and preceding four years, reflecting effective compliance management and governance processes that were adhered to across the Group.

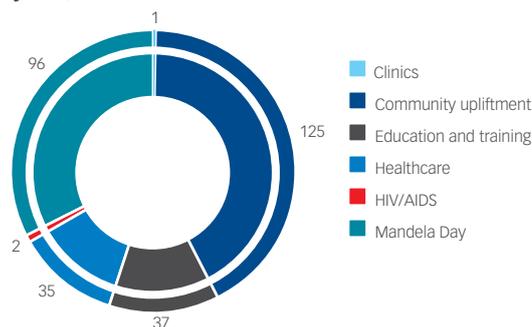
Contributing to the enhancement of healthcare, education and basic needs in communities

Aspen's SED programmes are implemented at a local level through the business units, thereby channelling contributions to areas of greatest impact in the particular local context.

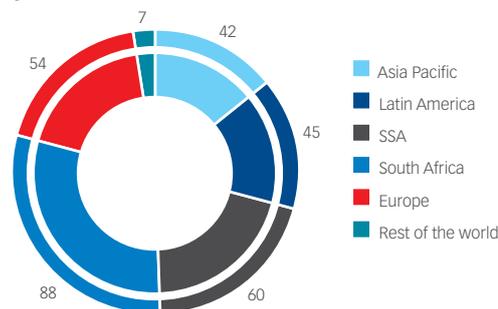
In 2016, Aspen again demonstrated its commitment to Mandela Day and took up the challenge issued by Former South African President Nelson Mandela to "take action, inspire change and make every day a Mandela Day". Employees across the Group were again encouraged to invest at least 67 minutes of their time to be actively involved in community upliftment projects. This year, business units from 37 countries initiated 96 projects that reached approximately 60 000 beneficiaries across six continents.

In addition the Group supported a further 200 SED projects during the year which were valued at R16,3 million, largely based in South Africa.

SED projects by project type across the Group (296 projects)



Number of SED projects supported per region during 2016 (296 projects)



In South Africa, Aspen is committed to supporting initiatives that address the underdeveloped healthcare infrastructure, shortage of healthcare professionals and the long-term consequences of HIV/AIDS to the country's sustainability objectives. The SED strategy, led by the Senior Executive: Strategic Trade and Development, is primarily aimed at utilising its social & relationship capital to promote initiatives that provide long-term solutions to the healthcare, education and HIV/AIDS issues in South Africa.

Social & relationship capital continued

In South Africa, 78 SED projects (2015: 66) were supported at an investment of R13,9 million (2015: R13,4 million). This spend was allocated as follows:

	R'million	%
Basic health and HIV/AIDS (including spend on clinics, HIV/AIDS and healthcare)	1,3	9
Education and training	5,7	41
Sports and the promotion of healthy lifestyles	1,8	13
Community upliftment	5,1	37
Total	13,9	100

Aspen's flagship SED initiative is its contribution to, and active participation in the PHEF, a consortium of public and private sector members comprising the South African Department of Health and South African healthcare companies. The PHEF is presently focused on three joint initiatives with the South African Department of Health, all of which are set to make a meaningful and fundamental difference to the country's public healthcare services. These initiatives include:

- sponsoring 75 medical students from rural-based communities for their four years of study, after which they will return to their rural settings to contribute to primary healthcare in communities;
- the sponsorship of 54 masters and PhD students who are undergoing research in the fields of HIV/AIDS and tuberculosis, thereby increasing South Africa's research capacity and capabilities. The sponsorship of additional PhD and masters students is currently underway; and
- contributions towards the establishment of the Health Leadership Academy, recently established by the Minister of Health, which will improve the skills of public sector hospital CEOs and build further management capacity in the public sector.

Promoting equality

Transformation in South Africa

As a proudly South African-based group, Aspen supports the country's transformation objectives aimed at empowering historically disadvantaged groups in South Africa and subscribes to the notion that, through the legislated economic empowerment initiatives, South Africa will benefit from the social reparation of past injustices and the added economic contribution of inclusive and unrestricted participation by all citizens.

As a result of the changes to the BBBEE Codes, which came into effect on 1 May 2015, revised transformation objectives and programmes have been formulated. The Group's employee management policies in South Africa are aligned with the Employment Equity Act and the BBBEE Codes to promote the

advancement of historically disadvantaged individuals and women (refer to page 60 of the human capital section of this report).

Four of the eight non-executive directors who serve on the Board of the Company are from historically disadvantaged backgrounds, three of whom are female.

In addition, enterprise development projects and preferential procurement objectives and targets are in place to support the emergence of black-owned and black female-owned businesses. To this end, procurement initiatives include the identification of qualifying suppliers. Aspen's total qualifying procurement spend in South Africa with BBBEE suppliers amounted to R4,6 billion representing 89,94% (2015: 88,8%). The S&E Co monitors progress of the Group's transformational objectives on a regular basis.

Aspen has maintained its Level 4 contributor status for the year.

KPI: BBBEE accreditation in South Africa (level)



The Group's BBBEE certification was performed by Empowerdex, an independent economic empowerment rating and research agency. The 2016 certificate can be accessed online.

Additional information available online

- Aspen Sustainability Data Supplement;
- Unabridged Corporate Governance Report;
- S&E Co Report;
- A&R Co Report;
- Stakeholder Engagement Report;
- Aspen Code of Conduct;
- Aspen's Code of Conduct for Suppliers and Service Providers;
- Aspen's BBBEE Report 2016;
- Communication on Progress Report in respect of Aspen's application of the UN Global Compact's 10 Principles for 2016;
- Responsible Corporate Citizen Philosophy; and
- BBBEE Philosophy Policy.

Natural capital

- Natural resources which Aspen uses – water, air, land, minerals and biodiversity
- Energy derived from fossil fuels and renewable energy sources



- Continued commitment to containment and reduction of Aspen's carbon footprint and reliance on fossil fuels from the activities undertaken by Aspen through site management strategies, formal conservation projects and renewable energy initiatives
- Monitoring of emissions across manufacturing sites
- Responsible water management and usage across manufacturing sites
- Participation in annual Carbon Disclosure and Water Disclosure Projects
- Implementation and monitoring of systems and processes in place to manage hazardous and non-hazardous waste
- Promotion of waste recycling initiatives across manufacturing sites
- Monitoring and control of the quality of effluent discharge
- Compliance with ISO 14001 Environmental Management System by manufacturing sites in South Africa (other than FCC), Bad Oldesloe, Vallejo, Vitória, Melbourne and Notre Dame de Bondeville with plans to phase in at other material manufacturing sites by the end of 2019

- Contribution to sustainable supply of energy and water to manufacturing sites critical to Aspen's ability to operate
- Progress made in reducing the environmental and carbon footprint of manufacturing operations
- Cost containment as a result of energy and water-saving initiatives allowing for competitive manufacture
- Responsible disposal and management of hazardous and non-hazardous waste, resulting in an increase in waste recycled and a reduction in waste to landfill

Natural capital continued

As a manufacturer of quality medicines, APIs and nutritional products, Aspen is reliant on the conversion and use of natural capital in creating value for its stakeholders. Further, Aspen's operations directly and indirectly impact the environment. The Aspen Environmental Management Protocol confirms the Group's commitment to the responsible management of the environment across all its operations.

Approach to environmental stewardship

As a signatory to the UN Global Compact, Aspen confirms its support of global initiatives aimed at protecting the environment and conserving natural resources.

Designated business unit executives are responsible for the implementation of Aspen's Environmental Management Protocol (incorporating the Group's Environmental Management Principles) and compliance with all applicable environmental legislation. Under the direction of the Group Strategic Operations Executive, the Group SHE Department monitors the alignment of business unit environmental management systems with the Group's standards, develops and promotes Aspen's Environmental Management Principles and monitors environmental legislative compliance across the Group's manufacturing facilities.

Aspen's Board monitors the status of environmental risks through the review of material environmental management performance indicators at scheduled intervals. The S&E Co assists the Board in monitoring the adequacy of environmental management systems and the extent to which these comply with relevant legislation.

Aspen strives to align its environmental management systems to global standards, with manufacturing sites in South Africa (other than FCC), Bad Oldesloe and Vallejo continuing to comply with the ISO 14001 Environmental Management System standard and the sites in Vitória, Melbourne and Notre Dame de Bondeville receiving this certification in June 2016. The Bad Oldesloe site attained ISO 50001 Energy Management System certification during 2014. A phased plan is in place to align environmental management systems to ISO 14001 at other material manufacturing sites by the end of 2019.

During the year, a number of environmental training interventions were conducted across the manufacturing sites to ensure consistent application of environmental principles, standard operating procedures, compliance with legislative requirements and to create awareness of new developments. The Group

participates in a number of industry platforms in order to keep abreast of initiatives and technological developments focused on the efficient use of scarce natural resources.

The Aspen Code of Conduct for Suppliers and Service Providers requires that Aspen's suppliers and service providers conduct their business in an environmentally conscious manner and that they ensure their compliance with the applicable environmental legislation.

Development of activity-based intensity measures

The identification of suitable activity-based intensity measures for material environmental KPIs is a key project for the Group. Activity-based intensity measures are being piloted within the South African manufacturing operations and the feasibility of rolling these out across the Group is currently under review. Appropriate activity-based intensity measures will support the Group's ability to accurately measure consumption patterns and production efficiencies, and to drive conservation projects.

Material environmental issues

As reported extensively in the 2015 Sustainability Report, a number of environmental and safety risks exist in respect of the sites acquired in 2013 from MSD in Oss, the Netherlands. The age and design of the Moleneind site gives rise to an inherently high risk of SHE incidents and a high number of spills have occurred at this site since acquisition. While there remains a high level of regulatory oversight with frequent inspections taking place, the management at Aspen Oss is working proactively with the authorities to address concerns. The number and severity of spills declined due to a number of risk mitigation actions undertaken during the year. Aspen Oss has identified further measures aimed at reducing the SHE risks at the site, including the cessation of chemical operations in certain of the older sites in Oss, presenting the highest risks activities, which will be executed over the next two years once the necessary consultations with the works council are completed and regulatory authorisations have been received.

The soil contamination risk at the Boxtel site remains and accordingly, an environmental liability has been recognised in this regard (refer to note 14.3 of the Group Annual Financial Statements).

During the prior year, it was reported that a criminal investigation had been initiated relating to the alleged performance of maintenance at the De Geer site during 2013 without the timely notification to the authorities. At a hearing on 3 November 2015, the court found in favour of Aspen Oss and the Permit Foundation De Geer. On 16 November 2015, Aspen received notification that the public prosecutor is appealing this finding. No further communication in this regard has been received to date.

The investigation by the authorities in relation to five specified spills that allegedly occurred at the Moleneind and the De Geer sites during April and May 2014 is still underway. Aspen Oss and the Permit Foundations will continue to provide their full co-operation to the authorities during the investigation.

Preserving the environment

Managing emissions

The Group recognises the potential environmental, social, political and economic implications of climate change. The Group's Environmental Management Principles promote the monitoring of Aspen's carbon footprint and reliance on fossil fuels in its operations and across the supply chain in a technically and economically feasible manner. This objective is pursued through investment in energy-efficient equipment and the utilisation of green energy technologies where feasible.

Through the implementation of periodic stack emission tests, it has been established that the Group's risk of harmful air emissions is low and consequently, the Group has not prioritised the development of air emissions targets. The risk of harmful air emissions is monitored regularly. GMP regulations require that technically advanced air handling systems and exhaust filtration systems are installed to maintain the correct environmental conditions and minimise the risk of harmful substances being released into the atmosphere respectively.

Scope 2 emissions, comprising purchased steam and electricity, represent the largest source of emissions in the Group. The Group also emits Scope 1 emissions in the form of refrigerants, as well as fuel and natural gases which are primarily used for the production of steam and fuelling of Aspen-owned vehicles.

KPI: Carbon emissions (tCO₂e)



— Scope 1 — Scope 2

Note: The Scope 1 emissions for the 2015 financial year have been restated following the identification of a material error at the Moleneind site during the 2016 ERM assurance site visit. This error was caused by complexities in emission accounting boundaries between Aspen and the other companies on the site following Aspen's acquisition of the site in 2013. This site was included in our reporting for the first time in 2015. This will be disclosed in Aspen's climate change response to the Carbon Disclosure Project in June 2017.

The minor reduction in Scope 1 emissions of 3% is largely as a result of factory closures in Australia and decreased production volumes at some sites. Scope 2 emissions have increased by 5%. This is largely attributable to production variances, particularly at the FCC and Port Elizabeth sites, where additional manufacturing units were commissioned. Initiatives to reduce electricity usage and carbon emissions have been implemented at a number of sites and further projects have been programmed for continual improvement.

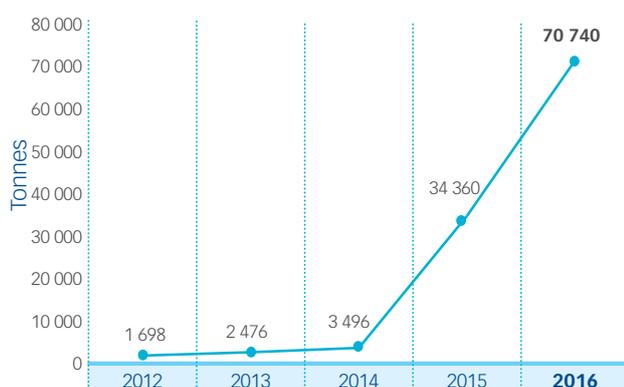
Aspen continues to participate in the Carbon Disclosure Project and achieved a "C – Awareness" performance rating for 2015 on the scale that progresses from "D – Disclosure" to "A – Leadership". The disclosure rating increased from 89% in 2014 to 96% in 2015. The scope of the 2016 submission was increased to include all of the material manufacturing sites.

Natural capital continued

Responsible management of waste

As part of the pharmaceutical and chemical industries, a large portion (22%) of the Group's waste is classified as hazardous. Specific systems and processes are in place to manage hazardous and non-hazardous waste in compliance with the waste management legislation applicable to each territory. Construction of a new waste facility has commenced at the FCC site in order to improve waste management on the site. Aspen's site in Dar es Salaam has improved the validation of reported waste and accordingly the waste data from this site has been included from the last quarter of the year. The Group uses specialised licensed waste management service providers to manage the transportation, treatment and disposal of waste in accordance with contracted terms and relevant legislation.

KPI: Waste recycled (tonnes)



The Group's annual volume of waste recycled for the year has increased by 106%. More than 90% of this increase is due to additional recyclable waste streams identified at the Group's Sioux City site during the current year.

The infant nutritionals site in Johannesburg achieved its objective of "zero waste to landfill" in the third quarter of 2016. The Port Elizabeth and East London sites are also aiming for "zero waste to landfill" and are expected to achieve this during the course of 2017.

The continuous promotion of waste reduction, waste recycling and identification of alternative waste treatment methods to prevent landfilling is ongoing across the Group. This is evident through the improvement of the waste recycled to waste generated ratio from 65% (2015) to 81% (2016).

Responsible management of effluent

The quality of effluent discharge is monitored and controlled across all material sites, in accordance with local municipal by-laws. In the event that there is a deviation from the required

standards, a thorough root cause analysis is conducted and corrective action plans are implemented. No material fines in this regard were reported for the financial year (2015: none).

Biodiversity

As at year end, none of the Group's business units were located in conservation areas or areas of biodiversity.

Managing the efficient utilisation of scarce natural resources

Water

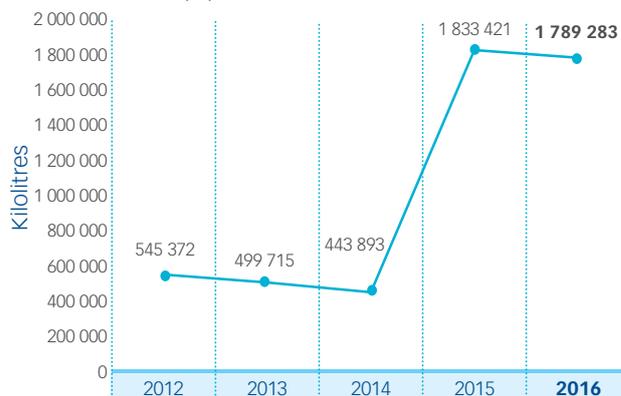
Water is a valuable resource and is used extensively in manufacturing processes, the cleaning of equipment and facilities, employee hygiene, steam generation and to ensure that the required environmental conditions are maintained within the facilities. Aspen is committed to responsible water management and usage at all manufacturing facilities as per the stated Environmental Management Principles.

As a scarce resource, Aspen recognises that initiatives aimed at conserving water will contribute to more sustainable water availability. The water supply risk is influenced by growing global water scarcity and in South Africa, further exacerbated by increased urbanisation and the ageing municipal infrastructure.

Municipal water is the primary source of water across the Group, although groundwater is also used at the sites in Notre Dame de Bondeville, Oss, Nairobi and Vallejo.

Aspen participated in the annual Water Disclosure Project in 2015 and achieved a performance score of "B – Management".

KPI: Water used (kl)



Note: The volume of water used for the 2015 financial year has been restated following the identification of a material error at the Moleneind site during the 2016 financial year. This error was caused by incomplete groundwater measurements. This will be disclosed in Aspen's water response to Carbon Disclosure Project in June 2017.

Overall water consumption for the Group has decreased by 2% and is in line with manufacturing activity and the implementation of water-saving initiatives at a number of sites. The sites continue to benefit from water-saving initiatives implemented in previous financial years. These initiatives range from recycling water to reducing water consumption through improved mechanisms.

Energy

Electricity is a critical resource utilised in Aspen's manufacturing processes and is becoming an increasingly expensive commodity. In South Africa, there is a risk of supply interruptions at times of excessive load on the national electricity grid. Efficient use and conscious conservation of electricity will assist with reducing the impact of increased electricity prices on production costs, and will ensure that critical energy resources are conserved.

Additional energy sources utilised by Aspen are fuel, liquid petroleum, purchased steam and natural gas.

KPI: Electricity used (Gj)



The Group's electricity consumption has decreased by 1% in comparison to the prior year. The decrease is mainly due to the sale of facilities in Australia, but this has been partially offset by the increased consumption at the Sterile facility (Suite 2) in Port Elizabeth and FCC (Block N), which became operational during the year.

Energy-saving initiatives have contributed to the reduction in electricity consumption. At the Bad Oldesloe site, a Combined Heat and Power plant with an electrical capacity of 600KW was commissioned in April 2016. The Combined Heat and Power recovers waste heat from the engine cooling circuit and from the exhaust to produce steam and heating water. It is estimated that the Combined Heat and Power will result in a reduction of 833 tonnes of CO₂ each year by producing electrical and heating energy up to 48% more efficiently. Efficiency projects, which include the investment in energy-efficient equipment, utilisation of renewable energy sources and enhanced energy monitoring processes and systems have been implemented across sites, with further initiatives programmed for future periods.

Additional information available online

- Aspen Sustainability Data Supplement;
- Aspen Environmental Management Protocol;
- Carbon Disclosure Project 2015 submission;
- Water Disclosure Project 2015 submission;
- ERM Assurance Statement;
- Communication on Progress Report in respect of Aspen's application of the UN Global Compact's 10 Principles for 2016; and
- ISO 14001 certificates.



Aspen supplies a wide range of infant nutritional and growing-up milk products across both the premium and value segments for these products. Infant nutritionals are used for infants under 12 months of age who are unable to be breastfed while growing-up milk formulas are used to supplement the diet of children older than 12 months. These products are usually prepared for bottle-feeding or cup-feeding from powder (mixed with water) or liquid (with or without additional water).

The most commonly used infant nutritionals contain purified cow's milk whey and casein as a protein source, a blend of vegetable oils as a fat source, lactose as a carbohydrate source, a vitamin-mineral mix and a variety of other ingredients depending on the manufacturer. Paediatric nutritionals are dietary supplements intended to provide nutrients to children between the ages of one and three that may otherwise not be consumed in sufficient quantities.

Despite the global economic downturn and slow recovery, the worldwide demand for nutritional products continues to grow. Research indicates that it is one of the fastest-growing packed food categories, with an estimated global demand in excess of USD46 billion in 2016 and with a predicted CAGR in excess of 9% over the period 2015 to 2020 (source: Euromonitor). The strong growth in this category is bolstered by emerging markets, where there is an

increasing standard of living, participation of women in the workplace and higher birth rates. The main growth regions are Asia (led by China, the world's largest consumer of infant nutritionals), the Middle East, Africa and to a lesser extent, South America.

Aspen has the rights to manufacture and market the S-26 and SMA brands in southern Africa, Australia and Latin America. This, combined with the strong position of the Infacare brand in Africa, gives Aspen a strong infant nutritionals presence on four continents and positions it as the 15th largest infant nutritionals business globally with an estimated 0,70% of worldwide market share (source: Euromonitor). In addition, Aspen is one of only two companies in the top 15 that is also a pharmaceutical company, providing additional credibility due to Aspen's rigorous safety and quality standards.

Infant Nutritionals portfolio



Business unit reviews

Group strategic operations

The strategic operational projects currently underway at Aspen's primary manufacturing sites and API facilities are aimed at creating niche manufacturing capabilities and at delivering integrational and operational synergies across its various manufacturing sites, thereby providing the Group with a solid platform for sustainable growth.

Oral solid dose manufacturing

Capacity expansion projects in respect of Aspen's oral solid dose manufacturing sites, including diversification projects for existing and newly acquired global brand products, are progressing to plan and a number of highlights in this regard are detailed below:

- Construction of the high containment facility at the Port Elizabeth site is nearing completion, with the first level having been completed and manufacturing trials having commenced. The oncolytic suite is complete and trial batch manufacture commenced in August 2016. The facility, designated Unit 4, employs technologies that support the requirements for high levels of containment and operator protection, and will be used as an additional site in the manufacture of certain global brands as well as a number of products supplied for the South African government tender;
- The initial phase of the upgrade to the Unit 3 domestic market packing area has been completed. Additional work to improve the standards of the Unit 3 area as well as additional packing capacity is due for installation during the 2017 financial year. This upgrade and expansion is required to ensure that Aspen meets increasing volumes and complexity requirements;
- The East London site has recently undergone an upgrade project in order for it to manufacture all liquids and semi-solids for the South African market;
- The transfer of the MSD divested brands, Ovestin cream and Oradexon tablets has been completed and manufacture at the Bad Oldesloe site has commenced;
- The launch of the line extensions to the Eltroxin brand in Australia and the Ovestin creams has taken place. Technical transfer of other selected products acquired from MSD has progressed to the validation stage; and
- The transfer of Enablex tablets from Novartis to the Bad Oldesloe site has been completed with the first consignment of product having been shipped to Australia.

Aspen continues to achieve significant cost reductions from the Port Elizabeth site's large volume and scale, coupled with its complex manufacturing capability. The Bad Oldesloe site's ability to provide specialised and flexible manufacturing and packing capabilities, as well as its favourable location within the European market, further bolsters the Group's ability to deliver competitive and bespoke manufacturing solutions.

Sterile manufacturing

Aspen's sterile facilities at the Port Elizabeth and Notre Dame de Bondeville sites are complementary in technology and product offering. The manufacture of Fraxiparine vials has commenced at the Port Elizabeth site, with the transfer of Mono-Embolex vials to this site currently underway. Integration and capacity expansion plans in respect of these sites have progressed well in the past year:

- Construction of the extension to the sterile manufacturing capabilities in Port Elizabeth, comprising a combination vial/ampoule suite, is complete and commercial manufacture has commenced;
- The capacity expansion plan at the Notre Dame de Bondeville site, comprising the establishment of a new high-speed prefilled syringe filling suite, has been completed. The first trial and validation batches for Fraxiparine syringes are complete and commercial manufacture has commenced; and
- The transfer of manufacture of Arixtra prefilled syringes to the high-speed Etna line at the Notre Dame de Bondeville site is complete and first commercial supply has commenced. Water-for-injection capacity has also been transferred to this line. These transfers have enabled the closure of the legacy filling facility at this site, resulting in the achievement of the projected savings from this project. Construction of the new laboratory has commenced and is due for completion and commissioning over the next 12 months.

The complementary processes and products across these sterile sites present Aspen with a significant skills and technology base to support growth.

API manufacturing

The integration of the Oss site into Aspen's existing API network has been successfully completed. The realignment and integration projects in relation to API manufacture across the Group have progressed well in the past year:

- The internal and external realignment plans at the Oss site are proceeding. Delays experienced due to certain regulatory constraints having been encountered and managed. The project to increase the heparin purification capacity by repurposing the IPT3 manufacturing facility at this site has been completed and trial and validation batches are currently underway.

Work undertaken in respect of the characterisation of danaparoid has made pleasing progress, allowing Aspen to better understand the production process and to make timeous interventions when required. The reintroduction of conjugated and esterified estrogen API production into the Oss site is also progressing to plan and will offer significant strategic and commercial opportunities to Aspen;

- Laurus, a leading Indian API manufacturer, has constructed a new facility for the production of large-volume, early-stage API intermediates on Aspen's behalf as part of Aspen's strategic alliance with this manufacturer. A new API manufacturing site containing two blocks, one block for hormonal products and one block for general and steroidal products including fermentation, is also being constructed in India by Laurus for Aspen's utilisation and is due for completion in October 2016. Technology transfer processes have commenced to allow for the initiation of trial and validation batches in November 2016; and
- Construction of the new high-volume, high-potency multi-purpose API facility at FCC is complete and the facility is in operation.

The FCC and Oss sites provide Aspen with specialised API capabilities in respect of both Aspen's own and third-party commercial opportunities. The combination of the Oss and Sioux City sites with the Notre Dame de Bondeville site and Port Elizabeth steriles facility, provides Aspen with a fully integrated biochemical supply chain for Aspen's thrombosis portfolio of products.

Infant Nutritionals manufacturing

Aspen has three owned infant nutritional manufacturing sites globally, namely the Johannesburg, Vallejo and Auckland sites. The Johannesburg and Vallejo sites are full manufacturing sites where raw ingredients (including milk powder) are converted into infant milk powder through a spray drying and blending process. The product is then packed into various formats for sale to consumers. The Johannesburg site also has a UHT liquid facility for the manufacture of infant ready-to-feed products. The Auckland site is a blending and packaging site only and operated as a joint venture between Aspen and NZNM. The infant formula is manufactured by strategic partners based in Australia and New Zealand and delivered to Aspen's site for final blending and packaging in various formats.

The following capital and improvement projects were undertaken in respect of these infant nutritional manufacturing sites during the year:

- a warehouse upgrade catering for increased volumes. Investments in packaging line camera and X-ray equipment to enhance product quality and brand protection were undertaken at the Johannesburg site;

- the Vallejo site is dual purposed to manufacture both infant nutritional and pharmaceutical products. During the year the site invested in additional capital expenditure to allow the transfer of manufacture of pharmaceutical products from various other sites, enabling margin improvements across all products manufactured at the site; and
- at the time of Aspen's acquisition of its 50% stake in NZNM, the Auckland site had one working facility while a second greenfield site was under construction. The greenfield site was completed during the 2016 financial year at a cost of NZD10,5 million and has increased capacity from 5 million to 27 million cans per annum, thus allowing for growth into other markets where Aspen sees growth potential.

Cost containment and increased efficiencies

Focused initiatives and projects remain in place to ensure resource conservation, manufacturing efficiencies, effective equipment operation and waste elimination in Aspen's South African operations as well as at the Bad Oldesloe and Notre Dame de Bondeville sites. Targets have been set for the new financial year and are monitored on a monthly basis.

Comprehensive, detailed, multi-year savings plans, covering all aspects of the operations, have been delivered according to plan and the Oss and Notre Dame de Bondeville sites are poised to deliver significant cost savings to the Group in the coming year. The progress made in achieving these plans is monitored on a three-monthly basis.

Continued focus on compliance

The Group's emphasis in respect of quality has been maintained with the Port Elizabeth site being successfully inspected by the US FDA and ANSM, extending the GMP certificate of the Notre Dame de Bondeville site. The US FDA also approved Aspen's Sterile facility at the Port Elizabeth site, while FCC was successfully audited by the EDQM. All Aspen manufacturing sites underwent successful customer audits.

Through these projects and achievements, Aspen's manufacturing operations provide it with a considerable competitive advantage and allows it to excel in the supply of high quality, affordable products into the various territories in which the Group operates.

Business unit reviews continued

International

Aspen's International business comprises operating subsidiaries in Europe CIS, Latin America, Middle East and North Africa ("MENA"), Canada as well as Mauritian-based AGI, the international commercial business and intellectual property holding company which is also a primary Group trading operation and supply chain hub. Globally branded pharmaceutical products are distributed into multiple territories as well as local brands into selected regions. The API site at Oss, supported by its satellite operation at Sioux City, supplies APIs worldwide. The Notre Dame de Bondeville site primarily services Group supply needs and the Bad Oldesloe site is also an important producer for the Group.

Financial performance

	2016 R' billion	2015 R' billion	Change
Comparable business			
Revenue	18,9	15,8	19%
EBITA	5,9	5,1	15%
EBITA margin (%)	31,2	32,2	
<i>Comparable business measures exclude the contribution from Divestments and includes the results of Aspen's Venezuelan business translated at the DICOM (previously SIMADI) rate of VEF628,34 per USD for the prior reporting period.</i>			
Entity-wide disclosure – revenue			
Commercial – pharmaceutical	12,2	10,3	19%
Europe CIS	8,5	7,0	22%
Latin America (excluding hyperinflationary economy)	2,0	2,1	(5%)
MENA	0,9	0,6	51%
USA and Canada	0,8	0,6	42%
Commercial – infant nutritionals	1,5	1,3	18%
Latin America (excluding hyperinflationary economy)	1,5	1,3	18%
Manufacturing – API and FDF	4,7	3,8	24%
Europe CIS	4,7	3,8	24%
Comparable revenue	18,4	15,4	20%
Venezuela	–	2,7	
Total gross revenue	18,4	18,1	2%

Pharmaceutical and infant nutritionals revenue has been classified by customer geography and manufacturing revenue has been classified by point of manufacture.

Highlights for the year

- ▶ Aspen's International business contributed 49% towards total Group comparable gross revenue in the 2016 financial year, with the Europe CIS business contributing 36% of total Group gross revenue.
- ▶ Mono-Embolex, an injectable and weight independent anticoagulant, acquired from Novartis in the prior financial year, has been successfully integrated in Germany and posted its first full year of sales in the 2016 financial year. Mono-Embolex presents a strong complementary fit to Aspen's thrombosis portfolio and is now promoted as a first-line product to key stakeholders.
- ▶ In a transaction which became effective on 1 October 2016, Aspen acquired the exclusive rights to commercialise AstraZeneca's global (excluding the USA) anaesthetics portfolio for a consideration of USD520 million in June 2016. The products in the portfolio are sold in more than 100 countries worldwide including China, Japan, Australia and Brazil and generated revenue of USD592 million in the year ended 31 December 2015.
- ▶ The acquisition of a global portfolio (excluding North America) of GSK anaesthetic products for a consideration of GBP180 million was announced by Aspen after its year end close. These products are sold in more than 100 countries worldwide including China, Japan, Brazil, Korea, Germany and Italy.
- ▶ In the Caribbean and Central America ("Caricam") territory, third-party distributors were replaced by Aspen's own operations, thereby reducing complexity in the supply chain.
- ▶ The Vallejo site received the "Environmental Excellence Recognition Award" for the second year in a row for demonstrating continuous improvement in production processes, clean and effective sustainable practices and its community commitment.
- ▶ In December 2015, AGI acquired the intellectual property and the approved ANDA in the USA in respect of the FDF of HPC, which is indicated for the treatment of certain female cancers and hormonal imbalances. It was officially launched on 28 June 2016 in the USA.

Key business units

Europe CIS



Aspen Bad Oldesloe
 Aspen Europe
 Aspen France
 Aspen Germany
 Aspen Ireland
 Aspen Italy
 ANDB
 Aspen Netherlands
 Aspen Oss
 Aspen Polska
 Aspen Russia
 Aspen Switzerland

Latin America



Aspen Argentina
 Aspen Brazil
 Aspen Caricom
 Aspen Chile
 Aspen Colombia
 Aspen Ecuador
 Aspen Mexico
 Aspen Panama
 Aspen Peru

Rest of the World



Aspen API
 Aspen Canada
 Aspen Dubai
 AGI

Key territories and/or countries supplied to in this region

Argentina, Brazil, Canada, Caricom, Chile, CIS, Colombia, Ecuador, Europe, Mexico, MENA, Panama, Peru, USA

Contribution to Group comparable gross revenue



■ International

Contribution to Group comparable EBITA



■ International

Market statistics and recognition

- ▶ The European and CIS thrombosis pharmaceutical market was valued at EUR2,7 billion, growing 1,2% in volume and declining marginally by 0,3% in value, for the year to 30 June 2016.
- ▶ Aspen is the second largest manufacturer of injectable anticoagulants in Europe CIS and is the sector leader for these products in Bulgaria, Czech Republic, the Netherlands and Romania.
- ▶ The Spanish Latin American private pharmaceutical sector was valued by IMS at USD32,1 billion for the year to 30 June 2016.
- ▶ The Brazilian private pharmaceutical sector was valued by IMS at USD22,5 billion for the year to 30 June 2016 and Aspen is ranked 53rd in this sector.
- ▶ The MENA pharmaceutical sector was estimated at approximately USD28,5 billion for the year to 31 December 2015.
- ▶ Aspen's major markets in the MENA region include Saudi Arabia, Egypt, Algeria, Kuwait and Morocco.

Number of products launched from pipeline:
 Europe CIS: Nil (2015: Nil)
 Latin America: 4 (2015: 43)
 Rest of the World: 9 (2015: Nil)

IMS value of pipeline as at 30 June 2016 anticipated to be launched in:
 0 – 2 years
 USD0,85 billion
 3 – 5 years
 USD2,20 billion

Number of permanent employees:
 Europe CIS:
 2 611 (2015: 2 608)
 Latin America:
 1 245 (2015: 1 360)
 Rest of the World:
 247 (2015: 235)

Average staff turnover:
 Europe CIS: 8% (2015: 5%)
 Latin America: 33% (2015: 33%)
 Rest of the World: 20% (2015: 17%)

Number of product recalls:
 6 (2015: 1)

Number of work-related fatalities:
 Nil (2015: Nil)

Carbon emissions:
 Scope 1: 32 415 tCO₂e
 (2015: 34 858 tCO₂e)
 Scope 2: 32 744 tCO₂e
 (2015: 31 340 tCO₂e)

Business unit reviews continued

International continued

Market dynamics and legislative environment Europe CIS

The European Union has experienced political and economic volatility over the past year, headlined by the United Kingdom electorate's vote in June 2016 to leave the European Union. The region has experienced currency fluctuations and weaker-than-expected economic growth in respect of a number of its key member states.

Aspen's major markets in Europe CIS include France, Germany, Italy, Poland and Russia. The combined European and CIS pharmaceutical sector was valued at USD206 billion by IMS for the year to 30 June 2016. Total pharmaceutical sales in the EU5 countries (Germany, France, United Kingdom, Italy and Spain) reached USD150,8 billion in 2015 and are expected to post a CAGR of 3,5% up to 2020. Within the EU5, Germany and the United Kingdom are expected to be the main contributors to pharmaceutical market growth over the next five years and are projected to post a CAGR of 4,3% and 5,6% respectively.

Continued pressure on healthcare budgets has led to policymakers in the territory introducing mandatory price cuts in different reference pricing models, making changes to rules for reimbursement of high-cost drugs and reinforcing incentives to drive the use of generics and biosimilars.

The performance of Aspen's European CIS business was favourably impacted by the strengthening of the Euro against the Rand. On average, the Euro strengthened 18% against the Rand over the financial year while the Russian Ruble weakened 7% against the Rand over the same period. The Russian trading environment remains challenging with negative gross domestic product growth and the continued weakness of the Ruble driven by low oil prices and European Union sanctions. Russia's healthcare sector is significantly influenced by tenders with heavy reliance on public spending for medicines.

Latin America

The pharmaceutical sector in Spanish Latin America (ie Latin America, excluding Brazil) is led by originator products with increasing contributions from generics and OTC products. Due to the devaluation of local currencies over the past year, the territory decreased nearly 14% in USD value and 6% in units over the period under review. In local currency terms, however, pharmaceutical sales in Spanish Latin America grew by an average of 7% in value.

Mexico has the largest pharmaceutical sector in Spanish Latin America and remains an attractive investment destination for pharmaceutical companies, with other priority markets being Argentina and Colombia.

The continuing economic and political turmoil and deteriorating business environment in Venezuela has made it difficult and complicated for most multinationals to operate there. This, along with the challenges experienced with recovering debt and repatriating earnings, has resulted in a decision by Aspen to suspend trade in Venezuela until such time that trading conditions improve.

According to IMS, the Brazilian retail pharmaceutical market grew by 5,8% in the 12-month period to June 2016 while generics and branded pharma grew by 13,2% and 2,8% respectively. ANVISA regulates pricing and allows companies fixed percentage increases according to the therapeutic class in April of every year.

Market dynamics are particular to a country as each has its own health authority, political dispensation and economic macro-variables influencing healthcare trends.

Rest of the World

All other territories in this business segment, outside of Europe CIS and Latin America, are classified as Rest of the World and includes Aspen's businesses in the MENA region, USA and Canada.

Although Aspen's business in the MENA region is primarily in retail, there has been some growth in the tender business with the focus being restricted to profitable tenders. Aspen's sales in North America are mostly through third-party distributors and in respect of APIs.

Performance review

The International business increased comparable revenue 19% to R18,9 billion and grew EBITA 15% to R5,9 billion. The termination of trade in Venezuela negatively affected the EBITA margin and offset the benefits yielded from the implementation of various value creation projects.

Europe CIS

Commercial revenue from pharmaceutical product sales to healthcare providers in Europe CIS improved 22% to R8,5 billion. Manufacturing revenue grew 24% with particularly strong growth in API sales.

The acquisition of Mono-Embolex, a thrombosis product with almost all of its sales in Germany, in the second half of the previous year further strengthened Aspen's portfolio in this therapeutic area. The full-year inclusion of Mono-Embolex coupled with currency tailwinds supported growth in commercial revenue.

Revenue from the thrombosis portfolio in Europe improved 31% from the previous financial period, despite increased competition from oral anticoagulants and generics. While new entrants are expected in terms of the launch of a generic Fondaparinux and biosimilars for Enoxaparin, the injectable anticoagulant market continues to grow in volume. Aspen's broad thrombosis portfolio, sustainable supply chain and quality manufacturing ensures its ability to effectively compete in this therapeutic category.

Despite prevailing macro-economic challenges, sales in the CIS improved by 11% in local currency terms, compared to the prior period.

The Oss site improved profitability as a result of increased API sales with expenses being well controlled and various margin improvement projects yielding additional benefits. The installation of a new high-speed prefilled syringe filling line at the Notre Dame de Bondeville site was completed during the period and commercial manufacture is underway.

Commercial focus has been placed on prioritising profitable sales and discontinuing unprofitable areas. The efficiency of the sales force has been improved through targeting, segmentation and strategic engagement with key opinion leaders and other key stakeholders. Operating expense savings have been achieved through operational synergies and focused promotional spend.

Latin America

In Latin America (excluding hyperinflationary economy), revenue to customers increased 3% to R3,5 billion with infant nutritional sales being the primary growth driver, increasing by 18%. Aspen's Infacare brand was launched in Mexico during the year, securing an important government infant nutritionals tender. Opportunities to enter the mid-price infant nutritionals sector with this brand in various other Latin American countries are being explored. While pharmaceutical sales in the territory were negatively impacted by a considerable amount of transition stock in the distributor channel, as a consequence of the MSD products acquired in the previous year, the in-market pharma sales trends indicated double-digit sales growth in local currency.

The economic environment in Brazil continues to be challenging and low growth in local currency terms was achieved. As a consequence of the limited payment approvals and the uncertain economic and political situation in Venezuela, the Group has concluded it would be appropriate to apply the DICOM exchange rate (VEF628,34 per USD at 30 June 2016) to report the Venezuelan business's trading results for the 2016 financial year. This has resulted in a one-off currency devaluation loss on foreign denominated liabilities of R870 million.

Rest of the World

Sales to customers in the USA, Canada and MENA territories increased strongly off relatively low bases, growing by 42% and 51% respectively to R1,8 billion.

The MENA region performed well despite facing political and economic volatility, including currency devaluation and a significant drop in oil prices. Supply within the region was improved following the successful launch of a regional distribution hub in the prior financial year.

Strategic priorities and future outlook for next financial period

- The thrombosis portfolio is currently Aspen's largest product franchise in Europe CIS with focus being on the promotion of

this unique and broad specialist offering and on improving the product mix of the portfolio through the growth of retail sales over hospital sales. This, coupled with extracting and realising synergies between the anti-thrombosis therapeutic class and the high potency & cytotoxic portfolios, is expected to drive growth in this region.

- Emphasis will be placed on integrating the newly acquired anaesthetics businesses from AstraZeneca and GSK. As anaesthetics require sterile manufacturing and are largely dispensed in hospitals and clinics, the acquired products present an opportunity to leverage both Aspen's existing hospital-focused sales force currently promoting the thrombosis portfolio in Europe CIS and Latin America and the Group's sterile manufacturing capabilities (existing and under construction).
- Infant nutritionals remain a strategically important business in the Latin America territory and attention will be focused on neonatal prescribers to increase Aspen's share of this sector.
- Renewed marketing and promotional activities are being undertaken in MENA and campaigns to increase in-market demand have been launched. Profitability and regulating the supply of products remains a priority in driving growth and a sustainable business in this territory.

Aspen aims to leverage its complex API capabilities into high-margin niche FDF offerings to be launched in North America in order to establish a sustainable presence in that region.

Leading brands in International

Brand name	Classification	Therapeutic category	Therapeutic application
Alkeran	Pharmaceutical	Cytotoxic – anticancer	For the treatment of cancer
Arixtra	Pharmaceutical	Antithrombotic	For the prophylaxis of VTE and the treatment of acute deep vein thrombosis and acute pulmonary embolism, treatment of unstable angina/NSTEMI and STEMI, treatment of acute symptomatic spontaneous superficial-vein thrombosis of the lower limbs
Deca-Durabolin	Pharmaceutical	High Potency – anabolic steroid	Treatment of osteoporosis in postmenopausal women As an adjunct to specific therapy and nutrition in pathological conditions which are characterised by negative nitrogen balance Treatment of anaemia associated with chronic renal failure, anaemia and aplastic anaemia after cytotoxic therapy
Eltroxin	Pharmaceutical	High Potency – thyroid hormone replacement	Thyroid hormone replacement in hypothyroidism
Fraxiparine	Pharmaceutical	Antithrombotic	For the prophylaxis of VTE and treatment of acute deep vein thrombosis and acute pulmonary embolism, treatment of unstable angina and non-Q wave myocardial infarction
Imuran	Pharmaceutical	Cytotoxic – immunosuppressant	For the treatment of certain autoimmune conditions and for the prevention of organ transplant rejection
Lanoxin	Pharmaceutical	Cardiac glycoside	For the treatment of certain heart conditions including heart failure
Meticorten/ Meticortelone	Pharmaceutical	High potency – glucocorticoid	Management of various endocrine, musculoskeletal, collagen, dermatologic, allergic, ophthalmic, respiratory, hematologic, neoplastic and other diseases known to be responsive to corticosteroid therapy
Mono-Embolex	Pharmaceutical	Antithrombotic	For the treatment of acute deep vein thrombosis
Ovestin	Pharmaceutical	Female health – estrogen hormone replacement	Hormone replacement therapy (HRT) for estrogen deficiency symptoms in postmenopausal women Infertility due to cervical hostility
Purinethol	Pharmaceutical	Cytotoxic – oncolytic	For the treatment of cancer
S-26	Consumer	Infant nutritionals	For the nourishment of infants
Zyloric	Pharmaceutical	Uric acid production inhibitor	Reduction of urate/uric acid formation in conditions where urate/uric acid deposition has already occurred (eg gouty arthritis, skin tophi, nephrolithiasis) or is a predictable clinical risk (e.g. treatment of malignancy potentially leading to acute uric acid nephropathy)

Business unit reviews continued

Asia Pacific

Aspen's Asia Pacific business comprises operations in Australia, New Zealand, the Philippines, Malaysia, Taiwan and Japan. Efforts are underway to establish an operation in China, following Aspen's recent acquisition of anaesthetic and thrombosis products from AstraZeneca and GSK in this country. These operations supply a diversified portfolio of branded prescription, generic, OTC, consumer and infant nutritional products into Australia and New Zealand and the majority of countries in Asia. Certain tablets, liquids and semi-solids are produced at the Group's manufacturing site in Melbourne, while other products for customers of this business are sourced from Aspen's global manufacturing sites and accredited third-party manufacturers.

Financial performance

	2016 R' billion	2015 R' billion	Change
Comparable business			
Revenue	7,4	6,7	11%
EBITA	1,6	1,4	10%
EBITA margin (%)	21,5	21,6	
<i>Comparable business measures exclude the contribution from Divestments and includes the results of Aspen's Venezuelan business translated at the DICOM (previously SIMADI) rate of VEF628,34 per USD for the prior reporting period.</i>			
Entity-wide disclosure – revenue			
Commercial – pharmaceutical			
Australasia	6,1	5,6	8%
Asia	4,5	4,4	2%
	1,6	1,2	29%
Commercial – infant nutritionals			
	1,0	1,0	6%
Manufacturing – FDF			
	0,5	0,5	–
Comparable revenue			
Divestments	7,6	7,1	7%
	0,2	1,4	
Total gross revenue	7,8	8,5	(8%)

Pharmaceutical and infant nutritionals revenue has been classified by customer geography and manufacturing revenue has been classified by point of manufacture.

Highlights for the year

- ▶ On 1 September 2015, Aspen Australia successfully completed the divestment of a portfolio of products, consisting mainly of generics, to Strides Arcolab. The final payment for this transaction was received during November 2015.
- ▶ In August 2015, NZNM, the infant nutritionals site in Auckland, New Zealand in which Aspen has a 50% joint venture stake, commenced supply of S-26 infant nutritionals into Aspen Australia's infant nutritionals division. A new facility was commissioned at this site in December 2015, which increased capacity to 24 tonnes.
- ▶ Aspen's Asian businesses (those Asia Pacific businesses outside of Australasia) delivered a combined revenue growth of 29%, with Aspen Japan successfully completing its first full year of trading.
- ▶ Following the acquisition of a global anaesthetics portfolio from AstraZeneca and the rights to the Arixtra and Fraxiparine products from GSK, the process of establishing Aspen's Chinese business has commenced to ensure that Aspen is in a position to trade in this territory in the 2017 financial year.

Key business units

Asia Pacific



- Aspen Australia
- Aspen Asia
- Aspen Japan
- Aspen Malaysia
- Aspen Philippines
- Aspen Taiwan

Key countries supplied to in this region

Australia, China, Hong Kong, Indonesia, Japan, Korea, Malaysia, New Zealand, Philippines, Singapore, Taiwan, Thailand and Vietnam

Contribution to Group comparable gross revenue



■ Asia Pacific

Contribution to comparable EBITA



■ Asia Pacific

Number of products launched from pipeline:
24 (2015: 34)

IMS value of pipeline as at 30 June 2016 anticipated to be launched in:
0 – 2 years
USD1,35 billion
3 – 5 years
USD0,05 billion

Number of permanent employees:
772 (2015: 844)

Average staff turnover:
23% (2015: 24%)

Number of product recalls:
1 (2015: 1)

Number of work-related fatalities:
Nil (2015: Nil)

Carbon emissions:
Scope 1: 1 986 tCO₂e (2015: 2 907 tCO₂e)
Scope 2: 16 427 tCO₂e (2015: 22 091 tCO₂e)

Market statistics

- ▶ IMS values the Australian pharmaceutical sector at AUD16,7 billion, with Aspen currently being ranked second by volume and ninth by value in this sector. Almost one in six scripts written in Australia is for a product distributed by Aspen.
- ▶ The combined Asian pharmaceutical sector is valued at almost USD203,5 billion by IMS in 2016. China has overtaken Japan as the largest market in Asia at USD78,9 billion, with Japan now valued at USD73,1 billion. The total IMS value of the countries where Aspen will have local operations in Asia will reach USD197,3 billion, following the launch of Aspen's Chinese operation in the 2017 financial year.
- ▶ Aspen Nutritionals Australia was awarded the "Readers Digest Most Trusted Brand Award" in the Baby Formula category for S-26.
- ▶ Bio-Oil won the prestigious Australia "Priceline Cult Product of the Year".
- ▶ Valda was awarded the "2016 Best Consumer Health Brand" within the throat drops category by the well-renowned Taiwan Management Magazine.
- ▶ Cortal was awarded the "Health, Wellness & Beauty Award" in Hong Kong by Watson's, the largest healthcare and beauty care chain in Asia.

Business unit reviews *continued*

Asia Pacific *continued*

Market dynamics and legislative environment

Australasia

The Australian government continues to target the healthcare industry as one of the primary sources of spending cuts as it attempts to restore balance to its federal budget. As at 30 June 2016 the Australian pharmaceutical sector increased 14% year-on-year and is now valued at AUD16,7 billion. At least 50% of this increase was attributable to expensive hepatitis C treatments added to the PBS reimbursement scheme during the year, placing additional strain on the total healthcare budget.

The sixth Community Pharmacy Agreement, which came into effect on 1 July 2015 and which aims to regulate the pharmaceutical supply chain, has introduced a number of initiatives being implemented by government, the most significant being:

- A once-off 5% statutory price reduction in respect of medicines on the F1 formulary (ie under patent products or products which have no generic competition), after being listed on the PBS for five years. This price reduction came into effect on 1 April 2016 and will have an estimated annualised impact on EBIT of AUD4,7 million on Aspen's Australian business.
- Originator brand pricing is to be excluded from the computation of the weighted average disclosed price of medicines which are subject to competition and which have been listed on the F2 formulary for three or more years. This policy is scheduled for implementation in October 2016 and the estimated annualised impact on EBIT to Aspen is expected to be approximately AUD4 million, resulting in increased brand premiums and lower discounting to pharmacies.
- The targeting of OTC products to be delisted from the PBS in January 2016 was also implemented, but this initiative does not have any notable relevance to Aspen's Australian operations.

The above changes to the regulatory environment combined with aggressive competition continue to present challenges to organic growth in Australia.

The Australian Dollar's performance against major trading currencies during the year has remained well below the levels seen in 2013 and 2014, resulting in additional pressure on local manufacturing costs, especially in respect of raw materials and imported finished products. A number of efficiencies are being pursued to mitigate these cost increases.

Asia

The Asian pharmaceutical market, as at 30 June 2016, reached USD203 billion with China being the most significant contributor at USD78,9 billion and overtaking Japan to become the second largest pharma market globally. India is now the third largest Asian market growing by 9,3% to USD15 billion this year.

The Japanese pharmaceutical market declined by 8,2% to USD73,1 billion over the period driven largely by a 7,1% regulated price cut and improved generic product penetration.

The Chinese pharmaceutical market will continue to be a key geographic growth driver with a predicted CAGR of approximately 9%. This growth rate is expected to be positively influenced by ongoing urbanisation, improved healthcare infrastructure and increased pharmaceutical uptake as a result of the updating of the National Reimbursed Drug List by Chinese regulatory authorities in June 2017.

Performance review

Comparable revenue for this business increased by 11% to R7,4 billion and comparable EBITA was 10% higher at R1,6 billion.

Australasia

In Australasia, sales of pharmaceuticals to customers increased 2% to R4,5 billion underlying a solid performance from core pharmaceutical products despite the challenging trading environment. Revenue from the infant nutritionals business was 6% higher at R1,0 billion.

The decline in Aspen Australia's reported revenue was impacted primarily by strategic product disposals and discontinuations. Aspen Australia's core portfolio of products, which excludes products and agreements to be discontinued, posted pleasing growth compared to the prior year despite the ongoing regulated price cuts and increased generic competition. Brand price premium increases, reduction in the discounts afforded to pharmacists and new product launches are some of the ongoing initiatives employed to mitigate revenue and earnings erosion resulting from the price cuts. Leading brands such as Eutroxsig, Circadin, Coloxyl, Ural and Zofran delivered further growth and various new brands, launched during the 2016 financial year, also contributed towards the current year revenue performance.

Following its strong growth in the 2015 financial year, the infant nutritionals business continued to grow steadily for the first half of the 2016 financial year. The Australian infant nutritionals sector was negatively impacted during the second half of the year by quality restrictions and taxes imposed by the Chinese government on infant nutritionals entering its market through informal export channels from primarily Australia and New Zealand. In the periods leading up to these events, the value of this informal export trade in the local Australian market had attracted many new entrants to the market. China's tightened import and regulatory controls resulted in a significant oversupply of product in the local Australian market which impacted revenues in the second half of the year as competitors started trading with retailers for shelf space. It is anticipated that these newer competitor brands, aimed specifically at the Chinese informal export market, will not be able

to effectively compete against established brands like S-26 in the local Australian market. The S-26 products, positioned as a leading trusted brand in Australia, will stand in good stead as the infant nutritionals sector in Australia starts to recover and normalise.

Aspen Australia has supply agreements with various multinational companies to undertake contract manufacturing activities at its Melbourne site. This is one of the primary pharmaceutical manufacturing sites in Australia with a reputation for high quality products and excellent customer service. These contracts allow Aspen to further utilise the capacity of the Melbourne site and shift its focus towards high-margin products.

Aspen Australia continues to review its product portfolio and reshape its business model to focus on higher-margin products.

Asia

The revenue increase in Asia of 29% to R1,6 billion, up from R1,2 billion in the prior year, was aided by the first full year of Aspen's Japanese operations, the launch of Florinef and organic growth. Since establishing a local presence in Japan, revenue in this territory has increased 47% to R700 million. Aspen has entered into a licensing agreement with GSK and the first GSK authorised generic was successfully launched in Japan during the 2016 financial year. The commercialisation of a number of further authorised generic products are being considered with multiple parties.

Following the global acquisition of an anaesthetics portfolio from AstraZeneca as well as GSK and the rights to the Arixtra and Fraxiparine products from GSK, the operational setup of Aspen China is gaining momentum. A total of approximately 650 medical and marketing representatives are expected to be taken on during the 2017 financial year, the highest number of representatives in any Aspen company. The full transition of the supply chain in early 2018 will require significant preparation during 2017.

Strategic priorities and future outlook for next financial period

- Budget reforms by the Australian authorities are set to continue within this healthcare sector, impacting Aspen's portfolio, albeit to a lesser extent than previously.
- The product divestment to Strides Arcolab allows Aspen Australia to reduce the complexities of its commercial operations and focus on growing existing established brands and products in key therapeutic categories. The annualised impact of operational cost savings will improve already efficient cost ratios, while the strategic initiatives to terminate low-margin contracts and products from the portfolio will enhance profitability.
- The acquisition of the global anaesthetics portfolio from AstraZeneca and GSK will require the Japanese, Australian, Taiwanese and Malaysian affiliates to transition stock into their respective portfolios during the 2017 year. Aspen has capable and experienced management in these territories to ensure a smooth transition of this portfolio.
- Aspen Japan will seek to build on the solid base established during the 2016 financial year, with emphasis being placed on driving the existing portfolio, commercialisation of the authorised generics products from GSK and transitioning the global anaesthetics portfolio. Aspen's presence in this important market has yielded positive growth, with an increasing product offering and expanding Aspen marketing representation.
- Aspen's Chinese operations will be established within the next financial year to accommodate the transition of marketing representatives from the acquired AstraZeneca anaesthetics portfolio and GSK thrombosis portfolio in addition to the various management and administrative functions required to support the organisation. Aspen will continue to approach the market cautiously while seeking out value-adding opportunities within strategic therapeutic categories.

Leading brands in Asia Pacific

Brand name	Classification	Therapeutic category	Therapeutic application
Bio-Oil	OTC/consumer	Dermatological	For the treatment of scars and skincare
Cartia	OTC	Cardiovascular	Platelet aggregation inhibition
Coumadin	Pharmaceutical	Cardiovascular	For the treatment of pulmonary embolism and venous thrombosis
Coloxyl	OTC/consumer	Gastrointestinal	For the treatment of constipation
Dequadin	OTC/consumer	Respiratory	For the treatment of sore throats
Eltroxin	Pharmaceutical	Endocrine	For the treatment of hypothyroidism, TSH responsive thyroid tumours
Eurtroxsig	Pharmaceutical	Pain	For the treatment of moderate to severe pain
Imuran	Pharmaceutical	Immuno-modulator	For the treatment of certain autoimmune conditions and for the prevention of organ transplant rejection
Salofalk	Pharmaceutical	Gastrointestinal	For the treatment of colitis, maintaining remission
S-26	Consumer	Infant nutritionals	Breast milk substitute
Ursofalk	Pharmaceutical	Gastrointestinal	For the treatment of chronic cholestatic liver disease
Zantac	Pharmaceutical	Gastrointestinal	For the treatment of stomach and duodenal ulcer disease

Business unit reviews continued

South Africa

The South African business provides a diverse basket of branded, generic, OTC, consumer health and infant nutritional products which are supplied to pharmacies, retail pharmacy chains, hospitals, clinics, prescribing specialists, dispensing general practitioners, managed healthcare funders and retail stores across the private and public sectors in South Africa.

Financial performance

	2016 R' billion	2015 R' billion	Change
Comparable business			
Revenue	8,1	8,2	(1%)
EBITA	1,5	1,8	(15%)
EBITA margin (%)	18,5	21,6	
Entity-wide disclosure – revenue			
Commercial – pharmaceutical	6,2	6,6	(6%)
Commercial – infant nutritionals	0,9	0,7	11%
Manufacturing – API and FDF	1,3	0,8	63%
Comparable revenue	8,4	8,1	2%
Divestments	–	0,4	
Total gross revenue	8,4	8,5	(3%)

Comparable business measures exclude the contribution from Divestments and includes the results of Aspen's Venezuelan business translated at the DICOM (previously SIMADI) rate of VEF628,34 per USD for the prior reporting period.

Pharmaceutical and infant nutritionals revenue has been classified by customer geography and manufacturing revenue has been classified by point of manufacture.

Highlights for the year

- ▶ In September 2015, the South African subsidiary of Norgine BV was acquired as part of Aspen's commercial strategy to increase its focus on therapeutic areas that present the highest growth opportunities to the Group.
- ▶ Aspen disposed of a product portfolio to Litha for R1,7 billion as part of its strategic intent to reduce complexity and focus attention in areas where most value can be added. The transition of these products to Litha has been managed effectively with minimal disruption to the remaining business.
- ▶ Tribuss has maintained its position as the largest product by value in the private pharmaceutical sector.
- ▶ Nutritionals revenue continued its double-digit growth and reflected a profit improvement due to the strong execution of targeted initiatives during the year. Aspen also launched the first box format for S-26 Classic and a Ready-to-Drink (UHT) format for S-26 Gold in the 2016 financial year.
- ▶ Aspen was awarded 32,4% value share of the oral solid dosage tender with key products including Pharmapress, Ridaq Phenytoin Sodium and Degranol. The tender is for a two-year period and represents a notable increase from the 26,7% value share held previously.

Key business units

South Africa



FCC
Pharmacare

Key countries supplied to in this region

Botswana, Lesotho, Namibia
South Africa and Swaziland

Contribution to Group comparable gross revenue



■ South Africa

Contribution to Group comparable EBITA



■ South Africa

Number of products launched from pipeline
11 (2015: 9)

IMS value of pipeline as at 30 June 2016 anticipated to be launched in:
0 – 2 years
USD0,21 billion
3 – 5 years
USD0,18 billion

Number of permanent employees:
3 882 (2015: 3 634)

Average staff turnover:
9% (2015: 10%)

Number of product recalls:
4 (2015: 4)

Number of work-related fatalities:
Nil (2015: Nil)

Carbon emissions:
Scope 1: 6 838 tCO₂e
(2015: 4 672 tCO₂e)
Scope 2: 106 763 tCO₂e
(2015: 95 452 tCO₂e)

Market statistics

- ▶ The South African private pharmaceutical sector was valued at R35,5 billion by IMS as at 30 June 2016.
- ▶ Aspen is ranked as the number one pharmaceutical company in the private sector, as measured by IMS, with a 14,5% share.
- ▶ About one in every five scripts dispensed by South African pharmacists is for an Aspen product, as recorded by ImpactRx.
- ▶ In the private sector, five out of the top 20 products by value, as measured by IMS for the year ended 30 June 2016, was an Aspen product.
- ▶ Three out of the top five generic products supplied in the private sector were Aspen products.
- ▶ In November 2015, Aspen was awarded the "Fastest Growing Distribution Supplier" from UPD for the third consecutive year.
- ▶ Aspen was recognised as one of the top 100 South African exporters for the first time.

Business unit reviews *continued*

South Africa *continued*

Market dynamics and legislative environment

The South African private pharmaceutical sector, valued by IMS at R35,5 billion as at 30 June 2016, advanced 6,7% in value (2015: 9,2%) and 0,4% in volume (2015: 6,2%) for the year. Pricing is the key driver of growth in the prescription segment, while volume growth remained restrained. The growth of generics in terms of value continued to surpass that of originator brands albeit at a decreasing rate. The OTC segment, representing 28,7% of the total private sector, grew 8,1% in value for the year according to IMS.

The Department of Health announced a single exit price ("SEP") increase of 4,8% for the private sector (2015: 7,5%) and this adjustment was implemented with effect from February 2016. An additional interim SEP increase of 2,9% was approved in August 2016 in order to moderate the negative impact of a weaker Rand and the effect of this increase will provide a marginal impetus to the first half results for the applicable products in the 2017 financial year. In June 2016, the Department of Health proposed an increase to the SEP of 5,7 % for the 2017 calendar year.

The public sector business depends on awards for tenders that are published by the South African Department of Health, with the ARV tender remaining the largest component of Aspen's public sector revenue. At the International AIDS Conference held in Durban in July 2016, a number of exciting initiatives were announced that would allow better access to medication for patients including pharmacy dispensing units where patients can obtain medication from self-service ATM style machines.

The South African legislative and regulatory environment faces a number of proposed amendments which, upon promulgation, would have an impact on pharmaceutical companies:

- Aspen participates in the Industry Task Group, a representative body, including trade and professional associations, mandated to communicate with the MCC and the Department of Health on matters relevant to and affecting the pharmaceutical industry. A backlog working group has been established between this task group and the MCC to find ways to reduce the considerable backlog in new medicine registrations and the deteriorating timelines for approval. Proposals have been made and plans are currently being implemented;
- the rescheduling of various APIs such as acetyldihydrocodeine, codeine, dihydrocodeine and norcodeine was announced on 15 March 2016. The rescheduling reduces the maximum quantity, maximum daily dose and maximum treatment period allowed in order for a product to retain a Schedule 2 (OTC) status. This requires smaller packs and in some cases dosage changes. The rescheduling is not expected to have a significant impact on Aspen's revenues;

- following the proposal in July 2015 for the rescheduling of aspirin, a MCC resolution was published in February 2016 to upschedule aspirin to Schedule 2 for the treatment of children or adolescents and for the prophylaxis of cardiovascular disease in adults. Publication of this upcheduling in the *Government Gazette* is pending; and
- a proposal for the rescheduling of diclofenac was published in February 2016 due to certain adverse cardiovascular events resulting from the use of this product. The proposal removes diclofenac from Schedule 2 for five-day emergency treatment of acute gout attacks and post-traumatic conditions. No formal update on this proposed rescheduling has been forthcoming from the Department of Health.

Performance review

Comparable revenue in South Africa grew marginally by 2% to R8,4 billion. The muted performance is attributable to a combination of supply constraints as well as increased generic competition. Margins came under pressure from a weakening Rand which raised the cost of imports. This was a material contributing factor to the comparable EBITA for the South African business dropping 15% to R1,5 billion.

The Pharmaceutical business was constrained by supply problems which were compounded by sub-optimal prioritisation of available capacity, leading to a weak second half performance. Private sector comparable pharmaceutical revenue was 7% lower. Aspen's key brands (Foxair, Avamys and Flixonase) all showed strong year-on-year growth ranging between 8 and 13% (MAT value). Initiatives aimed at resolving supply constraints are underway and a resultant improvement in results is expected by the second half of the 2017 financial year.

Public sector revenue declined by 3%, driven mainly by the annualised impact of the lower share of the latest ARV tender compounded by lower selling prices awarded under this tender. Strong performances in respect of oral solid products have partially offset the negative performance of the ARV tender.

Infant nutritionals maintained their growth momentum, adding 11% to revenue. Campaigns aimed at educating healthcare professionals on the foil freshness and environmental benefits of the Infacare box format, as well as the premium formulation of S-26, has augmented trust in both brands. The infant nutritionals business has further improved profitability by implementing a number of initiatives such as centralised global procurement for raw material inputs, rationalisation of non-profitable lines and other operating expense initiatives. A merger between the vaccines sales and infant nutritionals sales forces came into effect on 1 July 2016 and will allow for greater interaction, synergies and improved access to healthcare professionals.

Manufacturing revenue increased impressively for both APIs and FDFs, which grew by 52% and 69% respectively. A number of capital projects under way at the FCC API facility and at the Port Elizabeth manufacturing site will provide an important strategic advantage to the Group by enabling it to add value to its expanding portfolio of products that require complex manufacture and to service the needs of customers of these manufacturing sites.

Strategic priorities and future outlook for next financial period

- The pharma and consumer divisions of this business have been streamlined into a single structure and a new head of the combined division has been appointed. This combined structure, with its new management, is expected to drive operational improvements and organic growth.

- Renewed emphasis is being placed on the market access function in order to ensure the competitive positioning of Aspen's product portfolio in all key accounts. The centralisation of retail key account management expertise is expected to improve the productivity of the Group's investment in the private pharmaceutical sector.
- In order to enhance the value proposition of the infant nutritionals business, Aspen aims to explore and implement initiatives to detail both infant nutritional and pharma products to paediatricians in order to increase coverage efficiently.

Leading brands in South Africa

Brand name	Classification	Therapeutic category	Therapeutic application
Augmentin	Pharmaceutical	Antimicrobial	For the treatment of bacterial infections of upper respiratory tract, such as sinusitis, recurrent otitis media, tonsillitis, lower respiratory tract infections, and genito-urinary tract infections
Avamys	Pharmaceutical	Respiratory	For the treatment of the symptoms of seasonal allergic rhinitis and treatment of the symptoms of perennial allergic rhinitis
Dutch Medicines	Consumer	Vitamin, herbal and complementary	For the symptomatic relief of assorted ailments such as cough, nasal congestion, colic, cramps, flatulence, constipation, dizziness, colds and fever, backache, kidney and bladder complaints, nervousness, restlessness, sleeplessness, toothache and indigestion
Foxair	Pharmaceutical	Respiratory	For use in the regular/chronic prophylactic treatment of atopic asthma in children and adults, who have been stabilised on identical dosages of the components of Foxair given concurrently
Infacare	Consumer	Infant nutritionals	For infant nourishment
Mybulen	Pharmaceutical	Analgesic/anti-inflammatory	Used in the management of mild to moderate pain or fever of inflammatory origin for a maximum treatment period of five days
Pharmapress	Pharmaceutical	Cardiovascular	Used for all grades of essential hypertension and reno-vascular hypertension and for the symptoms of heart failure
S-26	Consumer	Infant nutritionals	For infant nourishment
Trustan	Pharmaceutical	Gastrointestinal	For the treatment of gastro-intestinal reflux disease, for prevention and treatment of duodenal and gastric ulcers and for conditions associated with hypersecretion of gastric acid In combination with appropriate antibacterial therapeutic regimens, for the eradication of <i>Helicobacter pylori</i>
Tribuss	Pharmaceutical	ARV	For use alone as a complete regimen or in combination with other antiretroviral agents for the treatment of HIV-1 infection in adults

Business unit reviews continued

Sub-Saharan Africa

Aspen's presence in SSA is through its wholly owned subsidiaries, Shelys (Tanzania), Beta Healthcare International (Kenya), Beta Healthcare (Uganda) and Aspen Nigeria. Aspen also has a 65% shareholding in Kama (Ghana) and exports products from South Africa into selected territories. While it was agreed to terminate the SSA Collaboration between Aspen and GSK after the 2016 year end close, the SSA Collaboration was an important contributor to the revenue of this region for the 2016 financial year. Aspen uses its own sales representation and distribution infrastructure across the region to supply a range of high quality pharmaceutical products. Aspen has its own operations in Nigeria, Ghana, Kenya, Tanzania, and Uganda, with the rest of the region being serviced through long-standing relationships with local distributors supported by sales representatives. Aspen supplies a range of branded, generic, OTC, consumer health and infant nutritional products into SSA.

Financial performance

	2016 R' billion	2015 R' billion	Change
Comparable business			
Revenue	3,3	2,8	18%
EBITA	0,4	0,3	31%
EBITA margin (%)	12,5	11,3	

Comparable business measures exclude the contribution from Divestments and includes the results of Aspen's Venezuelan business translated at the DICOM (previously SIMADI) rate of VEF628,34 per USD for the prior reporting period.

Entity-wide disclosure – revenue			
Commercial – pharmaceutical	3,2	2,8	15%
Commercial – infant nutritionals	0,1	0,1	51%
Total gross revenue	3,3	2,9	16%

Pharmaceutical and infant nutritionals revenue has been classified by customer geography and manufacturing revenue has been classified by point of manufacture.

Highlights of the year

- ▶ Revenue from Aspen-owned brands improved 25%.
- ▶ Strong working capital management resulting in dividends being declared by all business units, except Kama.
- ▶ Strong financial performance from Kama in the first full year of control.

Key business units

Sub-Saharan Africa



- Aspen Nigeria
- Beta Kenya
- Beta Uganda
- Exports division
- Kama
- Shelys
- The SSA Collaboration

Key countries supplied to in this region

Angola, Botswana, Ethiopia, Ghana, Ivory Coast, Kenya, Mauritius, Namibia
Nigeria, Tanzania, Uganda, Zambia and Zimbabwe

Contribution to Group comparable gross revenue



■ SSA

Contribution to Group comparable EBITA



■ SSA

Market statistics

- ▶ Aspen enjoys representation in most SSA countries through its own sales force and a network of more than 200 distributors.
- ▶ Aspen is among the leading companies in antibiotics, respiratory, pain, cough and cold segments throughout SSA.
- ▶ Shelys received the "Presidential Manufacturer of the Year" Award for 2015 under the pharmaceutical and medical equipment, large-scale category

Number of products launched from pipeline
44 (2015: 19)

IMS value of pipeline as at 30 June 2016 anticipated to be launched in:
Not covered by IMS

Number of permanent employees:
427 (2015: 408)

Average staff turnover:
21% (2015: 11%)

Number of product recalls:
Nil (2015: Nil)

Number of work-related fatalities:
Nil (2015: Nil)

Carbon emissions:
Scope 1: 2 349 tCO₂e
(2015: 2 431 tCO₂e)
Scope 2: 2 326 tCO₂e
(2015: 2 300 tCO₂e)

Business unit reviews *continued*

Sub-Saharan Africa *continued*

Market dynamics and legislative environment

SSA has been negatively impacted by ongoing lower commodity prices, the reduction in the price of crude oil and a sharp devaluation of most local currencies, especially in the larger SSA economies such as Nigeria and Angola. The resultant reduction in the availability of foreign exchange hampered trading conditions in Nigeria. The East African economies, which are less dependent on oil, are still expected to show strong economic growth.

VAT legislation changes in Tanzania unfavourably impacted the results of Shelys. These changes have had a detrimental effect on all local pharmaceutical manufacturers in Tanzania and, as a result, the industry as a whole is actively engaging the relevant tax authorities to have the legislation reversed.

Each country in SSA is governed by an independent regulatory authority that has its own rules and regulations. This creates complexity as registrations of the same product in multiple countries need to meet different requirements. The timelines for approvals of registrations vary from nine to 36 months. The longer registration timelines negatively impact the ability to launch products in certain countries. The SSA regulators are continually refining their rules and regulations and becoming more stringent during the approval process. Fragmented markets and lack of critical mass in individual countries add to the challenges in the region over and above the political instability that regularly affects key markets.

While the majority of SSA markets are not governed by pricing controls, markets are very sensitive to price increases as cheaper products continue to enter SSA due to companies seeking to capitalise on these growing markets.

Aspen continues to implement its strategy of brand building and to enhance its sales and marketing abilities as a means to effectively counter the increased competition.

Performance review

Gross revenue in SSA increased 16% to R3,3 billion, with further growth being limited by shortages of key products in the SSA Collaboration as well as economic instability in Nigeria.

The strengthening of the USD and GBP against local currencies led to higher input costs of manufacturing and an increase in the cost of importation of finished goods. Currency weakness along with unfavourable new VAT legislation in Tanzania squeezed margins. Consequently, EBITA increased by 31% to R0,4 billion.

The SSA Collaboration was the largest contributor to revenue for the SSA region and posted revenue growth of 13% for the 2016 financial year.

Shelys Africa increased revenue by 15% with the sales of newly launched products in both Kenya and Tanzania providing momentum. The results were particularly satisfactory considering that elections were held in Tanzania and Uganda in October 2015 and February 2016 respectively which tends to interrupt trading activity. Aspen Nigeria increased revenue generation by 74% with all products showing increased sales on the prior year.

Revenue from exports out of South Africa increased by 16%, with the Infant Nutritionals business showing increased demand. Aspen was again awarded the Melegi tender in Botswana, while Zimbabwe, Zambia and Kenya remain the largest markets for exports of products from South Africa.

Aspen acquired 65% of Kama, with effect from 1 May 2015 and the 2016 financial year marked the first full financial year of operations under Aspen. This business performed ahead of expectations on sales and operating profit.

Aspen's strategy of focusing on key countries, while investing in distribution and sales representation has again supported its position as a leading pharmaceutical business in the SSA region.

Strategic priorities and future outlook for next financial period

- On 12 September 2016, Aspen announced that agreement had been reached to cancel the SSA Collaboration. In terms of this agreement, GSK will pay Aspen GBP45 million as consideration for the cancellation which is expected to become effective in the third quarter of Aspen's 2017 financial year.
- Further investment in commercial structures will be made and the recruitment of additional sales representatives and managers in key countries has commenced. This is expected to further entrench the Aspen brand in the major territories and to have a positive impact on both the pharmaceutical and consumer segments.
- A number of continuous improvement processes have been implemented throughout this business, including a change to the enterprise resources planning system at Beta in Kenya.
- New products are in the pipeline in key markets with particular emphasis being on Ghana, Nigeria and Angola.
- Continuous emphasis will be placed on the technology transfer of acquired products to Aspen facilities.
- The Group will, on an ongoing basis, evaluate acquisitive opportunities on the African continent that will add long-term sustainable earnings value.

Leading brands in SSA

Brand name	Classification	Therapeutic category	Therapeutic application
Action	OTC	Analgesic	For the treatment of pain
Azuma	Pharmaceutical	Antimicrobial	For the treatment of bacterial infections
Cafenol	OTC	Analgesic	For the treatment of pain
Diclopar	Pharmaceutical	Analgesic/anti-inflammatory	For the treatment of pain and fever
Good Morning Lung Tonic	OTC	Antitussive	For the treatment of a persistent cough
Hedex	OTC	Analgesic	For the treatment of pain and fever
Infacare	Consumer	Infant nutritionals	For the nourishment of infants
Kamaclox	OTC	Oral hygiene	For oral hygiene
Mara Moja	OTC	Analgesic	For the treatment of pain and fever
S-26	Consumer	Infant nutritionals	For the nourishment of infants
Tres-Orix Forte	OTC	Multivitamin	Dietary supplement

Board of Directors



Stephen Saad (52)

Qualification:
CA(SA)
Appointed:
January 1999
Classification:
Executive director;
Group Chief Executive



Gus Attridge (55)

Qualification:
CA(SA)
Appointed:
January 1999
Classification:
Executive director;
Deputy Group Chief Executive



Kuseni Dlamini (48)

Qualification:
MPhil (Oxon), BSocSci (Hons), (Natal)
Global Leadership for the 21st Century
Programme (Harvard)
Foundations for Leadership in the 21st
Century (Yale)
Appointed:
April 2012
Classification:
Independent non-executive, Chairman



Chris Mortimer (55)

Qualification:
BA, LLB
Appointed:
January 1999
Classification:
Non-executive



Babalwa Ngonyama (42)

Qualification:
CA(SA), MBA
Appointed:
April 2016
Classification:
Independent non-executive



David Redfern (50)*

Qualification:
BSc (Hons), CA
Appointed:
February 2015
Classification:
Non-executive
**British*





Roy Andersen (68)

Qualification:
CA(SA), CPA (Texas), CD (SA)
Appointed:
August 2008
Classification:
Lead independent non-executive



John Buchanan (72)

Qualification:
CA(SA), BTh (Hons) EDP (Columbia)
Appointed:
May 2002
Classification:
Independent non-executive



Maureen Manyama (39)

Qualification:
CA(SA), BCom Honours (Taxation), MBA
Appointed:
June 2014
Classification:
Independent non-executive



Sindi Zilwa (49)

Qualification:
CA(SA), CDSA, Advanced Taxation (UNISA) Certificate, Advanced Diploma in Financial Planning (UOFS) and Advanced Diploma in Banking (RAU)
Appointed:
September 2006
Classification:
Independent non-executive



Diagram key

-  Board
-  Audit & Risk Committee
-  Remuneration & Nomination Committee
-  Social & Ethics Committee

Board of Directors' CVs are available online



Riaan Verster (40)

Qualification:
BProc, LLB, LLM (Labour Law), ACIS
Appointed:
December 2011
Classification:
Company Secretary & Group Governance Officer

Abbreviated Corporate Governance report¹

In an environment of increasing regulatory pressure, the Board remains mindful of the need to maintain an appropriate balance between the governance expectations of investors, regulators, government and other stakeholders, and the market demands that the Group delivers competitive financial returns to its shareholders.

Governance philosophy

Governance in the Group extends beyond mere legislative and regulatory compliance. Management strives to entrench an enterprise-wide culture of good governance aimed at ensuring that decisions are taken in a fair and transparent manner, within an ethical framework that promotes the responsible consideration of all stakeholders, while also holding decision-makers appropriately accountable. In line with the philosophy that good corporate governance is an evolving discipline, governance structures, practices and processes are actively monitored and revised from time to time to reflect best practice.

Corporate governance and application of King III

The Board is accountable to shareholders and other stakeholders and is ultimately responsible for the implementation of sound corporate governance practices throughout the Group. Aspen's Board of Directors is committed to ensuring that the Group adheres to high standards of corporate governance in the conduct of its business.

The directors are of the opinion that the Group has applied the requirements of King III and that it has applied 74 of the 75 mandatory corporate governance principles prescribed by the JSE Listings Requirements as more fully detailed in the King III application register available online. The application of the outstanding principle, which relates to the effective management of information assets, continues to receive attention as appropriate systems are being put in place to address the management of information assets throughout the Group.

Role and function of the Board

A formally documented and approved Board Charter outlines the composition, scope of authority, responsibilities, powers and functioning of the Board. In addition, the Board functions in accordance with the requirements of King III, the provisions of the South African Companies Act, the Listings Requirements of the JSE and other applicable laws, rules or codes.

The key responsibilities of the Board are, in the main, to:

- approve and review the strategic direction of the Group and monitor the execution of strategic plans;
- monitor and oversee major capital expenditure, acquisitions and disposals;
- consider financial reports and review and approve annual budgets and business plans;
- monitor the financial performance of the Group and approve annual and interim financial reports and capital distributions or dividends;
- identify and monitor key risk areas;
- review risk management strategies and ensure the implementation of effective internal controls;
- approve the appointment and replacement, where necessary, of the Group Chief Executive, the Deputy Group Chief Executive and certain other senior executives and oversee succession planning in respect of these positions;
- approve the nomination of directors and monitor the performance of all the directors, including the Chairman and the Group Chief Executive;
- make decisions on key issues or matters at levels deemed material to the Group and delegate authority for the day-to-day running of the business of the Group to management; and
- identify and oversee the Group's communication with key stakeholders.

Board leadership

The Board is currently led by Kuseni Dlamini, an independent non-executive director. The Board has appointed Roy Andersen as the lead independent non-executive director to act as Chairman in instances where the Chairman may be unavailable or have a conflict of interest. As with the chairmanship, the appointment of the lead independent non-executive director is made by the Board annually, after each annual general meeting.

The roles of the Chairman of the Board and the Group Chief Executive are separate and clearly defined, such that no one individual director has unfettered powers of decision-making.

Composition of the Board

The Board currently comprises 10 directors, two of whom are executive directors with the remainder being non-executives. Five of these are considered independent non-executive directors within the criteria determined by King III and constitute the majority of the non-executive directors on the Board.

¹ To be read with the unabridged Corporate Governance Report available online.

The composition of the Board is carefully considered to ensure that there is an appropriate balance of power and authority in decision-making processes. Non-executive directors are appointed by the Board in terms of a formally documented and transparent process which takes place under the guidance of the R&N Co. Non-executive directors are selected on the basis of their skills, business experience, reputation and qualifications. Gender and racial diversity is also considered in the appointment of new directors.

The Deputy Group Chief Executive fulfils the role of full-time executive financial director and the appropriateness of the expertise and experience of this director is assessed and reported upon by the A&R Co on an annual basis.

Board appointment and retirement processes

The appointment of any new director is considered by the Board as a whole on the recommendation of the R&N Co and in terms of a formally adopted policy, following rigorous and transparent appointment processes which include conducting the appropriate background confirmations. The terms and conditions of appointment of each of the non-executive directors are contained in a letter of appointment which, together with the Board Charter, forms the basis of the director's appointment.

The R&N Co, consisting exclusively of independent non-executive directors and chaired by the lead independent non-executive director, is responsible for making recommendations to the Board for the identification and removal of under-performing or unsuitable directors, should this prove necessary.

In terms of the Company's Memorandum of Incorporation, one-third of the non-executive directors retire by rotation at each annual general meeting. Directors who retire may, if eligible, offer themselves for re-election. The re-election of retiring directors by shareholders is subject to a recommendation by the R&N Co, following an evaluation of those directors' performance. Directors who may be appointed during a reporting period must have their appointments ratified at the next annual general meeting and as such the appointment of Babalwa Ngonyama, who was appointed

as a director with effect from 1 April, is to be dealt with under ordinary resolution 3 as set out in the notice of the 2016 annual general meeting.

Although non-executive directors have no fixed terms of appointment, the Board Charter provides for the automatic retirement of a director at the age of 70. At the Board's discretion, the retiring director may thereafter be invited to serve as a non-executive director on a year-to-year basis, provided that shareholders confirm such reappointment at the next annual general meeting. At the Board's discretion, the retiring director may thereafter be invited to serve as a non-executive director on a year-to-year basis. John Buchanan, who has turned 72 during the year, has been invited by the Board to serve as a director for the year and this reappointment has been proposed to shareholders in terms of ordinary resolution 3 as set out in the notice of the 2016 annual general meeting.

Board committees

The Board has established the following Board committees, each with specific terms of reference, to assist it in the execution of its role:

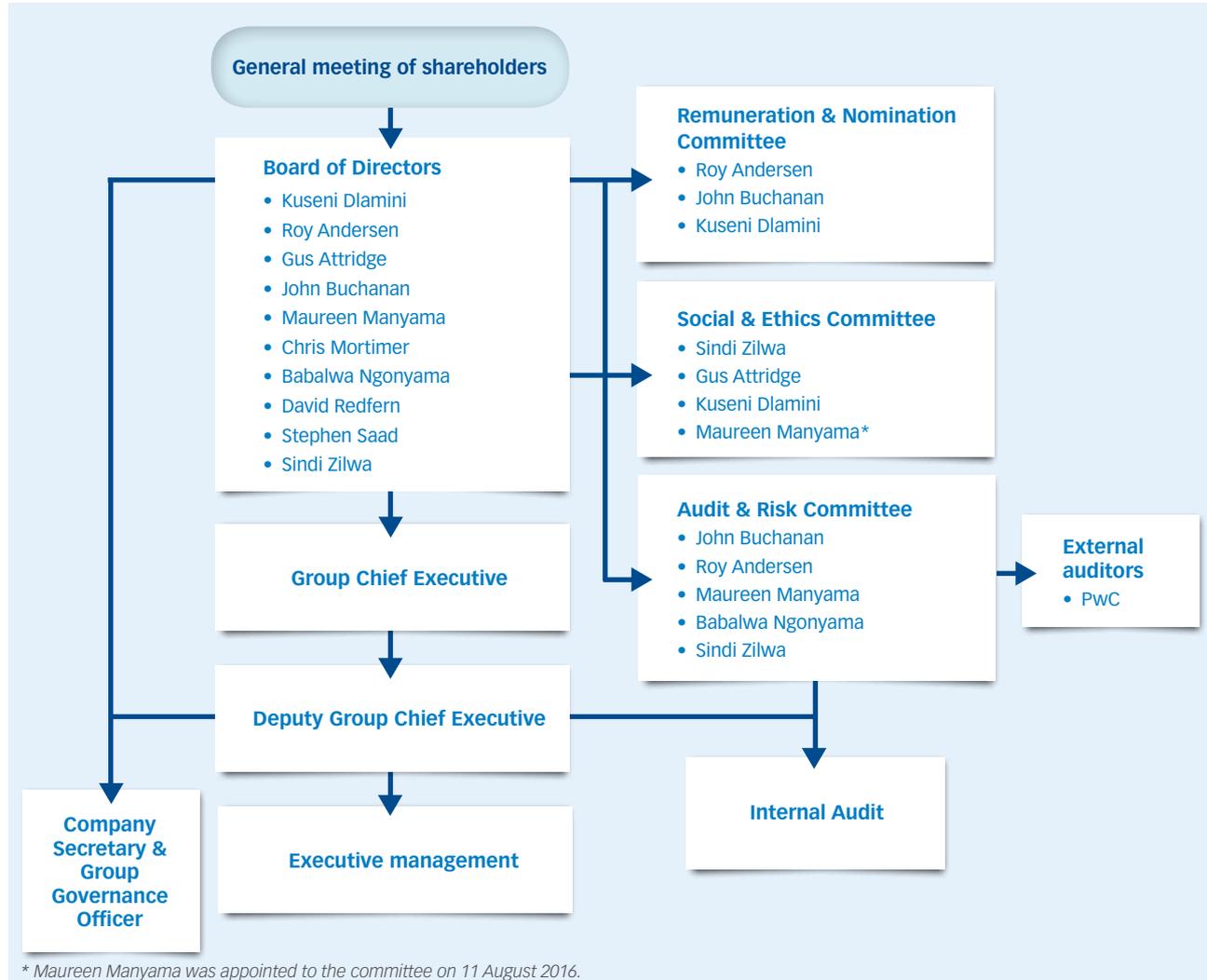
- A&R Co;
- R&N Co; and
- S&E Co

All of the Board committees are constituted in accordance with the recommendations of King III and are chaired by an independent non-executive director. The terms of reference of each of the Board committees are reviewed as necessary and specify the relevant committee's constitution, mandate, relationship and accountability to the Board. Detailed reports on the constitution, role and performance of each of the Board committees is available online.

The A&R Co has been appointed in terms of the provisions of King III and the Companies Act and consists exclusively of independent non-executive directors. The members of this Committee are elected by shareholders at every annual general meeting.

Abbreviated Corporate Governance report continued

Corporate governance structure



The table below sets out the attendance by the directors at Board meetings:

Board member	11 August 2015	9 November 2015	7 December 2015	26 January 2016	3 March 2016	25 April 2016	7 June 2016	28 June 2016	29 June 2016
Roy Andersen	✓	✓	✓	✓	✓	✓	✓	✓	✓
Gus Attridge	Apology	Apology	✓	✓	✓	✓	✓	✓	✓
John Buchanan	✓	✓	✓	✓	✓	✓	✓	✓	✓
Judy Dlamini*	✓	✓	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Kuseni Dlamini**	Recusal	✓	✓	✓	✓	✓	✓	✓	✓
Maureen Manyama	✓	Apology	✓	✓	✓	✓	Apology	✓	✓
Chris Mortimer	✓	✓	✓	✓	✓	✓	✓	✓	✓
Babalwa Ngonyama [^]	n/a	n/a	n/a	n/a	n/a	✓	✓	✓	✓
David Redfern	Apology	✓	✓	Apology	✓	✓	Apology	✓	✓
Stephen Saad	Apology	✓	✓	✓	✓	✓	✓	✓	✓
Sindi Zilwa	✓	✓	✓	✓	✓	✓	Apology	✓	✓

* Judy Dlamini resigned as Chairman and Director of the Board with effect from 7 December 2015.

** Kuseni Dlamini recused himself from the meeting held on 11 August 2015 due to his appointment as Chairman of the Board being the only item on the agenda of this meeting.

[^] Babalwa Ngonyama was appointed to the Board with effect from 1 April 2016.

The average overall attendance rate of the Board meetings for the 2016 financial year was 88,5%.

Board and committee meetings

The Board meets at least once every quarter. These meetings and the meetings of the Board's committees are held as scheduled, with additional meetings being convened to discuss specific issues which arise between scheduled meetings. Board meetings are convened by formal notice to the directors. There are comprehensive management reporting disciplines in place with strategic, financial, operational, risk and governance reports tabled. Meeting packs, containing detailed proposals and management reports, are distributed by the Company Secretary & Group Governance Officer to all directors in a timely manner in advance of scheduled meetings, and directors are afforded ample opportunity to study the material presented and to request additional information from management where necessary.

Decisions taken at Board meetings are decided by a majority of votes, with each director having one vote. Where resolutions need to be taken between Board meetings, a written proposal is circulated to all directors, and requires approval by a majority of directors to be valid.

The Board committees report formally to the Board at each Board meeting following any meeting of a committee.

Evaluation of Board performance

An evaluation of the performance of the Board, the Board committees, the Chairman, the Group Chief Executive, the Company Secretary & Group Governance Officer and of each of the individual directors is conducted annually. Evaluations are designed to gain an insight into how each of the directors of the Board believes the Board is meeting its objectives. The results of these assessments were found to be satisfactory.

Independence of non-executive directors and conflicts of interest

The independence of the non-executive directors is tested on a regular basis to ensure that there are no business or other relationships which could materially interfere with a director's capacity to act independently. At least once annually, Aspen actively solicits details of its directors' interests in the Group, their material external shareholdings in companies they are directors of and other directorships so as to determine whether there are any actual or potential conflicts of interest. Directors are expected to consider whether any shareholding in the Company affects their independence and discuss the matter, if appropriate, with the Chairman. A register containing the directors' declarations of interest is kept by the Company Secretary & Group Governance Officer, circulated to all directors at least once per year and is

available for inspection by any of the directors on request.

In addition, the agenda at each scheduled Board meeting allows the Board to consider any conflicts arising from changes to the directors' declarations of interests. The Board has satisfied itself that no relationships exist which could adversely affect the classification of its independent non-executive directors and accordingly that the classification of each of the directors is appropriate. The independence of non-executive directors who have served on the Board for longer than nine years is assessed annually.

Succession planning

The Board has delegated succession planning for the Group Chief Executive, Deputy Group Chief Executive and senior executives to the R&N Co with direct input, as appropriate, from the Chairman and the Group Chief Executive. Succession plans are integrated into the KPAs at management and executive levels and reported to the Board annually.

Standards of directors' conduct

Directors conduct themselves in accordance with the Aspen Code of Conduct and act consistently in performing their common law and legislative duties of care, skill and diligence, giving due consideration to their fiduciary responsibilities towards the Company.

Company Secretary & Group Governance Officer

The Company Secretary & Group Governance Officer plays a pivotal role in the corporate governance of the Group. He is appointed by and is accountable to the Board as a whole. He attends all Board and committee meetings and provides the Board and directors, collectively and individually, with guidance on the execution of their governance role. The Board has considered and is satisfied with the qualification, competence and expertise of the Company Secretary & Group Governance Officer. He is not a director of the Company and the Board has also satisfied itself of the fact that he continues to maintain an appropriate arm's-length relationship with the Board.

All directors have access to the advice and services of the Company Secretary & Group Governance Officer.

Director development

Newly appointed directors are required to participate in an induction programme coordinated by the Chairman together with the Company Secretary & Group Governance Officer. In addition to providing an orientation in respect of the Group's operations,

Abbreviated Corporate Governance report *continued*

directors are guided in their fiduciary duties, provided with information relating to the relevant statutory and regulatory frameworks and introduced to key members of management. The programme makes directors aware of relevant policies such as those relating to dealing in the Company's securities, the duty to declare conflicts of interest and the Aspen Code of Conduct.

The Company Secretary & Group Governance Officer is also, with the assistance of the Group Legal Officer & Group Compliance Officer, responsible for ensuring that directors are kept abreast of relevant legislative and regulatory developments as well as significant information impacting the Group's operating environment. Training sessions for non-executive directors are held regularly and are presented by senior management or subject experts. These sessions are designed to keep directors updated on developments in the Group and the territories in which it operates as well as other relevant matters.

Legislative compliance

The Board is ultimately responsible for overseeing the Group's compliance with laws, rules, codes and standards in terms of King III. The Board has delegated to management the responsibility for the implementation of an effective legislative compliance framework and processes as envisaged by King III.

The Board has considered the compliance framework that has been established by management and has satisfied itself that it is adequate for the requirements of King III. Aspen has appointed a Group Legal Officer & Group Compliance Officer who fulfils the function of Group Compliance Officer in providing the Board with assurance that the Group is compliant with applicable laws and regulations. This is an objective assurance and consulting activity designed to give operational effect to the principles of King III.

Stakeholder engagement and dispute resolution

The strength of the Group lies in its ability to foster and maintain strong relationships with its stakeholders through transparency and effective communication. The Board of Directors is committed to sustaining Aspen's established credibility and rapport among its stakeholders – this commitment is dealt with in more detail in its Stakeholder Engagement Report available online. In line with this policy, conflict and dispute resolution is dealt with through constructive dialogue with the relevant parties. Where this preferred method does not result in adequate resolution of the

matter, external legal advisers, mediators and/or arbitrators are engaged to expedite resolution.

Corporate citizenship

Aspen's vision to deliver value to its stakeholders as a responsible corporate citizen that provides high quality, affordable medicines and products globally is contained in its Responsible Corporate Citizenship Philosophy which is available online.

Risk governance

Risk management is an embedded attribute of Aspen's corporate culture and is inherent in all its business decisions, activities and transactions. Risk management is considered to be a prerequisite to the sustainability of the Group. As such an integrated approach to risk management is implemented giving due consideration to economic, environmental and social indicators which impact the Company and its stakeholders. Both the opportunities and threats underlying each identified risk are considered to ensure a balanced outcome between risk and reward for the sustainability of the Group as a whole. Aspen's risk management objectives aim to sustainably support the effective pursuit of the Group's strategy.

IT governance

IT systems have an essential role to play in the implementation of the Group's strategy and the effectiveness of these systems is reported to the Board on a quarterly basis. The Board has adopted an IT governance charter in accordance with the King III recommendations and has appointed a Chief Information Officer to discharge the duties contained in this charter. An IT Steering Committee has been established to ensure that the Group's IT strategy is aligned with the Group's business objectives and to oversee the implementation and maintenance of the Group's IT governance. This steering committee meets periodically, comprises representatives from both the Group's businesses and is chaired by the Deputy Group Chief Executive. The Board is provided with a quarterly report from the Chief Information Officer detailing aspects relating to IT governance and the Group's IT investments in general.

Internal audit

Internal Audit is an independent, objective assurance and consulting activity aimed at assisting Aspen to accomplish its objectives by bringing a systematic, disciplined approach to the evaluation and improvement of the effectiveness of risk management, internal control and governance processes.

Remuneration report

The R&N Co, a subcommittee of the Board, assists the Board, *inter alia*, in ensuring that:

- the Board has the appropriate composition for it to execute its duties effectively;
- directors are appointed through a formal process;
- the formal induction and ongoing training and development of directors takes place;
- an annual evaluation of the performance of the Board, the Board committees, the Chairman, the Group Chief Executive, the Group Deputy Chief Executive (Finance Director), the Company Secretary & Group Governance Officer and each of the individual directors is conducted;
- the formal succession plans for the Board, the Chairman of the Board, Group Chief Executive, Deputy Group Chief Executive (Financial Director) and senior management are reviewed and approved;
- the remuneration policy and remuneration levels are appropriately set across the Group;
- the Group remunerates each director and each executive fairly and responsibly; and
- the disclosure of directors and remuneration is accurate, complete and transparent.

R&N Co Terms of Reference

The R&N Co has adopted formal Terms of Reference as incorporated in the Board Charter which have been approved by the Board of Directors. The Terms of Reference are reviewed and

amended by the Board as and when required. The Committee has conducted its affairs in compliance with these Terms of Reference and has discharged its responsibilities contained therein.

R&N Co members and attendance at meetings

In applying the recommendations of King III, the R&N Co consists of a majority of independent non-executive directors, one of whom chairs the Committee's meetings. Members and the chairman of this Committee are elected by the Board.

The Chairman of the Board is a member of this Committee and the Group Chief Executive, Deputy Group Chief Executive and Company Secretary & Group Governance Officer attend meetings by invitation. From time to time other executives of the Group attend meetings of the Committee, as requested.

In accordance with the Terms of Reference, the Committee meets at least three times annually, but more often if necessary. During the current financial year, the Committee met five times. The minutes of these meetings are made available to the other directors on a secure electronic database. The chairman of the Committee provides the Board with a verbal report of the Committee's activities at each Board meeting.

The following table of attendance at R&N Co meetings reflects the Committee's meetings held during the year and the attendance of these meetings by its members during the year:

R&N Co member	14 July 2015	31 July 2015	8 September 2015	9 March 2016	3 May 2016
Roy Andersen (Chairman)	✓	✓	✓	✓	✓
John Buchanan	✓	✓	✓	✓	✓
Judy Dlamini [#]	✓	✓	✓	n/a	n/a
Kuseni Dlamini [*]	✓	Recusal	✓	✓	✓

[#] Judy Dlamini resigned from the Committee on 7 December 2015.

^{*} Kuseni Dlamini recused himself from the meeting of the Committee held on 31 July 2015 due to his nomination as Chairman of the Board being the only item on the agenda of this meeting.

The attendance at the R&N Co meetings held during the year was 94,4%.

The chairman of the Committee represents the R&N Co at the annual general meeting each year. The Company Secretary & Group Governance Officer is also the Secretary of the Committee.

Remuneration report continued

Remuneration philosophy and policy

The Group strives to retain its competitive advantage in the local and global pharmaceutical industry through the attraction and retention of high-calibre individuals, who not only have the required technical qualifications and experience, but who also demonstrate the desired behavioural traits which fit the Group's entrepreneurial and dynamic culture.

The Group remains cognisant of the importance of finding the proper balance between keeping its employees appropriately rewarded and motivated and balancing the financial considerations of the Group's shareholders in the medium term. The Group makes reference to independent surveys, publicly available economic data and marketplace intelligence both locally and internationally in endeavouring to set remuneration packages that are competitive as well as industry and market related. In awarding annual salary increases and incentive payments to employees, consideration is given to an employee's performance and the financial performance of the Group company in which he or she is employed. Consideration is also given to the economic conditions impacting the industry and the geographical market in which the employee is based.

The Committee is satisfied that the objectives of the Group's remuneration philosophy and policy have been met in the year under review.

Executive and management remuneration principles

The remuneration philosophy of the Aspen Group is aimed at driving the Group's high-performance culture. Remuneration packages are directly linked to individual and Company performance. Executive and management remuneration is formulated in a manner which aligns the rewards of these employees with changes in the value delivered to the Group's stakeholders and further recognises exceptional individual contributions. The remuneration packages of executives and

management are accordingly made up of fixed, variable and medium-term incentive elements, as follows:

Base salary

This is the fixed portion of the remuneration package which is payable in cash. It is reviewed annually and in circumstances where the executive or manager has changed responsibilities or has relocated.

Annual incentive

This variable portion of remuneration increases as a proportion of maximum potential earnings as the executive or manager reaches higher levels of seniority. Payable in cash, the entitlement to and the quantum of the annual incentive is determined according to the achievement of predetermined performance targets by the employee, the Group company in which the executive or manager is employed and/or the specific division or operating arm of that company.

The annual incentive is capped in value. The cap on the annual incentive for executives and managers varies between countries of employment, but does not in any instance exceed 30% of the total remuneration cost (excluding incentives).

In determining annual incentives, the R&N Co has the discretion to exclude factors and extraordinary events which are beyond the control of the Group, but which may nevertheless favourably or adversely impact the Group's performance. Accordingly, extraneous factors may be excluded in the calculation of incentives for the executive directors and other members of executive management at the discretion of the Committee.

A further discretionary bonus may be paid in cash to employees who are considered by the R&N Co to have rendered exceptional service in any given year.

Medium-term and long-term incentive and retention schemes

The Aspen South African Management Deferred Incentive Bonus Scheme

	Nature and purpose of the scheme	Determination of value awards	Vesting
Medium-term component of the scheme	<p>The scheme is designed to acknowledge performance and reward individuals for achievement of both the relevant Aspen business which employs the individual and the individual's performance for the trading period immediately preceding the date that the award is made. This scheme is also aimed at ensuring critical executive and professional skills retention and enhancing congruence between the interests of senior and executive employees and shareholders. Alignment between shareholder and employee interests has been successful as most eligible employees have historically elected to receive the value of the award in Aspen shares (2016: 97%, 2015: 99% and 2014: 98%).</p>	<p>The value of the award to an employee in terms of this scheme is determined according to the achievement of predetermined performance targets by the executive or manager, the Group company in which they are employed and/or the specific division or operating arm of that company. Individual performance is assessed against pre-set key performance measures and company performance is assessed relative to the operating profit budget of the company for which the employee works. The value of awards in terms of this component of the scheme is capped in respect of the value that can be awarded on an annual basis, with this cap varying according to the level of seniority of the executive or manager. The maximum award does not exceed 33% of the total remuneration cost (excluding incentives) in any instance. An enhancement of 10% is given to employees who elect to receive the award in shares.</p>	<p>The eligible employee is given the choice at the date of the award to receive the deferred incentive bonus either in cash or Aspen shares. These awards vest three years after the date of the award. To the extent that an employee elects to receive shares pursuant to the award, these shares are bought on behalf of these employees on the open market by the Share Incentive Scheme Trust to avoid the dilution of shareholders. Should the employee retire within the three-year period, the medium-term incentive will be accelerated to the date of retirement. Employees who resign or who are dismissed for any reason other than retrenchment or medical incapacity forfeit unvested awards.</p> <p>While the Aspen Share Incentive Trust has historically bought shares on the open market to enable Aspen to settle its future obligation to participating employees upon vesting, future share awards will be acquired and held by an unrelated intermediary for this purpose.</p>
Long-term component of the scheme	<p>During the year under review a long-term component to the Aspen South African Management Deferred Incentive Bonus Scheme has been introduced to ensure the retention of a limited number of key senior executives.</p>	<p>The value of the awards granted to employees in terms of this component of the scheme is on an <i>ad hoc</i> basis and at the discretion of the R&N Co.</p>	<p>These awards vest after a period of 10 years and may only be settled in shares. Awards made in terms of this component of the scheme will not be accelerated in the event that a recipient retires within the 10-year period and before the age of 65, unless the express approval of the R&N Co has been obtained for such acceleration. The further rules and provisions for this component of the scheme are, for the most part, similar to the rules of the medium-term component of this scheme.</p>

Remuneration report continued

The Aspen International Phantom Share Scheme

	Nature and purpose of the scheme	Determination of value awards	Vesting
Medium-term component of the scheme	In order to incentivise the management of Aspen's non-South African businesses in the medium term, a phantom share scheme exists for selected employees. The scheme has been designed to incentivise managers for the medium term, align their goals with those of the Aspen Group and to match their reward to movements in the Aspen share price. Due to regulatory restrictions in respect of transfer and ownership of Aspen shares to offshore employees, the scheme is operated on a phantom basis, which is designed to give an employee the same economic benefit as ownership of shares.	Awards are linked to performance of the employee, the business and growth in the Aspen share price. The value of awards that can be awarded annually in terms of this component of the scheme is capped, with this cap varying according to the level of seniority of the executive or manager and territory of employment. The maximum award does not exceed 33% of the total remuneration cost (excluding incentives) in any instance.	The phantom shares entitle eligible employees to receive a bonus based initially on a predetermined value and thereafter on changes in the Aspen share price. These awards vest after a period of three years and are paid out in cash to the employee by the Aspen company employing him or her. Should the employee retire within the three-year period, the medium-term incentive will be accelerated to the date of retirement. Employees who resign or who are dismissed for any reason other than retrenchment or medical incapacity forfeit unvested awards.
Long-term component of the scheme	During the year under review a long-term component to the Aspen International Phantom Share Scheme has been introduced to ensure the retention of a limited number of key offshore senior executives.	The value of the awards granted to employees in terms of this component of the scheme is on an <i>ad hoc</i> basis and are determined at the discretion of the R&N Co.	These awards vest after a period of 10 years and are settled in cash. Awards made in terms of this component of the scheme will not be accelerated in the event that a recipient retires within the 10-year period and before the age of 65, unless the express approval of the R&N Co has been obtained for such acceleration. The further rules and provisions for this component of the scheme are, for the most part, similar to the rules of the medium-term component of this scheme.

Legacy share schemes

The following share schemes are still operational in terms of awards which were previously made. No new awards are being made under the schemes.

Aspen Share Incentive Scheme

The scheme was adopted by shareholders in January 1999. In terms of the scheme adopted, and subsequent amendments, share options were granted to management and key employees. Participants in the scheme are entitled to take release of the options granted in five equal annual tranches, commencing on the second anniversary of the date granted and expiring on the eighth anniversary of the grant date. All outstanding options in terms of this scheme have been exercised since year-end and the scheme has therefore been terminated.

Aspen Share Appreciation Plan

The plan was adopted by shareholders in October 2005. In terms of the plan, share appreciation rights are awarded to key management. Participants are awarded rights to receive shares in the Company equivalent to an amount calculated by reference to the increase in value of the rights between the date of the grant and the date of exercise of the rights. The rights vest on the third anniversary of the award date and expire on the fifth anniversary of that date. To the extent that outstanding share appreciation rights are exercised on or after vesting date, the appropriate number of shares will be listed and awarded to the participant. A single employee still holds share appreciation rights and no new rights have been issued in terms of this scheme since the end of the 2013 financial year.

Aspen South African Workers' Share Plan

The Workers' Share Plan was adopted by shareholders in October 2005. In terms of the plan, all South African employees employed by the Company for a full year on a permanent basis were issued shares in the Company to the value of R9 000 each over a period of three years. The shares vested immediately but were subject to a lock-up period of one year. The last tranche of this plan was issued in July 2009.

At the December 2012 annual general meeting the Company's shareholders approved amendments to the terms of these legacy share schemes operated by the Group thereby limiting the maximum number of shares that can be issued in terms of these schemes to 45 477 945 or 10% of the Company's issued share capital (down from 64 741 611 or 14% of the Company's issued share capital), and the maximum number of shares issued to any single employee is limited to 4 800 000 (down from 6 474 161 shares). Since this amendment was approved, only

1 577 134 shares have been issued in terms of these legacy schemes, representing 0,35% of the Company's issued share capital. From the date of inception of these schemes in 2001, 39 078 329 shares have been issued under the schemes comprising 8,56% of issued share capital. This constitutes an average dilution rate of less than 1% per year. In view of the fact that only a single employee still holds share appreciation rights, it is estimated that an accumulated amount over the 18-year duration of the legacy share schemes of no more than 9% of the Company's issued share capital will be issued in terms of these legacy schemes before all of these schemes terminate in the 2017 financial year.

The Group's management incentive schemes are approved by the R&N Co, which reports to the Board on all approved schemes.

Benefits

Benefits vary from country to country depending on customs and regulations. Benefits include retirement funding, medical insurance and life and disability insurance. A limited number of employees in South Africa are entitled to post-retirement health benefits (as a consequence of contractual obligations assumed from predecessor companies). Aspen has never offered post-retirement health benefits, but has assumed obligations for retirement health benefits through various acquisitions. In respect of retirement benefits, the Group generally contributes to employee retirement funding. The extent of its contributions varies from country to country, depending on the state social security contributions and benefits in the country concerned.

Executive directors

The principles in terms of which the remuneration packages of the Group's executive directors are determined are similar to those applicable to other executives and management. Executive directors accordingly receive a base salary, an annual incentive and a medium-term incentive which are determined in accordance with the principles applicable to executives and management and are calculated as set out in this report. In the case of the executive directors, the maximum annual incentive is 100% of their total remuneration cost (excluding incentives).

In terms of their service contracts, executive directors receive no additional remuneration on account of their being directors of the Company.

Executive directors' annual incentive bonuses are considered and approved by the R&N Co based on predetermined targets.

Remuneration report continued

In respect of the year to 30 June 2016 the targets were:

- the three-year CAGR of the Group's fully diluted HEPS from continuing operations. The maximum target, being the three-year compound annual South African Consumer Price Index +8% and the minimum threshold for the achievement of the incentive was the three-year annual compound Consumer Price Index +1%. The weighting of this portion of the incentive is 40% of the total incentive;
- the three-year CAGR of the Group's earnings before interest, tax, depreciation and amortisation per share. The maximum target, being the three-year annual compound South African Consumer Price Index +8% and the minimum threshold for the achievement of the incentive was the three-year compounded Consumer Price Index +1%. The weighting of this portion of the incentive is 30% of the total incentive; and
- a weighting of 30% on their KPAs, which include:
 - continuing to develop and implement a sustainable growth strategy for the Group;
 - developing and implementing synergy realisation and growth plans;
 - maintaining productive stakeholder relations;
 - ensuring Group infrastructure is appropriate to meet Aspen's short to medium-term objectives;
 - ensuring that SHE standards are maintained across the Group;
 - maintaining an appropriate funding structure in line with the Group's growth objectives and achieving better than budgeted outcomes in working capital management;
 - establish a talent development programme to the satisfaction of the S&N Co and the Board; and
 - ensuring that an effective risk management and reporting process is maintained across the Group.

While these performance targets were, for the most part, achieved by the executive directors, certain aspects relating to working capital management and the establishment of a talent development programme were not fully met by the Deputy Group Chief Executive which resulted in him achieving 25% of the possible 30% in respect of his KPA weighting.

The targets for the three-year CAGR of HEPS and the three-year CAGR earnings before interest, tax, depreciation and amortisation per share will also apply in respect of the year to 30 June 2017, while the KPA targets for the executive directors in respect of this year have been updated to include:

- continuing to develop and implement a sustainable growth strategy for the Group;
- developing and implementing synergy realisation and growth plans;
- setting an exemplary ethics tone for the Group;
- maintaining sound and effective stakeholder relations;
- ensuring Group infrastructure is appropriate to meet Aspen's short to medium-term objectives;
- ensuring that SHE standards are maintained across the Group;
- maintaining an appropriate funding structure in line with the Group's growth objectives;
- meeting certain transformation objectives determined by the S&E Co;
- ensuring that an effective risk management and reporting process is maintained across the Group;
- ensuring that the Group has an appropriate funding structure in place; and
- implementing working capital improvement strategies to achieve better than budgeted outcomes in working capital management.

In addition to the annual incentive, executive directors are, subject to the approval of the R&N Co, awarded a medium-term incentive bonus under the terms and conditions of the South African Management Deferred Incentive Bonus Scheme referred to previously, capped at a maximum of 41,25% of their total remuneration cost (excluding incentives). The extent of these awards is determined with reference to the same predetermined targets applicable to the executive directors' annual incentive bonus as detailed previously.

The executive directors have, to date, always elected to receive their deferred incentive awards in shares as opposed to cash.

Neither of the executive directors has a long-term service contract with the Group and, in both instances, the service contracts of the executive directors are terminable on six months' written notice.

Total remuneration composition of executive directors

Stephen Saad



Gus Attridge

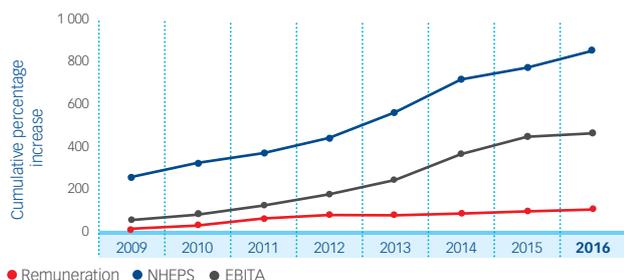


Cumulative executive director remuneration increases as compared to cumulative increases in EBITA and the Aspen share price

Stephen Saad



Gus Attridge



Non-executive directors

Non-executive directors do not receive any bonuses, share options, incentives or other payments in addition to their directors' fees. Following research and a benchmarking exercise conducted into trends in non-executive director remuneration among companies of a similar size and complexity to the Group and the duties performed, non-executive directors' fees are proposed by management to the R&N Co.

After review of such proposals, the R&N Co makes appropriate recommendations, other than for fees for services paid to the R&N Co, to the Board. The proposal endorsed by the Board is tabled for approval by shareholders at the annual general meeting. The Board has proposed a general fee increase of 6% in respect of the attendance and retainer fees paid to non-executive directors, with the exception of the R&N Co for which a 12% increase has been recommended. After the proposed increase for the R&N Co members the fees paid to these members remains lower than the benchmarked fees for membership of similar committees.

In line with the requirements of the Companies Act, the fees payable to the non-executive directors for the 2016 financial year were approved by a special resolution of Aspen's shareholders at the Company's annual general meeting held in December 2015. The fees payable to these directors through to the annual general meeting in 2017 will be submitted for approval at the Company's annual general meeting to be held on 6 December 2016.

The Chairman of the Board receives a fixed annual fee for his role as Chairman. Non-executive directors' fees are fixed for the year. A quarterly base fee is payable to each non-executive director, in addition to a fee per meeting attended. Further fees will be paid for attendance at unscheduled meetings dependent on the number of hours spent at the meeting, up to a maximum of the set fee per meeting. In the instance of non-attendance, non-executive directors are obliged to continue to participate in meetings by providing the Chairman or the committee chairman with detailed inputs for all agenda items. The R&N Co has discretion to approve payment of such fees to a non-executive director notwithstanding his/her absence from a meeting under special circumstances.

Consistency of application and approval

The remuneration philosophy is consistently applied across all companies forming part of the Group. In line with the recommendation of King III, the Group will table this remuneration policy at its 2016 annual general meeting for a non-binding advisory vote by shareholders.

Remuneration report continued

Directors' remuneration and shareholding

The tables below set out the remuneration paid to the directors as well as the details of directors' shareholdings in the Group:

	2016 R'000	2015 R'000
Non-executive director		
Roy Andersen	623	553
Rafique Bagus [^]	–	240
John Buchanan	755	661
Judy Dlamini [*]	426	922
Kuseni Dlamini	691	330
Abbas Hussain [†]	–	86
Maureen Manyama	479	340
Chris Mortimer	322	276
David Redfern	279	133
Babalwa Ngonyama [#]	121	–
Sindi Zilwa	531	524
	4 227	4 065

[^] Rafique Bagus resigned from the Board with effect from 31 March 2015.

^{*} Judy Dlamini resigned from the Board with effect from 7 December 2015.

[†] Abbas Hussain resigned from the Board with effect from 1 February 2015.

[#] Babalwa Ngonyama was appointed to the Board with effect from 1 April 2016.

	Remuneration R'000	Retirement and medical aid benefits R'000	Performance bonus R'000	Share-based payment expense R'000	Total R'000
Executive director					
2016					
Gus Attridge	5 259	887	5 836	2 160	14 142
Stephen Saad	6 382	1 051	7 430	2 633	17 496
	11 641	1 938	13 266	4 793	31 638
2015					
Gus Attridge	5 196	632	5 679	1 945	13 452
Stephen Saad	6 303	747	6 975	2 362	16 387
	11 499	1 379	12 654	4 307	29 839

Directors' interests in Aspen shares

Shares allocated in terms of the South African Management Deferred Incentive Bonus Scheme as at the beginning of the year and those offered to and accepted by executive directors during the year were as follows:

	Grant price R	Expiry date	Shares outstanding on 30 June 2015 '000	Awarded during the year '000	Released during the year R'000	Shares outstanding on 30 June 2016 '000
Gus Attridge	156,00	Oct 2015	13	–	13	–
	264,13	Oct 2016	8	–	–	8
	338,44	Oct 2017	6	–	–	6
	300,62	Oct 2018	–	8	–	8
			27	8	13	22
Stephen Saad	156,00	Oct 2015	16	–	16	–
	264,13	Oct 2016	10	–	–	10
	338,44	Oct 2017	8	–	–	8
	300,62	Oct 2018	–	10	–	10
			34	10	16	28
			61	18	29	50

The deferred incentive bonus shares have a maturity date of three years on acceptance of the bonus.

The direct and indirect beneficial interests of the directors and their associates in the shares of the Company were:

	Direct		Indirect	
	2016	2015	2016	2015
Roy Andersen	41 150	40 400	–	–
Gus Attridge	3 706 103	3 693 274	15 169 319	15 169 319
John Buchanan	–	–	30 350	30 350
Kuseni Dlamini	–	–	–	–
Maureen Manyama	–	–	–	–
Chris Mortimer	100 068	87 568	–	–
David Redfern	–	–	4 750	–
Stephen Saad	4 046 318	4 030 800	51 302 718	51 302 718
Babalwa Ngonyama	–	–	–	–
Sindi Zilwa	–	–	–	–
	7 893 639	7 852 042	66 507 137	66 502 387

None of the directors held any non-beneficial shares in the Company at 30 June 2016.

Roy Andersen

R&N Co Chairman

24 October 2016

Statement of responsibility by the Board of Directors

The directors are responsible for the preparation, integrity and fair presentation of the Summarised Group Annual Financial Statements of Aspen Pharmacare Holdings Limited and its subsidiaries. The Summarised Group Annual Financial Statements were derived from the Group Annual Financial Statements which are separately available online.

The directors confirm that, in preparing the Summarised Group Annual Financial Statements, they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all International Financial Reporting Standards that they consider to be applicable have been followed. The directors are satisfied that the information contained in the Summarised Group Annual Financial Statements fairly presents the results of operations for the year and the financial position of the Group at year end. The directors further acknowledge that they are responsible for the content of the Integrated Report and its supporting documents as well as its consistency with the Summarised Group Annual Financial Statements.

The directors have responsibility for ensuring that accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position of the Group to enable the directors to ensure that the Summarised Group Annual Financial Statements comply with the relevant legislation.

The preparation of the Summarised Group Annual Financial Statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Summarised Group Annual Financial Statements and the reported expenses during the reporting period. Actual results could differ from those estimates.

Aspen Pharmacare Holdings Limited and its subsidiaries operated in a well-established control environment, which is well documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the business are being controlled.

The going concern basis has been adopted in preparing the Summarised Group Annual Financial Statements. The directors have no reason to believe that the Group or any company within the Group will not be going concerns in the foreseeable future, based on forecasts and available cash resources. These Summarised Group Annual Financial Statements support the viability of the Group.

The Code of Conduct has been adhered to in all material respects.

The Group's external auditors, PricewaterhouseCoopers Incorporated, audited the Group Annual Financial Statements from which the Summarised Group Annual Financial Statements were derived.

The Summarised Group Annual Financial Statements have been prepared under the supervision of the Deputy Group Chief Executive, MG Attridge CA(SA) and approved by the Board of Directors.

Kuseni Dlamini

Chairman

Gus Attridge

Deputy Group Chief Executive

Johannesburg
24 October 2016

Independent auditors' report on the Summarised Group Annual Financial Statements

To the shareholders of Aspen Pharmacare Holdings Limited

The Summarised Group Annual Financial Statements of Aspen Pharmacare Holdings Limited, set out on pages 110 to 121 of the Integrated Report, which comprise the summarised Group statement of financial position as at 30 June 2016, and the summarised Group statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited Annual Financial Statements of Aspen Pharmacare Holdings for the year ended 30 June 2016. We expressed an unmodified audit opinion on those Annual Financial Statements in our report dated 24 October 2016. Our auditor's report on the audited Annual Financial Statements contained an Other Matter paragraph: "Other reports required by the Companies Act" (refer below).

The Summarised Group Annual Financial Statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the Summarised Group Annual Financial Statements, therefore, is not a substitute for reading the audited Annual Financial Statements of Aspen Pharmacare Holdings Limited.

Directors' responsibility for the Summarised Group Annual Financial Statements

The directors are responsible for the preparation of a summary of the audited Annual Financial Statements in accordance with the JSE Limited's ("JSE") requirements for summary financial statements, set out in the basis of preparation and accounting policies to the Summarised Group Annual Financial Statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements, and for such internal control as the directors determine is necessary to enable the preparation of Summarised Group Annual Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the Summarised Group Annual Financial Statements based on our procedures, which were conducted in accordance with International Standard on Auditing ("ISA") 810, *Engagements to Report on Summary Financial Statements*.

Opinion

In our opinion, the Summarised Group Annual Financial Statements derived from the audited Annual Financial Statements of Aspen Pharmacare Holdings Limited for the year ended 30 June 2016 are consistent, in all material respects, with those Annual Financial Statements, in accordance with the JSE's requirements for summary financial statements, set out in the basis of preparation and accounting policies to the Summarised Group Annual Financial Statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Other reports required by the Companies Act

The "other reports required by the Companies Act" paragraph in our audit report dated 24 October 2016 states that as part of our audit of the Annual Financial Statements for the year ended 30 June 2016, we have read the Directors' Report, the Audit & Risk Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited Annual Financial Statements. These reports are the responsibility of the respective preparers. The paragraph also states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited Annual Financial Statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The paragraph does not have an effect on the Summarised Group Annual Financial Statements or our opinion thereon.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.

Director: Tanya Rae

Registered Auditor

Johannesburg

24 October 2016

Basis of presentation and accounting policies

These Summarised Group Annual Financial Statements for the year ended 30 June 2016 have been prepared in terms of the recognition and measurement requirements of IFRS, the AC 500 series pronouncements as issued by the Accounting Practices Board, the JSE Listings Requirements, the requirements of the South African Companies Act, No 71 of 2008, and the presentation and disclosure requirements of IAS 34 – *Interim reporting*.

The accounting policies applied in the preparation of these Summarised Group Annual Financial Statements are in terms of IFRS and are consistent with those used in the Annual Financial Statements for the year ended 30 June 2015, apart from the change in accounting policy relating to the definition of normalised headline earnings.

Aspen has amended its accounting policy relating to the definition of normalised headline earnings to exclude net monetary adjustments and currency devaluations relating to hyperinflationary economies. The normalised headline earnings and NHEPS for the year ended 30 June 2015 have been restated to retrospectively reflect the change in accounting policy.

The entity-wide revenue disclosure within the Group segmental analysis has been revised to reflect the Group's current operating model and all comparative numbers have been restated accordingly. The updated segmental analysis is aligned to the way the business is managed and reported on by the Chief Operating Decision Maker. The regional split has been expanded to reflect the "USA and Canada" and "Middle East and North Africa" as separate regions. Revenue has been categorised between commercial and manufacturing revenue.

- Commercial revenue includes the commercial sale of all Aspen-owned or licensed finished products. Commercial revenue has been further categorised between pharmaceutical and infant nutritional products and has been allocated by region based upon end-customer geography.
- Manufacturing revenue includes the sale of Aspen-owned and manufactured APIs and revenue generated from the manufacture of third-party owned FDFs. Manufacturing revenue has been allocated by region based upon point of manufacturing geography.

The Summarised Group Annual Financial Statements have been rounded and disclosed in R'billions to assist financial analysis. All percentage change variances have been calculated using unrounded numbers to record accurate variance trends.

These results have been audited by the Company's auditors, PricewaterhouseCoopers Inc.

Summarised Group statement of financial position

at 30 June 2016

	2016 R'billion	2015 R'billion
ASSETS		
Non-current assets		
Intangible assets	49,1	40,5
Property, plant and equipment	9,7	7,9
Goodwill	6,0	5,0
Deferred tax assets	1,1	1,1
Contingent environmental indemnification assets	0,8	0,7
Other non-current assets	0,4	0,5
Total non-current assets	67,1	55,7
Current assets		
Inventories	14,4	10,8
Receivables and other current assets	11,8	10,3
Cash and cash equivalents	10,9	8,7
Total operating current assets	37,1	29,8
Assets classified as held-for-sale	0,1	2,9
Total current assets	37,2	32,7
Total assets	104,3	88,4
Shareholders' equity		
Reserves	40,6	31,1
Share capital (including treasury shares)	1,9	3,0
Total shareholders' equity	42,5	34,1
LIABILITIES		
Non-current liabilities		
Borrowings	32,7	25,5
Other non-current liabilities	2,5	2,1
Unfavourable and onerous contracts	2,2	2,1
Deferred tax liabilities	1,8	1,7
Contingent environmental liabilities	0,8	0,7
Retirement and other employee benefit obligations	0,7	0,4
Total non-current liabilities	40,7	32,5
Current liabilities		
Borrowings*	10,9	13,2
Trade and other payables	8,3	6,8
Other current liabilities	1,5	1,5
Unfavourable and onerous contracts	0,4	0,3
Total current liabilities	21,1	21,8
Total liabilities	61,8	54,3
Total equity and liabilities	104,3	88,4
Number of shares in issue (net of treasury shares) ('million)	456,1	456,1
Net asset value per share (cents)	9 320,5	7 485,7

* Includes bank overdrafts.

Summarised Group statement of comprehensive income

for the year ended 30 June 2016

	Notes	Change	2016 R'-billion	2015 R'-billion
Revenue		(2)%	35,6	36,1
Cost of sales			(17,7)	(18,8)
Gross profit		4%	17,9	17,3
Selling and distribution expenses			(6,0)	(5,6)
Administrative expenses			(2,6)	(2,9)
Other operating income			1,9	0,5
Other operating expenses			(2,2)	(0,9)
Operating profit	B#	6%	9,0	8,4
Investment income	C#		0,3	0,4
Financing costs	D#		(3,2)	(2,3)
Profit before tax		(6)%	6,1	6,5
Tax			(1,8)	(1,3)
Profit for the year		(17)%	4,3	5,2
Other comprehensive income, net of tax*				
Currency translation gains	E#		5,2	0,9
Remeasurement of retirement and other employee benefit obligations			(0,1)	–
Total comprehensive income ⁺			9,4	6,1
Weighted average number of shares in issue ('million)			456,4	456,3
Diluted weighted average number of shares in issue ('million)			456,5	456,5
Earnings per share				
Basic earnings per share (cents)		(17)%	945,4	1 139,8
Diluted earnings per share (cents)		(17)%	945,2	1 139,5
Distribution to shareholders				
Capital distribution per share (cents)			216,0	188,0

The capital distribution to shareholders of 216,0 cents relates to the distribution declared on 9 September 2015 and paid on 12 October 2015. (2015 distribution: the distribution of 188,0 cents relates to the distribution declared on 10 September 2014 and paid on 13 October 2014).

*Remeasurement of retirement and other employee benefit obligations will not be reclassified to profit and loss. All other items in other comprehensive income may be reclassified to profit and loss.

⁺Total comprehensive income is disclosed net of income from non-controlling interests which are not material.

[#]See notes on supplementary information.

Summarised Group statement of headline earnings

for the year ended 30 June 2016

	Change	2016 R'-billion	Restated 2015 R'-billion
Headline earnings*			
Reconciliation of headline earnings			
Profit attributable to equity holders of the parent	(17)%	4,3	5,2
Adjusted for:			
– Profit on the sale of tangible and intangible assets (net of tax)		–	(0,2)
– Net impairment of intangible assets (net of tax)		0,9	0,2
– Profit on disposal of assets classified as held-for-sale (net of tax)		(1,2)	–
	(23)%	4,0	5,2
Headline earnings per share			
HEPS (cents)	(23)%	889,0	1 149,9
Diluted HEPS (cents)	(23)%	888,8	1 149,7
Normalised headline earnings*			
Reconciliation of normalised headline earnings			
Headline earnings	(23)%	4,0	5,2
Adjusted for:			
– Restructuring costs (net of tax)		0,3	0,1
– Transaction costs (net of tax)		0,6	0,2
– Net monetary adjustments and currency devaluations relating to hyperinflationary economies (net of tax)		0,9	(0,3)
	10%	5,8	5,2
Normalised headline earnings per share			
NHEPS (cents)	10%	1 263,7	1 145,8
Normalised diluted HEPS (cents)	10%	1 263,4	1 145,6

+Headline earnings is disclosed net of income from non-controlling interests which are not material.

*The definition of normalised headline earnings was amended in terms of a change in accounting policy to exclude net monetary adjustments and currency devaluations relating to hyperinflationary economies. NHEPS for the year ended 30 June 2015 has been restated from the previously reported value of 1 219,1 cents.

Summarised Group statement of changes in equity

for the year ended 30 June 2016

	Share capital (net of treasury shares) R'-billion	Reserves R'-billion	Total* R'-billion
Balance at 1 July 2014	3,9	25,0	28,9
Total comprehensive income	–	6,1	6,1
Profit for the year	–	5,2	5,2
Other comprehensive income	–	0,9	0,9
Capital distribution and dividends paid	(0,9)	–	(0,9)
Balance at 30 June 2015	3,0	31,1	34,1
Total comprehensive income	–	9,4	9,4
Profit for the year	–	4,3	4,3
Other comprehensive income	–	5,1	5,1
Capital distribution and dividends paid	(1,0)	–	(1,0)
Treasury shares purchased	(0,1)	–	(0,1)
Share-based payment expenses	–	0,1	0,1
Balance at 30 June 2016	1,9	40,6	42,5

* Total shareholders' equity is disclosed net of income from non-controlling interests which are not material.

Summarised Group statement of cash flows

for the year ended 30 June 2016

	Notes	2016 R'-billion	2015 R'-billion
Cash flows from operating activities			
Cash operating profit		9,8	9,5
Changes in working capital		(3,4)	(1,5)
Cash generated from operations		6,4	8,0
Net financing costs paid		(1,7)	(2,0)
Tax paid		(1,5)	(1,2)
Cash generated from operating activities		3,2	4,8
Cash flows from investing activities			
Capital expenditure – property, plant and equipment	A#	(1,7)	(1,6)
Proceeds on the sale of property, plant and equipment		–	0,2
Capital expenditure – intangible assets	A#	(1,1)	(0,8)
Proceeds on the sale of intangible assets		0,2	0,4
Acquisition of subsidiaries and businesses	J#	(0,7)	(2,2)
Acquisition of joint venture		–	(0,1)
Increase in other non-current assets		–	(0,1)
Payment of deferred consideration relating to prior year business acquisitions		(0,7)	(0,5)
Proceeds on the sale of assets classified as held-for-sale		5,1	3,1
Proceeds receivable on the sale of assets classified as held-for-sale	H#	5,2	3,1
Outstanding proceeds on the sale of assets classified as held-for-sale		(0,1)	–
Cash generated from/(used in) investing activities		1,1	(1,6)
Cash flows from financing activities			
Net repayments of borrowings		(2,0)	(1,3)
Capital distribution and dividends paid		(1,0)	(0,9)
Treasury shares purchased		(0,1)	–
Cash used in financing activities		(3,1)	(2,2)
Cash and cash equivalents			
Movement in cash and cash equivalents before effects of exchange rate changes		1,2	1,0
Effects of exchange rate changes		(0,2)	(0,3)
Movement in cash and cash equivalents		1,0	0,7
Cash and cash equivalents at the beginning of the year		6,9	6,2
Cash and cash equivalents at the end of the year		7,9	6,9
Operating cash flow per share (cents)		706,7	1 060,3
Reconciliation of cash and cash equivalents			
Cash and cash equivalents per the statement of financial position		10,9	8,7
Less: bank overdrafts		(3,0)	(1,8)
		7,9	6,9

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash-on-hand, deposits held on call with banks less bank overdrafts.

See notes on supplementary information.

Summarised Group segmental analysis

for the year ended 30 June 2016

	2016		Restated 2015		Change
	R'billion	% of total	R'billion	% of total	
Revenue					
International [®]	18,9	50	18,5	49	2%
South Africa [^]	8,1	21	8,6	23	(5%)
Asia Pacific	7,6	20	8,1	21	(6%)
SSA	3,3	9	2,8	7	18%
Total gross revenue	37,9	100	38,0	100	–
Adjustment*	(2,3)		(1,9)		
Total revenue	35,6		36,1		(2%)
Operating profit before amortisation					
<i>Adjusted for specific non-trading items ("EBITA")</i>					
International	5,9	62	5,2	56	14%
Operating profit [#]	4,3		4,6		(7%)
Amortisation of intangible assets	0,4		0,3		
Transaction costs	0,3		0,1		
Restructuring costs	0,3		0,1		
Profit on the sale of assets	(0,2)		(0,1)		
Impairment of assets	0,8		0,2		
South Africa	1,5	16	2,0	21	(23%)
Operating profit [#]	2,8		1,8		51%
Amortisation of intangible assets	–		0,1		
Profit on the sale of assets	(1,4)		–		
Net impairment of assets	0,1		0,1		
Asia Pacific	1,7	18	1,7	19	(6%)
Operating profit [#]	1,5		1,7		(13%)
Amortisation of intangible assets	0,2		0,1		
Profit on the sale of assets	–		(0,1)		
SSA	0,4	4	0,3	4	31%
Operating profit [#]	0,4		0,3		31%
Total EBITA	9,5	100	9,2	100	3%

[®] Excludes intersegment revenue of R2,6 billion (2015: R1,8 billion).

[^] Excludes intersegment revenue of R0,3 billion (2015: R0,1 billion).

* The profit share from the SSA Collaboration has been disclosed as revenue in the statement of comprehensive income. For segmental purposes the total revenue for the SSA Collaboration has been included to provide enhanced revenue visibility in this territory.

[#] The aggregate segmental operating profit is R9,0 billion (2015: R8,4 billion).

	2016		Restated 2015		
	R'billion	% of total	R'billion	% of total	Change
Entity-wide disclosure – revenue⁺					
Commercial revenue by customer geography					
Commercial – Pharmaceutical	27,9	74	28,0	74	(1%)
Europe CIS	8,5	23	7,0	18	22%
Asia Pacific	6,3	17	7,0	19	(11%)
South Africa	6,2	16	7,0	18	(12%)
SSA	3,2	9	2,8	7	15%
Latin America (excluding hyperinflationary economy)	2,0	5	2,1	6	(5%)
Middle East and North Africa	0,9	2	0,6	2	51%
USA and Canada	0,9	2	0,6	2	42%
Hyperinflationary economy	–	–	0,9	2	(100%)
Commercial – Infant Nutritionals	3,5	9	4,9	13	(28%)
Latin America (excluding hyperinflationary economy)	1,5	4	1,3	3	18%
Asia Pacific	1,0	3	1,0	3	6%
South Africa	0,9	2	0,7	2	11%
SSA	0,1	–	0,1	–	51%
Hyperinflationary economy	–	–	1,8	5	(100%)
Total commercial revenue	31,4	83	32,9	87	(5%)
Manufacturing revenue by geography of manufacturer					
Manufacturing revenue – FDFs	2,1	5	1,5	4	37%
South Africa	0,9	2	0,5	1	69%
Europe CIS	0,7	2	0,5	2	39%
Asia Pacific	0,5	1	0,5	1	–
Manufacturing revenue – APIs	4,4	12	3,6	9	22%
Europe CIS	4,0	11	3,3	9	19%
South Africa	0,4	1	0,3	–	52%
Total manufacturing revenue	6,5	17	5,1	13	26%
Total gross revenue	37,9	100	38,0	100	–
Adjustment*	(2,3)		(1,9)		
Total revenue	35,6		36,1		(2%)
Summary of regions					
International	18,4	49	18,1	49	2%
South Africa	8,4	21	8,5	21	(3%)
Asia Pacific	7,8	21	8,5	23	(8%)
SSA	3,3	9	2,9	8	16%
Total gross revenue	37,9	100	38,0	100	–
Adjustment*	(2,3)		(1,9)		
Total revenue	35,6		36,1		(2%)

⁺ The entity-wide revenue disclosure format has been restated to reflect Aspen's current operating model. Refer to the basis of presentation and accounting policies for detailed information.

* The profit share from the SSA Collaboration has been disclosed as revenue in the statement of comprehensive income. For segmental purposes the total revenue for the SSA Collaboration has been included to provide enhanced revenue visibility in this territory.

Summarised Group supplementary information

for the year ended 30 June 2016

	Notes	2016 R'billion	2015 R'billion
A. Capital expenditure			
Incurred		2,8	2,4
– Property, plant and equipment		1,7	1,6
– Intangible assets		1,1	0,8
Contracted		1,2	0,7
– Property, plant and equipment		0,8	0,6
– Intangible assets		0,4	0,1
Authorised but not contracted for		2,6	2,6
– Property, plant and equipment		2,1	2,4
– Intangible assets		0,5	0,2
B. Operating profit has been arrived at after charging/(crediting):			
Depreciation of property, plant and equipment		0,6	0,5
Amortisation of intangible assets		0,6	0,5
Net impairment of assets		0,9	0,3
Share-based payment expenses – employees		0,1	0,1
Transaction costs		0,3	0,1
Restructuring costs		0,3	0,1
Profit on the sale of assets classified as held-for-sale		(1,6)	–
C. Investment income			
Interest received		0,3	0,4
D. Financing costs			
Interest paid		(1,8)	(1,8)
Debt raising fees on acquisitions		(0,3)	(0,1)
Net foreign exchange losses		–	(0,5)
Notional interest on financial instruments		(0,2)	(0,2)
Net monetary adjustments and currency devaluations relating to hyperinflationary economies	F	(0,9)	0,3
		(3,2)	(2,3)
E. Currency translation gains			
Currency translation movements on the translation of the offshore businesses are as a result of the difference between the weighted average exchange rate used for trading results and the opening and closing exchange rates applied in the statement of financial position. For the period the weaker closing Rand translation rate increased the Group net asset value.			

F. Hyperinflationary economy

The Venezuelan economy is regarded as a hyperinflationary economy in terms of IFRS.

Effective March 2016, two regulated exchange rates were applicable to Aspen's business:

- The DIPRO rate (previously the official CENCOEX rate) for the importation of high priority goods including infant nutritionals and pharmaceutical medicines. This rate increased to VEF10,0 per USD from VEF6,30 per USD in March 2016.
- The DICOM rate (previously the SIMADI rate) which is a floating rate published daily by the Venezuelan central bank. The DICOM rate opened in March 2016 at an initial rate of VEF206,8 per USD and the closing rate at 30 June was VEF628,34 per USD. The previous SIMADI rate was VEF200 per USD as at 31 December 2015.

Due to the continuing political and economic uncertainty in Venezuela, the Group concluded in December 2015 that it would be more appropriate to apply the DICOM rate (previously the SIMADI rate) to report the Venezuelan business' financial position, results of operations and cash flows for the 12 months ended 30 June 2016. The economic situation in Venezuela has further deteriorated since December 2015 and the Venezuelan authorities have only approved payments for imports to the value of USD3 million at the DIPRO rate (previously the official CENCOEX rate) which ranged between VEF6,30 and 10,0 per USD during the second six-month period to 30 June 2016. (For the six-month period to 31 December imports to the value of USD9 million were approved at the DIPRO rate).

This has resulted in a devaluation loss on foreign denominated liabilities of R870 million (December 2015 R841 million). For the 12 months ended 30 June 2015, the Group applied the DIPRO rate (previously the official CENCOEX rate) of VEF6,30 per USD as circumstances at that time supported this rate. Aspen will continue to monitor the development of payments received and the exchange rate mechanism.

Should the receipt of payments from Venezuela improve or if it can no longer be assumed that the DICOM exchange rate is the relevant exchange rate for the translation this could lead to an amended estimate, which in turn could trigger an amended currency translation. No significant trading activity was undertaken during the six-month period to 30 June 2016 and the business has accordingly been downscaled pending a future change in the economic conditions.

G. Guarantees to financial institutions

	2016 R' billion	2015 R' billion
Material guarantees given by Group companies for indebtedness of subsidiaries to financial institutions	40,6	13,4

H. Proceeds on the sale of assets classified as held-for-sale

Divestment of a portfolio of products in South Africa to Litha	1,7	–
Divestment of generics business and certain branded products to Strides entities	3,4	–
Divestment of land and buildings in Australia	0,1	–
Divestment of fondaparinux products to Mylan	–	3,1
	5,2	3,1

Divestment of a portfolio of products in South Africa to Litha

On 9 May 2015, the Company, Pharmicare and Brimpharm concluded a set of agreements with Litha (a wholly owned South African subsidiary of Endo International Plc) in terms of which Pharmicare divested a portfolio of products from its pharmaceutical division for a consideration of R1,7 billion. The portfolio of products comprised injectables and established brands. The approval of this transaction by the South African competition authorities was obtained on 4 August 2015. This transaction completed on 1 October 2015.

Divestment of generics business and certain branded products to Strides entities

On 20 May 2015, certain of Aspen's wholly owned Australian subsidiaries (collectively "Aspen Australia") entered into an agreement with Strides (Australia) Pharma Proprietary Limited in terms of which Aspen Australia divested a portfolio of approximately 130 products for a consideration of AUD217 million. The portfolio of products in this transaction comprised a generic pharmaceutical business together with certain branded pharmaceutical assets. In a separate transaction, AGI entered into an agreement with Strides Pharma Global Private Limited in terms of which AGI divested a portfolio of six branded prescription products for a consideration of USD77 million. Both of the above transactions completed on 31 August 2015.

I. Disputed income tax matter

The Aspen Group has been subject to an international tax audit by the South African Revenue Service and the Company has received a revised assessment in relation to its 2011 fiscal year as a consequence of this audit. Aspen has disputed the assessment and there has been no change in the status thereof. Aspen believes that it has appropriately dealt with its related-party transactions and that this position is supported by Aspen's legal and tax advisers.

Summarised Group supplementary information continued

for the year ended 30 June 2016

J. Acquisition of subsidiaries and businesses

2016

Set out below is the provisional accounting for the following June 2016 business combinations:

Norgine

On 21 May 2015, Pharmacare acquired 100% of the issued share capital of Norgine for a consideration of EUR29 million. Norgine SA commercialises a portfolio of branded gastro-intestinal products in South Africa and surrounding territories. The approval of this transaction by the South African Competition Authorities was obtained on 25 August 2015. This transaction completed on 30 September 2015.

Post-acquisition revenue included in the statement of comprehensive income was R100,4 million. The estimation of post-acquisition operating profits is impracticable and not reasonably determinable due to the immediate integration of the business into the existing operations of the Group.

HPC business

AGI entered into an agreement with McGuff Pharmaceuticals Inc. for the exclusive supply of the FDF of HPC in the USA. AGI acquired the related intellectual property and the approved ANDA for an upfront consideration of USD15 million. Milestone payments, of between USD21 million and USD28 million, are payable over a five-year supply term and are partly contingent on future sales performance.

Post-acquisition revenue included in the statement of comprehensive income was R29,9 million. The estimation of post-acquisition operating profits is impracticable and not reasonably determinable due to the immediate integration of the business into the existing operations of the Group.

	Norgine R'billion	HPC business R'billion	Total R'billion
Fair value of assets and liabilities acquired			
Intangible assets	0,5	0,6	1,1
Trade and other receivables	0,1	–	0,1
Trade and other payables	(0,1)	–	(0,1)
Purchase consideration paid	0,5	0,6	1,1
Deferred consideration	–	(0,4)	(0,4)
Cash outflow on acquisition	0,5	0,2	0,7

J. Acquisition of subsidiaries and businesses continued**2015**

Set out below is the final accounting for the following June 2015 business combinations:

Kama

On 1 May 2015, the Company acquired 65% of the issued share capital of Kama, a privately owned company incorporated in Ghana for a purchase consideration of USD4,5 million.

Florinef and Omcilon business

AGI and Aspen Brazil entered into an agreement with Bristol Myers Squibb Company for the acquisition of the rights to two corticosteroids. Florinef, in certain countries (primarily Japan, the United Kingdom and Brazil) and Omcilon in Brazil, for a consideration of USD41 million. Contingent consideration of USD4 million was paid to Bristol Myers Squibb Company. Additional consideration of up to USD2 million is payable in the event of certain regulatory approvals being obtained but it is not possible to ascertain the likelihood of these occurring at this time. The transaction became effective on 1 November 2014.

Mono-Embolex business

AGI acquired the rights to Mono-Embolex, an injectable anticoagulant, from Novartis AG for a consideration of USD142 million effective 20 February 2015.

	Kama R'-billion	Florinef and Omcilon business R'-billion	Mono- Embolex business R'-billion	Total R'-billion
Fair value of assets and liabilities acquired				
Property, plant and equipment	0,1	–	–	0,1
Intangible assets	–	0,4	1,7	2,1
Deferred tax liabilities	–	–	(0,1)	(0,1)
Fair value of net assets acquired	0,1	0,4	1,6	2,1
Goodwill acquired	–	–	0,1	0,1
Cash outflow on acquisition	0,1	0,4	1,7	2,2

The initial accounting for these acquisitions, which were classified as business combinations in the prior year, was reported on a provisional basis and was finalised in the June 2016 financial year.

Summarised Group supplementary information continued

for the year ended 30 June 2016

K. Illustrative comparable earnings

The comparability of the reported results for the year ended 30 June 2016 to the prior reporting period has been influenced by the following factors:

- The completion on 31 August 2015 of the divestment of the generics business conducted in Australia as well as certain branded products distributed in Australia to Strides group companies, the related termination of licence arrangements in Australia and the completion on 1 October 2015 of the divestment of a portfolio of products distributed in South Africa to Litha (collectively "the Divestments"). The contribution to the Aspen results by the Divestments is consequently substantially reduced in the current period. In the period from 1 July 2015 until effective date of divestment, revenue from the Divestments was R0,2 billion whereas revenue from the Divestments for the year ended 30 June 2015 was R1,8 billion.
- The change in translation rate to report the financial position, results of operations and cash flows relating to Aspen's Venezuelan business for the year ended 30 June 2016 from the official DIPRO rate (previously CENCOEX) which ranged between VEF6,3 and VEF10,0 per USD to the DICOM rate (previously SIMADI rate) of VEF628,34 per USD.

To provide meaningful comparability of the financial performance of Aspen's ongoing underlying business, a measure described as comparable normalised headline earnings, has been determined which excludes the contribution from Divestments and includes the results of Aspen's Venezuelan business translated at the DICOM rate of VEF628,34 per USD for the prior reporting period.

Set out below is the comparable information for revenue, operating profit, normalised headline earnings and NHEPS. The comparable Group segmental analysis and comparable Group statement of comprehensive income are included to enable meaningful analytical review. The comparable information has been derived from the audited financial information and has been reported on by Aspen's auditors in a limited assurance report which is available for inspection at the Company's registered office. This information has been prepared for illustrative purposes only and is the responsibility of the Board of Directors of Aspen.

	Change	Illustrative 2016 R' billion	Illustrative 2015 R' billion
Comparable revenue			
Reconciliation of comparable revenue			
Revenue	(2%)	35,6	36,1
Adjusted for:			
– Revenue from the Divestments		(0,2)	(1,8)
– Translation of Aspen Venezuela's revenue at the DICOM exchange rate		–	(2,7)
Comparable revenue	12%	35,4	31,6
Comparable operating profit			
Reconciliation of comparable operating profit			
EBITA	3%	9,5	9,2
Amortisation		(0,6)	(0,5)
Normalised operating profit		8,9	8,7
Adjusted for:			
– Operating profit from the Divestments		(0,1)	(0,6)
Comparable operating profit	8%	8,8	8,1
Comparable normalised headline earnings*			
Reconciliation of comparable normalised headline earnings			
Normalised headline earnings	10%	5,8	5,2
Adjusted for:			
– Operating profit from the Divestments (net of tax)		–	(0,4)
– Interest savings from proceeds on the Divestments (net of tax)		(0,2)	–
Comparable normalised headline earnings	15%	5,6	4,8
Comparable NHEPS			
Comparable NHEPS (cents)	15%	1 222,0	1 066,7

* Comparable headline earnings is disclosed net of income from non-controlling interests which are not material.

Comparable Group segmental analysis

	Illustrative		Illustrative		Change
	2016 R'billion	% of total	2015 R'billion	% of total	
Revenue					
International	18,9	50	15,8	48	19%
South Africa	8,1	22	8,2	24	(1%)
Asia Pacific	7,4	20	6,7	20	11%
SSA	3,3	8	2,8	8	18%
Gross revenue	37,7	100	33,5	100	12%
Adjustment*	(2,3)		(1,9)		
Total revenue	35,4		31,6		12%
Normalised operating profit before amortisation					
<i>Adjusted for specific non-trading items ("EBITA")</i>					
International	5,9	63	5,1	59	15%
South Africa	1,5	16	1,8	20	(15%)
Asia Pacific	1,6	17	1,4	17	10%
SSA	0,4	4	0,3	4	31%
Total EBITA	9,4	100	8,6	100	9%
Entity-wide disclosure – revenue					
Commercial revenue by customer geography					
Commercial – Pharmaceutical	27,7	74	25,3	75	10%
Europe CIS	8,5	23	7,0	20	22%
Asia Pacific	6,1	16	5,6	17	8%
South Africa	6,2	17	6,6	20	(6%)
SSA	3,2	9	2,8	8	15%
Latin America (excluding hyperinflationary economy)	2,0	5	2,1	6	(5%)
Middle East and North Africa	0,9	2	0,6	2	51%
USA and Canada	0,8	2	0,6	2	42%
Commercial – Infant Nutritionals	3,5	9	3,1	9	13%
Latin America (excluding hyperinflationary economy)	1,5	4	1,3	4	18%
Asia Pacific	1,0	3	1,0	3	6%
South Africa	0,9	2	0,7	2	11%
SSA	0,1	–	0,1	–	51%
Total commercial revenue	31,2	83	28,4	84	10%
Manufacturing revenue by geography of manufacturer					
Manufacturing revenue – FDFs	2,1	5	1,5	5	37%
South Africa	0,9	2	0,5	2	69%
Europe CIS	0,7	2	0,5	2	39%
Asia Pacific	0,5	1	0,5	1	–
Manufacturing revenue – APIs	4,4	12	3,6	11	22%
Europe CIS	4,0	11	3,3	10	19%
South Africa	0,4	1	0,3	1	52%
Total manufacturing revenue	6,5	17	5,1	16	26%
Total gross revenue	37,7	100	33,5	100	12%
Adjustment*	(2,3)		(1,9)		
Total revenue	35,4		31,6		12%
Summary of regions					
International	18,4	49	15,4	46	20%
South Africa	8,4	22	8,1	25	2%
Asia Pacific	7,6	20	7,1	21	7%
SSA	3,3	9	2,9	8	16%
Total gross revenue	37,7	100	33,5	100	12%
Adjustment*	(2,3)		(1,9)		
Total revenue	35,4		31,6		12%

* The profit share from the SSA Collaboration has been disclosed as revenue in the statement of comprehensive income. For segmental purposes the total revenue for the SSA Collaboration has been included to provide enhanced revenue visibility in this territory.

Summarised Group supplementary information continued

for the year ended 30 June 2016

Comparable Group statement of comprehensive income

	Change	Illustrative 2016 R' billion	Illustrative 2015 R' billion
Revenue	12%	35,4	31,6
Cost of sales		(17,6)	(16,1)
Gross profit	15%	17,8	15,5
Selling and distribution expenses		(5,9)	(4,8)
Administrative expenses		(2,6)	(2,5)
Net other operating expenses		0,1	0,4
Normalised operating profit before amortisation	9%	9,4	8,6
Amortisation		(0,6)	(0,5)
Operating profit	8%	8,8	8,1
Net financing costs		(1,9)	(2,0)
Profit before tax	15%	6,9	6,1
Tax		(1,3)	(1,3)
Profit for the year	15%	5,6	4,8

Subsequent events

Post-year end corporate activity

In August 2016, AGI signed an agreement with AstraZeneca whereby AGI agreed to acquire the exclusive rights to commercialise AstraZeneca's global (excluding the USA) anaesthetics portfolio ("the AZ Transaction"). AstraZeneca's anaesthetics portfolio comprises seven established medicines, namely Diprivan (general anaesthesia), EMLA (topical anaesthetic) and five local anaesthetics (Xylocaine/Xylocard/Xyloproct, Marcaine, Naropin, Carbocaine and Citanest) ("the AZ Portfolio"). The products in the AZ Portfolio are sold in more than one hundred countries worldwide including China, Japan, Australia and Brazil. These products generated revenue of USD592 million in the year ended 31 December 2015. In terms of the concluded agreement, as consideration for the commercialisation rights, AGI will pay USD520 million and double-digit percentage royalties on sales of the Portfolio. Additionally, AGI will make sales-related payments of up to USD250 million based on sales in the 24 months following completion. AGI and AstraZeneca have also signed a supply agreement whereby AstraZeneca will supply the AZ Portfolio to AGI. This supply agreement has an initial period of 10 years. This transaction became effective on 1 September 2016. Based on the terms of the agreements and Aspen's current cost of funding, Aspen's interest in the AZ Portfolio would have generated a contribution to profit before tax of approximately USD100 million in the year ended 31 December 2015.

On 12 September 2016, Aspen announced that various Group subsidiaries had concluded three separate transactions with GSK companies as follows:

- AGI signed an agreement with GSK whereby AGI will acquire a portfolio of anaesthetic products globally (with the exception of certain territories, primarily North America) ("the Anaesthetics Transaction"). GSK's anaesthetics portfolio comprises five established medicines, namely Ultiva (general anaesthesia) and four muscle relaxants (Nimbex, Mivacron, Tracrium and Anectine) ("the GSK Portfolio"). The products in the GSK Portfolio are sold in more than one hundred countries worldwide including Japan, Brazil, Korea, Germany and Italy. In terms of the concluded agreement, as consideration for the Portfolio, AGI will pay an initial amount of GBP180 million and milestone payments of up to GBP100 million based on the results of the Portfolio in the 36 months following completion. AGI and GSK have also signed a supply agreement whereby GSK will supply the products to AGI for four years. The GSK Portfolio is expected to generate revenue of approximately GBP70 million in the year ended 31 December 2016. The Anaesthetics Transaction is subject to customary closing conditions and is anticipated to complete during the third quarter of Aspen's 2017 financial year.
- As part of its acquisition of the thrombosis products Fraxiparine and Arixtra from GSK in 2014, AGI also acquired an option to acquire the same products in certain countries to which GSK retained the rights, most notably China. AGI has exercised its option to acquire Fraxiparine and Arixtra in these countries for a consideration of GBP45 million. Approximately GBP30 million of revenue is generated by the thrombosis products in China. The completion of the acquisition of the thrombolytic products in the relevant territories is subject to customary closing conditions and is expected to occur during the third quarter of Aspen's 2017 financial year.
- Pharmicare and GSK have agreed to cancel the SSA Collaboration. These rights were acquired as part of a basket of transactions with GSK in 2009. GSK will pay Pharmicare GBP45 million as consideration for the cancellation. The SSA Collaboration generated approximately R2,6 billion of gross revenue in the 2016 financial year. The cancellation of the SSA Collaboration is expected to become effective in the third quarter of Aspen's 2017 financial year.

If the GSK Portfolio was owned for the entire 2017 financial year, it would be expected to add approximately 75 cents per share to the NHEPS of the Group. The net impact on NHEPS of the acquisition of the thrombosis products and the cancellation of the SSA Collaboration should not be material.

Three-year review

	10-year CAGR %	IFRS Year ended 30 June 2016 R'billion	IFRS Year ended 30 June 2015 R'billion	IFRS Year ended 30 June 2014 R'billion
Group income statements				
Revenue	26	35,6	36,1	29,5
Gross profit	27	17,9	17,3	13,7
EBITA*	25	9,5	9,2	7,7
Total amortisation and non-trading adjustments	15	(0,5)	(0,7)	(3,0)
Operating profit	26	9,0	8,4	7,4
Net financing costs	53	(2,9)	(1,9)	(1,1)
Profit before tax	22	6,1	6,5	6,4
Profit after tax	21	4,3	5,2	5,0
Group statements of financial position				
Assets				
Non-current assets				
Property, plant and equipment		9,7	7,9	7,2
Goodwill		6,0	5,0	6,6
Intangible assets		49,1	40,5	35,7
Other non-current assets		1,2	1,2	1,0
Deferred tax assets		1,1	1,1	0,8
Total non-current assets		67,1	55,7	51,3
Current assets				
Inventories		14,4	10,8	10,3
Trade and other receivables		11,8	10,3	9,7
Cash and cash equivalents		10,9	8,7	8,2
Total operating current assets		37,1	29,8	28,2
Assets classified as held-for-sale		0,1	2,9	3,1
Total current assets		37,2	32,7	31,2
Total assets		104,3	88,4	82,5
Equity and liabilities				
Ordinary shareholders' equity		42,5	34,1	28,9
Total shareholders' equity		42,5	34,1	28,9
Non-current liabilities				
Borrowings		32,7	25,5	29,9
Other non-current financial liabilities		6,2	5,3	6,3
Deferred tax liabilities		1,8	1,7	1,4
Total non-current liabilities		40,7	32,5	37,6
Current liabilities				
Trade and other payables		8,3	6,8	6,9
Borrowings		10,9	13,2	8,1
Other current financial liabilities		1,9	1,8	1,0
Total current liabilities		21,1	21,8	16,0
Total equity and liabilities		104,3	88,4	82,5

* EBITA represents operating profit from continuing operations before amortisation adjusted for specific non-trading items as set out in the segmental analysis contained in the Group Annual Financial Statements.

The 10-year review is available online.

Three-year review continued

		10-year CAGR %	IFRS Year ended 30 June 2016 R'billion	IFRS Year ended 30 June 2015 R'billion	IFRS Year ended 30 June 2014 R'billion
Group statements of cash flows					
Cash operating profit		24	9,8	9,5	7,9
Working capital movements			(3,4)	(1,5)	(2,2)
Cash generated from operations		26	6,4	8,0	5,7
Net financing costs paid			(1,7)	(2,0)	(0,7)
Tax paid			(1,5)	(1,2)	(1,2)
Cash generated from operating activities		23	3,2	4,8	3,8
Cash generated from/(used in) investing activities			1,1	(1,6)	(20,9)
Cash (used in)/generated from financing activities			(3,1)	(2,2)	19,4
Translation effects on cash and cash equivalents of foreign operations			(0,2)	(0,3)	0,3
Movement in cash and cash equivalents			1,0	0,7	2,6
Cash and cash equivalents at the beginning of the year			6,9	6,2	3,6
Cash and cash equivalents at the end of the year			7,9	6,9	6,2
Share performance					
Earnings per share – basic	cents	18	945,4	1 139,8	1 097,9
Earnings per share – diluted	cents	18	945,2	1 139,5	1 097,6
HEPS	cents	17	889,0	1 149,9	1 016,3
HEPS – diluted	cents	17	888,8	1 149,7	1 016,1
NHEPS	cents	21	1 263,7	1 145,8	1 064,2
NHEPS – diluted	cents	22	1 263,4	1 145,6	1 063,9
Capital distribution/dividend per share	cents		216,0	188,0	157,0
Net asset value per share	cents	36	9 320,5	7 485,7	6 333,3
Operating cash flow per share	cents	20	706,7	1 060,3	841,1
Share information					
Number of shares in issue – at the end of the year	million		456,4	456,3	456,3
Number of shares in issue (net of treasury shares) – at the end of the year	million		456,1	456,1	455,9
Weighted number of shares in issue	million		456,4	456,3	456,1
Diluted weighted number of shares in issue	million		456,5	456,5	456,2
Market capitalisation at year end	R'billion	28	165,3	164,3	136,4

		IFRS Year ended 30 June 2016 R'-billion	IFRS Year ended 30 June 2015 R'-billion	IFRS Year ended 30 June 2014 R'-billion
JSE statistics				
Number of shares traded	million	268,8	262,2	247,8
Number of shares traded as % of weighted average number of shares	%	58,9	57,5	54,3
Market price per share				
– year end	cents	36 228	36 000	29 889
– highest	cents	37 824	36 399	31 810
– lowest	cents	23 802	35 749	21 330
Key market performance ratios				
Earnings yield	%	3,5	3,4	3,6
Price:earnings ratio	times	28,7	29,5	28,1
Business performance				
Profitability – measures financial performance of the Group				
Return on ordinary shareholders' equity	%	10,6	17,0	19,7
Return on total assets	%	10,4	12,0	13,0
Return on net assets	%	14,8	21,4	25,0
Revenue growth	%	(1,6)	22,4	52,9
Gross margin	%	50,3	47,8	46,5
EBITA* margin	%	25,0	24,1	24,6
South African EBITA* margin	%	18,6	22,7	24,4
Asia Pacific EBITA* margin	%	21,6	21,6	22,8
International EBITA* margin	%	31,2	27,8	28,6
Sub-Saharan Africa EBITA* margin	%	12,5	11,3	12,2
Effective tax rate	%	29,3	20,5	21,3
Liquidity – measures the Group's ability to meet its maturing obligations and unexpected cash needs in the short term				
Current ratio	times	1,8	1,4	1,8
Quick ratio	times	1,1	0,9	1,1
Cash ratio	times	0,6	0,4	0,6
Working capital as % of revenue	%	49,9	39,7	37,3
Debt indicators – measures the Group's ability to meet capital and interest payments over the long term				
Total net debt	R'-billion	33,5	31,1	30,4
Net borrowings	R'-billion	32,7	30,0	29,8
Leverage ratio	times	3,3	3,1	3,1
Net interest cover	times	6,1	6,2	7,8
Gearing ratio	%	43,5	47,1	51,3

* EBITA represents operating profit from continuing operations before amortisation adjusted for specific non-trading items as set out in the segmental analysis contained in the Annual Financial Statements.

Comparative figures have been restated to conform with changes in presentation.

Financial ratios

Asia Pacific EBITA margin (%)

EBITA for Asia Pacific from continuing operations
Revenue for Asia Pacific from continuing operations

Average staff turnover (%)

Total number of employee departures
Average number of permanent employees

Average training spend per employee (Rand)

(Total investment in employee training during the year) + value of bursaries granted
Average number of employees

Cash ratio

Cash and cash equivalents
Current liabilities (excluding liabilities associated with assets held-for-sale) – bank overdrafts

Current ratio

Current assets (excluding assets classified as held-for-sale)
Current liabilities (excluding liabilities associated with assets held-for-sale)

DIFR (ratio)

Sum of qualifying disabling cases x 200 000
Number of employee hours worked over rolling 12 months

Earnings yield (%)

Normalised headline earnings per share from continuing operations
Market price per share at year end

EBITA

EBITA represents operating profits from continuing operations before amortisation adjusted for specific non-trading items as set out in the segmental analysis contained in the Annual Financial Statements.
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EBITA growth (%)

EBITA (current year) – EBITA (prior year)
EBITA (prior year)

EBITA margin (%)

EBITA
Gross revenue from continuing operations

Effective tax rate (%)

Tax from continuing operations
Profit before tax from continuing operations

Gearing ratio (%)

Total debt (net of cash)
Total shareholders' equity – non-controlling interests + total debt (net of cash)

Gross margin (%)

Gross profit from continuing operations
Revenue from continuing operations

Growth in NHEPS (%)

NHEPS from continuing operations (current year) – NHEPS from continuing operations (prior year)
NHEPS from continuing operations (prior year)

International EBITA margin (%)

EBITA for International from continuing operations
Revenue for International from continuing operations

Leverage ratio

Borrowings, net of cash and cash equivalents [^]
EBITA [^]

[^]Calculated in accordance with the Group's long-term debt agreements

LWDFR (ratio)

Sum of qualifying lost work day incident cases x 200 000
Number of employee hours worked over rolling 12 months

Market capitalisation

Year-end market price per share multiplied by number of shares in issue at year end

Net asset value per share (cents)

Ordinary shareholders' equity
Number of shares in issue (net of treasury shares)

Net borrowings

Non-current borrowings + current borrowings – cash and cash equivalents

Net interest cover (times)

Operating profit before amortisation
Interest paid from continuing operations – interest received from continuing operations (excluding capital raising fees)

Normalised headline earnings

Normalised headline earnings are headline earnings adjusted for specific non-trading items, being transaction costs and other acquisition and disposal-related gains or losses, restructuring costs, settlement of product related litigation costs and significant once-off tax provision charges or credits arising from the resolution of prior year matters

Operating cash flow per share (cents)

Cash generated from operating activities
Weighted number of shares in issue

Price:earnings ratio

Market price per share at year end
Normalised headline earnings per share from continuing operations

Quick ratio

Current assets (excluding assets classified as held-for-sale) – inventories
Current liabilities (excluding liabilities associated with assets held-for-sale)

Revenue growth from continuing operations (%)

Revenue from continuing operations (current year) – revenue from continuing operations (prior year)
Revenue from continuing operations (prior year)

Return on net assets (%)

Profit before tax from continuing operations
Total weighted average assets – total weighted average liabilities

Return on ordinary shareholders' equity (%)

Profit attributable to equity holders of the parent from continuing operations
Weighted average ordinary shareholders' equity

Return on total assets (%)

EBITA
Total weighted average assets (excluding cash and cash equivalents)

South African EBITA margin (%)

EBITA for South Africa from continuing operations
Revenue for South Africa from continuing operations

SSA EBITA margin (%)

EBITA for SSA from continuing operations
Gross revenue for SSA from continuing operations

Total debt to EBITA cover (times)

Total debt (net of cash)
EBITA

Total net debt

Non-current borrowings + current borrowings + deferred payables + deferred consideration [#] – cash and cash equivalents
[#] Included in other non-current liabilities

Value added per employee (R'000)

Value added from operations
Weighted number of permanent employees at year end

Working capital as % of revenue

Inventories + trade and other receivables – trade and other payables
Annualised net revenue from continuing operations

Shareholder statistics

Analysis of shareholders at 30 June 2016

Ordinary shares	Number of shareholders	% of shareholders	Number of shares	% of total shareholding
Size of holding				
1 – 2 500	51 536	93	19 738 120	4,3
2 501 – 12 500	2 910	5	15 213 795	3,3
12 501 – 25 000	415	1	7 357 608	1,6
25 001 – 50 000	260	0	9 169 828	2,0
50 001 and over	423	1	404 871 986	88,8
	55 544	100	456 351 337	100,0

Major shareholders

Institutional shareholders

According to the register of shareholders at 30 June 2016, the following are the top 10 registered institutional shareholders:

Institutional shareholder	Number of shares	% of total shareholding
Public Investment Corporation	45 521 514	10,0
Foord Asset Management	19 384 498	4,2
Government of Singapore Investment Corporation	13 664 491	3,0
Genesis Investment Management	13 501 195	3,0
STANLIB Asset Management	12 436 727	2,7
Vanguard	10 642 698	2,3
BlackRock	10 446 942	2,3
JP Morgan Asset Management	9 346 620	2,1
T. Rowe Price Associates Inc	8 247 990	1,8
Harding Loevner Management	8 232 952	1,8
	151 425 627	33,2

Top 10 beneficial shareholders

According to the register of shareholders at 30 June 2016, the following are the top 10 registered beneficial shareholders. The shareholdings of all directors are disclosed on page 107 of the Remuneration Report:

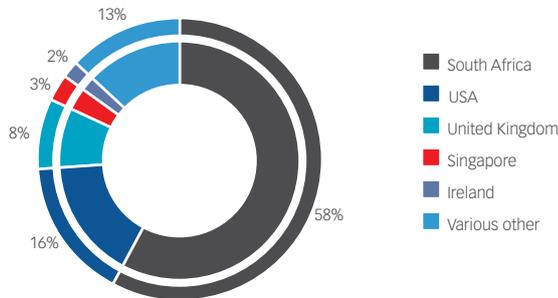
Shareholder	Number of shares	% of total shareholding
Saad, SB	55 349 036	12,1
Government Employees Pension Fund	50 938 348	11,2
Glaxo Group Limited	28 234 379	6,2
Attridge, MG	18 875 422	4,1
Government of Singapore Investment Corporation	10 828 957	2,4
CEPPWAWU Investments (Pty) Limited	10 053 368	2,2
Vanguard	9 724 077	2,1
Genesis Investment Management	9 572 831	2,1
Liberty Group	9 404 901	2,1
Foord Asset Management	9 137 082	2,0
	212 118 401	36,5

Shareholders' spread

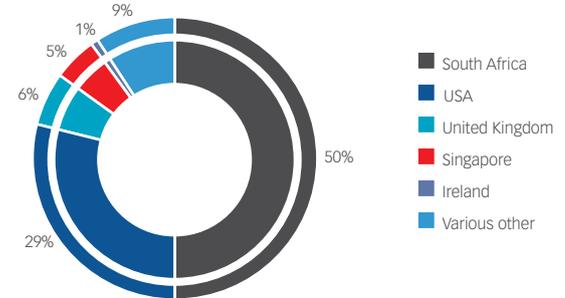
As required by paragraph 8.63 and terms of paragraph of 4.25 of the JSE's Listings Requirements, the spread of the ordinary shareholding at close of business on 30 June 2016 was as follows:

	Number of shareholders	Number of shares	% of total shareholding
Non-public shareholders	13	103 134 901	22,6
Directors of the Company and directors of material subsidiaries	11	74 400 776	16,3
Glaxo Group Limited	1	28 234 379	6,2
Employee share trusts – Treasury shares	1	499 746	0,1
Public shareholders	55 531	353 216 436	77,4
Total shareholding	55 544	456 351 337	100

Geographical split of beneficial shareholders

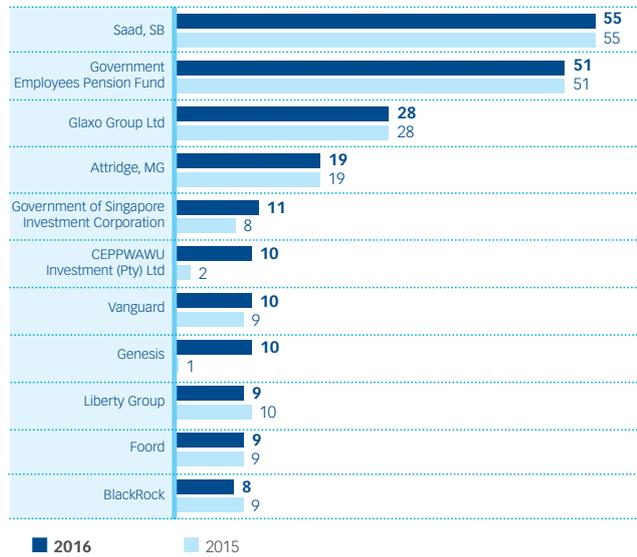


Geographical split of institutional shareholders



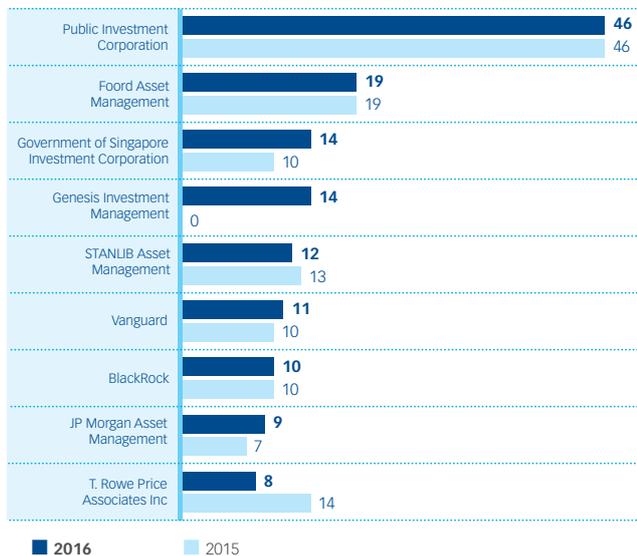
Top 10 beneficial shareholders

(Millions of shares)



Top 10 institutional shareholders

(Millions of shares)



Shareholders' diary

Financial year end	30 June 2016
Dividend paid to shareholders	10 October 2016
Annual general meeting	6 December 2016

Reports and Group results announcement for the 2017 financial year

Interim report	March 2017
Provisional results for the year	September 2017
Annual Financial Statements	November 2017

Administration

Company Secretary & Group Compliance Officer

Riaan Verster
B.Proc, LL.B, LL.M (Labour Law)

Registered office and postal address

Building Number 8, Healthcare Park, Woodlands Drive, Woodmead
PO Box 1587, Gallo Manor, 2052
Telephone +27 11 239 6100
Telefax +27 11 239 6144

Registration number

1985/002935/06

Share code

APN ISIN: ZAE 000066692

Website address

www.aspenpharma.com

Auditors

PricewaterhouseCoopers Inc.

Sponsors

Investec Bank Limited

Transfer secretaries

Trifecta Capital Services (Pty) Limited
31 Beacon Road, Florida North, 1709, Johannesburg
PO Box 61272, Marshalltown, 2107
Telephone 0860 104191
Email aspen@trifectacapital.com

Abbreviations

AGI	Aspen Global Incorporated, a subsidiary incorporated in Mauritius
ANDA	Abbreviated New Drug Application
ANDB	Aspen Notre Dame de Bondeville S.A.S., a wholly owned subsidiary incorporated in France
Annual Financial Statements	The Group and Company Annual Financial Statements for the year ended 30 June 2016
API	Active pharmaceutical ingredient
A&R Co	Audit & Risk Committee
ARV	Anti-retroviral
Aspen and/or Group	Aspen Pharmacare Holdings Limited and/or its subsidiaries as set out in note 24 to the Company financial statements, as the context demands
Aspen Holdings or the Company	Aspen Pharmacare Holdings Limited
Aspen API	Aspen API Incorporated, a wholly owned subsidiary of AGI, incorporated in the USA
Aspen Australia	Aspen Australia comprises Aspen Asia Pacific Pty Limited (a wholly owned subsidiary of AGI) and its subsidiaries, including Aspen Pharmacare Australia Pty Limited, Aspen Pharma Pty Limited, Orphan Holdings Pty Limited, Orphan Australia Pty Limited, Aspen Lennon Pty Limited and Aspen Products Pty Limited
Aspen Bad Oldesloe	Aspen Bad Oldesloe GmbH, a wholly owned subsidiary incorporated in Germany
Aspen Brazil	Aspen Pharma – Indústria Farmacêutica Limitada, a wholly owned subsidiary of PharmaLatina Holdings incorporated in Brazil
Aspen Europe	Aspen Europe GmbH, incorporated in Germany, a wholly owned subsidiary of AGI
Aspen Japan	Aspen Japan KK, incorporated in Japan, a wholly owned subsidiary of AGI
Aspen Mexico	Aspen Mexico comprises Aspen Labs S.A. de C.V, Aspen Pharma Mexicana S. de R.L. C.V, Solara S.A. de C.V., Aspen Servicios S. de R.L. de C.V., PN North America S. de R.L. de C.V., Wyeth Ilaclari S. de R.L. de C.V., Wyeth S. de R.L. de C.V., Marcas WN S.A. de C.V.
Aspen Oss	Aspen Oss B.V., a subsidiary incorporated in the Netherlands
Aspen Venezuela	Aspen Venezuela C.A. and Aspen Venezuela S.A.
AstraZeneca	AstraZeneca AB and AstraZeneca UK
BBBEE	Broad-Based Black Economic Empowerment
BBBEE Codes	The Department of Trade and Industry's BBBEE Codes of Good Practice
CAGR	Compound annual growth rate
CariCam	Caribbean and Central America
CIS	The Commonwealth of Independent States, comprising Russia and the former Soviet Republics
Classic brands	A portfolio of 25 established prescription- branded products acquired from GSK
DIFR	Disabling incident frequency ratio
EBITA	Operating profit before amortisation adjusted for specific non-trading items as set out in the segmental analysis contained in the Annual Financial Statements
ERM	Environmental Resources Management (Pty) Limited
FCC	Fine Chemicals Corporation (Pty) Limited
FDF	Finished dosage form
Global brands	Branded products owned by Aspen Global and distributed into multiple territories
GMP	Good Manufacturing Practice
GRI	Global Reporting Initiative
GSK	GlaxoSmithKline Plc
HEPS	Headline earnings per share
HR	Human Resources
HPC	Hydroxyprogesterone Caproate
IFRS	International Financial Reporting Standards

Abbreviations continued

IMS	IMS Health (Pty) Limited, a leading provider of healthcare and pharmaceutical market intelligence
Internal Audit	The Aspen Group Internal Audit function
JSE	JSE Limited, licensed as an exchange under the Security Services Act, No 36 of 2004
Kama	Kama Industries Limited, a subsidiary incorporated in Ghana
King III	King Report on Corporate Governance for South Africa 2009
KPIs	Key performance indicators
Litha	Litha Pharma (Pty) Limited
LWDFR	Lost work day frequency ratio
Mandela Day	Nelson Mandela International Day
MENA	Middle East and North Africa
MSD	Merck Sharpe & Dohme
NHEPS	Normalised headline earnings per share
Norgine	Norgine (Pty) Limited
NZNM	New Zealand New Milk Limited
OECD	Organisation for Economic Cooperation and Development
OTC	Over-the-counter
Pharmacare	Pharmacare Limited
PBS	Pharmaceutical Benefits Scheme
PHEF	The South African Public Healthcare Enhancement Fund
PwC	PricewaterhouseCoopers Incorporated
R&N Co	Remuneration & Nomination Committee
S&E Co	Social & Ethics Committee
SED	Socio-economic development
SEP	Single exit pricing
SHE	Safety, health and environment
Shelys	Shelys Pharmaceuticals Limited, incorporated in Tanzania
Shelys Africa	Comprises Shelys Africa Limited, Shelys Pharmaceuticals Limited, Shelys Pharmaceuticals International Limited, Beta Healthcare Kenya Limited and Beta Healthcare (Uganda) Limited
SSA	Sub-Saharan Africa
Supplementary Documents	The Unabridged Corporate Governance Report including the reports of the A&R Co and S&E Co, the Sustainability Data Supplement and the Annual Financial Statements
The SSA Collaboration	The GSK Aspen Healthcare for Africa Collaboration
The Companies Act	The South African Companies Act, No 71 of 2008
UN Global Compact	United Nations Global Compact
USA	United States of America
AUD	Australian Dollar
EUR	Euro
GBP	British Pound
R/ZAR	South African Rand
USD	United States Dollar
VEF	Venezuelan Bolivar

Abbreviations of pharmaceutical regulatory authorities and acronyms (manufacturing capabilities)

ANSM	French National Agency for Medicinal and Health Product Safety
ANVISA	Brazilian National Health Surveillance Agency
ASN	Nuclear Safety Authority for E-beam
BFARM	German Federal Institute for Drugs and Medical Devices
CNCA	Certification and Accreditation Administration of the People's Republic of China
COFEPRIS	Mexican Federal Commission for Protection against Health Risk
DACA	Ethiopian Drug Administration and Control Authority
DQS	Deutsche Gesellschaft zur Zertifizierung von Management Systemen
EDQM	European Directorate for the Quality of Medicines
FMHACA	Ethiopian Food, Medicine and Healthcare Administration Control Authority
FSSC	Food Safety System Certification
GCC	Middle East and North African Gulf Cooperation Council
GFDB	Ghana Food and Drugs Board
GMP	Good Manufacturing Practice
GRA	German Regulatory Authority
HACCP	South African Hazardous Analysis and Critical Control Point (SANS 10330)
HPB	Health Protection Branch (Canada)
ICHA	Ivory Coast Health Authority
IGZ	Dutch Health Authority
IRA	Israeli Regulatory Authorities
ISO	International Organisation for Standardisation
KFDA	Korean Food and Drug Administration
KI	Kilolitre
KvH	Kilo vessel hours

Abbreviations of pharmaceutical regulatory authorities and acronyms (manufacturing capabilities) continued

LRA	Libyan Regulatory Authorities
MCAZ	Medicines Control Agency of Zimbabwe ISO 22000
MCC	South African Medicines Control Council
MHRA	United Kingdom Medicines and Health Products Regulatory Agency
MOH – DRC	Ministry of Health – Democratic Republic of Congo
MOH – IC	Ministry of Health – Ivory Coast
NAFDAC	Nigerian National Agency for Food and Drug Administration and Control
NDA	Ugandan National Drug Authority
NZ RMP	New Zealand Risk Management Programmes
OHSAS	Occupational Health and Safety Management Systems
PIC/S	Pharmaceutical Inspection Convention and Pharmaceutical Cooperation Scheme
PMDA	Japanese Pharmaceutical and Medical Device Agency
PMPB	Malawian Pharmacy, Medicines and Poisons Board
PPB	Kenyan Pharmacy and Poisons Board
PRA	Zambian Pharmaceutical Regulatory Authority
TFDA	Tanzania Food and Drug Authority
TGA	Australian Therapeutic Goods Administration
TRA	Turkish Regulatory Authority
UAERA	United Arab Emirates Regulatory Authority
UHT	Ultra high temperature
US FDA	United States Food and Drug Administration
WHO	World Health Organisation
YRA	Republic of Yemen Regulatory Authority
ZAMRA	Zambia Medicine Regulatory Authority



Disclaimer

We may make statements that are not historical facts and relate to analyses and other information based on forecasts of future results and estimates of amounts not yet determinable. These are forward looking statements as defined in the U.S. Private Securities Litigation Reform Act of 1995. Words such as “prospects”, “believe”, “anticipate”, “expect”, “intend”, “seek”, “will”, “plan”, “indicate”, “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 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, actual results may be very different from those anticipated. The factors that could cause our actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements are discussed in each year’s Annual Report. Forward looking statements apply only as of the date on which they are made, and we do not undertake other than in terms of the Listings Requirements of the JSE Limited, any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.



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