

# *Adding Value to Life*

*Group annual results presentation*  
for the year ended 30 September 2011

*Heritage | Quality | Integrity*



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# Financial Results

*Andy Hall*

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## Salient Financial Features

### *Continuing operations*

**Turnover**



**8% to R4.454 billion**

**EBITDA**



**7% to R1.170 billion**

**HEPS**



**31% to 465.1 cents**  
(2010: 354.8 cents)

**Normalised HEPS**



**9% to 465.1 cents**  
(2010: 509.6 cents)

**2.5%** ordinary shares bought back

# FINANCIAL RESULTS

## Income Statement

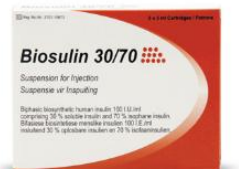
	2011 Rm	2010 Rm	VAR %
<b>Turnover</b>	<b>4 453.6</b>	<b>4 130.1</b>	<b>7.8</b>
Gross profit	2 169.0	2 201.1	(1.5)
<i>Gross profit %</i>	49%	53%	
Results of operating activities	1 068.6	1 168.3	(8.5)
Income from investments	16.9	10.6	
Net financing income	33.6	21.4	
<b>Profit before tax</b>	<b>1 119.1</b>	<b>1 200.3</b>	<b>(6.8)</b>
Abnormal item	-	(269.0)	
Income tax expense	(326.1)	(308.5)	
<b>Profit after tax</b>	<b>793.0</b>	<b>622.8</b>	<b>27.3</b>
(Loss)/profit after tax for the period from a discontinued operation	(28.2)	20.5	
Non-controlling interests	(10.6)	(11.8)	
<b>Net profit</b>	<b>754.2</b>	<b>631.5</b>	<b>19.4</b>
HEPS (cents) – continuing operations	465.1	354.8	31.1

# FINANCIAL RESULTS

## New Business

### TURNOVER

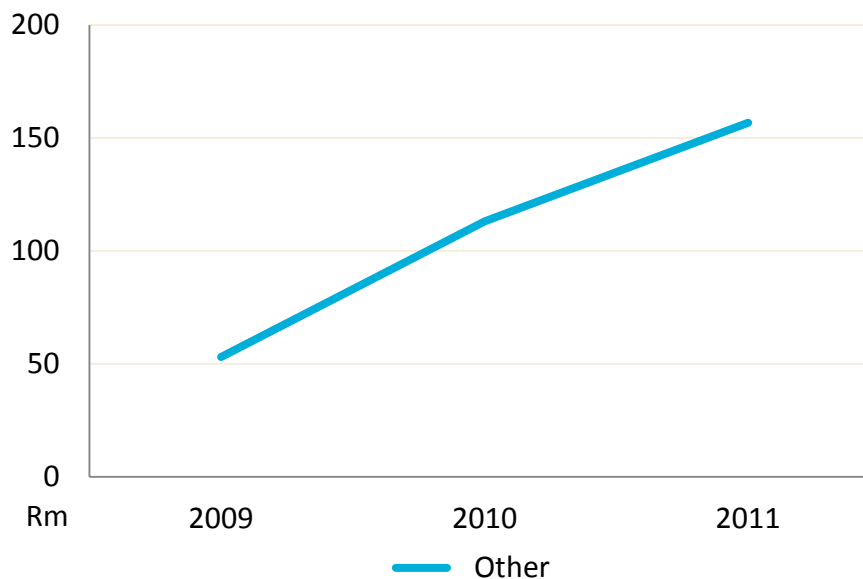
	2011 Rm	2010 Rm
Nutrilida	43.1	-
Bioswiss	6.8	-
MNC	515.5	107.2
Ayrton	92.5	43.5
Unique	26.2	21.7
<b>Total</b>	<b>684.1</b>	<b>172.4</b>



# Geographical Analysis – continuing operations

## TURNOVER

	2011 Rm	Split %	2010 Rm	Split %	2009 Rm	Split %
Southern Africa	4 296.8	95.5	4 017.0	97.3	3 649.6	98.6
Other	156.7	3.5	113.1	2.7	53.0	1.4
<b>Gross sales</b>	<b>4 453.6</b>		<b>4 130.1</b>		<b>3 702.6</b>	



## Segmental Analysis – continuing operations

		2011 Rm	± %	2010 Rm
OTC	Turnover	1 734.7	21.5	1 427.3
	Gross profit	1 025.1	22.7	835.3
	<b>GP%</b>	<b>59.1%</b>		<b>58.5%</b>
	Operating profit	615.2	51.1	407.1
	<b>OP%</b>	<b>35.5%</b>		<b>28.5%</b>

### Brands contributing revenue in excess of R50 million

1. Panado

2. Adco-Dol

3. Corenza

4. Bioplus

5. Citro Soda





## Segmental Analysis – continuing operations

		2011 Rm	± %	2010 Rm
<b>PRESCRIPTION</b>	Turnover	1 646.3	(1.2)	1 666.4
	Gross profit	812.9	(16.2)	969.9
	<b>GP%</b>	<b>49.4%</b>		<b>58.2%</b>
	Operating profit	315.9	(41.5)	540.4
	<b>OP%</b>	<b>19.2%</b>		<b>32.4%</b>

### Brands contributing revenue in excess of R40 million

1. Adco-Efavirenz

2. Myprodol

3. Synap Forte

4. Genpayne

5. Adco-Zolpidem



# FINANCIAL RESULTS

## Segmental Analysis – continuing operations

		2011 Rm	± %	2010 Rm
<b>HOSPITAL</b>	Turnover	1 072.6	3.5	1 036.4
	Gross profit	331.0	(16.4)	395.9
	<b>GP%</b>	<b>30.9%</b>		<b>38.2%</b>
	Operating profit	137.5	(37.7)	220.8
	<b>OP%</b>	<b>12.8%</b>		<b>21.3%</b>



# FINANCIAL RESULTS

## Headline Earnings

	2011 Rm	± %	2010 Rm
Earnings from continuing operations	782.6	26.9	616.5
Profit on disposal of plant and equipment	(0.9)		(0.2)
Impairment of investment in associate	12.2		
<b>Headline earnings</b>	<b>793.9</b>	<b>28.8</b>	<b>616.3</b>
Abnormal item	-		269.0
<b>Normalised headline earnings</b>	<b>793.9</b>	<b>(10.3)</b>	<b>885.3</b>
HEPS (cents)	465.1	31.1	354.8
Normalised HEPS (cents)	465.1	(8.8)	509.7

# FINANCIAL RESULTS

## Statement of Financial Position

	2011 Rm	2010 Rm
<b>Non-current assets</b>	<b>2 034</b>	<b>1 456</b>
Property, plant and equipment	1 162	857
Intangible assets	728	424
Other financial assets	140	139
Investment in associate	-	12
Deferred taxation	4	24
<b>Net current assets</b>	<b>1 644</b>	<b>2 112</b>
<b>Current assets</b>	<b>3 201</b>	<b>3 301</b>
Inventories	864	719
Trade receivables	993	1 005
Other receivables	210	146
Cash and cash equivalents	1 104	1 431
Taxation	30	-
<b>Current liabilities</b>	<b>1 557</b>	<b>1 189</b>
Short-term borrowings	496	127
Trade accounts payable	583	412
Cash settled options	64	69
Other payables and provisions	414	560
Taxation	-	21
<b>Total assets</b>	<b>3 678</b>	<b>3 568</b>

# FINANCIAL RESULTS

## Statement of Financial Position

	2011 Rm	2010 Rm
Total shareholders' funds	<b>3 085</b>	<b>2 915</b>
Share capital and premium	782	1 208
Non-distributable reserves	371	349
Retained income	1 932	1 358
Non-controlling interests	138	159
Total equity	<b>3 223</b>	<b>3 074</b>
Long-term borrowings	347	454
Deferred tax	94	24
Post-retirement medical liability	14	16
<b>Total equity and liabilities</b>	<b>3 678</b>	<b>3 568</b>

# FINANCIAL RESULTS

## Statement of Cash Flows

	2011 Rm	2010 Rm
<b>Profit before taxation from continuing operations</b>	<b>1 119</b>	<b>931</b>
(Loss)/profit before taxation from discontinued operations	(24)	29
Profit before taxation	1 095	961
Adjusted for:		
Non cash flow items and investment income	58	391
<b>Cash operating profit</b>	<b>1 153</b>	<b>1 322</b>
Working capital changes	(130)	115
Increase in inventories	(163)	(107)
Increase in trade and other receivables	(70)	(82)
Increase in trade and other payables	103	304
<b>Cash generated from operations</b>	<b>1 023</b>	<b>1 437</b>
Interest, dividends and taxation	(490)	(575)
<b>Net cash inflow from operating activities</b>	<b>527</b>	<b>862</b>

# FINANCIAL RESULTS

## Statement of Cash Flows

	2011 Rm	2010 Rm
<b>Net cash inflow from operating activities</b>	<b>527</b>	<b>862</b>
<b>Cash flows from investing activities</b>	<b>(673)</b>	<b>(471)</b>
Increase in other financial assets	-	(1)
Cost of businesses acquired	(329)	(140)
Proceeds from disposal of business	85	-
Expansion	(172)	(108)
Replacement	(261)	(225)
Proceeds on disposal of property, plant and equipment	4	3
<b>Cash flows from financing activities</b>	<b>(180)</b>	<b>348</b>
Acquisition of non-controlling interest	(9)	(1)
Proceeds from issue of share capital	3	4
Purchase of treasury shares	(291)	(18)
Subscription for 'A' shares	-	94
Distribution out of share premium	(137)	-
Net increase in borrowings	254	269
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(326)</b>	<b>739</b>
Net foreign exchange difference on cash	(1)	(1)
Cash and cash equivalents at beginning of year	1 431	693
<b>Cash and cash equivalents at end of year</b>	<b>1 104</b>	<b>1 431</b>

# FINANCIAL RESULTS

## Capex Programme

### CAPITAL EXPENDITURE Rm

	F2009	F2010	F2011	F2012	F2013	F2014	F2015	Total capex
Aeroton	50.1	127.5	119.6	14.7	25.7	9.5	20.2	<b>367.3</b>
Bangalore	13.0	9.0	2.2	8.7	6.9	4.4	3.7	<b>47.9</b>
Clayville	31.8	117.8	192.0	211.9	50.5	35.0	26.6	<b>665.6</b>
Wadeville	67.2	42.5	22.4	34.0	68.6	16.2	22.1	<b>273.0</b>
Distribution and other	66.5	36.2	96.8	91.7	6.8	5.0	5.0	<b>308.0</b>
<b>TOTAL</b>	<b>228.6</b>	<b>333.0</b>	<b>433.0</b>	<b>361.0</b>	<b>158.5</b>	<b>70.1</b>	<b>77.6</b>	<b>1 661.8</b>

AEROTON



BANGALORE



CLAYVILLE



WADEVILLE





***Dr Jonathan Louw***

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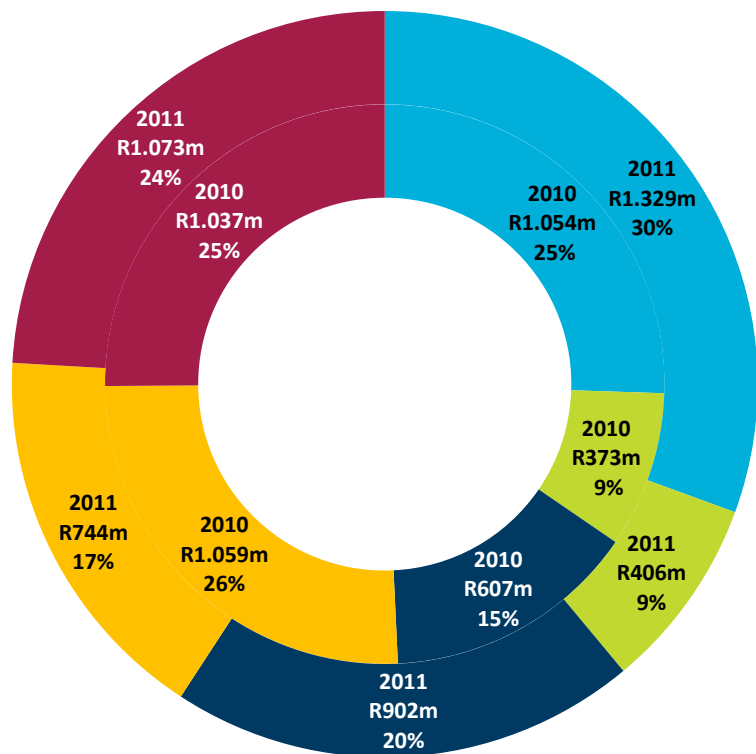
# Overview



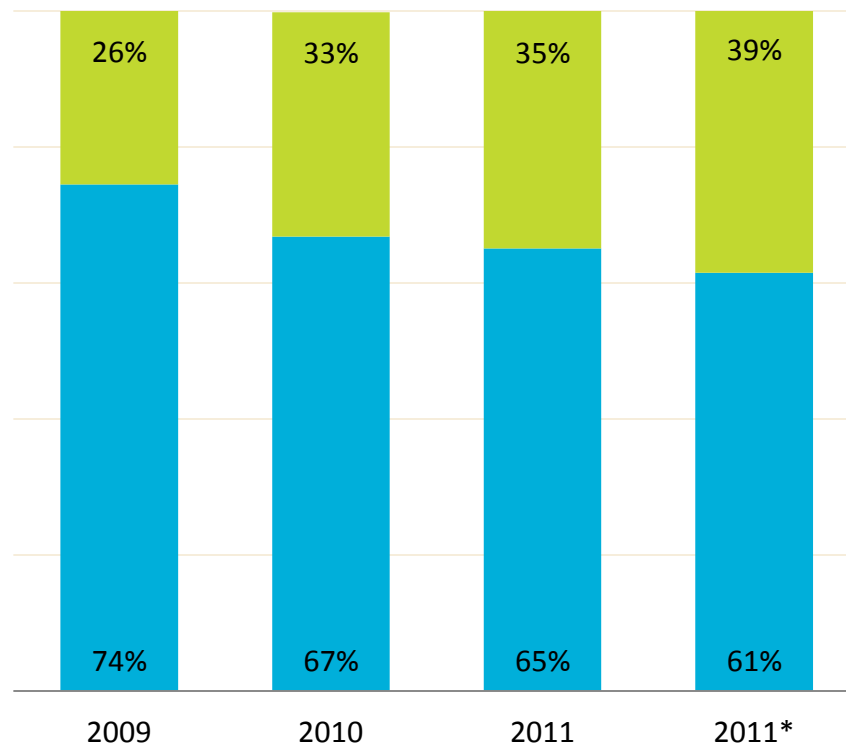
- One of the **largest pharmaceutical industry employers** with more than 2 200 employees in SA
- A leading company **well placed to support** the Broad-Based Black Economic Empowerment (**B-BBEE**) Codes of Good Practice
- **Owner Driver Scheme** is in progress to further support the BEE scorecard element through **Enterprise Development**
- Working with key stakeholders to **meet national objectives** on climate change, water and other **environmental objectives**
- Substantial **energy efficiency initiatives** at all our manufacturing and distribution operations in South Africa
- In excess of **R30 million** has been contributed towards **community upliftment** projects through partnerships with various organisations such as the **Smile Foundation** - to add value to children's lives

# FINANCIAL RESULTS

## Revenue by Division



- OTC - Pharmacy
- OTC - FMCG
- Rx Branded
- Rx Generics
- Critical Care



- SEP
- Non SEP

\* NutriLida annualised

# Operating Environment

## Operating environment

- Strength of the Rand benefited the business
- API prices stable
- Margin compression due to mix, factory upgrades and utilisation
- Low growth environment continues

## Regulatory environment

- National Health Insurance (NHI) green paper published – industry commented
- Medicines Control Council (MCC) delays continue
- MCC cancels registration of DPP-containing medicines – under appeal

## Preferential Procurement Policy Framework Act (PPPFA)

- Amendments gazetted for comment by National Treasury
- Designated list of products submitted to the DTI by local manufacturers
- Legislation scheduled to come into effect on 7 December 2011

## Single Exit Price (SEP)

- No SEP increase in 2011, or proposed by DoH for 2012
- Local inflationary pressures continue

## International Benchmark Pricing (IBP)

- Industry paper submitted in July 2011
- Focus on multinational companies (MNC) branded products under patent
- Engagement with the DoH continues through the industry body
- Schedule 0 products remain exempt

## Complementary and Alternative Medicines Regulation (CAMS)

- Proposed regulations more onerous in terms of adherence to GMP
- Expected to have significant impact on smaller manufacturers
- Extension for industry comments until end November

## Logistics fees

- Gazetted for comment by DoH in March
- Industry submissions and presentations have been made. Awaiting feedback
- Fees based on low-priced products remain problematic

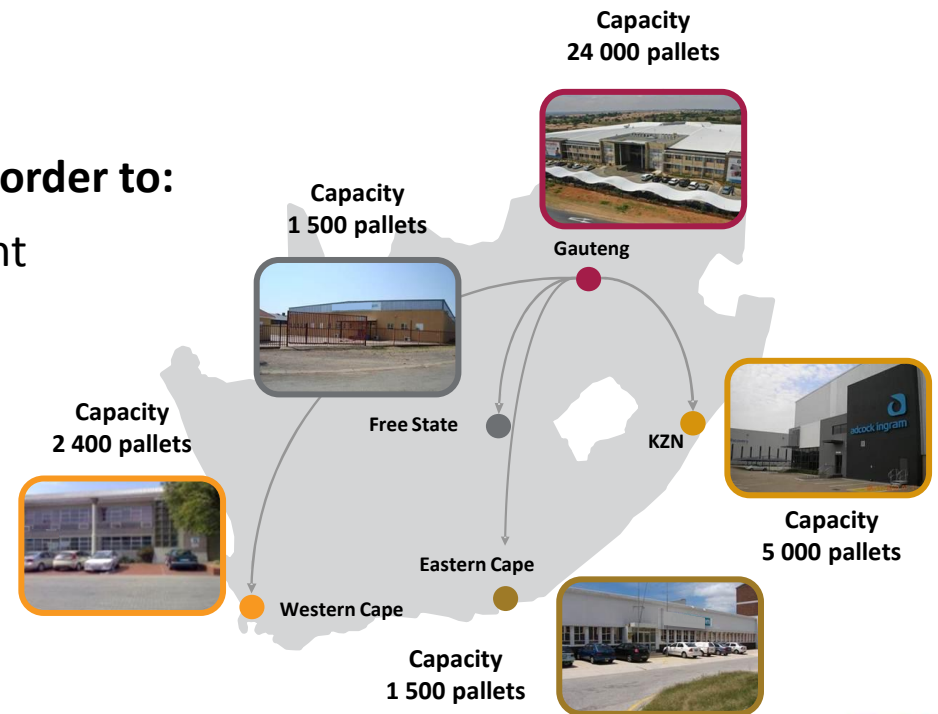
# Our Footprint – World Class Distribution Centres in Southern Africa

## Market share by pharmacy channel

- Adcock Ingram distributes more than 30% by volume of medicines in the total private South African Pharmacy market
  - 50% direct to customers
  - 50% to wholesalers

## Enhance core competence in distribution in order to:

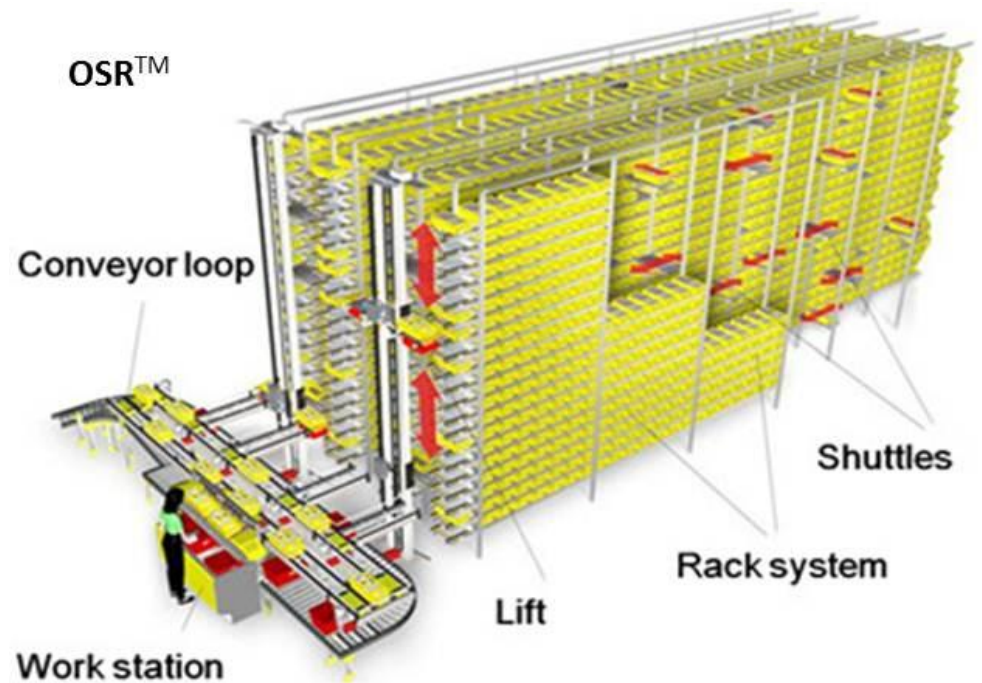
- Adapt to change in regulatory environment
- Promote customer centricity
- Reduce costs
- Increase volumes
- Ensure consistency of supply
- Ensure long-term sustainability



Distribution is a core strategic advantage for growth

# Equipping ourselves for growth in distribution

- Upgrade facilities in line with latest regulatory standards and capacity requirements
- R57m capex investment and automation – fine pick locators, automated sortation, etc.
- Synergise Adcock Group to leverage infrastructure and extract efficiencies – regional hubs
- Attract more 3<sup>rd</sup> party distribution
- Offer world class customer service
- Cost leadership in distribution
- Build scale, flexibility and agility



Well positioned for growth

# Dextropropoxyphene

**19 November 2010**

FDA(USA) requests the withdrawal of DPP-containing products (MAD study)

**8 December 2010**

MCC communicate their intent to withdraw DPP containing products from SA market  
Adcock Ingram suspends sales of Synap Forte, Lentogesic and Doxyfene

**January 2011**

Adcock Ingram resumes sales of Synap Forte, Lentogesic and Doxyfene

**April 2011**

MCC requests withdrawal of all DPP containing products from SA market due to it not being in the interest of the public

**May 2011**

Adcock Ingram appeals the resolution of the MCC as per the Medicines Act  
Minister of Health appoints an appeal committee to review the matter

**June 2011**

Adcock Ingram commences with clinical trial  
Results: no difference in cardiac effects between Synap Forte and placebo

**Patient centric and scientifically focused**

# Dextropropoxyphene

**28 September 2011**

MCC releases a 'Dear Healthcare Professional' letter

- Reiterates its resolution to withdraw all DPP-containing products from SA market
- Action considered pre-emptive of appeal process and prejudicial to Adcock Ingram
- Adcock Ingram requests the High Court to order the MCC to retract the communication

**25 October 2011**

High Court Order is granted. Court directs the availability of Synap Forte, Lentogesic and Doxyfene for sale until appeal ruling is finalised

**28 October 2011**

MCC refuses to comply with the order of the High Court, and files papers to rescind order

**15 November 2011**

Consent order rescinded  
Adcock voluntarily suspends DPP sales

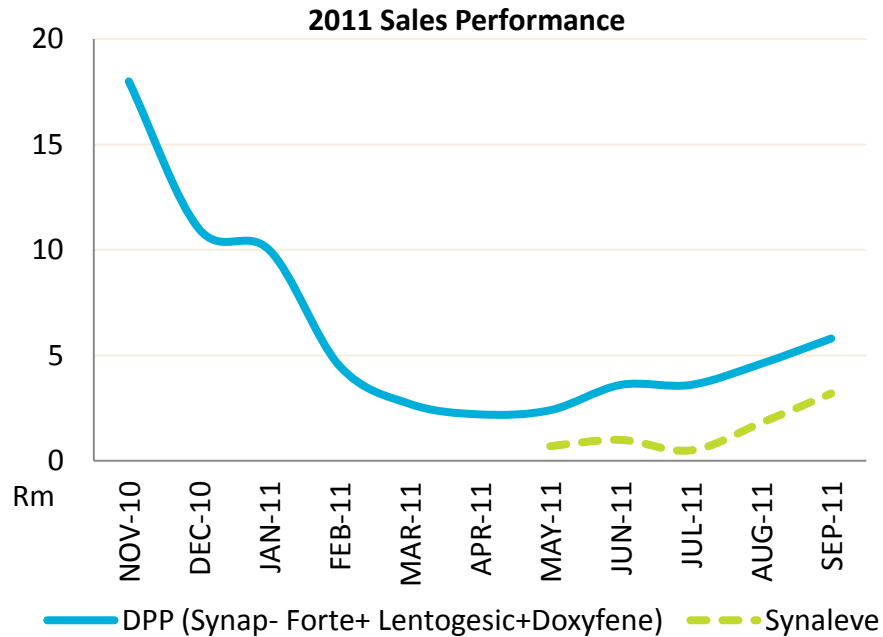
**Way forward**

Finalisation of the appeal

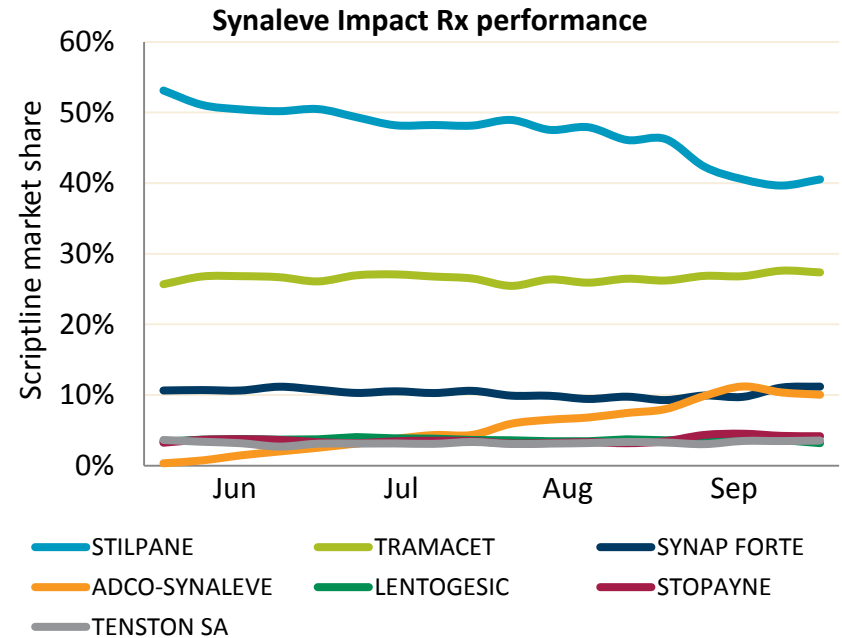
**Patient centric and scientifically focused**



# Rx Pain Portfolio Recovery Post DPP Withdrawal



- DPP sales for 2011: R84.3m  
57.4% below 2010



- Synaleve was launched in June 2011
- Synaleve sales 2011: R6.5m
- The introduction of Synaleve has bolstered sales within the pain portfolio
- Synaleve has reached 10% scriptline market share within 4 months of launch

Source: Company information Sep 2011

Source: Impact Rx September 2011

# Contract Manufacturing

Dosage form	Potential volumes from contract manufacturing
Tablets / capsules	260 million
Liquids	433 000 litres
Creams / ointments	41 000kg
Powders	45 000kg

- 2010 Efavirenz volume of 146 million tablets with a tablet mass of 1000 mg each
- Tablet mass generally ranges from 100mg to 400mg
- Manufacturing agreements have been signed with four pharmaceutical companies, more in process

Dosage form	Volumes absorbed from local third party manufacturers
Tablets / capsules	1.9 million
Liquids	502 000 litres
Creams / ointments	23 000kg
Powders	69 000kg
Packed units	8.5 million

- Previously outsourced manufacturing brought back in-house

Capacity utilisation from sustainable contract manufacturing

# Capacity Utilisation at Bangalore

	F2011 (millions)	% of total	F2012 (millions)	% of total
Tablets and capsules for Adcock Ingram	1 991	78%	2 050	73%
Tablets and capsules for 3 <sup>rd</sup> parties	576	22%	778	27%
<b>TOTAL TABLETS AND CAPSULES</b>	<b>2 567</b>		<b>2 828</b>	
<b>CAPACITY UTILISATION *</b>	<b>73%</b>		<b>81%</b>	

\* On one extended 10 hour shift

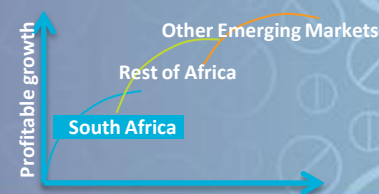
MHRA, TGA and MCC accredited



Ample capacity for growth

# HORIZON 1: SOUTH AFRICA

## Total Pharmacy Market



<b>Value: R29.1bn</b> (Growth = 6.3%)
<b>Counting Units (CU): 48.3bn</b> (Growth = 18.7%)

<b>Value: R2647m * [9.1%]</b> (Growth = -4.4%)
<b>Counting Units (CU): 9262m * [19.2%]</b> (Growth = 12.9%)

### PRIVATE SECTOR

### PUBLIC SECTOR

<b>Value: R24.4bn = 83.8%</b> (Growth = 9%)	<b>Value: R2448m = 92.5% * [10%]</b> (Growth = 4.6%)
<b>CU: 27bn = 55.9%</b> (Growth = 6.5%)	<b>CU: 8271m = 89.3% * [30.6%]</b> (Growth = 10.5%)

<b>Value: R4.7bn = 16.2%</b> (Growth = -6.1%)	<b>Value: R199m = 7.5% * [4.2%]</b> (Growth = -53.5%)
<b>CU: 21.3bn = 44.1%</b> (Growth = 39%)	<b>CU: 992m = 10.7% * [4.7%]</b> (Growth = 37%)

### PRESCRIPTION

### OTC (OVER THE COUNTER)

<b>Value: R17.7bn = 72.4%</b> (Growth = 7.5%)	<b>Value: R1133m = 46.3% * [6.4%]</b> (Growth = -2.7%)
<b>CU: 7.2bn = 26.6%</b> (Growth = 3.7%)	<b>CU: 983m = 11.9% * [13.7%]</b> (Growth = 2.3%)

<b>Value: R6.7bn = 27.6%</b> (Growth = 13.2%)	<b>Value: R1315m = 53.7% * [19.5%]</b> (Growth = 12%)
<b>CU: 19.8bn = 73.4%</b> (Growth = 7.6%)	<b>CU: 7288m = 88.1% * [36.8%]</b> (Growth = 11.8%)

### Original R&D products- (Patented & Non-patented original branded > Sch 2)

### Generics (Off patented > Sch 2)

<b>Value: R11.3bn = 64.1%</b> (Growth = 4.5%)	<b>Value: R547m = 48.3% * [4.8%]</b> (Growth = -14.1%)
<b>CU: 2.4bn = 32.9%</b> (Growth = -1.1%)	<b>CU: 370m = 37.7% * [15.6%]</b> (Growth = -8.1%)

<b>Value: R6.3bn = 35.9%</b> (Growth = 13.4%)	<b>Value: R586m = 51.7% * [9.2%]</b> (Growth = 11.1%)
<b>CU: 4.8bn = 67.1%</b> (Growth = 6.2%)	<b>CU: 613m = 62.3% * [12.7%]</b> (Growth = 9.8%)

# HORIZON 1: SOUTH AFRICA

## FMCG Market Share



Category	Volume packs (m)	% Volume growth market	AI % volume share	AI % volume share change		Value (Rm)	% Value growth market	AI% value share	AI% value share change	
<b>ANALGESICS</b>										
Panado					↑					
Compral	177	(23.3)	32.0	2.0	↑	1 041	(12.4)	30.5	2.1	↑
<b>VMS and TONICS</b>										
Bioplus										
Vita-thion					↑					↑
Unique	23	11.0	37.8	10.8	↑	1 007	1.1	10.6	1.4	↑
<b>DSURs</b>										
Citro Soda	51	(11.7)	8.5	1.3	↑	475	(0.9)	13.2	0.1	↑
<b>COUGH DROP &amp; LOZ</b>										
Cepacol	29	(16.4)	1.5	0.1	↑	282	(10.9)	3.8	0.5	↑
<b>LCCIRS</b>										
LCC					↓					↓
Expigen	20	(7.7)	6.0	(2.3)	↓	419	(2.5)	5.8	(2.0)	↓
<b>TOTAL HEALTHCARE (AI categories)</b>	<b>347</b>	<b>(18.4)</b>	<b>23.3</b>	<b>0.9</b>	<b>↑</b>	<b>3 559</b>	<b>(6.0)</b>	<b>15.7</b>	<b>0.1</b>	<b>↑</b>

**Strong brand equity, innovation and point of purchase focus drives share growth in a declining market**

Source: AC Nielsen August/September 2011



Perception monitoring – relative perception score of Adcock Ingram vs. entire pharmaceutical industry

GP's	All Co's			Local and Generic			
Position	2009	2010	2011	2009	2010	2011	
<b>TOTAL</b>	<b>14<sup>th</sup></b>	<b>13<sup>th</sup></b>	<b>12<sup>th</sup></b>	<b>1<sup>st</sup></b>	<b>1<sup>st</sup></b>	<b>2<sup>nd</sup></b>	
Funders	All Co's			Local and Generic			
Position	2009	2010	2011	2009	2010	2011	
<b>TOTAL</b>	<b>18<sup>th</sup></b>	<b>14<sup>th</sup></b>	<b>12<sup>th</sup></b>	<b>4<sup>th</sup></b>	<b>4<sup>th</sup></b>	<b>3<sup>rd</sup></b>	
Providers	All Co's			Local and Generic			
Position	2009	2010	2011	2009	2010	2011	
<b>TOTAL</b>	<b>18<sup>th</sup></b>	<b>14<sup>th</sup></b>	<b>12<sup>th</sup></b>	<b>4<sup>th</sup></b>	<b>4<sup>th</sup></b>	<b>3<sup>rd</sup></b>	
Pharmacy				2008	2009	2010	2011
<b>TOTAL OTC IN PHARMACY</b>				<b>2<sup>nd</sup></b>	<b>2<sup>nd</sup></b>	<b>1<sup>st</sup></b>	<b>1<sup>st</sup></b>

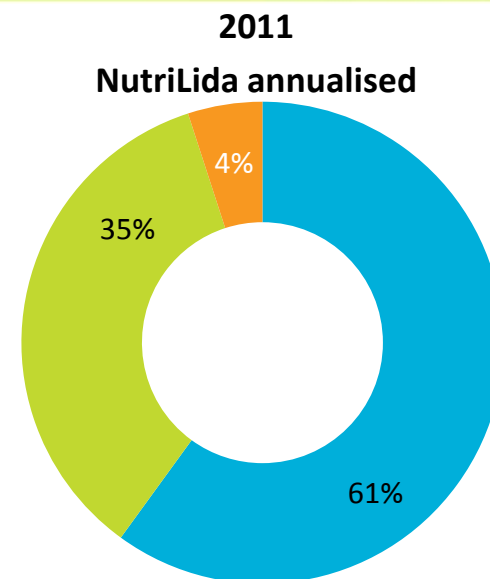
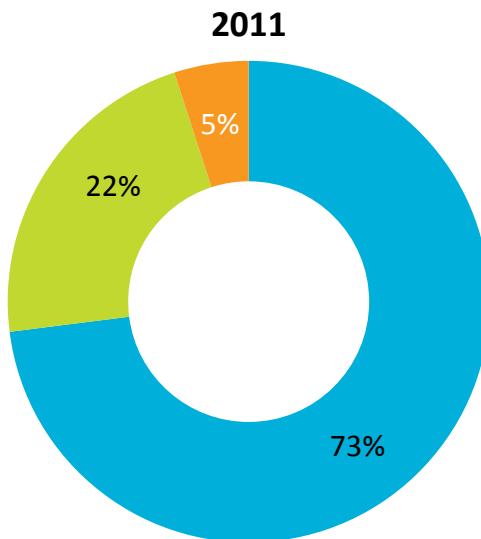
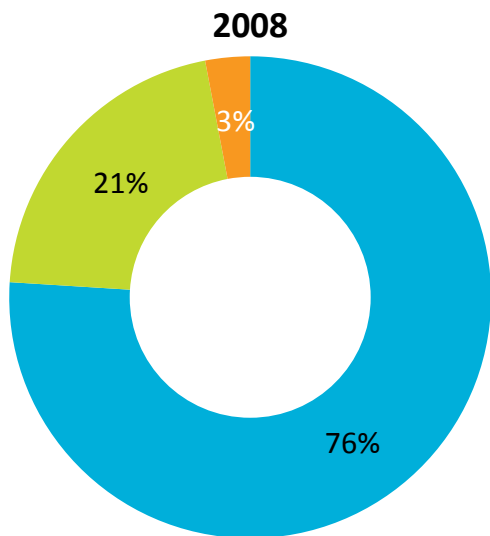
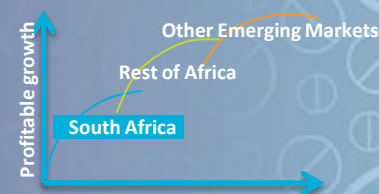
On-going investment in Continued Professional Development supports positive customer sentiment, equity and market leadership status

Source: Campbell Belman 2011



# HORIZON 1: SOUTH AFRICA

## OTC Division



#### Traditional OTC

- Cough, Colds & Flu S0-S2
- Analgesics S0-S2
- Allergy S2

#### Personal Care

- Topicals S0-S1
- Wipes
- Hand & Body
- Feminine Care

#### Wellbeing

- Digestive Care S0-S2, CAMs
- Energy S0 & CAMs
- VMS CAMs

Strategy execution via acquisitions, innovation and penetration of new channels

Source: Company information

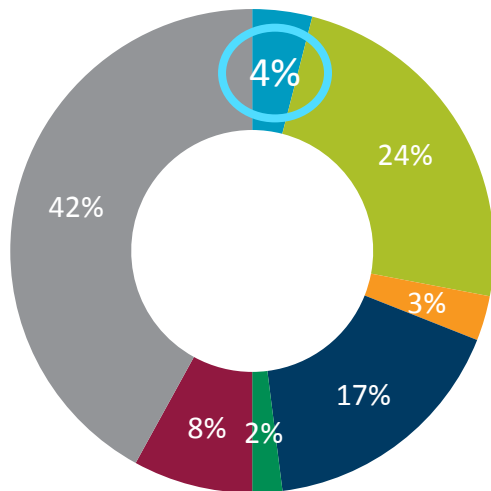
# HORIZON 1: SOUTH AFRICA

## Vitamins, Minerals & Supplements Market Share in FMCG



**vita-thion®**

Value Market Share 2008



No. 4

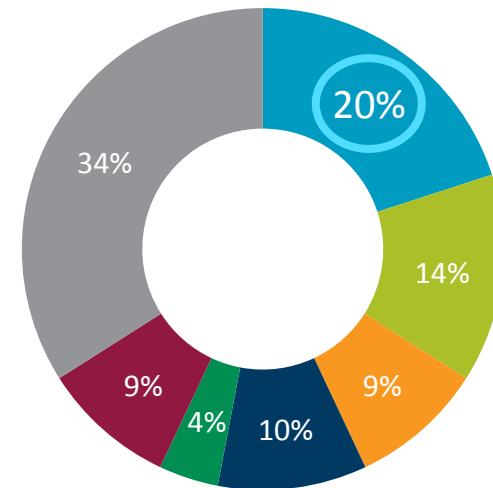


No. 1



**BIOPLUS**

Value Market Share 2011



- Adcock Ingram
- Competitor 1
- Competitor 2
- Competitor 3
- Competitor 4
- Competitor 5
- Other

Relevant acquisitions and brand building initiatives drive market share growth to achieve a leadership position in VMS

Source: AC Nielsen 2008 & 2011





# HORIZON 1: SOUTH AFRICA

## NutriLida Acquisition



### Leverage Guard umbrella brand



### Thought leadership in probiotics

#### Consumer

- Clarify category
- Needs based offering

#### Shopper

- Simplify choice

#### Customer

- Education
- Partner of choice

#### Healthcare provider

- Education
- Establish credibility



Leverage branding and category expertise to reposition, drive growth and attain category leadership



# HORIZON 1: SOUTH AFRICA

## ADDvance Acquisition



Pursuing further growth in niche segments in Vitamins, Minerals & Supplements



*A range of essential fatty acid supplements for concentration and memory*

Child



Multi vitamin



Adult



Mom



Xylitol



Calm

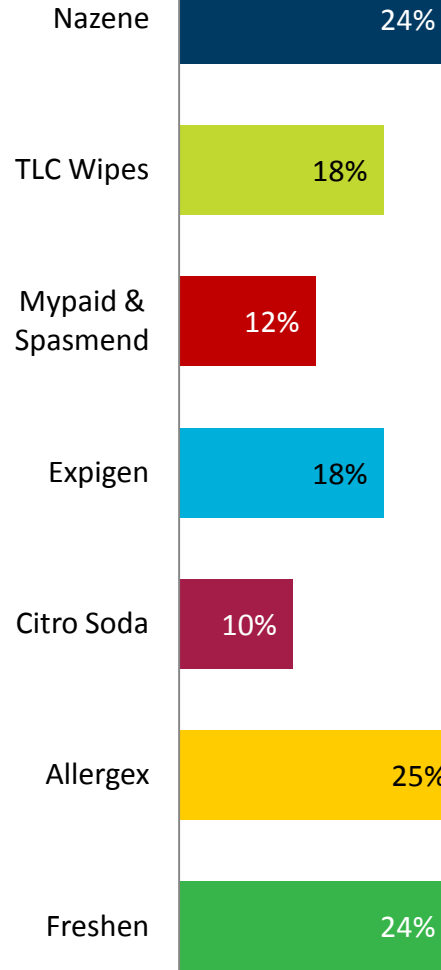


Acquisitions drive growth in profitable, niche market segments



# HORIZON 1: SOUTH AFRICA

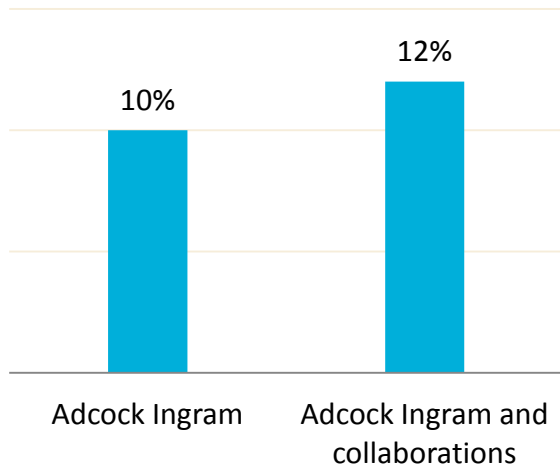
## Innovation Assists Growth



Value growth

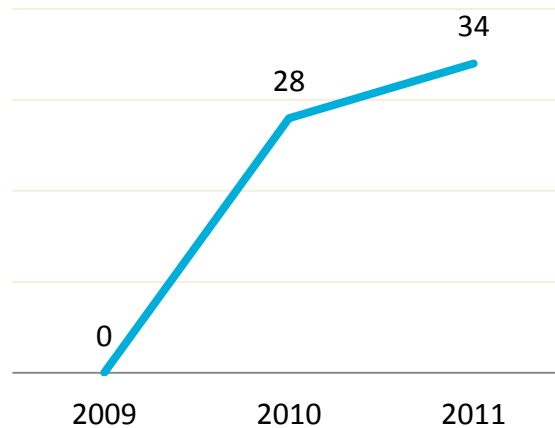


Market share



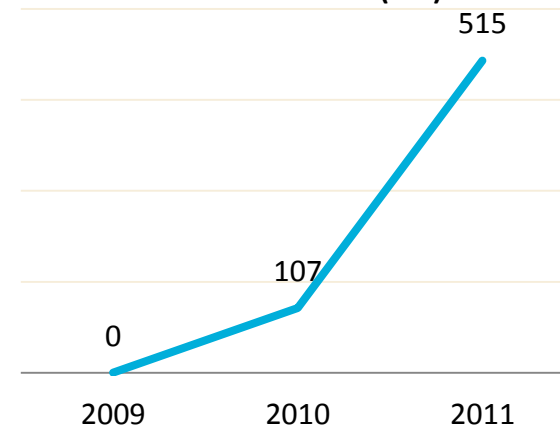
Source: IMS TPM September 2011

Number of brands



Source: Company information

Value of business (Rm)



**Partnerships drive new therapeutic competence**

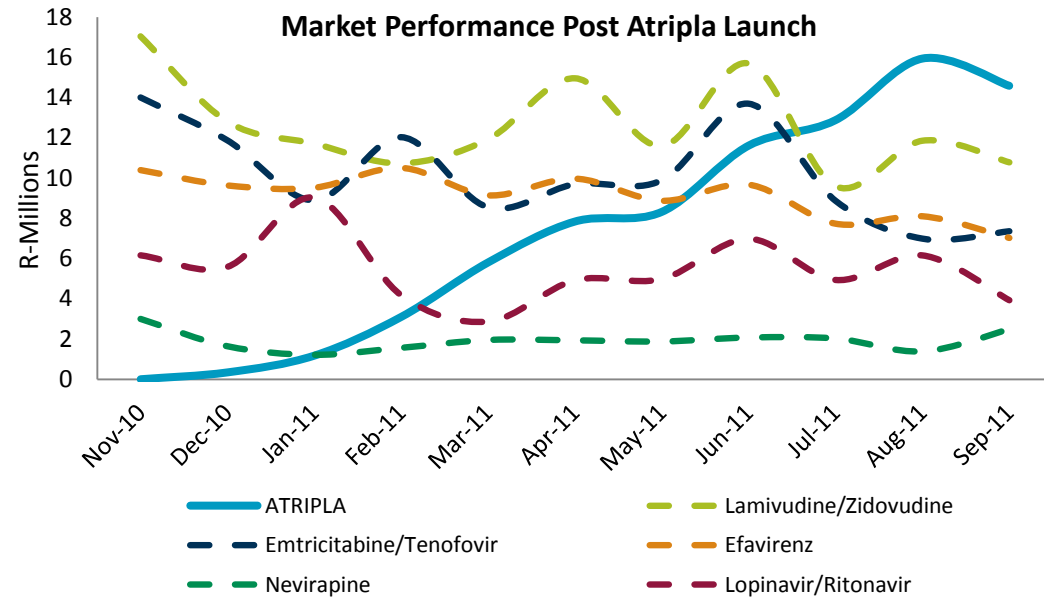


# HORIZON 1: SOUTH AFRICA

## ARV Business



- Introduction of first triple therapy in Dec 2010 resulted in decline of numerous established fixed dose combinations on the market – 6 of the top 7 products are combinations
- Further limits the need for single entity drugs as a treatment choice



Source: IMS TPM Sep 2011

- AI positioning itself for accelerated aggressive entry into private sector
- Introduction of newly registered fixed dose combination products
- Revised strategy and resources
- Strategic alliances to foster portfolio growth

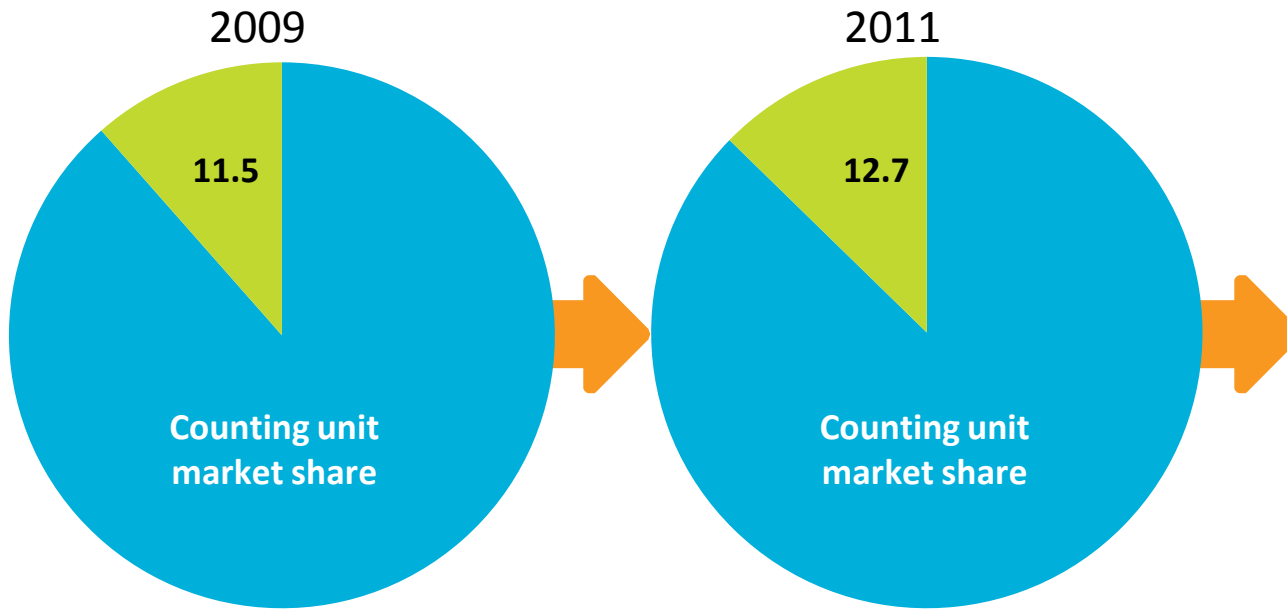


**Launch of ARV fixed dose combination products to bolster growth**



# HORIZON 1: SOUTH AFRICA

## Generics Business



### Robust strategy

- Price
- Promotion
- Supply
- Range
- Access

- Regulatory approvals required
- Competitive rivalry remains intense
- Continuous downward pricing pressure
- Global partnership with vertically integrated players key

**Robust strategy drives volume share gain**

Source: IMS Counting Units MAT September 2009 and 2011 TPM Generics

# HORIZON 1: SOUTH AFRICA

## Critical Care



- Year marked by disruption in manufacturing on core products due to the factory upgrade, will continue until completion of upgrade in early 2012
- Product imported at lower margins to ensure continuity of supply and maintain customer service levels in the public sector
- Margin pressure from local inflationary increases
- Stock availability adversely affected by national strike in July 2011
- Continuing margin pressure from competitive set with private sector formularies and aggressive tender pricing



Disruption in manufacturing due to upgrade



# HORIZON 1: SOUTH AFRICA

## Critical Care



### Medicine Delivery

- IV fluids volume gain of 45% in public sector
- Possible extension of existing public sector fluid tender
- Focus on innovation with new generics and premixes for 2012



### Renal

- Renal division revenue growth of 19%
- National Renal Care shows 15% growth
- Market penetration in acute ICU hospital dialysis
- Expansion into transplant products



### Transfusion Therapies

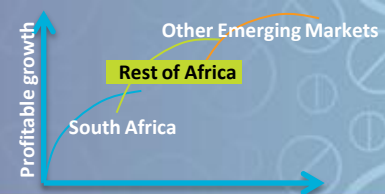
- Supply to SANBS in line with growth in donor numbers of 5%
- Awareness campaigns on the importance of blood donation
- New technology to increase existing yield from donor pool



Further market expansion and pipeline to drive growth



## Ayrton Drug - Ghana



- Increase manufacturing capacity to meet demand
  - › New tablet and liquid manufacturing facility under construction in Accra
  - › The new facility will benefit from the prohibited importation list in Ghana
- Ayrton Drug is a market leader in the Pain and Fever, Cough & Cold and Tonic categories
- Majority of sales generated in the private market – opportunity to grow public sector business
- Adcock Ingram brands launched into Ghana
- Registrations received for 6 products
- Additional 6 dossiers in for registration



# HORIZON 2: REST OF AFRICA

## Adcock Ingram East Africa



- Geographic footprint expanded
  - › Presence now in 4 East African markets
  - › With a further 2 in progress
- Key brands grow in the OTC segment
  - › Dawanol Tablets achieved a 26% volume and 31% value growth
  - › Betapyn Tablets grew by 39% in volume and 49% in value year on year
- Challenges
  - › Amended labelling regulations slow the pace of new dossier registrations in Kenya



# HORIZON 2: REST OF AFRICA Pipeline



- Regulatory platform across sub-Saharan Africa leveraged
  - › Local resources reduce submission times for new product registrations
  - › 52 new dossiers submitted across sub-Saharan Africa
  - › Brand presence in 16 countries
- Multinational collaborations
  - › Agreements reached with MSD, Leo Pharma and Biocodex in Kenya
  - › Further collaborations in the pipeline for 2012
  - › Partnerships' product mix provides a scientific platform for AI to engage and build relationships with regional key opinion leaders



## HORIZON 3: OTHER EMERGING MARKETS

### New commercial office established in India in June 2011



#### Appointed a GM - Mr Pravin Iyer who is based in Bangalore

- The four principal lines of business the India operations will be pursuing:
  - › Transactional and regulatory support to the key functions in South Africa
  - › Participate in India's emerging middle class growth
  - › Contract manufacturing and formulation development for Adcock Ingram and its partners in Africa



# *Outlook*

*Dr Jonathan Louw*

*Heritage | Quality | Integrity*



adcock ingram

# Outlook

- Acquisitive growth in Africa
- Multinational partnerships
- Consumer pressure
- SEP increase a challenge during 2012
- Cost pressure
- International benchmarking and capping of logistics fees
- Complete infrastructure upgrades
- Local manufacturers to possibly benefit from PPPFA
- Healthy balance sheet

# THANK YOU

*Heritage | Quality | Integrity*



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# APPENDIX: CASE STUDY

## Digesticare



Portfolio growth of 11%  
vs prior year



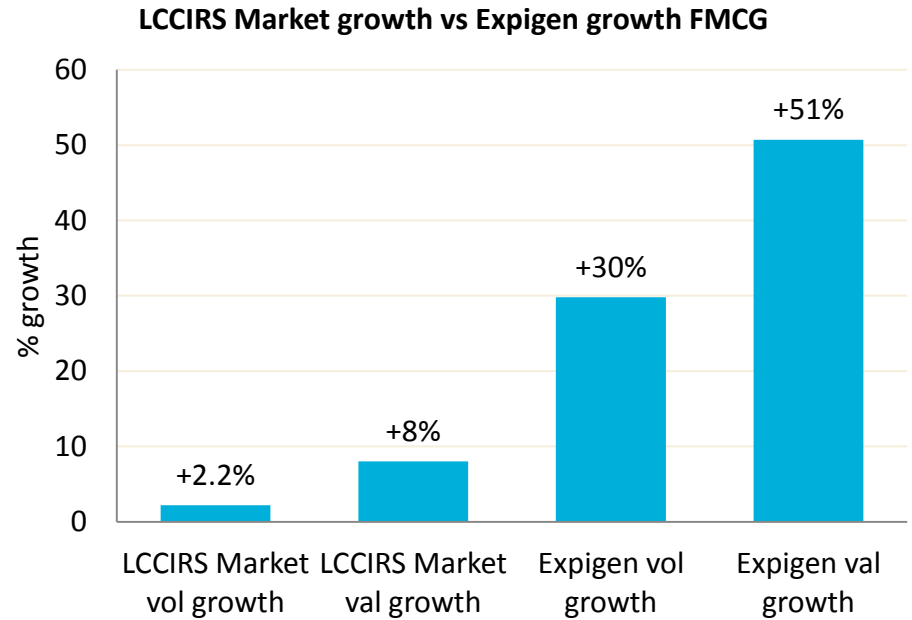
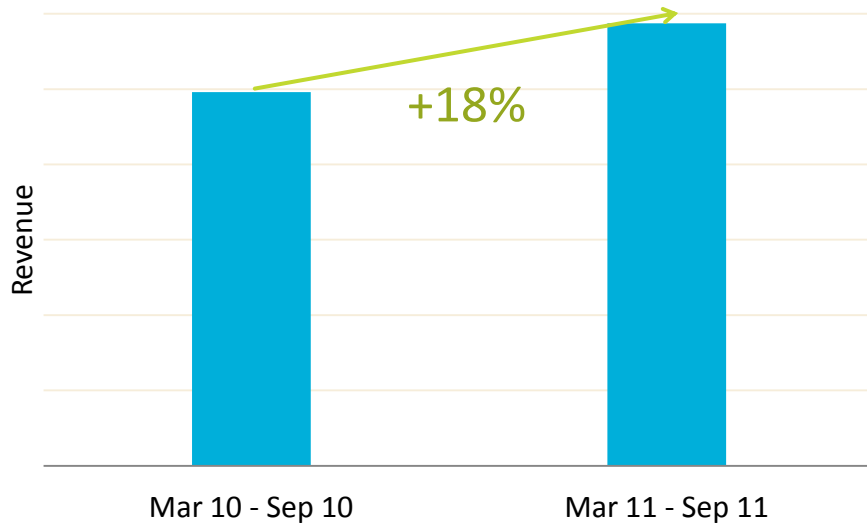
Established a new identity for the range of products in the Adcock Ingram Digestive Wellbeing basket and leverage these as a platform to educate consumers and customers and in turn drive overall category growth

Source: Company information Sep 2011





# Expigen



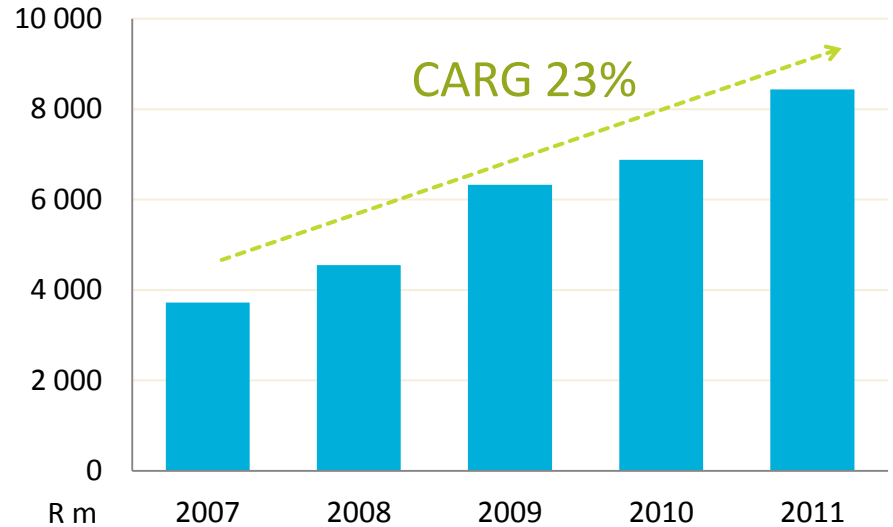
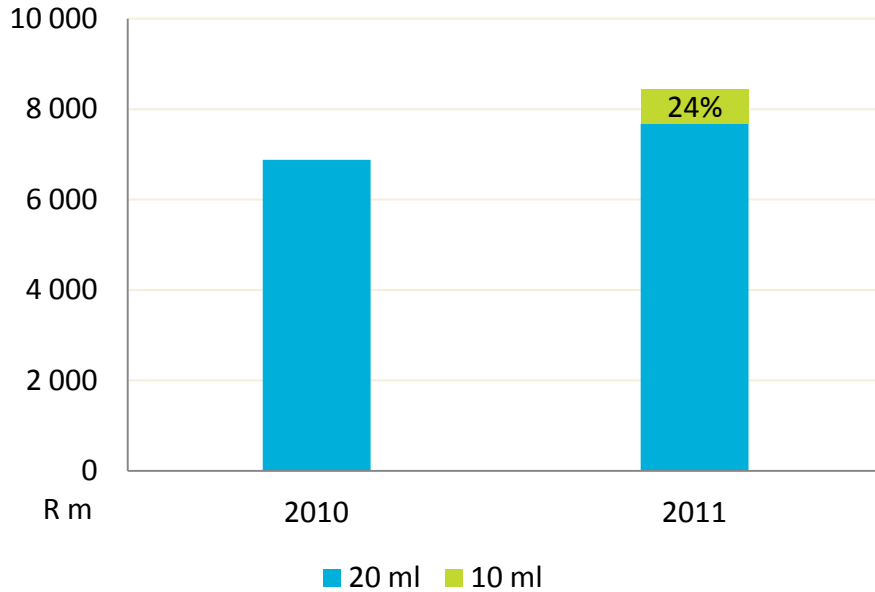
**Expigen flavour extensions well received by HCPs and Retail customers. They have contributed towards category growth with no cannibalisation of the original variant**



Sources: Company information Sep 2011, AC Nielsen Aug 2011

# Nazene

Sales value trend 2010 vs 2011

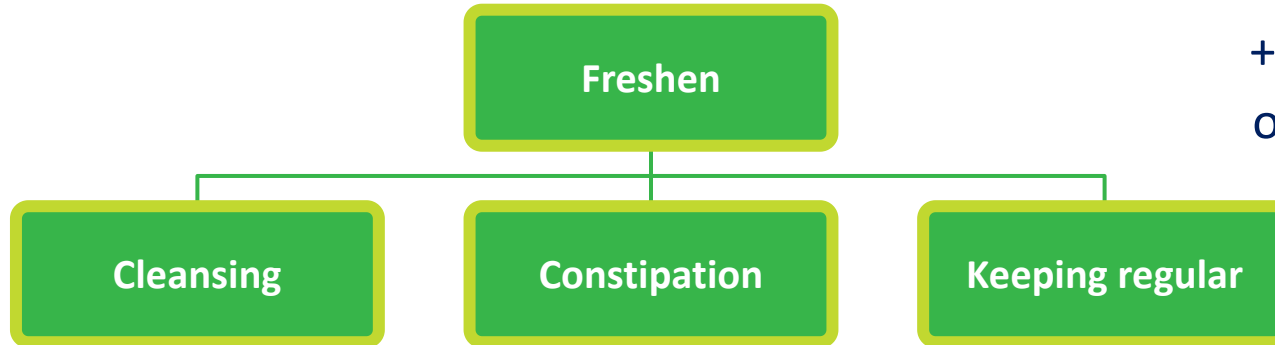


The success of the metered dose spray line extension has contributed towards 24% growth for the Nazene brand

Source: Company information Sep 2011

# APPENDIX: CASE STUDY

## Freshen



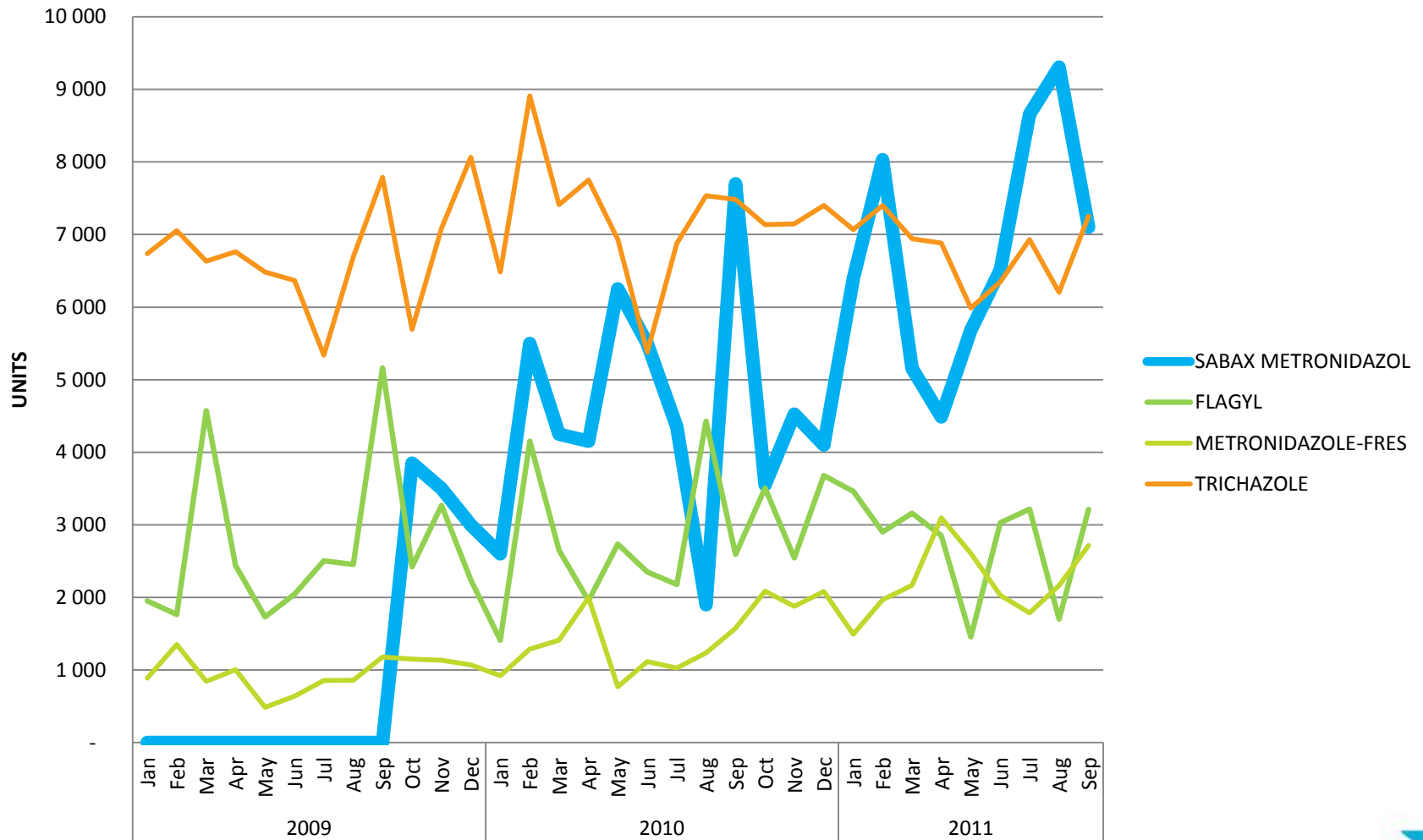
+24% growth  
on prior year



Consumer insight & consequent brand extension drives growth

Source: Company information Sept 2011

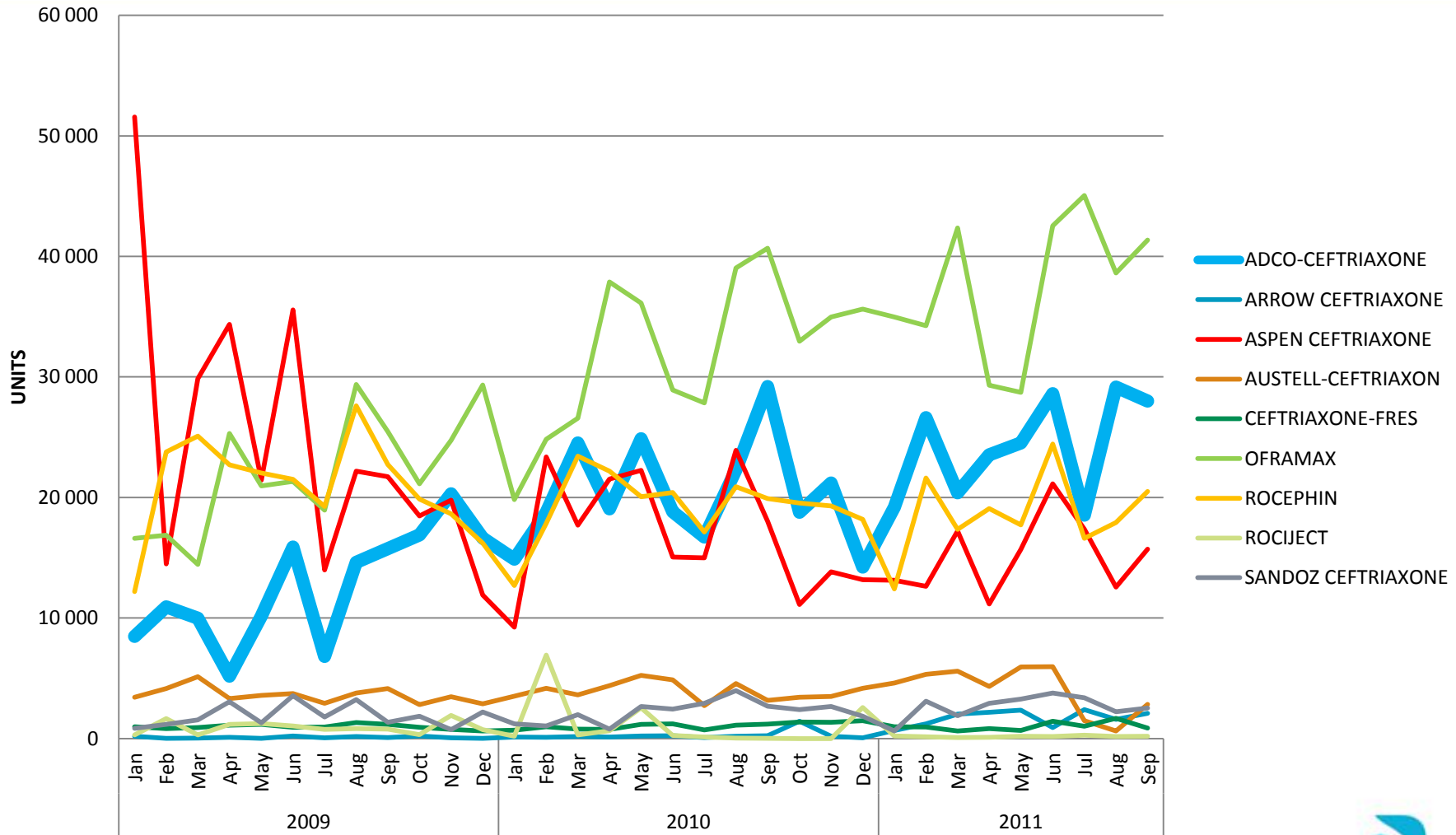
# Appendix: Case Study SVP Generics, METRONIDAZOLE



Innovation in premix technology offers end user convenience



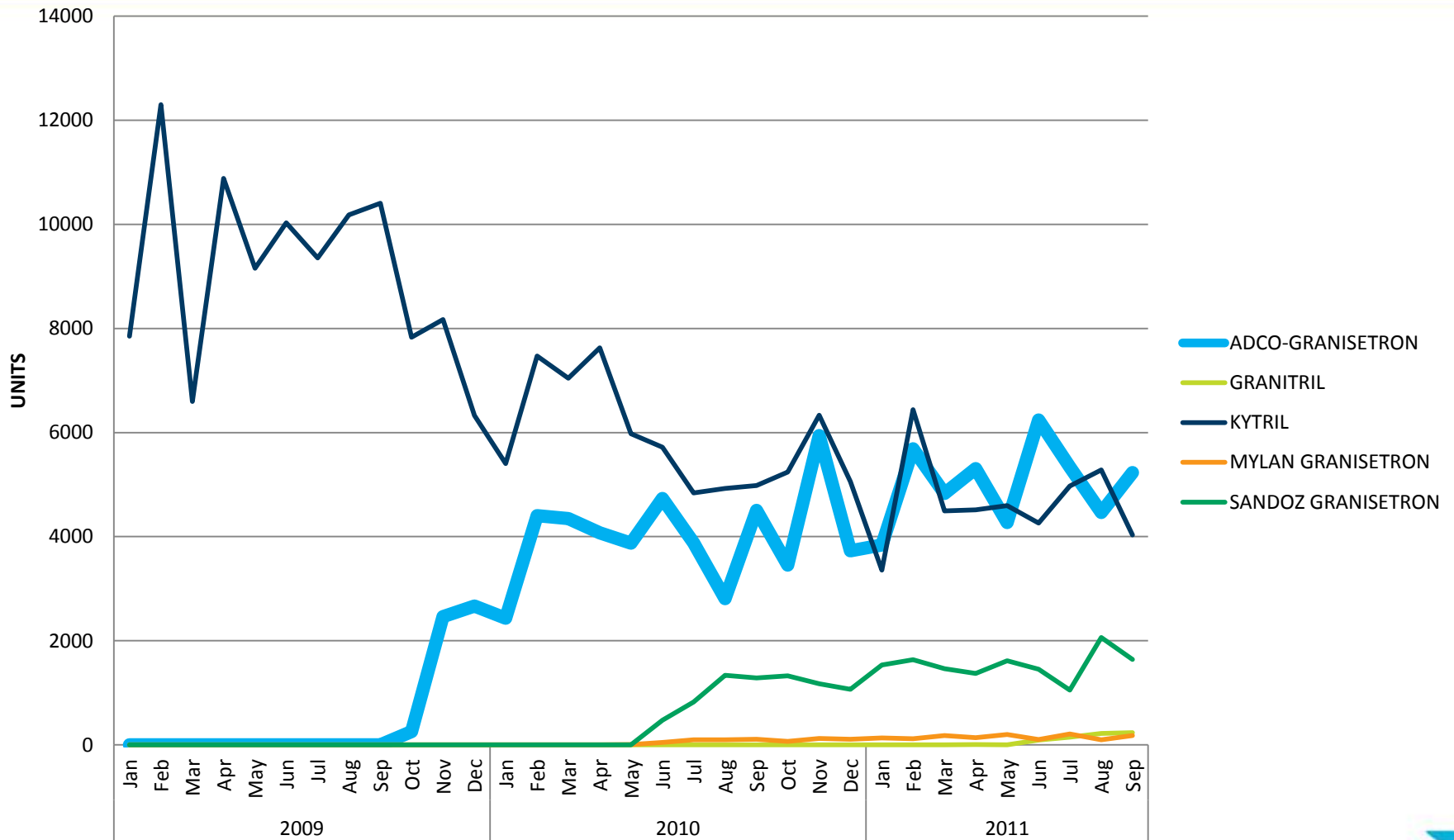
# Appendix: Case Study IV Generics, CEFTRIAXONE



Private sector formularies drive growth



# Appendix: Case Study IV Antiemetic Generics, GRANISETRON



Early entry as first generic secures market leadership

