



INVESTOR PRESENTATION

Adcock Ingram Holdings Limited

group results for the year ended September 30, 2008

December 2008

Jonathan LOUW
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Kym ROWAT



agenda



a leading South African healthcare company

- **group overview**
- **financial results**
- **divisional performance**
 - pharmaceutical
 - ✓ OTC
 - ✓ prescription
 - hospital
- **outlook**



group overview



a leading South African healthcare company

- unbundling and listing
- investment in facilities
- position in the market
- transformation
- regulatory environment
- corporate governance



salient financial features

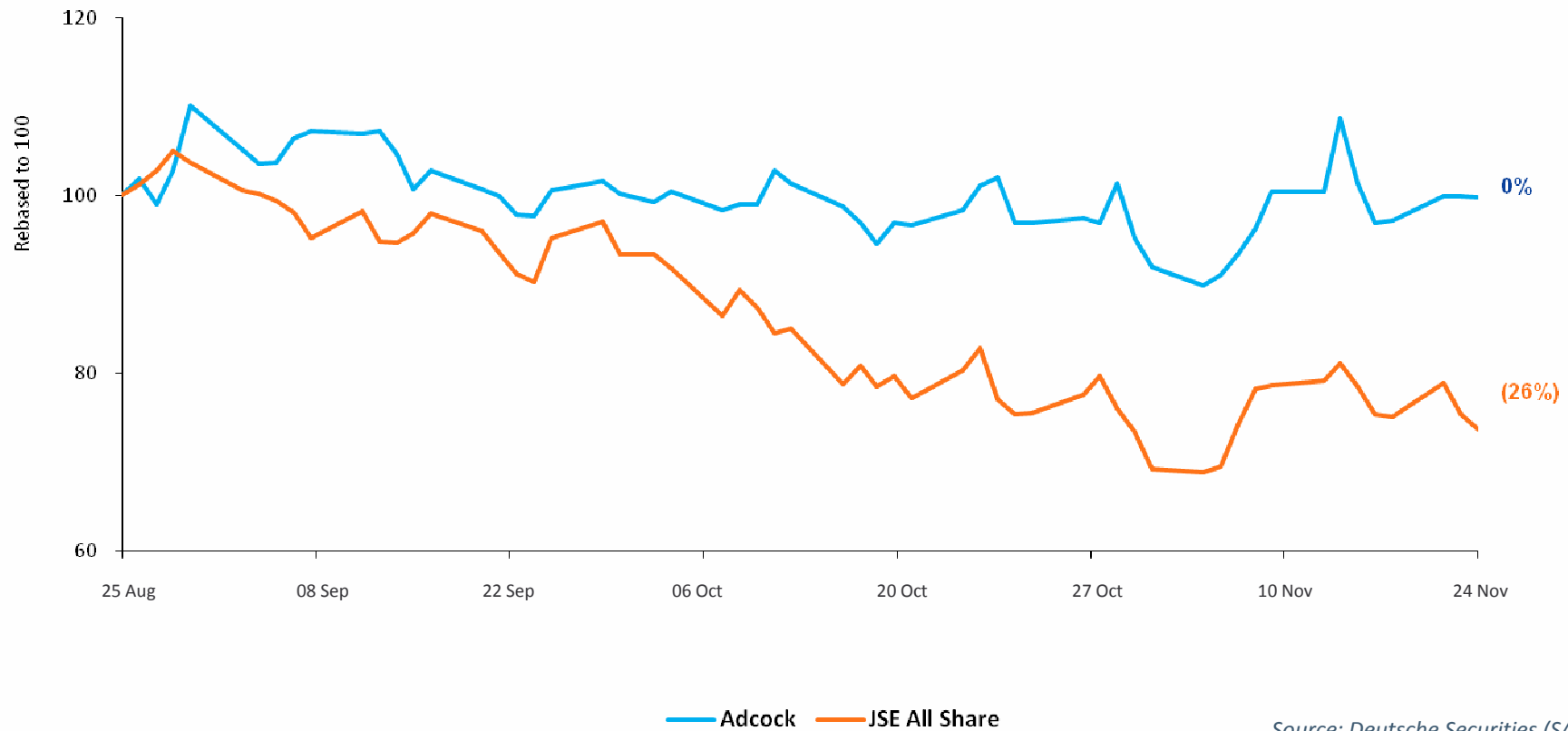


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▫ Turnover	↑	15% to R3.3 billion
▫ EBITDA	↑	6% to R1.1 billion
▫ NPAT	↑	17% to R663 million
▫ HEPS	↑	5% to 387.6 cents
▫ DEBT: EQUITY		3%
▫ Cash on hand		R395 million



share price performance since listing



Source: Deutsche Securities (SA) (Pty) Ltd

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AntiRetroVirals

- All formulations developed at Adcock R&D WHO approved site, in Johannesburg → flexibility in API procurement
- Entry into the SA Public Market in 2008 when Adcock won 21% value of current contract (equates to R663m over 2 years)
- The SA Public Market is the world's largest
- 300 000 patients are receiving Adco-Efavirenz 600mg
- Sustainability and continuity of supply is critical – manufactured in Adcock's Wadeville facility in JHB
- Strong pipeline of 2nd Generation molecules and key combination products in the regulatory process
- Exchange rate weakness and volatility challenging to manage





market breakdown

TOTAL MARKET
 Value: R20,396bn
 Counting Units (CU): 34,197bn = 100%

PRIVATE SECTOR
 Value: R17,479bn = 85.7%
 (Growth: 12.41%)
 CU: 23,610bn = 69.04%
 (Growth: 4.31%)



PUBLIC SECTOR
 Value: R2,916bn = 14.3%
 (Growth: 18.83%)
 CU: 10,586bn = 30.96%
 (Growth: -2.0%)



Prescription
 Value: R12,790 = 73.17% (Growth: 13.76%)
 CU: 6,450bn = 27.32% (Growth: 6.50%)



OTC (over the counter)
 Value: R4,689 = 26.83% (Growth: 8.90%)
 CU: 17,159bn = 72.68% (Growth: 3.50%)



Original R&D products- (Patented & Non-patented original branded > Sch 3)
 Value: R9,209 = 72.0% (Growth: 12.51%)
 CU: 2,577bn = 39.96% (Growth: 7.61%)



Generics (Off patented > Sch 3)
 Value: R3,580 = 28.0% (Growth: 17.09%)
 CU: 3,873bn = 60.04% (Growth: 5.78%)



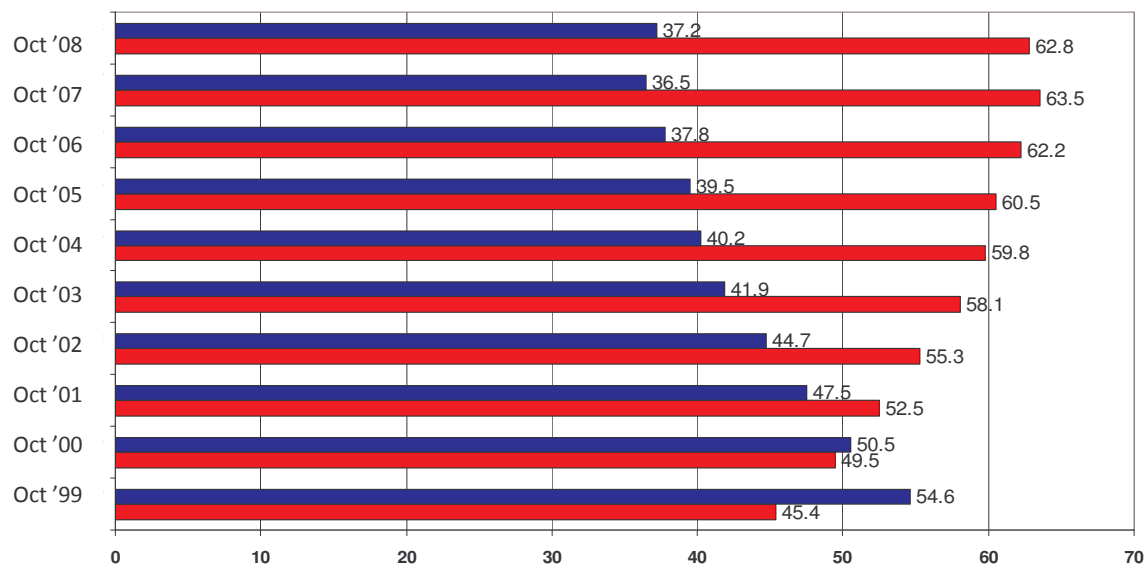


SA generic penetration

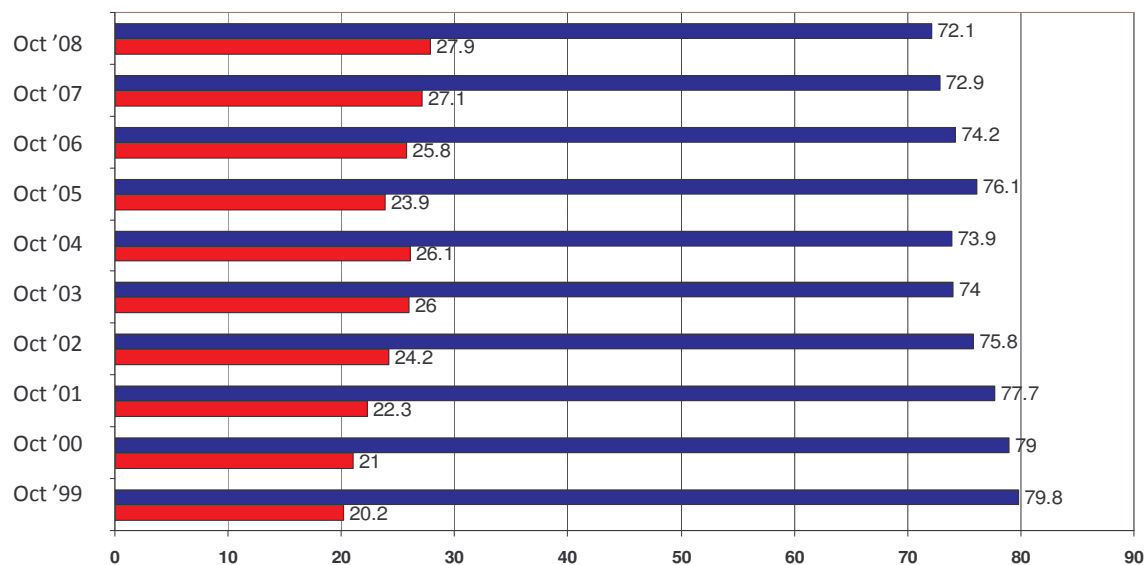
- Volume growth of generics
- Value decline/erosion
- Greater access at cheaper prices
- Volume share now similar to that of well genericised global markets

■ Generics % of Rx Market
 ■ Ethicals of Rx Market

SPLIT BETWEEN GENERICS VS NON GENERICS COUNTG UNITS – 10 YEAR TREND



SPLIT BETWEEN GENERICS VS NON GENERICS R VALUE – 10 YEAR TREND



TPM - Market Share by Rolling MAT

Counting Units

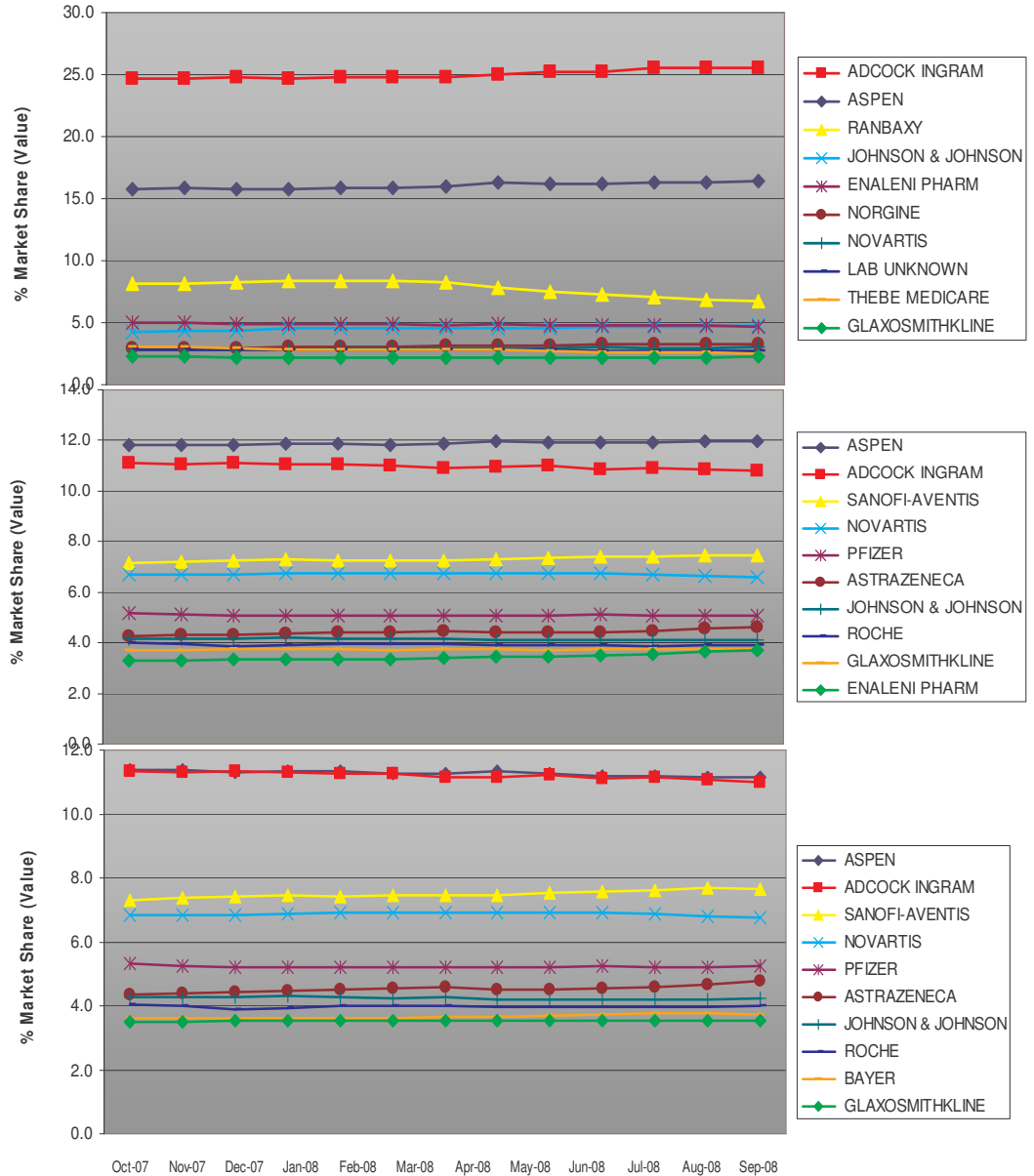
▪ Volume market share growth

Rand Value

▪ Some value share declined

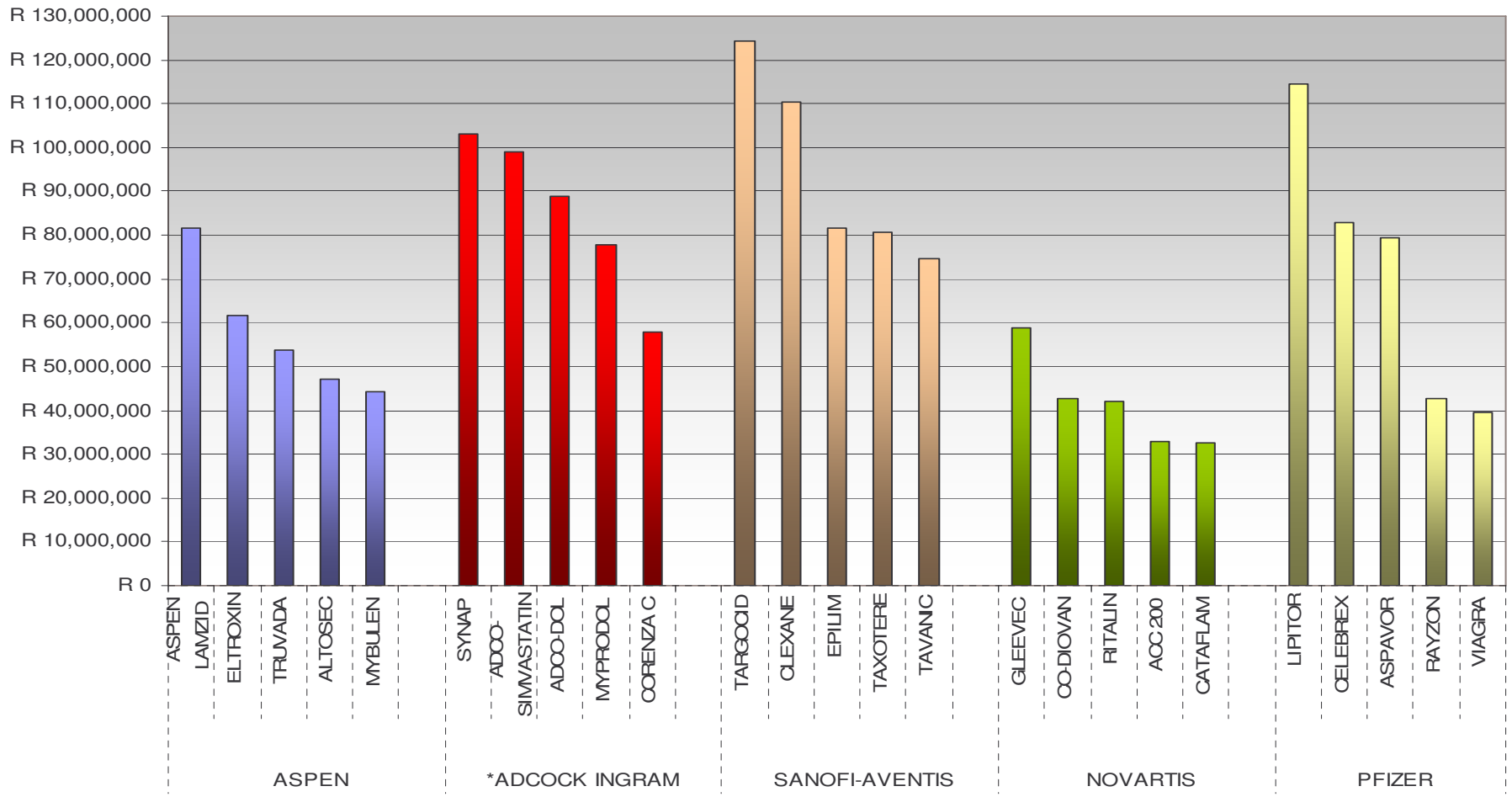
Excluding ARVS, Rand Value

▪ ARV's a significant market share factor





top products by leading corporation



Source: IMS TPM, MAT September 2008



transformation level 6

Elements	Proposed Actions	2007 Actuals	2008 Score	2013 Targets
Equity Ownership	<ul style="list-style-type: none"> Plans are being formulated to increase our black equity ownership 		6.99	15.00
Management Control	<ul style="list-style-type: none"> Board includes 3 black males and 1 black female 		5.80	7.00
Employment Equity	<ul style="list-style-type: none"> Attraction and retention of black candidates key focus area 		9.45	14.00
Skills Development	<ul style="list-style-type: none"> Identified successors for critical/scarce skills Implement Adcock Ingram Leadership Development Programme 		11.07	11.00
Preferential Procurement	<ul style="list-style-type: none"> Continue to procure goods and services based on suppliers' BBBEE Procurement Recognition Levels 		13.86	16.00
Enterprise Development	<ul style="list-style-type: none"> Design an Enterprise Development Policy and identify beneficiaries 		0.00	5.00
Socio-economic Development	<ul style="list-style-type: none"> Adcock Ingram supports efforts to improve healthcare for disadvantaged South Africans Continue to donate 1% of post-tax profits to social development 		5.00	5.00
a leading South African healthcare company		TOTAL	41.70	52.17
		LEVEL	7	4



regulator environment



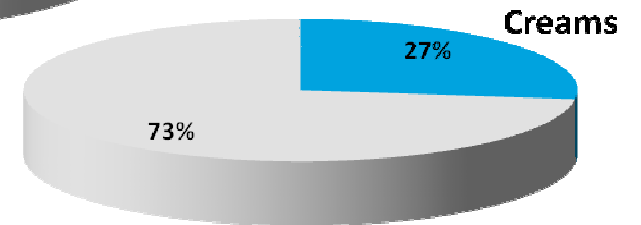
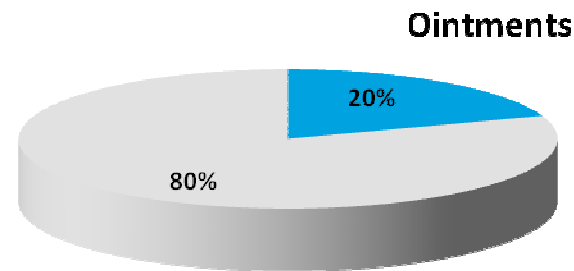
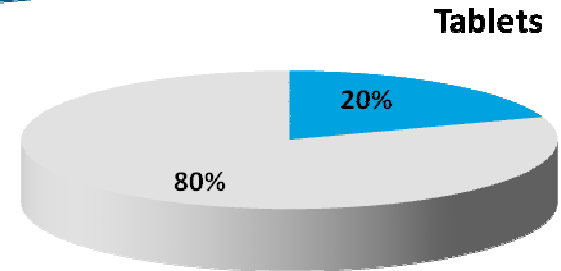
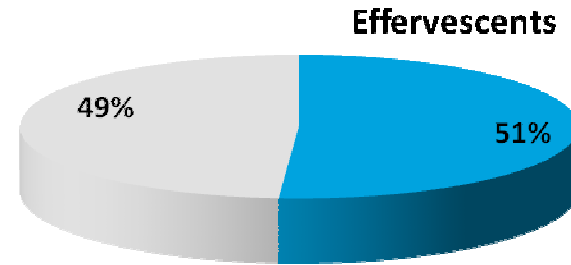
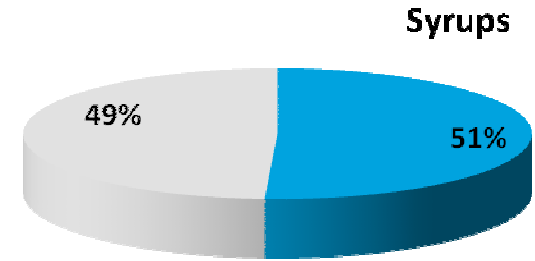
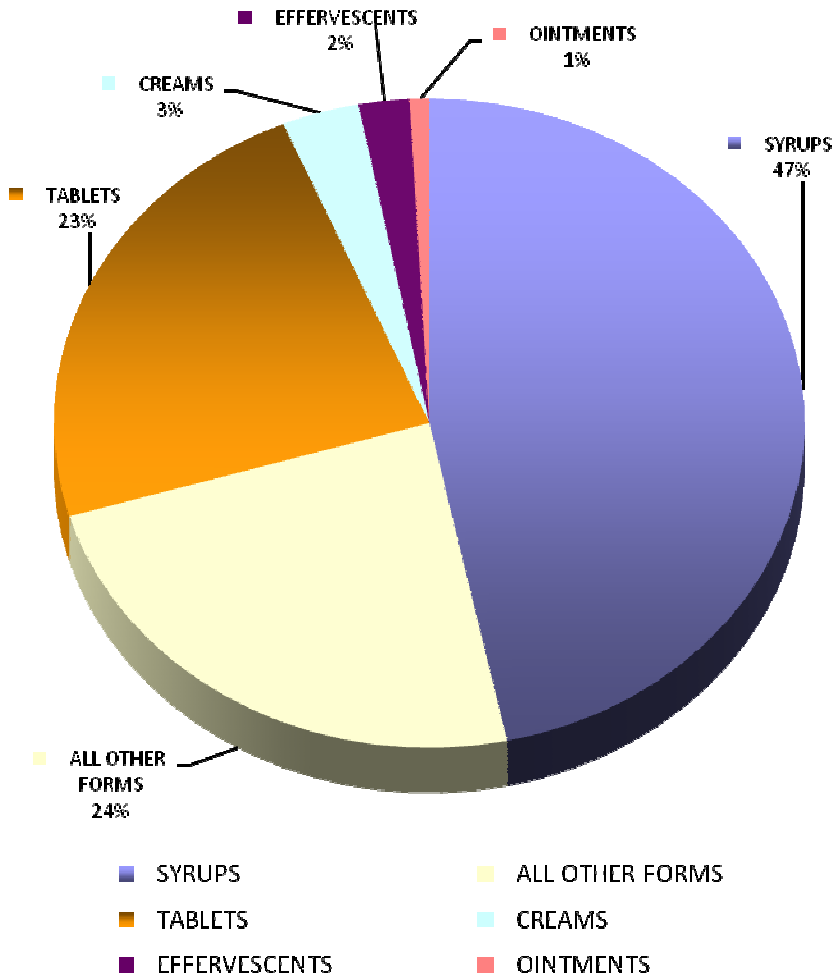
- Elements of Transparent Pricing System
 - International benchmarking
 - SEP increase (lack of certainty) - Regulations 8 & 9
 - Logistic fees (no resolution), dispensing fee
- Medicines and Related Substances Amendment Bill
 - Passed the Portfolio Committee and NCOP
 - Pending implementation
 - Improved efficiencies as a result of the proposed new Medicines Regulatory Authority (MRA)
- National Health Amendment Bill (on hold)
- Code of Marketing Practice pending
- PIC/s compliance for manufacturing and distribution

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manufacturing capacity & capability

Adcock Ingram by Forms, by Counting Units



Source: IMS Sep 2008

capital expenditure programme



Financial Year	2008	2009	2010	2011	2012	2013	TOTAL CAPEX
Aeroton	30.0	160.8	61.0				251.8
Bangalore	39.0	13.0	1.8	2.2	4.0		60.0
Clayville	25.0	117.0	148.3	96.1			386.4
Wadeville	34.0	132.4	28.0	7.0	3.6	17.9	222.8
Midrand/Other	102.4						102.4
TOTAL	230.4	423.2	239.1	105.3	7.6	17.9	1,023.4



INVESTOR PRESENTATION

Financial Results

group results for the year ended September 30, 2008

Andy HALL



income statements

Pro-forma

	2008 R'm	2007 R'm	VAR %
Turnover	3,300.9	2,879.2	14.6
Gross Profit	1,822.8	1,653.7	10.2
Gross Profit %	55%	57%	
Operating Income	1,004.6	961.1	4.5
Abnormal Items	(71.3)	(45.4)	
Results of Operating Activities	933.3	915.7	1.9
Income from Investments	10.7	-	
Net Financing Cost	(36.6)	(113.8)	(64.3)
Net Profit before Tax	907.4	801.9	13.1
Income Tax Expense	(244.0)	(233.9)	4.3
Net Profit After Tax	663.4	568.0	16.8
Minority Interest	(10.3)	(7.7)	33.8
Net Profit	653.1	560.3	16.6
EPS (cents)	378.5	324.9	16.5
HEPS (cents)	387.6	370.5	4.6

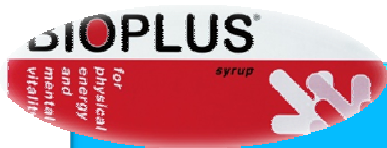
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segmenta analysis

		2008 R'm	± %	2007 R'm
TURNOVER	OTC	1 087.9	13.7	956.9
	Prescription	1 041.7	14.6	908.9
	Hospital	1 171.3	15.6	1 013.4
GROSS PROFIT	OTC GP%	697.0 64.1%	9.4	636.9 66.6%
	Prescription GP%	646.1 62.0%	13.4	569.7 62.7%
	Hospital GP%	479.7 41.0%	7.3	447.1 44.1%
OPERATING PROFIT	OTC OI%	417.4 38.4%	4.5	399.6 41.8%
	Prescription OI%	336.8 32.3%	6.0	317.7 35.0%
	Hospital OI%	250.5 21.4%	2.7	243.8 24.1%

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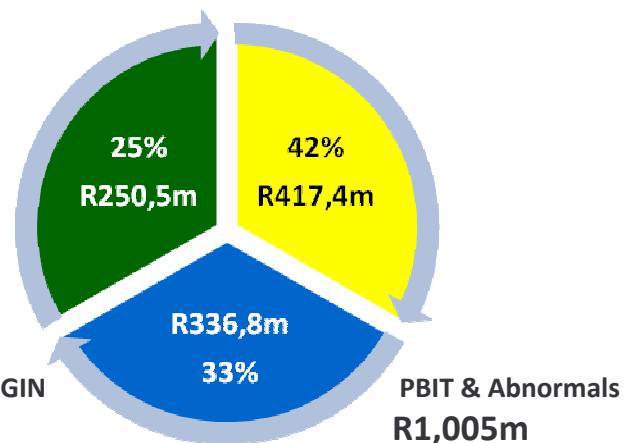
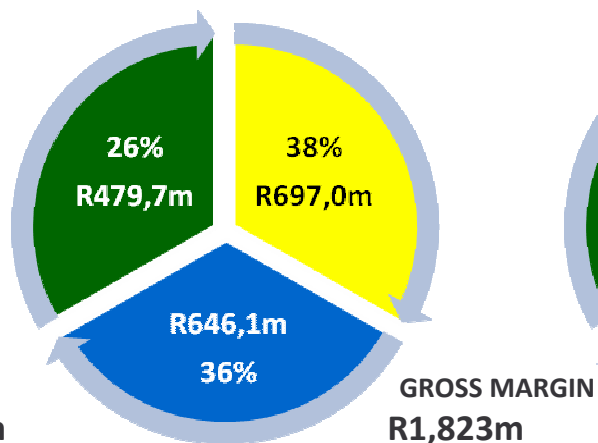
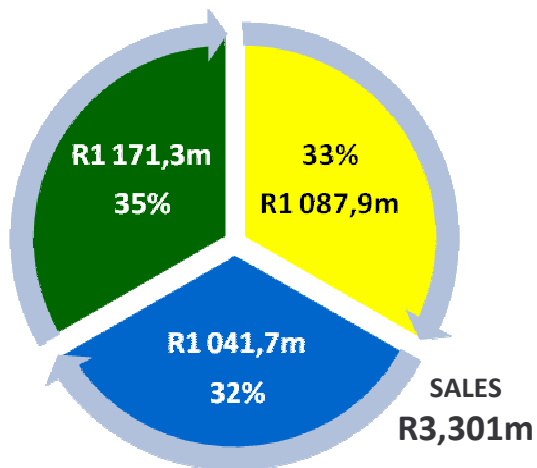
segmental contributions

■ OTC

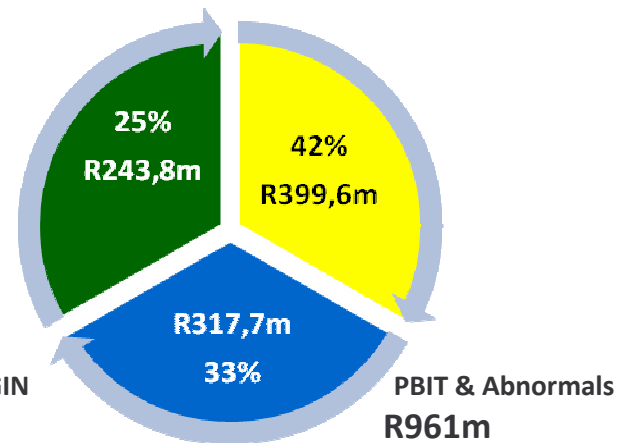
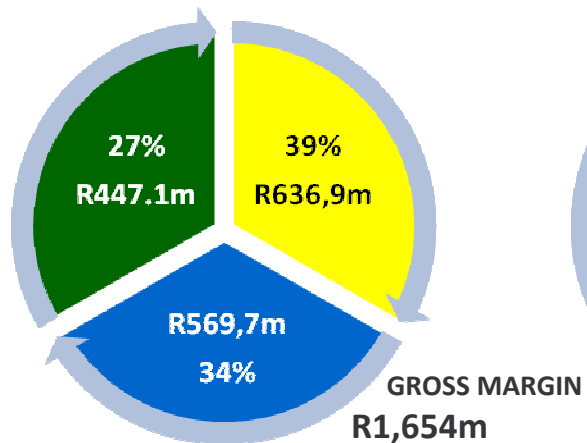
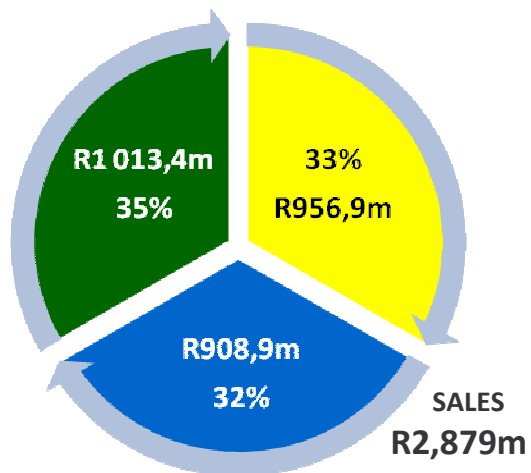
■ PRESCRIPTION

■ HOSPITAL

2008



2007





foreign exchange exposure

	Pharma	Hospital
Foreign denominated component of cost of product – average	70% - 85%	60% - 70%
USD : Euro group average	40:60	
Base assumption	1 USD = ZAR 7,70	1 Euro = ZAR 11,60
Adjusted assumption	1 USD = ZAR 10,00	1 Euro = ZAR 13,00
Margin Effect - Rand value	R117m	R46m
- COGS (2008)	↑ 15%	↑ 7%
- GP% adjusted	58%	37%
	(2008: 63%)	(2008: 41%)

Notes:

1. Hedge 100% using FEC's, normally 3 - 6 month terms
2. Excludes FEC premium
3. Scientific Group can pass on foreign exchange movements
4. ARV tender prices can be adjusted to match rate deterioration
5. Other currencies not material



headline earnings

	2008 R'm	± %	2007 R'm
NPAT	653.1		560.3
Pharma intangible impairments	11.6		63.9
Hospital intangible impairments	6.2		-
Impairment of property, plant & equipment	-		14.6
Profit on disposal of property, plant & equipment	(2.0)		-
Headline earnings	668.9		638.8
HEPS (cents)	387.6	4.6	370.5

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balance sheets

ASSETS

Property, plant & equipment
Goodwill and intangibles
Investments
Deferred taxation

CURRENT ASSETS

Inventories
Trade receivables
Other receivables
Cash and cash equivalents
Amounts due by related parties

CURRENT LIABILITIES

Short term borrowings
Bank overdraft
Trade accounts payable
Other payables
Taxation

NET CURRENT ASSETS/(LIABILITIES)

	2008	2007
	R'm	R'm
	452	260
	222	235
	170	150
	12	9
	1,856	1,853
	567	434
	690	598
	193	50
	406	757
	-	14
	765	2,136
	161	110
	11	1,525
	332	228
	241	263
	20	10
	1,091	(283)
	1,947	371



balance sheets continued ...

EQUITY AND LIABILITIES

Share capital and share premium
 Non-distributable reserves
 Retained income/(accumulated loss)

Total shareholders' interest

Minority interests

Equity

Long term borrowings
 Deferred taxation
 Provision for PRMA

	2008 R'm	2007 R'm
	1,211	0
	77	59
	340	(130)
	1,628	(71)
	23	21
	1,651	(50)
	278	408
	4	-
	14	13
	1,947	371



cash flow statement

Operating profit before interest

Adjusted for:

Depreciation and amortisation

Profit on sale of Plant and Equipment

Cash related abnormal items

Other

Cash operating profit

Working capital changes

Cash generated from operations

Net Financing Cost

Dividends Received

Taxation Paid

Dividends Paid

Net cash inflow from operating activities

Cash flows from investing activities

Cash flows from financing activities

Net increase in cash and cash equivalents

2008

R'm

1,004.6

68.6

(2.0)

(53.5)

9.5

1,027.2

(285.7)

741.5

(36.7)

10.7

(233.7)

(42.7)

439.1

(280.1)

998.4

1,157.4



ratio analysis

	2008	2007
Operating Margin (%)	30.4%	33.4%
Return on average net assets employed	76.7%	88.0%
Effective tax rate	26.9%	29.2%
Shares ('m)	172.6	172.4
HEPS (cents)	387.6	370.5
EPS (cents)	378.5	324.9
NAV / Share (cents)	956.8	(29.3)
NTAV / Share (cents)	828.0	(165.5)

Working Capital per R1 Turnover (cents)	28.0	27.9
Stock days	130	125
Debtors days	63	66
Creditors days	55	55
Interest Cover (times)	25	8
Debt: Equity	3%	N/A
Debt: EBITDA (times)	0	1.3
Current ratio	2.4	0.9



INVESTOR PRESENTATION

Pharmaceuticals

group results for the year ended September 30, 2008

Bill TWEEDIE



pharmaceutical strateg

Internal

- Management re-structure
- Significant progress on factory upgrades
- Consolidation of Gauteng staff into one building
- New distribution centre now operational
- New Oracle ERP system implemented in finance and distribution

Way forward

- Enhance Strategic Alliances
- Focus on business models
 - OTC - branding
 - Prescription generics - volume
 - Branded prescription - alliances and managed care
- Geographic expansion Sub-Saharan Africa
- Expansion into adjacent categories
 - Wellbeing
 - Generics
 - New Chemical Entity licences

GROWTH

2007

2008

2009

2010

Rebuild & Re-invest

New Strategies for Growth

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highlights



a leading South African healthcare company

- Panado re-enforces its position as GP's choice
- Synap Forte breaks the R100m mark
- Myprodol turns 21 years old
- ARV launch and tender wins



adcock ingram
Adding value to life



market share and growth

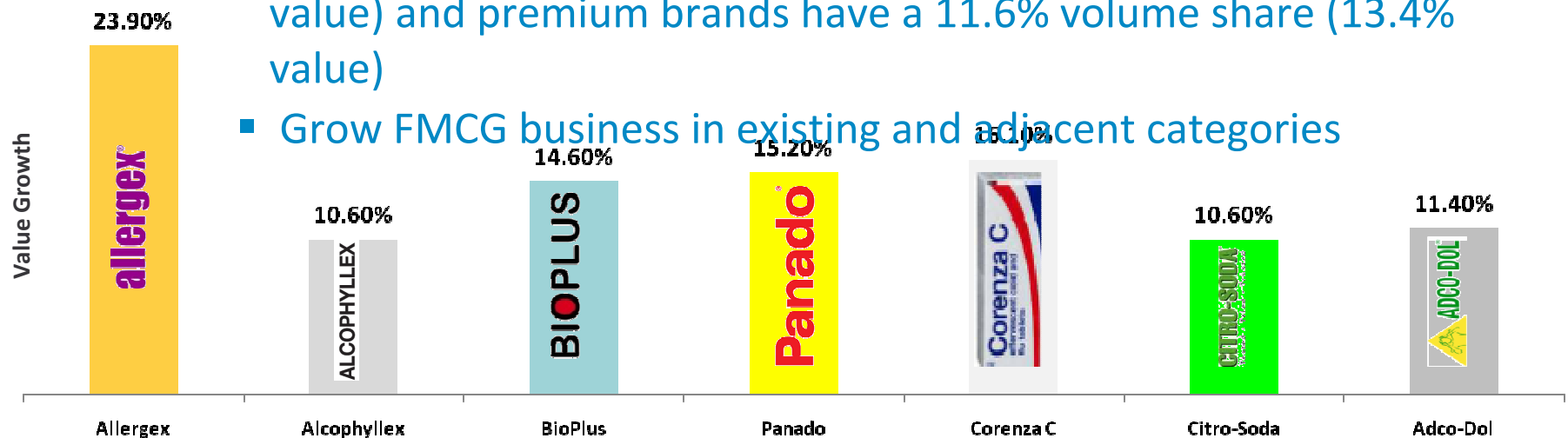
	Counting units				Value			
	Rank	Market Share	Market Growth	Adcock Growth	Rank	Market Share	Market Growth	Adcock Growth
Adcock Ingram vs. Total Private Market	1	25.51	4.31%	7.99% ✓	2	10.79	12.41%	9.43% ↓
OTC vs. OTC Market	1	28.73	3.5%	8.06% ✓	1	17.76	8.9%	8.23% ↓
Rx Generics vs. Gx Market	2	16.39	5.78%	7.39% ✓	2	15.83	17.09%	10.73% ↓
Rx Branded vs. Rx Market	2	17.76	7.61%	8.11% ✓	6	5.33	12.51%	9.98% ↓

Strong and sustained volume growth



OTC Strategy

- Branding and leverage across channels and categories
- Line extensions on formats and adjacent categories to enhance share of shelf and visibility
- Professional endorsement of some of the consumer brands to enhance offering
- Activation - through the line and at “point of purchase”
- Create and meet demand by building brands in different pricing tiers Value for money brands have a 18.4% volume share (5.9% value) and premium brands have a 11.6% volume share (13.4% value)
- Grow FMCG business in existing and adjacent categories

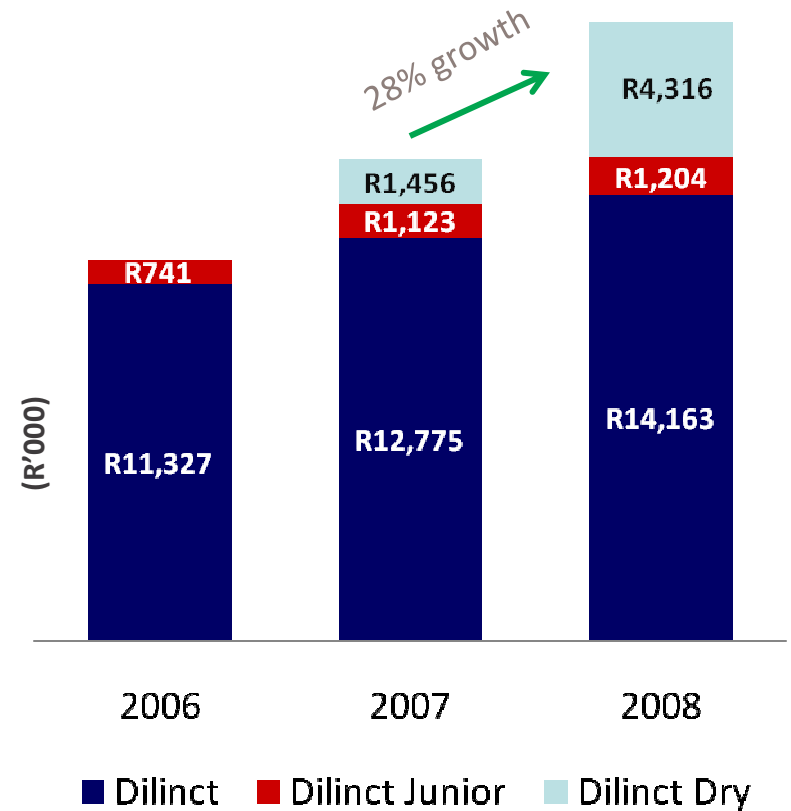
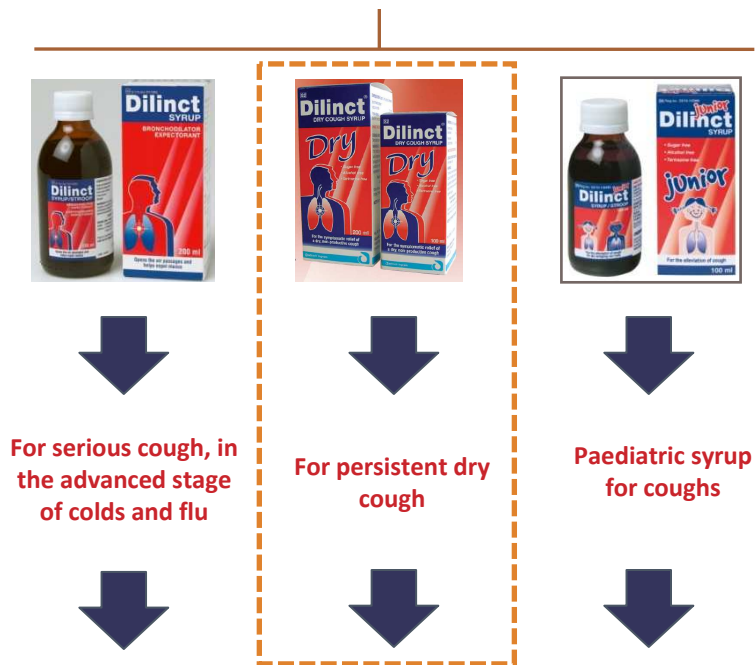


Source: IMS, TPM, MAT September 2008



case study

Dilinct



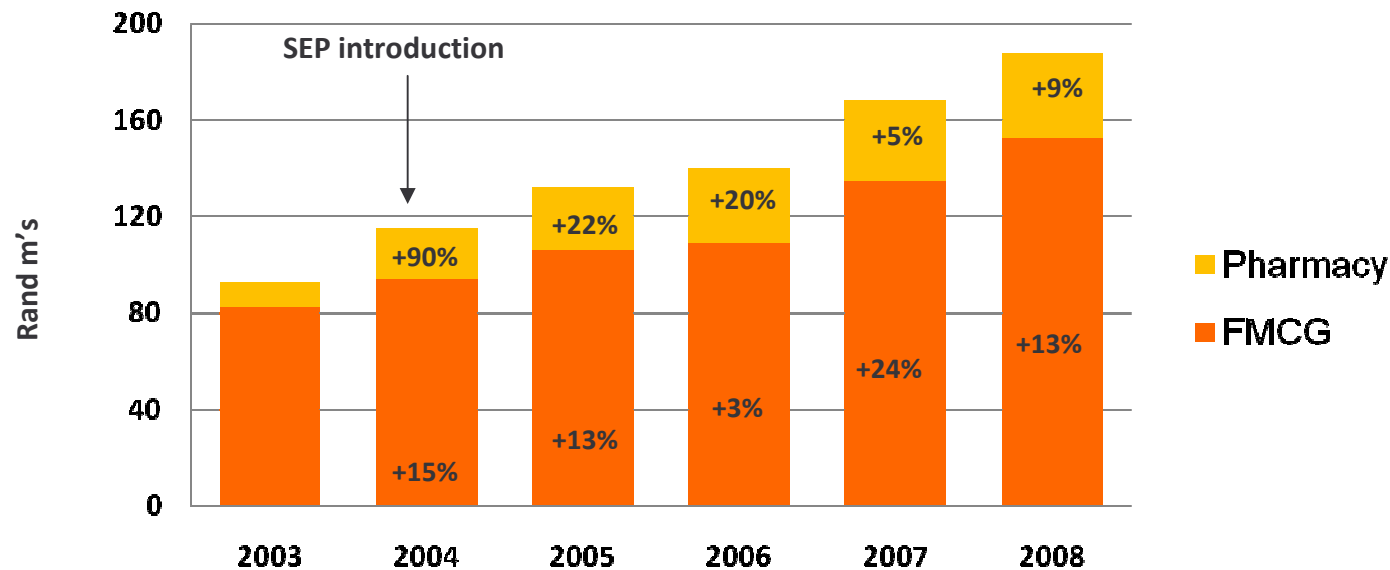
Line extensions within the same category deliver growth



case study

FMCG Credentials and potential growth when leveraging pharmacy brands

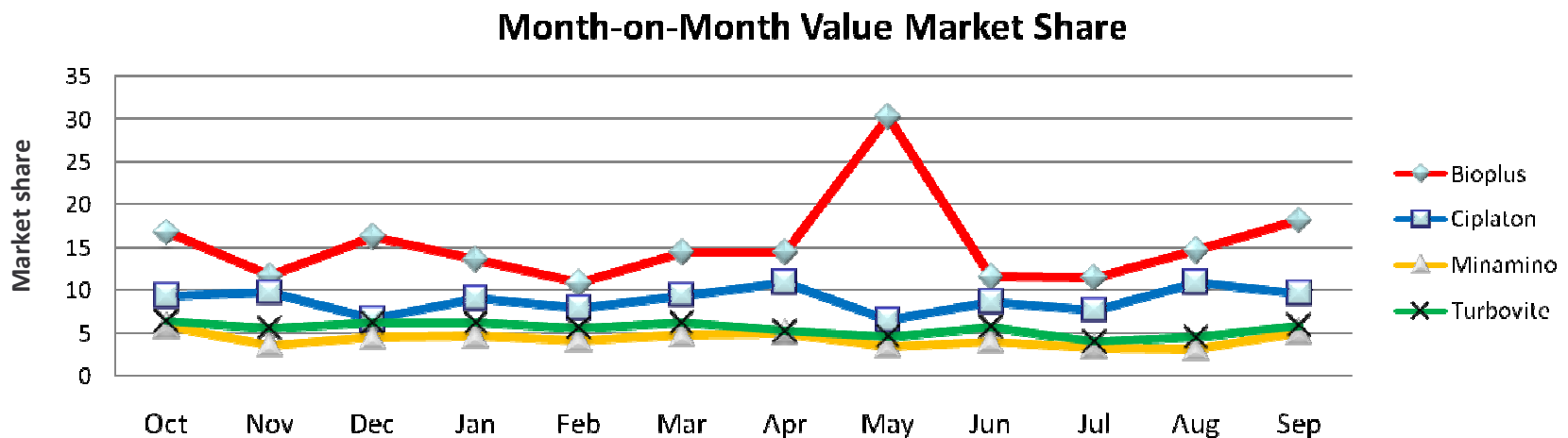
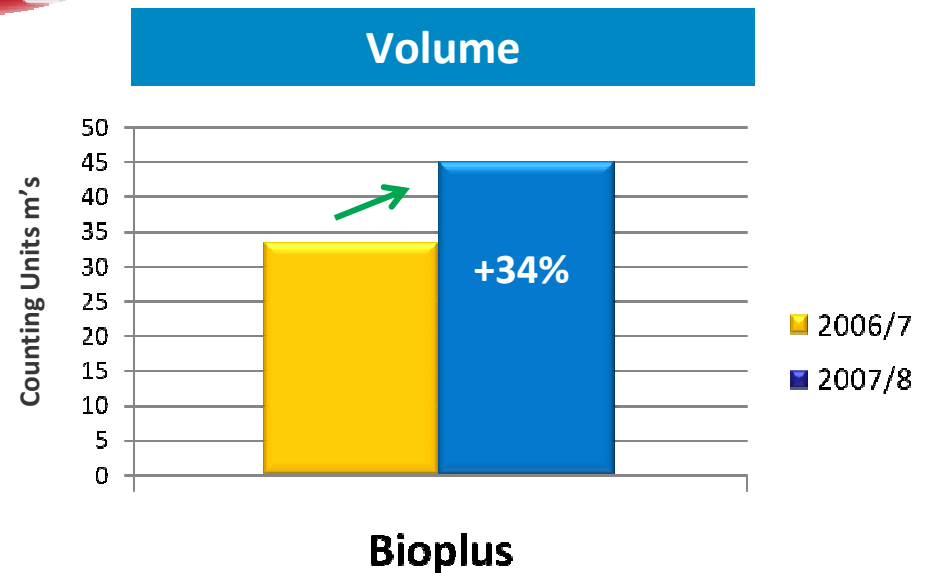
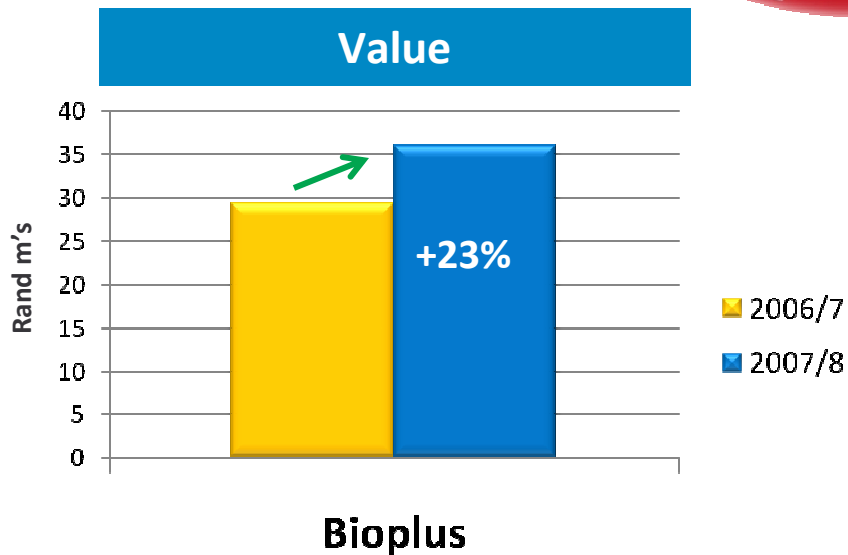
Value growths - FMCG and Pharmacy



Panado

■ Pharmacy
■ FMCG

Successful dual strategy to consumers and professionals

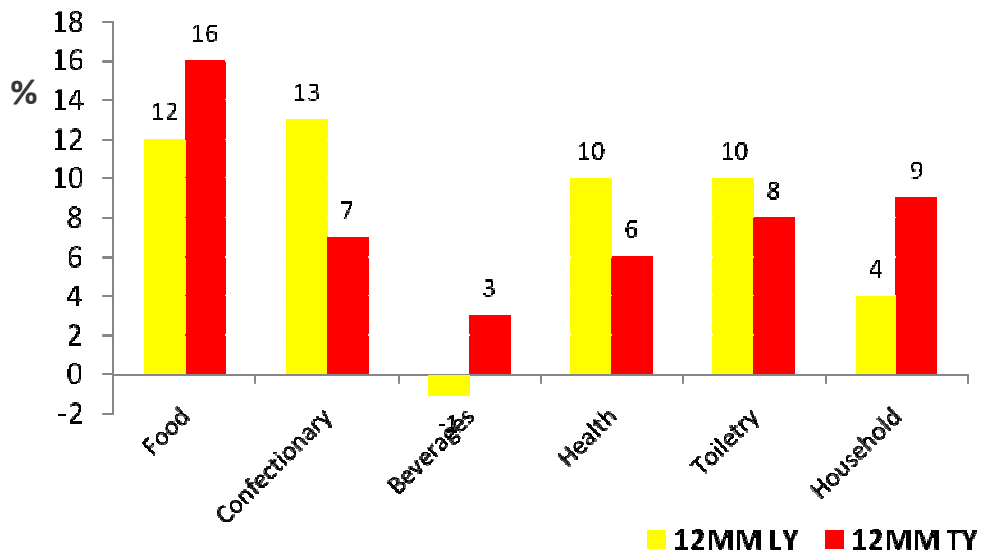


Activation results in sales, but maintains share out of promotional period

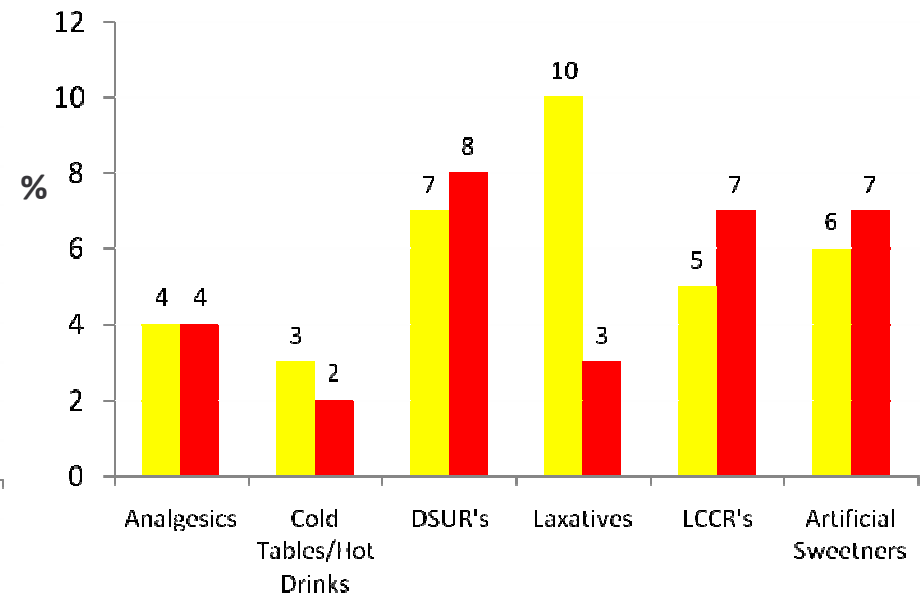


FMCG inflation year-on-year

FMCG Market Inflation %
Niensens Aug '08

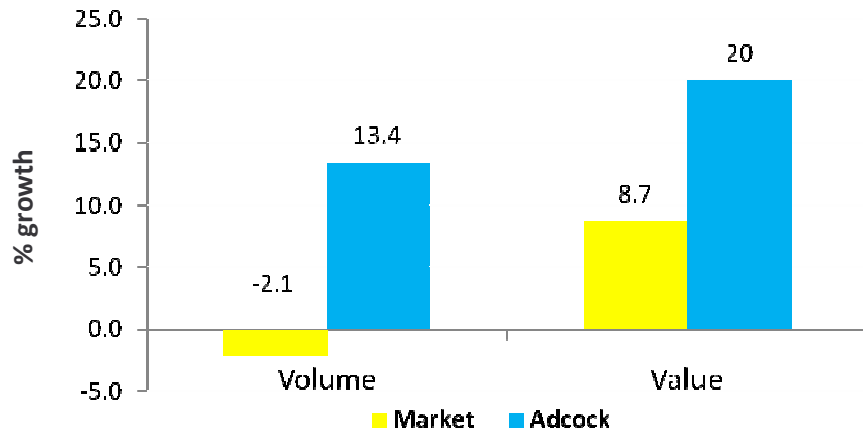


Healthcare FMCG Inflation %
Niensens Aug '08

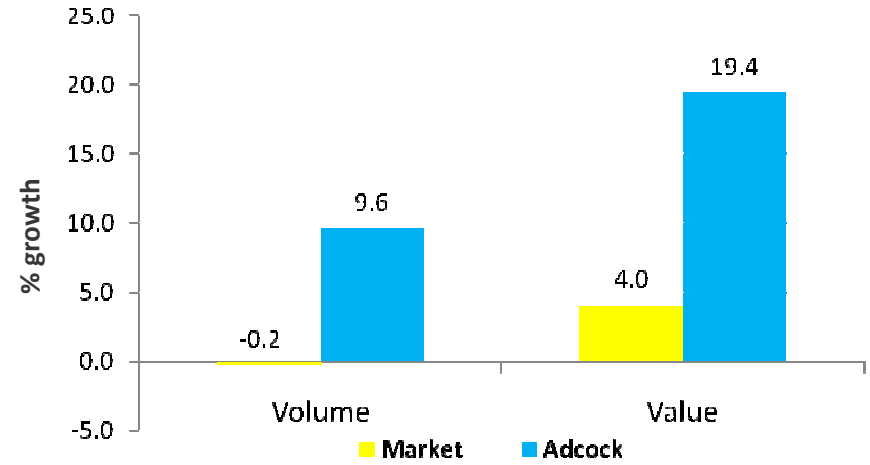


Healthcare price increase well below average with analgesics at only 4%

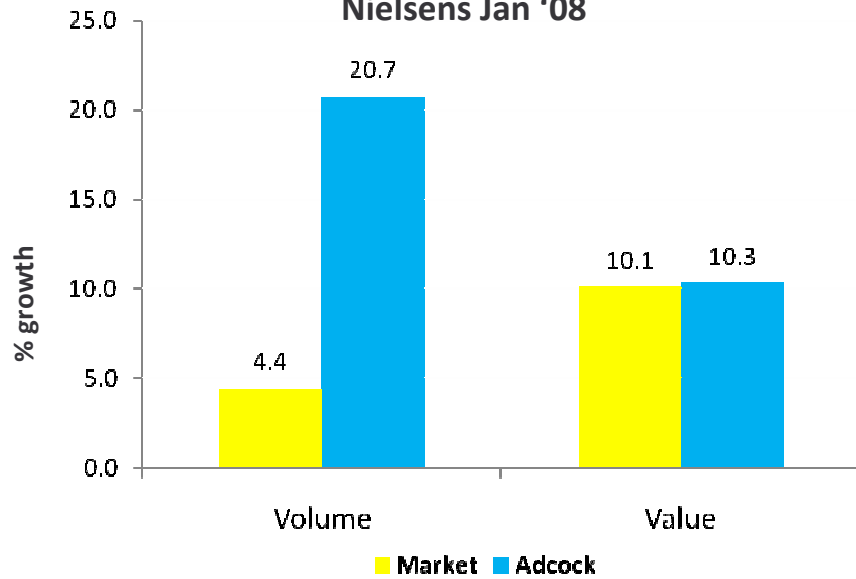
**Defined stomach upset remedies
Nielsen's Feb '08**



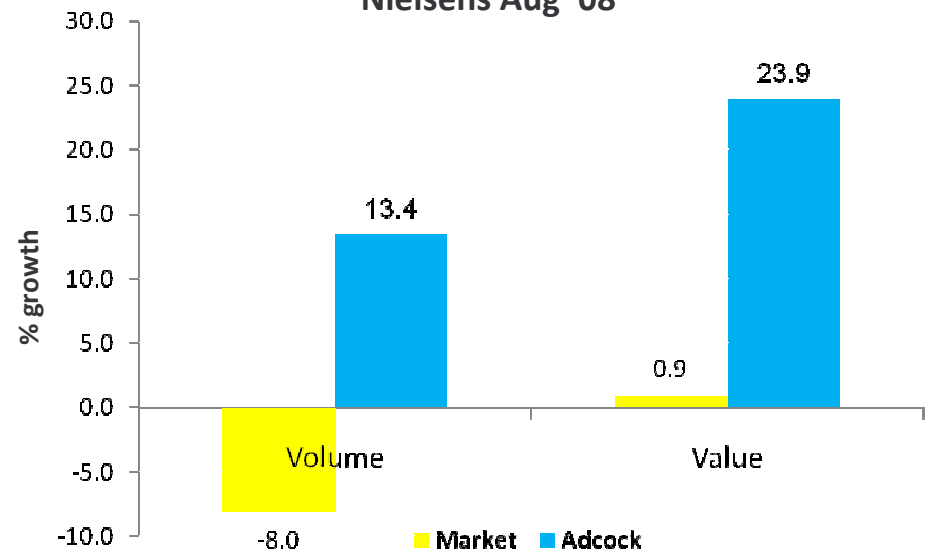
**Analgesics
Nielsen's Aug '08**



**Vitamins & Supplements
Nielsen's Jan '08**



**Liquid Cough & Cold
Nielsen's Aug '08**

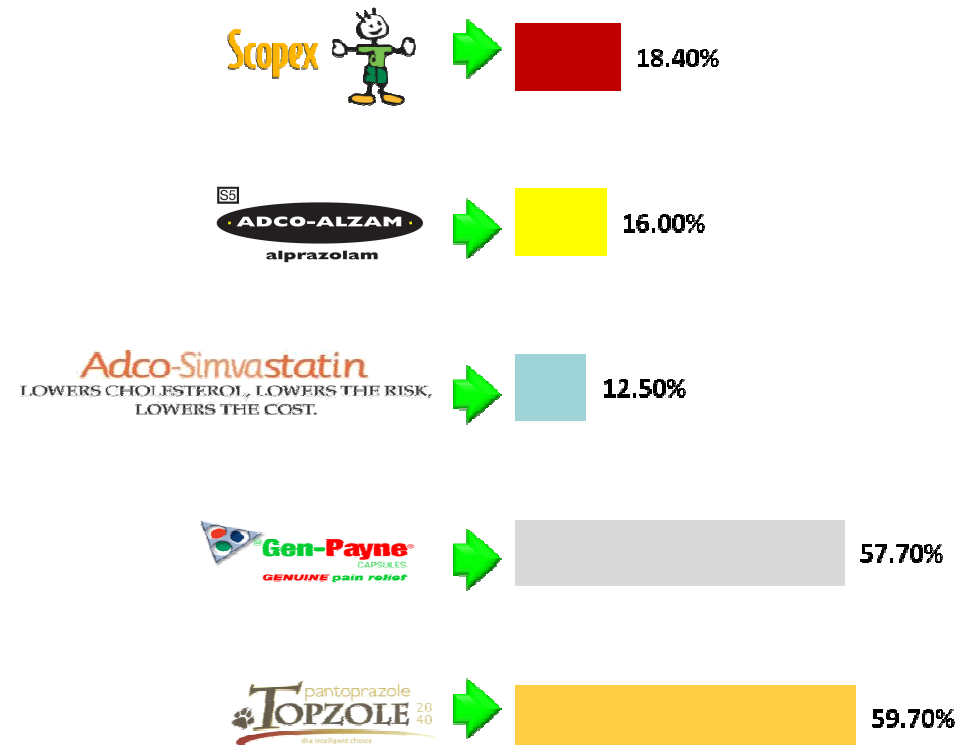


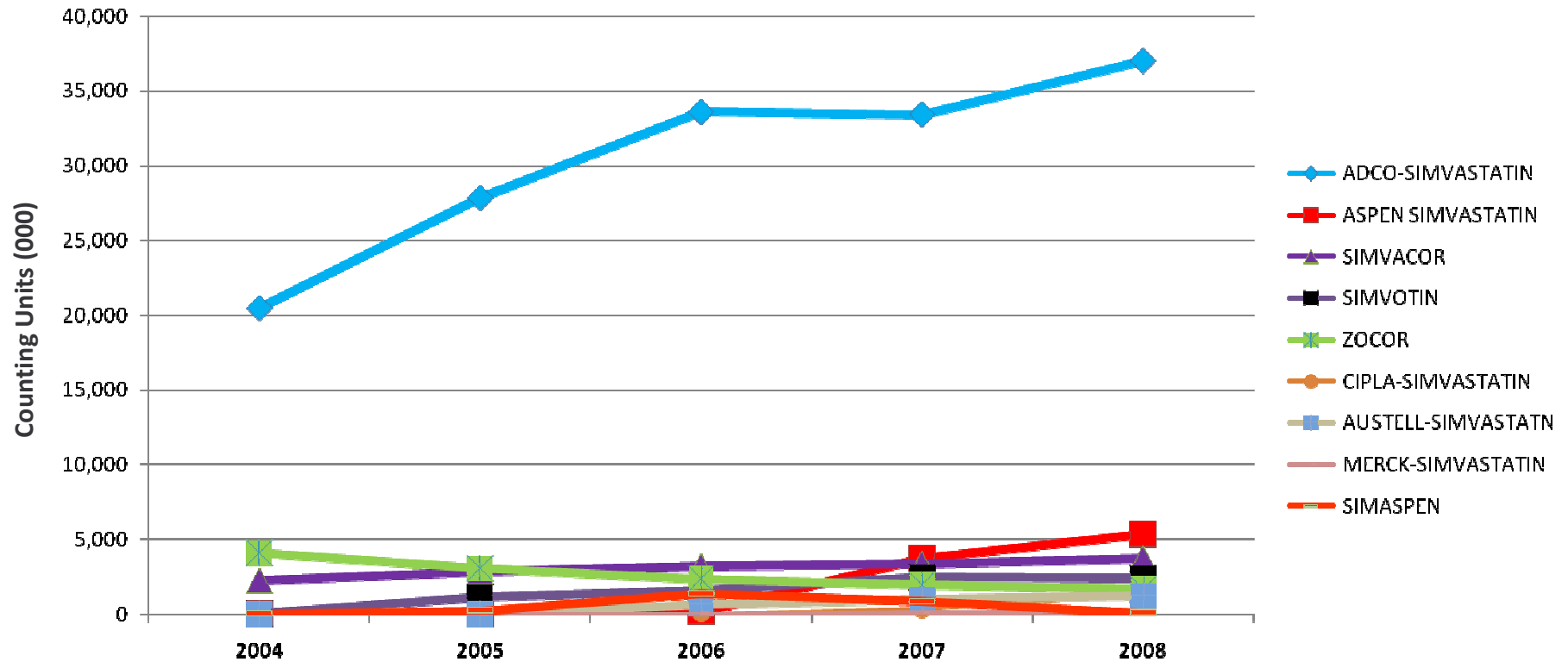
Strong performance in FMCG

prescription generics strategy schedule 3 - 7

- Basket of products and volume driven
- Competitively priced with emphasis on cost to sustain margins
- Availability and service levels at retail
- Manage the “switch” at pharmacy
- Sell the corporate brand to enhance trust in generics
- Launch of new products needs initial impact to combat competitors entering at the same time

Value Growth



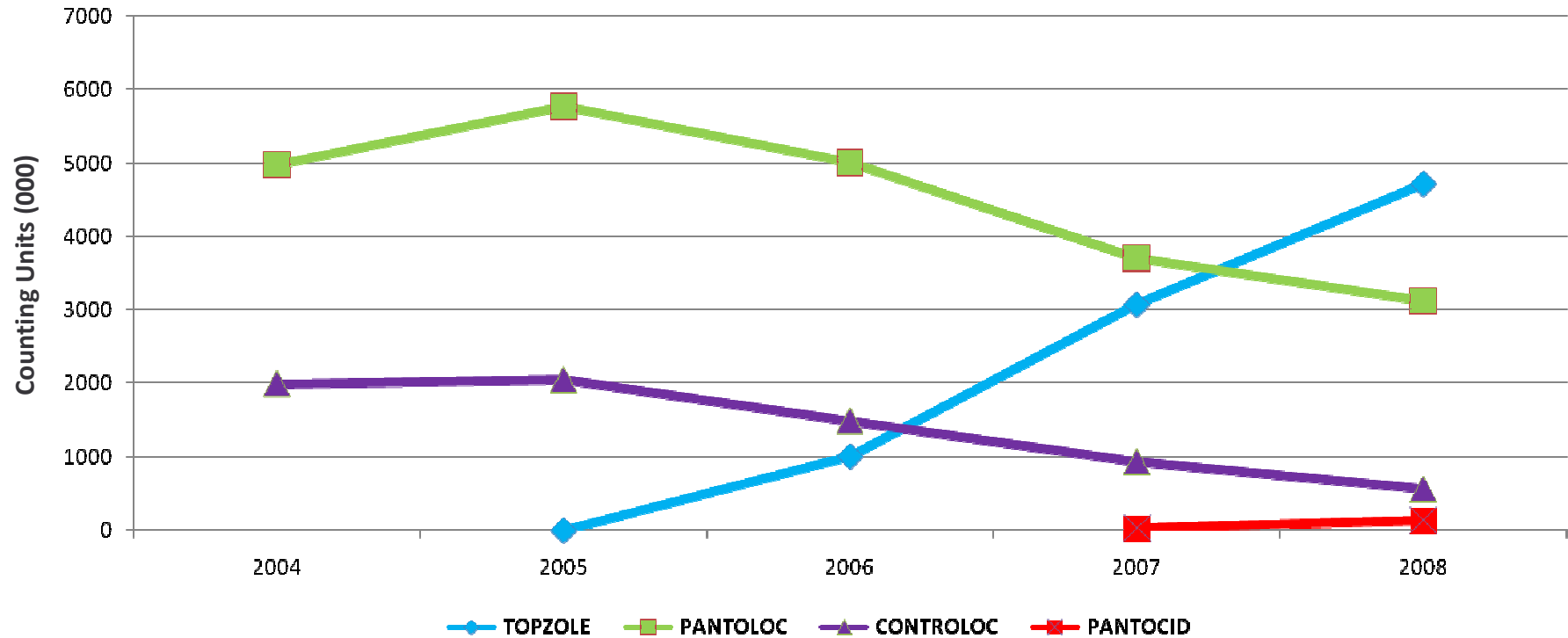


Branded generic strategy in the chronic market

Source: IMS TPM – Sep 2008, A2B reconstructed,



case study

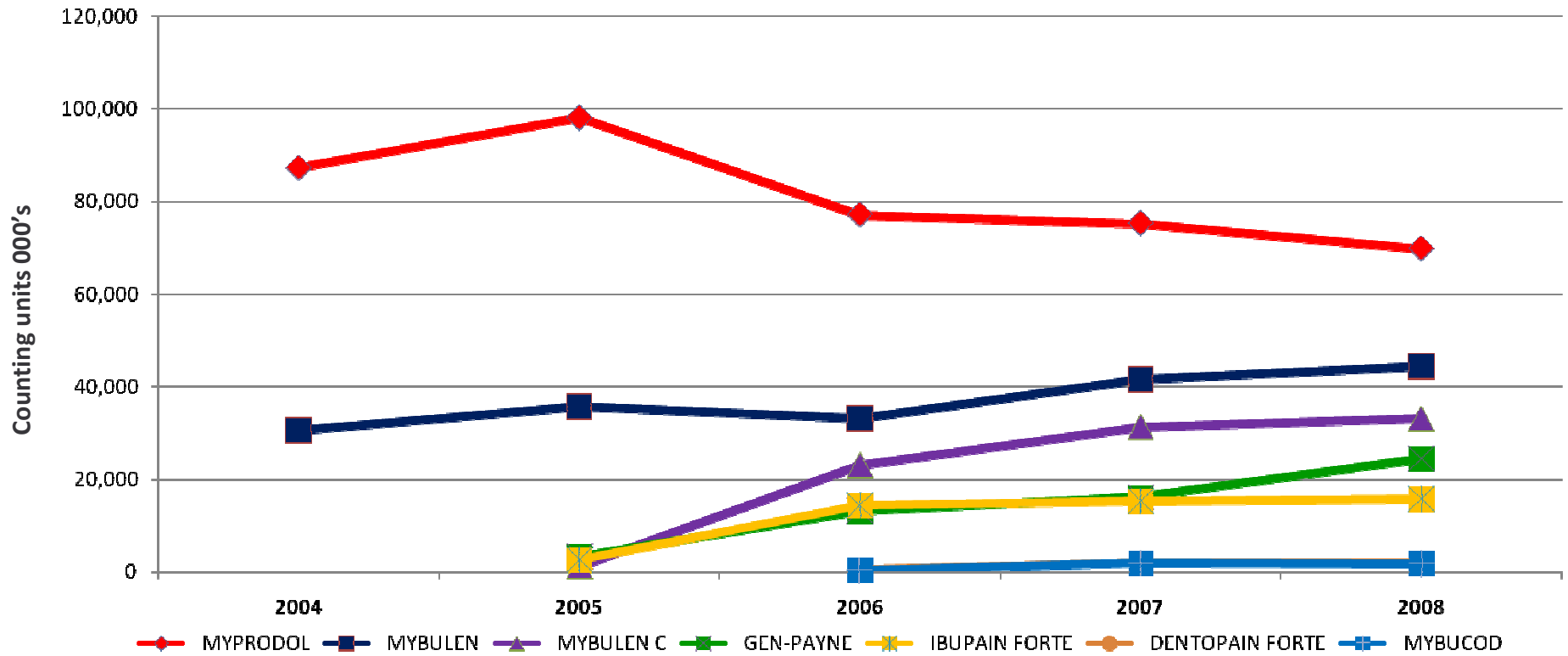


First to market branded generic

a leading South African healthcare company



Source: IMS TPM – Sep 2008, A2B reconstructed,



Ability to launch generics of key brands and retain share in overall market

branded prescription schedule 3 - 7

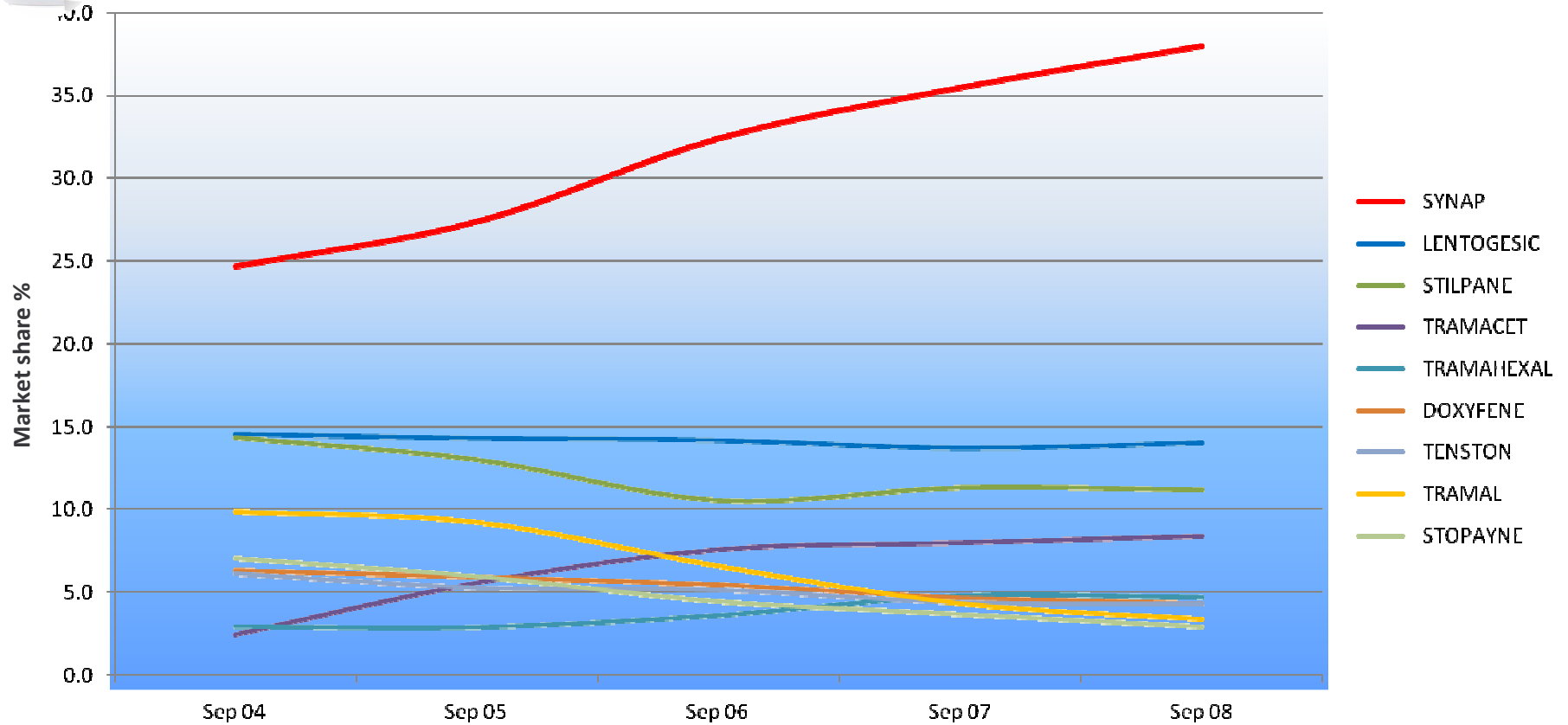
- Owning and developing Intellectual property
- Strengthen strategic alliances to become the partner of choice in Africa
- Premium price/lower volumes
- Slower uptake with initial investment but sustainable
- Prescriber driven therefore maintain credibility and support
- Differentiation and enhancement to create demand

Value Growth





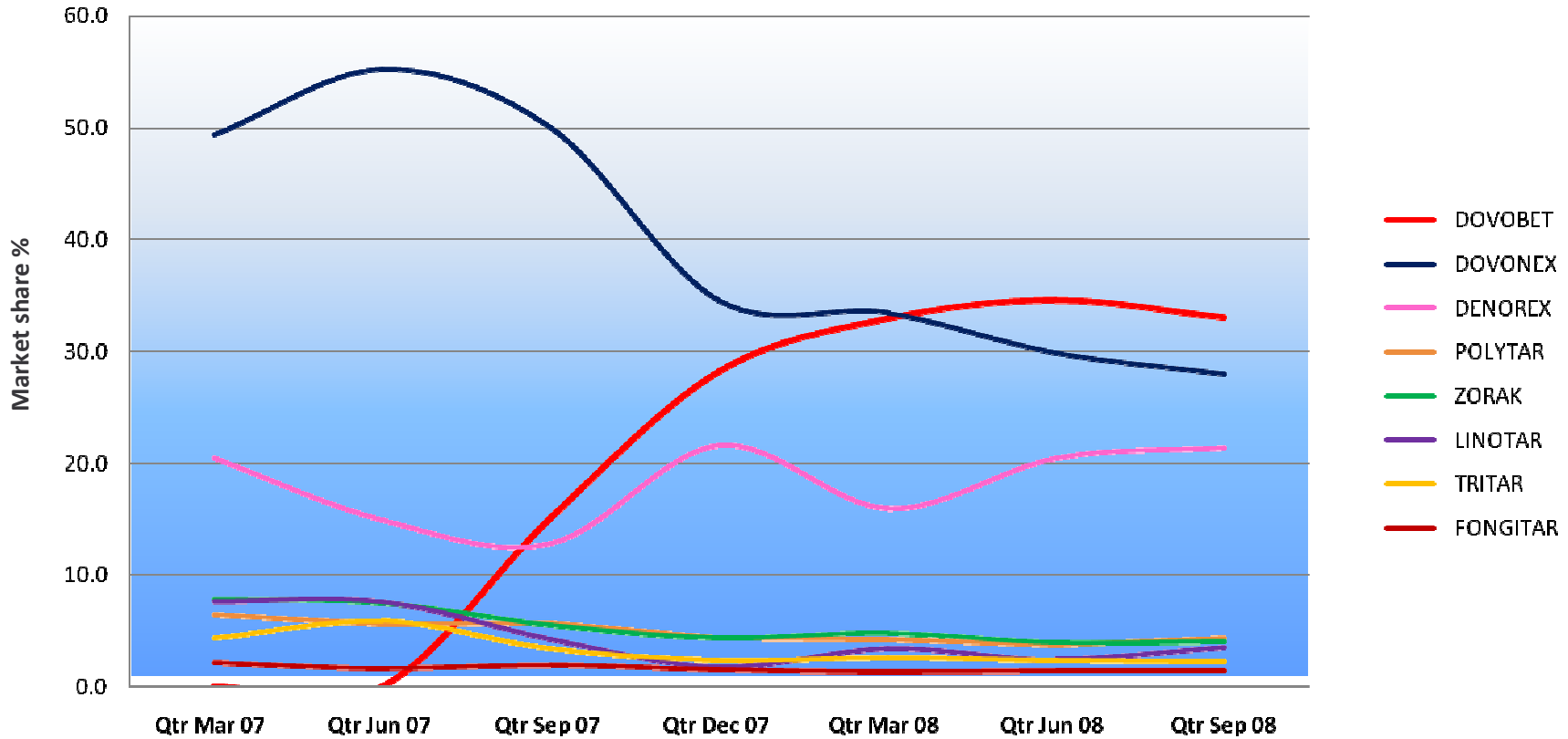
case study



Ability to market specialist products – Synap Forte breaks the R100m mark



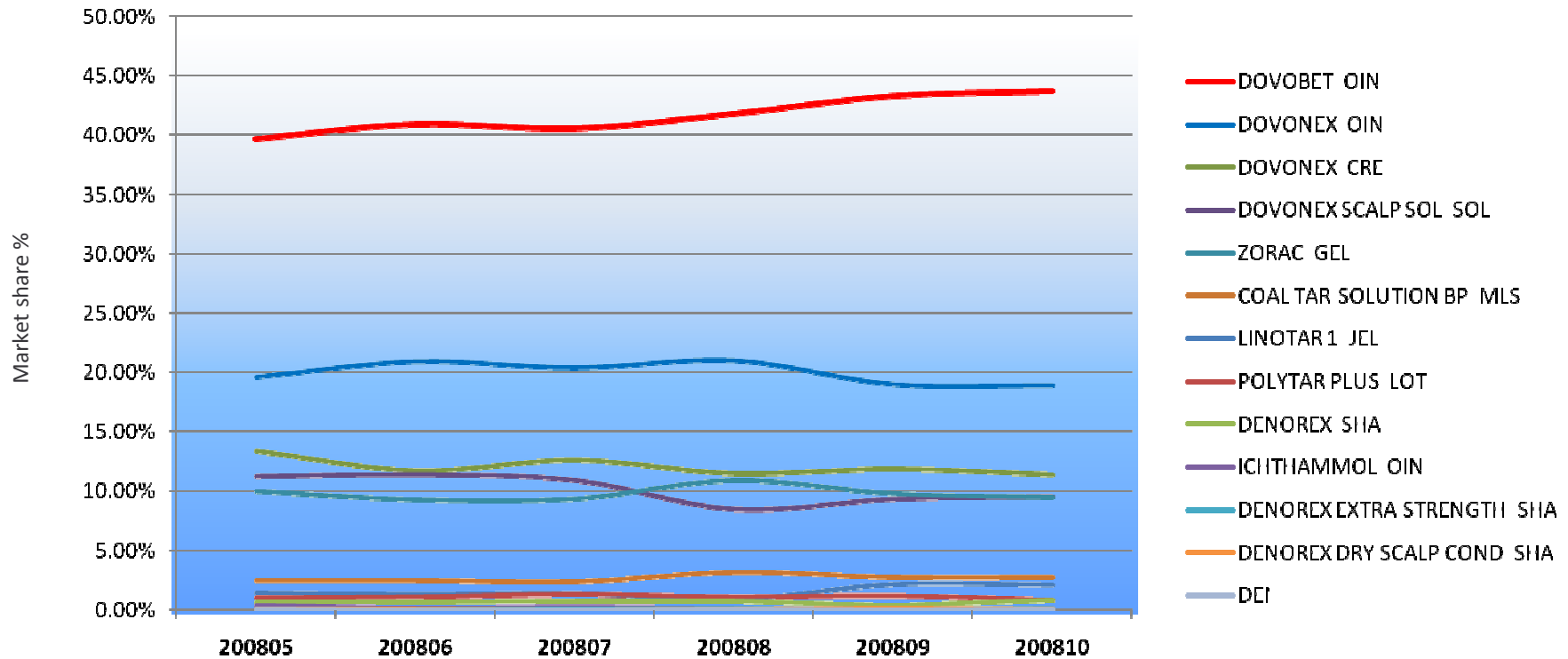
case study



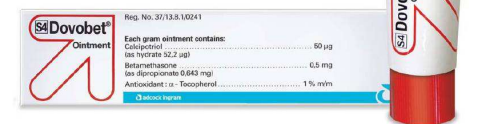
Ability to launch strategic partner products into competitive markets



dispensed data 6 months



Dispensed data shows growing market support



Source: Impact Rx May – Oct 2008



INVESTOR PRESENTATION

Hospital Products

group results for the year ended September 30, 2008

Kym ROWAT

solid performance

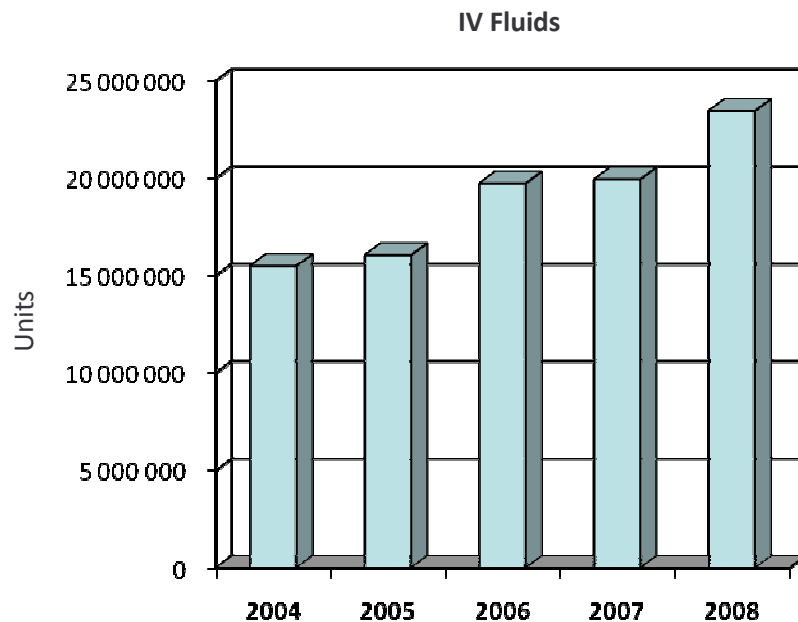


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- Good momentum
 - IV fluids
 - IV antibiotics
 - Renal dialysis fluids
- Relationship with Baxter
- Strategy to rebuild corporate reputation



medicine delivery: IV fluid units



- Strong focus on mix and margin
- Margin pressure from price control and local inflationary pressures
- Increase market share with a range of consumables not subject to price control
- Service level agreements in private sector to understand customer needs and ensure reliability of supply

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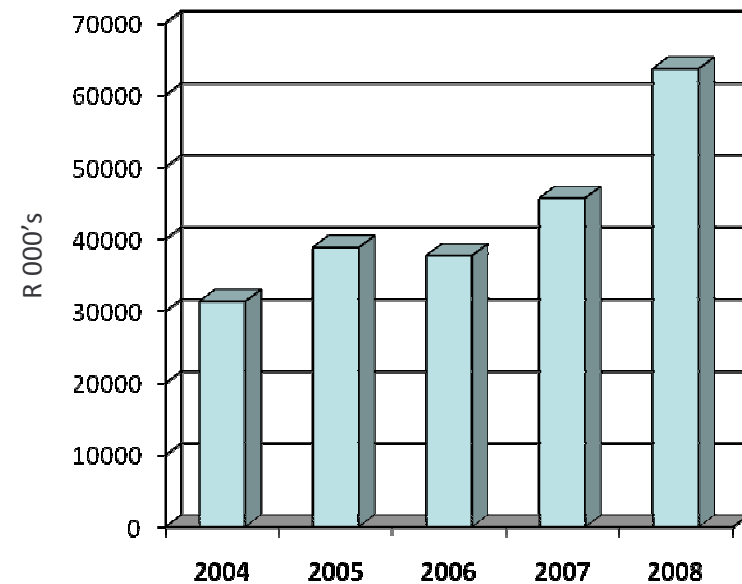


medicine delivery: generic injectables

- Growth of 93% in volume driven by new product introduction such as Adco Ciprofloxacin and Adco Ceftriaxone
- National workshops with experts on global and industry trends
- Growth opportunities in new therapeutic classes, such as Oncology
- Capacity investment of R6.5m to ensure reliability of supply for new product pipeline

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Generic Injectables



Therapeutic Class	Market Value
Oncology	150m
IV Analgesics	12m
IV Sedation	30m

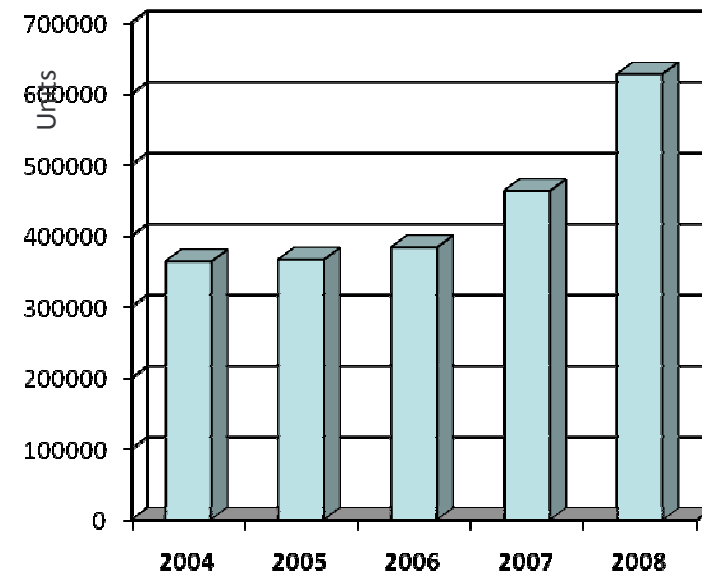


renal therapies

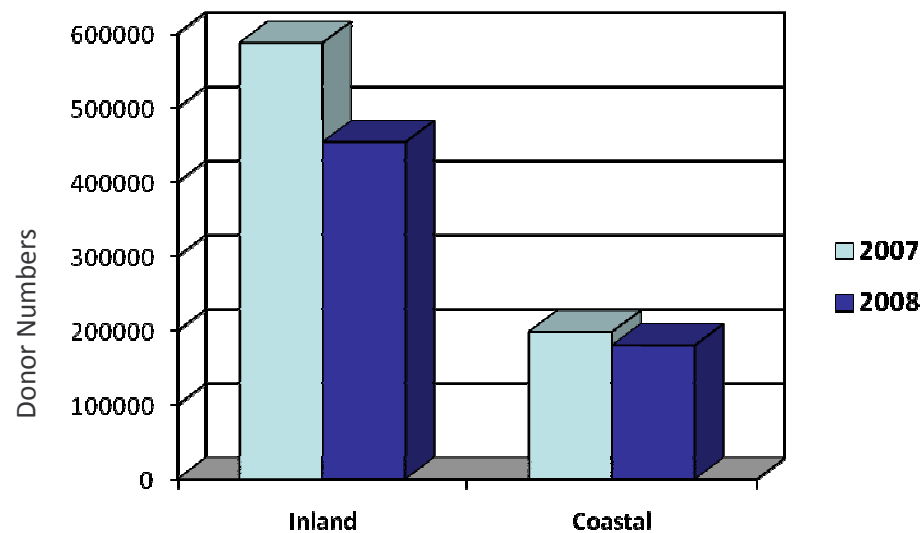
- Overall volume growth of 10%
- Comprehensive product range for haemodialysis and peritoneal dialysis
- Significant growth in peritoneal dialysis due to:
 - unique home delivery service to patients to ensure compliance
 - expand footprint into Sub-Saharan Africa
- Market expansion opportunities with exciting new product Fosrenol

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Peritoneal Dialysis Solutions



transfusion therapies



- Static donor pool impacts growth
- Blood donations down 16%
- Awareness campaigns on the safety of blood collection and transfusions
- New technology to increase yield from existing donor pool

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The Scientific Group
adcock ingram

- Sales growth: 21.6%
- Strong organic growth in clinical diagnostics and molecular biology
- Turnaround in medical division
- Consolidation in market
- Pricing pressure eroding margins
- Dependency on large principals
- Loss of Becton Dickinson agency
- Develop medical consumable range

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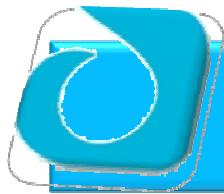


INVESTOR PRESENTATION

Strategy & Outlook

group results for the year ended September 30, 2008

Jonathan LOUW



executing our strategy

VISION: To be recognised as a leading world class branded healthcare company

Transformation	<ul style="list-style-type: none">▪ Embracing diversity, supporting the 7 pillars of transformation▪ Introduction of black empowerment ownership by end 2009
Optimising our portfolio	<ul style="list-style-type: none">▪ Increase market penetration – consolidate category leading positions through top of mind brands▪ Sharing best practice across channel services (Leveraging FMCG competence into pharmacy)▪ Leverage core brands / products into adjacent categories and new formats
Pursuing organic growth	<ul style="list-style-type: none">▪ New product launches and innovation in core therapeutic areas to secure market share▪ Multinational partner of choice in South Africa and other selected African territories▪ Operational excellence – focusing on cost efficient manufacturing and distribution▪ Continued focus on customer intimacy and brand building
Acquisitions in selected markets	<ul style="list-style-type: none">▪ Existing and adjacent category businesses in South Africa▪ Rest of Africa
Development of exportable competence	<ul style="list-style-type: none">▪ Replicate marketing and sales strategies for SADC▪ Leverage world class formulation and manufacturing expertise internationally<ul style="list-style-type: none">▪ WHO-accredited R&D facilities▪ MCC and internationally accredited manufacturing facilities

Leading to sustainable and profitable
growth



outlook

- Consumer slowdown, currency volatility and credit squeeze
- Continued margin pressure
- Regulatory environment remains uncertain
- Continued investment in supply chain, distribution and world-class systems
- Organic growth vectors for healthcare remain positive
- Leverage SA competence into other markets through 2009
- Retention of key talent

Foundation of strong brands, ongoing innovation, state of the art facilities and skilled

Creates sustained value for shareholders



INVESTOR PRESENTATION

Q & A

Thank you