Press release

Adcock Ingram Group geared for growth after excellent six-month performance to 31 December 2016

Earnings per share from total operations increased 70% and headline earnings per share from total operations increased 49%
Level 4 B-BBEE rating maintained

Midrand – 22 February 2017

Performance highlights from continuing operations

- Turnover of R2,979 million up 11%
- Gross profit improved 11% to R1,074 million
- Trading profit increase of 22% to R342 million
- Headline earnings from continuing operations increased 52%
- Geared for growth with net cash position
- Dividend of 63 cents per share declared

A continuing positive operating trend, was the key message from the company when Adcock Ingram Group announced their six-month results to 31 December today. These results were achieved despite sluggish consumer spending and the unstable economy.

"Against a tough economic background, we have been able to increase both turnover and gross profit by 11%, and trading profit by 22%. Significant sales and marketing effort was put into each of the business units and these results are encouraging," said Andy Hall, Chief Executive Officer. "I am most heartened to see how our business and people have strengthened under the divisionalised structure. We are moving forward in executing the strategy."

Group turnover increased by 11% to R2,979 million, with an increase across all divisions. The adverse impact of the currency was largely balanced by an advantageous sales mix, factory efficiencies and the impact of the Single Exit Price adjustments. The gross profit of R1,074 million maintained a satisfactory level, declining marginally from 36.3% to 36.1%.

Headline earnings for the year, from continuing operations, amounted to R241.0 million compared to R159.0 million for the comparative period. This translates into headline earnings per share from continuing operations of 144.9 cents, an improvement of 52%.

Cash generated from operations amounted to R367.6 million despite working capital increasing by R66.0 million. Net finance costs have decreased from R38.8 million in the prior period to R17.5 million, following the reduction in the Company's overall net debt since June 2016.

"We are set for growth and ready to make acquisitions in line with our strategy, due to our strong cash position," Hall continued. "Concurrent with normal trading activities, management and the Board will maintain focus on expanding the Group's product portfolio through partnerships and acquisitions, particularly in non-regulated areas. We continue to be totally committed to transformation and are pleased to have maintained our level 4 B-BBEE rating under the new codes."

The disposal of the Indian sales and marketing operation has been finalised, prior to which the regulatory business was separated out, and this remains an efficient and cost-effective asset to support the regulatory activities in South Africa. A 53% share in Ayrton, Ghana, was successfully sold to Dannex Ltd, a local operator familiar with the Ghanaian market. The nett Group profit arising from the disposals of the Indian and Ghanaian operating businesses, after accounting for the reversal of a foreign currency translation reserve of R126 million, amounts to R35 million.

A dividend of 63 cents per share was declared by the Board for the period ended 31 December 2016 out of income reserves.