

Adcock Ingram Group reports improved trading performance

Interim Results - 31 December 2015

Dividend of 50 cents per share declared

Midrand 24th February 2016

Performance highlights

- Turnover increased 7% to R2,752 million
- Gross profit improved 11% to R1,006 million
- Trading profit increased 20% to R293 million
- Dividend declared: 50 cents per share
- B-BBEE level 4 achieved

The benefits of the divisionalisation that took place during 2014/2015, including more focused leadership, a regenerated culture of productivity and better customer relations, supported by increased investment in sales and marketing, were highlighted as key factors contributing to the Adcock Ingram Group performance when the 2016 interim results were announced today.

“I am happy that we have enjoyed a reasonable sales performance over the six month period under review, with an improved gross margin and trading profit,” said Andy Hall, Chief Executive Officer of Adcock Ingram. “We have achieved these results whilst facing an increasingly difficult economic climate, with currency devaluation and increasing inflation and interest rates. Operating in a controlled pricing environment has deprived us of the flexibility to adjust prices as costs increase.”

Group turnover from continuing operations of R2,752 million is 7.1% higher than the comparative six month period, aided by the 7.5% single exit price (SEP) increase granted in April 2015. Volume improvement was also encouraging, but the benefits therefrom were unfortunately offset by the discontinuation of certain uneconomic product lines in the Consumer Division and the repatriation of some multinational products from the Prescription Division. Given the adverse impact of currency devaluations, the collective gross margin improvement from 35.2% to 36.5% was more than encouraging, this substantially arising through increased and more streamlined factory throughput including

lower inventory impairments and sales mix benefits, when measured against the comparable period.

Following on the turnaround in the prior year, trading profit improved by 20% to R292.6 million despite an increase of 8% in operating expenses which was largely attributable to the phasing of marketing spend.

Commenting further, Hall highlighted the encouraging divisional performances: “While all divisions showed positive sales growth, three of the four divisions also improved profitability. The judicious and increased promotional investment in our leading brands is showing pleasing results. All this, supported by an excellent performance versus the market, with overall market share gains reflected in external data sources such as IMS and Nielsen.”

A dividend of 50 cents per share out of income reserves was declared by the Board for the six-month period ended 31 December 2015.

“The successful conclusion of the reengineered B-BBEE deal launched during 2015 offers us a more sustainable model for meeting our desired levels of participation for our staff and other investors. The level 4 B-BBEE rating achieved under the new codes, in contrast to the level 3 rating held previously, is most encouraging and reflects the hard and continuing work put into this important aspect of conducting business in South Africa,” Hall continued.

“Focusing on the future, attention will be placed on investing in our brands, building our customer relationships and improving our service levels within the operating divisions. The Group is focused on searching for appropriate acquisitions to bolster its non-regulated portfolio, building mutually beneficial partnerships and innovating within its current product portfolio,” concluded Hall.

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Notes to Editor:

Full results information can be found on the Adcock Ingram website at:
www.adcock.com/Investors/Financial Results

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