IMPERIAL
HEALTH SCIENCES

Africa Investors Trip

March 2014

Agenda

- Africa market
- Regions in focus
- Market Needs in Africa
- Options for Market growth
- Challenges ad Opportunities
- Imperial Health Sciences

Distribution Realities In Africa

- *"Lions on the Move"* - GDP growth > 5% … pharma even higher
- Trading block and language driven economics
- Cross border delays, in & outbound
- Traditional product supply lanes exist for Francophone, Lusophone
- Compliance … esp Zone III / Zone IV limitations
- Governance – internal and environmental
- Legacy contracts and multiple partners
- 2nd largest continent - 2nd most populous - 1.1 Bn people
- 55 countries - 15% of world's population - 50% < 19 years old
- GDP $2.2T (projected $29T by 2050)
- 50 NDRAs

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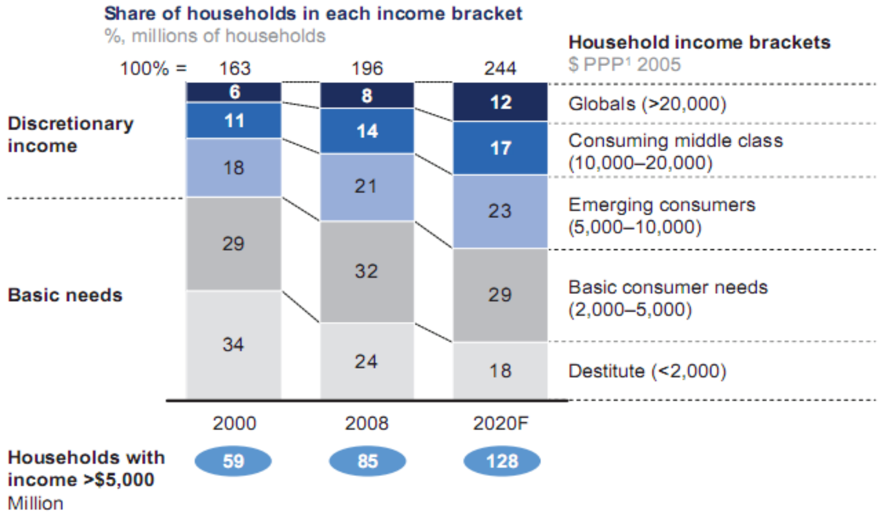
The Growth Opportunity Is Material …

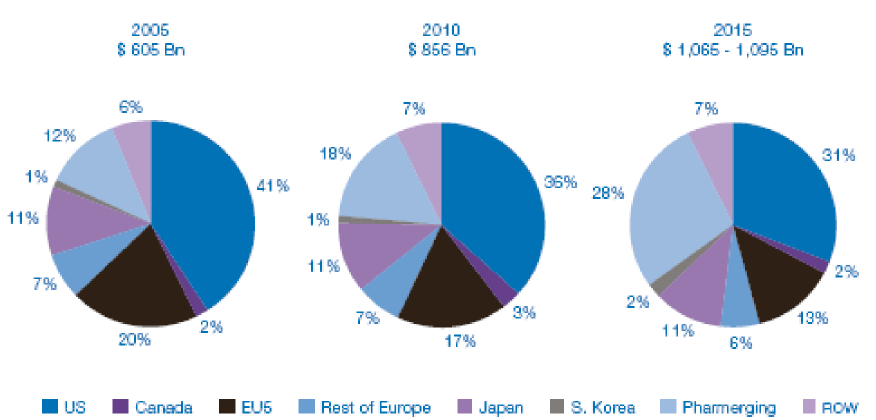
By 2020, more than half of African households will have discretionary spending power



1 Purchasing power parity adjusts for price differences in identical goods across countries to reflect differences in purchasing power in each country.

SOURCE: Canback Global Income Distribution Database (C-GIDD); McKinsey Global Institute

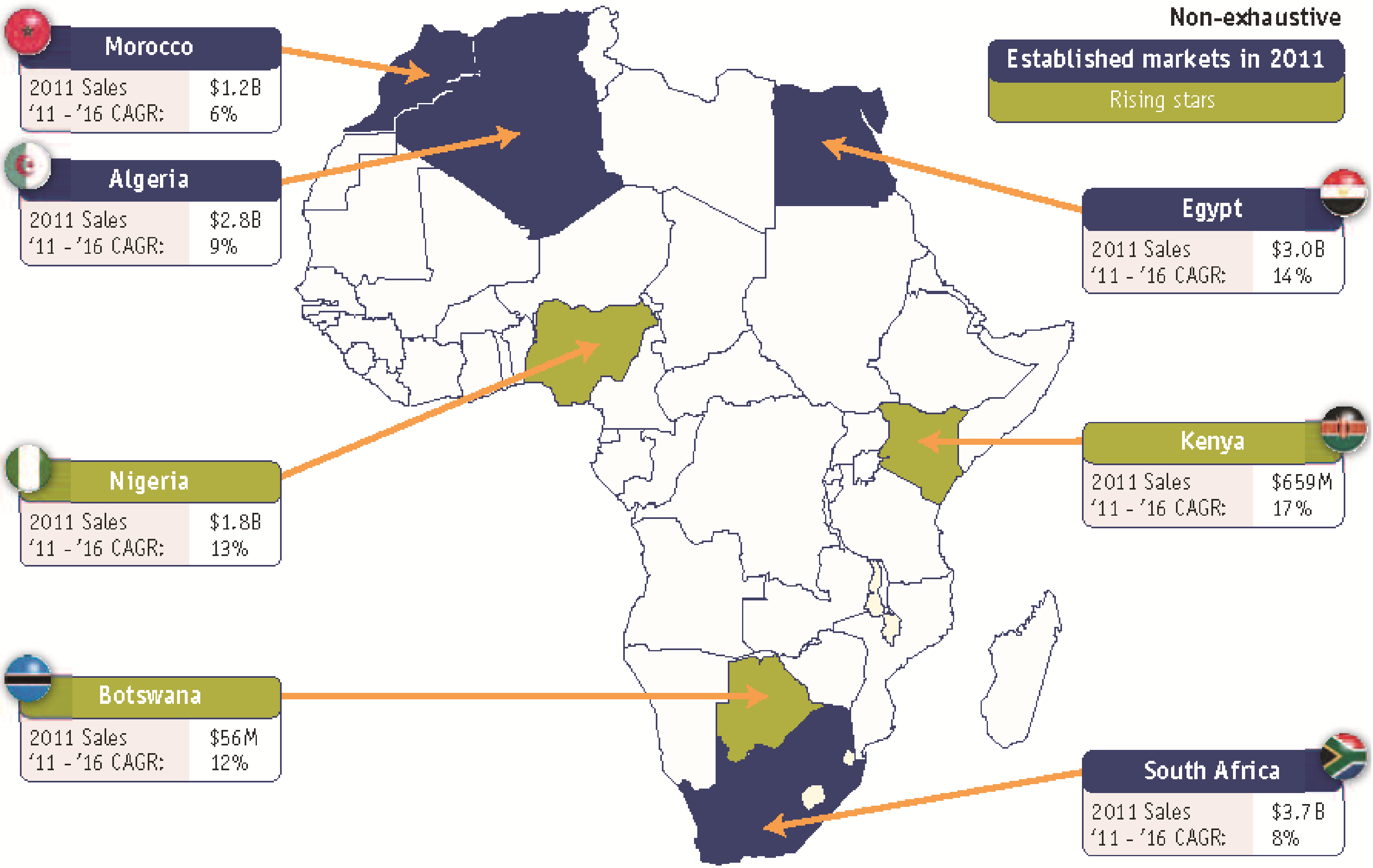
FIGURE 24 SPENDING BY GEOGRAPHY



2020 – 18.6m diabetics
1m new cancer pts pa
60m hypertensive patients
Emerging transport corridors
2025 - 25% growth in urban pop
3.4% pa
2030 - > 60yrs population doubles
2050 - 60% urbanised

“Value for Many”
replaces
“Value for Money”

Rising Stars in SSA



Sources: IMS Health Market Prognosis, Sept 2012

African Markets

- Rapid growth expected until 2020 at circa 10% CAGR
- Fuelled by increasing healthcare expenditure and NCDs
- > 50 pharmaceutical manufacturers - 20% local - 80% MNCs
- 4 major groups - MNCs, Chinese, Indian, Northern and Southern Africa
- Most imports from India, Switzerland, UK, SA and France
- Manufacturing relies on imports - 95% of raw materials imported
- Changing focus of MoH and Donors / NGOs
- Antibiotics, analgesics, and antihistamines dominate
- Poverty encourages prevalence of counterfeit drugs
- Self-medication raises prospects for OTCs
- Rising health insurance numbers underpin future growth

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East Africa

- Kenya market 2013 circa 642M USD
  - Patented drugs = 9%
  - Generic drugs = 63%
  - OTC = 28%
- Kenya comprises circa 80% of regional volumes
- Exports (Tanzania, Uganda, Sudan and Somalia) CAGR = 18%
- Untapped sales in adjacent countries
  - Limited distributor funding
  - Stock outs
  - Lead times
- Uganda growth estimated at 27%
- Ethiopia generic growth with Chinese partnerships

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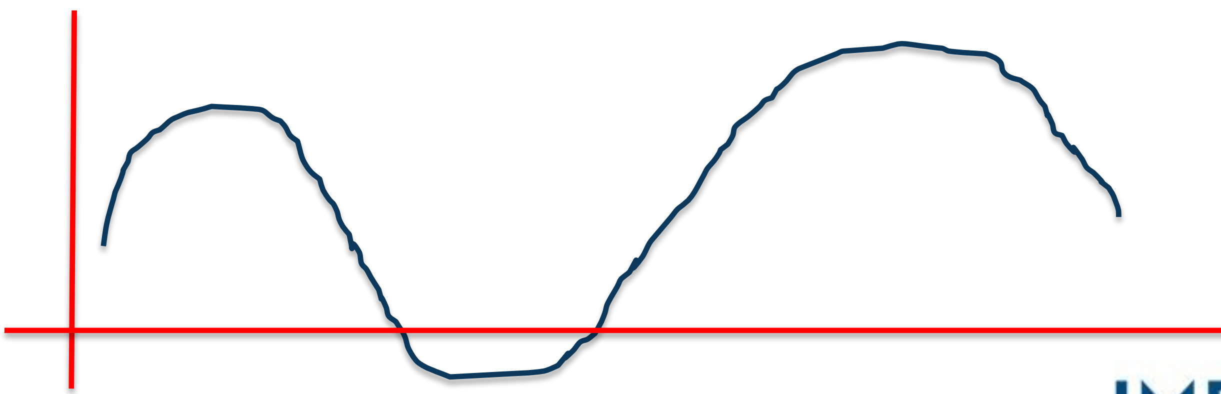
West Africa

	2007 US$	2012 US$	2013 US$	2014 US$	2015 US$	2017 US$	2007-2012 CAGR	2012-2017 CAGR
Ghana	233	468	536	607	682	841	15%	12%
Nigeria	606	1,137	1,255	1,405	1,585	2,086	13%	13%
Ivory Coast	159	199	215	232	250	292	5%	8%
Senegal	144	173	181	189	196	211	4%	4%
Cameroon	84	120	130	137	144	159	7%	6%

What shape is the curve … and where are we on it?



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Needs? 1 - Regulatory Harmonization

- AU Decision 55 - Abuja Summit January 2005
- Mandated AU commission to develop Pharmaceutical Manufacturing Plan for Africa (PMPA)
- Drug regulation harmonization is a key component of PMPA
- AMRH established in Feb 2009 through NEPAD
- Implementation through RECs with support of:
  - African Union Commission , Pan African Parliament
  - WHO, World Bank
  - Gates Foundation, Clinton Foundation
  - DFID, UNAIDS … USAID

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African Medicines Regulatory Harmonization

- Aims
  - Reduce 50 NDRAs to 5-6 regional groups
  - Harmonize registration, technical documentation, procedures & decision making processes
  - Reduce time taken to issue market authorization
  - Improve transparency
- NEPAD conference "Building partnerships for Sustainable Capacity Development on Medicines Regulation in Africa" - Dec 2013, SA
- EAC drugs regulation and harmonization programme officially launched March 2012 in Arusha, Tanzania
- Tanzania, Kenya, Rwanda, Uganda, Burundi and Zanzibar

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The Case Of EAC

- Established constitutional tools and technical outlines on implementation - currently in circulation for comments/edits
- Each country has been given specific tasks
- Common technical documents with joint reviews and decisions
- Each country maintains sovereignty of legislature, fees etc.
- Joint pilot in 2010
  - Abacavir & Amikacin submitted to WHO PQP & EAC NDRAs
  - Joint review in Copenhagen
  - Products were prequalified and registered simultaneously

N.B Harmonization is not the same as mutual recognition !

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Needs?   2 = Local Manufacture

- National vs Donor influence
- Health as an electoral issue
- Health as a macroeconomic issue
- Level playing field?
- At least REGIONAL collaboration
- India and China's labour costs?
- API before goods finishing?

	IMPORTS (1 to 10)	
Rank	Country	[R million]
1	India	1,847
2	Germany	1,408
3	UK	1,294
4	France	1,204
5	Italy	1,113
6	USA	995
7	Switzerland	581
8	Sweden	551
9	Ireland	450
10	Belgium	376

Ref: Andre Kudlinski, Department of Trade and Industry (DTI): The SA Pharmaceutical Sector

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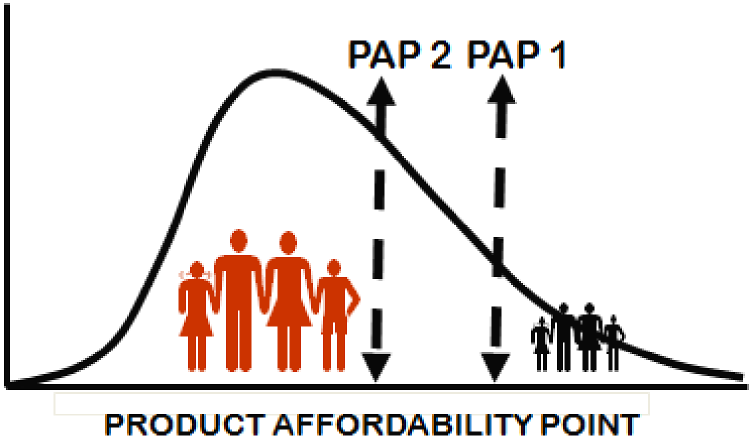
Needs? 3 = Supply Chain Rationalisation

- A myriad of middle-men
  - First line buyers (FLBs) - Push up the cost of products
  - Local distributors - Established logistics
- > 75% of the private sector is not fully regulated
- > 75% of private pharmacies are in urban / semi-urban settings
- Most transport outsourced … and poor in reach and service
- Order – delivery lead time and frequency drive working capital



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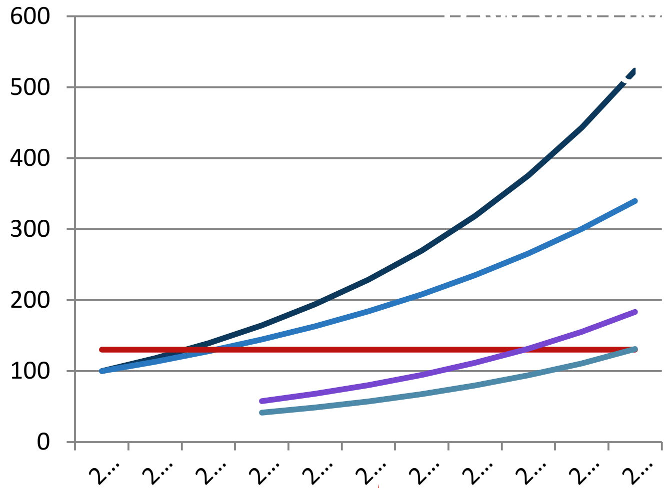
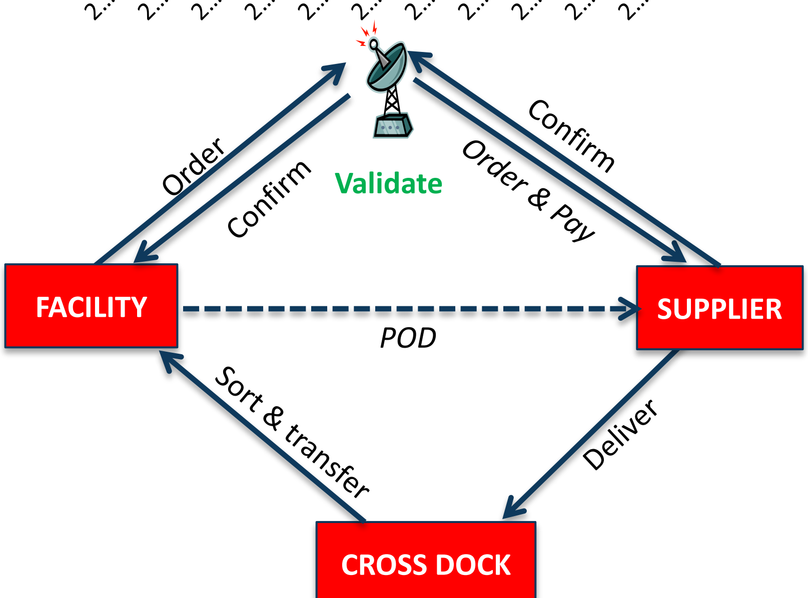
Needs?   4 = Wholesaler Development

- Natural oligopoly
    - US – 3 = 85%
    - UK – 3 = 65%
    - Germany – 4 = 75%

- The Cs of Success
    - Capacity
    - Capability
    - Compliance
    - Conduct
    - Catalogue
    - Competition
    - Credit
    - Customers

Needs? 5 - Matching Responsibility & Capacity





	LOW VOLUME / RELIABILITY SUPPLIERS	HIGH VOLUME / RELIABILITY SUPPLIERS
LOW VOLUME SITES	**CMS – 30%** Stock from small suppliers (or infrequent deliverers) **AND** to consolidate stock for small volume clinics	**Determined on a case-by-case basis**
HIGH VOLUME SITES	**Cross-Docking – 40%** Reduce handling of bulk goods and reduce the workload for CMS operational and administrative functions	**Direct Delivery – 30%** Full truck load product volume

7 *Top suppliers* **X** **27** *Major hospitals* **=** **70% !** *Of volumes*

The New Options For Market Growth …

KEY REQUIREMENT

CRITICAL SUCCESS FACTORS

"Get me there"

3PL

- Minimal touch points
- Efficiency and competency
- Consistent service delivery
- Quality of Infrastructure
- Network reach
- Visibility and control

Leverage

"Sell my product"

Stock Purchase Model

- Reach/universe
- Seamless flow
- Strategic future fit
- Market intel/understanding
- Resource/asset productivity

Partner

"Build my Brand"

Distributor / Agency

- Quality
- Distribution
- Value
- Price
- Promotion
- Presence
- Feet on the ground

Acquire

Challenges And Opportunities

- By 2016, pharma in Africa reaches US$30 Bn
- Driven by 10% CAGR
- US$45 Bn by 2020
- Potential of adjacent markets
- Market reach – owned or through trading partner
- Lead times vs in-country stock
- Late nationalisation

- Regulations
- Language and trading blocks
- Cross border
- Compliance of facilities
- Acquiring / retaining talent
- State tenders
- Counterfeit products
- Brand activation demands
  - Reach
  - Need

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Imperial … Africa's Global Player

ARMSTRONG & ASSOCIATES, INC.

Top 50 Global 3PLs

2012 Rank	Third-Party Logistics Provider (3PL)	Gross Logistics Revenue (US$ Millions)*
1	DHL Supply Chain & Global Forwarding	31,639
2	Kuehne + Nagel	22,141
3	Nippon Express	20,321
4	DB Schenker Logistics	19,789
5	C.H. Robinson Worldwide	11,359
6	Hyundai GLOVIS	9,832
7	CEVA Logistics	9,290
8	UPS Supply Chain Solutions	9,147
9	DSV	7,759
10	Sinotrans	7,523
11	Panalpina	7,060
12	SDV (Bolloré Group)	7,038
13	Toll Holdings	6,760
14	Expeditors International of Washington	5,981
15	Geodis	5,868
16	DACHSER	5,670
17	GEFCO	5,267
18	UTi Worldwide	4,608
19	Agility	4,605
20	IMPERIAL Logistics	3,800
21	Hellmann Worldwide Logistics	3,593
22	Yusen Logistics	3,526
23	Damco	3,272
24	Kintetsu World Express	3,155
25	Hub Group	3,124
26	Burris Logistics	2,933
27	Schneider Logistics & Dedicated	2,700
28	Sankyu	2,689
29	Pantos Logistics	2,601
30	Kerry Logistics	2,490
31	Norbert Dentressangle	2,366
32	Ryder Supply Chain Solutions	2,280
33	FIEGE Group	2,090
34	BDP International	1,895
35	Wincanton	1,747
36	Neovia Logistics Services	1,730
37	Menlo Worldwide Logistics	1,726
38	Logwin	1,703
39	Nissin Corporation/Nissin Group	1,609
40	Americold	1,580
41	APL Logistics	1,555
42	BLG Logistics Group	1,540
43	J.B. Hunt DCS & ICS	1,536
44	GENCO	1,476
45	Total Quality Logistics	1,387
46	Landstar	1,350
47	Transplace	1,300
48	OHL	1,200
49	Werner Enterprises Dedicated & Logistics	1,090
50	Swift Transportation	1,058

*Revenues are company reported or A&A estimates and have been converted to US$ using the annual average exchange rate.

IHS … Our Values And Pillars of Excellence

Values

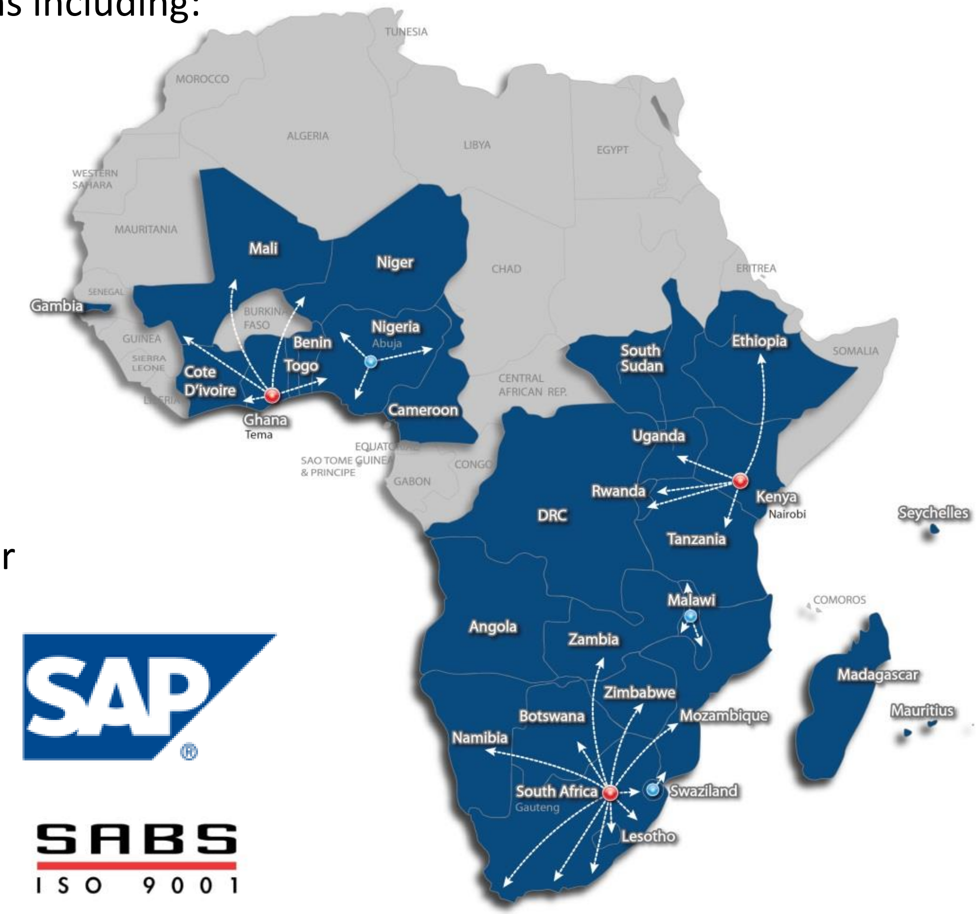
- **Pride**
  - Sustainability
  - Corporate stability
  - Independence
- **Execution**
  - Flexibility
  - “Can Do” response
  - Responding to Africa
- **Appreciation**
  - Placing our clients *FIRST*
  - Performance management
- **Respect**
  - Innovation – EUC, Unjani
  - Debt collection
  - Security

Pillars Of Excellence

- **People**
  - Multi-tiered development
  - Management stability – Ave 7 years
  - Thought leadership – CCF, PLASA, PtD, Rx360, PCMA, PHEF
- **Quality**
  - ISO 9001:2008
  - Cold chain
- **Reach**
  - Geography – pan-SSA
  - Channels – FMCH / veterinary care
  - Models of channel management
- **Service**
  - Delivery performance
  - Flexibility
  - MediQ

IHS Coverage & Services

- Provides **end-to-end** supply chain solutions including:
  - ✓ FCL consolidation ex Europe
  - ✓ Inbound Freight Management
  - ✓ Warehousing
  - ✓ Order Management
  - ✓ Secondary Repackaging
  - ✓ Kitting
  - ✓ Outbound Distribution
  - ✓ Customer Services
  - ✓ 3PL, Stock Purchasing Model or Distributor
  - ✓ Debtor management
  - ✓ Reverse logistics
  - ✓ Cold chain specialists
  - ✓ Infrastructure deployment
  - ✓ Health system strengthening
    - ✓ Consulting & training



SAP

SABS ISO 9001

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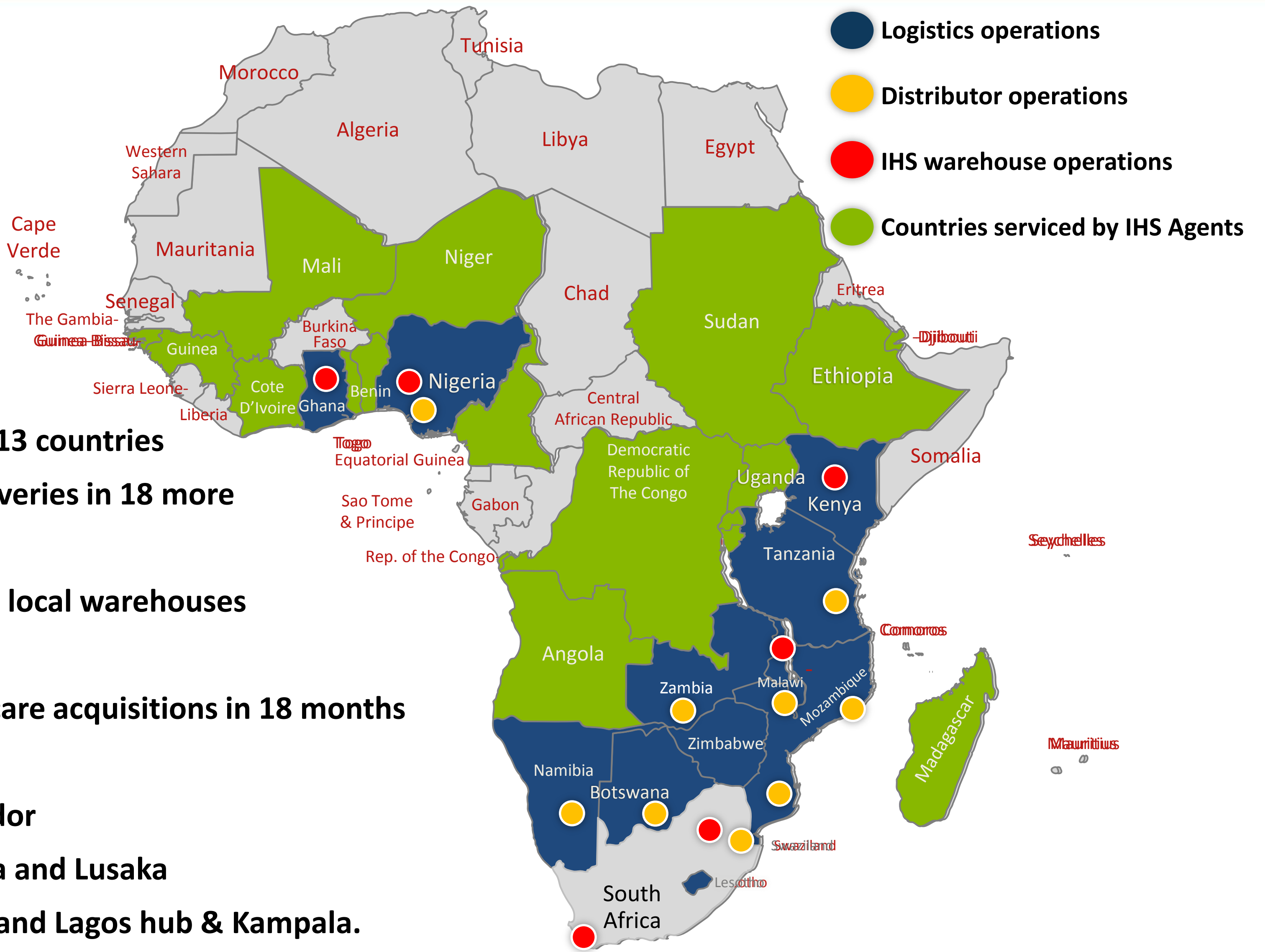
Imperial's Current Footprint



- Infrastructure in 13 countries
- Cross border deliveries in 18 more
- 674 vehicles
- > 75 regional and local warehouses
- Planned capex
- $150m in healthcare acquisitions in 18 months
- In development
  - Beira Corridor
  - DCs in Beira and Lusaka
  - Kenya hub and Lagos hub & Kampala.
- Recent Acquisitions: WWCVL and MDS

IHS Client Base

Pharmaceutical Companies

Medicines, Vaccines, Consumer Healthcare Products

PEPFAR

(USG HIV Program in Africa)

THE GLOBAL FUND

(MPP Program)

NDoH SOUTH AFRICA

PPP – Public Private Partnerships

IHS Southern Africa Region - Centurion

South Africa - Centurion

- Warehouse 32,000 m^2

22,500 pallet spaces

1,100 cold room locations

- Transportation

  Local: own vehicles

  Export: own & contractors

- Facility

  GDP compliant

  ISO 9001:2008 certified

  SA's only bonded facility

IHS SA - Centurion

IHS Southern Africa Region - Cape Town

South Africa – Cape Town

- Warehouse 7,500 m^2

  8,092 pallet spaces

  504 cold room locations
- Transportation

  Local: own vehicles

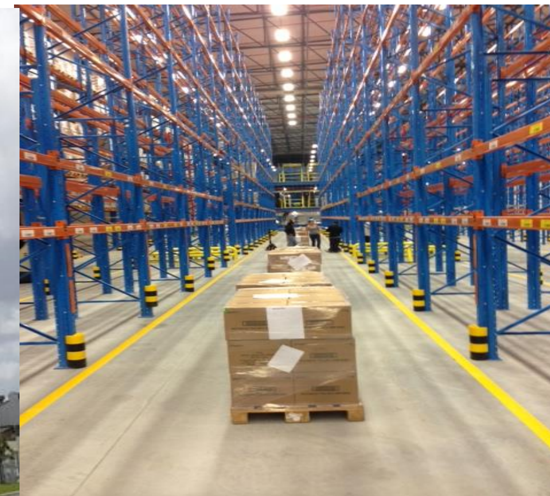
  Export: own & contractors
- Facility

  GDP compliant

  ISO 9001:2008 certified

  Greening/Sustainability initiatives employed

IHS SA - Cape Town



IHS East Africa Region - Nairobi

Kenya - Nairobi

- Current warehouse 7,000m^2
  - 6,800 pallet spaces
  - 100 cold room
  - 20 dangerous goods
  - High risk / High value area
- 2015 new WH 10,000m^2
- Transportation
  - Local owned
  - Ntl / Export - contractors
- Facility
  - GDP compliant
  - ISO 9001:2008 certified
- **MIS**

SAP, CRM, SLE / TIMS, MEDiQ

IHS – Nairobi, Kenya

IHS West Africa Region …

Ghana - Tema

- Warehouse 2,300m^2
  - 2,550 pallet spaces
  - 40 cold room
  - 20 dangerous goods
  - High risk / High value area
- Transportation
  - Export
- Facility
  - GDP compliant
  - ISO 9001:2008 in Q2 12
  - Bonded

Nigeria - Abuja

- Shared facility 1800m^2
  - 1600 pallet spaces
- **Nigeria - Lagos [in planning]**
- **MIS**
  - SAP, CRM, SLE/TIMS, MEDiQ

IHS – Accra, Ghana

IHS Malawi …

Malawi – Lilongwe

- Warehouse 2,000m^2
  - 1250 pallet spaces
  - High risk / High value area
- Transportation
  - Domestic 667 sites.
- Facility
  - GDP compliant
- **MIS**
  - SAP, CRM, SLE/TIMS, MEDiQ

IHS- Malawi, Lilongwe Facility

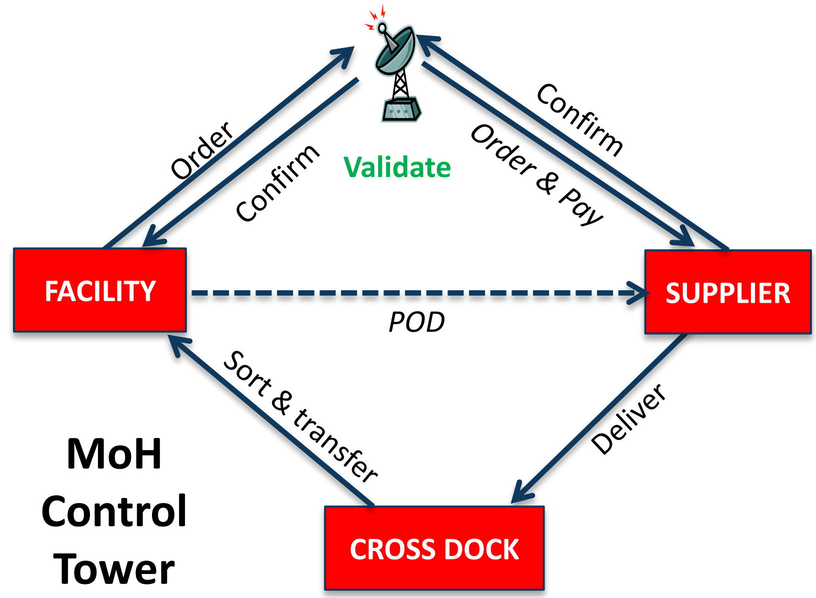
Excellence – Service Delivery, Security, Standards

- Service levels to be managed proactively - High Level Client Care
- Trending, root cause analysis and prompt corrective action
- Client queries managed through the High Level Client Care team are addressed within an hour
- IHS Service levels over the last 6 months – **98.11%**
- “Eyes of the customer”– measures customers experience of service levels - assist clients with customer perception

Excellence – Cold Chain

- Validated to WHO guidelines & PDA technical report 39
- Validation methodology published in SA Pharmacy Journal
- Validation audited and approved by our multi-national clients
- Controlled processes
- Pan-SSA
- Thought leadership
- EU Consolidation
- ORTIA re-icing

Excellence – Innovation



MoH Control Tower

Serialisation & Authentication with Trustatag

Unjani Clinics

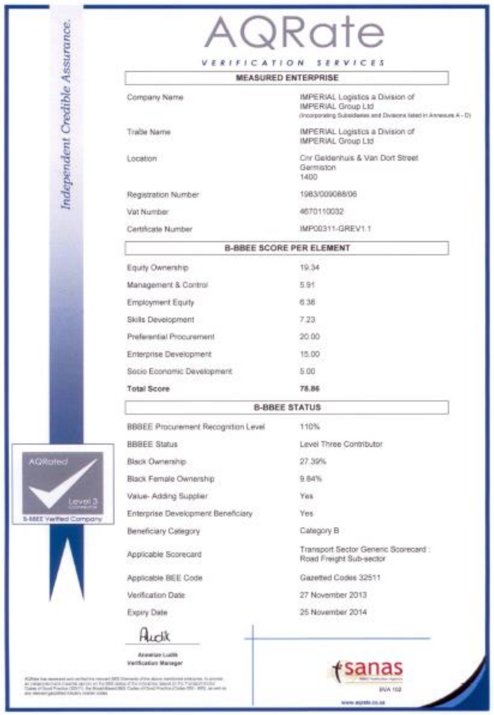
Excellence – Sustainability

B-BBEE is a strategic imperative

- **Level 3** contributor with **Value Add Supplier** Status
- **137.5%** Procurement Spend Recognition

Environmental Impact

- Reduced consumption of electricity by **8.13%** in 2013
- Cape Town facility uses environmentally responsible and resource-efficient principles:
  - LED lighting and motion sensors
  - Thermo-painted with shield coating
- Reduced waste generated from operations by **70 %** in 2013
- Water recycling in Centurion saves **+/- 10 000 L** per day



AQRate

VERIFICATION SERVICES

Independent Credible Assurance.

MEASURED ENTERPRISE

Company Name	IMPERIAL Logistics a Division of IMPERIAL Group Ltd (Incorporating Subsidiaries and Divisions listed in Annexure A - D)
Trade Name	IMPERIAL Logistics a Division of IMPERIAL Group Ltd
Location	Cnr Geldenhuis & Van Dort Street Germiston 1400
Registration Number	1983/009088/06
Vat Number	4670110032
Certificate Number	IMP00311-GREV1.1

B-BBEE SCORE PER ELEMENT

Equity Ownership	19.34
Management & Control	5.91
Employment Equity	6.38
Skills Development	7.23
Preferential Procurement	20.00
Enterprise Development	15.00
Socio Economic Development	5.00
Total Score	**78.86**

B-BBEE STATUS

BBBEE Procurement Recognition Level	110%
BBBEE Status	Level Three Contributor
Black Ownership	27.39%
Black Female Ownership	9.84%
Value- Adding Supplier	Yes
Enterprise Development Beneficiary	Yes
Beneficiary Category	Category B
Applicable Scorecard	Transport Sector Generic Scorecard : Road Freight Sub-sector
Applicable BEE Code	Gazetted Codes 32511
Verification Date	27 November 2013
Expiry Date	25 November 2014

AQRated Level 3 B-BBEE Verified Company

Verification Manager

sanas

BVA 102

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Africa’s Leading Healthcare Logistics Partners