Sale of generic pharmaceutical operations in Australia and Southeast Asia for AU$375 million

Analyst Presentation

24 January 2012
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On Tuesday, 24 January 2012, Strides Arcolab sold Ascent Pharmahealth, its generic pharmaceutical operations in Australia and Southeast Asia, to Watson Pharmaceuticals.

All-cash transaction valuing Ascent at an enterprise value of AU$ 375 million (US$393 million at current exchange rate).

Watson acquired 100% of Ascent, including 94% from Strides Arcolab and the remaining 6% from Dennis Bastas, Founder and CEO of Ascent.

Simultaneous signing and closing of the transaction fully de-risked the transaction.
Overview of Ascent Pharmahealth Limited

Australia
- Top 5 generic pharmaceutical company
- Second largest pharmacy field force
- Robust portfolio of marketed and pipeline products across generics, OTC, skin care and dermatology as well as established off-patent brands on behalf of global innovator companies
- Contributes c.80% of Australasia revenue

Southeast Asia
- Leading generic pharmaceutical company in Singapore (Drug Houses of Australia)
- Scalable platform across Malaysia, Hong Kong, Vietnam, Thailand, Myanmar and Brunei
- Branded generics model
- Manufacturing facility in Singapore
- Contributes c.20% of Australasia revenue

Contribution to Group 2011 guidance

Consolidated revenue
US$ 482 million

Consolidated EBITDA range
US$ 96 million – US$ 105 million
Transaction rationale and use of proceeds

1. Executing on the announced strategy to focus on core high-growth Agila business

2. Monetising significant value creation at Ascent

3. Strengthening balance sheet
Executing on the announced strategy to focus on core high-growth Agila business

Growth capital to drive forward strategy for Agila Specialities

Attain global leadership position in the steriles sector

Better placed to fund future capital expenditure in Agila

Potential re-rating given higher growth profile and profitability of the Group

Enhanced management focus on Agila
Monetising significant value creation at Ascent

Strides has significantly increased the value of Ascent since initial investment in 2008

R&D collaboration with Strides, improved sourcing through site transfer and improved bargaining position

- Leverage Strides’ development capabilities
- Emphasis on IP ownership: 14 IP projects undertaken
- Strong, deep product pipeline with day-1 launch capabilities: 17 actual and 5 potential projects
- Improved profitability and competitiveness through superior COGS: 11 completed projects with cost reduction of 15%–75%. Eight projects to complete in 2012

Strategic combination with Drug Houses of Australia (DHA) in Southeast Asia

- Creating a regional leader: US$ 10 billion market
- Roll-out of Ascent products across markets
- Sharing of best-practices, particularly in sale and marketing and registration
- Geographic expansion in Southeast Asia: Vietnam, Thailand, Philippines
Monetising significant value creation at Ascent

Valuation achieved is at the top end of the very best transactions in the industry

Transaction value / LTM EBITDA ratio

- Ascent’s 2011 EBITDA based on contribution of 18%–20% to Strides’ consolidated 2011 guidance of US$ 96 million – US$105 million (guidance converted at average 2011 exchange rate of AU$ 1 = US$ 1.03)
- EBITDA excludes any synergies available to Watson

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<thead>
<tr>
<th>Acquirer</th>
<th>EBITDA Multiple</th>
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<tbody>
<tr>
<td>Mayne / Hospira</td>
<td>15.9x</td>
</tr>
<tr>
<td>Docpharma / Matrix</td>
<td>14.9x</td>
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<tr>
<td>Ratiopharm / Teva</td>
<td>13.6x</td>
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<tr>
<td>Andrx / Watson</td>
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<tr>
<td>Barr / Teva</td>
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<td>Eon Labs / Novartis</td>
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<td>Amide / Actavis</td>
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<td>Sigma / Aspen</td>
<td>7.6x</td>
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Average: 12.0x

(1) LTM = last twelve months. Source: Press releases, equity research and Company estimates.
Strengthen balance sheet

Use of proceeds

Total Consideration

- AUD 375 Mn

Debt Reduction

- USD 250 Mn

- Proceeds being used to
  - Pay down US$250 million debt, of which US$120 million will be used for redemption of the convertible bond due in June-2012
  - Growth Capital for Agila

- These funds will allow Strides to radically improve its leverage position, reducing its net debt

- Dual Positives
  - Substantial reduction in Debt
  - Increase in Net Worth on Profit from the transaction.

- Company will be better placed to fund future capital expenditure in Agila, its steriles business

- All debts and obligations of Ascent have been repaid or transferred to Watson as part of the transaction
Thank You