



**ACQUISITION OF SURGICAL INNOVATIONS AND
WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT**

1. Introduction

Further to the cautionary announcement released on SENS on 22 November 2013, Ascendis shareholders are advised that the Company has entered into an agreement dated 23 November 2013 ("the Agreement") with Christiaan Swanepoel ("CS"), Gregory Vizirgianakis ("GV"), Joseph Lebos, the Trustees of the Lereko Metier Capital Growth Fund ("Lereko-Metier"), the Trustees of the LMCGF Parallel Trust 1 ("LMCGF") and Stavros Vizirgianakis ("SV") (collectively, "the Sellers"), in terms of which Ascendis will acquire 100% of the issued ordinary share capital of Surgical Innovations Proprietary Limited ("Surgical Innovations") ("the Acquisition"), with effect from 1 October 2013 ("the Effective Date").

2. Rationale for the Acquisition

Ascendis is a health and care brands company consisting of three divisions: Consumer Brands (over-the-counter medicines, vitamins, sports nutrition and skin care products), Pharma-Med (prescription drugs and medical devices) and Phyto-Vet (plant and animal health and care).

Surgical Innovations is a fast growing medical device distributor, specialising in the surgical device needs of South African surgeons. Surgical Innovations employs more than 135 employees and has achieved compound annual growth in revenue of circa 20% over the last three years.

Ascendis has completed the Acquisition, subject to the fulfilment of certain conditions precedent, with the strategic intent of integrating, as an essential component, Surgical Innovations into its Pharma-Med Division. Surgical Innovations has key agencies for surgical and other medical equipment which further enhances the Company's positioning to service hospitals, clinics and government tenders.

By leveraging the Company's existing health and care platforms, Ascendis intends to assist Surgical Innovations in becoming a leading provider of medical devices throughout South Africa, to both private and government hospitals, through increased market penetration in current speciality areas, additional product lines as well as further carefully considered strategic acquisitions.

3. Salient features of the Acquisition

3.1 Purchase consideration

3.1.1 The purchase price for the Acquisition is:

- 3.1.1.1 an amount of R300 million ("the First Tranche") less Net Cash defined in paragraph 3.6.1 below; plus
- 3.1.1.2 the following profit target payments ("the Profit Target Payments"):
 - 3.1.1.2.1 a maximum amount of R6 million ("the Second Tranche Payment"), together with interest, as described in paragraph 3.2.1 below; plus
 - 3.1.1.2.2 a maximum amount of R15 million ("the Third Tranche Payment") as described in paragraph 3.2.2 below; plus
 - 3.1.1.2.3 a maximum amount of R15 million ("the Fourth Tranche Payment") as described in paragraph 3.2.3 below,

("the Purchase Consideration").

3.1.2 The First Tranche will be discharged by Ascendis as follows:

- 3.1.2.1 Ascendis issuing 9 727 852 new Ascendis shares ("the Consideration Shares") at a price of R11.00 per Consideration Share to the Sellers ("Equity Settled Portion"); and
- 3.1.2.2 the balance of the First Tranche by means of a cash payment of R192 993 629 to the Sellers ("Cash Settled Portion").

The First Tranche shall be discharged by the Company on the fifth business day after the date upon which the conditions precedent are fulfilled ("the Closing Date"). The First Tranche is also subject to an additional payment, in cash, of R3 million from the Effective Date to 30 November 2013, plus R3 million per month from 1 December 2013 until the Closing Date, being the agreed excess working capital to be distributed to the Sellers.

3.2 The Profit Target Payments

- 3.2.1 The Second Tranche Payment of R6 million shall be made in respect of the Acquisition should Surgical Innovations' 2014 turnover exceed certain specified targets. The Second Tranche Payment shall be discharged by the Company, at the election of SV, in cash or Ascendis shares to SV at an issue price equal to the higher of the listing price of R11.00 per share and the 30-day volume weighted average price of the Company's shares on the JSE at the date of such issue.
- 3.2.2 The Third Tranche Payment of R15 million shall be made in respect of the Acquisition should Surgical Innovations' 2015 earnings before interest and tax ("EBIT") exceed certain growth targets. The Third Tranche Payment shall be discharged by paying an amount of R15 million in cash to SV.
- 3.2.3 The Fourth Tranche Payment of R15 million shall be made in respect of the Acquisition should Surgical Innovations' 2016 EBIT exceed certain growth targets. The Company shall discharge the Fourth Tranche Payment by paying an amount of R15 million in cash to SV.
- 3.2.4 Should the aggregate of the 2015 EBIT and the 2016 EBIT exceed the aggregate of the respective specified targets and the amount paid in respect of the Third Tranche Payment or the Fourth Tranche Payment is less than R15 million, then the Company shall pay an amount in cash to SV which is equal to the difference between R30 million and the aggregate of the Third Tranche Payment and the Fourth Tranche Payment.

3.3 Conditions precedent

The Acquisition is subject to Ascendis and the Sellers obtaining such regulatory approvals necessary to enable them to implement the Acquisition, including the consent of the Competition Authorities, by no later than 100 (one hundred) days after the date upon which the relevant submissions are made to the Competition Authorities, and by no later than 28 February 2014 in respect of any other relevant regulatory approvals.

3.4 Lock-in provisions

- 3.4.1 In terms of the Agreement, Joseph Lebos, Lereko-Metier and LMCGF may not dispose of or offer any of their Consideration Shares until 30 April 2014.
- 3.4.2 Furthermore, for a period of three years commencing on the Closing Date ("the Lock-in Period"):
 - 3.4.2.1 none of the Sellers shall sell, alienate or in any other way dispose of or transfer (collectively referred to as "transfer") any or all of their Consideration Shares; and

- 3.4.2.2 none of the Sellers shall encumber or pledge any or all of their Consideration Shares unless the person to whom such shares have been pledged or encumbered agrees to be bound by the lock-in provisions of this paragraph 3.4.

3.4.3 During the Lock-in Period a Seller ("the Offeror") shall not be entitled to transfer any Consideration Shares unless those Consideration Shares have first been offered in writing ("the Offer") to the Company at a cash price for the Consideration Shares ("the Offer Purchase Price") to be stated by the Offeror in the Offer and on the basis that the Offer Purchase Price shall be discharged within two business days after the acceptance of the Offer on transfer of the relevant Consideration Shares.

3.5 Warranties and indemnities

The warranties and indemnities applicable to the Acquisition are standard for transactions of this nature.

3.6 Other significant terms of the Acquisition

- 3.6.1 As at the Effective Date, an amount of R21 million remains payable by Surgical Innovations to Lereko-Metier by 30 April 2014. Interest is payable on the loan at a rate of 10.5% per annum, which is equal to the prime overdraft rate plus 2%. The loan is offset against the cash on hand balance, as at the Effective Date, of R24.5 million ("Net Cash").
- 3.6.2 As at the date of entering into the Agreement and a condition to the Acquisition, each of CS, GV and SV has entered into service agreements with Surgical Innovations.
- 3.6.3 In terms of the Agreement, GV and SV are restrained, for a defined period of time, from acquiring an interest in any business that competes with Surgical Innovations or directly or indirectly being involved, in any way, in any business that competes with Surgical Innovations within Africa, Madagascar and Mauritius.

4. Unaudited pro forma financial effects ("Financial Effects") of the Acquisition

The table below sets out the Financial Effects of the Acquisition on the Company's earnings per share ("EPS"), headline earnings per share ("HEPS"), fully diluted earnings per share ("Diluted EPS"), net asset value per share ("NAV") and net tangible asset value per share ("NTAV"). The Financial Effects and the preparation thereof, which is the responsibility of the directors of Ascendis, have been prepared for illustrative purposes only, and because of their nature, may not give a fair reflection of the Company's financial position and results of operations, nor the effect and impact of the Acquisition on Ascendis going forward.

	<i>Pro forma</i> 30 June 2013 – Before the Acquisition (cents)	<i>Pro forma</i> 30 June 2013 – After the Acquisition (cents) ¹	Change (%)
HEPS ^{1,3,5,7,8}	49	61	25
EPS ^{1,3,5,7,8}	49	62	26
Diluted EPS ^{1,3,5,7,8}	49	62	26
NAV ^{2,3,6,7}	617	671	9
NTAV ^{2,3,6,7}	235	173	(26)
Weighted average and total shares in issue ^{3,7}	159 607 515	169 335 367	6

Notes:

- For the purposes of calculating HEPS, EPS and Diluted EPS, the amounts in the "Pro forma 30 June 2013 – Before the Acquisition" column are based on Ascendis' pro forma statement of comprehensive income for the year ended 30 June 2013, as contained in the pre-listing statement dated 15 November 2013 ("the Pre-Listing Statement").
- For the purposes of calculating NAV and NTAV, the amounts in the "Pro forma 30 June 2013 – Before the Acquisition" column are based on Ascendis' pro forma statement of financial position at 30 June 2013 as contained in the Pre-Listing Statement.
- The weighted average and total shares in issue of 159 607 515, used for purposes of calculating HEPS, EPS, Diluted EPS, NAV and NTAV in the "Pro forma 30 June 2013 – Before the Acquisition" column, are based on Ascendis' pro forma statement of comprehensive income and pro forma statement of financial position for the year ended and at 30 June 2013 as contained in the Pre-Listing Statement.
- The amounts in the "Pro forma 30 June 2013 – After the Acquisition" column have been calculated using the audited financial statements of Surgical Innovations for the twelve months ended 28 February 2013. These amounts have been adjusted to take into account the non-recurring expenses of R5 million relating to Dividends Withholding Tax payable on extraordinary dividends declared, R4.7 million (pre-tax) relating to directors' bonuses and R0.1 million (pre-tax) relating to amortisation of goodwill, as well as a headline earnings deduction of R1.4 million relating to an asset disposal. A tax rate of 28% is assumed for all "Pro forma 30 June 2013 – After the Acquisition" column adjustments.
- For the purposes of calculating the pro forma HEPS, EPS and Diluted EPS, it was assumed that the Acquisition was effective on 1 July 2012 and a post-tax lending rate of 6.5% was applied to the Cash Settled Portion of the First Tranche of the Purchase Consideration, resulting in an implied interest expense of R12.5 million (after tax).
- For the purposes of calculating NAV and NTAV, it was assumed that the Acquisition was effective on 30 June 2013 and that the net debt position is increased by an amount equal to the Cash Settled Portion. The allocation of the Purchase Consideration resulted in an increase of intangible assets of R233 million.
- Pro forma HEPS, EPS, Diluted EPS, NAV and NTAV have been calculated using the pro forma weighted average and total number of shares in issue, as applicable, for the year ended 30 June 2013 of 159 607 515 shares as per the Pre-Listing Statement together with the Consideration Shares to be issued (the Company has no treasury shares in issue).
- Despite the Effective Date of the transaction being 1 October 2013, Ascendis will start to account for Surgical Innovations' earnings from the Closing Date, and therefore the consolidated accounts for Ascendis for the year ended June 2014 will not reflect the full year of Surgical Innovations' earnings.

5. Categorisation of the Acquisition

The Acquisition is categorised as a Category 2 transaction in terms of the JSE Limited Listings Requirements.

6. Withdrawal of cautionary announcement

As the detailed terms of the Acquisition have been disclosed, shareholders are no longer required to exercise caution when dealing in the Company's securities.

Cape Town
25 November 2013

Investment bank and sponsor



Legal advisor



External auditors

