



INTEGRATED ANNUAL REPORT **2017**

Contents



06

ABOUT US

Introducing Ascendis Health
A decade of growth
Business model and strategy
Investment case
Managing stakeholder relationships
Material issues, risks and opportunities



24

LEADERSHIP REVIEW

Chairman's letter
Chief executive officer's report
Chief financial officer's report



36

OPERATIONAL REVIEW

Pharma-Med
Consumer Brands
Phyto-Vet



50

CORPORATE GOVERNANCE

Corporate governance report
Board of directors
Executive management
Remuneration report
Social and ethics committee report



71

ANNUAL FINANCIAL STATEMENTS

Summarised financial statements
Notes to summarised financial statements



88

SHAREHOLDER INFORMATION

Shareholder analysis
Shareholders' diary
Corporate information

2017 in review

Revenue

▲ 64%

R6.4 billion

Normalised
EBITDA

▲ 78%

R1.1 billion

EBITDA
margin

16.9%

+130bps

Normalised
HEPS

▲ 29%

156.4 cents
per share

The integrated report is supplemented by additional information which is available online at www.ascendishealth.com/investor-relations

Financial and governance reporting

- Annual financial statements 2017
- Annual results 2017 presentation and announcement
- Application of King III principles 2017

Annual general meeting

- Notice to shareholders (including proxy form)

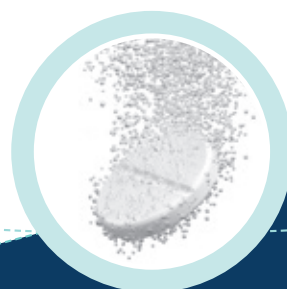


Cash from
operations

R787m

Global healthcare
business with 60%
profit generated
outside SA

Three international
acquisitions completed
during the year



Our commitment to integrated reporting

Ascendis Health has pleasure in presenting its 2017 integrated annual report which is aimed at demonstrating in a balanced manner how the group's strategy creates and sustains value for our shareholders in the short, medium and longer term.

We are now in our fourth cycle of integrated reporting since the company's listing in 2013 and are committed to enhancing disclosure each year by aligning with best reporting practices. This year's report incorporates a heightened focus on value creation in our business, internationalisation, disclosure of material issues which could have a significant impact on the profitability and sustainability of the business, and our stakeholder engagement programme.

The report is again focused primarily on our shareholders and the wider investor community locally and offshore. However, we recognise that several other stakeholder groups are very important for Ascendis Health and influence our ability to create value, including our customers, consumers, suppliers, funders, regulators and employees in South Africa and across our international operations.



Read more on the website



Available for download on the website



REPORTING SCOPE AND BOUNDARY

The integrated report covers the financial and non-financial performance of Ascendis Health and its subsidiaries (the group) for the financial year 1 July 2016 to 30 June 2017. The company is based in South Africa and also has business operations in Spain, Cyprus, Hungary, Romania and Australia, with products exported to more than 120 countries.

REPORTING COMPLIANCE

This integrated report complies with the South African Companies Act and the JSE Listings Requirements, and the board and management have applied the King Code of Corporate Principles 2009 (King III).

The group is only required to apply and report according to the King IV Report on Corporate Governance (King IV) in the 2018 financial year. Pleasing progress has been made in aligning our governance practices with the new code.

The guiding principles of the International Integrated Reporting Council's Framework have been applied in preparing this report. The Integrated Reporting Framework identifies the different forms of capital resources used by businesses to create value, namely financial, manufactured, intellectual, human, social and relationship, and natural capital. The group's activities and performance relating to these different forms of capital are covered throughout the integrated report.

MATERIALITY PRINCIPLE

The principle of materiality continues to be applied in determining the content and disclosure in the integrated report. This covers issues that the board and management believe could impact positively or negatively on the group's ability to create value and have a material impact on strategy, revenue and profitability. This excludes the disclosure of price-sensitive information or detail that could compromise the group's competitive position.

EXTERNAL ASSURANCE

The content of the integrated report has been reviewed by the audit and risk committee, management and internal audit and has not been externally assured. The external auditor, PricewaterhouseCoopers Inc, has reviewed the financial information contained in the integrated report and has provided assurance on the annual financial statements which are available on the group's website.

FORWARD-LOOKING STATEMENTS

The integrated report includes forward-looking statements which relate to the possible future financial position and results of the group's operations. These statements by their nature involve risk and uncertainty as they relate to events and depend on circumstances that may or may not occur in the future.

The group does not undertake to update or revise any of these forward-looking statements publicly, whether to reflect new information or future events or otherwise. The forward-looking statements have not been reviewed or reported on by the group's external auditor.

BOARD APPROVAL

The directors have reviewed the integrated report and collectively believe it is a fair representation of the group's performance, material issues, risks, strategy and growth prospects. The audit and risk committee, which has oversight for the integrity of the integrated report, recommended the report for approval by the board of directors who accordingly approved the 2017 integrated report for release to shareholders.

John Bester
*Independent
non-executive
chairman*

Dr Karsten Wellner
*Chief executive
officer*



About
us



Core values



Success

Recognising value and achieving results

How do we demonstrate 'success':

- 1 We are results-orientated and passionately contribute towards developing our people, our products, and our services on a daily basis.
- 2 We clarify our expectations of each individual and foster an environment that allows each person to excel in their role.
- 3 We demonstrate a drive to be the best we can be in all that we do. We acknowledge and reward success.
- 4 We actively build success stories by taking the initiative, leading by example and celebrating exceptional performance.

Reward

Compensation for efforts achieved

Performance

Is a consequence of meeting and exceeding expectations



Integrity

Demonstrating ethical accountable and consistent behaviour

How do we demonstrate 'integrity':

- 1 We conduct ourselves in a manner that builds trust through being accountable to one another and role modelling the right behaviour.
- 2 We build our reputation and our brand by responding to situations in an ethical and professional manner.
- 3 We deliver on time and with quality.
- 4 We demonstrate genuine care in all of our day-to-day interactions with an external focus on specific social responsibility activities.

Trust

Believing that we are safe in one another's hands

Consistency

Repeating the same standards of excellence



Entrepreneurial spirit

Taking calculated risks, driven by innovative thinking

How do we demonstrate 'entrepreneurial spirit':

- 1 We encourage original thinking in our teams and take time to innovate in order to achieve improved results.
- 2 We ensure that the best commercially viable solution is achieved by promoting diverse perspectives, rather than suppressing them.
- 3 We are optimistic to all possibilities and encourage our people to think differently.
- 4 We take calculated risks in our pursuit of our shared strategy.

Strategic

Action plan in pursuit of anticipated outcomes

Innovative

Translating creative ideas into action



Introducing Ascendis Health

Ascendis Health is a South African-based global health and care company which owns a portfolio of market-leading brands for humans, plants and animals.

The group's strategy is to complement organic growth in the health and care markets by acquiring bolt-on companies in South Africa, acquiring international platform and complementary businesses, and extracting synergies from these acquisitions.

The brands are housed across the Pharma-Med, Consumer Brands and Phyto-Vet divisions, with revenue diversified across products, channels, geographic regions and currencies.



Divisions	Pharma-Med	Consumer brands	Phyto-Vet
Sub-divisions	Pharma Medical Devices	Wellness Skin and Body Sports Nutrition Direct Selling	Biosciences Animal Health
Market offering	Generic and OTC pharmaceuticals, clinical and diagnostic medical devices	Preventative health, health and wellness supplements, sports nutrition and skin care	Entomology, horticulture, agronomy and veterinary sciences
Revenue contribution	56% (2016: 59%)	30% (2016: 23%)	14% (2016: 18%)
EBITDA contribution	63% (2016: 56%)	25% (2016: 30%)	12% (2016: 14%)



MARKET-LEADING BRAND PORTFOLIO

Ascendis Health owns some of the most highly recognised brands in the health and care market in South Africa and in select international markets. Many of these products are ranked number one or two in their respective markets and have also demonstrated their quality and customer satisfaction in markets across the European Union, Africa, the Middle East and Australia.



GROWING INTERNATIONAL PRESENCE

In line with the focus on international growth from its South African base, Ascendis Health has concluded four offshore acquisitions in the last two years totaling over €500 million.

The purchase of a 49% stake in Spanish pharma business Farmalider in 2015 was followed by the transformative acquisitions in 2016 of Remedica Holdings, a generic pharmaceutical manufacturer in Cyprus which exports most of its products into high-growth emerging markets, and Scitec International, a leading European sports nutrition business. In 2017 the group acquired Sun Wave Pharma, a branded over-the-counter nutraceutical business based in Romania and active in the fast-growing eastern European market.

Foreign revenue now accounts for 43% (2016: 12%) of the group's total sales, with products sold in over 120 countries across all continents.



ENTREPRENEURIAL CULTURE

Ascendis Health has a distinctly entrepreneurial culture, from the founding partners to the executive management team, to the founder-owners of the businesses acquired over the past nine years, with some of these former owners working in a mid-term earn-out model. The vast majority of the companies acquired by Ascendis have been privately-owned, entrepreneurial businesses, with a strong growth track record and mostly selling market leading brands. The group offers these founder-owners the balance between entrepreneurial freedom and the benefits of a corporate environment and infrastructure.



A decade of growth

JSE

Listed on JSE
22 November 2013
Market capitalisation
R2.5 billion

WDB INVESTMENT HOLDINGS

MIC
MICROBIAL INNOVATION CENTRE

Strategic
empowerment
shareholding
transactions



Dr Karsten Wellner
appointed CEO

Ascendis
HEALTH

20
08

Ascendis Health
founded by investment
holding company
Coast2Coast Capital

20
11

ACQUISITIONS

EFEKTO

Chempure
Your natural link to vitality

SPORTRON
INTERNATIONAL
THE WELLNESS COMPANY

20
12

ACQUISITION

AVIMA
Manufacturers and Distributors of Oral Products
for Public Health Protection and Empowerment

20
13

ACQUISITIONS

Atka
Pharma

nimue
BIOSCIENCE

BOLUS
DISTRIBUTION
IMPORTED SPORT SUPPLEMENTS

PHARMACHEM
PHARMACEUTICALS
Excellent Clinical Research

SOLAL
HEALTHY AGING SPECIALISTS

EVVOX
ADVANCED NUTRITION

SSN
SCIENTIFIC SPORTS NUTRITION

marltons
Your Pet's Choice

GUINNESS



Investment Analysts Society of South Africa (IASSA) Award

ACQUISITIONS



First international acquisition



The Scientific Group



International Finance Corporation
WORLD BANK GROUP

IFC strategic investment
- subsidiary of World Bank

Global business with revenue exceeding R6 billion

2017

2016

2015

2014

ACQUISITIONS



Sun Wave Pharma



ANIMAL HEALTH



Investment Analysts Society of South Africa (IASSA) Award

ACQUISITIONS



FOR A HEALTHIER WORLD



Nature in balance



ACQUISITIONS



The Natural Medicine Company



R2 billion corporate bond programme



Ascendis
HEALTH

Business model and strategy





GROWTH STRATEGY



KEY GROWTH DRIVERS



ACQUIRE AND BUILD STRONG HEALTH AND CARE BRANDS

- Acquire**
- Defensible
 - Brand / IP
 - Mature and profitable
 - Strong management

- Build**
- Inject Ascendis best practice
 - Profitability
 - Innovation
 - Brand and product management
 - Process
 - Project teaming
 - Skills development



ADD VALUE BY DRIVING SYNERGIES

- Through value chain
- Within and across divisions



PROVIDE HOLISTIC HEALTH SOLUTIONS FOR HUMANS, ANIMALS AND PLANTS

* Average annual growth targets per medium-term strategy.

Market-leading brands



Wellness

- 3rd biggest multi vitamins and minerals supplier in South Africa (IMS SA - Total Private Market, Anatomical Therapeutic Class 3)
- Number 2 manufacturer of iron supplements in South Africa (IMS SA - Total Private Market, Anatomical Therapeutic Class 3)
- 2nd biggest supplier of calcium supplements in South Africa (IMS SA - Total Private Market, Anatomical Therapeutic Class 3)
- Leading nutraceutical company in Romania



Skin and Body

- Major player in professional skincare in South Africa and active in Europe (Mordor Intelligence)



Sports Nutrition

- 2nd biggest supplier in the sports nutrition category in South Africa (Euromonitor)
- Number 3 supplier of sports nutrition products in Europe



Direct

- One of the top direct selling nutraceutical companies in Africa



Pharma

- Number 1 probiotic range in South Africa (IMS - Total Private Market Anatomical Therapeutic Class 3)
- Ranked 3rd in South African colds and flu market (IMS - Total Private Market Anatomical Therapeutic Class 3)
- Leading business to business supplier in pain management in Spain



Medical

- Leading distributor of surgical consumables and equipment for hospitals in South Africa
- One of the top providers of respiratory care (infants and adults) in South Africa
- Active player in the orthopaedic market in South Africa
- Leading supplier in in-vitro diagnostic solutions in Africa



Biosciences

- 2nd largest manufacturer in the garden and home category in South Africa (IRI - Defined supermarkets)
- One of the largest suppliers of agricultural plant growth stimulants



Animal health

- Number 2 supplier in the pet complementary category (IRI - Defined supermarkets)
- Large share of the production animal health category in South Africa (SAAHA)

Investment case

Ascendis Health offers investors exposure to high growth health and wellness markets in South Africa and Europe, with a well diversified revenue base across products and channels, and an increasing proportion of earnings generated in hard currencies. The successful execution of its organic, acquisitive and synergistic growth strategies, underpinned by market-leading brands, should ensure sustainable value creation for shareholders.

Attractive market positioning

- Health and care markets are high growth sectors locally and internationally
- Resilient and defensive markets
- Significant barriers to entry into highly regulated markets
- Business model supported by trends towards self-medication, co-payments, diagnostic and preventative medicine, and governmental health care policies worldwide

Creating efficiencies through synergistic growth

- Proven ability to integrate acquisitions and extract efficiencies
- Realised synergies of R88 million since 2013 and pipeline of projects with significant potential
- Vertical integration within the value chain creates opportunities for margin expansion

Diversification through acquisitions

- Revenue diversified across geographic regions, multiple health and care market segments and extensive brand portfolio
- No single client dependency across customer base
- Earnings increasingly diversified into hard currencies: 60% in 2017

Acquisitions supporting organic growth

- Over R10 billion invested in 33 acquisitions since founding
- Ability to raise capital to fund acquisitions
- Targeted acquisition model: three-year profit growth; cash conversion rate of 60% - 100%; internal rate of return 25%; return on tangible net assets of 30% - 40%

Market-leading brands

- Long-established and defensible brands, with a focus on owned brands
- Number 1 or strong number 2 or 3 brands in all health and care market segments in which the group operates

Sustained value creation

- 81% compound growth in revenue since listing in 2013
- 102% compound growth in EBITDA since 2013
- Created R5.7 billion in shareholder wealth since listing



Expanding international presence

- Offshore hard currency earnings provide natural hedge against Rand volatility
- Completed four international acquisitions: Farmalider (2015); Remedica (2016), Scitec (2016) and Sun Wave Pharma (2017)
- 43% of group revenue generated offshore in 2017 (2016: 12%)
- Products sold in over 120 countries across all continents
- Growth opportunities in Africa: currently export to 15 countries in Africa

Shareholding

- 31.3% interest held by founding shareholders Coast2Coast Capital and staff
- 28.2% black economic empowerment shareholding
- 20.7% international shareholding
- 4.9% holding by Ascendis management

Acquisition pipeline

- International: Seeking bolt-on opportunities for existing platforms
- International: Focus on acquiring platform companies for Wellness, Medical Devices and Phyto-Vet businesses in international high growth target markets in the medium term
- South Africa: Bolt-on acquisitions in all divisions; acquire brands with strong export component

Management

- Strong and stable leadership team
- Blend of company and industry experience locally and internationally
- Innovative and entrepreneurial culture



Managing stakeholder relationships

Proactive and ongoing interaction with key stakeholders supports sustainable value creation and allows the group to identify and address risks and opportunities. While the group engages with an extensive range of stakeholders that have a direct or indirect impact on the business, the engagement programme focuses on seven stakeholder groups that are most likely to have a material influence on the business.

Stakeholder	Engagement issues in 2017	Addressing engagement issues in 2017
Shareholders Institutional, strategic (including Coast2Coast Capital, International Finance Corporation, Kefolile Health Investments, Mineworkers Investment Company and WDB Investment Holdings) and private investors, as well as fund managers and analysts in South Africa and offshore.	<ul style="list-style-type: none"> • Current trading environment • International expansion • Integration of Remedica and Scitec • Gearing levels and funding • Margin pressure and costs • Exchange rate volatility • Acquisition pipeline • Earnings growth prospects 	<ul style="list-style-type: none"> • Investor expectations and concerns addressed in two broker-hosted pre-closed period presentations, annual and interim results presentations in Cape Town and Johannesburg, webcast of annual results presentation, and integrated report • Post-results investor roadshows undertaken in South Africa and offshore (broker hosted in New York, Boston, Paris, London, Frankfurt, UAE, Singapore) • Participated in four broker-hosted conferences • Hosted investor and analyst visits to Ascendis Pharma plant in Johannesburg and Remedica plant in Cyprus • Ongoing engagement with investors outside of closed periods • Regular Stock Exchange News Service (SENS) announcements on corporate activity • Sell-side coverage of Ascendis Health increased to three analysts • Established group treasury function to effectively manage foreign currency risk
Lenders and funders Local and international financial institutions who provide capital to facilitate growth	<ul style="list-style-type: none"> • Current trading environment • Governance and risk management • Gearing levels and funding • Earnings growth prospects • Adherence to covenants 	<ul style="list-style-type: none"> • Reporting on covenants and forward projections provided to lenders and funders • Ongoing engagement with funders and lenders, with update meetings post interim and annual results • Established group treasury function to effectively hedge interest rate risk • Publicly available information (refer to Shareholders above)
Customers Multiple customer channels including retail, beauty salons, pharmacies, dispensing doctors, wholesale, hospitals, agents and distributors, state entities via tenders, direct selling (network marketing), plant nurseries, pet and veterinary stores.	<ul style="list-style-type: none"> • Product quality and effectiveness • Pricing and payment terms • Product innovation • Product availability • Service levels 	<ul style="list-style-type: none"> • Key account management • Customer conferences and exhibitions • Interaction with purchasing departments • Monitoring and improvements of in-fill rates and other service level indicators • Ongoing search for suitable new agents and distributors • Product education



Stakeholder	Engagement issues in 2017	Addressing engagement issues in 2017
Consumers End users of products and brands	<ul style="list-style-type: none"> Product quality and effectiveness Product safety Competitive pricing Product availability 	<ul style="list-style-type: none"> Marketing and brand awareness New product launches Usage advice and guidance
Suppliers Providers of finished products, active pharmaceutical ingredients and raw materials, packaging and services	<ul style="list-style-type: none"> Reviewing and renewal of contracts Security of supply Compliance with health and safety, and ethical procurement standards Fair pricing structure and timely payments Transparent tender process 	<ul style="list-style-type: none"> Supplier site visits Audits of supplier production facilities Engagement on regulatory matters Development of BEE suppliers in South Africa which has improved preferential procurement rating
Regulators Departments of health and other government departments, regulatory bodies and local authorities in all jurisdictions. As a company listed in South Africa, Ascendis Health is regulated by the JSE Limited.	<ul style="list-style-type: none"> Legislative and regulatory compliance Submission of statutory returns Registration of products and licences to trade Inspection and registration of production facilities 	<ul style="list-style-type: none"> Ongoing engagement with healthcare regulatory bodies in all jurisdictions Audit and site inspections by regulatory authorities Engagement with financial and tax authorities in new countries of operation Membership of industry associations Training on regulatory, compliance and governance developments, including King IV and changes to JSE Listings Requirements
Employees Ascendis staff across all countries of operation.	<ul style="list-style-type: none"> Competitive remuneration and benefits Short-term (STI) and long-term incentive (LTI) schemes Career path planning and development Training and skills development Fair labour practices with equal opportunities Ongoing success of acquired businesses Retention rates Employee value proposition SETA grants 	<ul style="list-style-type: none"> Annual salary and rewards benchmarking surveys undertaken by remuneration consultants R9.8 million invested in training and skills development across the group to increase capabilities Retention rates improved to 15% New LTI with performance hurdles and caps to be introduced Earn-out model agreed with owners of certain businesses acquired in 2017, including restraints of trade Flexi hours introduced to promote work life balance SETA awarded R7 million in grants to fund 198 employed and unemployed learners

Material issues, risks and opportunities

Material issues have been identified by the board and management which could impact positively or negatively on Ascendis Health's ability to deliver its strategy and to create sustainable value for shareholders and other key stakeholders. In determining these material issues the directors have considered the group's strategy and business model, as well as the needs of major stakeholders, being shareholders, lending and funding institutions, customers, consumers, suppliers, regulators and employees.



ACQUISITIONS

Acquisitive growth is one of the key drivers of the group's strategy. This includes identifying and acquiring suitable businesses, integrating the newly acquired companies and ensuring that appropriate succession planning for the founder-owners of the businesses maximises the financial benefits and synergies from the acquisitions and overall growth of the business.

RELATED RISKS

- Poor integration planning could result in acquisitions not generating the desired synergies and financial returns
- Lack of access to capital (equity and debt) could constrain acquisitive growth strategy
- Inadequate succession planning to replace owners of acquired businesses could negatively affect performance

RISK MITIGATION

- Extensive market and financial analysis, and due diligence undertaken
- Consistent financial hurdle rates applied for acquisition targets
- Proven track record of accessing capital markets and debt facilities to fund acquisitions
- Management team and dedicated value creation team has proven ability to integrate acquisitions and extract synergy-based value on an ongoing basis
- Candidates identified across the group as potential successors to owners of acquired businesses



CHANGES IN TECHNOLOGY AND DATA SECURITY

RELATED RISKS

- Breaches of stakeholder privacy and losses of stakeholder data
- Cyber crime
- Legal liability and reputational damage
- Loss of intellectual property

RISK MITIGATION

- Policies to address data security risks
- Robust IT security governance and processes; user awareness
- Data security audits
- Secure data management and control processes
- Enterprise appropriate and secure group systems readily available; high levels of management and control processes in place

REGULATION

Ascendis Health supports the need for health and care markets to be regulated to ensure compliance and product safety, but opposes regulation which restricts customer choice and access to affordable medicines and supplements.

RELATED RISKS

- Regulation could impact on revenue and margin
- Regulation could reduce consumer choice
- Restrictive regulations could limit the ability to sell and bring new products to market, for example complementary and alternative medicine regulations in South Africa

RISK MITIGATION

- Ongoing engagement with regulators in all countries of operation
- Focus on high quality of products and production
- Reformulation and registration of product dossiers if required
- Pursue new product development
- Regulatory departments in all business units across the group with synergies and knowledge sharing

Material issues, risks and opportunities

(continued)

PRODUCT INTEGRITY

As a health and care business it is essential that products are manufactured to the highest standards to ensure product safety customer satisfaction, and trust in the brands.

RELATED RISKS

- Poor product quality could cause negative side-effects at consumer or patient level
- Customer claims from product failure could result in financial losses and reputational damage
- Product recall owing to poor standards would negatively impact on trust in the brand

RISK MITIGATION

- Outsourcing manufacturing to Good Manufacturing Practice (GMP) compliant third parties is the preferred source of production
- Ensure suppliers comply with international quality, health and safety standards, and ethical practices
- Regular site visits and audits of third-party supplier facilities
- GMP focus and quality assurance programmes at all in-house manufacturing facilities
- Adequate insurance cover for potential product recall and customer claims

EXCHANGE RATE EXPOSURE

As 43% of revenue is generated in foreign currencies and 33% of the cost of goods imported, the group is exposed to the volatility and fluctuation of the Rand against major currencies.

RELATED RISKS

- Imported raw materials, semi finished and finished products can be exposed to rising foreign exchange related input costs (transaction effects)
- Foreign revenues being converted into the reporting currency Rand could impact negatively on margin and profitability (translation effects)

RISK MITIGATION

- International growth is an integral part of mid-term strategy to reduce exposure to weaker currencies
- Offshore earnings (all in hard currencies) provide natural hedge against Rand volatility
- Earnings increasingly diversified into hard currencies
- Forward cover hedging policy with all foreign commitments 100% hedged and forecast commitments partially hedged
- Group Treasury function established and treasury management system implemented



ECONOMIC AND TRADING ENVIRONMENT

Economic and trading conditions in the group's countries of operation or planned markets for entry could negatively impact on revenue and profit growth.

RELATED RISKS

- Poor economic conditions reducing consumer spending
- Unfavourable cycles impacting a particular sector, although not the economy as a whole
- Political instability
- Increase in raw material costs
- Weak trading conditions impact on organic revenue growth

RISK MITIGATION

- Health and care markets in which the group operates are resilient and defensive
- Preventative care (such as wellness, nutraceuticals and sports nutrition) being promoted worldwide via health insurance providers, governments and through consumer choice
- Long-established and defensible brands with market-leading positions (being 'price setters' rather than 'price takers') will be less at risk in a downturn
- Geographic diversification of countries of operation, product groups, markets, routes to market and sources of revenue provide a hedge against poor economic and trading conditions
- The group targets organic revenue growth of approximately 10%, driven by new product development, channel development and entering new geographies

HUMAN CAPITAL

Attracting and retaining scarce and skilled talent in the health and care sector is key to the sustainability of the group and the delivery of its strategy.

RELATED RISKS

- Health and care staff in high demand both locally and internationally
- Lack of skills as few companies focus on both the interventative and preventative healthcare sectors
- Scarcity of skills in the health and care increases employee mobility
- Entrepreneurial founder-owners of businesses acquired by Ascendis cannot adapt to operating within a more corporatised structure
- Lack of transformation and diversity in the South African operations could impact on ability to attract and retain business, and also cause reputational damage

RISK MITIGATION

- Competitive remuneration packages and incentive schemes, with new long-term share incentive scheme to be implemented
- Salary benchmarking surveys
- Investment in training and development
- Creating environment where entrepreneurs can benefit from the centralised group services functions
- Co-investment by senior executives to drive entrepreneurial behaviour
- Maintaining an entrepreneurial spirit and not over-corporatising the organisation
- Restraints and/or non-compete agreements with former owners
- Committed to BBBEE. Previously rated as a level 6 contributor and objectives set to align with revised BBBEE codes



Leadership review



Chairman's letter

DEAR FELLOW STAKEHOLDERS

The acquisitions of Remedica Holdings in Cyprus and Scitec International in Hungary early in the financial year have been game-changing for our business and accelerated the growth of Ascendis Health into a global healthcare player.

In less than a decade since being founded by Gary Shayne and Cris Dillon of Coast2Coast Capital, Ascendis Health now has annual revenues of R6.4 billion, generates 50% of earnings outside South Africa and at the time of writing had a market capitalisation on the JSE of R9.4 billion. The group has operations across South African and in Spain, Cyprus, Hungary, Romania and Australia, with products exported to over 120 countries across all continents.

The growth momentum of the past few years continued in 2017, with the group reporting robust revenue growth, improving margins and strong cash generation. Normalised headline earnings grew by 92% to R645 million. The 29% increase in normalised headline earnings per share to 156.4 cents was impacted by the weighted average number of shares in issue being 48% higher following the funding of the acquisitions of Remedica and Scitec at the beginning of the financial year.

After declaring an interim dividend of 11 cents per share in March 2017, the directors elected not to declare a final dividend but rather to retain the cash to reduce gearing and to capitalise on potential opportunities for bolt-on acquisitions.

As the group has grown and expanded internationally it has attracted increasing interest from offshore investors. At year-end 21% of the shares were held by foreign fund managers, which includes a 4.2% stake held by the International Finance Corporation, a member of the World Bank Group.



Chairman's letter (continued)

Our black economic empowerment shareholding has grown to 28.2% which includes the holdings of our strategic investment partners Kefolile Health Investments, the Mineworkers Investment Company and WBD Investment Holdings. Black female ownership is now 11%.

We welcomed two new independent non-executive directors to the board in November 2016. Dr Kinesh Pather, a director of Kefolile Health Investments, has extensive experience in the trade union investment arena and has been instrumental in several transactions in the healthcare and pharmaceutical sectors. Mary Bomela is the CEO of the Mineworkers Investment Company and an experienced company director who has held senior executive positions across the resources, media, utilities and financial services sectors.

Phil Cunningham stepped down as a non-executive director owing to personal business commitments and we thank him for his contribution since joining the board ahead of the listing in 2013.

Our board is well balanced, effective and diverse, with 33% of the non-executive directors being female and 50% being black. A board gender diversity policy was adopted during the year, confirming our ongoing commitment to transformation.

The directors confirm that the board and its committees have met their oversight responsibilities in the past year and the group has again applied the principles of the King III governance code. The group's governance practices and processes are being aligned with the King IV code and we will report in terms of the new code for our 2018 financial year.

The quality of the group's financial reporting and investor communications was again recognised in the annual Investment Analysts Society of South Africa (IASSA) awards, based on voting by fund managers and analysts. Ascendis Health was rated first in the retail services category for 2016. This accolade from the professional investment community is indeed testimony to the quality and professionalism of our executives and the financial reporting team and its advisers. In the first year after our listing Ascendis received the IASSA award in 2014 for the best reporting by companies with a market capitalisation below R5 billion.





Ascendis Health has achieved a great deal in the past year and on behalf of the board I thank the executive team of Dr Karsten Wellner, Cliff Sampson and Kieron Futter for their inspirational and energetic leadership. They are supported by over 3 700 members of management and staff across the world and I thank them for their contribution to these great results.

My fellow non-executive directors provide invaluable guidance and insight, and I thank them for sharing their collective wisdom.

Thank you to our shareholders for their support and we welcome those who invested in Ascendis Health for the first time this year. We also thank our funders and lending institutions for their support through the new acquisitions.

Management has identified clear priorities for the new financial year to deliver on the group's proven organic, acquisitive and synergistic growth strategies.

2018 will no doubt be challenging on many fronts, particularly given the constrained South African economic environment, but we are confident of capitalising on the abundant opportunities in South Africa and around the world to continue to deliver sustained growth to our shareholders.

Sincerely

John Bester
Independent non-executive chairman

Chief executive officer's report



Q&A

WITH DR KARSTEN WELLNER

Q The major focus of the past year has been on offshore growth and expansion. Explain the benefits of this international strategy and how this has contributed to performance over the past year?

A Our founding vision was to develop Ascendis Health into a truly integrated global health and care company. Our internationalisation strategy enables the business to diversify into hard currencies and create a Rand hedge for the local currency, while also diversifying exposure and risk to the South African economy. Globalisation will make our diversified business model even more resilient.

We believe the acquisitions in the past year of Remedica in Cyprus, Scitec in Hungary and more recently Sun Wave Pharma in Romania have transformed Ascendis into a global healthcare business.

The benefits of our strategy are reflected in an increase of 497% in foreign revenue to R2.8 billion, with international sales now accounting for 43% of total sales compared to only 12% last year. Importantly, 60% of our profits are now being generated outside South Africa.

Internationally Ascendis has operations in Spain, Cyprus, Hungary, Romania and Australia. While most of our businesses are focused on their home and regional markets, Remedica in Cyprus exports approximately 80% of its products into high-growth emerging markets. Ascendis products are exported to over 120 countries across all continents which highlights the global scale of our business.



The increasing internationalisation of our business is also reflected in the offshore shareholder base which has grown strongly over the past two years to 21%.

Despite our growing international profile we remain a South African-based business built on strong domestic market-leading brands. Our ongoing commitment to the transformation of the South African economy is evident in the 28% black equity ownership of the group.

Q What were the major macro challenges encountered over the past year that impacted on the group's performance?

A There were three main factors: the consumer environment in South Africa, foreign exchange losses on imports of raw materials and finished goods into South Africa, and the sharp rise in global whey protein prices impacting our Sports Nutrition businesses, particularly Scitec.

While we operate in relatively resilient and defensive health and wellness markets, the sustained pressure on South African consumers from the slowing economy, political uncertainty and higher living costs has impacted on disposable income, particularly in the lower and middle-income market. This contributed to our organic sales growth being slower than expected.

On the currency, the recovery in the Rand relative to the Euro had a negative impact as it resulted in hedging losses of R23 million on imported goods and a foreign exchange translation loss of R92 million on profits generated by the European subsidiaries. We will continue to follow our strict hedging policy to mitigate exchange rate volatility.

Whey protein is one of the most important raw materials in sports nutrition products. Global whey protein prices reached a three-year high and we were unable to pass this on to customers, which placed pressure on margins. The impact on Scitec was marked, with the EBITDA margin declining 4.0% to 12.3%. We have taken corrective

measures to improve margins, notably through the sourcing of raw materials and in-house production efficiencies, and expect margins to strengthen in the second half of our 2018 financial year.

Q Ascendis Health has been listed on the JSE for four years. How has the company performed over this time and what value has been created for shareholders?

A Our group has shown sustained strong growth in financial performance, with revenue growing at an annual compound rate of 81% and EBITDA by 102% over the four years. Our normalised headline earnings per share, although starting off a low base, has grown 13-fold to 156 cents per share. In the 2017 financial year normalised headline earnings grew by 92% and normalised headline earnings per share by 29%.

Shareholder wealth of R5.7 billion has been created since our listing, based on the growth in the share price and the dividends declared over the period.

Q Over the past year Ascendis Health has strengthened its leadership team to manage the expansion. Please elaborate.

A The rapid growth of our international business has created the need to appoint a head of our European operations to fulfill a similar role to Cliff Sampson as managing director in South Africa. We were pleased to attract Thomas Thomsen to this role and he will also serve as chief operating officer of the group. Thomas has extensive experience in consumer healthcare globally and has perfect credentials to lead our four businesses across Europe and maximise synergies and value. We have further strengthened the team with the appointment of Andras Gyenes as chief executive officer of Scitec. We believe his vast FMCG experience across several European countries will ensure that this leading sports nutrition business in Europe will realise its true potential in the fast-evolving sports nutrition market.

Chief executive officer's report (continued)

Q How is the integration of the new businesses progressing and are they performing to expectations?

A Remedica has truly exceeded our expectations. The business has been successfully integrated into Ascendis and the management teams are fully aligned. Value creation projects have been initiated covering cross-selling, procurement, research and development, new product development and production. The business generated double digit profit growth and we are very positive about the prospects for the new year and beyond.

Scitec is a great business but has been challenged by whey protein prices and its lack of participation in mass and online sales channels in Europe in the past. We have taken decisive action to address profitability in Scitec, including appointing a new CEO, launching new sales channels, expanding into new markets and building a strong new product development pipeline. We expect to start realising the benefits of these changes in the second half of the 2018 financial year.

On our most recent acquisitions, Sun Wave Pharma has shown strong double-digit sales and profit growth in its first two months in the group while the integration of Cipla Animal Health in South Africa is on track and performing in line with our pre-acquisition expectations.

Q Following the major acquisitions in the 2017 financial year do you plan to sustain this rate of acquisitive growth in the year ahead?

A After completing the acquisitions of Remedica and Scitec, our two major international platform companies based in Europe, as well as Sun Wave Pharma and Cipla Animal Health, our focus is now on the continued integration of these businesses to drive organic growth and extract synergies to reduce costs and improve margins.

However, we will continue to seek smaller, margin-accretive, complementary bolt-on businesses, mainly in the higher growth economies in central and eastern Europe, and South Africa, while targeting fast-growing health and care market segments.

Q Outline the group's priorities for 2018

A We will continue to follow our proven strategy of organic, acquisitive and synergistic growth to create shareholder value.

Our key focus will be on improving organic growth and enhancing margins. Projects to drive this growth include consolidating the Medical Devices division in South Africa, cost savings in Consumer Brands, particularly input costs in Sports Nutrition, rationalising manufacturing facilities in South Africa and investing in new product development. At the same time we will build on the good performances in Pharma-Med and Phyto-Vet. Over the next 12 to 18 months we are planning to improve the EBITDA margin from 17% to 18%.

We also have plans and targets to increase free cash flow and to reduce gearing levels, and these are covered in the Chief Financial Officer's Report.

The results of the past year reflect the combined energy, commitment and innovation of our people across the world, and I thank my executive colleagues, management and staff for making it all possible. Our success can also be attributed to the role played by our suppliers and business partners, and ultimately our customers and consumers in South Africa and internationally who have supported Ascendis Health and our health and care brands. We look forward to exceeding your expectations in 2018.



Dr Karsten Wellner
Chief Executive Officer



Chief financial officer's report



INTRODUCTION

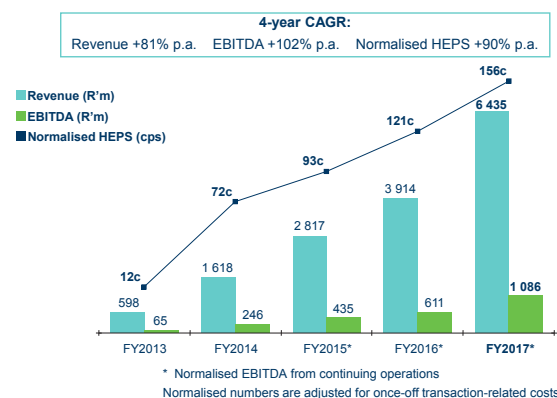
2017 saw Ascendis Health deliver another year of strong growth, driven by the international acquisitions of Remedica and Scitec which have significantly diversified the group's revenue and earnings base.

In the South African market the group encountered headwinds from the deteriorating economic and consumer environment while the strengthening Rand negatively impacted earnings.

The performance for the year translated into growth of 92% in normalised headline earnings to R645 million, with normalised headline earnings per share 29% higher at 156.4 cents. Headline earnings per share increased by 44% to 80.1 cents.

The weighted average number of shares in issue increased by 48% during the reporting period, mainly in relation to the rights issue and vendor placement in August 2016 for the acquisitions of Remedica and Scitec.

REVENUE AND EARNINGS GROWTH (R'M)



Shareholders will note that the directors have not declared a final dividend for the 2017 financial year, electing to retain cash to reduce gearing and to fund potential complementary bolt-on acquisitions. An interim dividend of 11 cents per share was declared in March 2017.



FINANCIAL PERFORMANCE

The review of the financial performance for the year ended 30 June 2017 focuses on key line items of the group's statements of comprehensive income and financial position. The following commentary should be read together with the audited summarised annual financial statements on pages 69 to 89. The audited annual financial statements are available on www.ascendishealth.com

The results have been normalised to adjust for once-off acquisition costs in the current and prior financial years to better reflect the group's operational performance.

During the year a project was initiated to consolidate the manufacturing operations in South Africa into the Ascendis Pharma plant to improve efficiencies. The redundant assets will be sold and this is considered to be a discontinued operation in terms of International Financial Reporting Standards. The group is therefore reporting continuing operations and the results for the comparative period ended 30 June 2016 have been restated.

STATEMENT OF COMPREHENSIVE INCOME

Group revenue from continuing operations increased by 64% to R6.4 billion (2016: R3.9 billion). The acquisitions of Remedica, Scitec (both consolidated for 11 months), Sun Wave Pharma and Cipla Animal Health (both consolidated for one month) generated revenue of R2.3 billion.

Foreign revenue increased by 497% to R2.8 billion and comprises 43% (2016: 12%) of the group's total sales.

The Pharma-Med division is the largest contributor to group revenue at 56%, with Consumer Brands accounting for 30% and Phyto-Vet 14% of revenue.

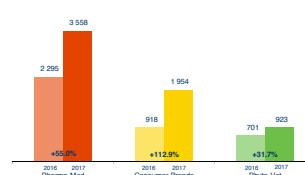
Pharma-Med, which includes the acquisition of Remedica, increased revenue by 55% to R3 558 million and EBITDA by 98% to R731 million. Farmlider and Remedica's focus on higher margin sales resulted in a strong improvement in the EBITDA margin from 16.1% to 20.5%, despite the impact of foreign exchange losses from its hedged positions resulting from the Rand strengthening approximately 11% against its main trading partners.

Consumer Brands benefited from the acquisitions of Scitec and Sun Wave Pharma, and grew revenue by 113% to R1 954 million. EBITDA increased by 42% to R290 million. The EBITDA margin declined from 22.3% to 14.8% owing to the impact of external factors including the increasing global whey protein price and challenges in Nigeria affecting the direct selling business.

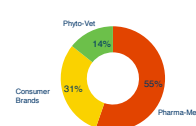
Phyto-Vet increased revenue by 32% to R923 million and EBITDA by 46% to R141 million, aided by the biosciences acquisitions and the expansion of Afrikelp into international markets. The EBITDA margin improved from 13.7% to 15.2% as a result of stricter cost control and focus on higher margin sales.

The group's revenue is well diversified across currencies, markets, sales channels and customer groups, with no single customer accounting for more than 3% of sales.

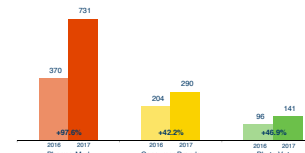
REVENUE
Rm



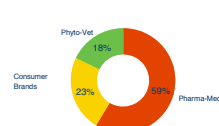
2017 Revenue



EBITDA
Rm



2016 Revenue



Chief financial officer's report (continued)

The group's gross profit margin strengthened by 380 basis points to 43.7% (2016: 39.9%) owing to a higher contribution from prescription drugs following the acquisition of Remedica and strong performances from the high-end wellness brand Solal and the Medical Devices business in South Africa.

EBITDA on a normalised basis increased by 78% to R1 086 million, with the EBITDA margin improving by 130 basis points to 16.9% (2016: 15.6%).

The strengthening of the Rand against the Euro during the year resulted in a foreign exchange translation loss of R92 million.

Normalised operating profit rose by 60% to R857 million.

Net finance costs increased by R183 million to R307 million as a result of the higher gearing arising from the funding of the two major international acquisitions and the fair value finance cost of the deferred vendor liabilities.

Tax paid declined by 8% to R69 million. The group's effective tax rate reduced to 12.5% (2016: 24.4%) owing to the acquisition of businesses in lower tax jurisdictions. The tax rate in Hungary (Scitec) is 9% and 12.5% in Cyprus (Remedica). Farmalider in Spain continues to benefit from state tax incentives for research and development.

BALANCE SHEET

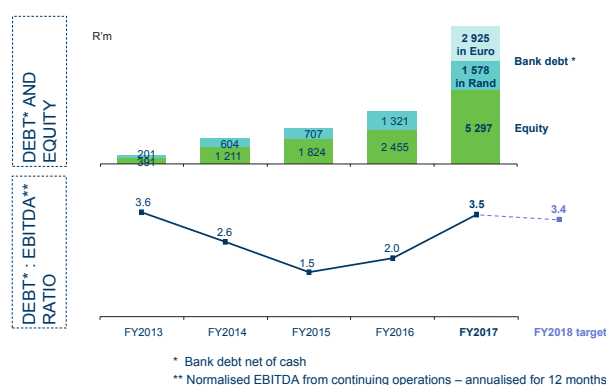
Total assets more than doubled from R5.7 billion to R14.5 billion, with the major increase being the R6 billion growth in goodwill and intangible assets from the Remedica and Scitec acquisitions. As the group targets acquisitions with a high return on net assets with a focus on strong brands and intellectual property, this will always have the effect of increasing goodwill and intangibles.

Property, plant and equipment increased by R644 million to R992 million following the acquisitions of Remedica and Scitec whose production facilities are valued at R719 million.

Net working capital increased by R1 161 million to R2 431 million with net working capital days up from 131 to 147 days. Inventory days increased mainly as a result of the acquisition of Remedica which carries higher levels of stock to service sales of generic pharmaceuticals to non-governmental agencies operating in emerging markets, while these agencies are also granted credit terms of 90 days which impacts on debtor days.

Cash management is a major focus across all businesses, with management being incentivised to increase free cash flow. Cash generated from operations increased to R787 million with a cash conversion rate of 73%.

Gearing levels increased following the Remedica and Scitec acquisitions, with the debt to EBITDA ratio moving from 2.0 times to 3.5 times. Interest cover reduced from 4.4 times to 3.6 times. Bank debt, net of cash, totalled R4 503 million at year end (2016: R1 321 million).





APPRECIATION

Thank you to our shareholders and funders for your support over the past year. We also extend our thanks to the broader investment community locally and internationally for your positive engagement with the group. In closing I would like to thank the group finance team as well as the finance staff in our subsidiary companies in South Africa and offshore for their support and commitment.

Kieron Futter
Chief Financial Officer

The return on tangible net assets (ROTNA), which excludes goodwill and intangibles, declined from 35.1% to 27.5% owing to the increased property, plant and equipment on the balance sheet from the Remedica and Scitec acquisitions. Given the acquisitive nature of Ascendis we consider ROTNA to be a key performance metric as it reflects the return of the underlying businesses by excluding the effects of the purchase price of the businesses acquired. The group's return on equity was constant at 14.3%.

FINANCIAL PRIORITIES FOR 2018

The major financial priorities are to increase free cash flow and reduce gearing levels, and the board has set the following targets for the 2018 financial year:

- **Net working capital days:** 125 (2017: 147 days)
- **Cash conversion rate:** 75% (2017: 73%)
- **Gearing:** 3.4 times net debt: EBITDA (2017: 3.5 times)

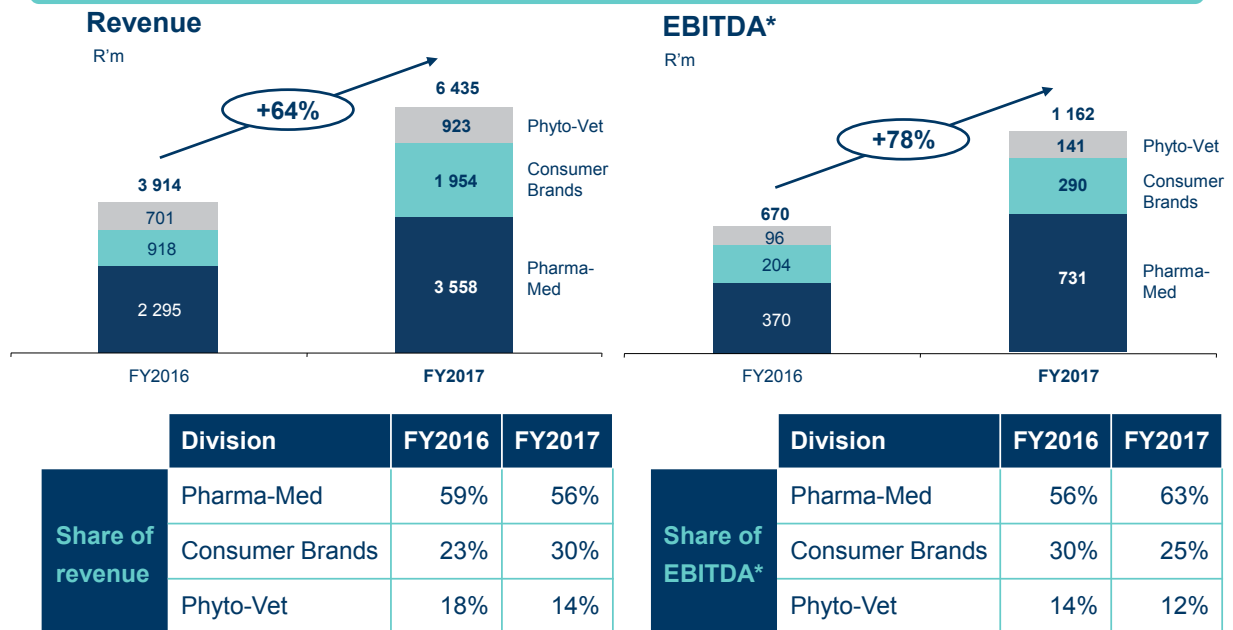


Operational review



Operational review

A diversified healthcare business







Pharma-Med

OVERVIEW

The Ascendis Pharma-Med division focuses on generic pharmaceuticals and OTC products, medical devices, hospital equipment and in-vitro diagnostic solutions to improve the quality of patient treatment.

- **Ascendis Pharma** develops, manufactures and sells generic pharmaceuticals and OTC products to government hospitals, other pharmaceutical companies (B2B business model), pharmaceutical wholesalers, dispensing doctors, pharmacy groups and independent pharmacies in more than 100 countries worldwide.
- **Ascendis Medical** comprises Surgical Innovations (market leader in medical devices), Respiratory Care Africa (equipment for hospitals), The Scientific Group (diagnostic products) and Ortho-Xact (orthopaedic products; acquired in April 2017). The business also offers turnkey solutions for specialist surgeons, state and private hospitals through the supply of consumable and implantable products for clinical use.

REVIEW OF 2017

Ascendis Pharma South Africa completed its first year as a fully integrated business after the acquisition of Akacia during 2015. The business operates in the private, public and dispensing doctor markets in southern Africa. An aggressive growth strategy focuses on the therapeutic areas of cough and cold, pain, gastrointestinal and anti-infective to drive profitable market share growth. In the short to medium-term, synergies are being extracted in marketing and sales, manufacturing and distribution, while in the long-term further synergies are being developed across the group with Remedica, Farmalider and Sun Wave Pharma in

Europe, and the Wellness and Skin and Body business based in South Africa.

The Ascendis Pharma activities, based in Europe, comprise Remedica operating from Cyprus, and Farmalider from Spain.

Remedica develops, manufactures and sells over 300 generic pharmaceutical products in over 30 different therapeutic areas to more than 100 countries worldwide. Over 80% of Remedica's products are exported to high-growth emerging markets. The business has five GMP accredited manufacturing facilities, including a recently completed world-class oncology facility. Remedica has a strong pipeline of specialty generic drugs, particularly oncology and HIV, which are expected to be launched over the next three years.

Farmalider competes in the pharmaceutical market of Spain and in Europe based on pain management products in a B2B business model. In the OTC market, Farmalider remains focused on the Spanish market with well-known brands Vitalcare, Dentalcare and Farmamix. In the consumable market, Farmalider competes with the established brand Enol.

Revenues are derived from three main areas of licencing, royalties and bulk product sales in the B2B sector with a strong emphasis on paracetamol and Ibuprofen where Farmalider has an indirect market share of 50% and 45% respectively in Spain.

Ascendis Medical, based in South Africa, continued to gain market share across all key sectors in the private and public healthcare markets. Key successes in the year included market share growth with Discovery Health, the launch of a house branded surgical instrument range and continued growth in key markets across southern Africa.

Pharma-Med (continued)

FINANCIAL PERFORMANCE

R'm	% ch 2017 vs 2016	Jun 2017	Jun 2016	Jun 2015
Revenue	55.0%	3 558	2 295	1 248
EBITDA	97.7%	731	370	233
EBITDA margin		20.5%	16.1%	18.7%

Pharma-Med experienced above expectation turnover and EBITDA growth, with Medical Devices showing double digit revenue and profit growth and the newly acquired Remedica showing double digit EBITDA growth.

Revenue increased by 55.0% and EBITDA by 97.7%, benefiting from the incorporation of Remedica for 11 months of the year. The EBITDA margin improved from 16.1% to 20.5% driven by Farmalider and Remedica's focus on high margin products. The margin in the pharma business in South Africa came under pressure from the impact of foreign exchange losses owing to the strengthening of the Rand and the application of the group's hedging policy. The business imports extensive generics finished product ranges from India and raw materials from other foreign markets which are invoiced in hard currency and was unable to pass the higher pricing on to customers. The currency pressure was partially offset by synergy projects including the integration of the Medical Devices business and the optimisation of pharma manufacturing plants in South Africa.

OUTLOOK FOR 2018

The outlook for the Pharma-Med division remains positive. Synergy projects to integrate the Medical Devices business and optimise the pharma manufacturing plants in South Africa are expected to generate R10 million to R16 million additional EBITDA in the next 18 months.

The South African Pharma business has established itself as a strong player in the local market capable of competing effectively against well-established competitors. Organic growth of key brands, new product launches with several dossiers in various stages of registration, the formation of several strategic partnerships to drive growth in select African countries and synergies between the European and South African Pharma business units position this business well for a successful year ahead. The European businesses will drive market expansion through regional diversification, product innovation, continued emphasis across the globe in building and supporting local partners and tender bidding, and the growth of royalty and licencing revenues.

The Medical Devices business will continue to expand market share through the establishment of one identity to both internal and external customers. The business will expand aggressively into new clinical applications and aims to be the number one supplier in most clinical areas of choice in Southern Africa. New agencies in sutures, wound care and infection control will assist to drive this objective in the coming year.







Consumer Brands

OVERVIEW

The Ascendis Consumer Brands division comprises a portfolio of market-leading owned and agency brands targeting preventative health, health supplements, wellness, sports nutrition and skin care markets.

- **Ascendis Wellness** brands target nutraceutical, health supplement and homeopathic markets. The brands compete in the premium, mainstream and economy sectors of the market. Solal is the leading healthy ageing brand in South Africa, Vitaforce, Menacal 7, ChelaPreg and Jungle Vites are leading mainstream brands with established IP and Bettaway competes in the economy sector. In Romania, Sun Wave is the leading nutraceutical and OTC brand. The brands are sold through multiple distribution channels including retailers, pharmacies, wholesalers and health shops.
- **Ascendis Sports Nutrition** manufactures, imports, exports and markets, category-leading muscle performance, healthy lifestyle, endurance, weight management and sports

performance brands. Scitec is one of the top three brands in Europe while Evox, SSN, Supashape, Muscle Junkie and Muscletec are strong brands in South Africa.

- **Ascendis Skin and Body** specialises in advanced professional skin and body care to deliver results-driven brands, products and services. The portfolio consists of two well-established owned brands, Nimue Technology, an advanced professional skincare brand and Solal Skin, an extension of the premium Solal nutraceutical range into the retail sector. The business also represents global aesthetic and neurotoxin leader, Merz Pharma, and global scientific medical brand, PCA, in the region. Over 50% of revenue is generated outside of South Africa, mainly in Europe.
- **Ascendis Direct** provides market-leading nutraceutical, wellness and beauty care brands to consumers through a unique network marketing structure that offers opportunities for entrepreneurs to earn revenue. The business operates in southern Africa and Nigeria.

REVIEW OF 2017

The Wellness business successfully launched four new products, which included three first-to-market innovations Solal 5HT1, Solal PQQ and Chela-Preg Trimester. These launches contributed over R8 million in incremental revenue for the business unit. The export structure was strengthened to focus on neighbouring territories in southern Africa and the launch of Solal in Australia. Further synergy projects are being planned with Remedica and Sun Wave Pharma to drive organic growth in southern Africa and Europe.

The Sports Nutrition business faced headwinds including challenging supply and stock shortages to major retailers, whey pricing pressures and strong competitor performance which resulted in lower than expected volume growth. Management changes were implemented to focus on operational efficiencies and cost saving initiatives in the short-term, while significantly increasing investments behind strategic brands, driving innovation, expanding online sales and aggressively driving exports to deliver long-term growth.

In the Skin and Body business unit the launch of the premium professional range Nimue AI, the ground-breaking Helena Christensen marketing campaign, acquisition of distribution rights in South Africa for two new global brand leaders in aesthetics and medical skin care, Merz and PCA, position the business well for ongoing market share growth. Challenges during the year included the adverse impact of a stronger Rand and the economic slowdown in South Africa and parts of Europe.

FINANCIAL PERFORMANCE

R'm	%ch 2017 vs 2016	Jun 2017	Jun 2016	Jun 2015
Revenue	112.8%	1 954	918	949
EBITDA*	41.9%	290	204	164
EBITDA* margin		14.8%	22.3%	17.3%

* Normalised EBITDA from continuing operations

Consumer Brands benefited from the acquisitions of Scitec (consolidated for 11 months) and Sun Wave Pharma (consolidated for one month), increasing revenue by 112.8% and EBITDA by 41.9%. Market-leading wellness brands including Solal, Vitaforce, Bettaway, Chela-Meg and Chela-Preg recorded double digit sales growth in South Africa.

The EBITDA margin was negatively impacted by increasing global whey protein prices, the liquidation of the European supplier of two wellness brands and currency challenges in Nigeria affecting the direct selling business.

OUTLOOK FOR 2018

Consumer Brands is well positioned to leverage the growing worldwide health, wellness and sports lifestyle trend with its range of market-leading brands. Organic growth remains the primary focus, driven by increased investments in brands with the emphasis on marketing and digital platforms.

The appointment of a new CEO and management team in Scitec, cost cutting and efficiency projects, together with the work on new sales channels and expansion into new markets, is expected to improve the performance in Sports Nutrition from the second half of the 2018 financial year onwards.

Scitec products have been launched into Australia where Ascendis has recently established a presence, and Solal products will be introduced in the new financial year.

Synergy projects across Sports Nutrition and product in-sourcing are targeted to generate additional EBITDA of between R6 million and R11 million in the next 18 months.







Phyto-Vet

OVERVIEW

The Phyto-Vet division is a diversified provider of specialised products and services used in garden and home, the crop sciences and animal health sectors. The division leverages expertise in the disciplines of entomology, horticulture, agronomy and veterinary sciences to provide solutions for gardens, households, agriculture, environmental health, and companion and production animals.

The business aims to benefit the garden and home, and plant nutrition sector, enhance the quality of life of animals and advance agricultural activity, while remaining committed to social and environmental responsibilities.

The division manufactures and supplies mainly owned brands namely Afrikelp, Ivermax, Triworm, Efekto and Wonder. The biosciences business exports to 22 countries in Africa as well as Europe, South America, China and owned operations in California, USA.

REVIEW OF 2017

The strong El Nino effect that dominated weather patterns in Southern Africa for two years has dissipated and a normal season is expected in 2018.

The acquisition of Cipla Animal Health with effect from June 2017 accelerated the division's entry into the attractive production and companion animal sectors with leading veterinary science product expertise. The business has high margin products in strong growth segments with opportunities to expand into new African markets and new South African channels through Phyto-Vet's existing network, and further potential for internationalisation.

FINANCIAL PERFORMANCE

R'm	%ch 2017 vs 2016	Jun 2017	Jun 2016	Jun 2015
Revenue	31.7%	923	701	620
EBITDA	46.1%	141	96	82
EBITDA margin		15.2%	13.7%	13.2%

Revenue increased by 31.7% aided by double digit organic growth in the biosciences business and the geographical diversification of Afrikelp into international markets. The turnover benefited from the consolidation of Cipla Animal Health for one month.

The division's EBITDA grew 46.1% with the growth generated mainly from Chile, USA, Italy and sub-Saharan African markets. The EBITDA margin strengthened from 13.7% to 15.2% as a result of tight cost control, the inclusion of one month of Cipla Animal Health and a focus on higher margin sales.

OUTLOOK FOR 2018

The Biosciences and Animal Health businesses have performed well in the past few years but continue to operate in an environment of ongoing seasonal and currency risk. Selective expansion into international markets including the USA and sub-Saharan Africa, in particular east Africa, will remain a strategic focus to mitigate against risk.

The crop sciences business is well positioned in 2018 to focus on increasing organic sales volumes despite the ongoing negative weather outlook in the Western Cape. Furthermore, market indications are more encouraging with regards planting conditions in South Africa and the sub-Saharan regions as the El Nino weather phenomena dissipates.

Phyto Vet aims to entrench its market position within the animal health sector following the acquisition of Cipla Animal Health. The division will continue with essential innovation, brand renovation and unique combination formulations to develop additional revenue streams from new markets and further improve margins.

Ascendis brands currently sold in 120 countries

Ascendis has an expanding international presence and customer base, currently exporting products to 120 countries, mainly in Europe and Africa



Our own production facilities across the world, all* GMP accredited

- ① **Madrid, Spain** - Pharma (Farmalider)
- ② **Budapest, Hungary** - Sports Nutrition (Scitec)
- ③ **Limassol, Cyprus** - Pharma (Remedica)
- ④ **South Africa: Isando, Johannesburg** - Pharma
- ⑤ **South Africa: Wynberg, Johannesburg** - Pharma/Sports Nutrition
- ⑥ **South Africa: Krugersdorp** - Biosciences





Corporate governance



Corporate governance report

Ascendis Health is committed to good corporate governance standards and ethical practices to ensure the sustainability of the business. The group's governance framework is founded on the fundamentals of risk management, regulatory compliance, governance and internal audit.

The board is responsible for ensuring compliance with legislation, regulation and governance codes while at the same time striving to maintain the entrepreneurial spirit on which the group was founded.

Ascendis subscribes to the spirit of good corporate governance outlined in the King Report on Corporate Governance (King III). Effective governance processes have been implemented across the business and the directors confirm that the group has in all material respects applied the principles of King III.

The group's application of each King III principle, as required in terms of the JSE Listings Requirements, is reviewed and updated annually, and is available on the group's website www.ascendishealth.com. The group is reviewing the King IV principles and will be reporting according to the new code in the 2018 financial year.

BOARD OF DIRECTORS

BOARD CHARTER

The board has a formal charter which details the scope of authority, responsibility and functioning of the board. In terms of the charter, the directors retain overall responsibility and accountability for the following:

- Adopting strategic plans and setting performance objectives
- Approving financial results as well as financial objectives and targets
- Monitoring operational performance and management
- Ensuring effective risk management and internal controls
- Complying with legislation, regulation and governance codes

- Oversight of the values and ethics of the group
- Selection, orientation and evaluation of directors and chairman
- Ensuring appropriate remuneration policies and practices
- Review of terms, references and compositions of board committees
- Annual assessment of board members, chair of the board, CEO, CFO and company secretary
- Oversight of shareholder communications, stakeholder engagement and AGM resolutions
- Determining dividend policy.

BOARD COMPOSITION

Ascendis has a unitary board structure with six non-executive directors and three executive directors who are all independently minded individuals.

Four of the non-executive directors, including the chairman, are classified as independent in terms of King III and the JSE Listings Requirements. Gary Shayne and Cris Dillon are not considered to be independent owing to their shareholding in Coast2Coast Capital, a material shareholder in Ascendis. However, this does not prevent these directors from exercising independent judgement at board level. The independence of all non-executive directors is reviewed on an ongoing basis.

Mary Bomela and Dr Kinesh Pather were appointed as independent non-executive directors on 10 November 2016. Phil Cunningham resigned as a director on the same date.

The roles of the chairman, John Bester, and the chief executive officer (CEO), Dr Karsten Wellner, are separate and clearly defined. This division of responsibilities at the helm of the company ensures a balance of authority and power, with no individual having unrestricted decision-making powers.

The appointment of directors is undertaken in a formal and transparent manner by the board, assisted by the nominations committee.

All non-executive directors are subject to retirement by rotation and re-election by the shareholders at

Corporate governance report (continued)

least once every three years, as determined in the company's Memorandum of Incorporation.

Biographical details on the directors appear on pages 56 to 57.

BOARD EVALUATION

The annual review of the performance of the board, the committees and individual directors was undertaken and the results presented to the nominations committee in May 2017. The outcome of the evaluation was favourable and no changes were proposed to the membership or to the functioning of the board or any of its committees.

BOARD GENDER DIVERSITY POLICY

The board believes that diversity in terms of a broad range of skills, experience, gender, background and outlook is essential to be effective. The Nominations Committee considers suitability for the role, independent judgement, compliance with King III principles as well as all aspects of diversity when making recommendations for appointment to the board. The board acknowledges that gender is an important aspect of diversity and currently 33% of the non-executive directors are female. The board has formally adopted a gender diversity policy in accordance with the JSE Listings Requirements.

COMPANY SECRETARY

The company secretary ensures that board procedures and all regulations and governance codes are applied. He provides guidance to directors on governance, compliance and their fiduciary duties, and assists in the appointment of directors to the board. Directors have unrestricted access to the advice and services of the company secretary.

The board undertook an annual formal evaluation of the company secretary in terms of the JSE Listings Requirements. The directors are satisfied that the company secretary has the competence, qualifications and experience to perform the role. The company secretary is not a director of the group and has an arm's length relationship with the board.

AUDIT AND RISK COMMITTEE

The audit and risk committees were merged into one committee during the course of the year to achieve synergies and cross pollination of key information that is addressed by both committees.

Composition

Chair: Bharti Harie

The committee comprises three independent non-executive directors.

The members are appointed by the board annually and approved by shareholders at the annual general meeting.

The external auditor, internal auditor, executive directors and key management attend meetings by invitation.

Roles and responsibilities of Audit committee:

- Ensure the group has adequate and appropriate financial and operating controls
- Maintain oversight for financial results, integrated reporting and monitor sustainability reporting
- Confirm the adoption of the going concern premise
- Ensure that significant business, financial and other risks are identified and managed
- Ensure satisfactory standards of governance, reporting and compliance in conformance to King III guidelines
- Review the findings and recommendations of the internal and external auditors
- Determine and approve the audit fees for both internal and external audits
- Nominate the external auditor for reappointment
- Monitor the fraud and litigation register and reporting
- Consider that the expertise and experience of the CFO and the finance department are appropriate.



Roles and responsibilities of Risk committee:

- Ensure appropriate risk management policies are adopted by management
- Measure the risk profiles of all business divisions and the group through regular updates of risk registers
- Ensure management has implemented systems of internal control and an effective risk-based internal audit
- Monitor borrowings, interest rate exposure movement and interest rate hedging policies
- Ensure appropriate insurance cover purchased on all material risks above pre-determined self-insured limits
- Monitor effective disclosure of risks to shareholders
- Review the combined assurance plan and business continuity plan.

REMUNERATION COMMITTEE

Composition

Chair: Dr Kinesh Pather

The committee comprises two independent non-executive directors and a non-executive director.

The CEO and the Managing Director: South Africa attend by invitation and are recused for discussions that relate to their performance and remuneration.

Refer to the remuneration report on pages 62 to 66.

Roles and responsibilities of remuneration committee:

- Ensure the group has a remuneration policy which is aligned with the company's strategic objectives and goals, and which is competitive in the market place
- Review and approve remuneration of executive directors, non-executive directors and senior management
- Review and approve payments in terms of annual bonus schemes which are based on performance measures
- Review and approve long-term incentive schemes
- Propose annual fees for non-executive directors for approval at the annual general meeting

- Determine a long-term strategy for retention and development of executives
- Ensure that effective succession planning is in place for executives and senior management.

NOMINATIONS COMMITTEE

Composition

Chair: John Bester

The committee comprises two independent non-executive directors and a non-executive director.

The CEO attends by invitation.

Roles and responsibilities of nominations committee:

- Ensure the board and committees have an appropriate balance of skills, experience and diversity
- Identify and nominate candidates for appointment to the board and committees
- Co-ordinate the annual board and committee evaluation process
- Review the chairs of the board and committees
- Assessments of CEO, MD, CFO, and company secretary annually
- Oversight of the succession plan for executive management
- Co-ordinate induction programme for new directors and continuing development for all directors
- Recommendations to shareholders for annual re-election of directors by rotation, and appointment of audit committee members.

SOCIAL AND ETHICS COMMITTEE

Composition

Chair: Dr Kinesh Pather

The committee comprises an independent non-executive director, a non-executive director and the Chief Risk Officer.

Executive and operational management attend at the invitation of the committee.

Corporate governance report (continued)

Roles and responsibilities of social and ethics committee:

- Assist the board in considering the impact of the business on the environment, society and the economy
- Monitor the group's activities relating to social and economic development, the environment, and health and public safety
- Advise the board on factors impacting on the long-term sustainability of the business
- Monitor adherence to corporate citizenship principles and ethical behaviour
- Ensure the group's interactions with stakeholders are guided by legislation and regulation
- Provide guidance on empowerment and transformation, labour and employment
- Oversight of corporate social investment projects.

Refer to the social and ethics committee report on pages 67 to 69.

BOARD AND COMMITTEE ATTENDANCE

	Board	Audit and Risk	Remuneration	Nominations	Social and Ethics
Number of meetings	5	4	3	2	3
John Bester	5*	4	3	2*	3
Bharti Harie	5	4*	3	2	1
Dr Kinesh Pather **	4/4	2	2*	1	2*
Mary Bomela **	4/4				
Phil Cunningham ***	1/1			1	
Cris Dillon	4		1	1	3
Gary Shayne	4				
Dr Karsten Wellner	4				
Cliff Sampson	4				
Kieron Futter	5				
Andy Sims (Company secretary and Chief risk officer)					3

* Chair ** Appointed 10 November 2016 *** Resigned 10 November 2016



RISK MANAGEMENT

The board is responsible for the oversight of the risk management process and is assisted in this process by the audit and risk committee. The group's CRO is responsible for ensuring that an efficient and effective enterprise risk management process operates across the group and reports to the risk committee and board on risk management.

The implementation of the business strategy is dependent on management taking calculated risks that do not jeopardise the interests of stakeholders, and ensuring that adequate controls are in place to mitigate the level of risk. Sound management of risk will enable Ascendis to anticipate and respond to changes in the healthcare environment, as well as take informed decisions under conditions of uncertainty.

A risk management policy has been adopted to identify, assess, manage and monitor the risks to which the business is exposed. Risk registers are maintained and reviewed on a bi-annual basis in all key areas of the group's businesses. Information technology governance forms an integral part of the group's risk management process, with the risk committee assisting the board in meeting its responsibilities in this regard.

Management has implemented systems of internal control and an effective risk-based internal audit aimed at:

- Safeguarding assets and reducing the risk of loss, error, fraud and other irregularities
- Ensuring the accuracy and completeness of accounting records and reporting
- Preparing timely and reliable financial statements and information in compliance with relevant legislation
- Complying with generally accepted accounting policies and practices
- Increasing the probability of anticipating unpredictable risk.

The board confirms that the group's risk management, mitigation and monitoring processes have been effective in limiting the impact of risks on the business in the past financial year.

ACCOUNTABILITY AND COMPLIANCE

Details of the internal audit function and systems of internal control, as well as the external audit function, are contained in the audit committee report in the audited annual financial statements for the year ended 30 June 2017, which are available on the group's website: www.ascendishealth.com

LEGISLATIVE COMPLIANCE

Legislative and regulatory compliance is monitored by the company secretary and the group's internal legal department. A regulatory universe process has been implemented and is being managed with the divisional heads. There were no cases of material legislative or regulatory non-compliance and no penalties or sanctions were imposed on the group or any of its directors or officers during the year.

Board of directors



John Bester (71)

B Com (Hons), CA (SA), CMS (Oxon)
Independent non-executive chairman
Chairman of the nomination committee

Member of the audit and risk, and remuneration committees

Appointed to the board in 2013

John spent over three decades in commerce and industry, including serving as a partner of Ernst & Young and holding a number of financial directorships. He is a director of Clicks Group, Sovereign Food Investments, Tower Property Fund and Personal Trust International.

Mary Sina Bomela (44)

B Com (Hons), CA (SA), MBA
Independent non-executive director

Appointed to the board in 2016

Mary is the CEO of the Mineworkers Investment Company and has held senior executive positions across the resources, media, utilities and financial services sectors. Her directorships include FirstRand Group, Primedia, Metrofile Holdings, Peermont Global Holdings and Torre Industries.

Cris Dillon (47)

B Sc (Hons) (Chem Eng), MBA
Non-executive director

Member of the remuneration, nomination and social and ethics committees

Appointed to the board in 2008

Cris is the joint owner and COO of Coast2Coast Capital. After more than a decade in investment banking he founded and ran several companies, including Multipac, LALabel in Los Angeles, Revia and Axiz Retail. He co-founded Ascendis Health together with Gary Shayne in 2008.

Kieron Futter (40)

B Com (Hons), H Dip (Auditing), CA (SA)
Executive director and chief financial officer

Appointed to the board in 2015

Kieron has over 20 years experience in financial management across a range of industries, including five years at GlaxoSmithKline Consumer Health care in the UK and Dubai, five years as CFO at TransUnion Group Africa and two years as CEO of Nando's Company-owned Restaurants Division. He joined Ascendis Health in 2015.



Bharti Harie (47)

BA, LLB, LLM

Independent non-executive director

Chairman of the audit and risk committee

Appointed to the board in 2013

Bharti spent 14 years at the Industrial Development Corporation of South Africa where she headed the corporate funding and international finance departments. She is a director of Bell Equipment, the Mineworkers Investment Company and Lenmed Investments.

Gary Shayne (46)

B Com, CA (Zim)

Non-executive director

Appointed to the board in 2008

Gary is the co-owner and CEO of Coast2Coast Capital and jointly founded Ascendis Health in 2008. Gary owned and run several successful businesses, including a telecommunications company which was listed on the stock exchange, before venturing into private equity and establishing Coast2Coast Capital.

Cliff Sampson (58)

Dip IMM, MBA, MAP

Executive director and managing director: South Africa

Appointed to the board in 2015

Cliff joined Ascendis Health in 2015 after more than three decades in the FMCG sector. He was managing director of Foodcorp for seven years, growing the turnover to more than R7 billion, and during his nine years as managing director of National Brands turned the business into a highly profitable contributor to AVI.

Dr Kinesh Pather (52)

BDS (Wits), MBA

Independent non-executive director

Chairman of the remuneration and social and ethics committees

Member of the audit and risk, and nomination committees

Appointed to the board in 2016

Kinesh is the chairman of Kilimanjaro Capital and a director of Kefolile Health Investments and Bataung Energy Holdings. He has extensive experience in the trade union investment arena and has been instrumental in several significant transactions in the healthcare and pharmaceutical sectors.

Dr Karsten Wellner (56)

Ph D (Economics and Political Science)

Executive director and chief executive officer

Appointed to the board in 2011

Karsten has over 20 years experience in international and South African health markets. Before joining Ascendis Health in 2011, he headed up Fresenius Kabi South Africa (including responsibility for Africa and Middle East) for eight years and prior to that ran Fresenius Switzerland for five years.

Executive management



Kieron Futter (40)

B Com (Hons), H Dip (Auditing), CA (SA)
Chief financial officer

Joined the group in 2015

Kieron has over 20 years experience in financial management across a range of industries, including five years at GlaxoSmithKline Consumer Health care in the UK and Dubai, five years as CFO at TransUnion Group Africa and two years as CEO of Nando's Company-owned Restaurants Division.

Dr Karsten Wellner (56)

Ph D (Economics and Political Science)

Chief executive officer

Joined the group in 2011

Karsten has over 20 years experience in international and South African health markets. Before joining Ascendis Health, he headed up Fresenius Kabi South Africa (including responsibility for Africa and Middle East) for eight years and prior to that ran Fresenius Switzerland for five years where his responsibilities included pharma exports and developing markets.

Cliff Sampson (58)

Dip IMM, MBA, MAP

Managing director: South Africa

Joined the group in 2015

Cliff joined Ascendis Health in 2015 after more than three decades in the FMCG sector. He was managing director of Foodcorp for seven years, growing the turnover to more than R7 billion, and during his nine years as managing director of National Brands turned the business into a highly profitable contributor to AVI.

Thomas Thomsen (48)

BA (Marketing Management), BA (Anthropology), MBA executive programmes (London, INSEAD, IMD)

Chief operating officer

Joined the group in 1 August 2017

Thomas is responsible for the group's European operations and is based in London. He has held senior executive positions at Johnson & Johnson Consumer (MD CEE region), Reckitt Benckiser (head of global consumer healthcare) and Novartis Consumer Healthcare (head of global consumer health category). Most recently he has focused on non-executive board positions for private equity and listed companies mainly in the pharma sector.



John Kettlewell (40)

B Com (Logistics management)

Managing director: Sports Nutrition

Joined the group in 2017

John has over 16 years experience in supply chain, distribution, sales, trade marketing and strategy. He was previously head of supply chain projects at SAB and held a number of key senior managerial positions across the business.

Justin Korte (42)

BA Marketing, Dip IMM

Managing director: Wellness

Joined the group in 2016

Justin has 20 years experience in both the FMCG and pharmaceutical sectors across South Africa and sub-Saharan Africa. This included seven years at Gillette and 10 years at GlaxoSmithKline where his most recent roles were as sales director and Africa commercial capability director.

Lee-Ann Herbst (41)

B Com (Hons Marketing), CM (SA)

Managing director: Skin

Joined the group in 2017

Lee-Ann has over 15 years FMCG experience, including four years in the cosmetics industry. She was previously brand general manager for MAC Cosmetics, Estee Lauder, Aerin and Tom Ford. Lee-Ann spent 10 years at SAB focusing mainly on the premium beer portfolio.

Charalambos Pattihis (53)

B Sc, M Sc (Pharmaceutical Technology), MBA

Chief executive officer of Remedica

Joined the group in 2016

Charalambos has more than 25 years experience in the pharmaceutical industry. He has been instrumental in growing Remedica into its current market-leading position. He is the founder and president of the Cyprus Pharmaceutical Manufacturers' Association, vice chairman of the Limassol Chamber of Commerce and was voted as the business leader of the year in 2016 by the Cyprus Chamber of Commerce and Industry.

Jaco Smit (49)

M Sc (Chem Eng), M Sc (Management)

Managing director: Pharma

Joined the group in 2017

Jaco has over 20 years' experience in the pharmaceutical industry, spending most of his career at Sano Pasteur in sales, marketing and general management in the USA, and global roles in franchise management and public affairs in France. He was most recently head of Sano Pasteur's commercial operations in southern Africa.

Tony Lowther (53)

Certificate of Medical Technology, RCS London

Managing director: Medical Devices

Joined the group in 2016

Tony's career in the medical devices industry has spanned 25 years, holding executive positions in local and international markets with Johnson & Johnson and Zimmer & Stryker, where he was managing director for Stryker South Africa. He is a member of the SA Medical Device Industry Association board and founded the orthopaedic special interest section for the association.

Yogish Agarwal (47)

B Sc (Chemistry)

Chief executive officer of Sun Wave Pharma

Joined the group in June 2017

Yogish has over 25 years international pharmaceutical experience, including serving as country head of Ranbaxy Romania and holding senior positions for Sun Pharmaceuticals in India, Africa and Ukraine. He founded Sun Wave Pharma in 2008 and has grown the business into one of the leading pharma companies in Romania, ranked number one in the nutraceuticals market.

Executive management (continued)



Cornélie van Graan (52)

B Compt

Managing director: Direct

Joined the group in 2012

After 15 years in the FMCG industry Cornélie moved into the direct selling industry in 2001 as the group CFO and then managing director of Avroy Shlain Cosmetics. She is the vice chair of the Direct Selling Association in South Africa and an advisory committee member of the World Federation of Direct Selling Associations.

Andras Gyenes (47)

Masters in Economics

Chief executive officer of Scitec

Joined the group in 2017

Andras has extensive experience in the FMCG industry and worked for Unilever for 22 years, serving as managing director of Unilever in the eastern Europe region. Before joining Ascendis Health he was chief commercial officer of Magyar Telekom, a subsidiary of Deutsche Telekom. During his career Andras has been on the management team of businesses in several eastern European markets.

José Luis Berenguer (71)

Graduated in Economics (CEU – University of Madrid)

Chief executive officer of Farmalider

Joined the group in 2015

José Luis founded Farmalider in 1986, bringing more than 30 years experience in the pharmaceutical industry to the company. He previously founded Laboratorio Lanzas, Laboratorio Beneline and Lineafarm. Prior to that he spent five years at Sofemasa, a Spanish consulting company.

Jayen Pather (56)

B Compt (Hons), HDip Tax (Law), AGA (SA)

Managing director: Phyto-Vet

Joined the group in 2013

Jayen has over 20 years' experience in supply chain, operations and finance, and held various executive financial and operations positions with the diversified logistics groups, Unitrans and DHL. Prior to joining Ascendis Health Jayen was managing director of Incolabs, a diversified FMCG company.

Iain Rosekilly (56)

B Pharm, MPS

Managing director: Australia

Joined the group in 2016

A pharmacist by profession, Iain founded and ran Isotec Nutrition for 18 years before selling the business to Fresenius Kabi. He has extensive international experience in the pharmaceutical, nutrition and FMCG sectors as general manager Calea UK and operations director of Fresenius Kabi in the UK, South Africa and later Australia. He joined Coast2Coast Capital Australia in 2016 and moved to Ascendis Health to set up the Australian subsidiary.



Andy Sims (62)

B Acc, CA (SA)

Company secretary and chief risk officer

Joined the group in 2008

Andy worked in the information technology industry for over 20 years and was the financial manager for international companies including Hewlett-Packard and Compaq. He was also the financial director and managing director of subsidiaries in JSE-listed IT groups Siltek and Computer Configurations Holdings. Prior to being appointed to his current role Andy was the financial director of five group subsidiaries.

Dave Meldrum (48)

Dip Mech Eng, MBA

Group information technology manager

Joined the group in 2015

Dave has over 20 years' experience in information technology within engineering and project environments. Prior to joining Ascendis, he was IT manager for 13 years at engineering and petrochemical companies. Over his career Dave has overseen numerous IT network infrastructures, achieving over 99.5% availability of systems.

Julliette Morrison (50)

Dip IMM, F Tech Dip

Head of marketing

Joined the group in 2015

Julliette has over 25 years experience in the South African FMCG industry. She has worked across many diverse categories and held senior management positions in marketing at AVI for 10 years, which included marketing director of Snackworx, and was marketing director of Foodcorp for seven years before joining Ascendis Health.

Alastair Gore (57)

M Sc (Operations Management)

Divisional managing director: Supply chain

Joined the group in 2017

Alastair is a seasoned supply chain professional who has held senior executive positions locally and abroad. During his career in the FMCG industry he has gained experience at Reckitt & Colman (Africa, Middle East, Pakistan and Europe), National Brands (South Africa), Super Group (South Africa) and Cadbury (West Africa).

Darren Berman (32)

LLB, Admitted attorney

Head of legal

Joined the group in 2014

Darren has spent the past decade in the legal profession, with the last four at Ascendis Health. He is responsible for the consolidation of the intellectual property portfolio for the group as well as implementing intellectual property and contract policy frameworks.

Chantal Burgers (31)

HRM Dip, LL Dip, PA Dip

Group human resources manager

Joined the group on 2010

Chantal has 12 years experience working in the FMCG, pharmaceutical and mining sectors across South Africa, sub-Saharan Africa and the USA. She has implemented national and international human capital strategies and her strength is in working with diverse talent and complex work structures toward optimal levels of performance and engagement.

Remuneration report

The group's remuneration policy is based on a performance-related culture and strategy. The primary objective of this strategy is to motivate the employees to contribute to the group's strategic growth by achieving operational and financial objectives.

The philosophy of the remuneration policy is that the growth and sustainability of the group's business is dependent on its ability to attract, motivate and retain employees with competent skills and commitment to their scope of responsibilities, and with a performance-based culture.

REMUNERATION PRINCIPLES

The key principles embedded in the remuneration policy are to:

- Align remuneration practices with the delivery of the group's strategy
- Ensure that executive reward schemes are in line with the shareholders' interests
- Attract, develop and retain employees in the health care industry who contribute to the group's sustained business growth
- Recognise and reward employees by promoting a performance-based culture which incorporates both short-term and long-term objectives
- Be competitively and comparably positioned in the market with the group's remuneration structures
- Ensure internal equity amongst employees
- Remuneration packages to comprise annual guaranteed pay, performance based bonuses and other benefits
- Grant regular increases which are merit based and in line with the job position

- Encourage career path aspirations and succession planning within the group
- Ensure compliance with all applicable legislation and regulatory codes.

REMUNERATION GOVERNANCE

The board carries ultimate responsibility for the remuneration policy and has appointed a remuneration committee which has been delegated responsibility for the group's remuneration practices. The membership of this committee comprises two independent non-executive directors and one non-executive director, and conforms to the King III guidelines. The remuneration committee is governed by the remuneration committee charter as approved by the board.

The remuneration committee meets three times a year and on an ad hoc basis when required. The dates of these meetings are aligned to the review and approval of the budgeted remuneration for each year, as well as the performance bonuses awarded to executives and senior management.

The executive directors are responsible for preparing and presenting the remuneration adjustments and incentive schemes to the remuneration committee for further review and approval.

The directors' fees for non-executive directors are reviewed annually by the remuneration committee and presented to the board for approval. These fees are then presented to the shareholders for approval at the annual general meeting (AGM). PricewaterhouseCoopers (PwC) was commissioned to undertake a benchmarking exercise for non-executive directors' fees, which took into account the roles and responsibilities fulfilled on the board sub-committees as well as the frequency of meetings. The findings of this survey indicated that the chairs of the board, audit and risk committee, remuneration committee and social and ethics committee were positioned in the lower quartile of the twelve selected JSE companies in the comparator group. The proposed fees for 2018 as detailed later in this report are positioning these non-executive directors' fees close to the median level of the ranges.



The remuneration policy as formulated by the remuneration committee is tabled to shareholders for a non-binding advisory vote at the AGM, to allow shareholders to express their views on the remuneration policy. The board is responsible for determining the remuneration of executive directors in accordance with the remuneration policy put to the shareholders' vote

REMUNERATION POLICY

The remuneration policy incorporates the following key components.

EXECUTIVE DIRECTORS' REMUNERATION

The remuneration structure of the executive directors is closely linked to the achievement of the group's operating and financial targets and is therefore aligned to the shareholders' interests.

The remuneration packages of the executive directors include the following components:

- Annual guaranteed pay
- Company benefits
- Cash-based bonuses which are based on monthly, quarterly and annual financial performances.

Basic salaries are reviewed according to benchmarking of medium-sized market capitalisation companies on the JSE Limited, and which recognises the group's business model, range of product and service offerings, and the regulatory environment within the health care sector in which the group operates.

PwC was commissioned to benchmark remuneration for the three executive directors and senior management. This included the total guaranteed package and short-term incentives as compared to twelve selected JSE companies and using REMchannel benchmarking data. The key findings of the benchmarking exercise will be debated by the remuneration committee and proposed action plans presented to the board.

CASH-BASED PERFORMANCE BONUS

The executive directors and senior management participate in a performance bonus scheme which is cash based. Financial targets were determined by the board and set on annual EBITDA (earnings before interest, tax, depreciation and amortisation) and on RONA (return on net assets) and working capital management, as well as operational and business goals. These targeted bonuses are included in the annual budgets.

The incentive scheme for the executive directors and senior management is designed on both financial and non-financial measurements across operational, financial, customer, people and internal business process improvement metrics.

LONG-TERM INCENTIVE SCHEME

A long-term incentive scheme (LTI) is planned, based on a share option model, and will orientate itself on market-leading comparable schemes with a focus on creating more alignment with our shareholders' interests and the group's top managers and executives, and to retain and attract best talent.

Key features of the LTI are:

- Strike based options
- Annual award to senior management based on Paterson grading levels
- Annual award capped to a percentage of shares in issue
- Vesting in equal tranches over 3, 4 and 5 years
- Based on profit performance conditions using NHEPS compound growth target, including tiered performance hurdles
- Settlement is cash or net equity issued
- Option to be exercised within three months
- 100% hedge cover for the options
- Limited impact on the company's income statement
- JSE and shareholder approval are not applicable
- Scheme rules prepared dealing with change of control, remuneration committee governance and King III compliance.

Remuneration report (continued)

OTHER MANAGEMENT AND STAFF

The directors, senior managers and selected key staff receive an annual guaranteed salary, which includes certain retirement and health care benefits. Salaries may include premiums for resources that are scarce and critical. An annual salary increase is applied which is performance based as well as market related. They may also participate in an annual performance bonus scheme.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive directors are paid a quarterly fee for their services as directors as well as for serving on board committees. The fees are determined and compared to similar listed companies and are based on an assessment of the independent non-executive director's participation in meetings as well as increased regulatory and governance responsibilities.

In accordance with best corporate governance practices, independent non-executive directors do not participate in the group's incentive schemes, nor do they have contracts with the group. No consultancy fees were paid to the independent non-executive directors during the year.

REMUNERATION

DIRECTORS' EMOLUMENTS 2017

	Basic salary R000s	Travel allowances R000s	Bonus and incentives R000s	Retirement/ medical benefits R000s	Other benefits R000s	Directors' fees R000s	Total R000s
Executive directors							
Dr K Wellner	3 900	33	500	88	42	–	4 563
CB Sampson	3 480	–	1 500	–	52	–	5 032
K Futter	2 875	–	1 250	–	30	–	4 155
Total executive directors	10 255	33	3 250	88	124	–	13 750
Non-executive directors							
JA Bester	–	–	–	–	–	445	445
B Harie	–	–	–	–	–	372	372
MS Bomela *	–	–	–	–	–	330	330
Dr KS Pather *	–	–	–	–	–	330	330
GJ Shayne	–	–	–	–	–	–	–
CDDillon	–	–	–	–	–	–	–
Total non-executive directors	–	–	–	–	–	1 477	1 477
Total directors	10 255	33	3 250	88	124	1 477	15 227

* Appointed 10 November 2016



DIRECTORS' EMOLUMENTS 2016

	Basic salary R000s	Travel allowances R000s	Bonus and incentives R000s	Retirement/ medical benefits R000s	Other benefits R000s	Directors' fees R000s	Total R000s
Executive directors							
Dr K Wellner	3 414	143	318	68	106	–	4 049
CB Sampson*	3 000	–	–	–	32	–	3 032
K Futter*	1 875	–	–	–	20	–	1 895
Total executive directors	8 289	143	318	68	158	–	8 976
Non-executive directors							
JA Bester	–	–	–	–	–	390	390
B Harie	–	–	–	–	–	338	338
OP Cunningham**	–	–	–	–	–	300	300
GJ Shayne	–	–	–	–	–	–	–
CD Dillon	–	–	–	–	–	–	–
Total non-executive directors	–	–	–	–	–	1 028	1 028
Total directors	8 289	143	318	68	158	1 028	10 004

* Appointed 12 November 2015

** Resigned 10 November 2016

NON-EXECUTIVE DIRECTORS' FEES

The fees for the 2018 financial year will be proposed to shareholders at the AGM in November 2017:

Director	R000s
JA Bester	875
<ul style="list-style-type: none"> Chairman of the board Chairman of the Nominations Committee Member of the Audit and Risk Committee Member of the Remuneration Committee 	
B Harie	495
<ul style="list-style-type: none"> Member of the board Chairman of the Audit and Risk Committee 	
MS Bomela	353
<ul style="list-style-type: none"> Member of the board 	
Dr KS Pather	475
<ul style="list-style-type: none"> Member of the board Chairman of the Remuneration Committee Chairman of the Social and Ethics Committee Member of the Audit and Risk Committee Member of the Nominations Committee 	

Remuneration report (continued)

DIRECTORS AND ASSOCIATES' SHAREHOLDINGS

SHAREHOLDINGS AT 30 JUNE 2017

Director	Direct beneficial shares	Indirect beneficial shares	Indirect non-beneficial shares	Total
JA Bester	16 200	–	–	16 200
B Harie	3 548	95 782	12 535	111 865
Dr KS Pather	11 650	–	–	11 650
GJ Shayne	253 647	105 446 841	1 632 756	107 333 244
CD Dillon	1 018 900	18 608 266	1 032 000	20 659 166
Dr K Wellner	2 743 307	1 500	–	2 744 807
CB Sampson	211 175	250 000	–	461 175
K Futter	270 286	–	–	270 286
Total	4 528 713	124 402 389	2 677 291	131 608 393

DIRECTORS AND ASSOCIATES' SHAREHOLDINGS AT 30 JUNE 2016

Director	Direct beneficial shares	Indirect beneficial shares	Indirect non-beneficial shares	Total
JA Bester	10 000	1 000	–	11 000
B Harie	3 000	81 000	10 600	94 600
GJ Shayne	214 500	103 846 650	1 632 756	105 693 906
CD Dillon	861 647	18 325 880	1 392 000	20 579 527
Dr K Wellner	2 612 054	1 500	–	2 613 554
CB Sampson	140 000	250 000	–	390 000
K Futter	57 143	171 429	–	228 572
PS Cunningham**	–	1 000	–	1 000
Total	3 898 344	122 678 459	3 035 356	129 612 159

** Resigned 10 November 2016



Social and ethics committee report

Ascendis Health is committed to promoting the highest standards of ethical behaviour and adopting good corporate citizenship practices across the business.

The board's social and ethics committee is constituted in terms of the Companies Act and the committee has an independent role and is governed by a formal charter.

This report is presented to shareholders in accordance with the requirements of the Companies Act.

ROLE OF THE COMMITTEE

The committee assists the board in monitoring the group's activities in terms of legislation, regulation and codes of best practices relating to:

- Social and economic development
- Ethics practices
- Good corporate citizenship
- Consumer relationships
- Labour and employment
- Transformation and empowerment
- The impact of the group's products or services on the environment, society and the economy.

The committee also advises the board on any issues that may impact the long-term sustainability of the business.

COMPOSITION AND FUNCTIONING

The committee comprises independent non-executive director Dr Kinesh Pather (chairman), non-executive director Cris Dillon and the group's chief risk officer Andy Sims. Executive and operational management attend meetings at the invitation of the committee.

Biographical details of the committee members appear on pages 56 to 61.

The effectiveness of the committee is assessed as part of the annual board and committee evaluation process.

ACTIVITIES OF THE COMMITTEE

The committee met three times during the year and continued to monitor and measure the company's development in the areas of human resources,



Social and ethics committee report (continued)

corporate governance and training, employment equity, BEE and transformation, black manager development, leadership programmes, social and ethics compliance and environmental sustainability. The activities are summarised below.

EMPOWERMENT AND TRANSFORMATION

One of the primary roles of the committee is to assist the board in the oversight of the group's broad-based black economic empowerment (BBBEE) and transformation activities. The board recognises and supports the critical role of BBBEE and transformation in the development and empowerment of historically disadvantaged individuals and communities in South Africa, and its role in the sustainability of the country.

The committee has set clear objectives and goals for each of the five pillars of the amended BBBEE codes and will continue to monitor and evaluate all aspects of BBBEE across the business.

The group's BBBEE strategy has focused primarily on equity ownership, enterprise and supplier development, learnerships, and corporate social investment.

Ascendis Health's black equity ownership has increased to 28.2% (2016: 26.7%), which includes 11.2% black female ownership. The shareholdings of our major strategic empowerment partners at the financial year end were Kefolile Health Investments (6.1% holding), WBD Investment Holdings (4.1%) and Mineworkers Investment Company (3.5%).

The diversity of the group's board of directors was enhanced with the appointment of two new independent non-executive directors during the year, with 50% of the non-executive directors being black and 33% female. A board gender diversity policy was adopted during the year, confirming the group's ongoing commitment to transformation.

The enterprise and supplier development projects supported by the group reflect the entrepreneurial spirit of Ascendis. In partnership with Edge Growth, the group supported Living Hope which undertakes community development through educational, social, income generation and health related programmes, and plays a vital role in the prevention, care and treatment of people infected and affected by HIV/AIDS and other chronic illnesses. Living Hope runs

an agriculture and business training division focusing on tunnel farming projects. Through Living Hope's Harvest Training Initiative programme up to 20 people are selected to learn small-scale farming and basic business skills over a 15-month period.

Learnerships were awarded to 25 Ascendis employees and 173 unemployed individuals. The learnerships range from four to 12 months and focus on business administration, chemical operations and business management. The unemployed learners are also granted the opportunity to do practical training at Ascendis and other business partners to give them much needed experience to improve their job readiness.

CORPORATE SOCIAL INVESTMENT

Through the corporate social investment (CSI) programme the group aims to improve access to education while at the same time appealing to youth through sport and other healthy living initiatives. The CSI projects embody the group's slogan "Healthy home, health you, healthy life". Projects and organisations supported over the past year include:

- **Ubuntu Soccer** inspires and motivates children through soccer. Ubuntu provides housing, meals and schooling for over 80 boys and packages education and learnership development together with an exciting football training academy.
- **Sporting Chance** is a leading sports coaching and development organisation that uses sport to create health awareness. In 2017 Sporting Chance visited 40 schools across four provinces and reached over 20 000 children.
- **Ascendis LEADout Cycling Academy** nurtures and hones the skills of aspiring young cyclists from previously disadvantaged backgrounds on their potential career path towards professional cycling while keeping them focused on excelling in their studies at school or university.
- **Khulisa's Mentorship Movement** provides a unique way to make mentorship accessible to multiple communities of disadvantaged South Africans. Mentorship makes a dramatic difference to the lives of those keen to break out of poverty and disadvantaged backgrounds. This initiative works together with the Ascendis learnership programme.



- **Nemato Change a Life** has provided children in one of South Africa's most impoverished regions of the Eastern Cape with the opportunity to participate in a comprehensive programme of education, nutrition, sport, and skills and career development for the past ten years. Nemato's sports development programme provides training in four Olympic sports: rowing, gymnastics, handball and fencing, and Nemato sportsmen and women compete provincially, nationally and even internationally.

ENVIRONMENTAL SUSTAINABILITY

The group's environmental strategy is focused on reducing carbon (CO₂) emissions mainly from the manufacture and distribution of products. Management is measuring environmental performance on four dimensions: energy consumption; water consumption; CO₂ emissions from energy consumption and waste. A baseline assessment commenced in 2017 and the group is committed to setting short and long-term CO₂ reduction targets. External carbon emission consultants will be used to monitor and track progress.

Projects have been initiated in five subsidiary companies to address energy efficiency and the use of renewable energy, including the installation of solar panels and energy saving 'green' lighting.

The monitoring of water and energy consumption was initiated at most group companies this year, with the goal to reduce water consumption by 5% by 2022. Water is used extensively in manufacturing and cleaning processes. Water supply risk is influenced by the growing global water scarcity and further exacerbated in South Africa by increased urbanisation and the ageing municipal infrastructure.

Specialised waste management service providers are used to manage the transportation, treatment and disposal of waste. The group aims to reduce total waste consumption by 10% within 10 years.

The group plans to broaden the scope of its environmental strategy to reduce the CO₂ impact from indirect emissions, including suppliers of raw materials, products and services, and business travel. This requires engaging with key suppliers of raw materials to promote energy efficiency and the use of renewable energy.

CONCLUSION

The committee believes the group is substantively addressing the issues required to be monitored in terms of the Companies Act, based on the size, resources and age of the business.

As a committed corporate citizen and a company that promotes holistic health solutions through our market-leading brands, we are encouraged by the progress we have made through our transformation programme, including our community-based project support. However, we acknowledge the limitations on resources in our young company and recognise the need to accelerate our activities as our business grows and enables us to make an increasing contribution to the sustainability and prosperity of our country.

Dr Kinesh Pather
Chairman
Social and ethics committee





Annual financial statements

Audited summarised group statement of financial position

at 30 June 2017

	2017 R'000	2016 Restated R'000
Property, plant and equipment	991 668	348 223
Intangible assets and goodwill	9 114 959	3 041 497
Investments accounted for using the equity method	–	386
Derivative financial assets	2 760	–
Other financial assets	29 168	73 287
Deferred income tax assets	40 109	10 651
Non-current assets	10 178 664	3 474 044
Inventories	1 597 726	939 355
Trade and other receivables	1 881 591	1 054 396
Other financial assets	32 761	22 281
Current tax receivable	39 824	30 561
Derivative financial assets	53 012	6 727
Cash and cash equivalents	634 719	198 905
Assets held for sale as part of a discontinued operation	68 320	–
Current assets	4 307 953	2 252 225
Total assets	14 486 617	5 726 269
Stated capital	5 447 899	2 138 684
Other reserves	(782 088)	(259 892)
Retained earnings	475 645	396 949
Equity attributable to equity holders of parent	5 141 456	2 275 741
Non-controlling interest	154 886	179 302
Total equity	5 296 342	2 455 043
Borrowings and other financial liabilities	4 002 769	1 048 502
Deferred income tax liabilities	467 819	236 858
Deferred vendor liabilities	1 437 394	86 212
Put-option on equity instrument	113 055	120 972
Derivative financial liabilities	6 444	45 801
Finance lease liabilities	20 486	3 932
Long term employee benefits	15 188	–
Investments accounted for using the equity method	1 066	–
Non-current liabilities	6 064 221	1 542 277
Trade and other payables	1 250 209	849 343
Derivative financial liabilities	38 156	–
Borrowings and other financial liabilities	1 027 037	376 631
Current tax payable	21 239	38 031
Deferred vendor liabilities	645 374	222 706
Provisions	26 595	17 493
Finance lease liabilities	9 900	3 444
Bank overdraft	107 544	221 301
Current liabilities	3 126 054	1 728 949
Total liabilities	9 190 275	3 271 226
Total equity and liabilities	14 486 617	5 726 269



Audited summarised statement of profit and loss and other comprehensive income

for the year ended 30 June 2017

	2017 R'000	2016 Restated R'000
Continuing operations		
Revenue	6 435 027	3 914 427
Cost of sales	(3 622 025)	(2 351 345)
Gross profit	2 813 002	1 563 082
Other income	41 579	84 791
Selling and distribution expenses	(615 324)	(325 948)
Administrative expenses	(1 087 417)	(704 362)
Other operating expenses	(403 517)	(234 308)
Operating profit	748 323	383 255
Finance income	40 734	32 968
Finance expense	(346 728)	(162 967)
(Loss)/gain from equity accounted investments	(1 452)	5 625
Profit before taxation	440 877	258 881
Income tax expense	(62 581)	(68 665)
Profit from continuing operations	378 296	190 216
Loss from discontinued operation	(70 976)	(135)
Profit for the period	307 320	190 081
Other comprehensive income		
Items that may be reclassified to profit and loss		
Foreign currency translation reserve	(255 101)	(54 125)
Effects of cash flow hedges	27 803	(37 009)
Items that will not be reclassified to profit and loss		
Revaluation of property, plant and equipment	1 149	8 577
Income tax relating to items that may be reclassified	–	(5 337)
Other comprehensive income from discontinued operations	–	10 483
Other comprehensive income for the year net of tax	(226 149)	(77 411)
Total comprehensive income for the year	81 171	112 670
Profit attributable to:		
Owners of the parent	283 131	158 733
Non-controlling interest	24 189	31 348
	307 320	190 081
Total comprehensive income attributable to:		
Owners of the parent	110 907	69 403
Non-controlling interest	(29 736)	43 267
	81 171	112 670
Earnings per share from continuing operations		
Basic and diluted earnings per share (cents)	85.9	57.1
Total earnings per share		
Basic and diluted earnings per share (cents)	68.7	57.1
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1 085 564	610 846

Audited summarised group statement of changes in equity

at 30 June 2017

	Stated capital	Foreign translation reserve	Revaluation reserve
Balance as at 1 July 2015	1 576 730	188	976
Profit for the period	–	–	–
Other comprehensive income	–	(54 125)	13 723
Total comprehensive income for the year	–	(54 125)	13 723
Issue of ordinary shares	557 890	–	–
Raising fees capitalised	(658)	–	–
Purchase of treasury shares	4 722	–	–
Dividends	–	–	–
Acquisition of a subsidiary	–	–	–
Put-option on non-controlling interest	–	–	–
Foreign currency translation reserve	–	(37 845)	–
Statutory reserve: Farmalider allocation to reserve	–	–	–
Total contributions by and distributions to owners of the Group recognised directly in equity	561 954	(37 845)	–
Balance as at 30 June 2016	2 138 684	(91 782)	14 699
Profit for the period	–	–	–
Other comprehensive income	–	(108 068)	1 149
Total comprehensive income for the year	–	(108 068)	1 149
Issue of ordinary shares	3 432 245	–	–
Raising fees capitalised	(24 309)	–	–
Purchase of treasury shares	(98 721)	–	–
Dividends	–	–	–
Foreign currency translation reserve	–	(10 473)	–
Reclassification of reserves into retained earnings	–	–	–
Statutory reserve: Farmalider allocation to reserve	–	–	–
Total contributions by and distributions to owners of the Group recognised directly in equity	3 309 215	(10 473)	–
Balance as at 30 June 2017	5 447 899	(210 323)	15 848

*Other reserves include a Share-based payment reserve (R13.3 million) that has been reclassified to retained earnings during the 2017 financial period. Also included in this reserve is a Farmalider statutory reserve (R49.4 million). In terms of Spanish legislation a portion of the period's profits should be recognised in a non-distributable reserve.

During the 2017 financial period Ascendis raised equity capital by means of a Rights Offer. Other reserves also include the difference between the R22.00 subscription price and the presiding fair value on the date of issue.



Hedging reserve	Put option non-controlling interest reserve	Total other reserves*	Retained income	Total attributable to equity holders of the Group	Non-controlling interest	Total equity
(949)	–	(51 723)	299 417	1 824 639	–	1 824 639
–	–	–	158 733	158 733	31 348	190 081
(37 009)	–	–	–	(77 411)	11 919	(65 492)
(37 009)	–	–	158 733	81 322	43 267	124 589
–	–	–	–	557 890	–	557 890
–	–	–	–	(658)	–	(658)
–	–	–	–	4 722	–	4 722
–	–	–	(57 066)	(57 066)	–	(57 066)
–	–	–	–	–	101 145	101 145
–	(99 817)	–	–	(99 817)	–	(99 817)
–	(17 927)	17 167	–	(38 605)	38 605	–
–	–	7 850	(4 135)	3 715	(3 715)	–
–	(117 744)	25 017	(61 201)	370 181	136 035	506 216
(37 958)	(117 744)	(26 706)	396 949	2 276 142	179 302	2 455 444
–	–	–	283 131	283 131	24 189	307 320
27 803	–	–	(93 108)	(172 224)	(53 925)	(226 149)
27 803	–	–	190 023	110 907	(29 736)	81 171
–	–	(450 114)	–	2 982 131	–	2 982 131
–	–	–	–	(24 309)	–	(24 309)
–	–	–	–	(98 721)	–	(98 721)
–	–	–	(112 758)	(112 758)	13 384	(99 374)
–	5 950	254	–	(4 269)	4 269	–
–	–	(13 280)	13 280	–	–	–
–	–	24 182	(11 849)	12 333	(12 333)	–
–	5 950	(438 958)	(111 327)	2 754 407	5 320	2 759 727
(10 155)	(111 794)	(465 664)	475 645	5 141 456	154 886	5 296 342

Audited summarised group statement of cash flows

	2017 R'000	2016 R'000
Cash inflow/(outflow) from operations	787 383	(280 537)
Interest income received	40 734	32 968
Finance costs paid	(299 172)	(163 477)
Income taxes paid	(160 232)	(95 167)
Net cash inflow/(outflow) from operating activities	368 713	(506 213)
Cash flows from investing activities		
Purchase of property, plant and equipment	(117 885)	(95 881)
Proceeds on the sale of property, plant and equipment	3 623	36 707
Purchase of other intangibles assets	(119 062)	(83 003)
Proceeds on the sale of intangible assets	767	333
Payment for acquisition of subsidiaries - net of cash	(5 454 161)	(440 160)
Repayments on deferred vendor liabilities	(246 343)	(10 825)
Payments for the settlement of foreign exchange contracts	(119 513)	–
Repayment of loans advanced to related parties	46 932	41 608
Loans advanced to related parties	(9 199)	–
Loans advanced to external parties	(16 854)	(27 552)
Repayment of loans advanced to external parties	14 072	–
Net cash utilised in investing activities	(6 017 623)	(578 773)
Cash flows from financing activities		
Proceed from issue of shares	2 981 281	557 232
Proceed on the sale of treasury shares	37 888	6 049
Payments made to acquire treasury shares	(137 678)	–
Proceeds from borrowings raised	5 140 675	926 813
Repayment of borrowings	(1 663 244)	(475 062)
Repayment of loans from related parties	(26 290)	–
Finance lease payments	(1 803)	(490)
Dividends paid	(112 758)	(57 066)
Net cash inflow from financing activities	6 218 071	957 476
Net increase/(decrease) in cash and cash equivalents	569 161	(127 510)
Cash and cash equivalents at beginning of period	(22 396)	101 215
Effect of exchange difference on cash balances	(19 590)	3 899
Cash and cash equivalents at end of period	527 175	(22 396)



Notes to the audited summarised consolidated annual financial statements

Corporate information

Ascendis Health Limited is a health and care brands company. The Group operates through health care areas: Consumer Brands, Pharma-Med and Phyto-Vet. Consumer Brands consists of health and personal care products sold to the public, primarily at the retail store level. The Group offers over-the-counter (OTC) medicines and consumer brands products, including vitamins and minerals, homeopathic, herbal products, dermaticals, functional foods, functional super foods, sports nutrition, health beverages, weight management and therapeutic cosmetics. Pharma-Med consists of the sale of prescription and selected OTC pharmaceuticals, and includes medical devices. Phyto-Vet supplies products to the plant and animal markets. Phyto-Vet manufactures and supplies over 3 500 different products supplied to over 4 500 retail stores.

These summarised consolidated group financial results as at 30 June 2017 comprise of the Company and its subsidiaries (together referred to as the Group) and the Group's interest in equity accounted investments. The audited annual results can be obtained from the Ascendis website (<https://ascendishealth.com/investor-relations/financial-results>).

Going concern

The directors consider that the Group has adequate resources to continue operating for the foreseeable future and that it is therefore appropriate to adopt the going-concern basis in preparing the Group's financial statements. The directors have satisfied themselves that the Group is in sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements.

Basis of preparation

The annual consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for annual reports, and the requirements of the Companies Act of 2008 applicable to annual financial statements. The Listings Requirements require annual reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the annual consolidated financial statements are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

The summary consolidated financial statements for the year ended 30 June 2017 have been prepared under the supervision of Chief Financial Officer Kieron Futter CA(SA) and audited by PricewaterhouseCoopersInc. The auditor expressed an unmodified opinion on the annual financial statements from which these summary consolidated financial statements were derived. A copy of the auditors report on the summarised consolidated financial statements is available for inspection at the Company's registered office.

The auditors report does not necessarily report on all information contained in this announcement. Any reference to *pro forma* or future financial information included in this announcement has not been review or reported on by the auditors. Shareholders are advised that in order to obtain a full understanding of the nature of the auditors' engagement they should obtain a copy of that report together with the accompanying financial information from the Companies registered office.

The annual financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments and land and buildings at fair value. The financial statements are prepared on the going-concern basis using accrual accounting.

Items included in the annual financial statements of each entity in the Group are measured using the functional currency of the primary economic environment in which that entity operates. The annual financial statements are presented in Rand. This represents the presentation and functional currency of Ascendis.

Notes to the audited summarised consolidated annual financial statements (continued)

The Group owns the following entities which operate in primary economic environments which are different to the Group:

- Farmalider – Spain
- Akusa – United States of America
- Nimue UK – United Kingdom
- Heritage Resources Limited – Isle of Man
- Remedica – Cyprus
- Scitec – Hungary
- Ascendis Wellness – Romania
- Ascendis Australia – Australia
- Ascendis International – Malta

For each of these entities a functional currency assessment has been performed. Where the entity has a functional currency different to that of the Groups presentation currency they are translated upon consolidation in terms of the requirements of IFRS.

Judgement and estimates

In preparing these annual financial results, management made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to have the actual results materially different from estimates. Detailed information about each of these estimates and judgements is included in the notes to the financial statements.

Significant estimates and judgements:

- The useful lives and residual values of property, plant and equipment and intangible assets.
- Impairment testing and allocation of cash-generating units.
- Estimation of fair value in business combinations.
- Estimated goodwill impairment.
- Estimation of fair values of land and buildings.
- Control assessments of investments in other entities acquired.

1. Group Segmental Analysis

Ascendis Health owns a portfolio of brands within three core health care areas, namely Consumer Brands, Pharma-Med and Phyto-Vet. Within these healthcare areas the Group has five reportable segments.

The Group executive committee (EXCO) considers the three core health care areas, as well as the reportable segments to make key operating decisions and assess the performance of the business. The EXCO is the Group's chief operating decision maker.

The reportable segments were identified by considering the nature of the products, the production process, distribution channels, the type of customer and the regulatory environment in which the business units operate.



1. Group Segmental Analysis (continued)

In addition to the above, similar economic characteristics such as currency and exchange regulations, trade zones and the tax environment were also considered to incorporate and assess the different markets in which the Group operate. The reportable segments included in the Group's divisions are:

- Consumer Brands (human health), incorporating Sports Nutrition, Skin and all of the Ascendis Over The Counter (OTC) and Complementary and Alternative Medicines Consumer Brands products. This division includes two reportable segments:
 - Consumer Brands Africa segment: Operating predominantly in the South African market.
 - Consumer Brands Europe segment: Operating predominantly in the European market.
- Phyto-Vet (animal and plant health), incorporating all of the Ascendis animal and plant health and care products.
- Pharma-Med (human health), incorporating Ascendis' pharmaceutical and medical devices products. This division includes two reportable segments:
 - Pharma-Med Africa segment: Operating predominantly in the South African market.
 - Pharma-Med Europe segment: Operating predominantly in the European market.

Restatement

The Group acquired large international operations during the 2017 financial period. The businesses acquired operate predominantly in the European market, which is a substantially different economic and regulatory environment from the South African market. This has resulted in a significant change in the Group's internal environment and subsequently the reportable segments. Individual operating segments previously included in Consumer Brands, are now included in Consumer Brands Africa and Consumer Brands Europe. The Pharma-Med Europe segment was called International in the 2016 Annual financial statements.

(a) *Statement of comprehensive income measures applied*

	2017 R'000	2016 Restated R'000
Revenue split by segment		
Consumer Brands	2 162 570	921 836
Africa	724 992	747 678
Europe	1 437 578	174 158
Phyto-Vet	922 991	700 895
Pharma-Med	3 558 515	2 295 701
Africa	2 093 176	1 808 204
Europe	1 465 340	487 497
Revenue from discontinued operations	(209 049)	(4 005)
Total revenue	6 435 027	3 914 427
Revenue generated by geographical location		
South Africa	3 675 806	3 451 972
Cyprus	987 762	–
Spain	477 578	462 455
Other Europe	1 284 175	–
Other	9 706	–
Total revenue	6 435 027	3 914 427

Notes to the audited summarised consolidated annual financial statements (continued)

1. Group Segmental Analysis (continued)

There has been no inter-segment revenue during the financial period. All revenue figures represent revenue from external customers.

The revenue from discontinued operations relates to the Consumer Brands Africa segment.

The Group has an expanding international footprint and currently exports products to 120 countries, mainly in Africa and Europe.

The revenue presented by geographic location represents the domicile of the entity generating the revenue.

51% of the Group's revenue is generated through the wholesale and retail market (2016: 46%). In this market, 4% (2016: 6%) of the total Group revenue is derived from a single customer and 12% of the Group's revenue is generated from government institutions (local and international).

The Group evaluates the performance of its reportable segments based on EBITDA (earnings before interest, tax, depreciation and amortisation). The financial information of the Group's reportable segments is reported to the EXCO for purposes of making decisions about allocating resources to the segment and assessing its performance. The percentage disclosed represents the EBITDA/sales margin.

EBITDA split by segment	2017 R'000		2016 Restated R'000	
Consumer Brands	290 024	13%	204 397	22%
Africa	115 721	16%	170 886	23%
Europe	174 303	12%	33 511	19%
Phyto-Vet	140 543	15%	96 184	14%
Pharma-Med	730 743	21%	369 599	16%
Africa	328 550	16%	278 963	15%
Europe	402 193	27%	90 636	19%
Head office	(75 746)		(59 334)	
Total EBITDA	1 085 564		610 846	
Non-controlling interest proportionate share	(39 502)		(46 225)	
Total EBITDA attributable to the parent	1 046 062		564 621	

Reconciliation of EBITDA to Consolidated Results	2017 R'000	2016 Restated R'000
Consolidated operating profit	748 323	383 255
Total impairment, amortisation and depreciation	228 453	74 680
Business combination costs	89 722	152 911
Restructuring costs	19 066	–
Non-controlling interest proportionate share	(39 502)	(46 225)
Total EBITDA attributable to the parent	1 046 062	564 621

*Restructuring and business integration costs are excluded from EBITDA for performance measurement purposes.



	2017 R'000	2016 Restated R'000
Net finance cost split by segment		
Consumer Brands Africa		
Finance income	1 449	335
Finance expense	(11 347)	(2 089)
Consumer Brands Europe		
Finance income	2 952	863
Finance expense	(84 747)	(1 144)
Phyto-Vet		
Finance income	1 320	979
Finance expense	(11 751)	(2 073)
Pharma-Med Africa		
Finance income	3 890	2 321
Finance expense	(2 300)	(20 484)
Pharma-Med Europe		
Finance income	418	2 307
Finance expense	(41 216)	(76)
Head-Office		
Finance income	30 705	26 163
Finance expense	(195 367)	(137 101)
Total consolidated net finance cost	(305 994)	(129 999)

Finance income and costs are managed centrally through the Group's Treasury function housed within Ascendis Financial Services (included in Head office) and Scitec (Consumer Brands Europe). The EXCO evaluates the finance income and expenses based on utilisation within subsidiaries as illustrated above.

The European debt facilities raised to finance the acquisition of the recent international acquisitions are housed within Consumer Brands Europe.

	2017 R'000	2016 Restated R'000
Tax expense split by segment		
Consumer Brands	(1 592)	(14 621)
Africa	3 706	(6 833)
Europe	(5 298)	(7 788)
Phyto-Vet	(8 992)	(6 134)
Pharma-Med	(50 457)	(41 160)
Africa	(42 352)	(40 785)
Europe	(8 105)	(375)
Head office	(1 540)	(6 750)
Total consolidated tax expense	(62 581)	(68 665)

The EXCO monitors taxation expenses per segment to ensure optimal tax practices are being adhered to.

Notes to the audited summarised consolidated annual financial statements (continued)

1. Group Segmental Analysis (continued)

(b) Statement of financial position measures applied

Assets and liabilities split by segment	2017 R'000		2016 Restated R'000	
	Assets	Liabilities	Assets	Liabilities
Consumer Brands	5 558 299	(4 494 222)	1 233 112	(85 861)
Africa	1 526 655	(751 425)	1 067 444	(53 433)
Europe	4 031 644	(3 742 797)	165 668	(32 428)
Phyto-Vet	1 508 258	(474 651)	900 856	(254 052)
Pharma-Med	7 405 499	(2 433 957)	2 932 382	(707 730)
Africa	2 620 118	(555 912)	2 227 754	(402 392)
Europe	4 785 381	(1 878 045)	704 628	(305 338)
Head office	14 561	(1 787 445)	659 919	(2 223 583)
Total consolidated assets and liabilities	14 486 617	(9 190 275)	5 726 270	(3 271 227)

The fixed assets presented below represent the material non-current assets held in various geographic locations.

Fixed assets by geographic location	2017 R'000	2016 Restated R'000
South Africa	278 204	321 973
Cyprus	499 447	–
Other Europe	214 017	26 250
Fixed assets per geographic location	991 668	348 223



2. Earnings per share, Diluted earnings per share and Headline earnings per share

The calculation of headline earnings per share is based on the profit attributable to equity holders of the parent, after excluding all items of a non-trading nature, divided by the weighted average number of ordinary shares in issue during the year. The presentation of headline earnings is not an IFRS requirement, but is required by JSE Listings Requirements and Circular 2 of 2015.

Weighted average number of shares in issue is calculated as the number of shares in issue at the beginning of the period, increased by shares issued during the period weighted on a time basis for the period during which they have participated in the profit of the Group. Shares which are held by a subsidiary company as treasury shares have been adjusted on a time basis when determining the weighted average number of shares in issue.

The Group has determined no instruments exist in the period that will give rise to the issue of ordinary shares that results in a dilutive effect. Based on this assessment, basic earning per share also represents diluted earnings per share.

	2017 R'000			2016 R'000		
	Continuing operations	Discontinued operations	Total	Continuing operation	Discontinued operations	Total
(a) Basic earnings per share						
Profit attributable to owners of the parent	354 107	(70 976)	283 131	158 868	(135)	158 733
Earnings	354 107	(70 976)	283 131	158 868	(135)	158 733
Weighted average number of ordinary shares in issue			412 323 054			277 861 370
Earnings per share (cents)	85.9	(17.2)	68.7	57.1	–	57.1
(b) Headline earnings per share						
Profit attributable to owners of the parent	354 107	(70 976)	283 131	158 868	(135)	158 733
Adjusted for:						
Profit/(loss) on the sale of property, plant and equipment	937	–	937	(943)	–	(943)
Profit/(loss) on investment disposal	165	–	165	(7 535)	–	(7 535)
Goodwill and intangible asset impairment	21 730	26 860	48 590	–	–	–
IFRS 3 bargain purchase	(1 938)	–	(1 938)	–	–	–
Non-controlling interest portion allocation	(340)	–	(340)	3 055	–	3 055
Tax effect thereof	(269)	–	(269)	1 062	–	1 062
Headline earnings	374 392	(44 116)	330 276	154 507	(135)	154 372
Weighted average number of shares in issue			412 323 054			277 861 370
Headline earnings per share (cents)	90.8	(10.7)	80.1	55.6	–	55.6

(c) Normalised headline earnings per share

Since Ascendis Health is a health and care company and not an investment company, normalised headline earnings is calculated by excluding amortisation and certain costs from the Group's earnings. Costs excluded for normalised headline earnings purposes include restructuring costs to streamline, rationalise and structure companies in the Group. It also includes the cost incurred to acquire and integrate the business combinations into the Group and the listed environment.

Notes to the audited summarised consolidated annual financial statements (continued)

2. Earnings per share, Diluted earnings per share and Headline earnings per share (cents) (continued)

	2017 R'000			2016 R'000		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Reconciliation of normalised headline earnings						
Headline earnings	374 392	(44 116)	330 276	154 507	(135)	154 372
Adjusted for						
Business combination costs	89 722	–	89 722	130 306	–	130 306
Refinancing costs	27 730	–	27 730	–	–	–
Finance cost of deferred vendor liability	47 556	–	47 556	–	–	–
Restructuring costs	19 066	–	19 066	22 605	–	22 605
Tax effect thereof	(6 272)	–	(6 272)	(6 329)	–	(6 329)
Amortisation	115 857	–	115 857	48 194	–	48 194
Tax effect thereof	(23 328)	–	(23 328)	(12 796)	–	(12 796)
Normalised headline earnings	644 723	(44 116)	600 607	336 487	(135)	336 352
Weighted average number of shares in issue			412 323 054			277 861 370
Normalised headline earnings per share (cents)	156.4	(10.7)	145.7	121.1	–	121.1

Normalised diluted headline earnings per share is calculated on the same basis used for calculating diluted earnings per share, other than normalised headline earnings being the numerator.

3. Events after reporting period

Debt facilities

Post year end, Ascendis increased their existing revolving credit facilities as follows:

- R50 million from Nedbank. This facility bears interest at a rate of 8.25%;
- R150 million from ABSA. This facility bears interest at a rate of 8.75% and is repayable on 28 November 2017.

Treasury shares

The Group also disposed of 3 425 202 treasury shares at a transaction price equal to the 30 day volume weighted average price of the share ("VWAP").



4. Business Combinations

During the period Ascendis acquired the following businesses:

- Remedica Group 100%
- Scitec Group 100%
- Cipla Group 100%
- Sun Wave Pharma Group 100%
- Ortho-Xact 100%
- Juniva Proprietary Limited 78 % (Obtained effective control)

A purchase price allocation has been performed on all business acquisitions which have been included in the financial results with the exception of Cipla and Sun Wave Pharma. Due to the timing of these acquisitions being close to year-end, a preliminary purchase price allocation has been performed.

The following table illustrates the consideration paid and net assets for each material subsidiary acquired during the year. All assets and liabilities are measured at fair value on the date of acquisition. No goodwill amount recognised is deductible for tax purposes. The 2016 comparative period has been restated as a result of a measurement period adjustment, for more information refer to the restatement note.

	2017 R'000						2016 Restated R'000
	Remedica	Scitec	Sun Wave Pharma	Cipla	Other	Total	Total
Cash	2 643 993	2 332 935	599 265	330 728	69 200	5 976 121	537 035
Foreign exchange hedging loss	57 118	62 395	–	–	–	119 513	–
Equity instruments	24 332	–	–	–	–	24 332	213 516
Vendor loans	1 262 507	311 058	260 456	132 385	74 800	2 041 206	195 017
	3 987 950	2 706 388	859 721	463 113	144 000	8 161 172	945 568
Cash and cash equivalents	242 161	213 884	31 652	33 723	540	521 960	96 875
Property, plant and equipment	525 247	178 598	25 532	864	434	730 675	129 447
Intangible assets within the acquired entity	1 246 534	1 114 816	716 932	159 651	34 313	3 272 246	526 209
Other financial assets	37	42 541	–	–	–	42 578	37 700
Inventories	301 487	196 289	35 017	69 946	38 124	640 863	135 877
Trade and other receivables	343 547	137 822	109 354	79 871	10 534	681 128	195 685
Provisions	–	–	–	227	–	227	(29 396)
Trade and other payables	(100 197)	(154 716)	(33 717)	(34 182)	(4 611)	(327 423)	(245 841)
Finance leases	–	–	(24 813)	–	–	(24 813)	–
Borrowings	–	(144 642)	–	–	(40)	(144 682)	(81 847)
Current tax (payable)/receivable	20 016	(17 136)	–	(1 742)	–	1 138	(670)
Provision for doubtful debt	–	–	–	–	–	–	(42 277)
Deferred tax liabilities	(158 956)	(95 264)	–	(48 810)	(9 597)	(312 627)	(140 986)
Total identifiable net assets	2 419 876	1 472 192	859 957	259 548	69 697	5 081 270	580 776
Non-controlling interest	–	–	–	–	(476)	(476)	(101 145)
Resultant goodwill	1 568 074	1 234 196	(236)	203 565	74 779	3 080 378	465 937
Total cash paid for acquisitions	(2 643 993)	(2 332 935)	(599 265)	(330 728)	(69 200)	(5 976 121)	(537 035)
Cash available in acquired company	242 161	213 884	31 652	33 723	540	521 960	96 875
Cash flow relating to business combinations	(2 401 832)	(2 119 051)	(567 613)	(297 005)	(68 660)	(5 454 161)	(440 160)

Notes to the audited summarised consolidated annual financial statements (continued)

4. Business Combinations (continued)

Ascendis completed three new platform acquisitions. These acquisitions will allow Ascendis to significantly grow its European footprint which is currently serviced by Farmalider S.A. The establishment of a sizeable European platform will support further international growth and expansion into new geographies both through acquisitions and organically as the newly acquired international sales and distribution platforms can be utilised to channel existing Ascendis products. Ascendis will contribute favourably towards the growth of both Remedica and Scitec, as synergies are achieved in shared services, cross-licensing of pharmaceutical dossiers, product manufacturing and established routes to the European and developing markets.

The geographical diversification offered by these transactions and their predominant invoicing in US Dollar and Euro will create a natural Rand hedge. The conclusion of these transactions ensures that Ascendis maintains its defensive segment mix of over-the-counter and pharmaceutical operations while enhancing diversification of its sales portfolio across products, channels, geographies and currencies. The international growth, synergies and natural hedge contribute to the goodwill amount recognised as part of the Remedica, Scitec and Sun Wave Pharma acquisition.

International platform acquisition – The Remedica Group (1 August 2016)

Remedica has been operating for over 50 years and is dedicated to the development, production and sale of high quality, safe and efficacious generic pharmaceuticals. Remedica provides an international platform with its diversified portfolio of products, markets and clients to transform the Ascendis Pharma-Med Europe segment.

The Group has acquired the entire share capital of Remedica, a pharmaceutical company based in Cyprus. The purchase consideration of between €261.5 million and €335 million (R3 988 million – R5 210.2 million) was settled as follows:

- €170 million to be paid on completion which assumes a target working capital of €50 million and at least €5 million of surplus cash earmarked for future acquisitions.
- €90 million deferred for three years (present value of €81.175 million based on a pre-discount rate of 3.5%); and
- €1.5 million to be paid in share issued.
- an amount to be determined based on the average EBITDA achieved for the three financial years post completion of the Remedica transaction subject to certain targets being achieved with the total payment limited to €75 million.

R28 million of the business combination costs relates to the Remedica acquisition.

The revenue included in the statement of comprehensive income since 1 August 2016 contributed by Remedica was R982.4 million. Remedica also contributed profit after tax of R243.0 million over the same period.

If the subsidiary was acquired on the first day of the financial year, revenue and profits for the year would have been R1 072.1 million and R248.2 million respectively.

International platform acquisition – The Scitec Group (1 August 2016)

The acquisition of Scitec complements Ascendis' Consumer Brands product strategy, as it provides an international platform in the sports nutrition and nutraceutical industry. Scitec is focused on the marketing, production and distribution of a wide variety of sports nutrition products targeted at strength training, functional fitness and well-being forming part of the Consumer Brands Europe segment.

The Group has acquired the entire share capital of Scitec a European sports nutrition company. The purchase consideration of €170 million (R2 706.3 million) was settled in cash as follows:

- €150 million, adjusted for agreed working capital, debt and operating cash, paid on completion of the transaction.
- €20 million, deferred for one year.

R30.6 million of the business combination costs relates to the Scitec acquisition.

The revenue included in the statement of comprehensive income since 1 August 2016 contributed by Scitec was R1 247 million. Scitec also contributed profit after tax of R121.3 million over the same period.

If the subsidiary was acquired on the first day of the financial year, revenue and profits for the year would have been R1 363.4 million and R125.8 million respectively.



Included in the purchase consideration of Scitec and Remedica is a R119.5 million loss on the foreign exchange hedges taken out on the foreign purchase consideration.

International platform acquisition – The Sun Wave Pharma Group (1 June 2017)

The acquisition of Sun Wave Pharma complements Ascendis' Consumer Brands Europe product strategy, as it provides an international platform in the food supplements and over-the-counter ("OTC") industry. Sun Wave Pharma specialises in marketing its products directly to the doctor community, through a sales force of approximately 290 effective and well-trained individuals forming part of the Consumer Brands Europe segment.

The Group has acquired the assets and liabilities of Sun Wave Pharma a European based OTC company. The purchase consideration between €40.8 million and €63.8 million (R600 million and R938.2 million) was settled in cash as follows:

- €40.8 million, adjusted for agreed working capital, debt and operating cash, paid on completion of the transaction.
- €5 million, payable after one year if the performance target for the period is achieved.
- €8 million, payable after two years if the performance target for the period is achieved.
- €6 million, payable after three years if the performance target for the period is achieved.
- €4 million, payable after three years if the performance target for the average 3 periods are achieved.

R13.5 million of the business combination costs relates to the Sun Wave Pharma acquisition.

The revenue included in the statement of comprehensive income since 1 June 2017 contributed by Sun Wave Pharma was R37.1 million. Sun Wave Pharma also contributed profit after tax of R17.7 million over the same period.

If the subsidiary was acquired on the first day of the financial year, revenue and profits for the year would have been R420.8 million and R70.4 million respectively.

South African bolt-on acquisition – The Cipla Group (1 June 2017)

The acquisition of Cipla complements Phyto-Vet strategy, as it offers a presence in therapeutic areas in which Ascendis did not previously have strong representation. Cipla is an integrated biosciences and veterinary science business, leveraging expertise in the areas of entomology, horticulture, agronomy and veterinary sciences to drive competitive advantage.

The Group has acquired the entire share capital of Cipla, an integrated biosciences and veterinary science business. The purchase consideration of R345 million was settled in cash as follows:

- R295 million paid on completion of the transaction.
- R50 million, payable after one year.
- R86.7 million, payable in July 2017 relating the agreed working capital, debt and operating cash adjustment.

R5 million of the business combination costs relates to the Cipla acquisition.

The revenue included in the statement of comprehensive income since 1 June 2017 contributed by Cipla was R19.5 million. Cipla also contributed profit after tax of R2.1 million over the same period.

If the subsidiary was acquired on the first day of the financial year, revenue and profits for the year would have been R250.5 million and R49.1 million respectively.

The other acquisitions consists of the following:

The other acquisitions were bolt on acquisitions in the Pharma-Med Africa and Consumer Brands Africa segments. This included the acquisition of Ortho-Xact (April 2017) and Juniva (April 2017). R3.9 million of the business combination costs relates to the other acquisitions.

The revenue included in the statement of comprehensive income since acquisition contributed by the other acquisitions was R33.1 million. The other acquisitions also contributed profit after tax of R8.8 million over the same period.

If the subsidiaries were acquired on the first day of the financial year, revenue and profits for the year would have been R38.1 million and R5.9 million respectively.



Shareholder information



Shareholder analysis as at 30 June 2017

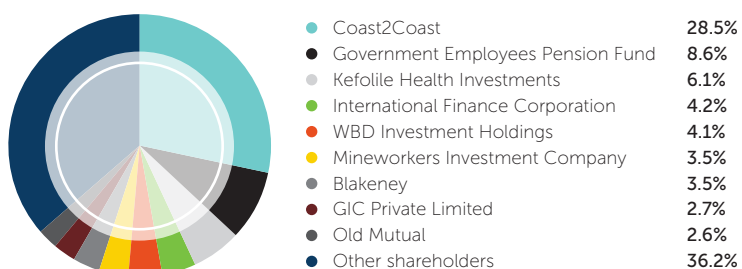
	Number of shares	Percentage of shares
Public and non-public shareholders		
Public shareholders	299 735 108	68.8%
Non-public shareholders		
– Directors and associates of the company	7 553 286	1.7%
– Treasury shares (own holdings)	4 595 847	1.0%
– Strategic holdings (more than 10%)	124 055 107	28.5%
Total shareholders	435 939 348	100.0%

According to the company's register of shareholders, read in conjunction with the company's register of disclosure of beneficial interests made by registered shareholders acting in a nominee capacity, the following shareholders held 2% or more of the issued share capital at 30 June 2017:

	2017 Percentage of shares	2016 Percentage of shares
Major beneficial shareholders holding 2% or more		
Coast2Coast	28.5%	40.9%
Government Employees Pension Fund	8.6%	4.2%
Kefolile Health Investments	6.1%	–
International Finance Corporation	4.2%	–
WBD Investment Holdings	4.1%	4.1%
Mineworkers Investment Company	3.5%	3.7%
Blakeney	3.5%	–
GIC Private Limited	2.7%	–
Old Mutual	2.6%	<2%
Other shareholders	36.2%	–
Investec	<2%	3.2%
Sanlam	<2%	2.1%
Unemployment Insurance Fund	<2%	2.0%

Major fund managers managing 2% or more

	2017 Percentage of shares	2016 Percentage of shares
Public Investment Corporation	5.0%	<1%
Sentio Capital Management	4.7%	6.1%
GIC Private Limited	2.7%	–
Old Mutual Investment Group	2.6%	1.4%
Investec Asset Management	<1%	3.2%
Praesidium Capital Management	<1%	2.2%



Shareholders' diary

Annual general meeting	9 November 2017
Results and reporting	
Interim results to December 2017	March 2018
Annual results to June 2018	September 2018
Publication of 2018 integrated annual report	September 2018

Corporate information

Registration number	2008/005856/06
Income tax number	9810/017/15/3
JSE share code	ASC
ISIN	ZAE000185005
Registered office	31 Georgian Crescent East, Bryanston, Gauteng, 2191
Postal address	PostNet Suite #252, Private Bag X21, Bryanston, 2021
Contact details	+27 (0)11 036 9600 info@ascendishealth.com www.ascendishealth.com
JSE sponsor	Investec Bank Limited
Auditors	PricewaterhouseCoopers Inc
Transfer secretaries	Computershare Investor Services Proprietary Limited Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 PO Box 61051, Marshalltown, 2107 Telephone: +27 (0)11 370 5000
Company secretary	Andy Sims CA (SA) andy.sims@ascendishealth.com
Directors	JA Bester (Chairman)* MS Bomela* CD Dillon# K Futter (Chief Financial Officer) B Harie* Dr KS Pather* CB Sampson (Managing Director South Africa) GJ Shayne# Dr K Wellner (Chief Executive Officer) * Independent non-executive # Non-executive



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