

ASCENDIS HEALTH LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 2008/005856/06)

ISIN: ZAE000185005 JSE share code: ASC

("Ascendis" or "the Company")

ACQUISITION OF INITIAL 49% OF FARMALIDER S.A. ("FARMALIDER"), A SPANISH PHARMACEUTICAL GROUP

1. Introduction

Ascendis shareholders are advised that Ascendis Health International Holdings Limited ("Ascendis International"), a wholly-owned subsidiary of Ascendis, has entered into an agreement with JLB Huertas, AMJ Redondo, IG Delgado, JG Delgado, GG Goya and Reugnereb S.L. (collectively the "Disposing Shareholders"), in terms of which Ascendis International will acquire 49% of the issued ordinary share capital of Farmalider ("Farmalider Share Capital") ("Initial Acquisition") and enter into a reciprocal put and call option agreement for the remaining 51% of the Farmalider Share Capital as set out in paragraph 4 ("Subsequent Acquisition").

2. Rationale for the acquisition

Ascendis aims to complement its organic, acquisitive and synergistic growth in the domestic healthcare market through a strategy of international expansion, targeting to achieve 30% of revenue in offshore markets in the medium-term in order to grow and diversify across different markets and increase foreign denominated earnings.

Farmalider, founded 29 years ago in 1986, is an established Spanish pharmaceutical group of companies involved in the development, registration, licensing and production of generic pharmaceutical products - specialising in pain management as evidenced by its market leading position in the ibuprofen and paracetamol markets in Spain - with a growing presence in other European markets. Farmalider has historically achieved consistent growth in both sales and earnings with promising on-going projects in various markets. Moreover, Farmalider has a growing portfolio of innovative over the counter ("OTC") products, which accords with the broader Ascendis strategy of ongoing investment into typically, high margin, branded OTC health products and provides Ascendis' consumer brands division an additional route to market in Europe.

This acquisition provides Ascendis with an entry into the attractive €23billion Spanish pharmaceutical market and lays the foundation to expand the Company's reach into one of Europe's five largest pharmaceutical markets. Farmalider serves as a strategic platform for Ascendis to further expand into Europe, along with the company's established presence in Spain, Portugal, Germany, United Kingdom, Poland, Italy, France, Belgium, Sweden, Finland, Croatia, Austria, Slovakia and Hungary. Farmalider has furthermore recently embarked on an expansion plan into Latin America which is viewed as a seamless transition for a Spanish company due to language and cultural alignment.

Farmalider has a successful track record of launching innovative products on the back of its leading product research and development capabilities. This transaction results in Ascendis acquiring Farmalider's current portfolio of c.200 pharmaceutical dossiers, its GMP accredited production facility in Madrid, as well as its pipeline of products, all of which are highly complementary to the Ascendis pharma division's current portfolio and its internationalisation strategy. Synergies relating to the cross-border sharing of products and pharmaceutical

dossiers are expected to be realised throughout the value chain, particularly by opening up new distribution channels, new markets and a new customer base as result of Farmalider's very successful licensing-out model.

The Ascendis pharma and consumer brands divisions intend benefiting through this partnership with the experienced management team as well as the founding shareholders who are contractually required to remain with Farmalider until at least 31 December 2020, in terms of the option agreement referred to in paragraph 4 below. The Farmalider and Ascendis management team are fully aligned in their strategic views on how to globalise its product range and extract synergies across the group.

3. Salient features of the Initial Acquisition

Shareholders are advised that Ascendis International and the Disposing Shareholders have entered into an agreement in respect of the Initial Acquisition on 30 July 2015, as follows:

3.1 The purchase consideration for the Initial Acquisition is as follows:

3.1.1 An amount of R100,165,433, settled in cash on 31 July 2015; and

3.1.2 A further amount of R109,823,878 (applying an illustrative ZAR:EUR exchange rate of 13.5:1), payable on 31 January 2017.

("Purchase Consideration")

3.2 Warranties and indemnities applicable to the Initial Acquisition are standard for a transaction of this nature.

3.3 All conditions precedent relating to the Initial Acquisition will have been fulfilled on or before 30 July 2015.

3.4 The Initial Acquisition effective date is 30 October 2014.

4. Salient features of the Subsequent Acquisition

Ascendis International and the Disposing Shareholders have furthermore entered into a put and call option agreement that is exercisable in two tranches as set out below:

4.1 A put and call option, exercisable on 31 December 2018 ("First Option Date"), relating to 31% of the Farmalider Share Capital ("First Option"), whereby

4.1.1 the Disposing Shareholders irrevocably grant in favour of Ascendis International a call option to purchase 31% of the Farmalider Share Capital from the Disposing Shareholders; and

4.1.2 Ascendis International irrevocably grants in favour of the Disposing Shareholders a put option to dispose of 31% of the Farmalider Share Capital to Ascendis International.

4.2 A put and call option, exercisable on 31 December 2020 ("Second Option Date"), relating to the remaining 20% Farmalider Share Capital ("Second Option"), whereby

- 4.2.1 the Disposing Shareholders irrevocably grant in favour of Ascendis International a call option to purchase 20% of the Farmalider Share Capital from the Disposing Shareholders; and
- 4.2.2 Ascendis International irrevocably grants in favour of the Disposing Shareholders a put option to sell 20% of the Farmalider Share Capital to Ascendis International.
- 4.3 The exercise price for both the First Option and Second Option will be calculated by applying a predetermined earnings multiple ("Option Earnings Multiple") to Farmalider's future earnings, which Option Earnings Multiple will vary dependent on the earnings growth rate achieved for the period ending on the First Option Date and the Second Option Date respectively. The Option Earnings Multiple applied for the First Option and Second Option will be determined based on the same valuation methodology used to determine the Purchase Consideration. The maximum purchase price payable for the First Option and Second Option has been capped as not to trigger a category one transaction as defined in the JSE Listings Requirements.
- 4.4 Warranties and indemnities applicable to the First Option and Second Option are standard for transactions of this nature.
- 4.5 Further details regarding the Subsequent Acquisition will be published following the First Option Date and Second Option Date respectively.

5. **Unaudited *pro forma* financial effects ("Financial Effects") of the Initial Acquisition**

The Initial Acquisition of Farmalider would have contributed a further R24.0 million (applied ZAR:EUR exchange rate of 13.87:1) annual profit before interest after tax to Ascendis (49% shareholding) based on the unaudited 12 months management accounts of Farmalider for the period ended 30 April 2015. This is estimated to result in a pro-forma increase of 5.1% in the Company's published interim earnings per share for the 6 month period ended 31 December 2014, as illustrated in the table below. This assumes the entire Purchase Consideration is payable on 31 July 2015 at a cost of debt of 10.4%. Due to financing options available in Spain, Ascendis' actual cost of debt relating to this acquisition is likely to be lower. Net assets of Farmalider acquired are valued at R104.9 million (applied ZAR:EUR exchange rate of 13.04:1) as at 30 April 2015.

The table below sets out the Financial Effects of the Initial Acquisition on the Company's most recently published unaudited interim earnings per share ("EPS"), headline earnings per share ("HEPS"), fully diluted earnings per share ("Diluted EPS"), net asset value per share ("NAV") and net tangible asset value per share ("NTAV"). The Financial Effects and the preparation thereof, which is the responsibility of the directors of Ascendis, have been prepared for illustrative purposes only, and because of its nature, may not give a fair reflection of the Company's financial position and results of operations, nor the effect and impact of the Initial Acquisition on Ascendis going forward. In order to accurately reflect the impact of recent periods of similar duration, the unaudited management accounts of Farmalider for the 6 months ended 30 April 2015 have been incorporated within the Financial Effects below, and is prepared on the assumption that the Initial Acquisition is consolidated in the Ascendis interim accounts.

	6 months ended 31 December 2014 - Before the Initial Acquisition (cents)	Pro forma 6 months ended 31 December 2014 - After the Initial Acquisition (cents)⁴	Change (%)
HEPS ^{1,3,6,8}	35.5	37.3	5.1%
EPS ^{1,3,6,8}	35.5	37.3	5.1%
Diluted EPS ^{1,3,6,8}	35.1	36.9	5.1%
NAV ^{2,4,7,9}	640.7	640.7	0%
NTAV ^{2,4,7,9}	57.0	0.7	(98.7%)
Weighted average number of ordinary shares in issue ^{3,8}	249,600,776	249,600,776	0%
Total number of ordinary shares in issue ^{4,9}	271,633,886	271,633,886	0%

Notes:

- For the purposes of calculating HEPS, EPS and Diluted EPS, the amounts in the "6 months ended 31 December 2014 - Before the Initial Acquisition" column are based on Ascendis' statement of comprehensive income for the interim period ended 31 December 2014, as announced on SENS on 11 March 2015.
- For the purposes of calculating NAV and NTAV, the amounts in the "6 months ended 31 December 2014 - Before the Initial Acquisition" column are based on Ascendis' statement of financial position for the interim period ended 31 December 2014, as announced on SENS on 11 March 2015.
- HEPS, EPS and Diluted EPS in the "6 months ended 31 December 2014 - Before the Initial Acquisition" column have been calculated using the *pro forma* weighted average number of shares in issue, as applicable, for the interim period ended 31 December 2014 after deducting treasury shares held as per the published interim results announced on SENS on 11 March 2015.
- NAV and NTAV in the "6 months ended 31 December 2014 - Before the Initial Acquisition" column have been calculated using the *pro forma* total number of shares in issue, as applicable, at the close of the interim period ended 31 December 2014 after deducting treasury shares held as per the published interim results announced on SENS on 11 March 2015.
- The amounts in the "*Pro forma* 6 months ended 31 December 2014 - After the Initial Acquisition" column have been calculated using the unaudited management accounts of Farnalider for the 6 months ended 30 April 2015.
- For the purposes of calculating the *pro forma* HEPS, EPS and Diluted EPS, it was assumed that the Initial Acquisition was effective on 1 July 2014 and an after tax lending rate of 7.5% was applied to the entire Purchase Consideration, resulting in an implied interest expense of R7.9 million for the 6 month period.
- For the purposes of calculating NAV and NTAV, it was assumed that the Initial Acquisition was effective on 31 December 2014. The allocation of the Purchase Consideration resulted in an increase of intangible assets of R105,040,721.
- Pro forma* HEPS, EPS and Diluted EPS have been calculated using the *pro forma* weighted average number of shares in issue, as applicable, for the interim period ended 31 December 2014 of 249,600,776 after deducting treasury shares held as per the published interim results announced on SENS on 11 March 2015. An average ZAR:EUR exchange rate for the period 1 October 2014 to 30 April 2015 of 13.46:1 was used.
- Pro forma* NAV and NTAV have been calculated using the *pro forma* total number of shares in issue, as applicable, at the close of the interim period as at 31 December 2014 of 271,729,482, less treasury shares held of 95,596, as per the published interim results announced on SENS on 11 March 2015. A ZAR:EUR exchange rate of 13.04:1 was used to convert Farnalider's statement of financial position as at 30 April 2015.

6. **Categorisation of the acquisition**

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

3 August 2015

Johannesburg

Arranger and Financial Advisor

Coast2Coast Investments Proprietary Limited

Sponsor

Investec Bank Limited