

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 RESPIRATORY CARE AFRICA PROPRIETARY LIMITED ("RCA")

1. Introduction

Ascendis shareholders are advised that the Company has entered into an agreement dated 11 June 2014 ("the Agreement") with Sean Reitz ("SR"), the trustees of the Lothingen Family Trust ("LFT"), RMB Corvest 7 Proprietary Limited ("Corvest") and Shalamuka Capital Proprietary Limited ("Shalamuka") (collectively "the Sellers"), in terms of which Ascendis will acquire 100% of the issued ordinary share capital of RCA ("the Acquisition"), with effect from 1 May 2014 ("Effective Date"). The Acquisition will conclude upon the fulfillment of the conditions precedent as set out in paragraph 3.2 below ("Closing Date").

2. Rationale for the Acquisition

Ascendis intends scaling its medical devices platform, which currently consists of Surgical Innovations Proprietary Limited ("Surgical Innovations") operating within the Pharma-Med Division, to become a leading provider of medical devices throughout South Africa. RCA has been identified as a complementary distributor of medical devices which will enhance Ascendis' ability to service hospitals, clinics and government tenders on a turnkey basis within a growing market. Ascendis has thus pursued this Acquisition with the intention of integrating RCA into its Pharma-Med Division whilst continuing to maintain the independence of RCA in terms of its business obligations.

RCA is a 15-year old medical device business, which distributes and services a range of capital equipment and related surgical consumables, specialising specifically in critical care. RCA has key agencies for medical equipment catering to the intensive care unit, neonatal intensive care unit and the operating theatre, which are all complementary to those offered by Surgical Innovations. RCA employs over 100 people and has achieved compound annual growth in revenue of circa 18% over the last five years.

3. Salient features of the Acquisition

3.1 The Purchase Consideration is:

3.1.1 A maximum amount of up to R130 582 440 ("Initial Purchase Price"); plus

3.1.2 A maximum amount of up to R18 000 000 relating to profit target payments ("Performance Tranches") which are payable to SR as follows:

3.1.2.1 within ten business days following the finalisation of the Company's June 2016 audited financial statements ("First Performance Tranche Payment"); and

3.1.2.2 within ten business days following the finalisation of the Company's June 2017 audited financial statements ("Second Performance Tranche Payment")

(collectively "Purchase Consideration").

3.1.3 The Initial Purchase Price will be discharged by Ascendis in cash and shares as follows:

3.1.3.1 A maximum amount of up to R95 581 310 by means of a cash payment on the Closing Date (“Cash Settled Portion”); and

3.1.3.2 Delivering a maximum of up to 1 366 305 Ascendis shares on the Closing Date (“Closing Date Shares”) at a price of R11.00 per Closing Date Share; and

3.1.3.3 Delivering so many Ascendis shares on the first anniversary of the Closing Date which when multiplied by the 30-day volume weighted average price (“VWAP”) on the anniversary of the Closing Date will result in a maximum payment of up to R19 971 770 (“First Anniversary Shares”). The VWAP is limited to a minimum of R10 per First Anniversary Share

(Closing Date Shares and First Anniversary Shares collectively being the “Equity Settled Portion”).

3.1.4 The Performance Tranches will be discharged by Ascendis in cash or Ascendis shares at the election of the Company on the basis of RCA achieving certain gross profit targets.

3.2 Conditions precedent

The Acquisition is subject to, *inter alia*, the following key conditions precedent:

3.2.1 Ascendis obtaining the audited financial statements of RCA for the year ended 30 April 2014 by no later than 26 June 2014 in order to confirm the Purchase Consideration, subject to the maximum amounts as detailed in paragraph 3.1; and

3.2.2 SR entering into a service agreement with RCA by no later than 17 June 2014 for a defined period of time commencing on the Closing Date (“Service Agreement”); and

3.2.3 Ascendis and the Sellers obtaining such regulatory approvals necessary to enable them to implement the Acquisition, including the consent of the Competition Authorities, by no later than 19 September 2014.

3.3 Warranties and indemnities

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

3.4 Other significant terms of the Acquisition

3.4.1 In terms of the Service Agreement, SR is restrained, for a defined period of time, from acquiring an interest in any business that competes with RCA or Surgical Innovations or directly or indirectly being involved, in any way, in any business that competes with RCA or Surgical Innovations within Africa, Madagascar and Mauritius.

4. Unaudited *pro forma* financial effects (“Financial Effects”) of the Acquisition

The table below sets out the Financial Effects of the Acquisition on the Company’s most recently published 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 their nature, may not give a fair reflection of the Company’s financial position and results of operations, nor the effect and impact of the Acquisition on Ascendis going forward. In order to accurately reflect the impact of similar periods, the management accounts of RCA for the 6 month period ending 30 April 2014 have been incorporated within the Financial Effects below.

	6 MONTHS as at 31 December 2013 - Before the Acquisition (cents)	<i>Pro forma</i> for 6 MONTHS as at 31 December 2013 - After the Acquisition (cents)⁴	Change (%)
HEPS ^{1,3,5,7,8,9}	29	35	18
EPS ^{1,3,5,7,8,9}	29	35	18
Diluted EPS ^{1,3,5,7,8,9}	29	35	18
NAV ^{2,3,6,7}	552	567	3
NTAV ^{2,3,6,7}	99	74	(25)
Weighted average and total shares in issue ^{3,7}	183,437,103	185,118,844	1

Notes:

- For the purposes of calculating HEPS, EPS and Diluted EPS, the amounts in the “31 December 2013 - Before the Acquisition” column are based on Ascendis’ statement of comprehensive income for the interim period ended 31 December 2013, as announced on SENS on 3 March 2014.
- For the purposes of calculating NAV and NTAV, the amounts in the “31 December 2013 - Before the Acquisition” column are based on Ascendis’ statement of financial position for the interim period ended 31 December 2013, as announced on SENS on 3 March 2014.
- The weighted average and total shares in issue of 183,437,103 used for purposes of calculating HEPS, EPS, Diluted EPS, NAV and NTAV in the “31 December 2013 - Before the Acquisition” column, are based on Ascendis’ statement of comprehensive income and statement of financial position for the interim period ended 31 December 2013, as announced on SENS on 3 March 2014, and consists of the Ascendis shares in issue of 184,581,045 less treasury shares held of 1,143,942 as at 31 December 2013.
- The amounts in the “*Pro forma* 31 December 2013 - After the Acquisition” column have been calculated using the management accounts of RCA for the six months ended 30 April 2014. These amounts represent the profit before tax amount adjusted by an assumed tax rate of 28% after taking into account non-recurring expenses of R2.6 million (pre-tax) relating to directors’ salaries and bonuses and R0.2 million (pre-tax) relating to advisory services. A tax rate of 28% is assumed for all “*Pro-forma* 31 December 2013 - After the Acquisition” column adjustments.
- For the purposes of calculating the *pro forma* HEPS, EPS and Diluted EPS, it was assumed that the Acquisition was effective on 1 July 2013 and a post-tax lending rate of 6.5% was applied to the Cash Settled Portion of the Core Purchase Price and the Performance Tranches, resulting in an implied interest expense of R7.4 million.
- For the purposes of calculating NAV and NTAV, it was assumed that the Acquisition was effective on 31 December 2013 and that the net debt position is increased by an amount equal to the sum of the Cash Settled Portion of the Core Purchase Price and the Performance Tranches. The allocation of the Purchase Consideration resulted in an increase of intangible assets of R82 million.

7. *Pro forma* HEPS, EPS, Diluted EPS, NAV and NTAV have been calculated using the *pro forma* weighted average and total number of shares in issue, as applicable, for the six month period ended 31 December 2013 of 184,581,045 shares less treasury shares held of 1,143,942 as per published interim results with the Equity Settled Portion of the Core Purchase Price to be issued as at 31 December 2014 assumed to be in the form of newly issued shares and not a reduction in treasury shares held.
8. Despite the Effective Date of the transaction being 1 May 2014, the date on which Ascendis will start to account for RCA's earnings is from the Closing Date onwards, and therefore the consolidated accounts for Ascendis for the year ended June 2014 will not reflect the earnings of RCA.

5. **Categorisation of the Acquisition**

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

11 June 2014

Johannesburg

Ascendis Sponsor

Investec Corporate Finance

Ascendis Arranger and Financial Advisor

Coast2Coast Investments

Ascendis Tax Advisor

Mazars

Corvest Attorney

DLA Cliffe Dekker Hofmeyr