Ascendis
HEALTH

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER **2016**

Key highlights

Revenue
▲66%
R3.1 billion

Normalised EBITDA
▲89%
R541 million

EBITDA margin
▲210 bps
17.4%

Normalised HEPS
▲34%
74.9 cents per share

Interim dividend
▲16%
11 cents per share

Cash from operating activities
▲57%
R406 million

43%
of revenue now generated in hard currencies outside South Africa

Successful integration of international acquisitions of Remedica and Scitec

Commentary

Group profile and strategy

Ascendis Health is a health and care brands group operating in South Africa, the rest of Africa and increasingly in international markets. The business owns a portfolio of market-leading brands for people, plants and animals which are housed across three divisions:

- Consumer Brands (nutraceuticals, complementary medicines, derma-cosmeceuticals and sports nutrition)
- Pharma-Med (prescription and over-the-counter drugs, medical devices)
- Phyto-Vet (plant and animal health and care).

The group's strategy is to complement its organic growth in the domestic market through international expansion, acquiring platform businesses in offshore markets and extracting synergies from these acquisitions.

Early in the reporting period Ascendis finalised the transformative acquisitions of Remedica Holdings, a generic pharmaceutical manufacturer in Cyprus, and Scitec International, a leading European sports nutrition business, for €430 million. The acquisitions have created platforms to support international growth and expansion while ensuring diversification across products, channels, geographies and currencies. Approximately half of the group's sales will in future be generated in US Dollar and Euro, providing a natural hedge against Rand volatility.

Financial performance

Group revenue for the six months increased by 66% to R3.1 billion (H1 2016: R1.9 billion), benefiting from acquisitive growth of R940 million from Remedica and Scitec which were only consolidated for five months of the period.

Foreign revenue increased by 270% to R1.3 billion, accounting for 43% (H1 2016: 20%) of the group's total sales. This includes sales by the group's international businesses as well as exports from local operations which were predominantly to other African countries and Europe. Products are currently exported to 109 countries globally.

The group's gross margin at 42.6% (H1 2016: 43.5%) was impacted partially by currency fluctuations, growth in the state hospital business in Medical Devices and by a change in product mix.

Earnings before interest, tax, depreciation and amortisation (EBITDA), normalised to exclude acquisition and restructuring costs, grew by 89% to R541 million, with the normalised EBITDA margin increasing by 210 basis points to 17.4% (H1 2016: 15.3%). Despite a slight reduction in the gross margin, the strong growth in the EBITDA margin is evidence of the group's commitment to cost control, extracting synergies and efficient and successful integration of newly acquired businesses.

Normalised operating profit increased by 77% to R442 million, with the operating margin strengthening from 14.6% to 16.0%. Attributable normalised profit after tax grew by 70% to R231 million, after deducting R25 million attributable to minority shareholders of Farmalider, the Spanish pharmaceutical business acquired in 2015.

Headline earnings on a normalised basis increased by 105% to R310 million, with normalised HEPS 34% higher at 74.9 cents per share. HEPS were 15% lower at 41.4 cents owing to the 46% increase in the number of shares in issue over the period, mainly in relation to the rights issue and vendor placement in August 2016 for the acquisitions of Remedica and Scitec.

Cash generated from operating activities increased by 57% to R406 million (H1 2016: R258 million). Cash generated from financing activities amounted to R5.1 billion, this was achieved by raising debt and equity. The capital raised was primarily applied to the acquisition of Remedica and Scitec.

Commentary continued

The directors declared an interim dividend of 11.0 cents per share, an increase of 15.8% over the prior period.

Divisional performance

	Consumer Brands	Pharma-Med	Phyto-Vet
Revenue	R968m	R1 651m	R491m
	+102%	+59%	+38%
EBITDA	R132m	R374m	R75m
	+47%	+103%	+53%
EBITDA margin	13.6%	22.7%	15.2%

Consumer Brands revenue increased strongly due to the inclusion of Scitec Nutrition from August onwards. Despite organic growth being impacted by the weakening consumer sentiment in South Africa, the high end segment of the Wellness business unit showed double digit growth, driven by the premium brand Solal. The professional skin care brand, Nimue, once again reported solid growth on a constant currency basis.

Pharma-Med delivered excellent results with profit growth above expectations, despite the South African generics business facing the challenge of imported inflation. Remedica was successfully integrated and performed above target, contributing to the 490 basis points improvement in the division's EBITDA margin.

Phyto-Vet showed good organic growth despite the negative impact of the drought in South Africa until November, improving the EBITDA margin for the second consecutive year.

Acquisitions

The acquisitions of Remedica and Scitec were effective from 1 August 2016. Remedica was acquired for €170 million in addition to a deferred payment of €90 million over three years and a further earn-out linked to performance hurdles. Scitec was purchased for €150 million, plus a payment of €20 million deferred for one year.

The two acquisitions were funded through a combination of new debt facilities of €180 million, a rights offer of R1.2 billion, which was three times oversubscribed, and a vendor placement totalling R1.5 billion.

Cyprus-based Remedica develops, produces and sells over 300 generic pharmaceutical products primarily in emerging markets and has five 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.

Remedica generated revenue of R439 million (€29 million) in the five months since acquisition, with profit after tax of R140 million (€9 million) being ahead of expectations. The integration process has been successful and several synergy projects within the Pharma-Med division are ongoing.

As the third largest sports nutrition brand in Europe, Scitec provides a platform for international expansion in the sports nutrition and wellness sectors while accelerating offshore opportunities for the Ascendis Sports Nutrition brands Evox, Supashape and SSN. Scitec owns a modern manufacturing plant in Hungary where the company produces close to 300 products for fitness, strength training and well-being.

Scitec reported sales of R542 million (€35 million) from 1 August 2016 with profit after tax of R42 million (€3 million). Integration and synergy projects covering cross-selling, production and research and development are being implemented. Profitability is however below expectations owing to the increase in whey protein costs globally over the period and the costs incurred in establishing customers in new geographic territories.

The two new acquisitions, as well as Farmalider in Spain, generated high levels of free cash flow due to the low corporate tax rates in their respective countries as well as tax incentives for research and development. This resulted in the overall tax rate of Ascendis reducing from 27% to 14% in the reporting period.

Post the reporting period, the group announced the acquisition of the southern African veterinary operations of Cipla India for R375 million (including a deferred payment of R50 million). The acquisitions of Cipla Vet (companion animal products) and Cipla Agrimed (commercial animal products), with a combined profit after tax of R31 million for the year ended March 2016, are strategically aligned with the Phyto-Vet division and will enable Ascendis to enter the attractive veterinary pharma market, with high margin products in strong growth segments. There is also an opportunity to increase export sales from these businesses and create synergies with Phyto-Vet's existing African network. The acquisition is subject to competition approvals and the effective date is expected to be 1 April 2017.

A further announcement released on the 8th of March also relates to an acquisition of Sunwave Pharma SRL ("Sunwave") and NHP Natural Health Pharma Limited ("NHP Pharma") to be concluded post the reporting period. The total consideration will range between €42 million and €65 million (including a maximum deferred payment of €23 million), based on a profit after tax of €4 million for the year ended December 2016. The acquisitions of Sunwave and NHP Pharma are inter-conditional and will be treated as a single business combination in the hands of Ascendis which is expected to generate strong operating margins. Together, Sunwave and NHP Pharma owns the various trademarks and IP associated with the products it distributes including complementary and alternative medicines ("CAMS") and food supplement products in Romania. This acquisition will provide an attractive platform for Ascendis' entry into the Romanian OTC market, which aligns with Ascendis' stated strategy of focusing on the Central and Eastern European region, and will furthermore provide access to a vast portfolio of complementary medicines and pipeline of new products. The acquisition is subject to competition and regulatory approvals and the effective date is expected to be 30 April 2017.

Outlook

Synergy projects across the European acquisitions of Remedica, Farmalider and Scitec remain the priority while the group is investing in the geographic diversification and new sales channels for Scitec to improve profitability.

Potential acquisitions of platform and bolt-on businesses in South Africa, Europe and emerging markets are currently being evaluated. Funds of approximately R750 million are available for acquisitions in the next 12 months without raising further equity.

Management aims to focus on creating production efficiencies across the pharma manufacturing facilities in South Africa and Europe, launch several export initiatives from South Africa and enter new high growth markets from its three European platform companies. New product development and innovation will continue to be key to driving organic growth in the health and care markets locally and internationally.

Dr Karsten Wellner
Chief Executive Officer

Kieron Futter
Chief Financial Officer

Johannesburg
8 March 2017

UNAUDITED CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

at 31 December 2016

	Unaudited six months ended 31 December 2016 R'000	Unaudited six months ended 31 December 2015 R'000	Audited year ended 30 June 2016 R'000
Property, plant and equipment	1 022 594	257 015	365 464
Intangible assets and goodwill	7 674 272	2 506 053	3 008 180
Investments accounted for using the equity method	747	–	386
Other financial assets	51 053	2 662	73 287
Deferred income tax assets	18 403	19 930	10 651
Non-current assets	**8 767 069**	2 785 660	3 457 968
Inventories	1 407 801	762 218	939 823
Trade and other receivables	1 428 542	788 042	1 065 454
Other financial assets	66 028	120 012	22 281
Current tax receivable	60 423	–	30 561
Derivative financial assets	221	15 417	6 727
Cash and cash equivalents	562 670	140 404	198 905
Current assets	**3 525 685**	1 826 093	2 263 751
Total assets	**12 292 754**	4 611 753	5 721 719
Stated capital	5 479 404	1 591 512	2 138 684
Other reserves	(867 004)	(74 363)	(259 892)
Retained earnings	468 697	348 757	396 949
Equity attributable to equity holders of parent	**5 081 097**	1 865 906	2 275 741
Non-controlling interest	103 853	140 075	179 302
Total equity	**5 184 950**	2 005 981	2 455 043
Borrowings and other financial liabilities	3 724 716	979 254	1 052 266
Deferred income tax liabilities	396 036	214 594	224 358
Deferred vendor liabilities	1 238 174	15 761	207 184
Derivative financial liability	27 668	2 933	45 801
Finance lease liabilities	2 987	–	3 932
Non-current liabilities	**5 389 581**	1 212 542	1 533 541
Trade and other payables	786 948	638 079	853 528
Derivative financial liability	11 893	7 169	–
Borrowings and other financial liabilities	270 992	371 950	376 631
Current tax payable	51 185	22 868	38 031
Deferred vendor liabilities	424 632	289 508	222 707
Provisions	15 128	–	17 493
Finance lease liabilities	2 079	–	3 444
Bank overdraft	155 366	63 656	221 301
Current liabilities	**1 718 223**	1 393 230	1 733 135
Total liabilities	**7 107 804**	2 605 772	3 266 676
Total equity and liabilities	**12 292 754**	4 611 753	5 721 719

UNAUDITED CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 December 2016

	Unaudited six months ended 31 December 2016 R'000	Unaudited six months ended 31 December 2015 R'000	Audited year ended 30 June 2016 R'000
Revenue	3 110 275	1 870 500	3 918 432
Cost of sales	(1 786 488)	(1 056 621)	(2 356 149)
Gross profit	1 323 787	813 879	1 562 283
Other income	55 510	8 600	85 872
Selling and distribution cost	(269 412)	(203 158)	(326 659)
Administrative expenses	(552 254)	(304 029)	(709 653)
Other operating expenses	(173 813)	(70 077)	(235 313)
Operating profit	383 818	245 215	376 530
Finance income	22 690	13 256	32 968
Finance expense	(164 207)	(60 997)	(163 477)
(Losses)/gains from equity accounted investments	(1 136)	–	5 625
Profit before taxation	241 165	197 474	251 646
Taxation	(42 232)	(50 103)	(61 565)
Profit for the period	198 933	147 371	190 081
Other comprehensive income			
Items that may be reclassified to profit and loss			
Foreign currency translation reserve	(295 313)	29 897	(54 125)
Effects of cash flow hedges	(11 860)	(1 496)	(37 009)
Items that will not be reclassified to profit and loss			
Revaluation of property, plant and equipment	–	–	19 060
Income tax relating to items that may be reclassified	–	–	(5 337)
Other comprehensive (loss)/income for the period net of tax	(307 173)	28 401	(77 411)
Total comprehensive (loss)/income for the period	(108 240)	175 772	112 670
Profit attributable to:			
Owners of the parent	173 499	131 760	158 733
Non-controlling interest	25 434	15 611	31 348
	198 933	147 371	190 081
Total comprehensive (loss)/income attributable to:			
Owners of the parent	(58 904)	157 046	69 403
Non-controlling interest	(49 336)	18 726	43 267
	(108 240)	175 772	112 670
Earnings			
Basic and diluted earnings per share (cents)	41.93	48.75	57.13

UNAUDITED CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 December 2016

	Stated capital	Foreign translation reserve	Revaluation reserve	Hedging reserve	Put option non-controlling interest reserve	Total other reserves*	Accumulated (loss)/ retained income	Total attributable to equity holders of the group/ company	Non controlling interest	Total equity
Balance as at 30 June 2015	1 576 730	188	976	(949)	–	(52 124)	299 417	1 824 238	–	1 824 238
Profit for the period	–	–	–	–	–	–	131 760	131 760	15 611	147 371
Other comprehensive income	–	25 286	–	204	–	–	–	25 490	3 115	28 605
Total comprehensive income for the year	–	25 286	–	204	–	–	131 760	157 250	18 726	175 976
Purchase of own/treasury shares	14 782	–	–	–	–	–	–	14 782	–	14 782
Dividends	–	–	–	–	–	–	(30 296)	(30 296)	–	(30 296)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	121 349	121 349
Put-option on non-controlling interest	–	–	–	–	(99 865)	–	–	(99 865)	–	(99 865)
Reclassification	–	–	–	–	–	52 124	(52 124)	–	–	–
Total contributions by and distributions to owners of the company recognised directly in equity	14 782	–	–	–	(99 865)	52 124	(82 420)	(115 379)	121 349	5 970
Balance as at 31 December 2016	1 591 512	25 474	976	(745)	(99 865)	–	348 757	1 866 109	140 075	2 006 184
Profit for the period	–	–	–	–	–	–	26 973	26 973	15 737	42 710
Other comprehensive income	–	(79 411)	13 723	(37 213)	–	–	–	(102 901)	8 804	(94 097)
Total comprehensive income for the year	–	(79 411)	13 723	(37 213)	–	–	26 973	(75 928)	24 541	(51 387)
Issue of ordinary shares	557 890	–	–	–	–	–	–	557 890	–	557 890
Raising fees capitalised	(658)	–	–	–	–	–	–	(658)	–	(658)
Purchase of own/treasury shares	(10 060)	–	–	–	–	–	–	(10 060)	–	(10 060)
Dividends	–	–	–	–	–	–	(26 770)	(26 770)	–	(26 770)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	(20 204)	(20 204)
Put-option on non-controlling interest	–	–	–	–	48	–	–	48	–	48
Foreign currency translation reserve	–	(37 845)	–	–	(17 927)	17 167	–	(38 605)	38 605	–
Statutory reserve: Farmalider allocation to reserve	–	–	–	–	–	7 850	(4 135)	3 715	(3 715)	–
Reclassification	–	–	–	–	–	(52 124)	52 124	–	–	–
Total contributions by and distributions to owners of the company recognised directly in equity	547 172	(37 845)	–	–	(17 879)	(27 107)	21 219	485 560	14 686	500 246
Balance as at 30 June 2016	2 138 684	(91 782)	14 699	(37 958)	(117 744)	(27 107)	396 949	2 275 741	179 302	2 455 043
Profit for the period	–	–	–	–	–	–	173 499	173 499	25 434	198 933
Other comprehensive income	–	(220 543)	–	26 098	–	–	(37 958)	(232 403)	(74 770)	(307 173)
Total comprehensive income for the year	–	(220 543)	–	26 098	–	–	135 541	(58 904)	(49 336)	(108 240)
Issue of ordinary shares	3 446 239	–	–	–	–	(450 114)	–	2 996 125	–	2 996 125
Raising fees capitalised	(41 717)	–	–	–	–	–	–	(41 717)	–	(41 717)
Purchase of own/treasury shares	(63 802)	–	–	–	–	–	–	(63 802)	–	(63 802)
Dividends	–	–	–	–	–	–	(52 459)	(52 459)	–	(52 459)
Foreign currency translation reserve	–	2 873	–	–	14 512	(3 068)	–	14 317	(14 317)	–
Statutory reserve: Farmalider allocation to reserve	–	–	–	–	–	23 130	(11 334)	11 796	(11 796)	–
Total contributions by and distributions to owners of the company recognised directly in equity	3 340 720	2 873	–	–	14 512	(430 052)	(63 793)	2 864 260	(26 113)	2 838 147
Balance as at 31 December 2016	5 479 404	(309 452)	14 699	(11 860)	(103 232)	(457 159)	468 697	5 081 097	103 853	5 184 950

* *Other reserves include a Share-based payment reserve (R 13,3 million) that has remained unchanged during the 2016 and 2017 financial period. Also included in this reserve is a Farmalider statutory reserve (R45 million). In terms of Spanish legislation a portion of the periods profits should be recognised in a non-distributable reserve. R 20 million of the movement recognised in other reserves relates to the Farmalider statutory reserve. During the 2017 financial period Ascendis raised equity capital by means of a Rights Offer. Other reserves also iinclude the difference between the R 22,00 subscription price and the presiding fair value on the date of issue.*

UNAUDITED CONDENSED GROUP CASH FLOW STATEMENT

for the six months ended 31 December 2016

	Unaudited six months ended 31 December 2016 R'000	Unaudited six months ended 31 December 2015 R'000	Audited year ended 30 June 2016 R'000
Cash flows from operating activities	406 197	257 908	(280 537)
Interest income	22 999	5 075	32 968
Finance expense	(143 233)	(54 305)	(163 477)
Income taxes paid	(85 627)	(32 549)	(95 167)
Net cash inflow from operating activities	**200 336**	176 129	(506 213)
Cash flows from investing activities			
Purchase of property, plant and equipment	(59 020)	(93 208)	(95 881)
Proceeds on the sale of property, plant and equipment	14 304	–	36 707
Purchase of other intangibles assets	(44 615)	(231 538)	(83 003)
Proceeds on the sale of intangible assets	–	–	333
Payment for acquisition of subsidiaries – net of cash	(4 583 000)	(79 923)	(440 160)
Remeasurement on deferred vendor liabilities	–	124 857	–
Repayments on deferred vendor liabilities	(204 692)	(137 394)	(10 825)
Repayment of loans advanced to related parties	91 794	23 867	41 724
Loans advanced to related parties	(90 075)	–	–
Proceeds on the sale of other financial assets	9 794	–	–
Advance made to acquire other financial assets	–	(14 888)	(27 552)
Net cash utilised in investing activities	**(4 865 510)**	(408 227)	(578 657)
Cash flows from financing activities			
Proceed from issue of shares	2 890 608	–	557 232
Proceed on the sale of treasury shares	3 828	–	6 049
Payments made to acquire treasury shares	(65 978)	–	–
Proceeds from borrowings raised	3 920 760	320 325	926 813
Repayment of borrowings	(1 582 688)	(80 670)	(475 062)
Loans advanced to related parties	–	–	(116)
Finance lease payments	(2 310)	–	(490)
Dividends paid	(52 458)	(29 440)	(57 066)
Net cash inflow from financing activities	**5 111 762**	210 215	957 360
Net increase/ (decrease) in cash and cash equivalents	**446 588**	(21 883)	(127 510)
Cash and cash equivalents at beginning of period	**(22 396)**	101 215	101 215
Effect of exchange difference on cash balances	(16 888)	(2 584)	3 899
Cash and cash equivalents at end of period	**407 304**	76 748	(22 396)

GROUP SEGMENTAL ANALYSIS

Ascendis Health is a health and care company which 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 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 operates. 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 operates. The reportable segments are:

- Consumer Brands division (human health), incorporating Sports Nutrition, Skin and all of the Ascendis over the counter (OTC) and complementary and alternative medicines. 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 segment (animal and plant health), incorporating all of the Ascendis animal and plant health and care products.
- Pharma-Med division (human health), incorporating Ascendis' pharmaceutical business, and its medical devices business. 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. Pharma-Med Europe was called International in the 2016 annual financial statements.

GROUP SEGMENTAL ANALYSIS
continued

(a) Statement of comprehensive income measures applied

Revenue split by segment	Unaudited six months ended 31 December 2016 R'000	Unaudited six months ended 31 December 2015 Restated R'000	Audited year ended 30 June 2016 Restated R'000
Pharma-Med	**1 650 928**	1 036 772	2 295 701
Africa	**1 000 456**	832 879	1 808 204
Europe	**650 472**	203 893	487 497
Consumer Brands	**968 306**	478 177	921 836
Africa	**357 342**	383 263	724 441
Europe	**610 964**	94 914	197 395
Phyto-Vet	**491 041**	355 551	700 895
Total revenue	**3 110 275**	1 870 500	3 918 432
Revenue generated by geographical location			
South Africa	**1 761 576**	1 505 986	3 054 531
Africa	**161 348**	85 987	153 922
Europe	**888 783**	262 455	669 442
Other	**298 568**	16 072	40 537
Total revenue	**3 110 275**	1 870 500	3 918 432

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

The Group has an expanding international presence and currently exports products to 109 countries, mainly in Africa and Europe.

The revenue presented by geographic location represents the domicile of the external customer. In the December 2015 interim results Ascendis presented the revenue generated based on the geographic location of the operations. The current presentation provides more detailed information than previously presented.

54% 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 13% of the Group 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.

EBITDA split by segment	Unaudited six months ended 31 December 2016 R'000	Unaudited six months ended 31 December 2015 Restated R'000	Audited year ended 30 June 2016 Restated R'000
Pharma-Med	374 297	184 587	369 599
Africa	148 561	141 170	278 963
Europe	225 736	43 417	90 636
Consumer Brands	131 715	89 733	206 753
Africa	70 900	71 270	163 250
Europe	60 815	18 463	43 503
Phyto-Vet	74 835	48 959	96 184
Head office	(39 674)	(36 211)	(59 334)
Total EBITDA	541 173	287 068	613 202
Non-controlling interest proportionate share	(32 759)	(20 724)	(46 225)
Total EBITDA attributable to the parent	508 414	266 344	566 977

Reconciliation of EBITDA to consolidated results	Unaudited six months ended 31 December 2016 R'000	Unaudited six months ended 31 December 2015 R'000	Audited year ended 30 June 2016 R'000
Consolidated operating profit	383 818	245 215	376 530
Total amortisation and depreciation	99 330	37 153	83 761
Once off costs*	58 025	4 700	152 911
Non-controlling interest proportionate share	(32 759)	(20 724)	(46 225)
Total EBITDA attributable to the parent	508 414	266 344	566 977

* *Once off costs relates to restructuring and business combination costs excluded from EBITDA for performance measurement purposes.*

GROUP SEGMENTAL ANALYSIS
continued

Net finance cost split by segment	Unaudited six months ended 31 December 2016 R'000	Unaudited six months ended 31 December 2015 Restated R'000	Audited year ended 30 June 2016 Restated R'000
Pharma-Med Africa			
Finance income	1 778	2 608	2 321
Finance expense	(9 070)	(1 346)	(20 484)
Pharma-Med Europe			
Finance income	133	1 121	2 307
Finance expense	(18 214)	(32)	(76)
Consumer Brands Africa			
Finance income	575	833	1 264
Finance expense	(581)	(561)	(2 870)
Consumer Brands Europe			
Finance income	207	593	1 097
Finance expense	(32 131)	(1 086)	(2 036)
Phyto-Vet			
Finance income	479	126	979
Finance expense	(911)	(657)	(2 073)
Head Office			
Finance income	19 518	8 482	26 163
Finance expense	(103 299)	(57 822)	(137 101)
Total consolidated net finance cost	(141 517)	(47 741)	(130 509)

Finance income and costs are managed centrally through the Group's Treasury function housed within Ascendis Financial Services. All external finance cost are therefore incurred in Ascendis Financial Services, 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.

Tax expense split by segment	Unaudited six months ended 31 December 2016 R'000	Unaudited six months ended 31 December 2015 Restated R'000	Audited year ended 30 June 2016 Restated R'000
Pharma-Med			
Africa	(13 108)	(19 957)	(40 785)
Europe	(8 057)	(2 577)	(375)
Consumer Brands			
Africa	(9 432)	(2 689)	(7 521)
Europe	959	(289)	–
Phyto-Vet	(10 761)	(5 043)	(6 134)
Head office	(1 834)	(19 549)	(6 750)
Total consolidated tax expense	(42 233)	(50 104)	(61 565)

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

(b) Statement of financial position measures applied

Assets and liabilities split by segment	Unaudited six months ended 31 December 2016 R'000 Assets	Liabilities	Unaudited six months ended 31 December 2015 Restated R'000 Assets	Liabilities	Audited year ended 30 June 2016 Restated R'000 Assets	Liabilities
Pharma-Med						
Africa	2 243 214	(531 983)	2 076 780	(1 177 406)	2 223 203	(397 841)
Europe	4 498 418	(1 581 236)	630 823	(416 548)	704 628	(305 338)
Consumer Brands						
Africa	990 276	(138 303)	874 071	(438 952)	908 627	(36 596)
Europe	2 939 533	(2 817 554)	369 742	(161 864)	324 485	(49 265)
Phyto-Vet	929 773	(300 534)	622 249	(381 982)	900 856	(254 052)
Head office	691 540	(1 738 194)	38 088	(29 020)	659 920	(2 223 584)
Total consolidated assets and liabilities	**12 292 754**	**(7 107 804)**	**4 611 753**	**(2 605 772)**	**5 721 719**	**(3 266 676)**

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

Fixed assets by geographic location	Unaudited six months ended 31 December 2016 R'000	Unaudited six months ended 31 December 2015 R'000	Audited year ended 30 June 2016 R'000
South Africa	323 572	219 097	324 188
Cyprus	488 213	–	–
Other Europe	210 809	37 918	41 276
Fixed assets per geographic location	**1 022 594**	**257 015**	**365 464**

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

Earnings per share, diluted earnings per share and headline earnings per share (cents)

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 interim 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.

	Unaudited six months ended 31 December 2016 R'000	Unaudited six months ended 31 December 2015 R'000	Audited year ended 30 June 2016 R'000
(a) Basic earnings per share			
Profit attributable to owners of the parent	**173 499**	131 760	158 733
Earnings	**173 499**	131 760	158 733
Weighted average number of ordinary shares in issue	**413 810 040**	270 259 484	277 861 370
Earnings per share (cents)	**41.93**	48.75	57.13
(b) Headline earnings per share			
Profit attributable to owners of the parent	**173 499**	131 760	158 733
Adjusted for:			
Profit on the sale of property, plant and equipment	**(1 999)**	(549)	(943)
Profit on investment disposal	**(2 456)**	(325)	(7 535)
Non-controlling interest portion allocation	**2 002**	–	3 055
Tax effect	**211**	245	1 062
Headline earnings	**171 257**	131 131	154 372
Weighted average number of shares in issue	**413 810 040**	270 259 484	277 861 370
Headline earnings per share – continuing operations	**41.39**	48.52	55.56

(c) Normalised headline earnings per share

Since Ascendis Health is a pharmaceutical 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.

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS continued

	Unaudited six months ended 31 December 2016 R'000	Unaudited six months ended 31 December 2015 R'000	Audited year ended 30 June 2016 R'000
Reconciliation of normalised headline earnings			
Headline earnings	**171 257**	131 131	154 372
Adjusted for			
Once-off business combination costs	**54 089**	3 200	130 306
Once-off refinancing costs	**12 365**	–	–
Once-off interest on deferred consideration	**18 776**	1 485	–
Once-off restructuring costs	**6 910**	–	22 605
Tax effect thereof	**(836)**	(1 104)	(6 329)
Amortisation	**55 519**	22 884	48 194
Tax effect thereof	**(8 175)**	(6 155)	(12 796)
Normalised headline earnings	**309 905**	151 441	336 352
Weighted average number of shares in issue	**413 810 040**	270 259 484	277 861 370
Normalised headline earnings per share (cents)	**74.89**	56.04	121.05

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.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

1. Corporate information

Ascendis Health Limited is a health and care brands company. The Group operates through three divisions: Consumer Brands, Pharma-Med and Phyto-Vet. Its Consumer Brands division 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, dermaceuticals, functional foods, functional super foods, sports nutrition, health beverages, weight management and therapeutic cosmetics. Its Pharma-Med division consists of the sale of prescription and selected OTC pharmaceuticals, and includes medical devices. The Phyto-Vet division supplies health and care products to the plant and animal markets. The Phyto-Vet division manufactures and supplies over 3 500 different products supplied to over 4 500 retail stores.

These consolidated Group interim financial results as at and for the six months ended 31 December 2016 comprise of the company and its subsidiaries (together referred to as the Group) and the Group's interest in equity accounted investments.

2. 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.

3. Basis of preparation

The interim consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for interim reports, and the requirements of the Companies Act applicable to interim financial statements. The Listings Requirements require interim 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 also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the interim consolidated financial statements are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

The unaudited condensed Group interim financial results for the six-month period ended 31 December 2016 have been prepared under the supervision of Chief Financial Officer Kieron Futter (CA)SA. The interim 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 interim financial statements are presented in Rand. This represents the presentation and functional currency of Ascendis Health Limited. The Group owns the following entities which operate in primary economic environments which are different to the Group:

Farmalider – Spain
Avima Uganda – Uganda
Akusa – United States of America
Nimue UK-United Kingdom
Heritage Resources Limited – Isle of Man
Remedica – Cyprus
Scitec – Hungary
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 Group they are translated upon consolidation in terms of the requirements of IFRS.

Judgement and estimates

In preparing these unaudited condensed Group interim 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.

The significant judgements made by management in applying the Group's accounting policies and the key source of estimation uncertainty were the same as those applied to the audited group annual financial statements for the year ended 30 June 2016 with the exception of the following:

As a result of the International acquisitions of Scitec and Remedica, management is required to apply significant judgements in determining the classification of intangible assets as finite or indefinite useful assets. The following factors are taken into account when classification is made:

- the period of the entity's control over the asset and any legal or other restriction on its ability to use the asset;
- the legal, regulatory or contractual provisions that enable renewal or extension of the asset's legal or contractual life without substantial cost;
- the stability of the industry and economy in which the asset will be deployed;
- the intangible assets track record, relative strength and market recognition commanded by the intangible asset;
- the age of the intangible asset, including the estimate of useful lives of similar assets-historical trends, market sentiment and/or the impact of competitive activity;
- the strategy (2017 forecast, specific marketing plans and identification of new markets) in order to obtain maximum economic benefit of the asset;
- the willingness and ability of the entity to commit resources to maintain the performance of the asset;
- the illustrative lifecycle of molecule development; and
- the expected pace of technological advances which may result in obsolescence beyond the expected lifecycle.

4. Business combinations

Being an acquisitive group, the directors and Investment Committee use various internal measurements and risk mitigating procedures to ensure that acquisitions will be value enhancing to shareholders.

Currently the Group focuses on two types of acquisitions as defined below:

Platform company

Consist of the main subsidiaries within each sector which have the market share, brands, operational and administrative infrastructure to stand alone as businesses in their own right. The platform companies in the three segments in South Africa had been established prior to the listing of Ascendis in 2013. Part of the internationalisation strategy will be to acquire platform companies in new territories.

Bolt-on

These are companies, or parts of companies, which can be purchased and "bolted-on" to the platform in a way that leverages the existing strength of either the bolt-on or the platform in a synergistic manner, with the result that the two businesses together share the benefits of combined (or even enhanced) revenue and a lower cost base. Examples include businesses which, after acquisition, share production facilities, or sales teams, or accounting or administrative functions.

Management's main assumptions in evaluating this as a business acquisition and not an asset group, were made on the basis that a business consists of inputs and processes applied to those inputs, that have the ability to create outputs.

(a) The inputs acquired include:

- Tangible items: equipment, infrastructure and working capital necessary for trade within the business acquired;
- Intangible items: computer software, software licenses, and trademarks;
- Other items not necessarily included in the financial statements: a management team, the process and know-how of the business, studies and test results, market knowledge, relationships with the licensing body and management knowledge of the industry.

(b) The processes acquired include: management processes, corporate governance, organisational structures, strategic goal-setting, operational processes and human and financial resource management.

(c) The outputs acquired include: access to research results, access to management's strategic plans, revenue from customers, access to new markets, increased efficiency, synergies, customer satisfaction and reputation.

During the period Ascendis Health Limited acquired the following businesses:

• Remedica Group	100%
• Scitec Group	100%

A preliminary purchase price allocation has been performed on all business acquisitions which have been included in the financial results.

The following table illustrates the consideration paid and net assets acquired for each material subsidiary acquired during the year:

	Unaudited six months ended 31 December 2016 R'000			Unaudited six months ended 31 December 2015 R'000	Audited year ended 30 June 2016 R'000
	Remedica	Scitec	Total	Total	Total
Cash	2 793 725	2 255 566	5 049 291	154 317	537 035
Equity instruments	224 302	–	224 302	4 347	213 516
Vendor loans	1 262 507	311 058	1 573 565	124 857	195 017
	4 280 534	2 566 624	6 847 158	283 521	945 568
Cash and cash equivalents	254 321	211 970	466 291	74 394	96 875
Property, plant and equipment	511 410	158 375	669 785	32 922	146 688
Intangible assets within the acquiree	1 246 534	1 015 682	2 262 216	243 818	536 860
Acquired goodwill	–	236 217	236 217		
Other financial assets	31	44 061	44 092	1 219	37 700
Inventories	282 378	196 293	478 671	77 591	136 345
Trade and other receivables	405 900	138 561	544 461	128 810	206 743
Provisions	–	–	–	(150)	(29 396)
Trade and other payables	(88 605)	(146 026)	(234 631)	(164 663)	(250 026)
Borrowings	(32 226)	(148 546)	(180 772)	(43 782)	(85 611)
Current tax	23 936	(17 124)	6 812	(5)	(670)
Contingent liability	–	–	–	–	(42 277)
Deferred tax assets/(liabilities)	(155 311)	(84 515)	(239 826)	(69 721)	(128 486)
Total identifiable net assets	2 448 368	1 604 948	4 053 316	280 433	624 745
Non-controlling interest	–	–	–	(121 349)	(101 145)
Resultant goodwill	1 832 166	961 676	2 793 842	124 437	421 968
Total cash paid for acquisitions	(2 793 725)	(2 255 566)	(5 049 291)	(154 317)	(537 035)
Cash available in acquired company	254 321	211 970	466 291	74 394	96 875
Cash flow relating to business combinations	(2 539 404)	(2 043 596)	(4 583 000)	(79 923)	(440 160)

Ascendis acquired two new platform companies effective 1 August 2016. 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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
continued

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.

International platform acquisition – Remedica Holdings

Remedica is a pharmaceutical company based in Cyprus. The company 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 division.

The Group has acquired the entire share capital of Remedica. The purchase consideration of between €260 million and €335 million (R4 280.5 – R5 447.0 million) will be 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
- 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.

The revenue included in the statement of comprehensive income since 1 August 2016 contributed by Remedica was R439 million (€28.5 million). Remedica also contributed profit after tax of R139.9 million (€9 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 R529.7 million (€36.4 million) and R149.9 million (€9.6 million) respectively.

International platform acquisition – Scitec International

The acquisition of a European sports nutrition company, 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.

The Group has acquired the entire share capital of Scitec. The purchase consideration of €170 million (R2 566.6 million) will be 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.

The revenue included in the statement of comprehensive income since 1 August 2016 contributed by Scitec was R541.9 million (€35.2 million). Scitec also contributed profit after tax of R42.3 million (€2.7 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 R658.3 million (€43 million) and R49.6 million (€3.3 million) respectively.

5. Borrowings and other financial liabilities

For the purposes of financing the acquisition of international businesses, as well as to allow for a structure that supports growth and an integrated treasury function, Ascendis implemented a new debt structure arranged and underwritten by ABSA Bank Ltd and HSBC Bank Plc. The structure consists of a syndicated facility denominated in local currency and Euro term and revolving credit facilities. During the year, the total remaining debt related to the former local debt structure was fully paid off.

In terms of the new debt structure, the total facilities drawn down on amounts to R1.4 billion and €180 million.

New international loans

The Group has a €180 million facility which has been fully drawn down and matures in August 2021. The debt balance consists of the Rand translated amount of R2 593 million net of debt capitalisation costs of R53.5 million yet to be amortised. Capital repayments are due from June 2017 on a bi-annual basis. Interest is charged at 4% and is repayable quarterly. The Group has access to a €24 million revolving credit facility (R345.8 million) which remains unutilised.

New syndicated South African facility

The syndicated facility is administered through ABSA Bank with various local registered financial institutions. The R1.4 billion debt drawn down consists of a R810 million facility fully drawn down and R850 million facility of which R295 million is still available for draw down. The R850 million facility matures in 2021 with the full capital amount due at the maturation date. Interest is charged at JIBAR plus 4.2% and is payable quarterly. The R810 million facility is payable bi-annually starting June 2017 until maturation date of December 2021. Interest is charged at JIBAR plus 3.75% and is payable quarterly. Included with this balance are debt capitalisation fees of R41.7 million which is yet to be amortised. Additional unutilised facilities relating to general banking, bank overdraft and letters of credit amounting to R195 million remain available to serve working capital funding requirements.

Borrowings are recognised initially at fair value net of transaction costs incurred and thereafter at amortised cost. The above facilities are subject to financial covenants based on key financial ratios. No events of default occurred during the period.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

continued

The table below provides the detailed breakdown of the individual balances making up the total balance.

	Unaudited six months ended 31 December 2016	Unaudited six months ended 31 December 2015	Audited year ended 30 June 2016
Borrowings at amortised cost			
Bond notes	–	516 200	514 773
Term loan	3 849 280	294 674	533 859
Revolving credit facility	–	250 000	250 000
Farmalider: Government finance	40 386	–	41 197
Other financial liabilities at amortised cost			
Other South African borrowings	2 800	264 040	2 839
Farmalider: Caixa Bank	24 816	–	17 981
Farmalider Populat Bank Limited	39 025	–	32 842
Farmalider: Other	13 111	–	9 116
Gane Holdings	26 290	26 290	26 290
	3 995 708	1 351 204	1 428 897
Non-current	3 724 716	979 254	1 052 266
Current	270 992	371 950	376 631
	3 995 708	1 351 204	1 428 897

The following schedule provides a reconciliation of the movement in borrowings for the six months ended 31 December 2016:

	Unaudited six months ended 31 December 2016
Capital portion of loan outstanding at beginning of year	1 428 897
Business combinations	180 771
New loans raised net of debt capitalisation fees	
Syndicated facility term loans	1 305 799
EURO facility	2 539 601
Farmalider Government finance	53 614
Other financial liabilities	4 243
Capital repaid	(1 582 688)
Foreign currency translation	(25 600)
Capital portion of loan outstanding at period end	3 904 637
Interest charged	91 071
Total loan balance outstanding at period end	3 995 708

Stated capital

Stated capital	Unaudited six months ended 31 December 2016 R'000	Unaudited six months ended 31 December 2015 R'000	Audited year ended 30 June 2016 R'000
Opening balance	**2 138 684**	1 576 730	1 576 730
Issue of ordinary shares	**3 446 239**	–	557 890
Listing fees capitalised to stated capital	**(41 717)**	(658)	(658)
Movement in treasury share on hand	**(63 802)**	15 440	4 722
Closing balance	**5 479 404**	1 591 512	2 138 684

General issue of shares for cash

Ascendis raised R1.2 billion equity capital by way of a Rights Offer to qualifying shareholders that concluded in August 2016. 55.5 million shares were offered for subscription to the qualifying shareholders on the basis of 18.25 Rights Offer Shares for every 100 Ascendis Shares held, at a subscription price of R22.00 per Rights Offer Share.

As part of the above mentioned transaction, the Group raised capital through the issuance of shares through private placements, using the Rights Offer subscription price. The total number of shares issued as part of this transaction was 76.6 million raising a total of R1.7 billion in equity capital.

The Group also raised further capital through the general issuance of shares through private placements. The Group uses a 30-day volume weighted average price to determine the discount at which the shares were issued. The total number of shares issued during the course of the financial period was 4.9 million shares, issued at share prices ranging between R22 and R27 per share, depending on the share price on the date of issue.

Treasury shares

The unissued shares are under the control of the directors of the company subject to the provisions of the Companies Act 2008, as amended, and the Listings Requirements of the JSE Limited. The reserve for the company's treasury shares comprises the cost of the company's shares held by the Group.

Listing fees of R41.7 million have been capitalised. All shares issued were fully paid up.

Reconciliation of number of shares in issue:	Unaudited six months ended 31 December 2016	Unaudited six months ended 31 December 2015	Audited year ended 30 June 2016
Opening balance reported	**298 608**	269 967	269 967
Issue of shares – ordinary shares	**137 066**	–	27 144
Treasury shares			
Held at the beginning of the period	**266**	1 763	1 763
Held at the end of period	**(3 109)**	(880)	(266)
Closing balance	**432 831**	**270 850**	**298 608**

Income tax expense

	Unaudited six months ended 31 December 2016 R'000	Audited year ended 30 June 2016 R'000
Major components of the tax expense		
South African Taxation		
Current		
Current period	54 757	101 274
Recognised in current tax for prior periods	(1 869)	(874)
	52 888	100 400
Deferred		
Originating and reversing temporary differences	(10 925)	(41 733)
Increase in tax loss	(3 239)	–
	(14 164)	(41 733)
South African income tax expense	38 724	58 667
Foreign Taxation		
Current		
Current period	13 545	4 088
Recognised in current tax for prior periods	(664)	(521)
	12 881	3 567
Deferred		
Originating and reversing temporary differences	(8 182)	(669)
Increase in tax loss	(1 192)	–
	(9 373)	(669)
Foreign income tax expense	3 508	2 898
Income tax expense	42 232	61 565
Tax at the South Africa tax rate	28.00%	28.00%
Exempt income	(5.71%)	(2.64%)
Foreign tax incentives	(6.14%)	0.00%
Tax loss used	0.10%	0.76%
Effect of prior year	(0.99%)	(7.23%)
Lower foreign tax rates	(4.06%)	(0.88%)
Foreign exchange differential	(0.19%)	0.00%
Disallowable charges-legal/consulting fees	3.68%	12.82%
Other	(2.62%)	(8.49%)
Donations	0.04%	0.00%
Amortisation	5.39%	1.77%
Fines and penalties	0.01%	0.35%
Average effective tax rate	17.51%	24.46%

Reduction in effective tax rate

The decline in the effective corporate tax rate is predominantly as a result of more favourable corporate tax rates and tax incentives available to foreign subsidiaries.

Research and development tax credits

Spanish tax legislation provide tax incentives to entities who incur research and development costs. The incentive is akin to an investment tax credit. The R&D innovation credit is received and recognised annually since the research and development expenses to which the tax credit relates are key to and part of the normal business operations of Farmalider (Spanish subsidiary).

Comparative information

To further explain the reduction in the effective corporate tax rate, additional tax disclosure has been provided in the current set of interim financial statements. The effective tax rate at 31 December 2015 was 25% and is not considered to be significantly different to the effective tax rate of 24.47% at 30 June 2016.

6. Dividend

Interim dividend declaration

The board of directors has approved an interim gross ordinary dividend of 11.00 cents per share (2016: 9.50 cents per share).

The source of the dividend will be from distributable reserves and paid in cash.

Additional information

Dividends Tax ("DT") at the rate of 20% amounting to 2.20 cents per ordinary share will be withheld in terms of the Income Tax Act. Ordinary shareholders which are not exempt from DT will therefore receive a net dividend of 8.80 cents per share net of DT.

The company currently has 435 939 348 ordinary shares in issue. Its income tax reference number is 9810/017/15/3.

Shareholders are advised of the salient dates in respect of the interim dividend:

• Last day to trade *"cum"* the dividend	Tuesday, 9 May 2017
• Shares trade *"ex"* the dividend	Wednesday, 10 May 2017
• Record date	Friday, 12 May 2017
• Payment to shareholders	Monday, 15 May 2017

Share certificates may not be dematerialised or rematerialised between Wednesday, 10 May 2017 and Friday, 12 May 2017, both days inclusive.

The directors of the company have determined that dividend payments amounting to R50.00 or less due to any ordinary shareholder will not be paid unless a written request to the contrary is delivered to the transfer secretaries, Computershare Investor Services Proprietary Limited, by no later than close of business on Tuesday, 9 May 2017 being the last day the shares trade *"cum"* the dividend. Unpaid dividend amounts will be aggregated with other such amounts and donated to a charity to be nominated by the directors.

By order of the board

Andy Sims
Company Secretary

8 March 2017

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

continued

7. Events after reporting period

Phyto-Vet acquisition

Ascendis has entered into an agreement to acquire 100% of the issued share capital of Cipla Agrimed Proprietary Limited and Cipla Vet Proprietary Limited, both based in South Africa (SENS: (ASC) 06/03/2017).

Total consideration of the Cipla acquisition will range between R250 million and R500 million which will be settled out of the existing cash and debt facilities:

- R325 million will be settled on the date of acquisition; and
- Up to R37.5 million additional cash payment two months post the closing date, depending on the EBITDA target achieved.
- R50 million deferred payment will be settled in July 2018.

This acquisition is an excellent strategic fit for the Phyto-Vet division of Ascendis in therapeutic areas in which Ascendis did not previously have a strong presence. The completion of this acquisition is subject to the fulfilment of certain outstanding conditions, which include Competition Authorities approval.

Consumer Brands Europe acquisition

Ascendis has also finalised negotiations on the international acquisition of Sunwave Pharm SRL and NHP Natural Health Limited into the Consumer Brands Europe segment (SENS: (ASC) 08/03/2017).

The total consideration will range between €42 million and €65 million, depending on the financial performance of the business over the next three years.

This acquisition will provide Ascendis with an attractive platform into Romanian OTC markets and will give Ascendis access to a vast complementary medicine portfolio and pipeline of new products, which can be sold into territories in which Ascendis is active.

Capital repurchase

In terms of the Group's share repurchase programme that has been registered with the JSE, Ascendis Financial Services acquired 2.8 million shares in Ascendis Health Limited subsequent to 31 December 2016.

These shares are considered to be treasury shares for the Group and the total value invested in treasury shares is R59.6 million.

Corporate information

Registration number	2008/005856/06
Income tax number	9810/017/15/3
JSE share code	ASC
ISIN	ZAE000185005
Registered office	22 Sloane Street, Bryanston, Gauteng, 2191
Postal address	PostNet Suite #252, Private Bag X21, Bryanston, 2021
Contact details	+27 (0)11 036 9600/info@ascendis.co.za
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
Company secretary	Andy Sims CA(SA)
Directors	JA Bester (Chairman) * Dr K Wellner (CEO) MS Bomela * CD Dillon # K Futter (CFO) B Harie * Dr KS Pather * CB Sampson (MD) GJ Shayne #

** Independent non-executive*
 # Non-executive

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