



Interim Results
for the six months ended
31 December 2014



Ascendis
HEALTH

HIGHLIGHTS

Revenue
R1.3 billion

↑ 101%

Operating profit
R161 million

↑ 84%

Headline earnings
R89 million

↑ 65%

HEPS
35.5 cents

↑ 22%

Interim dividend

8.0 cents per share

-
- ▶ Acquisition of The Scientific Group for R283.7 million
 - ▶ Successful capital raising of R455 million
 - ▶ R2 billion corporate bond programme launched



COMMENTARY

GROWTH STRATEGY

Ascendis is a synergistic group of market-leading health and care brands for people, plants and animals. The products span the value chain from imports of raw materials, manufacturing, brand development to distribution to consumers through wholesalers, pharmacies, hospitals, dispensing doctors, retailers and direct selling channels locally and internationally.

Management is targeting to achieve 10% to 15% organic revenue growth from the group's strong and resilient brands, based on price inflation and new product development. This is supported by the acquisition of complementary businesses, brands and dossiers targeting a further 20% to 25% revenue growth, based on the current acquisition pipeline. Synergistic growth from both vertical integration across the value chain and horizontal integration from bolt-on acquisitions is planned to generate 5% profit growth from cost savings achieved through the distribution network together with efficiencies in finance and administration.

Ascendis is rapidly growing its foreign customer base and the international expansion strategy includes exports, establishing offshore operations and acquiring international businesses.

FINANCIAL PERFORMANCE

Revenue for the six-month period increased by 101% to R1 333 million (Dec 2013: R662 million), with the performance driven by comparable organic growth of 14.9% and R617 million from strategic acquisitions concluded over the past year.

Revenue from the acquisitions of Respiratory Care Africa ("RCA") and Arctic Healthcare ("Arctic") has been included for five months and four months respectively.

Revenue generated from foreign markets increased by 10% to R114 million, accounting for 9% of the group's total sales. Ascendis brands are currently sold in 52 countries globally, including 22 other African countries.

On the divisional performance, Consumer Brands increased revenue by 55% to R462 million and accounted for 35% of group revenue; Pharma-Med grew 654% to R531 million (40% of total revenue); and Phyto-Vet increased revenue 16% to R340 million, contributing 25% of group revenue.

The gross margin was impacted by the deterioration in the exchange rate, but this was offset by a change in product mix. The net effect was that gross margin contracted by 1.3% to 44.8%. The average R/US\$ exchange rate devalued by 9% over the period.

Operating profit increased by 84% to R161 million (Dec 2013: R88 million) as the operating margin declined from 13.2% to 12.1% at the end of the period.

Profit after tax was 59% higher at R89 million.

The performance for the reporting period translated into headline earnings growth of 65% to R88.6 million (Dec 2013: R53.8 million), with headline earnings per share increasing 21.6% to 35.5 cents, impacted by the 35% increase in the weighted average number of shares in issue during the period.

The directors have declared an interim dividend of 8.0 cents per share.

ACQUISITIONS AND FUNDING

A R2 billion domestic medium-term note programme was launched and the maiden tranche of R400 million was issued in September 2014. The group also undertook a successful private capital raising of R455 million which will be partially used to fund the acquisition of The Scientific Group.

In October 2014 the group announced the acquisition of the diagnostics business of The Scientific group for R283.7 million. The diagnostics product range will further entrench a turnkey offering of medical equipment and devices to private and public hospitals, clinics and medical professionals. This acquisition will create a R1 billion Ascendis Medical business along with Surgical Innovations and RCA in the Pharma-Med division.

The previously announced acquisitions of RCA and Arctic both become effective during the period. The integration and merger of RCA with Surgical Innovations is on track. RCA distributes specialist medical equipment for intensive care, trauma units and operating theatres in state and private hospitals. This range of equipment is complementary to Surgical Innovations.

Arctic offers a range of market-leading vitamin and mineral brand dossiers, including Chela-Fer, Menacal7, Chela-Preg and Supa Chewz. The integration of the Arctic business into Ascendis Consumer Brands has now been completed.

OUTLOOK

The group's priority is to deliver on its organic and acquisitive growth strategies.

Ascendis owns a portfolio of leading South African brands and plans to maximise the export potential of these brands and to focus on offshore acquisitions to grow its international operations.

The group is currently considering the pursuit of international acquisitions for the Pharma-Med platform. Potential bolt-on acquisitions for the Consumer Brands and Phyto-Vet divisions are also being evaluated.

The key operational deliverables for the remainder of the financial year include the integration of The Scientific Group; continued new product development and innovation; extracting vertical and horizontal synergies; growing export markets; managing the impact of foreign exchange fluctuations on revenue and profitability; and simplifying its group structure and realising cost synergies across the value chain and between its divisions.

The ongoing focus on these growth strategies is expected to result in continued value creation for shareholders.

Dr Karsten Wellner
Chief Executive Officer

Robbie Taylor
Chief Financial Officer

Cape Town

11 March 2015

UNAUDITED CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended	Unaudited Six months ended	Audited Year ended
	31 December 2014 R'000	31 December 2013 R'000	30 June 2014 R'000
Continuing operations			
Revenue	1 333 229	661 902	1 617 947
Cost of sales	(735 597)	(356 786)	(890 101)
Gross profit	597 632	305 116	727 846
Selling and distribution costs	(152 781)	(18 087)	(46 829)
Administrative expenses	(246 363)	(194 229)	(502 891)
Other operating expenses	(63 010)	(11 795)	(30 538)
Other income	25 515	6 573	68 352
Operating profit	160 993	87 578	215 940
Finance income	9 680	9 909	25 592
Finance costs	(46 700)	(19 060)	(54 730)
Share of profit of investments accounted for using the equity method	(850)	–	(683)
Profit before taxation	123 123	78 427	186 119
Taxation	(34 464)	(22 743)	(45 950)
Profit from continuing operations	88 659	55 684	140 169
Discontinued operations			
Profit/(loss) for the year from discontinued operations (attributable to owners of the parent)	–	–	(181)
Profit for the period	88 659	55 684	139 988
Other comprehensive income:			
Items that may be subsequently reclassified to profit and loss:			
Derivative financial instruments	(798)	–	–
Exchange differences on translating foreign operations	6	463	(483)
Other comprehensive income for the period net of taxation	(792)	463	(483)
Total comprehensive income for the period	87 867	56 147	139 505
Profit/(loss) attributable to:			
Owners of the parent			
– For continuing operations	88 507	53 920	137 945
– For discontinued operations	–	–	(181)
Non-controlling interests			
– For continuing operations	152	1 763	2 225
	88 659	55 683	139 989
Total comprehensive income/(loss) attributable to:			
Owners of the parent			
– For continuing operations	87 715	56 147	137 461
– For discontinued operations	–	–	(181)
Non-controlling interests			
– For continuing operations	152	–	2 225
	87 867	56 147	139 505
Earnings per share (cents) continuing operations	35.5	29.2	65.0
Diluted earnings per share (cents) continuing operations	35.1	28.6	65.0
Headline earnings per share – continued operations	35.5	29.2	65.1
Diluted headline earnings per share – continued operations	35.2	28.6	65.1
Normalised headline earnings per share (cents)	43.1	33.4	72.0
Diluted normalised headline earnings per share (cents)	43.1	32.8	72.0

UNAUDITED CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

	Unaudited 31 December 2014	Unaudited 31 December 2013	Audited 30 June 2014
	2014 R'000	2013 R'000	2014 R'000
Assets			
Non-current assets			
Property, plant and equipment	158 313	57 309	86 689
Goodwill	1 142 947	557 148	1 047 708
Intangible assets	442 506	273 757	251 337
Investments accounted for using the equity method	44 044	52 500	48 134
Deferred income tax assets	–	2 960	1 945
Loans to related parties	49 596	85 734	–
Other financial assets	1 731	–	–
	1 839 137	1 029 408	1 435 813
Current assets			
Inventories	520 325	344 550	431 516
Trade and other receivables	520 446	323 147	475 559
Loans to related parties	37 951	–	102 795
Other financial assets	11 908	1 822	2 647
Current tax receivable	–	3 861	–
Cash and cash equivalents	219 928	238 729	94 882
Non-current assets held for sale	435	–	13 361
	1 310 993	912 109	1 120 760
Total assets	3 150 130	1 941 517	2 556 573
Equity and Liabilities			
Total equity	1 740 255	1 012 894	1 212 720
Liabilities			
Non-current liabilities			
Deferred tax	119 125	–	62 239
Deferred vendor liabilities	41 857	–	36 423
Other financial liabilities	547 430	579 248	415 285
	708 412	579 248	513 947
Current liabilities			
Trade and other payables	367 288	280 559	395 478
Provision for onerous contracts	16 510	–	35 238
Current income tax liabilities	16 786	17 291	16 118
Borrowings and other financial liabilities	177 478	15 188	232 109
Bank overdraft	30 601	–	100 848
Loans from related parties	26 286	–	26 286
Deferred vendor liabilities	66 514	36 337	16 508
Non-current liabilities held for sale	–	–	7 320
	701 463	349 374	829 905
Total liabilities	1 409 875	928 623	1 343 853
Total equity and liabilities	3 150 130	1 941 517	2 556 573



UNAUDITED CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

	Stated capital R'000	Foreign translation reserve R'000	Revaluation reserve R'000
Balance as at 1 July 2013	378 981	672	976
Total comprehensive income for the period	—	—	—
Issue of shares	659 959	—	—
Exchange differences on translating foreign operations	—	463	—
Dividends	—	—	—
Listing fees capitalised	(18 596)	—	—
Treasury shares held for payments of acquisitions	(15 291)	—	—
Changes in ownership interest – control not lost	—	—	—
NCI allocation on acquisition	—	—	—
Balance as at 31 December 2013	1 005 053	1 135	976
Profit for the period	—	—	—
Other comprehensive income/(loss) for the period	—	(947)	—
Capital share listing costs capitalised against stated capital	(441)	—	—
Movement in treasury shares on hand at year end	697	—	—
Issue of ordinary shares related to business combination	102 726	—	—
Share-based payment reserve	—	—	—
Non-controlling interest arising on business combination	—	—	—
Total changes in ownership interests in subsidiaries that do not result in a loss of control	—	—	—
Balance as at 30 June 2014	1 108 035	188	976
Profit for the period	—	—	—
Other comprehensive income/(loss) for the period	—	—	—
Dividends	—	—	—
Issue of ordinary shares	483 124	—	—
Raising fees capitalised	(898)	—	—
Translation of foreign subsidiaries	—	10	—
Total changes in ownership interests in subsidiaries that do not result in a material loss of control	—	—	—
Balance as at 31 December 2014	1 590 261	198	976

Mark-to-market reserve R'000	Change in ownership reserve R'000	Share-based payment reserve R'000	Distributable reserves R'000	Accumulated (loss)/ retained income R'000	Total attributable to equity holders of the group/ company R'000	Non - controlling Interest R'000	Total equity R'000
–	(9 024)	–	–	16 234	387 839	348	388 186
–	–	–	–	53 921	53 921	1 764	55 685
–	–	–	–	–	659 959	–	659 959
–	–	–	–	–	463	–	463
–	–	–	–	–	–	(318)	(318)
–	–	–	–	–	(18 596)	–	(18 596)
–	–	–	–	–	(15 291)	–	(15 291)
–	(59 893)	–	–	–	(59 893)	(1 378)	(61 271)
–	–	–	–	–	–	1 576	1 576
–	(68 917)	–	–	70 155	1 008 402	1 992	1 010 394
–	–	–	–	83 843	83 843	780	84 623
–	–	–	–	–	(947)	–	(947)
–	–	–	–	–	(441)	–	(441)
–	–	–	–	–	697	–	697
–	–	–	–	–	102 726	–	102 726
–	–	13 234	–	–	13 234	–	13 234
–	–	–	–	–	–	3 058	3 058
–	(1 603)	–	–	–	(1 603)	979	(624)
–	(70 520)	13 234	–	153 998	1 205 911	6 809	1 212 720
–	–	–	–	88 507	88 507	152	88 659
(798)	–	–	–	–	(798)	–	(798)
–	–	–	–	(40 760)	(40 760)	–	(40 760)
–	–	–	–	–	483 124	–	483 124
–	–	–	–	–	(898)	–	(898)
–	–	–	–	–	10	–	10
–	5 159	–	–	–	5 159	(6 961)	(1 802)
(798)	(65 361)	13 234	–	201 745	1 740 255	–	1 740 255

UNAUDITED CONDENSED GROUP STATEMENT OF CASH FLOWS

	Unaudited Six months ended	Unaudited Six months ended	Audited Year ended
	31 December 2014 R'000	31 December 2013 R'000	30 June 2014 R'000
Cash flows from operating activities			
Cash generated from/(utilised) in operations	120 776	(71 215)	175 918
Interest income	9 680	–	25 592
Interest paid	(46 699)	(9 151)	(54 730)
Dividends paid	(40 760)	–	–
Income tax paid	(34 368)	(5 384)	(43 680)
Net cash flows from operating activities:			
discontinued operations	–	–	(2 353)
Net cash generated/(utilised) in operating activities	8 629	(85 750)	100 747
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	(275 646)	(427 034)	(690 623)
Acquisition of investments in joint venture	4 089	(17 056)	(48 133)
Purchases of property, plant and equipment	(18 180)	–	(14 765)
Proceeds from sale of property, plant and equipment	1 211	4 890	36 501
Purchases of intangible assets	(1 298)	–	(1 750)
Movement in loans to related parties	15 249	–	(20 997)
Repayment of deferred vendor liabilities	(16 934)	–	(33 549)
Proceeds from other financial assets	2 115	–	1 103
Change in ownership	–	(39 547)	–
Net cash flows from investing activities:			
discontinued operations	–	–	(103)
Net cash used in investing activities	(289 394)	(478 747)	(772 316)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	455 059	400 000	366 370
Acquisition of non-controlling interest	(12 500)	–	(61 493)
Movement in other financial liabilities	129 849	(829)	–
Finance lease payments	549	962	–
Proceeds from borrowings	–	268 109	504 993
Repayments of borrowings	(96 900)	–	(271 651)
Net cash flows from financing activities:			
discontinued operations	–	–	3 138
Net cash used in financing activities	476 057	668 242	541 357
Net increase/(decrease) in cash and cash equivalents	195 292	103 746	(130 212)
– Continuing operations	195 292	103 746	(131 033)
– Discontinued operations	–	–	822
Cash and cash equivalents at beginning of period	(5 966)	134 984	124 247
Cash and cash equivalents at end of period	189 326	238 730	(5 966)
– Continuing operations	189 326	238 730	(5 188)
– Discontinued operations	–	–	(778)



EARNINGS PER SHARE, DILUTED EARNINGS PER SHARE AND HEADLINE EARNINGS PER SHARE

The group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares in issue. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares in issue for the dilutive effects of all share options granted to employees.

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 period. The presentation of headline earnings is not an IFRS requirement, but is required by JSE Listings Requirements and Circular 3 of 2012.

	Unaudited Six months ended	Unaudited Six months ended	Audited Year ended
	31 Dec 2014 R'000	31 Dec 2013 R'000	30 Jun 2014 R'000
(a) Basic			
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the company and held as treasury shares.			
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.			
Profit from continuing operations attributable to owners of the parent	88 507	53 920	137 944
Profit from discontinued operations attributable to owners of the parent	–	–	(181)
Total	88 507	53 920	137 763
Weighted average number of ordinary shares in issue	249 601	184 581	212 228
Earnings per share (cents) – continuing operations	35.5	29.2	65.0

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The company has three categories of dilutive potential ordinary shares: share options, share appreciation rights and convertible preference shares. The convertible debt is assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The closing price is used for share appreciation rights, as these are classified as contingently issuable shares in terms of IAS 33 – Earnings per share. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the shareoptions.

	Unaudited Six months ended	Unaudited Six months ended	Audited Year ended
	31 Dec 2014 R'000	31 Dec 2013 R'000	30 Jun 2014 R'000
Earnings			
Profit from continuing operations attributable to owners of the parent	88 507	53 920	137 944
Profit used to determine diluted earnings per share	88 507	53 920	137 944
Profit from discontinued operations attributable to owners of the parent	–	–	(181)
Total	88 507	53 920	137 763
Weighted average number of ordinary shares in issue	249 601	184 581	212 228
Weighted average number of ordinary shares for diluted earnings per share	251 958	188 215	212 228
Earnings per share (cents) – continuing operations	35.1	28.6	65.0
(c) Headline earnings per share			
Profit attributable to equity holders of the parent – continued operations	88 507	53 920	137 944
Adjusted for:			
– Loss/(profit) on the sale of property, plant and equipment	–	(74)	139
Gross amount	–	(103)	193
Tax effect	–	29	(54)
– Impairment of intangible assets	74	–	–
Gross amount	103	–	–
Tax effect	(29)	–	–
Headline earnings	88 581	53 846	138 083
Weighted average number of shares in issue*	249 601	184 581	212 228
Headline earnings per share – continuing operations	35.5	29.2	65.1

*After deduction of weighted treasury shares.

	Unaudited Six months ended	Unaudited Six months ended	Audited Year ended
	31 Dec 2014 R'000	31 Dec 2013 R'000	30 Jun 2014 R'000
(d) Diluted headline earnings			
Profit attributable to equity holders of the parent – continued operations	88 507	53 920	137 944
Adjusted for:			
– Loss/(profit) on the sale of property, plant and equipment	–	(74)	139
Gross amount	–	(103)	193
Tax effect	–	29	(54)
– Impairment of intangible assets	74	–	–
Gross amount	103	–	–
Tax effect	(29)	–	–
Headline earnings	88 581	53 846	138 083
Weighted average number of ordinary shares for diluted earnings per share	251 958	188 215	212 228
Diluted headline earnings per share (cents) – continuing operations	35.2	28.6	65.1
<i>*After deduction of weighted treasury shares.</i>			
(e) Normalised headline earnings per share			
Normalised headline earnings per share is calculated by dividing the normalised headline earnings by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by a subsidiary of Ascendis and held as treasury shares.			
Normalised headline earnings is calculated by excluding amortisation from earnings. Since Ascendis Health is a pharmaceutical company and not an investment entity, the income statement effect of intangible assets of its subsidiaries should be excluded.			
Reconciliation of normalised headline earnings			
Headline earnings	88 581	53 846	138 083
Adjusted for**			
Once-off bond raising fee	1 285	–	–
Other once off costs	4 446	–	–
Tax effect thereof	(1 758)	–	–
Amortisation	20 220	10 907	20 356
Tax effect thereof	(5 662)	(3 054)	(5 700)
Normalised headline earnings	107 661	61 699	152 739
Weighted average number of shares in issue	249 601	184 581	212 228
Normalised headline earnings per share (cents)	43.1	33.4	72.0

	Unaudited Six months ended	Unaudited Six months ended	Audited Year ended
	31 Dec 2014 R'000	31 Dec 2013 R'000	30 Jun 2014 R'000
(f) Normalised diluted headline earnings per share			
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.			
	–	–	–
Normalised headline earnings:	107 661	61 699	152 739
Adjusted normalised headline earnings	107 661	61 699	152 739
Weighted average number of shares for diluted headline earnings per share	249 601	188 215	212 228
Shares to be issued to vendors	–	3 634	–
Weighted average number of shares in issue	249 601	184 581	212 228
Diluted normalised headline earnings per share (cents)	43.1	32.8	72.0

* After deduction of weighted treasury shares.

** None of the normalised headline earnings adjustments includes non-controlling interests.

REPORTING SEGMENTS

(a) Ascendis Health Limited Group accounting policy

The group has three main reportable segments that comprise the structure used by the group executive committee (EXCO) to make key operating decisions and assess performance. The Group's reportable segments are operating segments that are differentiated by the activities that each undertakes and the products they manufacture and market (referred to as business segments). Each business utilises different technology, manufacturing and marketing strategies.

The group evaluates the performance of its reportable segments based on operating profit after re-measurement items. The group accounts for inter-segment sales and transfers as if the sales and transfers were entered into under the same terms and conditions as would have been entered into in a market related transaction.

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.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, reports to the EXCO who is responsible for strategic decisions.

(b) Ascendis Health Limited Group qualitative application of the segmental accounting policy

The EXCO is the group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the strategic steering committee for the purposes of allocating resources and assessing performance.

The EXCO considers the business from both a geographic and product perspective. Geographically, management considers the performance within South Africa and internationally. From a product perspective, management separately considers the activities in these geographies on a segmental basis. Ascendis operates and sells health and care products through three divisions across the full health spectrum, two of which cater for human health (Consumer Brands and Pharma-Med) and one for the plant and animal health sector (Phyto-Vet).

The three operating divisions are:

- Consumer Brands Division (human health), incorporating all of the Ascendis Over The Counter (OTC) and Complementary and Alternative Medicines (CAMs) consumer brands products;
- Pharma-Med Division (human health), incorporating Ascendis' pharmaceutical business and its medical devices business; and
- Phyto-Vet Division (animal and plant health), incorporating all of the Ascendis animal and plant health and care products.

Consumer Brands Division

The Consumer Brands Division comprises health and personal care products sold to the general public, primarily at the retail store level. The health products sold to these consumers are products catering for preventative health needs and can be categorised into OTC medicines and CAMS (including vitamins and minerals), homeopathic, ayurvedic products, herbals, dermaceuticals, functional foods, functional super foods, sports nutrition, health beverages, weight management and therapeutic cosmetics.

The brands have been established in the South African market for between six and 45 years and are generally targeted at higher LSM customers. As a result this division has shown itself to be resilient in difficult economic times, hence its consistently strong historical financial performance.

Pharma-Med Division

This division comprises the sale of prescription, selected OTC pharmaceuticals, and includes medical devices. Ascendis' pharmaceutical products are typically sold through dispensing and doctors, wholesalers, pharmaceutical retailers and hospitals to both the Private and Government sectors. Ascendis' medical device products are focused on the areas of general surgery gynaecology, urology, ear, nose and throat, cardiology and radiology and the marketing of devices in a South African agent function, on an exclusive basis, for international brands of high value-add. Ascendis imports and sells pharmaceutical products and medical devices through its Pharma-Med Division which targets the human health sector via medical professionals (doctors and pharmacists) using the following channels: medical practices, pharmacies, wholesalers and hospitals (both state and privately owned).

Phyto-Vet Division

The Phyto-Vet Division supplies health and care products to the plant and animal markets. The Phyto-Vet Division manufactures and supplies mainly its own brands which in aggregate comprise 3 500 different products supplied to over 4 500 retail stores throughout South Africa and a further 20 African countries. The division also sells products into 20 African countries via a network of distributors or direct governmental tender participation.

(c) Ascendis Health Limited Group quantitative application of the segmental accounting policy

(c1) Statement of comprehensive income measures applied

(R'000)	Dec 2014	Dec 2013	Jun 2014
Revenue			
Revenue split by division			
Consumer Brands	462 457	299 292	658 388
Pharma-Med	530 555	70 411	410 639
Phyto-Vet	340 217	292 199	548 919
Total revenue	1 333 229	661 902	1 617 946
Geographical revenue split			
South Africa	1 219 072	558 358	1 431 165
Foreign	114 157	103 544	186 781
Total revenue	1 333 229	661 902	1 617 946
The group has an expanding international presence and currently exports products to 52 countries, mainly in Africa and Europe.			
15% (2013: 6%) of the group's total revenue is derived from a single customer in the retail environment in South Africa.			
EBITDA			
Consumer Brands			
Operating profits	77 052	61 873	96 912
Depreciation	2 518	1 831	3 372
Amortisation	9 362	6 810	12 537
Consumer Brands EBITDA	88 932	70 514	112 821
Pharma-Med			
Operating profits	76 816	2 578	99 856
Depreciation	3 971	(14)	1 197
Amortisation	6 735	(24)	2 031
Pharma-Med EBITDA	87 522	2 540	103 084
Phyto-Vet			
Operating profits	34 898	33 958	37 659
Depreciation	2 944	2 462	5 112
Amortisation	3 372	2 819	5 855
Impairment	103	—	—
Phyto-Vet EBITDA	41 317	39 239	48 626
Head office expenses (includes amortisation of 751 in Dec 2014)	(26 819)	(10 714)	(18 202)
Total EBITDA	190 952	101 579	246 329

(R'000)	Dec 2014	Dec 2013	Jun 2014
Reconciliation of EBITDA to consolidated results			
Consolidated operating profit	160 992	87 578	215 940
Total consolidated amortisation, depreciation and impairments	29 005	14 279	30 601
Head office portions excluded from segmental analysis	955	(279)	(212)
Total EBITDA	190 952	101 578	246 329
EBITDA is a measure of a company's operating profitability. It equals earnings before interest, tax, depreciation and amortisation.			
EBITDA excludes depreciation and amortisation, EBITDA provides a measurement criteria view of a segment's core profitability.			
<i>(c2) Statement of financial position</i>			
Segmental assets and liabilities			
Consumer Brands			
– Total assets	581 525	665 629	921 195
– Total liabilities	(167 944)	(87 831)	(592 139)
Consumer Brands net asset value	413 581	577 798	329 056
Pharma-Med			
– Total assets	868 711	381 444	854 612
– Total liabilities	(271 280)	(187 750)	(330 647)
Pharma-Med net asset value	597 431	193 695	523 965
Phyto-Vet			
– Total assets	222 550	489 018	500 507
– Total liabilities	(146 004)	(132 312)	(431 118)
Phyto-Vet net asset value	76 546	356 706	69 389
Head office net asset value	652 697	(115 305)	290 310
Consolidated net asset value	1 740 255	1 012 893	1 212 720



NOTES TO THE AUDITED CONDENSED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

1. Corporate information

Ascendis is a fast growing health and care brands company consisting of three divisions, Consumer Brands (nutraceuticals, vitamins, sports nutrition and skin care products); Pharma-Med (prescription drugs and medical devices) and Phyto-Vet (plant and animal health). The group's vision, which is encapsulated in its motto 'A healthy home, a healthy you', is to bring health to the consumer at all stages of his or her life – from health maintenance (preventative medicine) to chronic medication and critical care (intervention). These consolidated group interim financial results as at and for the six months ended 31 December 2014 comprise of the company and its subsidiaries (together referred to as the group) and the group's interest in joint ventures.

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. Presentation of interim financial statements:

3.1 Statement of compliance

The unaudited condensed group interim financial results for the six-month period ended 31 December 2014 have been prepared under the supervision of RJ Taylor (CA) Z, in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Listings Requirements of the Johannesburg Stock Exchange (JSE), Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the South African Companies Act, No 71 of 2008. The condensed unaudited group interim financial results should be read in conjunction with the audited group annual financial statements as at and for the year ended 30 June 2014 and the company's pre-listing statement which was prepared for listing on the Main Board of the JSE on 22 November 2013, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

3.2 Basis of preparation

The interim financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments and property, plant and equipment at fair value. The accounting policies used in preparation of the interim financial results are consistent with those applied in the audited financial statements for the year ended 30 June 2014.

The interim financial statements are presented in South African Rands.

4. Business combinations

R'000	Group			
	Dec 2014			
	Consumer Brands	Pharma-Med	Phyto-Vet	Total
Cash	161 600	102 370	9 570	273 540
Equity instruments	–	24 168	3 000	27 168
Vendor loans	30 000	42 372	–	72 372
Total consideration transferred	191 600	168 910	12 570	373 080
Recognised amounts of identifiable assets acquired and liabilities assumed				
Cash and cash equivalents	–	(6532)	4 426	(2 106)
Property, plant and equipment	40 600	1 578		42 178
Other financial assets	–	1 397	–	1 397
Inventories	1 760	52 464	3 184	57 408
Trade and other receivables	–	92 441	1 057	93 498
Trade and other payables	–	(34 911)	(222)	(35 133)
Borrowings	–	(30 185)	(1 640)	(31 825)
Current tax payable	–	(1 160)	–	(1 160)
Contingent liability	–	(3 211)	–	(3 211)
Deferred tax liabilities	–	1 268	–	1 268
Total identifiable net assets	42 360	73 149	6 805	122 314
Initial resultant goodwill	149 240	95 761	5 765	250 766

All relevant purchase price allocations (PPA) were completed and the intangible assets identified, except for Arctic and RCA which was completed on a preliminary basis.

Consumer Brands

During the period Ascendis acquired 100% of the following businesses (with effective dates):

Arctic Health Brands – August 2014

Ascendis purchased six brands from Arctic Health, these are well-established products and the brands have shown solid growth annually and have a proven track record of over 15 years. The products enjoyed excellent support from prescribing healthcare practitioners and have developed a credible reputation in this market. The Arctic brands are a perfect bolt-on for Ascendis, increasing the number of CAMS products sold as well as increasing Ascendis' market penetration in the detailing market. Three of Arctic's products are amongst the market leaders in their particular category in the mineral market. These are Chela-Fer (Iron), MenaCal7 (Calcium) and Chela-Preg (Prenatal). All of the minerals contained in the range are the chelated form, which has been shown to have better Bio-Availability than other forms of minerals. This ensures better absorption of these important minerals.

Due to the size and nature of this business, it will be added to the CAMS Division, where it will be complemented by our other successful CAMS companies.

The revenue included in the statement of comprehensive income since August 2014 contributed by Arctic was R29 621 817. Arctic also contributed profit after tax of R15 645 222 over the same period.

PharmaNatura Manufacturing Facility – November 2014

PharmaNatura's 12 000 sq.m manufacturing plant has some of the most advanced production equipment. This, supported by stringent C-GMP-certified systems and procedures, allows PharmaNatura to produce high pharmaceutical products, consistently and reliably. The facility carries stock levels of over 200 raw materials at any given point and time.

The plant has the capacity to manufacture over 600 products, including capsules (hard and soft gel), creams, liquids, pastes, tablets and teas.

The state of the art laboratory is fully equipped to guarantee quality assurance and quality control. All incoming raw material has to pass our stringent testing before being allowed to be used, all new products are put on stability testing before manufacture and all batches produced are tested before being released.

Due to the size and nature of this business, it will be seen as being complementary to PharmaNatura's business which was acquired during the later part of the previous financial year and will therefore form part of the CAMS Segment in Ascendis Health.

The properties acquired include the following:	R'000
No 1 Carey Street c/o 5th Street, Marlboro, Sandton, JHB.	28 600
Erf 1114, Marlboro Ext 1, Johannesburg	12 000
	40 600

The properties have been valued by a qualified valuer and Ascendis paid the market related price of these properties during the acquisition.

The revenue and profit since November 2014 contributed by PharmaNatura were all inter-company in nature, and therefore eliminated upon consolidation.

Pharma-Med Division

Respiratory Care Africa (RCA) – August 2014

Respiratory Care Africa established in 1998, historically only focusing on the areas of Critical Care, Neonatology and pulmonary function testing. Over the last 15 years RCA have also established themselves as market leaders in the areas of pendant systems and theatre lights and have experienced significant growth in the areas of anaesthetics, patient monitoring, imaging, theatre tables and hospital beds. Today, RCA is capable of offering complete solutions for the Operating Theatre, all ICUs, Trauma Units, Maternity, General Wards and Radiology. RCA is supplied by leading companies around the world, most of which are publicly listed entities. The RCA business is structured into operating divisions staffed and managed by dedicated independent teams, thus offering focus and expertise in order to ensure high levels of professional service. A team of qualified and experienced application specialists supports every division to ensure our clients are secure in their knowledge of the products. In addition to the product divisions, RCA has a technical department servicing all RCA supplied equipment as well as a clinical support department responsible for training and clinical support. During its history RCA has received in excess of 20 excellence awards, the most significant of which is the Critical Care Society of Southern Africa Floating trophy, won twice in five years.

Due to the size and nature of this business, it will be added to the Pharma-Med Division, where it will be complemented by our other successful Medical Devices companies.

The revenue included in the statement of comprehensive income since August 2014 contributed by RCA was R143 085 677. RCA also contributed profit after tax of R9 067 218 over the same period.

Transactions with non-controlling interests

During the period Ascendis purchased the remaining minority interest of 16% in Swissgarde Proprietary Limited for an amount of R12.5 million, increasing Ascendis's stake in Swissgarde to a 100% holding. Swissgarde is a leading international network marketing company, specialising in a range of more than 150 health and beauty products, with over 50 000 distributors through out its African footprint which includes Southern Africa and Nigeria. The company contributes to both the economy and aspiring distributors, by equipping distributors for success by providing free training in network marketing, the business opportunity and products. Swissgarde provides superior service and day to day support to distributors and depot owners from its Gauteng-based head office.

Swissgarde forms part of the CAMS segment where it complements the business of other direct marketing offerings within the group.

R'000	Unaudited Six months ended Dec 2014	Unaudited Six months ended Dec 2013	Audited Year ended Jun 2014
Carrying amount of non-controlling interests acquired	(7 341)	400	400
Consideration paid for non-controlling interest	12 500	61 492	61 492
Excess of consideration paid recognised in parent's equity	5 159	61 892	61 892

5. Contingent liabilities

There are no additional contingent liabilities since the reporting period ended on 30 June 2014.

6. Dividends

7.1 Final dividend paid

Dividends paid by Ascendis Health Limited for the six months ending 31 December 2014 amounted to R40 759 422 (15 cents per share). Total shares in issue on date of dividend declaration amounted to 271 729 482 shares.

7.2 Interim dividend declaration

The board of directors has approved an interim gross ordinary dividend of 8 cents per share (2014: nil). The source of the dividend will be from distributable reserves and paid in cash.

Additional information

Dividends Tax ("DT") at the rate of 15% amounting to 1.2 cents per ordinary share will be withheld in terms of the Income Tax Act. Ordinary shareholders who are not exempt from DT will therefore receive a dividend of 6.8 cents per share net of DT.

The company has 271 729 482 ordinary shares in issue. Its income tax reference number is 9810/017/15/3.

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

Last day to trade "cum" the dividend – Friday, 8 May 2015

Shares trade "ex" the dividend – Monday, 11 May 2015

Record date – Friday, 15 May 2015

Payment to shareholders – Monday, 18 May 2015

Share certificates may not be dematerialised or rematerialised between Monday, 11 May 2015 and Friday, 15 May 2015, both days inclusive.

The directors of the company have determined that dividend cheques 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 Friday, 8 May 2015 being the last day the shares trade "cum" the dividend. Unpaid dividend cheques 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

11 March 2015

7. Events after the reporting period

After period end, the Competition Commission approved the acquisition of the majority of The Scientific Group Proprietary Limited (TSG).

"Ascendis will acquire 100% of the issued ordinary share capital of Lexshell 834 Investments Proprietary Limited – the holder of 100% of the issued ordinary share capital of TSG."

The net effect of the transaction will be the acquisition by Ascendis of 100% of the diagnostics business of TSG.

The medical devices businesses within the Pharma-Med Division of Ascendis have been important drivers of growth for Ascendis, via the established platform of Surgical Innovations and the recently acquired Respiratory Care Africa businesses ("Ascendis Medical"). Collectively, these businesses have positioned Ascendis Medical as a leading provider of turnkey solutions to private and public hospitals and clinics, as well as medical professionals in the southern African primary health care markets. Accordingly, Ascendis now seeks to further consolidate its position as a market leading supplier through implementing the TSG acquisition.

8. Audit

These results and any references to future financial performance included in this announcement have not been audited or reviewed by the external auditors.

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NOTES



CORPORATE INFORMATION

Ascendis Health Limited

Registration number	2008/005856/06
JSE share code	ASC
ISIN	ZAE000185005
Registered office	22 Sloane Street, Bryanston, Gauteng, 2191 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 (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 PO Box 61051, Marshalltown, 2107
Company secretary	Andy Sims CA (SA)
Directors	J Bester (Chairman)* Dr KUHH Wellner (CEO) OP Cunningham* CD Dillon# B Harie* GJ Shayne* RJ Taylor (CFO)

* Independent non-executive # Non-executive

www.ascendis.co.za





From left to right: Richard Crouse (Chief Operating Officer), Karsten Wellner (Chief Executive Officer), Robbie Taylor (Chief Financial Officer)

