

ASCENDIS HEALTH LIMITED  
(Incorporated in the Republic of South Africa)  
(Registration number 2008/005856/06)  
ISIN: ZAE000185005 JSE share code: ASC  
("Ascendis" or "the Company")

## **ACQUISITION OF AKACIA HEALTHCARE HOLDINGS PROPRIETARY LIMITED**

### **1. Introduction**

Shareholders are advised that the Company has entered into an agreement on Wednesday, 18 November 2015, ("Signature Date") ("the Agreement") in terms of which Ascendis will acquire 100% of the issued ordinary share capital of Akacia Healthcare Holdings Proprietary Limited ("Akacia"), constituting its pharmaceutical business only ("Akacia Pharma") (the "Acquisition").

The Agreement has been entered into with numerous disposing shareholders, of which the material shareholders holding in excess of 5% include Old Mutual Life Assurance Company (South Africa) Limited, Investian Investments Proprietary Limited, Oasis Capital (Mauritius) Limited, CIH Investment Holding Proprietary Limited, the trustees of Carecross Health Employee Share Incentive Trust and First Care Management Services Proprietary Limited (collectively the "Disposing Shareholders"), with effect from the date of fulfilment or waiver of the last of the conditions precedent as set out in paragraph 4 below ("the Effective Date").

### **2. Rationale for the Acquisition**

Akacia Pharma is a leading South African manufacturer, marketer and distributor of pharmaceutical products specialising in branded, generic, over the counter ("OTC") and complementary medicines. The company enjoys competitive positioning within many market segments in South Africa, including, inter alia, market leading probiotic brand Reuterina, as well as the Sinucon and Sinuend brands which are ranked in the top three in the cold and flu market.

Akacia Pharma not only manufactures its own established brands but also manufactures pharmaceutical products for well-known third parties under contract licensing arrangements. The company's diverse capabilities (including both manufacturing and commercial) are well-respected in the South African market and will therefore further enhance Ascendis' pharmaceutical division and bolster its presence as a significant player in the domestic pharmaceutical market. Ascendis' pharmaceutical division, which currently enjoys a strong presence in the dispensing doctor and tender markets, is now expected to benefit from entry into new channels including retail pharmacy, hospital and prescribing doctors as a result of the Acquisition.

The Akacia Pharma manufacturing facility, valued in excess of R100 million, is a Good Manufacturing Practices ("GMP") certified and Medicine Control Council ("MCC") licensed manufacturing facility ("Manufacturing Facility"). The acquisition of this Manufacturing Facility forms part of Ascendis' vertical integration strategy, which

includes consolidating the manufacture of group products to the extent possible within the group, allowing Ascendis to unlock vertical integration benefits, which in turn optimises synergies and improves margins. This Manufacturing Facility is currently not operating at its expected potential and thus provides Ascendis with the ability to increase its local manufacturing capability of existing products within its pharmaceutical and complementary medicine ranges. This will reduce Ascendis' foreign exchange exposure and is in alignment with Government's focus on driving local manufacturing.

Ascendis intends to integrate Akacia Pharma's products into its existing pharmaceutical division. By leveraging off existing platforms and resources, Ascendis intends to further develop the Akacia Pharma business via the introduction of Ascendis' strong pipeline of existing products currently under registration. It is anticipated that this portfolio of products will drive further export growth opportunities into Africa.

The Akacia Pharma Acquisition and the existing generics portfolio of Pharmachem, together with the recent acquisition of Farmalider in Spain presents Ascendis with a strong platform to grow and expand its pharmaceutical business both domestically and internationally.

### **3. Terms of the Acquisition**

3.1 The total purchase consideration for the Acquisition (incorporating the R100 million Manufacturing Facility) of R345,239,375 ("Purchase Consideration") is payable as follows:

3.1.1 Payable on the last business day of the calendar month in which the Effective Date falls ("Closing Date"):

3.1.1.1 R230,000,000 payable in cash;

3.1.1.2 R111,509,775 to be settled by way of so many Ascendis ordinary shares ("Ascendis Shares") which when multiplied by the 30 day volume weighted average price ("VWAP") for the period ending at the end of the month preceding the month when all conditions (other than JSE approval for the listing of the shares) are fulfilled or waived, will be equivalent to R111,509,775; and

3.1.2 Payable on the first anniversary of the Closing Date:

3.1.2.1 A maximum of R3,729,600 payable in cash subject to the achievement of agreed performance targets.

### **4. Outstanding conditions precedent**

The Acquisition is subject to, inter alia, the following outstanding conditions precedent which are required to be fulfilled and/or waived:

- 4.1 Approval for the Acquisition by the relevant Competition Authorities by no later than 80 business days after Signature Date;
- 4.2 Obtaining an exemption from the Takeover Regulations Panel by no later than 80 business days after Signature Date;
- 4.3 Consent of all counter-parties to the material contracts identified during the due diligence investigation by no later than 80 business days after Signature Date;
- 4.4 Obtaining the relevant approvals from the Financial Surveillance Department of the South African Reserve Bank by no later than 80 business days after Signature Date; and
- 4.5 The unconditional disposal by Akacia of its medical consumable business to MSQ Health Proprietary Limited by no later than 80 business days after Signature Date.

## **5. Financial effects of the Acquisition**

Akacia Pharma had a net asset value of R215,220,791 as at 31 July 2015 and is expected to contribute R38,091,000 by way of sustainable annual earnings before interest and tax (adjusted for non-recurring items and cost efficiencies) ("EBIT") to Ascendis based on the unaudited 12 month management accounts for the period ended 31 July 2015.

## **6. Categorisation of the acquisition**

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

19 November 2015  
Johannesburg

Arranger and Financial Advisor  
Coast2Coast Investments Proprietary Limited

Sponsor  
Investec Bank Limited