Ascendis Health Limited
(Incorporated in the Republic of South Africa)
Registration number 2008/005856/06
JSE share code ASC
ISIN ZAE000185005
("Ascendis" or "the group")

Commentary
ASCENDIS HEALTH - ANNUAL RESULTS 2016
SENS COMMENTARY
- Revenue increased 39% to R3.9 billion
- Normalised EBITDA up 41% to R613 million
- Results impacted by transaction costs for offshore acquisitions
- Headline earnings per share 30% lower at 56 cents per share
- Normalised HEPS up 30% to 121 cents per share
- Total dividend up 13% to 21.5 cents per share
- Integration of Farmalider, first international acquisition
- Announced EUR430 million acquisition of Remedica and Scitec*

* Earnings accretive from August 2016

Group profile and strategy
Ascendis Health is an integrated health and care company selling a portfolio of market-leading brands for people, plants and animals. These brands are housed in the following health areas:

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

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

Ascendis is increasingly focused on international growth from its base in South Africa and completed its first offshore acquisition in July 2015 with the purchase of an initial 49% stake in Spanish pharma business Farmalider. Shortly after the reporting period Ascendis finalised the acquisitions of Remedica Holdings, a pharmaceutical manufacturer in Cyprus, and Scitec International, a leading European sports nutrition business, for EUR 430 million.

Financial performance
Group revenue increased by 39% to R3.9 billion (2015: R2.8 billion), driven by organic growth of 9% and supported by growth of 30% from acquisitions concluded over the past year. The acquisitive growth of R626 million includes revenue from Farmalider in Spain (consolidated for eleven months) and Akacia Healthcare (consolidated for three months) as well as smaller bolt-on acquisitions across all segments.

Foreign revenue increased by 233% to R864 million, accounting for 22% of the group's total sales. This includes export sales from local operations of R376 million which were predominantly to other African countries and Europe.

With regards to the segmental performance, Pharma-Med increased revenue by 31% to R1 808 million (46% of total revenue). Consumer Brands revenue declined by 3% to R922 million (24% of group revenue) owing to the impact of CAMS regulations on Solal, the restructuring of the sports nutrition business and poor consumer environment in Nigeria which affected the direct selling business.

Phyto-Vet increased revenue by 13% to R701 million (18% of revenue) despite the impact of the drought in Southern Africa which limited sales of pesticides, insecticides and fertilisers by approximately R75 million. This impact was negated by two bolt-on acquisitions in the second half of the year. The International segment generated sales of R487 million (12% of revenue).

The group's gross margin at 39.9% (2015: 43.6%) was negatively impacted by a change in product mix due to acquisitions as well as higher tenders won at a lower margin. However, the impact of this on the bottom line was successfully mitigated through efficient cost control, growth in exports and above-inflation price increasees.

Commentary
Earnings before interest, tax, depreciation and amortisation (EBITDA) grew by 41% to R613 million before transaction costs, with a normalised EBITDA margin of 15.6% (2015: 15.4%).

The group's profitability and earnings for the 12 months were impacted by transaction costs of R143 million relating to the acquisitions of Remedica and Scitec. The earnings from these acquisitions will only be included from August 2016, resulting in a misalignment of the costs and earnings relating to these acquisitions which has had a negative impact on reported earnings for the current reporting period.

Operating profit excluding the transaction costs increased by 41% to R529 million (2015: R375 million). Reported operating profit increased by 4% to R377 million (2015: R362 million). Profit attributable to shareholders after the transaction costs declined by 10% to R190 million, including R31 million attributable to minority shareholders of Farmalider.

Headline earnings for the year (after the transaction costs) declined by 26% to R154 million (2015: R209 million), with headline earnings per share (HEPS) 30% lower at 56 cents. The total number of shares in issue increased by 10% from the previous year end.

Headline earnings on a normalised basis, excluding acquisition and restructuring costs and amortisation, increased by 37% to R336 million (2015: R245 million).

Normalised HEPS increased by 30% to 121 cents (2015: 93 cents).

The directors have declared a final dividend of 12 cents per share in addition to the interim dividend of 9.5 cents per share.

Acquisitions
Ascendis purchased 49% of Spanish pharmaceutical group Farmalider for R210 million, effective from 1 August 2015. The group has the right to acquire the remainder of the business over the next five years.

Farmalider develops, licenses and manufactures mainly generic pharmaceutical products, with a market leading position in the ibuprofen and paracetamol markets in Spain and a growing presence in other European markets. Farmalider performed well ahead of expectations and contributed revenue of R439 million and Ascendis' 49% shareholding contributed profit after tax of R54.7 million to the International segment.

Pharmaceutical business Akacia Healthcare, which was acquired for R245 million, in addition to the R100 million for the manufacturing facility, with effect from 1 April 2016, is performing in line with expectations. Akacia produces and sells the market leading Reuterina probiotic range andcold and flu brands Sinucon and Sinuend. The integration of Akacia will benefit Ascendis Pharma through access to new distribution channels and the vertical integration of manufacturing and administration.

Bolt-on acquisitions were concluded and integrated into the three operating segments in South Africa. These include the export-orientated kelp processing business of Afrikelp Holdings, the Klub M5 agri business, the Sandoz registered dossiers and the nutraceuticals business of OTC Pharma.

Acquisitions post year end
In May 2016 the group announced the proposed acquisitions of Remedica and Scitec. These transactions were finalised post year end and will be accretive from August 2016.

The acquisitions are transformative for Ascendis and will create sizeable European platforms which will support international growth and expansion. The geographic diversification provided by these two acquisitions provides a natural Rand hedge as approximately half of Ascendis' sales will in future be generated in hard currencies (US$ and Euro).

Remedica was acquired for EUR170 million in addition to a deferred payment of EUR90 million over three years and a further earn-out linked to performance hurdles. The business develops, produces and sells over 300 generic pharmaceutical products primarily in emerging markets and has five manufacturing facilities in Cyprus, 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 earned profit after tax of EUR16.5 million for the year ended December 2015 (before any add-backs).

Scitec is one of the top three leading sports nutrition brands across Europe and is well established in key global markets. The business was acquired for EUR170 million, with a payment of EUR20 million deferred for one year. Scitec owns a modern manufacturing plant where the company produces close to 300 products for functional fitness, strength training and well-being. The acquisition provides a platform for international expansion in the sports nutrition and wellness sectors, while accelerating offshore opportunities for Ascendis sports nutrition brands Evox, Supashape and SSN. Scitec generated profit after tax of EUR10.6 million for the year ended December 2015 (before any add-backs).

The acquisitions have been funded through a combination of new debt facilities of EUR180 million (at an interest rate of 4% pa), a rights offer of R1.2 billion which was three times oversubscribed and vendor placements totaling R1.5 billion.

Outlook
The integration of Remedica and Scitec present significant synergy opportunities in shared services, cross-licensing of pharmaceutical dossiers, product manufacturing and new routes to market in Europe and in developing markets.

International acquisitive growth will focus on platform companies for the wellness, medical devices and phyto-vet businesses in Eastern Europe and emerging markets, while seeking bolt-on acquisitions for Remedica and Scitec. In South Africa the group has a strong acquisition pipeline and will seek brands with existing exports or potential to grow exports.

Management will focus on efficiencies and cost control to improve margins in the manufacture of pharma products. New product development and innovation remain key to maintaining Ascendis' competitive advantage in the health and care markets.

Dr Karsten Wellner
Chief Executive Officer

Kieron Futter
Chief Financial Officer

Johannesburg
14 September 2016

AUDITED SUMMARISED GROUP STATEMENT OF
FINANCIAL POSITION

	30 June 2016 R'000	30 June 2015 Restated R'000
ASSETS		
Non-current assets		
Property, plant and equipment	365 464	152 664
Intangible assets and goodwill	3 008 180	2 059 759
Investments accounted for using the equity method	386	-
Other financial assets	73 287	17 949
Deferred income tax assets	10 651	22 950
Derivative financial instruments	-	4 335

	3 457 968	2 257 657
Current assets		
Inventories	939 823	582 095
Trade and other receivables	1 065 454	571 450
Other financial assets	22 281	99 341
Current tax receivable	30 561	3 395
Derivative financial instruments	6 727	15 706
Cash and cash equivalents	198 905	125 428
	2 263 751	1 397 415
Total assets	5 721 719	3 655 072
Stated capital	2 138 684	1 576 730
Retained earnings	369 949	299 416
Other reserves	(259 892)	(51 909)
Equity attributable to equity holders of the parent	2 275 741	1 824 237
Non-controlling interest	179 302	–
	2 455 043	1 824 237
Liabilities		
Non-current liabilities		
Borrowings and other financial liabilities	1 052 266	798 258
Deferred income tax liabilities	224 358	134 938
Deferred vendor liabilities	207 184	36 758
Derivative financial instruments	45 801	4 890
Finance lease liability	3 932	–
	1 533 541	974 844
Non-current liabilities		
Trade and other payables	853 528	470 914
Derivative financial instruments	–	15 039
Borrowings and other financial liabilities	376 631	64 776
Current tax payable	38 031	–
Deferred vendor liabilities	222 707	281 048
Provision	17 493	–
Finance lease liabilities	3 444	–
Bank overdraft	221 301	24 214
	1 733 135	855 991
Total liabilities	3 266 676	1 830 835
Total equity and liabilities	5 721 719	3 655 072

Audited summarised statement of profit and loss and other comprehensive income

	30 June 2016 R'000	30 June 2015 R'000
Revenue	3 918 432	2 816 717
Cost of sales	(2 356 149)	(1 588 194)
Gross profit	1 562 283	1 228 523
Other income	85 872	27 476
Selling and distribution costs	(326 659)	(291 516)
Administrative expenses	(709 653)	(502 289)
Other operating expenses	(235 313)	(100 020)
Operating profit	376 530	362 174
Finance income	32 968	24 234
Finance expense	(163 477)	(93 300)
Gains/(losses) from equity accounted investments	5 625	(546)
Profit before taxation	251 646	292 562
Taxation	(61 565)	(82 576)
Profit for the year	190 081	209 987
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Foreign currency translation reserve	(54 125)	–
Effects of cash flow hedges	(37 009)	(949)
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 income for the year net of taxation	(77 411)	(949)
Total comprehensive income for the year	112 670	209 038
Profit attributable to:		
Owners of the parent:	158 733	209 835
Non-controlling interest	31 348	152
	190 081	209 987
Total comprehensive income attributable to:		
Owners of the parent	59 403	208 886
Non-controlling interest	43 267	152
	112 670	209 038
Earnings (Restated)		
Basic and diluted earnings per share (cents)	57.13	79.61

Audited summarised Group statement of changes in equity

	Stated capital R'000	Foreign currency translation reserve R'000	Hedging reserve R'000	Revaluation reserve R'000	Non-controlling interest put option R'000	Other reserves R'000	Retained earnings R'000	Total attributable to owners R'000	Non-controlling interest R'000	Total equity R'000
Group										
Balance at 1 July 2014	1 108 036	188	–	976	–	(57 283)	152 068	1 203 985	6 805	1 210 790
Profit for the year	–	–	–	–	–	–	209 835	209 835	152	209 987
Other comprehensive income	–	–	(949)	–	–	–	–	(949)	–	(949)
Total comprehensive income	–	–	–	–	–	–	209 835	208 887	152	209 038
Issue of shares	480 524	–	–	–	–	–	–	480 524	–	480 524
Purchased of own/ treasury shares	(10 771)	–	–	–	–	–	–	(10 771)	–	(10 771)
Raising fees capitalised	(1 059)	–	–	–	–	–	–	(1 059)	–	(1 059)
Dividends	–	–	–	–	–	–	(62 487)	(62 487)	–	(62 487)
Changes in ownership interest	–	–	–	–	–	5 159	–	5 159	(6 957)	(1 798)
Transactions with owners recognised directly in equity	468 694	–	–	–	–	5 159	(62 487)	411 366	(6 957)	404 409
Balance at 1 July 2015	1 576 730	188	(949)	976	–	52 124	299 417	1 824 238	–	1 824 238
Profit for the year	–	–	–	–	–	–	158 733	158 733	31 348	190 081
Other comprehensive income	–	(54 125)	(37 009)	13 723	–	–	–	(77 411)	11 919	(65 492)
Total comprehensive income for the year	–	(54 125)	(37 009)	13 723	–	–	158 733	81 322	43 267	124 589
Issue of shares	557 890	–	–	–	–	–	–	557 890	–	557 890
Purchase of own/treasury shares	4 722	–	–	–	–	–	–	4 722	–	4 722
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	101 145	101 145
Raising fees capitalised	(658)	–	–	–	–	–	–	(658)	–	(658)
Dividends	–	–	–	–	–	–	(57 066)	(57 066)	–	(57 066)
Foreign translation of equity	–	(37 845)	–	–	(17 927)	17 167	–	(38 605)	38 605	–
Non-controlling interest option	–	–	–	–	(99 817)	–	–	(99 817)	–	(99 817)
Reallocation of reserves	–	–	–	–	–	7 850	(4 135)	(3 715)	(3 715)	–
Transactions with owners recognised directly in equity	561 954	(37 845)	–	–	(117 744)	25 017	(61 201)	370 181	136 035	506 216
Balance at 30 June 2016	2 138 684	(91 782)	(37 958)	14 699	(117 744)	(27 107)	396 949	2 275 742	179 302	2 455 043

Audited summarised Group statement of cash flows

	30 June 2016 R'000	30 June 2015 Restated R'000
Cash flows from operating activities		
Cash flows from operating activities	(280 537)	285 805
Interest income	32 968	24 234
Finance costs	(163 477)	(93 300)
Income taxes paid	(95 167)	(122 988)
Net cash from operating activities	(506 213)	93 751
Cash flows from investing activities		
Purchase of property, plant and equipment	(95 881)	(45 918)
Proceeds from sale of property, plant and equipment	36 707	16 646
Purchase of other intangible assets	(83 003)	(43 156)

Proceeds on the sale of intangible assets	333	–
Payment for the acquisition of subsidiaries - net of cash	(440 160)	(453 099)
Payment for acquisition of a joint venture	–	5 768
Repayments on deferred vendor liabilities	(10 825)	(13 511)
Repayment of loans advanced to related parties	41 724	54 000
Loans advanced to related parties	–	(14 748)
Advance made to acquire other financial assets	(27 552)	(9 009)
Net cash flows from investing activities: discontinued operations and non-current assets held for sale	–	5 616
Net cash from investing activities	(578 657)	(497 411)
Cash flows from financing activities		
Proceeds from issue of shares	557 232	479 465
Proceed on the sale of treasury shares	6 049	(10 771)
Proceeds from borrowings raised	926 813	850 000
Repayment of borrowings	(475 062)	(691 315)
Loans received from related parties	–	119
Loans advanced to related parties	–	(41 670)
Repayment of loans from related parties	(116)	–
Proceeds from shareholder loans	–	–
Finance lease payments	(490)	–
Dividends paid	(57 066)	(62 487)
Payment for the sale of shares in subsidiary to non-controlling interest where control is not lost	–	(12 500)
Net cash from financing activities	957 360	510 841
Net increase/(decrease) in cash and cash equivalents	(127 510)	107 180
Cash and cash equivalents at beginning of period	101 215	(5 965)
Effect of exchange difference on cash balances	3 899	–
Total cash at end of the year	(22 396)	101 215

Audited summarised Group segmental analysis

Revenue	30 June 2016 R'000	30 June 2015 R'000
Revenue split by segment		
Consumer Brands	921 836	949 127
Phyto-Vet	700 895	619 568
Pharma-Med	1 808 204	1 248 022
International	487 497	–
Total revenue	3 918 432	2 816 717
Geographical revenue split		
South Africa	3 054 531	2 557 665
Foreign	863 901	259 052
Total revenue	3 918 432	2 816 717

The Group has an expanding international presence and currently exports products to 52 countries, mainly in Africa and Europe. The foreign revenue per the geographical split includes all revenue generated from a different geographic location, through export as well as foreign operations. During 2016, 14% of the foreign revenue was generated from the Spanish market. 34% of the Group's revenue is generated through the wholesale and retail market in South Africa (2015: 24%). In this market, 6% (2015:9%) of the total Group revenue is derived from a single customer.

EBITDA	30 June 2016 R'000	30 June 2015 R'000
Consumer Brands	206 753	164 262
Phyto-Vet	96 184	81 574
Pharma-Med	278 963	232 834
International	90 636	–
Total EBITDA	672 536	478 670
Head office adjusted expenses	(59 334)	(56 228)
Non-controlling interest proportionate share	(46 225)	–
Total EBITDA attributable to the parents	566 977	422 442
Reconciliation of EBITDA to consolidated results		
Consolidated operating profit	376 530	362 174
Total consolidated amortisation and depreciation	83 761	60 268
Restructuring and business combination cost	152 911	–
Non-controlling interest proportionate share	(46 225)	–
Total EBITDA attributable to the parents	566 977	422 442

Segmental assets	30 June 2016 R'000	30 June 2015 R'000
Consumer Brands	1 233 112	1 231 058
Phyto-Vet	900 856	525 689
Pharma-Med	2 223 203	1 753 288
International	704 628	–
Head office	659 920	145 037
Consolidated asset value	5 521 719	3 655 072
Segmental liabilities		
Consumer Brands	(85 861)	(535 684)

Phyto-Vet	(254 052)	(295 683)
Pharma-Med	(397 841)	(980 305)
International	(305 338)	-
Head-Office	(2 223 584)	(19 161)
Consolidated liability value	(3 266 676)	(1 830 833)

Audited summarised annual financial
statement

Earnings per share and headline earnings per share

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 raised R1.2 billion on 12 August 2016, through a rights offer to all current shareholders, to part settle the purchase consideration of the international acquisitions referred to in Subsequent events (note 7). In terms of the terms of the agreement, the subscription price for the shares was R22.00. The basic and diluted earnings per share figures for the current financial period, as well as the 2015 comparative period is represented in terms of IAS 33 on the basis of the new shares issued at no consideration. The total number of shares issued for no consideration is 3 million shares.

The Group has determined no instruments exist at year-end that will give rise to the issue of ordinary shares that results in a dilutive effect. Based on this assessment, basic earnings per share also represents diluted earnings per share.

	30 June 2016	30 June 2015
(a) Basic earnings per share	R'000	R'000
Profit attributable to owners of the parent	158 733	209 835
Weighted average number of ordinary shares in issue	277 861 370	263 581 520
Earnings per share (cents)	57.13	79.61

	30 June 2016	30 June 2015
(b) Headline earnings per share	R'000	R'000
Profit attributable to equity holders of the parent	158 733	209 835
Loss/(profit) on the sale of the property, plant and equipment	(943)	(1 082)
Loss/(profit) on investment disposal	(7 535)	-
Non-controlling interest portion of the above mentioned loss/ (profit)	3 055	-
Tax effect	1 062	303
Headline earnings	154 372	209 056
Weighted average number of ordinary shares in issue	277 861 370	263 581 520
Headline earnings per share (cents)	55.56	79.31

(c) Normalised headline earnings per share

Since Ascendis Health is a pharmaceutical company and not an investment entity, normalised headline earnings is calculated by excluding amortisation and certain costs from the Group's earnings.

Cost excluded from normalised earnings 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.

	30 June 2016 R'000	30 June 2015 R'000
Reconciliation of normalised headline earnings		
Headline earnings	154 372	209 056
Foreign business combination cost	143 005	-
Restructuring cost	22 605	-
Business combination cost	(12 699)	12 474
Tax effect	(6 329)	(3 493)
Amortisation	48 194	37 127
Tax effect	(12 796)	(10 395)
Normalised headline earnings	336 352	244 769
Weighted average number of shares in issue	277 861 370	263 581 520
Normalised headline earnings per share (cents)	120.05	92.86

NOTES TO THE AUDITED CONDENSED SUMMARISED
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

1. Corporate information

   Ascendis Health Limited is a health and care brands company. The Group operates through four segments: Consumer Brands, Pharma-Med, Phyto-Vet and International. Its Consumer Brands segment 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 segment consists of the sale of prescription and selected OTC pharmaceuticals, and includes medical devices. The Phyto-Vet segment supplies health and care products to the plant and animal markets. The Phyto-Vet segment manufactures and supplies over 3 500 different products supplied to over 4 500 retail stores. The International segment is the sale of health and personal care products, prescription and selected OTC pharmaceuticals and medical devices operating in the European market.

These annual financial results for the year ended 30 June 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 annual consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for annual reports, and the requirements of the Companies Act of 2008 applicable to annual financial statements. The Listings Requirements require annual 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 to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the annual consolidated financial statements are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

The summary consolidated financial statements for the year ended 30 June 2016 have been prepared under the supervision of interim Chief Financial Officer Kieron Futter CA(SA) and audited by PricewaterhouseCoopersInc. The auditor expressed an unmodified opinion on the annual financial statements from which these summary consolidated financial statements were derived. A cope of the auditors report on the summary consolidated financial statements and other the auditors report on the annual consolidated financial statement are available for inspection at the Company's registered office.

The auditors report does not necessarily report on all information contained in this announcement. Any reference to pro forma or future financial information included in this announcement has not been review or reported on by the auditors. Shareholders are advised that in order to obtain a full understanding of the nature of the auditors' engagement they should obtain a copy of that report together with the accompanying financial information from the Companies registered office.

The annual 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 annual 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

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.

4. Business combinations
Subsidiaries

During the period Ascendis Health Limited acquired the following businesses:

- Sandoz Dossiers (1) – acquisition of assets and liabilities
- Farmalider Group in Spain – 49% (Ascendis obtained effective control)
- Bioswiss (Pty) Ltd (1) – 100%
- OTC Pharma (1) – acquisition of assets and liabilities
- Akacia Group – 100%
- Klub M5 (Pty) Ltd – 100%
- Afrikelp Group – 100%

(1)Included as part of "other" below.

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

	Farmalider	Afrikelp	Akacia	Klub M5	Other	2016 R'000 Total	2015 R'000 Total
Cash	102 279	75 000	240 000	65 000	54 756	537 035	471 176
Transfers from joint ventures to subsidiaries	–	–	–	–	–	–	41 820
Equity instruments	–	91 463	117 706	–	4 347	213 516	25 719
Vendor loans	111 995	32 063	–	40 399	10 560	195 017	278 385

	214 274	198 526	357 706	105 399	69 663	945 568	817 100

Recognised amounts of identifiable assets acquired and liabilities assumed

	Farmalider	Afrikelp	Akacia	Klub M5	Other	2016 R'000 Total	2015 R'000 Total
Cash and cash equivalents	66 110	11 388	(9 404)	20 497	8 284	96 875	18 077
Property, plant and equipment	32 802	8 756	102 895	2 115	120	146 688	55 610
Existing intangible assets within acquiree	293 884	53 491	98 359	61 799	29 327	536 860	141 875
Other financial assets	1 129	5 543	27 465	3 473	90	37 700	26 831
Inventories	61 769	7 473	31 195	25 853	10 055	136 345	84 270
Trade and other receivables	125 182	19 858	52 051	6 014	3 638	206 743	150 540
Provisions	(29 246)	-	-	-	(150)	(29 396)	(13 894)
Trade and other payables	(159 855)	(10 205)	(69 999)	(7 825)	(2 142)	(250 026)	(94 190)
Borrowings	(72 336)	(3 945)	(2 306)	(1 294)	(5 730)	(85 611)	(42 690)
Current tax payable/receivable	-	6	611	(1 282)	(5)	(670)	(8 678)
Provision for doubtful debt	(42 277)	-	-	-	-	(42 277)	-
Deferred tax assets/(liabilities)	(73 471)	(18 007)	(11 606)	(17 304)	(8 098)	(128 468)	3 773
Total identifiable net assets	203 691	74 358	219 261	92 046	35 389	624 745	321 524
Non-controlling interest	(103 880)	2 735	-	-	-	(101 145)	-
Resultant goodwill	114 463	121 433	138 445	13 353	34 274	421 968	495 576
Total cash paid for acquisitions	(102 279)	(75 000)	(240 000)	(65 000)	(54 756)	(537 035)	(471 176)
Cash available in acquired company	66 110	11 388	(9 404)	20 497	8 284	96 875	18 077
Cash flow relating to business combinations	(36 169)	(63 612)	(249 404)	(44 503)	(46 472)	(440 160)	(453 099)

Ascendis International platform acquisition - purchase 49% of Farmalider Group in Spain and obtaining effective control

Ascendis aims to complement its organic, acquisitive and synergistic growth in the domestic healthcare market through a strategy of international expansion, targeting to achieve 30% of revenue in offshore markets in the medium-term in order to grow and diversify across different markets and increase foreign denominated earnings. This transaction results in Ascendis acquiring Farmaliders' current portfolio of c.200 pharmaceutical dossiers, its GMP accredited production facility in Madrid, as well as its pipeline of products, all of which are highly complementary to the Ascendis pharma segment's current portfolio and its internationalisation strategy. Synergies relating to the cross-border sharing of products and pharmaceutical dossiers are expected to be realised throughout the value chain, particularly by opening up new distribution channels, new markets and a new customer base as result of Farmaliders' very successful licensing-out model.

This acquisition provides Ascendis with an entry into the attractive EUR23 billion Spanish pharmaceutical market and lays the foundation to expand the Company's reach into one of Europe's five largest pharmaceutical markets.

The purchase consideration is R214 million (R102 million on 31 July 2015; 111,9 million payable on 1 December 2017). In addition to the acquisition of the 49% interest, Ascendis also has to option by means of a put-call option to acquire the remaining 51% interest for a further R99,8 million payable exercisable in 2018 (R50 million) and 2021 (R49,8 million) respectively (refer to statement of changes in equity).

The acquisition of a 49% interest in Farmalider in the current reporting period. The ultimate aim of the transactions is for the value of the Company to grow sustainably over the mid-term and for Ascendis to acquire 100% of the Company via the put option. The control assessment in terms of IFRS 10 of Farmalider is considered to be a key judgement.

- Management has considered the requirements of IFRS 10, the terms of the contractual arrangement and the substance of the transaction and concluded Ascendis has sufficient substantive voting rights which provides Ascendis with the power to direct the relevant activities and receive variable returns from Farmalider. Ascendis controls Farmalider in terms of IFRS 10, and has accounted for it accordingly.

- In addition to the above, management of Ascendis was required to assess the risks and rewards relating to the remaining 51% interest to which the parties to the contract are exposed to. Management concluded both Ascendis and the non-controlling interest party share in the risks and the rewards associated with the day-to-day business operations in relation to their proportionate shareholding. Based on the above the risks and rewards have not transferred to Ascendis. Ascendis has recognised the non-controlling interest (51%). Refer to note 12 for further details on themeasurement of the put and call option.

Due to the size and nature of this business, it is seen as an offshore platform company to the Pharma Med segment, where it will be complemented by our other successful pharmaceutical companies.

The revenue included in the statement of comprehensive income since 1 August 2015 contributed by Farmalider was R439,1 million. Farmalider also contributed profit after tax of R54,7 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 R486,8 million and R61,8 million respectively. The normalised EBITDA is R71,4 million.

Pharma-Med
Bolt-on acquisition - Akacia Healthcare Holdings
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.

The Akacia Pharma manufacturing facility, valued in excess of R100 million, is a Good Manufacturing Practices certified and Medicine Control Council licensed 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.

The purchase consideration is R357,7 million (R240 million on 1 April 2016, R117,7 million paid in shares).

Due to the size and nature of this business, it is seen as a bolt-on to the Pharma Med segment, where it will be complemented by our other successful pharmaceutical companies.

The revenue included in the statement of comprehensive income since 1 April 2016 contributed by Akacia was R100,5 million. Akacia also contributed profit after tax of R12,2 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 R320,6 million and R27 million respectively. The normalised EBITDA is R52 million.

Phyto-Vet
Bolt on acquisition - Afrikelp Holdings
Afrikelp Holdings was established in 1971 and is one of two leading kelp processing companies in South Africa specialising in collecting, cultivating, sustainably harvesting and processing red and brown seaweeds (ecklonia maxima) for the production of natural growth stimulants in agriculture and horticulture. These stimulants improve quality and yield especially in organic and hydrocolloid production. Raw material is also supplied for animal feed (mostly abalone farming), animal health, alginate production and agar extraction.

Afrikelp is a bolt-on transaction that will add value and synergies to the existing Phyto-Vet segment as well as providing access to the US market. Ascendis acquired 100% of the Afrikelp Group, within this Group we acquired a pre-existing immaterial non-controlling interest.

The purchase consideration is R198,5 million (R75 million on 1 February 2016, R32 million deferred payment and R91,4 million payable in shares).

Due to the size and nature of this business, it is seen as a bolt-on to the Phyto-Vet segment, where it will be complemented by our other successful pharmaceutical companies.

The revenue included in the statement of comprehensive income since 1 February 2016 contributed by Afrikelp was R45,1 million. Afrikelp also contributed profit after tax of R13,1 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 R71,2 million and R16 million respectively. The normalised EBITDA is R20,1 million.

Bolt-on acquisition - Klub M5
Klub M5's has built exclusive relationships with selected Distributors for its range of high quality patented, speciality and generic products in nematicides, insecticides, herbicides and fungicides.

Klub M5 is a bolt-on transaction that will add value and synergies to the existing Phyto-Vet segment.

The purchase consideration is R105 million (R65 million on 1 April 2016, R40 million deferred payment. In addition, there is a R5 million loan from Klub M5 as a result of this acquisition).

Due to the size and nature of this business, it is seen as a bolt-on to the Phyto-Vet segment, where it will be complemented by our other successful pharmaceutical companies.

The revenue included in the statement of comprehensive income since 1 April 2016 contributed by Klub M5 was R8 million. Klub M5 also contributed profit after tax of R2,2 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 R85,4 million and R4,3 million respectively. The normalised EBITDA is R11,4 million.

Other acquisitions consists of the following:

The other acquisitions were bolt on acquisitions in the Pharma-Med and Consumer Brands segments. This included the acquisition of Sandoz Dossiers, Bioswiss and OTC Pharma.

The revenue included in the statement of comprehensive income since acquisition was R33,9 million. The other acquisitions also contributed profit after tax of R2,1 million over the same period.

IFRS 3 re-measurements:
At 30 June 2015, the Respiratory Care Africa purchase price allocation was provisional due to the complexity of the business. A warranty accrual was recognised at acquisition date and demo stock was reclassified from inventory to property, plant and equipment. The financial effect has been summarised below:

		2015	
	Previously Stated	Adjustment	Restated
Statement of financial position			

Property, plant and equipment	149 252	2 896	152 238
Goodwill	1 505 593	5 303	1 510 896
Trade and other payables	(463 011)	(7 365)	(470 376)
Deferred income tax asset	20 888	2 062	22 950
Inventory	585 081	(2 986)	582 095
Impact on retained earnings	-	-	-

5. Contingent liabilities
There are no additional contingent liabilities since the reporting period ended on 30 June 2016.

6. Final dividends
The board of directors has approved a final gross ordinary dividend of 12 cents per share. An interim gross dividend of 9.5 cents per share was declared with the release of the interim results for the period ended 31 December 2015. Therefore a total dividend 21.5 cents per share for full 2016 year (2015: 19 cents) has been declared. 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 1.80 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 10.2 cents per share net of DT.

The Company currently has 432 235 645 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 final dividend:

- Last day to trade "cum" the dividend - Tuesday, 29 November 2016
- Shares trade "ex" the dividend - Wednesday, 30 November 2016
- Record date - Friday, 2 December 2016
- Payment to shareholders - Monday, 5 December 2016

Share certificates may not be dematerialised or rematerialised between Wednesday, 30 November and Friday, 2 December 2016, 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 Tuesday, 29 November 2016 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

13 September 2016

7. Events after reporting period
Acquisition related activities

In a general meeting on 11 August 2016 the shareholders approved the special and ordinary resolutions for the purchase of Scitec and Remedica.

These acquisitions will create two new platforms for Ascendis, allowing it 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, with approximately half of Ascendis' sales being generated by foreign operations post implementation. The conclusion of these transactions ensures 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.

- Scitec International ("Scitec")

  The acquisition of 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, a European sports nutrition company. The purchase consideration of EUR170 million (R2,692.8 million at an illustrative ZAR: EUR exchange rate of 15.84:1) will be settled in cash as follows:

  - EUR150 million, adjusted for agreed working capital, debt and operating cash, paid on completion of the transaction.

- EUR20 million, deferred for one year.

- Remedica Holdings Limited ("Remedica")

Remedica 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 segment.

The Group has acquired the entire share capital of Remedica, a pharmaceutical company based in Cyprus. The purchase consideration of between EUR260 million and EUR335 million (R4,118.4 - R5,306.4 million at an illustrative ZAR:EUR exchange rate of 15.84:1) will be settled as follows:

- EUR170 million to be paid on completion which assumes a target working capital of EUR50 million and at least EUR5 million of surplus cash earmarked for future acquisitions.

- EUR90 million deferred for three years (present value of EUR80 million based on a pre-discount rate of 4%); 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 EUR75 million.

In terms of accounting for these two acquisitions, the initial accounting is incomplete and therefore no disclosure in terms of IFRS 3 has been provided. The effective date of the Scitec and Remedica acquisition is expected to be early August 2016.

As per the pro forma financial results, Remedica reported a profit after tax of EUR16.5 million and net assets of EUR87 million for the year ended 31 December 2015 in its unaudited management accounts. Scitec reported a profit after tax of EUR10.6 million and net assets of EUR73.6 million for the 12 months ended 31 December 2015 in its audited annual financial statements.

Rights Offer

The above acquisitions will be funded by way of Debt Facilities, Vendor Consideration Placement and a Rights Offer.

In respect of the Rights Offer, Ascendis announced on Thursday, 30 June 2016 that it intends to raise R1.2 billion equity capital by way of a Rights Offer to qualifying shareholders. 54,545,454 Rights Offer 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. The Rights Offer was three times oversubscribed. The Rights Offer closed on 5 August 2016.

Debt facilities

Post year end and for the purpose of financing the Scitec and Remedica, Ascendis implemented a new debt structure arranged and underwritten by ABSA bank Ltd and HSBC Bank Plc. The total facilities amounted to EURO204 million and R1,960 billion and included Acquisition finance, Working Capital finance in the form of a Revolving Credit Facility and facilities to refinance the existing ZAR facilities.

Ascendis now has 5 year funding in place with some undrawn facilities and a structure that allows growth going forward and the ability to run an integrated Treasury function.

Vendor consideration placement

Together with the rights offer, Ascendis raised a further R1,5 billion through a vendor consideration placement to part settle the purchase consideration of the Remedica and Scitec acquisitions.

The vendor consideration placement was significantly oversubscribed, with participants including various international and strategic investors. The shares issued in terms of the vendor consideration placement were issued at R22.00 per share and were issue to investors upon pay away of the Remedica and Scitec acquisitions on 25 August 2016.

Related party

No material related party transactions occurred since year-end until final release on SENS.

The directors are not aware of any other material events that occurred after the reporting date and up to the date of this report.

8.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, 70 Marshall Street, Johannesburg, 2001 PO Box 61051, Marshalltown, 2107
Company secretary	Andy Sims CA(SA)
Directors	J Bester (Chairman)(*) Dr K Wellner (CEO) OP Cunningham(*) CD Dillon(#) B Harie(*) GJ Shayne(#) K Futter (CFO) C Sampson (MD) (*)Independent non-executive (#)Non-executive

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