Ascendis HEALTH

Annual financial results 2018

Contents

Key features

Revenue up 21% to R7.7 billion

International revenue up 35%; now 48% of total revenue

Gross margin strengthened to 44.8%

Normalised headline earnings up 14% to R738 million

Normalised HEPS up 2% to 159.7 cents

Cash conversion rate improved from 70% to 92%

Balance sheet strengthened as R1.2 billion debt settled

Commentary

Financial performance

The Group is reporting normalised results from continuing operations which have been adjusted for once-off transaction-related and restructuring costs in the current and prior financial years.

Group revenue increased by 21% to R7.7 billion (2017: R6.4 billion) with comparable revenue growth of 5%.

International revenue increased by 35% to R3.7 billion and benefited from the acquisitions of Remedica (Cyprus) and Sun Wave Pharma (Romania). International revenue now accounts for 48% (2017: 43%) of the group's total sales. Revenue generated in South Africa grew by 10%.

The Group's gross margin strengthened by 330 basis points to 44.8%, mainly due to the acquisitions of higher margin businesses Sun Wave Pharma, Cipla Vet and Cipla Agrimed in June 2017. In March 2018 the Group acquired the animal health company Kyron Laboratories ("Kyron") which boosted revenue and contributed to the improvement in gross margin.

Normalised operating expenses grew by 38% which includes the costs from Sun Wave Pharma and Cipla acquired in June 2017, an increased investment in marketing and higher head office costs.

Normalised earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 18% to R1.3 billion. The EBITDA margin declined slightly to 17.3% due mainly to the increase in operating expenses and increased investment in the business.

Normalised operating profit rose by 18% to R1.2 billion. Normalised headline earnings increased by 14% to R738 million, with normalised headline earnings per share 2% higher at 159.7 cents. The weighted average number of shares in issue increased by 12% during the reporting period, mainly in relation to the rights issue and private placements in November and December 2017.

Cash generated from operations increased by 56% to R1.2 billion. The benefit of the group's focus on cash management is reflected in the strong improvement in the cash conversion rate to 92% from 70% last year, driven by a reduction in net working capital days.

Vendor debt of R1.2 billion was settled during the reporting period, which included an accelerated payment of €50 million to the sellers of Remedica. Gearing levels were unchanged on the previous year with the net debt: EBITDA ratio at 3.4 times. The weighted average cost of debt has been reduced to 6.3%.

The directors have elected not to declare a final dividend and to retain the cash to settle debt obligations and improve gearing.

Segmental performance

	Pharma-Med	Consumer Brands	Phyto-Vet
Revenue	R3 980m	R2 491m	R1 265m
Revenue growth	11.8%	29.3%	37.1%
Revenue contribution	51%	32%	17%
EBITDA	R914m	R304m	R205m
EBITDA growth	18.9%	1.6%	45.9%
EBITDA margin	23.0%	12.2%	16.2%
EBITDA contribution	64%	21%	15%

Pharma-Med

Remedica continued its strong growth trend, increasing revenue by 18% with good growth in South East Asia and the Middle East. EBITDA increased by 26% as the margin benefited from improved working capital in the second half. In Medical Devices, a project was launched to integrate the current four businesses to create the largest medical devices business in South Africa. An own brand product range was introduced to replace agency brands lost in 2017. The South African pharma business grew ahead of the market in the private sector, supported by excellent traction within OTC medicines.

Commentary

Consumer Brands
Sun Wave Pharma performed extremely well in its first full year in the group, increasing revenue by 44% and EBITDA by 27%, boosted by the launch of nine new products and the expansion of its sales force during the year. Scitec reported lower revenue and profit as the business was impacted by strong competition mainly in Western Europe. The recovery in global whey protein prices contributed to an improved gross profit margin. In the South African business, revenue and profit were flat, impacted by the weak consumer environment, while the wellness business was impacted by production and supply chain issues. Market-leading brands including Solal, MenaCal and Vitaforce all showed double digit sales growth. The South African sports nutrition and direct selling businesses have been classified as discontinued operations as the businesses were considered to be non-core and have been sold subsequent to the financial year end.

Phyto-Vet
Animal Health performed well and benefited from the acquisition of Kyron. The Cipla Vet business has been successfully integrated into Phyto-Vet. Bioscience was negatively affected by the drought and water restrictions in the Western and Eastern Cape as well as the poor economic environment.

New strategic focus
Following a strategic review over the past six months the Group will be adopting a new strategic focus and operating model. The changes are aimed at creating a sustainable market position for the business and improving performance by accelerating organic growth, improving cash management and growing profitability. Investors are referred to the announcement released on SENS today, 25 September 2018, titled 'Ascendis Health adopts new strategic focus' for further details. A presentation on the new strategy is available for downloading on the Group's website at www.ascendishealth.com/investor-relations.

Thomas Thomsen
Chief Executive Officer

Kieron Futter
Chief Financial Officer

Johannesburg
25 September 2018

Summarised Group Statement of Financial Position

as at 30 June 2018

	2018 R'000	Restated 2017 R'000
Property, plant and equipment	1 126 632	1 059 988
Intangible assets and goodwill	9 833 747	9 172 174
Investments accounted for using the equity method	1 621	-
Derivative financial assets	114	2 760
Other financial assets	55 751	29 168
Deferred income tax assets	91 700	40 109
Non-current assets	**11 109 565**	**10 304 199**
Inventories	1 619 441	1 597 726
Trade and other receivables	1 871 775	1 881 591
Other financial assets	1 112	32 761
Current tax receivable	116 781	39 824
Derivative financial assets	30 848	53 012
Cash and cash equivalents	767 924	634 719
Assets held for sale	359 625	-
Current assets	**4 767 506**	**4 239 633**
Total assets	**15 877 071**	**14 543 832**
Stated capital	6 512 930	5 447 899
Other reserves	(626 225)	(782 088)
Retained income	745 889	475 645
Equity attributable to equity holders of parent	**6 632 594**	**5 141 456**
Non-controlling interest	161 515	154 886
Total equity	**6 794 109**	**5 296 342**
Borrowings and other financial liabilities	4 554 138	4 002 769
Deferred income tax liabilities	491 908	459 289
Deferred vendor liabilities	876 386	1 497 139
Put-option on equity instrument	14 309	113 055
Derivative financial liabilities	-	6 444
Finance lease liabilities	26 976	20 486
Long term employee benefits	4 714	15 188
Investments accounted for using the equity method	-	1 066
Non-current liabilities	**5 968 431**	**6 115 436**
Trade and other payables	1 321 784	1 250 209
Derivative financial liabilities	4 711	38 156
Borrowings and other financial liabilities	939 272	1 027 037
Current tax payable	83 128	21 239
Deferred vendor liabilities	422 969	651 374
Put-option on equity instrument	78 108	-
Provisions	92 854	26 595
Finance lease liabilities	15 099	9 900
Long term employee benefits	12 180	-
Bank overdraft	81 301	107 544
Current liabilities held for sale	63 125	-
Current liabilities	**3 114 531**	**3 132 054**
Total liabilities	**9 082 962**	**9 247 490**
Total equity and liabilities	**15 877 071**	**14 543 832**

Summarised Group Statement of Profit and Loss and Other Comprehensive Income

for the year ended 30 June 2018

	2018 R'000	Restated 2017 R'000
Revenue	7 736 552	6 408 819
Cost of sales	(4 267 091)	(3 747 329)
Gross Profit	**3 469 461**	**2 661 490**
Other income	34 412	60 323
Selling and distribution costs	(769 056)	(555 934)
Administrative expenses	(1 341 600)	(1 052 620)
Other operating expenses	(453 455)	(379 027)
Operating profit	**939 762**	**734 231**
Finance income	16 422	40 579
Finance expenses	(394 836)	(347 152)
Gain/(loss) from equity accounted investments	2 687	(1 452)
Profit before taxation	**564 035**	**426 206**
Income tax expense	(68 471)	(62 361)
Profit from continuing operations	**495 564**	**363 845**
Loss from discontinuing operations	(193 409)	(56 525)
Profit for the year	**302 155**	**307 320**
Other comprehensive income:		
Items that may be reclassified to profit and loss net of tax		
Foreign currency translation reserve	128 924	(255 101)
Effects of cash flow hedges	4 495	27 803
Fair value adjustments	(1 617)	27 803
Recycled to profit and loss	6 112	-
Items that will not be reclassified to profit and loss net of tax		
Revaluation of property, plant and equipment	(4 196)	1 149
Other comprehensive income for the year net of tax	**129 223**	**(226 149)**
Total comprehensive income for the year	**431 378**	**81 171**
Profit attributable to:		
Owners of the parent	277 171	283 131
Non-controlling interest	24 984	24 189
	302 155	**307 320**
Total comprehensive income attributable to:		
Owners of the parent	412 937	110 907
Non-controlling interest	18 441	(29 736)
	431 378	**81 171**
Earnings per share from continuing operations		
Basic and diluted earnings per share (cents)	101.9	82.4
Total earnings per share		
Basic and diluted earnings per share (cents)	60.0	68.7

Summarised Group Statement of Changes in Equity

for the year ended 30 June 2018

	Stated Capital	Foreign translation reserve	Revaluation reserve	Hedging reserve	Put-option non-controlling interest reserve	Total other reserves	Retained Income	Total attributable to equity holders of the Group	Non-controlling interest	Total Equity
Balance as at 1 July 2016	**2 138 684**	**(91 782)**	**14 699**	**(37 958)**	**(117 744)**	**(26 706)**	**396 949**	**2 276 142**	**179 302**	**2 455 444**
Profit for the year	-	-	-	-	-	-	283 131	**283 131**	24 189	307 320
Other comprehensive income	-	(108 068)	1 149	27 803	-	-	(93 108)	**(172 224)**	(53 925)	(226 149)
Total comprehensive income for the year	**-**	**(108 068)**	**1 149**	**27 803**	**-**	**-**	**190 023**	**110 907**	**(29 736)**	**81 171**
Issue of ordinary shares	3 432 245	-	-	-	-	(450 114)	-	2 982 131	-	2 982 131
Raising fees capitalised	(24 309)	-	-	-	-	-	-	(24 309)	-	(24 309)
Net movement of treasury shares	(98 721)	-	-	-	-	-	-	(98 721)	-	(98 721)
Dividends	-	-	-	-	-	-	(112 758)	(112 758)	13 384	(99 374)
Foreign currency translation reserve	-	(10 473)	-	-	5 950	254	-	(4 269)	4 269	-
Reclassification of reserves into retained earnings	-	-	-	-	-	(13 280)	13 280	-	-	-
Statutory reserve: Farmalider allocation to reserve	-	-	-	-	-	24 182	(11 849)	12 333	(12 333)	-
Total contributions by and distributions to owners of the Group recognised directly in equity	**3 309 215**	**(10 473)**	**-**	**-**	**5 950**	**(438 958)**	**(111 327)**	**2 754 407**	**5 320**	**2 759 727**
Balance as at 30 June 2017	**5 447 899**	**(210 323)**	**15 848**	**(10 155)**	**(111 794)**	**(465 664)**	**475 645**	**5 141 456**	**154 886**	**5 296 342**
Profit for the year	-	-	-	-	-	-	277 171	277 171	24 984	302 155
Other comprehensive income	-	135 467	(4 196)	4 495	-	-	-	135 766	(6 543)	129 223
Total comprehensive income for the year	**-**	**135 467**	**(4 196)**	**4 495**	**-**	**-**	**277 171**	**412 937**	**18 441**	**431 378**
Issue of ordinary shares	1 040 505	-	-	-	-	-	-	1 040 505	-	1 040 505
Raising fees capitalised	(1 388)	-	-	-	-	-	-	(1 388)	-	(1 388)
Net movement of treasury shares	25 914	-	-	-	-	-	-	25 914	-	25 914
Dividends	-	-	-	-	-	-	-	-	(7 879)	(7 879)
Foreign currency translation reserve	-	-	(141)	-	(2 856)	9 625	-	6 628	2 609	9 237
Acquisition of non-controlling interest	-	-	-	-	-	(667)	-	(667)	667	-
Statutory reserve: Farmalider allocation to reserve	-	-	-	-	-	14 136	(6 927)	7 209	(7 209)	-
Total contributions by and distributions to owners of the Group recognised directly in equity	**1 065 031**	**-**	**(141)**	**-**	**(2 856)**	**23 094**	**(6 927)**	**1 078 201**	**(11 812)**	**1 066 389**
Balance as at 30 June 2018	**6 512 930**	**(74 856)**	**11 511**	**(5 660)**	**(114 650)**	**(442 570)**	**745 889**	**6 632 594**	**161 515**	**6 794 109**

Summarised Group Statement of Cash Flows

for the year ended 30 June 2018

	2018 R'000	Restated 2017 R'000
Cash generated from operations	1 232 723	787 383
Cash generated from operations - discontinued operations	(52 553)	21 812
Interest income received	16 422	40 734
Finance costs paid	(381 904)	(299 172)
Income taxes paid	(128 790)	(160 232)
Net cash inflow from operating activities	**685 898**	**390 525**
Cash flows from investing activities		
Purchase of property, plant and equipment	(255 407)	(117 885)
Proceeds on the sale of property, plant and equipment	6 315	3 623
Purchase of other intangibles assets	(163 837)	(119 062)
Proceeds on the sale of intangible assets	-	767
Payment for acquisition of subsidiaries - net of cash	(96 268)	(5 454 161)
Repayments on deferred vendor liabilities	(1 220 305)	(246 343)
Payments for the settlement of financial instruments	(120 229)	(119 513)
Repayment of loans advanced to related parties	16 445	46 932
Loans advanced to related parties	(18 446)	(9 199)
Loans advanced to external parties	-	(16 854)
Repayment of loans advanced to external parties	-	14 072
Proceeds from disposal of other financial assets	7 844	-
Net cash from investing activities - discontinued operations	(67 142)	(4 974)
Net cash utilised in investing activities	**(1 911 030)**	**(6 022 597)**
Cash flows from financing activities		
Proceed from issue of shares	1 039 117	2 981 281
Proceed on the sale of treasury shares	67 357	37 888
Payments made to acquire treasury shares	(44 163)	(137 678)
Proceeds from borrowings raised	449 362	5 140 675
Repayment of borrowings	(288 688)	(1 663 244)
Repayment of loans from related parties	-	(26 290)
Finance lease movement	10 695	(1 803)
Dividends movement	-	(112 758)
Net cash from financing activities - discontinued operations	115 588	(6 686)
Net cash inflow from financing activities	**1 349 268**	**6 211 385**
Net increase in cash and cash equivalents	**124 136**	**579 313**
Net decrease in cash and cash equivalents - discontinued operations	(4 107)	(10 152)
Cash and cash equivalents at beginning of year	**527 175**	**(22 396)**
Effect of exchange difference on cash balances	39 419	(19 590)
Cash and cash equivalents at end of year	**686 623**	**527 175**

Notes to the Summarised Group Annual Financial Statements

Corporate information

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

These summarised consolidated Group financial results as at 30 June 2018 comprise of the Company and its subsidiaries (together referred to as the Group) and the Group's interest in equity accounted investments. These summarised annual results are available on the Ascendis website.

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.

Basis of preparation

These summarised Group financial results are prepared in accordance with the requirements of the JSE Listings Requirements for abridged reports, and the requirements of the Companies Act, 2008 applicable to summary financial statements. The JSE Listings Requirements require abridged 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 consolidated financial statements from which the summarised consolidated financial statements were derived 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 summarised Group financial results for the year ended 30 June 2018 have been prepared under the supervision of the Chief financial officer, Kieron Futter (CA) SA and audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The auditors also expressed an unmodified opinion on the annual financial statements from which these summarised Group financial statements were derived. The directors take full responsibility for the preparation of the summarised results and that the financial information has been correctly extracted from the underlying audited annual financial statements. A copy of the auditor's report on the summarised financial results is available for inspection at the Company's registered office.

Notes to the Summarised Group Annual Financial Statements

The auditor's 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 reviewed or reported on by the auditors. Shareholders are advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of that report together with the accompanying financial information from the Company's 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.

All the amounts have been rounded off to the nearest thousand Rand unless otherwise stated.

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. The Group owns the following entities which operate in primary economic environments which are different to the Group:

- Farmalider – Spain
- Remedica – Cyprus
- Scitec – Hungary
- Ascendis Wellness – Romania
- Ascendis International – Malta

For each of these entities a functional currency assessment has been performed. Where the entity has a functional currency different to that of the Group's presentation currency they are translated upon consolidation in terms of the requirements of IFRS.

Judgement and estimates

In preparing these annual financial results, management made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to have the actual results materially different from estimates. Detailed information about each of these estimates and judgements is included in the notes to the financial statements.

Significant estimates and judgements:

- The useful lives and residual values of property, plant and equipment and intangible assets.
- Impairment testing and allocation of cash-generating units.
- Estimation of fair value in business combinations.
- Estimated goodwill impairment.
- Estimation of fair values of land and buildings.
- Control assessments of investments in other entities acquired.

Notes to the Summarised Group Annual Financial Statements

1. Group Segmental Analysis

Ascendis owns a portfolio of brands within three core health care areas, namely Consumer Brands, Pharma-Med and Phyto-Vet. Within these healthcare areas the Group has five reportable segments.

The Group executive committee (EXCO) considers the three core health care areas, as well as the reportable segments to make key operating decisions and assess the performance of the business. The EXCO is the Group's chief operating decision maker.

The reportable segments were identified by considering the nature of the products, the production process, distribution channels, the type of customer and the regulatory environment in which the business units operate. In addition to the above, similar economic characteristics such as currency and exchange regulations, trade zones and the tax environment were also considered to incorporate and assess the different markets in which the Group operate. The reportable segments included in the Group's divisions are:

- Consumer Brands (human health), incorporating Sports Nutrition, Skin and all of the Ascendis Over The Counter (OTC) and Complementary and Alternative Medicines Consumer Brands products. This division includes two reportable segments:
  - Consumer Brands Africa segment: Operating predominantly in the South African market.
  - Consumer Brands Europe segment: Operating predominantly in the European market.
- Phyto-Vet (animal and plant health), incorporating all of the Ascendis animal and plant health and care products.
- Pharma-Med (human health), incorporating Ascendis' pharmaceutical and medical devices products. This division includes two reportable segments:
  - Pharma-Med Africa segment: Operating predominantly in the South African market.
  - Pharma-Med Europe segment: Operating predominantly in the European market.

Notes to the Summarised Group Annual Financial Statements

1. **Group Segmental Analysis** (continued)

(a) *Statement of profit and loss and other comprehensive income measures applied*

Revenue split by segment	**2018 R'000**	**Restated 2017 R'000**
Consumer Brands	2 491 331	1 927 313
Africa	549 764	499 441
Europe	1 941 567	1 427 872
Phyto-Vet	1 265 414	922 991
Pharma-Med	3 979 807	3 558 515
Africa	2 095 296	2 093 176
Europe	1 884 511	1 465 340
Total revenue	**7 736 552**	**6 408 819**
Revenue generated by geographical location		
South Africa	3 998 613	3 659 304
Cyprus	1 325 308	987 762
Spain	559 203	477 578
Other Europe	1 853 135	1 284 175
Other	293	-
Total revenue	**7 736 552**	**6 408 819**

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

The revenue from discontinued operations relates to the Consumer Brands Africa segment.

The Group has an expanding international footprint and currently exports products to 120 countries, mainly in Africa and Europe.

The revenue presented by geographic location represents the domicile of the entity generating the revenue.

51% of the Group's revenue is generated through the wholesale and retail market (2017: 51%). In this market, 1% (2017: 4%) of the total Group revenue is derived from a single customer and 9% of the Group's revenue is generated from government institutions (local and international), (2017: 12%)

The Group evaluates the performance of its reportable segments based on normalised EBITDA (earnings before interest, tax, depreciation and amortisation) and further adjusted for business combinations, integration and restructuring costs. 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.

Notes to the Summarised Group Annual Financial Statements

1. Group Segmental Analysis (continued)

The percentages disclosed represents the EBITDA/revenue margin.

Normalised EBITDA split by segment	2018 R'000	2018 %	Restated 2017 R'000	Restated 2017 %
Consumer Brands	303 582	12%	298 816	16%
Africa	67 785	12%	119 989	24%
Europe	235 797	12%	178 827	13%
Phyto-Vet	204 995	16%	140 543	15%
Pharma-Med	913 737	23%	768 384	22%
Africa	394 478	19%	366 191	17%
Europe	519 259	28%	402 193	27%
Head office	(82 889)		(75 746)	
Total normalised EBITDA	**1 339 425**		**1 131 997**	
Non-controlling interest proportionate share	(39 087)		(39 502)	
Total normalised EBITDA attributable to the parent	**1 300 338**		**1 092 495**	

Reconciliation of normalised EBITDA to Consolidated Results	2018 R'000	2017 R'000
Consolidated operating profit	939 762	734 231
Total impairment, amortisation and depreciation	344 767	251 336
Business combination costs *	29 655	89 722
Restructuring costs *	7 150	19 066
Isando manufacturing operations loss *	45 602	37 641
Put-option remeasurement	(32 532)	-
Impairment of investment	5 021	-
Non-controlling interest proportionate share	(39 087)	(39 502)
Total normalised EBITDA attributable to the parent	**1 300 338**	**1 092 495**

* These reconciling items are excluded from EBITDA for performance measurement purposes.

2. Earnings per share, Diluted 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 the JSE Listings Requirements and the SAICA Circular 4/2018.

Weighted average number of shares in issue is calculated as the number of shares in issue at the beginning of the period, increased by shares issued during the period weighted on a time basis for the period during which they have participated in the profit of the Group. Shares which are held by a subsidiary company as treasury shares have been adjusted on a time basis when determining the weighted average number of shares in issue.

The Group has determined no instruments exist in the period 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.

Notes to the Summarised Group Annual Financial Statements

2. Earnings per share, Diluted earnings per share and Headline earnings per share
(continued)

	2018 R'000 Continuing operations	2018 R'000 Discontinued operations	2018 R'000 Total	Restated 2017 R'000 Continuing operations	Restated 2017 R'000 Discontinued operations	Restated 2017 R'000 Total
(a) **Basic earnings per share**						
Profit attributable to owners of the parent	470 580	(193 409)	277 171	339 656	(56 525)	283 131
Earnings	**470 580**	**(193 409)**	**277 171**	**339 656**	(56 525)	**283 131**
Weighted average number of ordinary shares in issue			461 996 223			412 323 054
Earnings per share (cents)	**101.9**	**(41.9)**	**60.0**	**82.4**	**(13.7)**	**68.7**
(b) **Headline earnings per share**						
Profit attributable to owners of the parent	470 580	(193 409)	277 171	339 656	(56 525)	283 131
Adjusted for:						
Profit/(loss) on the sale of property, plant and equipment	(739)	–	(739)	937	–	937
Profit/(loss) on investment disposal	580	–	580	165	–	165
Goodwill and intangible asset impairment	30 269	71 319	101 588	48 590	–	48 590
IFRS 3 bargain purchase	–	–	–	(1 938)	–	(1 938)
Put-option remeasurement	(32 532)	–	(32 532)	–	–	–
Impairment of investment	5 021	–	5 021	–	–	–
Non-controlling interest portion allocation	–	–	–	(340)	–	(340)
Tax effect thereof	9 128	–	9 128	(269)	–	(269)
Headline earnings	**482 307**	**(122 090)**	**360 217**	**386 801**	**(56 525)**	**330 276**
Weighted average number of shares in issue			461 996 223			412 323 054
Headline earnings per share (cents)	**104.4**	**(26.4)**	**78.0**	**93.8**	**(13.7)**	**80.1**

Notes to the Summarised Group Annual Financial Statements

2. Earnings per share, Diluted earnings per share and Headline earnings per share (continued)

(c) Normalised headline earnings per share

Since Ascendis is a health and care company and not an investment company, normalised headline earnings is calculated by excluding amortisation and certain costs from the Group's earnings. The Group's effective tax rate is applied to normalised earnings adjustments except if a specific item relates to a specific country then that tax jurisdictions tax rate is used. Costs excluded for normalised headline earnings purposes include restructuring costs to streamline, rationalise and structure companies in the Group. It also includes the costs incurred to acquire and integrate the business combinations into the Group and the listed environment. A normalised earnings adjustment is also made for operations that will not form part of the future of the Group that have not been recognised as a discontinued operation in terms of IFRS.

During 2017 financial period, the Group adjusted its normalised headline earnings for interest on deferred vendor liabilities. Upon further consideration and following engagement with various stakeholders, management has concluded that though the interest on deferred vendor liabilities does not result in the flow of cash to vendors, it is similar in nature to the finance costs of debt raised with financial institutions. Therefore normalised earnings should not be adjusted for this cost. The restatement affects June 2017 by R47.6 million.

	2018 R'000			Restated 2017 R'000		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Reconciliation of normalised headline earnings						
Headline earnings	482 307	(122 090)	360 217	386 801	(56 525)	330 276
Adjusted for						
Business combination costs	29 655	–	29 655	89 722	–	89 722
Refinancing costs	–	–	–	27 730	–	27 730
Loss on Isando operation	45 602	–	45 602	37 641	–	37 641
Restructuring costs	7 150	17 000	24 150	19 066	–	19 066
Tax effect thereof	–	–	–	(6 272)	–	(6 272)
Amortisation	196 453	–	196 453	115 857	–	115 857
Tax effect thereof	(23 221)	(4 760)	(27 981)	(23 328)	–	(23 328)
Normalised headline earnings	**737 946**	**(109 850)**	**628 096**	**647 217**	**(56 525)**	**590 692**
Weighted average number of shares in issue			461 996 223			412 323 054
Normalised headline earnings per share (cents)	**159.7**	**(23.8)**	**136.0**	**157.0**	**(13.7)**	**143.3**

Normalised diluted headline earnings per share is calculated on the same basis used for calculating diluted earnings per share, other than normalised headline earnings being the numerator.

Notes to the Summarised Group Annual Financial Statements

3. Business Combinations

African bolt-on acquisition – Kyron Group (1 March 2018)

The Kyron Group acquisition, with effective date of 1 March 2018, is an excellent strategic fit for Ascendis Animal Health as the business covers complementary therapeutic areas. Ascendis Phyto-Vet, which incorporates Ascendis Animal Health, leverages expertise in the areas of entomology, horticulture, veterinary sciences and agronomy to drive its competitive advantage. This acquisition places Ascendis Animal Health as one of the leading local holistic animal healthcare players in the South African market, offering a wide range of prescription and OTC medicines, health and grooming products and surgical equipment for both the farming and companion animal markets.

The Group has acquired the entire share capital of Kyron, a specialist vertically-integrated animal health company. The purchase consideration of R380.8 million will be settled in cash as follows:

- R156.9 million was paid on completion of the transaction;
- R100 million was deferred and settled in August 2018 with a discount of R 1 million;
- R7.3 million, payable after 1 year if the performance target for a specific division for the period is achieved;
- R97.9 million, payable after 18 months if the performance target for the period is achieved;
- R18.7 million, payable after 2 years if the performance target for a specific division for the period is achieved.

R10.5 million of the business combination costs relate to the Kyron acquisition.

The fair value and the gross amount for trade receivables is R16.3 million.

The revenue included in the consolidated statement of profit or loss since 1 March 2018 from Kyron is R60.4 million. Kyron also contributed profit after tax of R11.5 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 R158.3 million and R37.4 million respectively.

Notes to the Summarised Group Annual Financial Statements

3. Business Combinations (continued)

	2018 R'000	Restated * 2017 R'000
Cash	156 899	5 976 121
Foreign exchange hedging loss	–	119 513
Equity instruments	–	24 332
Vendor loans	223 908	2 106 951
Consideration paid	**380 807**	**8 226 917**
Cash and cash equivalents	60 631	521 960
Property, plant and equipment	3 897	730 675
Intangible assets within the acquired entity	152 760	3 241 781
Other financial assets	–	42 578
Inventories	27 698	640 863
Trade and other receivables	16 333	681 128
Provisions	(1 592)	227
Trade and other payables	(8 316)	(327 423)
Finance leases	–	(24 813)
Borrowings	(3 312)	(144 682)
Dividend Payable	(70 000)	–
Current tax payable	(4 314)	1 138
Provision for doubtful debt	–	–
Deferred tax liabilities	(42 259)	(304 097)
Total identifiable net assets	**131 526**	**5 059 335**
Non-controlling interest	**–**	**(476)**
Resultant goodwill	**249 281**	**3 168 058**
Total cash paid for acquisitions	(156 899)	(5 976 121)
Cash available in acquired company	60 631	521 960
Cash flow relating to business combinations	**(96 268)**	**(5 454 161)**

* The 2017 numbers have been restated as a result of a measurement period adjustment.

Notes to the Summarised Group Annual Financial Statements

4. Discontinued operations

Ascendis initiated a strategic business review in March 2018 following the appointment of Thomas Thomsen as chief executive officer ("CEO"). The strategic review is primarily aimed at creating a sustainable market position for the business, accelerating organic growth across the Group following the completion of several local and international acquisitions, improving cash generation and enhancing profitability.

As a result of the above-mentioned strategic review, the board decided to dispose of certain non-core assets. The following disclosures relate to discontinued operations for the financial period ended June 2018:

Supply chain manufacturing – Change of plan

In May 2017 the Ascendis management made a decision to dispose of the Group's Supply Chain business with its manufacturing plant in Wynberg. This was disclosed as a discontinued operation, and as a result, the relevant assets and liabilities were classified as being held for sale. However, following key changes in management and consequently a strategic review of the business, the Group has undertaken to retain its good manufacturing practice ("GMP") approved pharmaceutical manufacturing facility located in Wynberg, Johannesburg, rather than the Isando facility as initially planned.

As a result of the change in the strategic direction of the business, the discontinued operation as disclosed during the 2017 financial year, will no longer be disposed of and the losses are included in continuing operations. The comparatives have been represented.

4.1 Discontinued Operations

The following operations have been disclosed as discontinued operations in the current year:

Ascendis Direct

Ascendis Direct ("AD") is the Group's direct selling and network marketing business selling Sportron and Swissgarde products, operating in Southern Africa and Nigeria. AD has limited integration with Ascendis as it operates its own management structure, head office and supply chain. The AD business model is not applied anywhere else in the Group. AD has been sold as a going concern, effective 10 September 2018.

Ascendis Sports Nutrition

Following a review of the sports nutrition business the Group has decided to focus solely on its biggest sports nutrition brand, Scitec, in targeted consumer segments and geographies. The Group therefore no longer plans to offer its portfolio of sports nutrition brands in the South African and Australian market. The Group concluded the sale of the business, which includes Evox, SSN, Supashape, Muscle Junkie and Nutrimax, effective 1 August 2018.

4. Discontinued operations (continued)

4.2 Held for sale

Isando manufacturing

The Group plans to dispose of the Isando pharmaceutical manufacturing operations and its 23 000 m² GMP pharmaceutical manufacturing facility. The manufacturing facility were acquired through the Group's purchase of Akacia Healthcare during the June 2016 financial period.

The Group's diverse manufacturing facilities within South Africa are not interchangeable due to the facility layout, capabilities and regulatory environment required by certain product types. Although the Ascendis Group will continue to manufacture within South Africa, given its diverse business operations, the type of products and the different regulatory requirements relating to these products, the Group considers Ascendis Pharma to be a separate line of business.

Going forward the Group will manufacture its pharmaceutical products, currently manufactured at Isando through a third-party manufacturing agreement since the other manufacturing facilities within South Africa do not meet the relevant requirements. The manufacturing facility did not qualify to be classified as a discontinued operation in terms of IFRS 5. However, the assets and liabilities have been reclassified to assets and liabilities held for sale.

The Group is in the final stages of concluding a sale agreement.

Comparative information has been restated for the discontinued operations and segmental reporting has also been restated to reflect comparative information relating to continuing operations.

Notes to the Summarised Group Annual Financial Statements

4. Discontinued operations (continued)

	2018			2017		
	Ascendis Direct	Ascendis Sport Nutrition	R'000	Ascendis Direct	Ascendis Sport Nutrition	R'000
Revenue	89 824	128 609	218 433	84 455	150 801	235 256
Expenses	(96 546)	(232 923)	(329 469)	(95 895)	(208 473)	(304 368)
Loss before impairments	(6 722)	(104 314)	(111 036)	(11 440)	(57 672)	(69 112)
Impairments	(12 000)	(59 319)	(71 319)	-	-	-
Loss before tax	(18 722)	(163 633)	(182 355)	(11 440)	(57 672)	(69 112)
Income tax	(4 384)	(6 670)	(11 054)	1 223	11 364	12 587
Loss after income tax expense of discontinued operation	**(23 106)**	**(170 303)**	**(193 409)**	**(10 217)**	**(46 308)**	**(56 525)**
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	**(23 106)**	**(170 303)**	**(193 409)**	**(10 217)**	**(46 308)**	**(56 525)**
Net cash outflow from operating activities	(17 013)	(35 540)	(52 553)	19 735	2 077	21 812
Net cash outflow from investing activities	(10 011)	(57 131)	(67 142)	(5 475)	501	(4 974)
Net cash inflow from financing activities	31 117	84 471	115 588	(19 506)	12 820	(6 686)
Net (decrease)/increase in cash generated by discontinued operation	**4 093**	**(8 200)**	**(4 107)**	**(5 246)**	**15 398**	**10 152**

Notes to the Summarised Group Annual Financial Statements

4. Discontinued operations (continued)

Assets and liabilities classified as held for sale

The following assets and liabilities were classified as held for sale in the current year

				2018
	Isando	**Ascendis Direct**	**Ascendis Sport Nutrition**	**R'000**
Property, plant and equipment	113 037	6 025	298	**119 360**
Intangible assets & Goodwill	-	48 688	39 160	**87 848**
Deferred Tax Asset	14	2 582	137	**2 733**
Inventories	9 300	14 379	31 776	**55 455**
Current Income tax receivable	-	840	832	**1 672**
Trade and other receivables	418	28 956	3 663	**33 037**
Cash and cash equivalents	125	2 585	704	**3 414**
Other financial assets	-	56 006	100	**56 106**
Assets held for sale	**122 894**	**160 061**	**76 670**	**359 625**
Borrowings	-	(18 270)	-	**(18 270)**
Finance lease liabilities	-	(326)	(76)	**(402)**
Deferred Tax Liability	(14 648)	(942)	(638)	**(16 228)**
Trade and other payables	(3 078)	(14 630)	(2 373)	**(20 081)**
Provisions	(1 637)	(2 279)	(2 294)	**(6 210)**
Current Income tax payable	(226)	(1 707)	(1)	**(1 934)**
Liabilities held for sale	**(19 589)**	**(38 154)**	**(5 382)**	**(63 125)**

The representation of Wynberg facility as a continuing operation has the following impact on the 2017 reported financial information:

	2017
Statement of Profit and Loss	**R'000**
Revenue	209 049
Expenses	(292 832)
Income tax	12 807
Net Impact	**(70 976)**

	2017
Statement of Financial Position	**R'000**
Property, plant and equipment	68 320
Net Impact	**68 320**

5. Intangible assets and goodwill

Intangible assets and goodwill comprise the following:

	2018			2017		
R'000	Cost/ Valuation	Accumulated amortisation and impairment	Carrying value	Cost/ Valuation	Accumulated amortisation and impairment	Carrying value
Goodwill	5 496 124	(134 614)	5 361 510	5 058 029	(38 079)	5 019 950
Brands and trademarks	2 209 556	(145 904)	2 063 652	2 044 141	(62 356)	1 981 785
Licence and computer software	55 901	(22 895)	33 006	41 938	(15 395)	26 543
Intangible assets under development	24 651	-	24 651	20 252	-	20 252
Customer relationships	1 068 389	(194 327)	874 062	998 722	(120 471)	878 251
Contractual agreements	335 107	(21 687)	313 420	263 855	(15 571)	248 284
Drug master files	1 241 242	(77 796)	1 163 446	1 040 959	(43 850)	997 109
Total	**10 430 970**	**(597 223)**	**9 833 747**	**9 467 896**	**(295 722)**	**9 172 174**

IFRS 3 Re-measurement

At 30 June 2017, the purchase price allocation for Cipla and Sun Wave Pharma acquisitions was provisional due to the timing of the acquisition and the complexity of the businesses. The purchase price allocation was completed in the current year and the following measurement period adjustments were identified and corrected in the current financial period.

Cipla Group
On completion of the acquisition, take on working capital assessments and the finalisation of the purchase price allocation, the following adjustments to the initial day one take-on balances as disclosed in the June 2017 financial statements were required. Goodwill increased by R27.9 million, intangible assets reduced by R30.5 million, deferred tax liability reduced by R8.5 million and deferred vendor liability increased by R6 million.

Sun Wave Pharma
The contingent consideration was revised in the current year due to a performance target as stipulated in the purchase agreement being achieved. The revised contingent consideration resulted in an increase in the deferred vendor liabilities by €3.7 million (ZAR59.8 million). Goodwill increased by the same amount.

The restatement has no material impact on the prior period income statement. The table below illustrates the impact of the restatement to 2017 reported amounts.

Notes to the Summarised Group Annual Financial Statements

5. Intangible assets and goodwill (continued)

Impairment tests for goodwill

Management reviews the business performance based on type of business and products. While the valuation is based on projected sustainable cash flows methodology, the latest budgets and forecasts are utilised. A five-year time horizon is used to project the cash flows. Cash flows are discounted using a discounting factor, which was determined taking into account both systematic and unsystematic risks.

The Group performed the annual impairment assessments on all goodwill balances as at 30 June 2018. As a result, the Group recognised impairment on goodwill of R96.5 million relating to the Consumer Brands Africa segment, R71.3 million of the total goodwill impairment relate to the discontinued operations which has been included as part of the loss from the discontinued operations. The following is a summary of goodwill allocation for each reporting segment.

Notes to the Summarised Group Annual Financial Statements

5. Intangible assets and goodwill (continued)

Reconciliation of Goodwill 2018 R'000	Opening balance	Additions	Impairment	Transfer to discontinued operations	Foreign currency translation	Closing balance
Consumer Brands Africa	528 150	-	(96 535)	(46 948)	-	384 667
Consumer Brands Europe	1 264 760	-	-	-	105 232	1 369 992
Phyto-Vet	523 544	249 281	-	-	-	772 825
Pharma-Med Africa	1 067 130	-	-	-	-	1 067 130
Pharma-Med Europe	1 636 366	-	-	-	130 530	1 766 896
Total	**5 019 950**	**249 281**	**(96 535)**	**(46 948)**	**235 762**	**5 361 510**

Reconciliation of Goodwill 2017 R'000	Opening balance	Additions	Impairment	Transfer to discontinued operations	Foreign currency translation	Closing balance
Consumer Brands Africa	566 229	-	(38 079)	-	-	528 150
Consumer Brands Europe	-	1 293 951	-	-	(29 191)	1 264 760
Phyto-Vet	292 044	231 500	-	-	-	523 544
Pharma-Med Africa	990 620	76 510	-	-	-	1 067 130
Pharma-Med Europe	167 697	1 568 074	-	-	(99 405)	1 636 366
Total	**2 016 590**	**3 170 035**	**(38 079)**	**-**	**(128 596)**	**5 019 950**

6. Events after reporting period

During the 2018 financial year, Ascendis acquired 100% of shares in Kyron Group. Deferred consideration payable of R100 million was settled on 18 August 2018. The amount was recognised as part of the deferred vendor liability balance as at 30 June 2018. The liability was initially due on 1 September 2018 hence an early settlement discount of R1 million was granted, resulting in a net amount paid of R99 million.

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

Administration

Country of Incorporation and domicile	South Africa
Registration number	2008/005856/06
Income tax number	9810/017/15/3
JSE share code	ASC
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Auditors	PricewaterhouseCoopers Inc.
Transfer secretaries	Computershare Investor Services Proprietary Limited Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 PO Box 61051, Marshalltown, 2107 Telephone: +27 (0)11 370 5000
Company secretary	A Sims CA (SA) andy.sims@ascendishealth.com
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