Ascendis HEALTH

Integrated Annual Report 2018

CONTENTS

2018 IN REVIEW

Revenue

21%

R7.7 billion

International revenue

35%

Gross margin strengthened to

44.8%

Normalised headline earnings

14%

to R738 billion

Normalised HEPS

2%

to 159.7 cents

Cash conversion rate improved to

92%

from 70%

Balance sheet strengthened as **R1.5 billion** debt settled

New strategic focus to be adopted in **2019**

INTRODUCING OUR INTEGRATED REPORT

Ascendis Health has pleasure in presenting its 2018 integrated annual report which demonstrates the group's business performance as well as how our strategy aims to create and sustain value for shareholders in the short-, medium- and long-term.

This is our fifth year of integrated reporting since the company's listing in 2013 and Ascendis Health is committed to enhancing disclosure each year by aligning with best reporting practices. This year's report is more future focused than previous reports and incorporates detailed disclosure of the revised operating model and long-term strategy.

The report remains focused on shareholders, the primary providers of our financial capital, and the wider investor community locally and offshore. We also recognise that several other stakeholder groups are important for Ascendis Health and influence our ability to create value, including our customers, consumers, suppliers, funders, regulators (including government) and employees across the group.

REPORTING SCOPE AND BOUNDARY

The integrated annual report covers the financial and non-financial performance of Ascendis Health and its subsidiaries (the group) for the financial year 1 July 2017 to 30 June 2018. The company is listed on the JSE and has operations in South Africa, Cyprus, Hungary, Romania and Spain, with products exported to more than 120 countries.

REPORTING COMPLIANCE

This integrated annual report complies with the South African Companies Act, 2008 and the JSE Listings Requirements, and the group is reporting in accordance with the principles of the King Code of Corporate Principles (King IV) for the first time.

The guiding principles of the International Integrated Reporting Council's Framework have been applied in preparing this report.

MATERIALITY PRINCIPLE

The principle of materiality continues to be applied in determining the content and disclosure in the integrated annual report. This covers issues that the board and management believe could impact positively or negatively on the group's ability to create value and have a material impact on strategy, revenue and profitability. This excludes the disclosure of price-sensitive information or detail that could compromise the group's competitive position.

EXTERNAL ASSURANCE

The content of the integrated annual report has been reviewed by the board, the audit and risk committee, management and the corporate sponsor but has not been externally assured.

The external auditor, PricewaterhouseCoopers Inc., has reviewed the financial information contained in the integrated annual report and has provided assurance on the annual financial statements which are available on the group's website.

FORWARD-LOOKING STATEMENTS

The integrated annual report includes forward-looking statements which relate to the possible future financial position and results of the group's operations. These statements by their nature involve risk and uncertainty as they relate to events and depend on circumstances that may or may not occur in the future.

The group does not undertake to update or revise any of these forward-looking statements publicly, whether to reflect new information or future events or otherwise. The forward-looking statements have not been reviewed or reported on by the group's external auditor.

BOARD APPROVAL

The directors have reviewed the integrated annual report and collectively believe it is a fair representation of the group's performance, material issues, risks, strategy and growth prospects. The audit and risk committee, which has oversight for the integrity of the integrated annual report, recommended the report for approval by the board of directors who subsequently approved the 2018 integrated annual report for release to shareholders.

John Bester
Independent non-executive chairman

Thomas Thomsen
Chief executive officer

INTRODUCING ASCENDIS HEALTH

Ascendis Health is a South African-based international health and wellness company marketing leading brands and products.

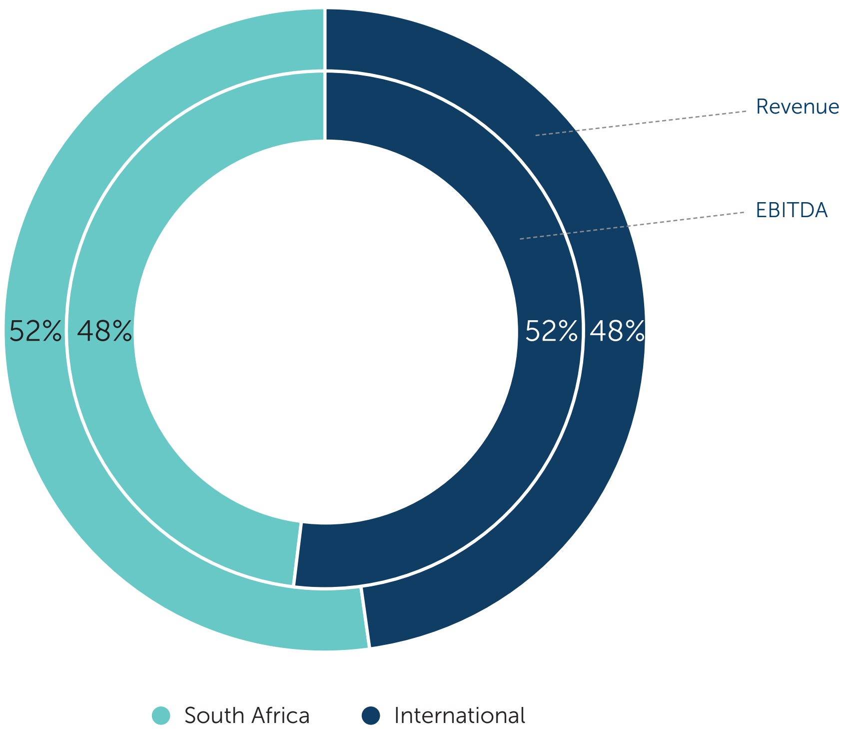
Founded in 2008 and listed in the healthcare sector on the main board of the JSE in November 2013, the group has supplemented its organic growth by buying complementary businesses and extracting synergies from these acquisitions.

Since the start of its international expansion strategy in 2015 the group has acquired four businesses in Europe, namely Farmalider in Spain (pharmaceuticals and OTC medicine), Remedica in Cyprus (generic pharmaceuticals), Scitec in Hungary (sports nutrition) and Sun Wave Pharma in Romania (nutraceuticals).

Today Ascendis Health has extended its global reach with products now being sold to more than 120 countries across all continents, with 48% of annual revenue generated outside of South Africa.

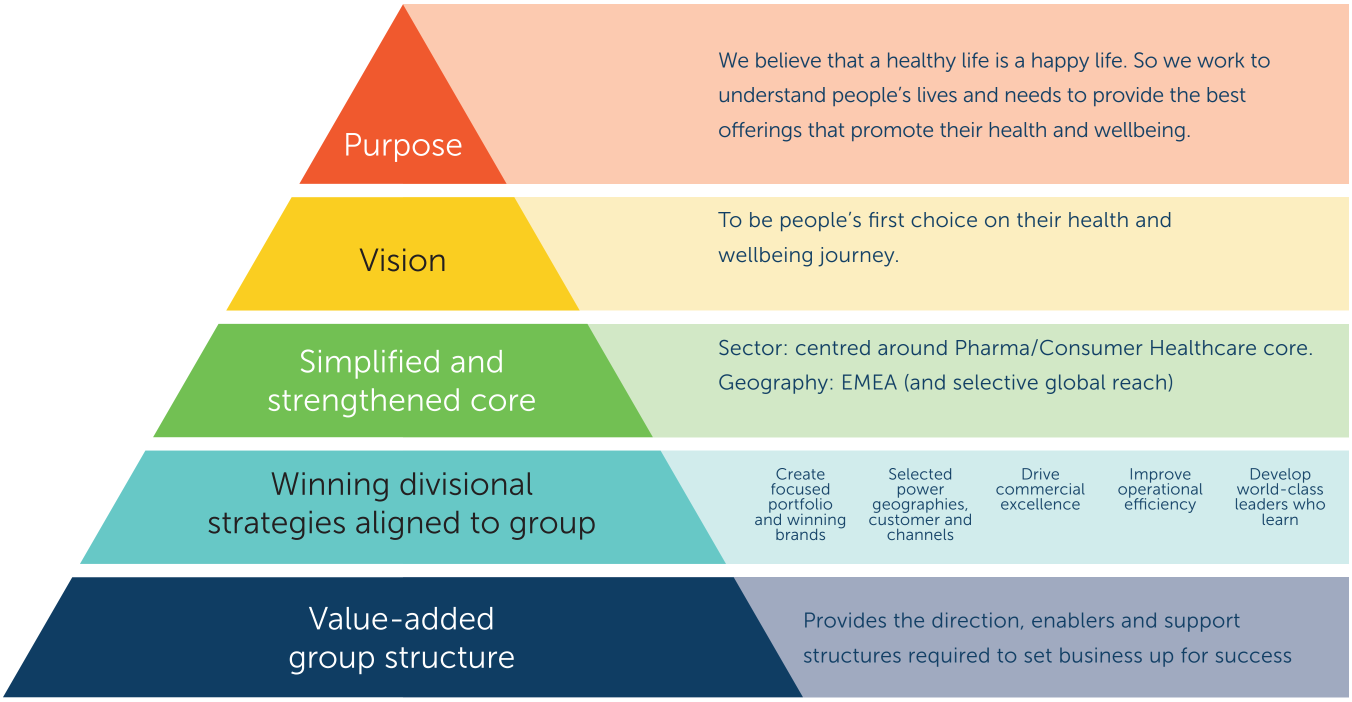
A new strategy is being implemented which will focus on the core business areas of Pharma and Consumer Healthcare and build on the group's globally competitive businesses in these sectors. The portfolio will be complemented by the Medical Devices and Animal Health divisions which are strategically aligned with the rest of the group and present opportunities to increase scale. Geographic expansion will focus mainly on strengthening the group's current foothold in Europe, the Middle East and Africa.

GEOGRAPHIC CONTRIBUTION



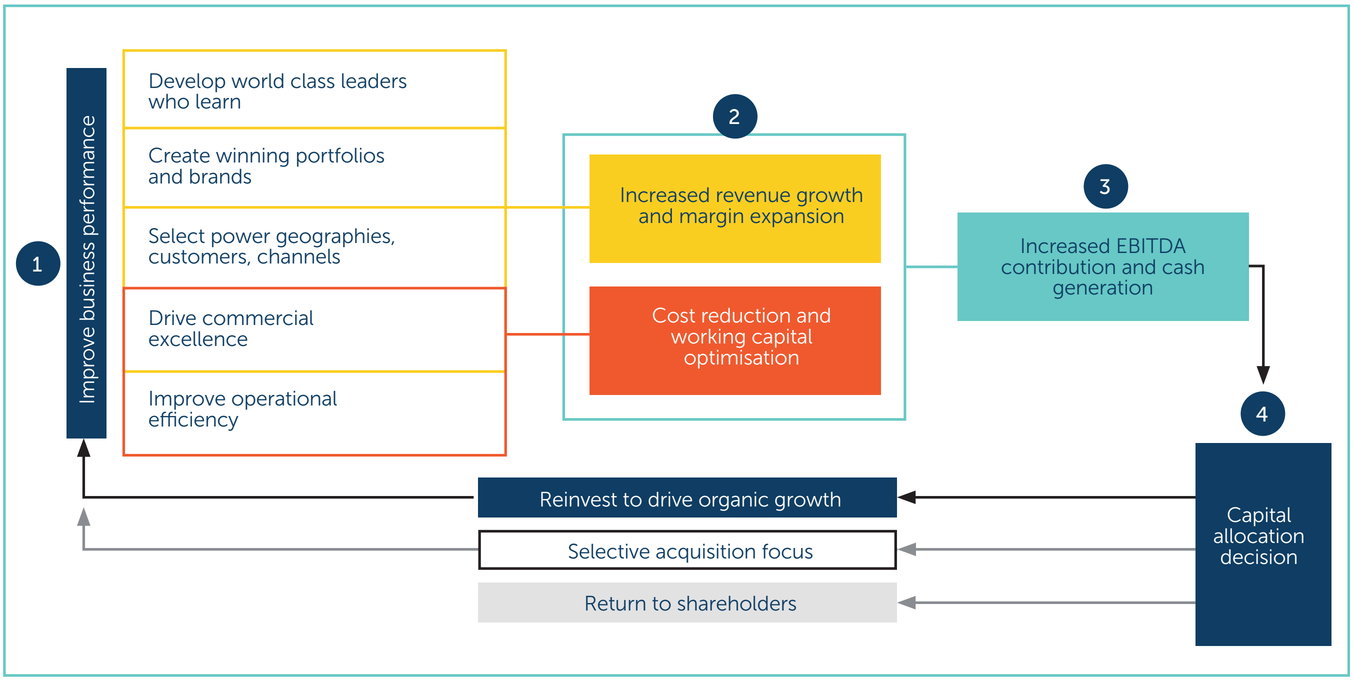
GROUP STRATEGY AND BUSINESS MODEL

ALIGNED STRATEGY DRIVING GROWTH



Ascendis Health has adopted a new strategy which will simplify the operations and focus on the core business areas of Pharma and Consumer Healthcare. The portfolio will be complemented by the Medical Devices and Animal Health divisions. Geographic expansion will focus on strengthening the group's current foothold in Europe, the Middle East and Africa. The operating model will change from a geographic structure to a global divisional model comprising Pharma, Consumer Healthcare, Medical Devices and Animal Health. Aligned strategies across the business divisions will enable the group to drive organic growth by better meeting consumer and customer needs, create economies of scale and maximise competitive advantages.

BUSINESS MODEL: DRIVING CONTINUAL VALUE CREATION



The new strategy and business model are focused on driving sustainable value creation. Five core strategies are aimed at improving business performance to increase revenue growth, expand margins, reduce costs and optimise working capital, ultimately translating into increased earnings and stronger cash generation. In addition to reinvesting in the business to drive organic growth and paying dividends to shareholders, the group also plans to make strategic acquisitions to enhance and complement the core business.

	Organic revenue CAGR %	EBITDA margin %	Cash conversion %	ROE %	Net leverage
FY18 Baseline	5.0%	17.3%	91.8%	12.1%	3.4
FY23 Outcome range	7-10%	22-25%	77-81%	23-27%	2.5-3.0

Management has set financial targets to be achieved by the 2023 financial year. These targets are published to provide guidance to investors on the anticipated improvement in performance to be generated from the new strategic focus, business and operating model.

MARKET-LEADING BRANDS

PHARMA

- Reuterina is the number one probiotic range in South Africa*
- Ranked 3rd in South African colds and flu market*
- Leading business-to-business supplier in pain management in Spain

CONSUMER HEALTHCARE

- 3rd biggest multi vitamins and minerals supplier in South Africa*
- Number 2 manufacturer of iron supplements in South Africa*
- 2nd biggest supplier of calcium supplements in South Africa*
- Leading nutraceutical company in Romania
- Major player in professional skincare in South Africa and active in Europe (Mordor Intelligence)

* IMS SA - Total Private Market, Anatomical Therapeutic Class 3

MEDICAL DEVICES

- Leading distributor of surgical consumables and equipment for hospitals in South Africa
- One of the top providers of respiratory care (infants and adults) in South Africa
- Active player in the orthopaedic market in South Africa
- Leading supplier of in-vitro diagnostic solutions in Africa

ANIMAL HEALTH

- Number 2 supplier in the pet complementary category (IRI – Defined supermarkets)
- Large share of the production animal health category in South Africa (SAAHA)

MATERIAL ISSUES

Material issues have been identified by the board and management which could impact positively or negatively on Ascendis Health's ability to deliver its strategy and to create sustainable value for stakeholders. In determining these material issues the directors have considered the group's revised operating model and strategy, as well as the needs of major stakeholders, being shareholders, lending and funding institutions, customers, consumers, suppliers, regulators and employees.

1. TRANSITION TO NEW OPERATING MODEL

The transition from the group's current geographic structure to a global divisional model over the next year is aimed at driving stronger organic growth by better meeting consumer and customer needs, creating economies of scale and maximising competitive advantages.

Related risks	Risk mitigation
• Inability to effectively implement the new operating model could result in loss of key management and impact on the group's revenue and profitability • Potential impact on performance should management's attention be too internally focused during this change process	• External agency engaged to support South African and international businesses in change management process and in delivering targeted operating model • Designated internal leaders to drive the ongoing business activities to prevent disruption through the transition process • Transition structure will be maintained in South Africa until the new group structure goes live • Continuous company-wide talent management and business continuity mapping and action plans

2. EXCHANGE RATE EXPOSURE

As approximately half of the group's revenue and profit is generated in foreign currencies, the group is exposed to the volatility and fluctuation of the Rand against major currencies.

Related risks	Risk mitigation
• Imported raw materials, semi-finished and finished products can be exposed to rising forex related input costs (transaction effects) • Foreign revenues being converted into the reporting currency, Rand, could impact negatively on margin and profitability (translation effects)	• International growth is integral to the group's strategy • Offshore earnings (all in hard currencies) provide a natural hedge against Rand volatility • Earnings increasingly diversified into hard currencies • Forward cover hedging policy with all foreign commitments 100% hedged in the short-term and long-term. Forecast commitments partially hedged • Group Treasury function established, treasury management system implemented

3. CASH FLOW AND LIQUIDITY

Building the group's business is dependent on strong cash flow management and long-term liquidity.

Related risks	Risk mitigation
• Inaccurate cash flow forecasts • Lack of liquidity to fund growth • Inability to service long-term debt • Non-compliance with lenders' covenants • Limited capacity to meet vendor payment obligations • Delays on creditor payments • Adverse trading terms and limited supply of goods and services	• Regular and accurate measuring of cash flow forecasts • Long-term planning and setting of goals for debt gearing • Limit scope of acquisitions on the group's funding capacity • Weekly and monthly working capital management targets and tracking • Establish free cash flow targets for each business unit • Build credibility and long-term relations with debt funders • Manage the dividend policy within the constraints of the group's liquidity and cash flow

4. CHANGES IN TECHNOLOGY AND SECURITY

Related risks	Risk mitigation
• Data protection • Breaches of stakeholder privacy and losses of stakeholder data • Cyber crime • Legal liability and reputational damage • Loss of intellectual property • Poor systems architecture	• Policies to address data security risks • Robust IT security governance and processes; user awareness • Data security and IT audits • Secure data management and control processes • Enterprise appropriate and secure group systems readily available and high levels of management and control processes in place • IT steering committee determines IT strategic initiatives • Cyber insurance cover • Centralisation of IT controls and systems

5. HUMAN CAPITAL

Attracting and retaining scarce and skilled talent in the healthcare sector is key to the sustainability of the group and the delivery of its strategy.

Related risks	Risk mitigation
• Healthcare staff are in high demand both locally and internationally • Lack of skills as few companies focus on both the interventative and preventative healthcare sectors • Skills shortage in healthcare increases employee mobility • Entrepreneurial founder-owners of businesses acquired by Ascendis are not familiar with operating within a more corporatised structure • Lack of transformation and diversity in the South African operations could impact on ability to attract and retain business, and also cause reputational damage	• Competitive remuneration packages and incentives schemes, with new long-term share incentive scheme implemented from July 2018 • Salary benchmarking surveys • Investment in training and development • Creating environment where entrepreneurs can benefit from the centralised group services functions • Restraints and/or non-compete agreements with former owners • Committed to B-BBEE development and improvement in rating • Effective corporate values and ethos established

6. ECONOMIC AND TRADING ENVIRONMENT

Economic and trading conditions in the group's countries of operation or planned markets for entry could negatively impact on revenue and profitability.

Related risks	Risk mitigation
• Poor economic conditions in SA reducing consumer spending • Unfavourable cycles (for example, climatic conditions) impacting a particular sector, although not the economy as a whole • Political instability • Increase in raw material costs	• Healthcare markets in which the group operates are resilient and defensive • Preventative care (such as wellness, nutraceuticals and sports nutrition) being promoted worldwide via health insurance providers, governments and through consumer choice • Geographic diversification of countries of operation, product groups, markets, routes to market and sources of revenue provide a hedge against poor economic and trading conditions

7. REGULATION

Ascendis Health supports the objective for healthcare markets to be regulated to ensure compliance and product safety for consumers as well as environmental protection.

Related risks	Risk mitigation
• Regulation could impact on revenue and margin due to legislated price intervention • Regulation could reduce consumer choice • Restrictive regulations could limit the ability to sell and bring new products to market, for example complementary and alternative medicine regulations in South Africa • Restrictions on sales into sanctioned countries	• Ongoing engagement with regulators in all countries of operation • Focus on high quality of products and production processes • Reformulation and registration of product dossiers if required • Dynamic new product development • Established regulatory departments in key business units across the group with synergies and knowledge sharing

8. PRODUCT INTEGRITY

As a healthcare business it is essential that products are manufactured to the highest standards to ensure product safety, customer satisfaction and trust in the brands.

Related risks	Risk mitigation
• Poor product quality could cause negative side-effects at consumer or patient level • Customer claims from product failure could result in financial losses and reputational damage • Product recalls owing to poor standards would negatively impact on trust in the brand as well as profitability of the group	• Outsourced manufacturing to Good Manufacturing Practice (GMP) compliant third parties is the preferred source of production • Ensure suppliers comply with international quality, health and safety standards, and ethical practices • Regular site visits and audits of third-party supplier facilities • GMP focus, certification and quality assurance programmes at all in-house manufacturing facilities • Adequate insurance cover for product recalls and possible product liability

MANAGING STAKEHOLDER RELATIONSHIPS

Proactive and ongoing interaction with key stakeholders supports sustainable value creation and allows the group to identify and address risks and opportunities. While the group engages with an extensive range of stakeholders that have a direct or indirect impact on the business, the engagement programme focuses on seven stakeholder groups that are most likely to have a material influence on the business.

STAKEHOLDER	ENGAGEMENT ISSUES, NEEDS AND CONCERNS IN 2018	ADDRESSING ENGAGEMENT ISSUES IN 2018
Shareholders Institutional, strategic (including Coast2Coast Capital, IFC, Kefolile Health Investments, Mineworkers Investment Company and WDB Investment Holdings) and private investors, as well as fund managers and analysts in South Africa and offshore	› Trading environments in countries of operation › Low levels of organic growth › Acquisition strategy › Relationship with Coast2Coast › Underperformance of Scitec › Gearing levels and funding › Cash and working capital management › Earnings growth prospects › Appointment of new CEO › Strategic business review › Divestment of non-core assets	› Investor expectations and concerns addressed in pre-closed period presentations, annual and interim results presentations in Cape Town and Johannesburg, webcast of results presentations, and integrated report › Commissioned independent investor perception audit to gauge market views of the company among South African and offshore investors › Post-results investor roadshows undertaken in South Africa and offshore › Participated in four broker-hosted conferences › Ongoing engagement with investors outside of closed periods › Regular Stock Exchange News Service (SENS) announcements › Investor relations consultancy advises on investor engagement strategy
Lenders and funders Local and international financial institutions who provide capital to facilitate growth	› Challenging current trading environment › Governance and risk management › Gearing levels and funding › Cash management › Earnings growth prospects › Adherence to covenants	› Reporting on covenants and forward projections provided to lenders and funders › Ongoing engagement with funders and lenders, with update meetings post interim and annual results › Implementation of cash, capital and investment governance process › Implementation of treasury management system
Customers Multiple customer channels including retail, beauty salons, pharmacies, dispensing doctors, wholesale, hospitals, agents and distributors, state entities via tenders, pet and veterinary stores and online	› Product quality and effectiveness › Pricing and payment terms › Product innovation › Product availability › Service levels	› Key account management › Customer conferences › Interaction with purchasing departments › Monitoring and improvements of in-fill rates and other service level indicators › Ongoing search for suitable new agents and distributors › Product education › Restructuring SA based manufacturing operations (in-house and outsourced)

STAKEHOLDER	ENGAGEMENT ISSUES, NEEDS AND CONCERNS IN 2018	ADDRESSING ENGAGEMENT ISSUES IN 2018
Consumers End users of products and brands	- Product quality and effectiveness - Product safety - Competitive pricing - Product availability	- Marketing and brand awareness - New product launches - Usage advice and guidance
Suppliers Providers of finished products, active pharmaceutical ingredients and raw materials, packaging and services	- Reviewing and renewal of contracts - Security of supply - Compliance with health and safety and ethical procurement standards - Fair pricing structure and timely payments - Transparent tender process	- Supplier site visits - Audits of supplier production facilities - Engagement on regulatory matters - Development of BEE suppliers in South Africa which has improved preferential procurement rating
Regulators Departments of health and other government departments, regulatory bodies and local authorities in all jurisdictions. As a company listed in South Africa, Ascendis Health is regulated by the JSE	- Legislative and regulatory compliance - Submission of statutory returns - Registration of products and licences to trade - Inspection and registration of production facilities - Poor payment record, impacts cash flow	- Ongoing engagement with healthcare regulatory bodies in all jurisdictions - Audit and site inspections by regulatory authorities - Engagement with financial and tax authorities in new countries of operation - Membership of industry associations - Training on regulatory, compliance and governance developments, including King IV and changes to JSE Listings Requirements - Established group tax department - Developed transfer pricing policy - Established group environmental, health and safety function
Employees Ascendis staff across all countries of operation	- Competitive remuneration and benefits - Short-term (STI) and long-term incentive (LTI) schemes - Career path planning and development - Training and skills development - Fair labour practices with equal opportunities - Retention rates - Employee communication and engagement	- Annual salary and rewards benchmarking surveys undertaken by remuneration consultants - R17 million invested in training and skills development across the group to increase capabilities - Staff turnover 8.3% (2017: 15%) - New LTI scheme launched in August 2018 - Post year end, new roles of Group Head of Human Resources and Group Head of Communications created

CHAIRMAN'S LETTER

DEAR FELLOW SHAREHOLDERS

Governance has been one of the dominant themes on the corporate agenda in South Africa over the past year, not only in response to high-profile breaches of governance but also more specifically for the transition to the new King Report on Corporate Governance South Africa (King lV).

We welcome the new code as it aligns with the significant local and international corporate governance and regulatory developments since the predecessor code King III came into being in 2009. We believe that King lV places South Africa's corporate governance sector at the forefront of global governance practice.

Governance practices and processes across the group have accordingly been aligned with King IV and the directors confirm that Ascendis has in all material respects applied the principles of the new code.

The past year has also been one of change and renewal for Ascendis, including the appointment of Thomas Thomsen as CEO to replace Dr Karsten Wellner who led the group since 2011.

Thomas' appointment was part of a phased succession plan initiated when he was recruited to the group as chief operating officer in 2017. He has widespread operational and management experience in the global consumer healthcare and pharmaceutical markets, and the board is confident in his ability to drive the future strategy and next growth phase of Ascendis.

On behalf of the board I thank Karsten for his outstanding contribution in leading the group over the past seven years. During this time he led the listing of Ascendis on the main board of the JSE and the growth of the business into a leading healthcare company with annual revenue of close to R8 billion and more than 3 800 employees globally. We will miss Karsten's unrivalled energy, passion and commitment and wish him well in the next phase of his career.

Cliff Sampson, the managing director of the South African operations, retired in June 2018 and we thank him for his leadership of the local business over the past three years. Both Karsten and Cliff stepped down as executive directors from the board at the end of the financial year.

We welcomed Dr Yoza Jekwa as a non-executive director in June 2018 and look forward to benefiting from her contribution. A medical doctor, Yoza has extensive experience in financial services and is currently a director of Coast2Coast Capital. At the same time we said farewell to another stalwart when Cris Dillon resigned as a non-executive director. Cris co-founded Ascendis together with Gary Shayne in 2008 and the board thanks him for his contribution over the past decade.

After the end of the reporting period, George Sebulela was appointed as an independent non-executive director with effect from 2 October 2018.

In our view diversity and transformation are critical for effective and balanced decision-making in the boardroom. Currently 43% of the non-executive directors are female and 71% of the non-executive directors are black. A board gender and race diversity policy affirms our ongoing commitment to transformation.

An independent assessment of the board was commissioned during the year to determine the independence of the non-executive directors. The outcome confirmed that four non-executive directors are correctly classified as independent and that the board representatives of Coast2Coast Capital, a material shareholder of Ascendis, are categorised as non-executive directors.

In May this year Ascendis became the first healthcare company in South Africa to secure a secondary listing on the A2X Markets stock exchange, offering investors the option to trade the company's shares on either the JSE or A2X. The A2X exchange offers lower trading costs for investors and presents an opportunity to attract potential new investors and broaden our shareholder base.

The group's black economic empowerment shareholding is now 31.8% which includes our strategic investment partners Kefolile Health Investments (6.8% shareholding), WBD Investment Holdings (5.2% shareholding) and the Mineworkers Investment Company (4.5% shareholding). Black female ownership is now 14.4%.

Our ongoing commitment to transformation in the South African context is reflected in Ascendis being verified as a level 8 B-BBEE contributor in 2017. The annual verification for 2018 is currently under way and management is confident of improving to a level 6 rating. The social and ethics committee of the board has mandated the management team to aim to achieve a level 4 rating over the next three years, with a particular focus on preferential procurement and employment equity.

Shareholders will note the group's financial performance where revenue increased by 21% to R7.7 billion, with the international businesses accounting for 48% of total revenue. Normalised headline earnings grew 14% to R738 million while normalised headline earnings per share increased 2% to 159.7 cents, impacted by the increased shares in issue for the rights issue and private placements earlier in the year.

The group has reported a marked improvement in cash management, with the cash conversion ratio improving from 70% to 92%. The directors elected not to declare a dividend this year and to rather retain the cash to settle debt obligations and improve gearing. The financial performance is analysed in the Chief Financial Officer's Report on page 18.

However, the board acknowledges various strategic, operational and financial challenges facing the group. Following Thomas' appointment as CEO in March 2018 we initiated a business review to critically evaluate the current strategy and business model with the goal of driving sustainable organic revenue and profit growth.

After the year end the group announced the new strategy, including identifying new core focus sectors, plans to adopt a single global operating model and the divestment of strategic non-core assets. The new strategic focus is covered in detail by Thomas in his Chief Executive Officer's Report which follows on page 16.

The year ahead promises to be an exciting period for Ascendis as we implement the new strategic focus and adapt our business model. We are also acutely aware of the potential risks and challenges that we face in this process, but the board has every confidence in the management team's ability to deliver the 'new' Ascendis Health.

In closing, thank you to Thomas Thomsen, Kieron Futter and the executive team for their dedicated leadership as well as our staff across the world for their ongoing commitment. My fellow non-executive directors add significant value through their active contribution to board affairs and I thank them for their support.

I also thank our shareholders for your continued investment and we welcome those who invested in Ascendis Health for the first time in 2018.

Sincerely

John Bester
Independent non-executive chairman

CHIEF EXECUTIVE OFFICER'S REPORT

It is a pleasure to report to shareholders for the first time following my appointment as Chief Executive Officer of Ascendis Health in March 2018. I thank the board of directors for their confidence in appointing me and I look forward to meeting and exceeding the expectations of stakeholders in my new role.

2018 IN REVIEW

2018 has been a year of mixed fortunes. Our European businesses posted a 35% increase in reported revenue and comparable organic revenue growth of 12%, with Remedica (Cyprus) and Sun Wave Pharma (Romania) continuing to grow in strong double digits. The turnaround programme in our underperforming sports nutrition business Scitec is showing encouraging early results. Low economic growth and pressure on consumer spending impacted the performance of the South African businesses. Reported revenue grew by 10% while comparable organic revenue growth was flat year-on-year. Overall organic revenue growth for the group was 5%, below our targeted level of 10%.

Cash management improved strongly, reflected in the cash conversion rate increasing from 70% to 92%, with a reduction in our gross leverage position. We completed the strategic acquisition of Kyron Laboratories in March 2018 which is already benefiting our animal health business.

The performance for the year translated into 14% growth in normalised headline earnings. Normalised headline earnings per share were 2% higher, impacted by the share dilution from the rights issue and private placements during the year.

Shortly before year-end we completed a strategic business review and developed a new strategic focus which will lay the foundation for the 'new' Ascendis Health.

NEW STRATEGIC FOCUS

Rationale

The strategic review process spanned four months and was aimed at creating a sustainable market position, accelerating organic revenue growth, improving cash generation and enhancing profitability.

After completing the review, we acknowledged that it was not an option to maintain the status quo and that a complete change was required to drive sustainable, profitable and targeted growth.

Through the review process we identified the need for Ascendis Health to become more strategically focused by strengthening the core of the business to facilitate scale and higher returns, while becoming more customer and people centric.

Our new strategy aims to address challenges and build on our strengths, of which there are many. Ascendis has a market-leading brand and product portfolio, extensive intellectual property and proprietary assets, enduring customer relationships, successful business units and, most importantly, exceptional and passionate people.

Strengthening core focus

Pharma and Consumer Healthcare have been identified as the group's core focus areas. We believe that increasing our focus on Pharma and Consumer Healthcare will strengthen the group's market position by building on our globally competitive positions in these attractive sectors. We will also make selective strategic acquisitions over time to complement these core businesses.

The Medical Devices and Animal Health divisions will be key to our portfolio and complement our core businesses. We will also look for opportunities to strengthen and scale these businesses to continue to provide stable returns.

Our geographic expansion will focus mainly on strengthening the group's current foothold in Europe, the Middle East and Africa. We will, however, be expanding selectively and entering other regions.

Four senior executives have been hired to strengthen the group's leadership and capability to execute the strategy, and we are also looking to promote internal talent.

Global operating model

Following the adoption of the new focused strategy, the group's operating model will move from the current geographic structure, focused on South Africa and Europe, to a global divisional model comprising Pharma, Consumer Healthcare, Medical Devices and Animal Health. We believe this structure will better meet consumer and customer needs, create economies of scale and maximise competitive advantages. A single global operating model will reduce complexity and allow for a clear strategy with faster decision-making and greater accountability.

Non-core divestments

Strategic non-core businesses are being divested to ensure greater focus on our core operations. The Biosciences business, which includes Avima/KlubM5, Efekto, Afrikelp and Marltons, has been identified as non-core and the logical next step is to divest from this business. While Biosciences is performing well and accounts for 12% of group revenue, it serves different customers and requires capabilities and skills which are not core to Ascendis Health.

Ascendis Sports Nutrition, which housed the five South African sports nutrition brands, was sold for R54 million. The group's direct selling and network marketing business, Ascendis Direct, was sold for R40 million. We are in the final stages of concluding an agreement for the sale of the group's pharmaceutical manufacturing plant in Isando, Gauteng. We plan to use part of the proceeds from the sale of the Isando facility to upgrade production efficiency at the group's other manufacturing plants.

Following the sale of the South African sports nutrition business, the group's strategy in this market will focus solely on the biggest brand, Scitec. Hungary-based Scitec was introduced into South Africa in early 2016 and exports products to over 50 countries. The turnaround plan to address the under-performance at Scitec is gaining momentum.

Core divisional strategies

Our growth strategy will be driven by five core strategies which will be consistently implemented across the four business divisions:

- Creating focused portfolio and winning brands
- Selecting power geographies, customers and channels
- Driving commercial excellence
- Improving operational efficiency
- Developing world-class leaders who learn

Enhancing governance

Governance has been significantly improved by introducing four management committees to better manage performance through clearer accountability, rigour and speed of decision-making, and transparency. These are the executive committee, divisional management committee, capital, cash and investment committee, and the innovation forum.

Financial targets and returns

The new strategic focus is targeted to generate annual organic revenue growth of 7% to 10% and EBITDA growth of 22% to 25% by the 2023 financial year. Detailed information on the group's value-creating business model and targeted performance for 2023 is contained in the Group Strategy and Business Model report on pages 6 and 7.

OUR PURPOSE AND OUR VISION

As part of our strategic review we also sought to clarify the identity and purpose of Ascendis Health. We recognise that we are in the people business, not only in terms of consumers, patients and our customers, but also our own people. This is reflected in our newly defined Purpose:

"***We believe that a healthy life is a happy life. So we work to understand people's lives and needs to provide the best offerings that promote their health and well-being.***"

Our Vision is connected to our Purpose and encapsulates our corporate aspiration:

"*To be people's first choice on their health and well-being journey.*"

APPRECIATION

Thank you to my predecessor Dr Karsten Wellner for his unwavering commitment to Ascendis over several years. I thank my fellow directors for their support, particularly in the development of our new strategy, and my executive committee colleagues who have embraced the company's new direction. Our staff across the globe make Ascendis Health a world-class company and I look forward to their ongoing dedication as we move into an exciting new era.

Thomas Thomsen
Chief executive officer

CHIEF FINANCIAL OFFICER'S REPORT

The performance for 2018 can best be described as a tale of two regions, with the high growth European businesses Remedica and Sun Wave Pharma delivering strong growth while also providing a hedge against the weakening Rand. International now accounts for 48% of the group's total sales.

The group's results were tempered by the constrained economic and consumer environment in South Africa, with growth significantly slower than their offshore peers.

One of the highlights of the group's performance was the marked improvement in the cash conversion rate. After reaching 70% for the 2017 financial year, the conversion rate fell to 50% at the half year mark before recovering to 92% at year end as a result of an intense focus across the group on reducing working capital days. Great strides were made in particular with debtor collections and inventory level optimisation.

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.

The directors have elected not to declare a dividend for the 2018 financial year and to retain the cash to settle debt obligations and improve gearing.

PERFORMANCE AGAINST TARGETS IN 2018

The group provided guidance to investors on the anticipated performance for the 2018 financial year across five key metrics. The cash conversion target was exceeded, with the EBITDA margin and gearing levels being within the targeted ranges. While organic revenue growth and net working capital days have both improved over the previous year, these metrics remain outside the guided performance.

	FY2018 Guidance	FY2018 Actual
Organic revenue growth (%)	c10%	5.0%
EBITDA margin (%)	17-18%	17.3%
Net working capital (days)	125	138
Cash conversion (%)	75%	92%
Gearing (net debt: EBITDA)	3.4	3.4

FINANCIAL PERFORMANCE

The review of the financial performance for the year ended 30 June 2018 focuses on key line items of the group's statements of comprehensive income and financial position. The following commentary should be read together with the audited summarised annual financial statements on pages 52 to 69. The audited annual financial statements are available on the website: www.ascendishealth.com.

Following a strategic review of the business the board identified certain non-core assets to be disposed. After the end of the reporting period, Ascendis Direct and Ascendis Sports Nutrition in South Africa were sold and have been disclosed as discontinued operations in the current year.

In the 2017 annual financial statements the group's pharmaceutical manufacturing plant in Wynberg, Gauteng, was disclosed as a discontinued operation and the relevant assets and liabilities were classified as being held for sale. However, following the strategic review the board has undertaken to retain this asset and to rather dispose of the pharmaceutical manufacturing facility at Isando, Gauteng. The discontinued operation as disclosed in the 2017 financial year will no longer be disposed of and the losses are included in continuing operations, with the comparatives being restated.

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 to better reflect the group's operational performance.

STATEMENT OF COMPREHENSIVE INCOME

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 new product launches in Remedica (Cyprus) and acquisition of Sun Wave Pharma (Romania). Revenue generated in South Africa grew by 10%.

Segmental performance	Pharma-Med	Consumer Brands	Phyto-Vet
Revenue	R3 980m	R2 491m	R1 265m
Revenue growth	12%	29%	37%
Revenue contribution	51%	32%	17%
EBITDA	R914m	R304m	R205m
EBITDA growth	19%	2%	46%
EBITDA margin	23%	12%	16%
EBITDA contribution	64%	21%	15%

The Pharma-Med division is the largest contributor to group revenue at 51%, with Consumer Brands accounting for 32% and Phyto-Vet 17% of revenue.

Pharma-Med increased revenue by 12% to R3 980 million, with Remedica increasing comparable revenue by 18% with good growth in South East Asia and the Middle East. EBITDA in Pharma-Med increased by 19% to R914 million.

Consumer Brands grew revenue by 29% to R2 491 million and EBITDA by 2%. Sun Wave Pharma performed extremely well in its first full year in the group, increasing comparable revenue by 44% and comparable EBITDA by 27%. Scitec reported lower revenue and profit as the business was impacted by strong competition mainly in Western Europe. In the South African business, revenue and profit were flat, impacted by the weak consumer environment.

Revenue in Phyto-Vet increased by 37% to R1 265 million and EBITDA by 46%, benefiting from the acquisition of animal health company Kyron Laboratories ("Kyron") in March 2018.

The group's revenue is well diversified across currencies, markets, sales channels and customer groups, with no single customer accounting for more than 3% of sales.

The gross margin strengthened by 330 basis points to 44.8%, mainly due to the acquisitions of higher margin businesses Sun Wave Pharma, Cipla Vet, Cipla Agrimed and Kyron.

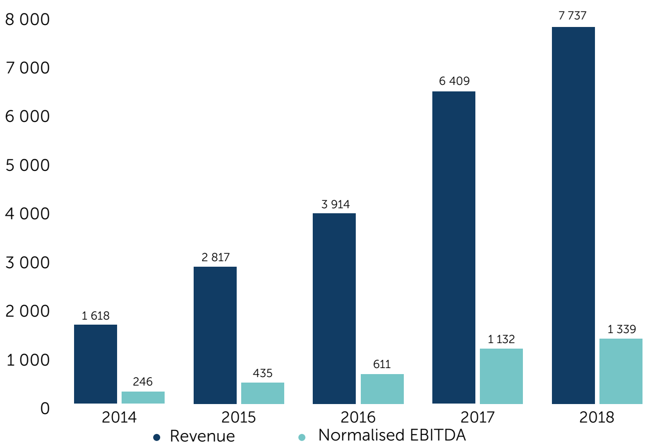
Normalised operating expenses grew by 36%. The costs from businesses acquired in 2017 and 2018 account for the majority of the increase, while the group has also increased its investment in marketing.

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.

Net finance costs increased by 34% to R376 million as a result of the higher gearing, particularly for the funding of the international acquisitions.

Tax paid decreased by 10% to R82 million. The group's effective tax rate reduced to 12.1% (2017: 15.3%) owing mainly to lower foreign tax rates and state tax incentives in Spain for research and development undertaken by Farmalider.

Revenue and normalised EBITDA (R'm)

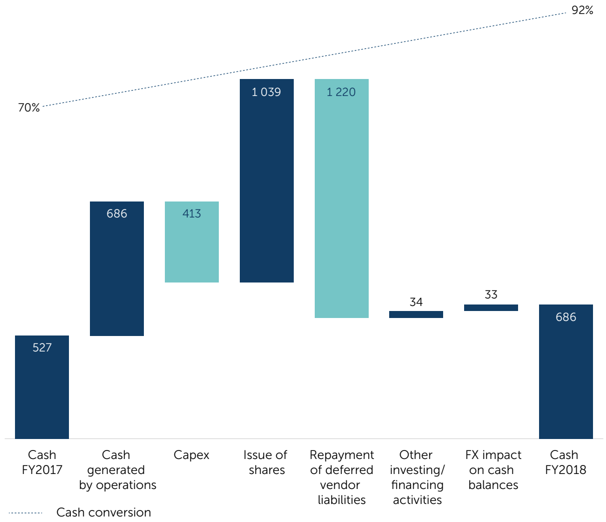


Note: FY2017 and FY2018 is revenue for continuing operations only

STATEMENT OF FINANCIAL POSITION

Net working capital days reduced from 147 to 138 days as all three components improved over the previous year. Inventory days reduced through stock optimisation and SKU rationalisation projects across all business units, together with improved forecasting and procurement. Aggressive collection of debts, particularly from the state departments in South Africa, reduced debtor days while more favourable payment terms have been negotiated with creditors. Net working capital as a percentage of revenue improved to 31% from 38% in the previous year.

Cash and cash conversion, FY2017-FY2018, (R'm)



The increase in the cash conversion ratio to 92% was driven by the improvement in net working capital. Cash generated from operations increased by 56% to R1.2 billion and at year end the group's cash and cash equivalents totalled R686 million.

Vendor debt of R1.5 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 group's gross leverage, being net debt including deferred vendor liabilities, reduced from 5.0 to 4.4 times. 70% of the group's debt is Euro denominated. The weighted average cost of debt has been reduced to 6.3%.

APPRECIATION

Thank you to our shareholders and funders for your continued support, and to the investment community locally and internationally for your positive engagement with the group. I would also like to thank our group finance team as well as the finance teams in our subsidiary companies in South Africa and offshore for their support and commitment.

Kieron Futter
Chief Financial Officer

RCA
Remedica FOR A HEALTHIER WORLD
Aremed
BRUNAZINE ELIXIR
ACTAMOL TABLETS
Fisher&Paykel HEALTHCARE
CanexT
Biosulin 30/70
CORNING
BAYER
CLAVOMID
Biosulin L
Ortho Clinical Diagnostics
Aspirem 75
The Scientific Group
Sinucon
ORTHOFIX
ZINALLERG
PHLEXY
DIPHENAMILL SYRUP
PolyNovo
Fungifex
Reuterina
farmalíder GROUP
DemeTECH "A Trusted Name in Medicine"
SAKURA
IMAREM
CODOMILL COUGH-SYRUP
ORTHO-XACT
BD Advancing the world of health
OLYMPUS
Surgical Innovations
VICTOR MEDICAL
Biosulin N
MAQUET GETINGE GROUP
Pharmadol TABLETS

PHARMA-MED

REMEDICA

€'m	June 2018	June 2017*	% change
Revenue	87	74	18%
EBITDA	28	22	26%
EBITDA margin	32.4%	30.2%	
RONA	29%		

FARMALIDER

€'m	June 2018	June 2017	% change
Revenue	36	32	13%
EBITDA	6	6	11%
EBITDA margin	17.5%	17.9%	
RONA	41%		

PHARMA-MED (SA)

R'm	June 2018	June 2017**	% change
Revenue	2 261	2 338	(3%)
EBITDA	390	387	1%
EBITDA margin	17.3%	16.5%	
RONA	42%		

* Including one month of revenue and earnings prior to acquisition
** Including Ortho-Xact prior to acquisition

Ascendis Pharma develops, manufactures, sells and distributes generic pharmaceuticals and OTC products to government hospitals, non-governmental organisations, private hospital groups, other pharmaceutical companies, pharmaceutical wholesalers, dispensing doctors, pharmacy groups and independent pharmacies in more than 100 countries worldwide. The division comprises Remedica (Cyprus), Farmalider (Spain) and the South African pharma business.

Ascendis Medical comprises Surgical Innovations, the market leader in medical devices, Respiratory Care Africa (equipment for hospitals), The Scientific Group (diagnostic products) and Ortho-Xact (orthopaedic products). The business offers turnkey solutions for specialist surgeons, state and private hospitals through the supply of consumable and implantable products for clinical use.

REVIEW OF 2018

Ascendis Pharma South Africa continued to drive growth in key OTC and generic therapeutic areas of cough and cold, pain, gastrointestinal and anti-infective medication. Growth in the private sector business of 12%, which was 4% ahead of the market, was driven by a strong performance in cough and cold, gastrointestinal and pain. Phlexy, the first-to-market generic in epilepsy, continued to show strong growth. In the public sector, low margin tender products were discontinued and increased focus on higher margin lines. Several non-strategic dormant and tail-end dossiers and products were divested during the year.

Remedica develops, manufactures and sells over 300 generic pharmaceuticals in over 30 different therapeutic classes to more than 100 countries worldwide. The products are sold in the private sector via a network of selected representatives to high growth emerging markets. The company also sells to many NGO's. The company also out-licences certain key products and contract manufactures for a limited number of customers. Over 50 new dossiers were registered which positions the business well for future product expansion.

The business has five GMP accredited manufacturing facilities, including a world-class oncology facility. Remedica continues to build a strong pipeline of speciality generic drugs in key therapeutic classes. Renewed emphasis on sustainable manufacturing progressed well which reduced energy consumption and increased our green footprint.

Farmalider licences and manufactures specialised pharmaceutical products targeting pain management in Spain and the rest of Europe. Well-known brands include Vitalcare, Dentacare, Farmamix and Enol.

The global shortage risk of Ibuprofen API was mitigated through strategic procurement planning. Manufacturing partner pricing and supply capacity challenges were well managed during the year as additional supplier partnerships were established.

Ascendis Medical increased market share in the private and public sector markets and is the biggest medical devices business in South Africa. The business integration across the four component companies progressed well and will be completed in December 2018. This will enhance operational efficiencies and further drive market penetration. The integration has to date realised an additional R12 million in EBITDA. Surgical Innovations made a strong contribution to the positive growth this year and celebrated 20 successful years in the industry. Ortho-Xact, acquired in 2017, has been successfully integrated and is now a fully diversified orthopaedic business with a footprint in trauma and reconstruction. One of the key successes this year was the launch of an own brand range.

FINANCIAL PERFORMANCE

Remedica delivered strong revenue growth of 18% driven by growth in South East Asia and the Middle East, out-licencing revenue growth of 87% and 7 new product launches in Q1 2018. Revenue from the NGO sector increased by 29% compared to the prior year.

Renewed emphasis on cost management through improved net working capital management through improved debtor collections and creditor term negotiations. Reduced payroll delivered cost savings. Continued emphasis on increased business process automation has further contributed to savings and efficiencies within production. EBITDA grew by 26% and EBITDA margin improved to 32%

Farmalider delivered robust revenue growth of 13% driven mainly by organic growth in OTC, and in scripted products such as Paracetemol and Ibuprofen tablets and suspension. Revenue growth from licenced products Ibuprofen IV, Ibuprofen Sticks and Sildenafil further contributed. EBITDA margin was flat due to the global Ibuprofen API shortage and outsource supplier breach. EBITDA grew by 11%.

Pharma-Med (SA) revenues declined marginally owing to lower volumes in the SA pharma public sector as a result of the discontinuation of lower margin products and rationalisation of tail-end and dormant dossiers. The private sector business grew at 12%, 4% ahead of the market. Sale of the manufacturing operation in Isando has progressed.

The Medical Devices business benefited from the successful integration of the orthopaedic business purchased in 2017, boosting revenue. Emphasis on net working capital improvements continued to deliver gains during the year.

OUTLOOK FOR 2019

Pharma-Med is well positioned to deliver sustained growth for the group. Ascendis Pharma South Africa has refocused efforts to drive key OTC brands, improve margins in the public sector and deliver several new product launches. The African expansion project which was launched last year will result in several key dossier registrations in SADC countries and West Africa.

Remedica will continue to focus on organic growth. Regulatory compliance, as the industry landscape changes, presents a key opportunity in the public sector. The creation and maintenance of a healthy new product pipeline remains a strategic focus area. Further opportunities in vertical integration in the supply chain are underway.

Farmalider will continue to drive expansion of strategic products in select EU territories. Innovation in the areas of pain, treatment of erectile dysfunction, opthalmic products and other key therapeutic areas in the OTC category remains a key development area. Increased in-house manufacturing capacity will further drive margin improvement.

CONSUMER BRANDS

Consumer Brands comprises a portfolio of market-leading owned brands targeting preventative health, health supplements, wellness, sports nutrition and skin care markets.

***Wellness** brands target the nutraceuticals, vitamins, health supplements and minerals markets. In South Africa, the leading brands include Solal, Vitaforce, Bettaway, Menacal, Chela-Fer and Chela-Preg.*

***Sun Wave Pharma** is a leading nutraceutical and over-the-counter (OTC) brand in Romania. The products are sold through multiple distribution channels including retailers, pharmacies, wholesalers and health shops.*

***Sports Nutrition** manufactures, distributes, exports and markets the Scitec brand, targeting consumers seeking optimum performance and health.*

*The **Skin and Body** division specialises in advanced professional skin and body care. The portfolio comprises three owned brands: Nimue Technology, a well- established advanced professional skin care brand; Age Well, a newly launched specialised retail and online brand; and Solal Skin, an extension of the premium Solal nutraceutical brand into the pharmacy retail sector.*

CONSUMER BRANDS (SA)

R'm	June 2018	June 2017	% change
Revenue	918	917	-
EBITDA	91	117	(23%)
EBITDA margin	9.9%	12.8%	
RONA	19%		

SCITEC

€'m	June 2018	June 2017*	% change
Revenue	85	93	(9%)
EBITDA	6	12	(46%)
EBITDA margin	7.6%	12.8%	
RONA	17%		

SUN WAVE PHARMA

€'m	June 2018	June 2017**	% change
Revenue	36	25	44%
EBITDA	8	6	27%
EBITDA margin	21.8%	24.8%	
RONA	41%		

* Including 1 month of revenue and earnings prior to acquisition
** Including 11 months of revenue and earnings prior to acquisition

REVIEW OF 2018

During 2018 the Wellness division launched seven new products, contributing to overall growth for the year. MenaCal and Vitaforce recorded double digit sales growth although overall sales were hampered due to production and supply issues. The regulatory team made good progress towards meeting the new complementary and alternative medicines (CAM) regulations compliance deadlines. Marketing investment was increased, focused on Solal, with new packaging, branded store fixtures and extensive social media and digital marketing, contributing to the Solal market share increasing to 25.2%. In the expert channel our efforts to drive recommendation

CONSUMER BRANDS (CONTINUED)

with health care professionals was successful as the newly launched Chela-Preg trimester range became the number one scripted brand in the pregnancy category. The contracts business expanded and is positioned well for future growth. The compounding pharmacy team continued to provide specialised solutions for patients in the area of functional medicine.

Sun Wave Pharma delivered revenue growth of 44%, driven by the launch of nine new products in the respiratory and derma divisions. Ongoing emphasis on team motivational training and skills development, as well as the appointment of 24 new sales personnel, continues to drive market share growth. Sun Wave is the top nutraceutical brand in its home market of Romania.

The Sports Nutrition business faced ongoing headwinds including continued whey protein price pressures and increasing competition. Volumes were lower than expected due to strong competition from the online channel in western Europe. Growth was achieved in the distributer markets and in contract manufacturing. Significant progress was made by the newly appointed management team in formulating a turnaround plan to drive increased strategic focus. In Europe, the online launch into five key markets positions the business well for further growth in this channel. In the retail sector, our entry into mass retail was successful and continues to grow. Significant progress was made during the year towards brand development and innovation planning.

The Skin and Body division was impacted by the weak consumer environment in South Africa. The division delivered stable growth rates and significantly improved profitability through improved gross margin. Forex pressure driven by the weakening Rand was partially offset by reduced production costs and procurement efficiencies. The division launched its first specialised retail brand, Age Well, in partnership with a large South African based clothing retail group. Solal Skin continued to perform well in the pharmacy channel in South Africa.

FINANCIAL PERFORMANCE

The South African consumer business was affected by lower discretionary spend in the first half of 2018 resulting in low revenue growth for the region. Within the Wellness business, MenaCal and Vitaforce have shown double digit sales growth and market share increases. Within Skin and Body, aggressive expansion in South Africa and the United Kingdom continued focusing on new distribution opportunities. Low margin agency brands were discontinued in Q4 2018 to focus on higher margin core brands.

EBITDA declined by 23% driven by lower volumes and one-off discontinuation costs. Aggressive cost management initiatives, and the benefit of focus on higher margin core brands will improve overall EBITDA performance in the coming year.

Scitec reported lower revenue and profit as the business was impacted by strong competition from online in Western Europe resulting in lower volumes. The recovery in global whey protein prices contributed to an improved gross profit margin. The turnaround plan kicked off in the second half of 2018 and restructuring has resulted in 15% reduction in indirect staff. Further investment in key account management capability and increased marketing support to build brand equity is expected to drive volume growth in the new year.

Sun Wave Pharma had a stellar year with strong revenue growth of 44% and strengthened its number one market share position in the nutraceutical market in Romania. This was in part driven by the successful launch of nine new products representing 5% of the growth. Double digit growth in Cardio, Derma, Gastro, Neuro and Respiratory added further impetus. EBITDA grew by 27% positively impacting the overall consumer business.

OUTLOOK FOR 2019

Consumer Brands will continue to invest in branded solutions for the growing consumer trend towards increased health, wellness and sports lifestyle. Increased marketing investment in the leading specialised brands will drive organic growth in focused market segments and territories. Our innovation planning has accelerated and a number of strategic product launches have been planned for the new year from Solal, Scitec and Nimue. Significant emphasis will be placed on improving service levels, further strengthening procurement efficiency, enhancing customer focus and improving overall consumer focus. Marketing investment will be increased significantly to drive consumer engagement, with a particular emphasis on digital.

B-CO BOLIC | EZE-GRAZE POWDER | Bantik | Pegaforte Oral Paste | BABEX

MAXITET 13.5% | Deca-Sure | ENDO+LINT | DB 0,5 | Syntex

Bantik | Pegaforte Oral Paste | BABEX | B-CO BOLIC | EZE-GRAZE POWDER

ENDO+LINT | DB 0,5 | Syntex | MAXITET 13.5% | Deca-Sure

B-CO BOLIC | EZE-GRAZE POWDER | Bantik | Pegaforte Oral Paste | BABEX

PHYTO-VET

ANIMAL HEALTH

R'm	June 2018	June 2017*	% change
Revenue	370	305	21%
EBITDA	74	66	12%
EBITDA margin	20.0%	21.6%	
RONA	44%		

BIOSCIENCES

R'm	June 2018	June 2017	% change
Revenue	933	941	(1%)
EBITDA	131	137	(4%)
EBITDA margin	14.0%	14.6%	
RONA	40%		

* Including 11 months of Cipla revenue and earnings prior to acquisition and 4 months of Kyron revenue and earnings

REVIEW OF 2018

The acquisition of Kyron Laboratories in March 2018 combined with the Cipla Animal Health business entrenched and accelerated the division's entry into the attractive production and companion animal sectors with leading veterinary science product expertise. The business has high margin products in strong growth segments with opportunities to expand into new African markets and new South African channels through Phyto-Vet's existing Biosciences network, and further potential for internationalisation by utilising the Biosciences infrastructure.

The Animal Health FMCG business has now been integrated into the Biosciences FMCG business. Additionally Production Animal has made inroads into Uganda and Kenya utilising the Biosciences network and infrastructure and is expected to yield positive results in the next 24 months.

The garden and home business was negatively impacted by drought conditions and water restrictions in parts of South Africa, as well as the weak domestic consumer environment. In addition, pesticide and fertiliser export sales were hampered by liquidity issues in Zimbabwe.

The Afrikelp business continues to grow strongly while an ongoing SKU rationalisation programme in Marltons and Efekto is expected to have longer term benefits.

Phyto-Vet is an integrated provider of specialised products and services used in the garden and home, crop sciences and animal health sectors. The division leverages expertise in the disciplines of entomology, horticulture, agronomy and veterinary sciences to provide solutions for gardens, households, agriculture, environmental health, companion and production animals.

The business aims to benefit the home and garden and plant nutrition sectors, as well as enhance the quality of life of animals and advance agricultural activity, while remaining committed to social and environmental responsibilities.

The division offers well recognised owned brands including Afrikelp, Ivermax, Triworm, Efekto, Wonder, Mobiflex, Kyron and Marltons.

The Biosciences business exports to 22 countries in Africa as well as Europe, South America, China and owned operations in East Africa and California, USA.

FINANCIAL PERFORMANCE

Animal Health benefited from the consolidation of Cipla Vet for 11 months (acquired in June 2017) and four months of Kyron (acquired in March 2018) and delivered a strong revenue growth of 21%. The EDITDA margin decrease was expected due to the increase in administrative costs that arose out of the Cipla acquisition. Sales growth is expected to remain bullish into the new financial year as entry into the SA Ruminants and Poultry vaccines market is planned for the new year.

Revenue within the Biosciences business remained stable despite the impact of the drought affecting the Western Cape region. Treasury issues in Zimbabwe, Zambia and Mozambique impacted revenue from pesticide and fertilizer business. Ongoing product rationalisation in Marltons and Efekto contributed to a slight EBITDA decrease in the short term. Afrikelp continues to grow strongly.

OUTLOOK FOR 2019

Further consolidation of the Production Animal and Biosciences businesses in sub-Saharan Africa is in progress and attracting keen interest from governments in East Africa.

Although long-term international weather models suggest an increasing chance of another El Nino weather event occurring, this may not necessarily translate into a drought for farmers in the summer rainfall regions of South African.

Despite the cyclical challenges of agriculture, the outlook for Phyto-Vet is positive due to the competencies of the synergised subsidiaries as well as a diverse and defensive portfolio mix. Strong demand coupled with supply constraints ensures that, on a macro level, the outlook for plant and animal farming is optimistic.

Following the adoption of the group's new strategic focus, the board is considering plans to divest the Biosciences business (refer to the chief executive officer's report on page 17).

CORPORATE GOVERNANCE REPORT

Ascendis Health is committed to good corporate governance standards and ethical practices to ensure the sustainability of the business. The group's governance framework is founded on the fundamentals of accountability, transparency, ethical standards and compliance.

The board is responsible for ensuring compliance with legislation, regulation and governance codes while at the same time striving to maintain the entrepreneurial spirit on which the group was founded.

Ascendis subscribes to the spirit of good corporate governance outlined in the King Report on Corporate Governance (King IV) and the group is reporting in accordance with the new code for the 2018 financial year. Effective governance processes have been implemented across the business and the directors confirm the group has in all material respects applied the principles of King IV.

The application and explanation of the group's implementation of each King IV principle, as required in terms of the JSE Listings Requirements, is reviewed and updated annually, and is available on the group's website www.ascendishealth.com.

BOARD OF DIRECTORS

BOARD CHARTER

The board has a formal charter which details the scope of authority, responsibility and functioning of the board. In terms of the charter, the directors retain overall responsibility and accountability for the following:

- Adopting strategic plans and setting performance objectives
- Approving financial results as well as financial objectives and targets
- Monitoring operational performance and management
- Ensuring effective risk management and internal controls
- Complying with legislative, regulation and governance codes
- Oversight of the values and ethics of the group
- Selection, orientation and evaluation of directors and chairman
- Ensuring appropriate remuneration policies and practices
- Review of terms, references and compositions of board committees
- Annual assessment of board members, chair of the board, CEO, CFO and company secretary
- Oversight of shareholder communications, stakeholder engagement and AGM resolutions
- Determining the dividend policy

BOARD COMPOSITION

Ascendis has a unitary board structure with seven non-executive directors and two executive directors who are all independently minded individuals.

Five of the non-executive directors, including the chairman, are classified as independent in terms of King IV and the JSE Listings Requirements. Gary Shayne and Dr Yoza Jekwa are not considered to be independent as they are board representatives of Coast2Coast Capital, a material shareholder in Ascendis. However, this does not prevent these directors from exercising independent judgement at board level. The independence of all non-executive directors is reviewed annually. The board commissioned an independent survey to be undertaken in April 2018 to determine the independence of all the directors, and its findings confirmed the categories recorded in this report.

Thomas Thomsen, previously the group chief operating officer, was promoted to chief executive officer (CEO) and appointed an executive director on 1 March 2018. Dr Yoza Jekwa was appointed as a non-executive director on 22 June 2018, replacing Cris Dillon who resigned as a non-executive director on the same date. Dr Karsten Wellner resigned and Cliff Sampson retired as executive directors on 29 June 2018. George Sebulela was appointed as an independent non-executive director in October 2018.

The roles of the chairman, John Bester, and the CEO, Thomas Thomsen, are separate and clearly defined. This division of responsibilities at the helm of the company ensures a balance of authority and power, with no individual having unrestricted decision-making powers.

The appointment of directors is undertaken in a formal and transparent manner by the board, assisted by the nominations committee.

All non-executive directors are subject to retirement by rotation and re-election by the shareholders at least once every three years, as determined in the company's Memorandum of Incorporation.

The age, tenure, status and experience of each director is detailed on pages 38 to 39.

BOARD EVALUATION

The annual review of the performance of the board, the committees and individual directors was undertaken, and the results presented to the nominations committee in June 2018. The outcome of the evaluation was favourable.

BOARD GENDER AND RACE DIVERSITY POLICY

The board believes that diversity in terms of a broad range of skills, experience, gender, race, background and outlook is essential to be effective. The nominations committee considers suitability for the role, independent judgement, compliance with King IV principles as well as all aspects of diversity when making recommendations for appointment to the board. The board acknowledges that gender and race are important aspects of diversity and currently 43% of the non-executive directors are female and 71% of the non-executive directors are black. The board has formally adopted a gender and race diversity policy in accordance with the JSE Listings Requirements.

COMPANY SECRETARY

The company secretary ensures that board procedures and all regulations and governance codes are applied. He provides guidance to directors on governance, compliance and their fiduciary duties, and assists in the orientation of new directors. Directors have unrestricted access to the advice and services of the company secretary.

The board undertook an annual formal evaluation of the company secretary in terms of the JSE Listings Requirements. The directors are satisfied that the company secretary has the competence, qualifications and experience to perform the role. The company secretary is not a director of the group and has an arm's length relationship with the board.

AUDIT AND RISK COMMITTEE

COMPOSITION

Chair: Bharti Harie

The committee comprises three independent non-executive directors. During the year, John Bester stepped down as a member in accordance with King IV and the JSE Listing Requirements, as he is the chair of the board. He was replaced by Mary Bomela who is also an independent non-executive director.

The members are appointed by shareholders at the annual general meeting each year.

The external auditor, internal auditor, executive directors and key management attend meetings by invitation.

ROLE AND RESPONSIBILITIES

- Ensure the group has adequate and appropriate financial reporting procedures and operating controls
- Maintain oversight for financial results, integrated reporting and monitor sustainability reporting
- Confirm the adoption of the going concern premise
- Ensure that significant business, financial and other risks are identified and managed
- Ensure satisfactory standards of governance, reporting and compliance in conformance to King IV guidelines
- Request from the external audit firm (PwC) information on the assessment of their suitability as auditors and their re-appointment for the year, as well as the qualifications of the designated audit partner
- Review the findings and recommendations of the internal and external auditors
- Determine and approve the audit plans and fees for both internal and external audits
- Appoint the external auditor
- Monitor the fraud and litigation register and reporting
- Consider that the expertise and experience of the CFO and the finance department are appropriate
- Ensure appropriate risk management policies are adopted by management
- Measure the risk profiles of all business divisions as well as the group, through regular updates of risk registers
- Ensure management has implemented systems of internal control and an effective risk-based internal audit
- Monitor borrowings, interest rate exposure movement and interest rate hedging policies
- Ensure appropriate insurance cover is purchased on all material risks above pre-determined self-insured limits
- Provide effective disclosure of risks to shareholders
- Review the combined assurance plan and business continuity plan.

REMUNERATION AND NOMINATIONS COMMITTEE

The remuneration and nominations committees were merged into one committee during the year to achieve synergies and cross pollination of key information that is addressed by both committees.

COMPOSITION

Chair: Dr Kinesh Pather

The committee comprises two independent non-executive directors.

The CEO attends by invitation and is recused for discussions that relate to his performance and remuneration.

Refer to the remuneration report on pages 42 to 47.

ROLE AND RESPONSIBILITIES

- Ensure the group has a remuneration policy which is aligned with the company's strategic objectives and goals, and which are competitive in the market place
- Review and approve remuneration of executive directors, non-executive directors and senior management
- Review and approve payments in terms of annual bonus schemes which are based on performance measures
- Review and approve long-term incentive schemes
- Propose annual fees for non-executive directors for approval at the annual general meeting
- Determine a long-term strategy for retention and development of executives
- Ensure that effective succession planning is in place for executives and senior management
- Ensure the board and committees have an appropriate balance of skills, experience, gender, race and diversity
- Identify and nominate candidates for appointment to the board and committees
- Co-ordinate the annual board and committee evaluation process
- Review the chairs of the board and committees
- Assessments of CEO, CFO and company secretary annually
- Oversight of the succession plan for executive management
- Co-ordinate induction programme for new directors and continuing development for all directors
- Recommendations to shareholders for annual re-election of non-executive directors by rotation, and appointment of audit committee members.

SOCIAL AND ETHICS COMMITTEE

COMPOSITION

Chair: Dr Kinesh Pather

The committee comprises two independent non-executive directors and the Chief Risk Officer. Mary Bomela, as an independent non-executive director, was invited to join the committee during the year.

Executive and operational management attend at the invitation of the committee.

ROLE AND RESPONSIBILITIES

- Assist the board in considering the impact of the business on the environment, society and the economy
- Monitor the group's activities relating to social and economic development, the environment, and health and public safety
- Advise the board on factors impacting on the long-term sustainability of the business
- Monitor adherence to corporate citizenship principles and ethical behaviour
- Ensure the group's interactions with stakeholders are guided by legislation and regulation
- Provide guidance on empowerment and transformation, labour and employment
- Oversight of corporate social investment projects.

Refer to the social and ethics committee report on pages 48 to 50.

BOARD AND COMMITTEE ATTENDANCE

	Board	Audit and Risk	Remuneration and Nominations	Social and Ethics
Number of meetings	**12**	**5**	**5**	**3**
John Bester	12*	3/3	5	3
Bharti Harie	11	5*		
Dr Kinesh Pather	11	4	5*	3*
Mary Bomela	11	1/2		0/1
Gary Shayne	12			
Cris Dillon****	1		1	0/3
Thomas Thomsen**	6/6			
Dr Karsten Wellner***	10			
Cliff Sampson***	12			
Kieron Futter	12			
Andy Sims (Chief risk officer)				3

* *Chairman*
** *Appointed 1 March 2018*
*** *Resigned 29 June 2018*
**** *Resigned 22 June 2018*

RISK MANAGEMENT

The board is responsible for the oversight of the risk management process and is assisted in this process by the audit and risk committee. The group's Chief Risk Officer is responsible for ensuring that an efficient and effective enterprise risk management process operates across the group and reports to the audit and risk committee and board on risk management.

The implementation of the business strategy is dependent on management taking calculated risks that do not jeopardise the interests of stakeholders and ensuring that adequate controls are in place to mitigate the level of risk. Sound management of risk will enable Ascendis to anticipate and respond to changes in the healthcare environment, as well as take informed decisions under conditions of uncertainty.

A risk management policy has been adopted to identify, assess, manage and monitor the risks and opportunities to which the business is exposed. Risk registers are maintained and reviewed on a bi-annual basis in all key areas of the group's businesses. Information technology governance forms an integral part of the group's risk management process, with the risk committee assisting the board in meeting its responsibilities in this regard.

Management has implemented systems of internal controls and effective risk-based internal audits aimed at:

- Safeguarding assets and reducing the risk of loss, error, fraud and other irregularities
- Ensuring the accuracy and completeness of accounting records and reporting
- Preparing timely and reliable financial statements and information in compliance with relevant legislation
- Complying with generally accepted accounting policies and practices
- Increasing the probability of anticipating unpredictable risk.

The board confirms that the group's risk management, mitigation and monitoring processes have been effective in limiting the impact of risks on the business in the past financial year. The board has determined a risk appetite statement which is reviewed annually.

The board has commissioned Marsh Risk Consulting to conduct detailed risk assesments of major locations in SA for the Ascendis Group.

ACCOUNTABILITY AND COMPLIANCE

Details of the internal audit function and systems of internal controls, as well as the external audit function, are contained in the audit committee report in the audited annual financial statements for the year ended 30 June 2018, which are available on the group's website:

www.ascendishealth.com

LEGISLATIVE COMPLIANCE

Legislative and regulatory compliance is monitored by the company secretary and the group's internal legal department. A regulatory universe process has been implemented and is being managed with the divisional heads. There were no cases of material legislative or regulatory non-compliance and no penalties or sanctions were imposed on the group or any of its directors or officers during the year.

BOARD OF DIRECTORS

John Bester (72)

B Com (Hons), CA(SA), CMS (Oxon)
Independent non-executive chairman
Member of the remuneration and nominations committee
Appointed to the board in 2013

John spent over three decades in commerce and industry, including serving as a partner of Ernst & Young and holding a number of financial directorships. He is a non-executive director of Clicks Group, HomeChoice, Personal Trust International and Tower Property Fund.

Mary Sina Bomela (45)

B Com (Hons), CA(SA), MBA
Independent non-executive director
Member of the audit and risk, and social and ethics committees
Appointed to the board in 2016

Mary is the CEO of the Mineworkers Investment Company and has held senior executive positions across the resources, media, utilities and financial services sectors. Her directorships include FirstRand Group, Primedia, Metrofile Holdings and Peermont Global Holdings.

Kieron Futter (41)

B Com (Hons), H Dip (Auditing), CA (SA)
Executive director and chief financial officer
Appointed to the board in 2015

Kieron has over 20 years experience in financial management across a range of industries, including five years at GlaxoSmithKline Consumer Healthcare in the UK and Dubai, five years as CFO at TransUnion Group Africa and two years as CEO of Nando's Company-owned Restaurants Division.

Bharti Harie (48)

BA, LLB, LLM
Independent non-executive director
Chairman of the audit and risk committee
Appointed to the board in 2013

Bharti spent 14 years at the Industrial Development Corporation of South Africa where she headed the corporate funding and international finance departments. She is a director of Bell Equipment Sales South Africa Limited, the Mineworkers Investment Company, Stefanutti Stocks and Lenmed Investments.

Note: After the end of the reporting period, George Sebulela was appointed as an independent non-executive director, with effect from 2 October 2018.

Dr Yoza Jekwa (43)

MB BCh (Wits), MBA

Non-executive director

Appointed to the board in June 2018

Dr Jekwa has 13 years' experience in the financial services industry where she has held senior positions at Rand Merchant Bank and Nedbank Capital. Before entering structured financing, Dr Jekwa worked in the medical field in South Africa and in the UK. She is a director of Coast2Coast Capital and Northam Platinum.

Dr Kinesh Pather (53)

BDS (Wits), MBA

Independent non-executive director

Chairman of the remuneration and nominations committee and the social and ethics committee

Member of the audit and risk committee

Appointed to the board in 2016

Kinesh is the chairman of Kilimanjaro Capital and a director of Kefolile Health Investments and Bataung Energy Holdings. He has extensive experience in the trade union investment arena and has been instrumental in several significant BEE transactions in the healthcare and pharmaceutical sectors.

Gary Shayne (47)

B Com, CA (Zim)

Non-executive director

Appointed to the board in 2008

Gary is the majority beneficial owner and CEO of Coast2Coast Capital which founded Ascendis Health in 2008 and listed it on the JSE in November 2013. As CEO of Coast2Coast Capital, Gary has been involved in all phases of the firm's development since its founding in late 2007 and is responsible for the overall strategy and management of the company. Apart from Ascendis, Gary co-founded Bounty Brands (Pty) Ltd in 2014 and Marlin Brands (Pty) Ltd in 2016, a group of companies that employ in excess of 10 000 staff in Europe, South Africa and Australia. Gary also serves on the board of a number of portfolio companies.

Thomas Thomsen (49)

BA (Marketing Management), BA (Anthropology), MBA executive programmes (London, INSEAD, IMD)

Chief executive officer

Appointed to the board in March 2018

Thomas joined the group in 2017 as head of the European operations, based in London, and was appointed as CEO in March 2018. He has held senior executive positions at Johnson & Johnson Consumer (MD CEE region), Reckitt Benckiser (head of global consumer healthcare) and Novartis Consumer Healthcare (head of global consumer health category). Most recently he has focused on non-executive board positions for private equity and listed companies mainly in the pharma sector.

EXECUTIVE
MANAGEMENT

Thomas Thomsen

Chief executive officer

BA (Marketing Management), BA (Anthropology), MBA executive programmes (London, INSEAD, IMD)

Joined the group in August 2017

Thomas joined the group in 2017 as head of the European operations, based in London, and was appointed as CEO in March 2018. He has held senior executive positions at Johnson & Johnson Consumer (MD Nordic region), Reckitt Benckiser (Head of global consumer healthcare) and Novartis Consumer Healthcare (head of global health segment). Most recently he has focused on non-executive board positions for private equity and listed companies mainly in the pharma sector.

Kieron Futter

Chief financial officer

B Com (Hons), H Dip (Auditing), CA(SA)

Joined the group in October 2015

Kieron has over 20 years experience in financial management across a range of industries, including five years at GlaxoSmithKline Consumer Health care in the UK and Dubai, five years as CFO at TransUnion Group Africa and two years as CEO of Nando's Company-owned Restaurants Division. He joined Ascendis Health in 2015.

Ilona Kratochvilova

Group head of human resources

Master in Science and Management

Joined the group in August 2018

Ilona has over 15 years experience in human resources from international corporations and private equity portfolio companies, including Penta Hospitals International as Group CHRO, 7 years at Office Depot lastly as Head of HR and Communication Europe, 5 years in Australian corporation Analytical Laboratory Services as HR Director Europe.

Martin Edgerton

Group head of programme management

MSc (Hons), BSc (Hons)

Joined the group in May 2018

Martin has over 16 years experience in transformation and change management across a range of sectors. These include criminal justice, government, healthcare, FMCG and housing, where he has held numerous executive director, national and international roles.

Malini Merkofer

Group head of communication

BA, LLB, MAP

Joined the group in July 2018

Malini has over 20 years experience in communications, primarily in the financial services industry. She has spent a substantial part of her career in global roles with Zurich Insurance Group in the communications, brand and marketing areas. Malini has worked in both South Africa and Switzerland leading communications for global business functions.

Marnus Sonnekus

Interim chief operating officer South Africa

BAcc, BAcc(Hon), CA (SA)

Joined the group in July 2018

Marnus has a strong and diverse background in private equity, management consulting and accounting. His career includes eight years with global management consulting firm McKinsey & Company where he gained exposure to several sectors and industries. He was previously a director of Coast2Coast Capital for two years, responsible for value creation.

REMUNERATION REPORT

PART 1: BACKGROUND INFORMATION

REMUNERATION PHILOSOPHY

The group's remuneration policy is based on a performance-related culture and strategy. The primary objective of this strategy is to motivate the employees to contribute to the group's strategic growth by achieving operational and financial objectives.

The philosophy of the remuneration policy is that the growth and sustainability of the group's business is dependent on its ability to attract, motivate and retain employees with competent skills and commitment to their scope of responsibilities, and with a performance-based culture.

REMUNERATION PRINCIPLES

The key principles embedded in the remuneration policy are to:

- Align remuneration practices with the delivery of the group's strategy and ensure that the remuneration of executive management is fair and responsible in the context of overall employee remuneration;
- Ensure that executive reward schemes are in line with shareholders' interests;
- Attract, develop and retain employees in the health care industry who contribute to the group's sustained business growth;
- Recognise and reward employees by promoting a performance-based culture which incorporates both short-term and long-term objectives;
- Be competitively and comparably positioned in the market with the group's remuneration structures;
- Ensure internal equity among employees;
- Remuneration packages to comprise annual guaranteed pay, performance-based bonuses and other benefits;
- Grant increases which are merit based and in line with the job position;
- Encourage career path aspirations and succession planning within the group; and
- Ensure compliance with all applicable legislation and regulatory codes.

REMUNERATION GOVERNANCE

The board has responsibility for the remuneration policy and has delegated responsibility to the remuneration committee for the group's remuneration practices.

COMPOSITION, MEETINGS AND RESPONSIBILITIES OF THE REMUNERATION COMMITTEE

The membership of this committee comprises two independent non-executive directors, being Dr Kinesh Pather and John Bester, and conforms to the King IV guidelines. The remuneration committee is governed by the remuneration committee charter as approved by the board.

The remuneration committee meets three times a year and on an *ad hoc* basis when required. The dates of these meetings are aligned to the review and approval of the budgeted remuneration for each year, as well as the performance bonuses awarded to executives and senior management.

The executive directors are responsible for preparing and presenting the remuneration adjustments and incentive schemes to the remuneration committee for further review and approval.

The directors' fees for non-executive directors are reviewed annually by the remuneration committee and presented to the board for approval. These fees are then presented to the shareholders for approval at the annual general meeting (AGM). The remuneration committee applies an external survey every two-to-three years for benchmarking directors' fees to ensure that the company is aligned with market trends. The last survey and alignment were undertaken in 2017. The proposed directors' fees take into account the level of responsibility and activity of each director in the meetings of the board and its sub-committees. The board is responsible for determining the remuneration of executive directors in accordance with the remuneration policy.

VOTING ON REMUNERATION

In terms of the Companies Act, fees payable to non-executive directors for their services as directors must be submitted for approval by shareholders in terms of a special resolution at the AGM within the two years preceding payment.

NON-BINDING ADVISORY VOTE ON THE REMUNERATION POLICY

The remuneration policy, as formulated by the remuneration committee, and recorded further in the implementation report, is subject to an advisory vote at the forthcoming AGM, to allow shareholders to express their views thereon.

BOARD APPROVAL OF THE REMUNERATION REPORT

This remuneration report was approved by the board of directors on 19 September 2018.

PART 2: REMUNERATION POLICY

The remuneration policy incorporates the following key components.

EXECUTIVE DIRECTORS' REMUNERATION

The remuneration structure of the executive directors is closely linked to the achievement of the group's operating and financial targets and is therefore aligned to the shareholders' interests.

The remuneration packages of the executive directors include the following components:

- Annual guaranteed pay
- Company benefits
- Cash-based bonuses which are based on annual business and financial performances.

Basic salaries are reviewed according to benchmarking of medium-sized market capitalisation companies on the JSE Limited, and which recognises the group's business model, range of product and service offerings, and the regulatory environment within the health care sector in which the group operates.

EXECUTIVE DIRECTOR TERMS OF APPOINTMENT

When recruiting executive directors, the size, nature and complexity of the role and the availability of the skills in the market are considered.

Executive directors have standard terms and conditions of employment. None of the executive directors has an employment contract with a maximum notice period of longer than six months or any other special termination benefits in place.

SHORT-TERM INCENTIVE SCHEME

The executive directors and senior management participate in a short-term incentive scheme (STI) which is a cash-based performance bonus scheme and is subject to income tax. Financial targets are determined by the remuneration committee and approved by the board and are set on annual EBITDA (earnings before interest, tax, depreciation and amortisation) and working capital management, as well as operational and business goals. The executive directors' targets also include EPS and ROTNA (return on tangible net assets).These targeted bonuses are included in the annual budgets and are accounted for in the audited annual financial statements.

The incentive scheme for the executive directors and senior management is designed on both financial and non-financial measurements across operational, financial, customer, people and internal business process improvement metrics. The annual STI scheme is reviewed and approved by the remuneration committee.

Key components of the STI are:

- Bonus measurements are more weighted at business division level and central support functions
- Increased weighting on personal targets
- Inclusion of revenues as targets in addition to profit and cash flow goals
- Recognition of high performers within the peer group
- Raised the set base of performance measures to 95% of targets, with an increased maximum ceiling of 150% of target

LONG-TERM INCENTIVE SCHEME

A long-term incentive scheme (LTI) was implemented on 1 July 2018. The LTI is structured on a cash award model and is based on market leading comparable schemes with a focus on creating alignment with shareholders' interests and the group's executives and top managers as well as to attract and retain best talent. This scheme has been reviewed and approved by the remuneration committee.

Key features of the LTI are:

- Cash award options which are aligned to the company's annual financial performance
- The quantum of cash awards issued annually are reviewed and approved by the remuneration committee
- Annual awards to senior management (using the Paterson grading levels)
- Annual awards capped to a percentage of company shares in issue
- Vesting period in equal tranches over 3, 4 and 5 years
- Settlement is in cash after deducting tax
- 33% of the net cash awarded is required by the manager to vest in the company's shares, which shares are locked in for one year
- Option to be exercised within three months of maturity date
- 100% hedge cover for the options has been taken by the company which will limit impact on the company's income statement
- Scheme rules also deal with change of control, remuneration committee governance, and King IV compliance.

The remuneration committee has also awarded the new CEO additional cash awards for the financial year ended 30 June 2018 which mature in August 2019.

OTHER MANAGEMENT AND STAFF

Senior managers and selected key staff receive an annual guaranteed salary, which includes certain retirement and health care benefits as well as a performance based annual bonus. Salaries may include premiums for resources that are scarce and critical. An annual salary increase is applied which is performance based as well as market related.

NON-EXECUTIVE DIRECTORS

The non-executive directors are paid a quarterly fee for their services as directors as well as for serving on board committees. The fees are determined and compared to similar listed companies and are based on an assessment of the non-executive director's participation in meetings as well as regulatory and governance responsibilities.

In accordance with best corporate governance practices, non-executive directors do not participate in the group's incentive schemes, nor do they have contracts with the group. No consultancy fees were paid to the non-executive directors during the year.

KEY REMUNERATION DECISIONS

The remuneration committee considered the following key issues during the reporting period:

- the development of the LTI as outlined above under "Long-term incentive scheme"
- review of the executive directors' remuneration according to benchmarking of medium-sized market capitalisation companies on the JSE Limited, and which recognises the group's business model, range of product and service offerings, and the regulatory environment within the health care sector in which the group operates; and
- review of non-executive directors' fees based on market practice.

ENGAGEMENT WITH SHAREHOLDERS

If either the remuneration policy or the implementation report are voted against by 25% or more of the votes exercised by shareholders voting at the AGM, the company will issue an announcement on the JSE Stock Exchange News Service (SENS) inviting such dissenting shareholders to engage with the company as well as indicating the manner and timing of such engagement. When reporting back to shareholders in the next remuneration report the company will disclose:

- with whom it engaged and the manner and form of engagement to ascertain the reasons for the dissenting votes; and
- the steps taken to address legitimate and reasonable objections and concerns.

PART 3: IMPLEMENTATION REPORT

Details of the remuneration paid to executive and non-executive directors for the financial year ended 30 June 2018 are provided in this section of the report, which payments are considered by the remuneration committee, to be in line with the group's remuneration policy.

The remuneration committee approved an average 22.9% increase in the executive directors' remuneration for the 2018 financial year when compared to the 2017 financial year. This increase took into account a market survey commissioned with PricewaterhouseCoopers on the company's senior management packages.

DIRECTORS' EMOLUMENTS 2018

R'000	Basic salary	Travel allowances	Bonus and incentives	Retirement/ medical benefits	Other benefits	Long-term service award	Directors' fees	Total
Executive directors								
Dr KUHH Wellner**	5 200	177	1 404	88	296	13 680	–	20 845
CB Sampson**	3 850	–	800	–	49	3 500	–	8 199
TB Thomsen*	2 246	–	106	–	–	–	–	2 352
K Futter	3 119	–	800	81	42	–	–	4 042
Total	**14 415**	**177**	**3 110**	**169**	**387**	**17 180**	**–**	**35 438**
*appointed 1 March 2018								
**resigned 29 June 2018								
Non-executive directors								
JA Bester	–	–	–	–	–	–	875	875
B Harie	–	–	–	–	–	–	495	495
MS Bomela	–	–	–	–	–	–	353	353
Dr KS Pather	–	–	–	–	–	–	475	475
GJ Shayne	–	–	–	–	–	–	–	–
Dr NY Jekwa*	–	–	–	–	–	–	–	–
CD Dillon**	–	–	–	–	–	–	–	–
Total	**–**	**–**	**–**	**–**	**–**		**2 198**	**2 198**
Total directors	**14 415**	**177**	**3 110**	**169**	**387**	**17 180**	**2 198**	**37 636**

*appointed 22 June 2018

**resigned 22 June 2018

Other than as set out herein, no other remuneration was paid by the company nor was any consideration paid to or by any third party, or by the company itself, in respect of services of the company directors, as directors of the company, during the year ended 30 June 2018.

DIRECTORS' EMOLUMENTS 2017

R'000	Basic salary	Travel allowances	Bonus and incentives	Retirement/ medical benefits	Other benefits	Directors' fees	Total
Executive directors							
Dr KUHH Wellner	3 900	33	500	88	42	–	4 563
CB Sampson	3 480	–	1 500	–	52	–	5 032
K Futter	2 875	–	1 250	–	30	–	4 156
Total	**10 255**	**33**	**3 250**	**88**	**124**	**–**	**13 750**
Non-executive directors							
JA Bester	–	–	–	–	–	445	445
B Harie	–	–	–	–	–	372	372
MS Bomela*	–	–	–	–	–	330	330
Dr KS Pather*	–	–	–	–	–	330	330
GJ Shayne	–	–	–	–	–	–	–
CD Dillon	–	–	–	–	–	–	–
Total	**–**	**–**	**–**	**–**	**–**	**1 477**	**1 477**
Total directors	**10 255**	**33**	**3 250**	**88**	**124**	**1 477**	**15 227**

NON-EXECUTIVE DIRECTORS' FEES

The non-executive directors' fees in respect of the 2018 financial year were approved at the 2017 AGM.

The fees payable to non-executive directors (NEDs) comprise an annual fee based on the role fulfilled by each director, with the expectation of attendance at a pre-determined regular number of meetings per annum, being four board meetings, four audit and risk committee meetings, three remuneration and nominations committee meetings, and three social and ethics committee meetings. All travel and accommodation expenses incurred by directors to attend board and committee meetings are paid by the company.

The following fees for the 2019 financial year will be proposed to shareholders at the 2018 AGM for consideration and approval. The increase in fees for NEDs who were paid fees in the 2018 financial year, is 16% which is due to alignment to market surveys provided by the Institute of Directors South Africa and PricewaterhouseCoopers. There is also a director's fee for an additional independent non-executive director ("INED"), JG Sebulela who was appointed after the end of the reporting period. There are also two additional NEDs' fees in the planned fees for the 2019 financial year, as the board representatives of Coast2Coast Capital being GJ Shayne and Dr NY Jekwa, will in future be remunerated for serving on the Ascendis Health board.

Director	R'000
JA Bester	
› Chairman of the board	950
› Chairman of the nominations committee	70
› Member of the remuneration committee	60
B Harie	
› Member of the board	250
› Chairman of the audit and risk committee	230
MS Bomela	
› Member of the board	250
› Member of the audit and risk committee	90
› Member of the social and ethics committee	60
Dr KS Pather	
› Member of the board	250
› Member of the audit and risk committee	90
› Chairman of the remunerations committee	120
› Member of the nominations committee	40
› Chairman of the social and ethics committee	90
JG Sebulela	
› Member of the board	250
GJ Shayne	
› Member of the board	250
Dr NY Jekwa	
› Member of the board	250
Total	**3 300**

SHORT-TERM INCENTIVE SCHEME:

Awards made in the 2018 financial period were as follows:

Performance measurement used (and the weighting of each)	Target	Achievement	Value
EBITDA and FCF	100%	91% and 75%	c.R42m

DIRECTORS AND ASSOCIATES' SHAREHOLDINGS

Directors and associates' shareholdings at 30 June 2018

Director	Direct beneficial shares	Indirect beneficial shares	Indirect non-beneficial shares	Total
JA Bester	16 200	–	–	16 200
B Harie	3 548	95 782	12 535	111 865
Dr KS Pather	24 650	20 000	–	44 650
GJ Shayne	253 647	117 686 681	1 632 756	119 573 084
CD Dillon*	1 018 900	20 768 238	1 032 000	22 819 138
Dr KUHH Wellner**	2 887 307	1 500	–	2 888 807
CB Sampson**	211 175	250 000	–	461 175
K Futter	296 286	–	–	296 286
Total	**4 711 713**	**138 822 201**	**2 677 291**	**146 211 205**

*resigned 22 June 2018

**resigned 29 June 2018

Directors and associates' shareholdings at 30 June 2017

Director	Direct beneficial shares	Indirect beneficial shares	Indirect non-beneficial shares	Total
JA Bester	16 200	–	–	16 200
B Harie	3 548	95 782	12 535	111 865
Dr KS Pather	11 650	–	–	11 650
GJ Shayne	253 647	105 446 841	1 632 756	107 333 244
CD Dillon	1 018 900	18 608 266	1 032 000	20 659 166
Dr KUHH Wellner	2 743 307	1 500	–	2 744 807
CB Sampson	211 175	250 000	–	461 175
K Futter	270 286	–	–	270 286
Total	**4 528 713**	**124 402 389**	**2 677 291**	**131 608 393**

VOTING STATEMENT

The remuneration implementation report, as set out above, is subject to an advisory vote by shareholders at the forthcoming AGM.

This report is available on the website www.ascendishealth.com.

SOCIAL AND ETHICS COMMITTEE REPORT

Ascendis Health is committed to promoting the highest standards of ethical behaviour and adopting good corporate citizenship practices across the business.

The board's social and ethics committee is constituted in terms of the Companies Act and the committee has an independent role and is governed by a formal charter.

This report is presented to shareholders in accordance with the requirements of the Companies Act.

ROLE OF THE COMMITTEE

The committee assists the board in monitoring the group's activities in terms of legislation, regulation and codes of best practices relating to:

- Social and economic development
- Ethics practices
- Good corporate citizenship
- Consumer relationships
- Labour and employment
- Transformation, empowerment, gender and diversity
- The impact of the group's products or services on the environment, society and the economy.

The committee also advises the board on any issues that may impact the long-term sustainability of the business.

COMPOSITION AND FUNCTIONING

The committee comprises two independent non-executive directors and the group's chief risk officer. Executive and operational management attend meetings at the invitation of the committee.

The effectiveness of the committee is assessed as part of the annual board and committee evaluation process.

ACTIVITIES OF THE COMMITTEE

The committee met three times during the year and continued to monitor and measure the company's development in the areas of human resources, corporate governance and training, employment equity, BEE and transformation, black management development, leadership programmes, social and ethics compliance and environmental sustainability. The activities are summarised below and are disclosed in compliance with King IV principles.

EMPOWERMENT AND TRANSFORMATION

One of the primary roles of the committee is to assist the board in the oversight of the group's broad-based black economic empowerment (B-BBEE) and transformation activities. The board recognises and supports the critical role of B-BBEE and transformation in the development and empowerment of historically disadvantaged individuals and communities in South Africa, and its role in the sustainability of the country.

The committee has set clear objectives and goals for each of the five pillars of the amended B-BBEE codes and will continue to monitor and evaluate all aspects of B-BBEE across the business.

Ascendis Health's black equity ownership has increased to 31.8% (2017: 28.2%), which includes 14.4% black female ownership.

One of Ascendis Health's core values is entrepreneurial spirit and therefore we are extremely passionate about the entrepreneurs we support through our enterprise and supplier development projects. Ascendis, together with the WDB Growth Fund, focus on increasing the participation of youth and women entrepreneurs in South Africa's economy by offering them:

- Capital to support business growth;
- High impact post investment support;
- Access to market; and
- Access to specialised mentors.

In the past year Ascendis Health has supported one of its key B-BBEE shareholders, WDB Investment Holdings (WDB) through its supplier and enterprise development programme. WDB is working with a private tutor organisation for public education in South Africa. Their maths and science initiative assists learners to excel in these subjects before their final examinations. This project utilises movie theatres to enhance the educational process. The introduction of short films into the curriculum creates an entertaining and enjoyable way to process and retain information.

These youth development programmes are run nationwide.

A key area for significant transformation development is the expansion of preferential procurement (PP) in Ascendis Health's business activities. To bolster this strategic objective, a group procurement manager has been appointed to interact with the relevant business divisions within Ascendis in developing and changing their procurement behaviour to maximise opportunities for PP. Management is committed to improving the group's measurement on PP by 70% in the next three years.

It is undeniable that education is important for many reasons, therefore Ascendis Health also launched its own learnership programme in 2016. In the past year 40 learnerships were awarded to Ascendis Health staff and 150 to unemployed individuals. Year-long learnerships are offered in the following disciplines: business administration, chemical operations, project management and business management.

Another key responsibility and value that Ascendis Health has, is its contribution to employment equity (EE). Ascendis Health believes that diversity within its teams leads to better decision-making and an overall improved business result and as such, has set ambitious targets to improve the EE profile at the various management levels within the organisation through the implementation of training and development initiatives as well as improving the current EE employment rate from 75% to 85% in 2018/2019.

Ascendis was verified and rated at a B-BBEE level 8 in 2017 and is currently in the process of its annual verification for 2018, where the group expects a significant improvement to level 6. The social and ethics committee has mandated the company's management to develop and achieve a level 4 rating in the next three years, with particular effort being applied to preferential procurement and employment equity.

CORPORATE SOCIAL INVESTMENT

Through the corporate social investment (CSI) programme and projects that the group supports, the key aims are to develop and improve the education and healthy living of the participants in the projects, while at the same time appealing to youth through sport and other health orientated initiatives.

- **Ubuntu Soccer**

  For many South African children soccer is their greatest passion. By packaging education and soccer together, Ubuntu Soccer inspires and motivates the children they work with. The programme focuses on young talented athletes between the ages of 12 and 18 and includes fully sponsored education, nutrition, soccer development and accommodation.

- **Sporting Chance**

  Established in 1990, Sporting Chance has grown to become a leading sports coaching and development organisation, positively impacting the lives of children in South Africa through sport and physical activity. In the past year the programme reached 40 schools and 20 000 learners in four provinces around South Africa.

- **LEADout**

  Run by Barry Austin, a former South African pro-cyclist on the European circuit, and Malcom Lange, a South African cycling icon, LEADout is bridging the gap by nurturing aspiring young cyclists from disadvantaged backgrounds and assisting them to turn professional. Currently there are ten youngsters in the team. The cyclists are also given financial support to finish their secondary and tertiary education.

- **Change a Life**

  Change a Life has provided children in one of South Africa's most impoverished regions of the Eastern Cape with the opportunity to participate in a comprehensive programme of education, nutrition, sport, and skills and career development for over ten years. The harsh reality is that children from these regions are receiving an education that is inadequate, hampering their opportunity to qualify for tertiary education. Homework classes run by volunteer teachers were introduced to address the challenge of poor education.

ENVIRONMENTAL SUSTAINABILITY

SAFE WORKPLACE

Ascendis is committed to a ZERO harm, accident free workplace. The total number of lost work day cases (LWDC) in 2018 has reduced by 50% to four incidents in comparison to last year.

Employees are encouraged to report on EHS observations by completing safety suggestions on ways to improve compliance at the facility which allows management to adopt these ideas and implement necessary changes. Near miss reporting has increased, this allows us to put in place preventative action plans before an incident occurs.

Our group of companies are audited internally against local legislation and ISO standards (9001, 14001 and 45001). Some of our facilities are ISO certified which we are very proud to have achieved and we are currently preparing other business units for this accreditation. Safety awareness, training and education is planned and aligns with our company training matrix.

WASTE AND RECYCLING

We continue with our rigorous recycling efforts and are constantly looking at increasing our use of recyclable materials. The group uses specialised licensed waste management service providers to manage the transportation, treatment and disposal of waste in accordance with relevant legislation.

Waste management plans map the various waste streams as identified to reduce, reuse non-toxic material and recycle at source. We are pleased to report that the percentage of our companies actively sorting and recycling their waste increased from 50% last year to 80% in 2018.

Our printer programme has been implemented and allows us to accurately track and manage printing, tying in with our goal to reduce paper usage, which has a significant impact on our carbon footprint.

WATER

One of our environmental priorities remains minimising our water usage across the group, particularly considering the severe drought affecting some of the areas in which we operate.

Along with standard water saving measures such as the installation of water saving taps, fixtures and dual flush toilets, we have implemented the capture and reuse of greywater at our Efekto facility in Isando.

ENERGY EFFICIENCY

We continue to focus on optimising energy efficiency across our companies. This helps us to reduce operational costs. In 2017 we commenced energy efficient projects, to change all lighting to LED. In 2018 70% of our companies actively monitor and track energy consumption on a monthly basis. We are presently on track to reduce our consumption by 10% by 2027.

CLIMATE IN FOCUS

By actively monitoring and measuring our environmental performance, we believe that our carbon footprint will be significantly reduced according to goals which have been set. On an annual basis we use external assurance to ensure that our data is accurately tracked.

HEALTHY PEOPLE

Over and above the moral responsibility of business to safeguard the health and wellbeing of employees, we believe there is also a strong business case to do so, with a clear and proven relationship between employee health, engagement and productivity.

Programmes cover a range of health topics, including occupational safety and health, the provision of medical benefits, a smoke-free workplace, physical exercise classes are held weekly for employees as well as "12 week" challenges focused on nutrition and mental wellbeing. Employees also benefit from the annual Discovery Wellness Day where testing and screenings are done to ensure that they are aware of their health status.

Health promotion and communications are adapted to target all demographic groups within our workforce and an Employee Assistance Programme (EAP) is available to provide counselling and intervention for those suffering from issues such as stress and depression.

GREEN CULTURE

In 2018, Ascendis Health launched its **"GREEN CULTURE"** campaign to ensure that offices, products, packaging, transportation are environmentally friendly. This will extend to suppliers, customers and even employees.

CONCLUSION

The committee believes the group is substantively addressing the issues required to be monitored in terms of the Companies Act, based on the size, resources and history of the company's business.

As a committed corporate citizen and a company that promotes holistic health solutions through our market-leading brands, we remained committed to the progress we have made through our transformation programme, and our social and environmental projects. As our business grows this enables us to make an increasing contribution to the sustainability and prosperity of our country.

Dr Kinesh Pather
Chairman
Social and ethics committee

Summarised annual financial statements 2018

SUMMARISED GROUP STATEMENT OF FINANCIAL POSITION

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 as part of a discontinued operation	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 in 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 the following: 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 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.

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, Phyto-Vet and Pharma-Med. 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.

(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

1. Group Segmental Analysis (continued)

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

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.

The percentage 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.

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS

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 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 earning per share also represents diluted earnings per share.

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
Basic 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:						
(Loss)/profit on the sale of property, plant and equipment	(739)	–	(739)	937	–	937
Profit 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 jurisdiction 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
Isando manufacturing operation loss	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.

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
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.

4. Discontinued operations

Ascendis initiated a strategic business review in March 2018 following the appointment of Thomas Thomsen as Chief Executive Officer. The strategic review is primarily aimed at creating a leading 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.

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS

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 m^2 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 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.

4. Discontinued operations (continued)

Financial performance and cash flow information

	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

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)

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS

4. Discontinued operations (continued)

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

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

Statement of Financial Position	2017 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.

5. Intangible assets and goodwill (continued)

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.

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.

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 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.

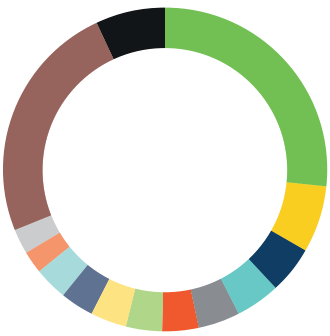
SHAREHOLDER ANALYSIS AS AT 30 JUNE 2018

Public and non-public shareholders	Number of shares	Percentage of shares
Public shareholders	339 288 119	69.3%
Non-public shareholders		
– Directors and associates of the company	7 756 286	1.6%
– Treasury shares (own holdings)	3 970 635	0.8%
– Strategic holdings (more than 10%)	138 454 919	28.3%
Total shareholders	489 469 959	100.0%

According to the company's register of shareholders, read in conjunction with the company's register of disclosure of beneficial interests made by registered shareholders acting in a nominee capacity, the following shareholders held 2% or more of the issued share capital at 30 June 2018:

Major beneficial shareholders holding 2% or more	2018 Percentage of shares
Coast2Coast	28.3%
Government Employees Pension Fund	7.2%
Kefolile Health Investments	6.8%
WDB Investment Holdings	5.2%
Mineworkers Investment Company	4.5%
International Finance Corporation	3.7%
GIC Private Limited	2.5%

Major fund managers managing 2% or more	
Public Investment Corporation	4.4%
Blakeney Management	3.8%
Laurium Capital	3.8%
Sentio Capital Management	3.6%
Jupiter Asset Management	3.5%
Mazi Capital	2.5%
GIC Private Limited	2.5%
Old Mutual Investment Group	2.0%



Coast2Coast	28.3%
Kefolile Health Investments	6.8%
WDB Investment Holdings	5.2%
Mineworkers Investment Company	4.5%
Public Investment Corporation	4.4%
Blakeney Management	3.8%
Laurium Capital	3.8%
International Finance Corporation	3.7%
Sentio Capital Management	3.6%
Jupiter Asset Management	3.5%
Mazi Capital	2.5%
GIC Private Limited	2.5%
Old Mutual Investment Group	2.0%
Other shareholders	25.4%
Government Employees Pension Fund	7.2%

SHAREHOLDERS' DIARY

Annual general meeting	8 November 2018
Results and reporting	
Interim results to December 2018	March 2019
Annual results to June 2019	September 2019
Publication of 2019 integrated annual report	September 2019

CORPORATE INFORMATION

Registration number	2008/005856/06
Income tax number	9810/017/15/3
JSE share code	ASC
ISIN	ZAE000185005
Registered office	31 Georgian Crescent East, Bryanston, Gauteng, 2191
Postal address	PostNet Suite #252, Private Bag X21, Bryanston, 2021
Contact details	+27 (0)11 036 9600 info@ascendishealth.com www.ascendishealth.com
JSE sponsor	Questco Corporate Advisory (Pty) Ltd
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	Andy Sims CA (SA) andy.sims@ascendishealth.com
Directors	JA Bester (Chairman)* MS Bomela* K Futter (Chief financial officer) B Harie* Dr NY Jekwa# Dr KS Pather* JG Sebulela* (appointed 2 October 2018) GJ Shayne# TB Thomsen (Chief executive officer)^ ** Independent non-executive* *# Non-executive* *^ Danish*

Ascendis HEALTH

ASCENDIS HEALTH

31 Georgian Crescent East,
Bryanston,
Gauteng,
2191

Phone
+27 (0)11 036 9600

Email
info@ascendishealth.com

Website
www.ascendishealth.com