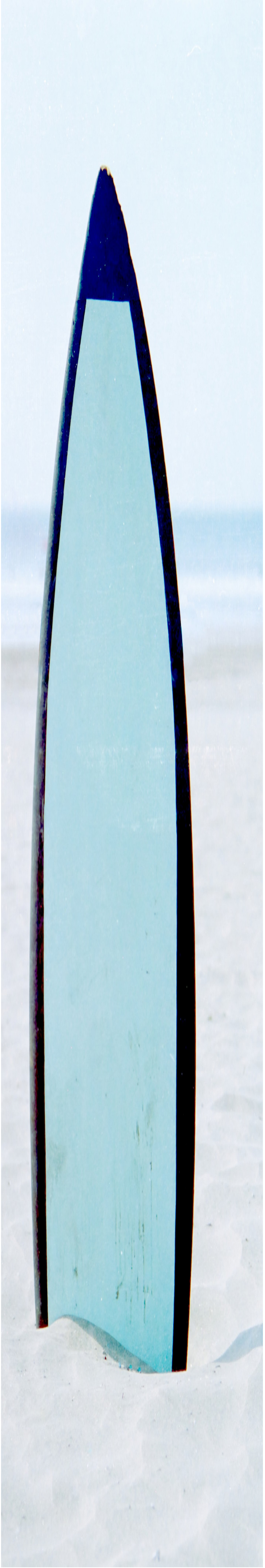
Ascendis HEALTH

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2018



Contents

Key features

Group revenue up 3% to R3.96 billion

International revenue up 7%

Gross margin strengthened 260 bps to 44.9%

Normalised EBITDA up 1% to R684 million

Normalised headline earnings down 6% to R351 million

Commentary

Financial performance

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

Group revenue increased by 3% to R3.96 billion (H1 2018: R3.85 billion). International revenue increased by 7% to R1.96 billion and accounts for 50% (H1 2018: 48%) of the group's total sales. Revenue generated in South Africa declined by 1%.

The group's gross margin strengthened by 260 basis points to 44.9%, mainly due to improved raw material pricing through strategic sourcing in Farmalider and Remedica, the discontinuation of low margin products in Wellness, Biosciences and Pharma, the acquisition of the high margin Kyron Laboratories (Kyron) business and improved selling prices in Biosciences owing to Rand weakness.

Operating expenses grew by 15% owing to increased investment in sales, marketing, distribution and head office, and the costs of Kyron which was acquired in March 2018.

Normalised earnings before interest, tax, depreciation and amortisation (EBITDA), increased by 1% to R684 million. The EBITDA margin contracted by 20 basis points due to the higher operating expenses.

Higher depreciation and finance costs resulted in normalised profit after tax for the six months being down by 4.4%. Normalised headline earnings from continuing operations, which excludes capital profits of R19.6 million from the sale of the Isando manufacturing facility, declined by 6% to R351 million. Normalised headline earnings per share were 10% lower at 72.5 cents. The weighted average number of shares in issue increased by 4.3% during the reporting period.

Cash generated from operations totaled R502 million. The group invested R262 million in capital projects (including R171 million in property, plant and equipment, and R91 million in intangibles) repaid deferred vendor liabilities of R228 million and incurred R156 million in investing and financing activities, with cash and cash equivalents totaling R239 million at the end of the period. The cash conversion rate at 73% improved from 46% in H1 2018.

Gearing levels increased from the 2018 year end, with the net debt: EBITDA ratio at 3.9 times (2018 year end: 3.5 times) due to Rand weakness at the period end and increased short-term debt facilities.

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

Segmental performance

	Consumer Health	Pharma	Medical	Animal Health	Biosciences
Revenue	R1 299m	R1 289m	R636m	R234m	R497m
Revenue growth	5%	0%	(9%)	54%	4%
Revenue contribution	33%	32%	16%	6%	13%
EBITDA	R153m	R317m	R133m	R46m	R84m
EBITDA growth	(7%)	13%	(21%)	48%	10%
EBITDA margin	11.8%	24.6%	20.9%	19.7%	16.9%
EBITDA contribution	21%	43%	18%	6%	12%

In Consumer Health, which is the largest contributor to group revenue, Sun Wave Pharma again delivered strong revenue (+21%) and EBITDA (+38%) growth. This was partially offset by the performance of the Consumer Health business in South Africa which was impacted by the increasingly challenging consumer environment in the country. Sales growth was supported by the good performance from the Solal skin brand and the launch of the Solal RestorX range. The Scitec sports nutrition business maintained sales volumes but selling prices were 5% lower owing to increased competitor activity. Profitability was negatively impacted by pricing pressure and increased marketing investments.

In the Pharma division, which contributed 43% of the group's EBITDA, Remedica and Farmalider showed solid growth and improved margins. Revenue in the South African Pharma business was impacted by supplier issues and low market growth, while profitability was affected by factory and supply issues which negatively impacted costs.

The Medical division reported lower sales owing primarily to supply constraints while margins were impacted by foreign exchange movements.

Revenue in Biosciences benefited from the agri-business recovering from the drought while cost savings and synergies from the restructuring of the pet accessories business contributed to EBITDA growth. Animal Health delivered strong sales growth following the launch of a new vaccine range and improved performance in the compounding segment. However, the margin was impacted by increased marketing costs relating to the vaccine launch and higher sales from the low margin compounding business. The Animal Health business continues to realise synergies from the acquisition and integration of Kyron.

Commentary

Divestments

Selected businesses and assets were identified as non-core to the group's strategy and classified for divestment. Negotiations are at a very advanced stage for the sale of the Efekto, Marltons and Afrikelp businesses which form part of the Biosciences division. The remaining business within Biosciences, Avima/KlubM5, may be considered for disposal in the short to medium term.

An agreement was concluded with Mylan Proprietary Limited on 20 December 2018 for the sale of the group's Isando manufacturing facility for a total cash consideration of R130 million. The Group realised a profit on sale of R19.6 million.

As announced in the group's 2018 annual results in September 2018, the South African Sports Nutrition business was sold with effect from 1 September 2018 for R54 million, reporting a loss on sale of R0.5 million. Agreement was reached for the sale of Ascendis Direct on 10 September 2018, however the sale did not materialise and negotiations with a potential buyer are continuing.

After the end of the reporting period, the group received an unsolicited offer for the Remedica business unit in Cyprus. The board is involved in ongoing negotiations regarding the potential disposal of Remedica and has extended the process to include other potential bidders.

Focus areas

In the months ahead management will maintain its strong focus on organic revenue and EBITDA growth as well as cash conversion, while addressing areas of underperformance in the South African operations and accelerating the Scitec plans. The group is committed to implementing a more efficient capital structure to refinance debt and improve the health of the balance sheet. The completion of the Biosciences transaction and progressing the Remedica offer are major priorities, while the group's strategy will be revised should the Remedica business be sold.

Thomas Thomsen
Chief Executive Officer

Kieron Futter
Chief Financial Officer

Johannesburg
18 March 2019

Condensed group statement of financial position
at 31 December 2018

	Notes	31 December 2018 Unaudited R'000	Restated* 31 December 2017 Unaudited R'000	30 June 2018 Audited R'000
Property, plant and equipment		1 244 569	1 098 193	1 126 632
Intangible assets and goodwill	5	10 029 785	9 038 862	9 833 747
Investments accounted for using the equity method		1 633	11 185	1 621
Derivative financial assets		118	1 136	114
Other financial assets		61 566	31 239	55 751
Deferred tax assets		100 268	50 450	91 700
Non-current assets		**11 437 939**	**10 231 065**	**11 109 565**
Inventories		1 857 338	1 726 055	1 619 441
Trade and other receivables		2 196 139	2 018 951	1 871 775
Other financial assets		15 863	23 470	1 112
Current tax receivable		141 996	36 819	116 781
Derivative financial assets		17 210	6 575	30 848
Cash and cash equivalents		385 469	502 426	767 924
Assets held for sale	8	130 075	-	359 625
Current assets		**4 744 090**	**4 314 296**	**4 767 506**
Total assets		**16 182 029**	**14 545 361**	**15 877 071**
Stated capital		6 507 529	6 560 751	6 512 930
Other reserves		(553 623)	(932 953)	(626 225)
Retained income		967 524	666 622	745 889
Equity attributable to equity holders of parent		**6 921 430**	**6 294 420**	**6 632 594**
Non-controlling interest		183 168	155 848	161 515
Total equity		**7 104 598**	**6 450 268**	**6 794 109**
Borrowings and other financial liabilities	6	4 478 600	4 480 532	4 554 138
Deferred tax liabilities		483 342	458 009	491 908
Deferred vendor liabilities	7	179 011	640 101	876 386
Put-option on equity instrument		15 920	113 967	14 309
Derivative financial liabilities		-	12 651	-
Finance lease liabilities		24 734	23 615	26 976
Long-term employee benefits		5 866	9 120	4 714
Non-current liabilities		**5 187 473**	**5 737 995**	**5 968 431**
Trade and other payables		1 524 554	1 229 493	1 321 784
Derivative financial liabilities		2 225	38 247	4 711
Borrowings and other financial liabilities	6	1 038 731	512 076	939 272
Current tax payable		85 559	12 628	83 128
Deferred vendor liabilities	7	937 169	373 903	422 969
Put-option on equity instrument		80 555	-	78 108
Provisions		31 331	25 775	92 854
Finance lease liabilities		13 001	9 728	15 099
Long-term employee benefits		-	2 730	12 180
Bank overdraft		146 611	152 518	81 301
Current liabilities held for sale	8	30 222	-	63 125
Current liabilities		**3 889 958**	**2 357 098**	**3 114 531**
Total liabilities		**9 077 431**	**8 095 093**	**9 082 962**
Total equity and liabilities		**16 182 029**	**14 545 361**	**15 877 071**

* The comparative information were restated as a result of the change in plan to sell the Wynberg manufacturing facility and intercompany profit elimination. Refer to Note 4 and Note 8 for more details.

Condensed group statement of profit and loss and other comprehensive income

for the six months ended 31 December 2018

	Note	Six months ended 31 December 2018 Unaudited R'000	Restated* Six months ended 31 December 2017 Unaudited R'000	Year ended 30 June 2018 Audited R'000
Revenue		3 955 324	3 853 523	7 736 552
Cost of sales		(2 177 970)	(2 222 788)	(4 267 091)
Gross Profit		**1 777 354**	**1 630 735**	**3 469 461**
Other income		37 607	8 563	34 412
Selling and distribution costs		(404 466)	(345 524)	(769 056)
Administrative expenses		(726 039)	(645 323)	(1 341 600)
Other operating expenses		(209 453)	(166 715)	(453 455)
Operating profit		**475 003**	**481 736**	**939 762**
Finance income		4 628	2 446	16 422
Finance expenses		(208 851)	(196 888)	(394 836)
Gain from equity accounted investments		-	13 164	2 687
Profit before taxation		**270 780**	**300 458**	**564 035**
Tax expense	10	(33 653)	(41 280)	(68 471)
Profit from continuing operations		**237 126**	**259 178**	**495 564**
Loss from discontinued operations	8	(16 738)	(51 948)	(193 409)
Profit for the period		**220 388**	**207 230**	**302 155**
Other comprehensive income:				
Items that may be reclassified to profit and loss net of tax				
Foreign currency translation reserve		115 594	(162 749)	128 924
Effects of cash flow hedges		2 488	(3 445)	4 495
Fair value adjustments		(981)	(5 964)	(1 617)
Recycled to profit and loss		3 469	2 519	6 112
Items that will not be reclassified to profit and loss net of tax				
Revaluation of property, plant and equipment		-	-	(4 196)
Other comprehensive income for the period		**118 082**	**(166 194)**	**129 223**
Total comprehensive income for the period		**338 470**	**41 036**	**431 378**
Profit attributable to:				
Owners of the parent		204 892	190 977	277 171
Non-controlling interest		15 496	16 253	24 984
		220 388	**207 230**	**302 155**
Total comprehensive income attributable to:				
Owners of the parent		321 522	40 074	412 937
Non-controlling interest		16 948	962	18 441
		338 470	**41 036**	**431 378**
Earnings per share from continuing operations				
Basic and diluted earnings per share (cents)	2	45.8	52.3	101.9
Total earnings per share				
Basic and diluted earnings per share (cents)	2	42.3	41.1	60.0

* The comparative information were restated as a result of the change in plan to sell the Wynberg manufacturing facility, restatement of discontinued operations and intercompany profit elimination. Refer to Note 4 and Note 8 for more details.

Condensed group statement of changes in equity

for the six months ended 31 December 2018

R'000	Stated capital	Foreign translation reserve	Revaluation reserve	Hedging reserve	Put-option non-controlling interest reserve	Other reserves	Retained income	Total attributable to equity holders of the group	Non-controlling interest	Total equity
Balance at 1 July 2017 (Audited)	**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 period	-	-	-	-	-	-	190 977	**190 977**	16 253	**207 230**
Other comprehensive income	-	(147 458)	-	(3 445)	-	-	-	**(150 903)**	(15 291)	**(166 194)**
Total comprehensive income for the period	**-**	**(147 458)**	**-**	**(3 445)**	**-**	**-**	**190 977**	**40 074**	**962**	**41 036**
Issue of ordinary shares	1 035 027	-	-	-	-	-	-	**1 035 027**	-	**1 035 027**
Raising fees capitalised	(519)	-	-	-	-	-	-	**(519)**	-	**(519)**
Net movement of treasury shares	78 344	-	-	-	-	-	-	**78 344**	-	**78 344**
Foreign currency translation reserve	-	5 765	-	-	5 746	(11 473)	-	**38**	-	**38**
Total contributions by and distributions to owners of the Group recognised directly in equity	**1 112 852**	**5 765**	**-**	**-**	**5 746**	**(11 473)**	**-**	**1 112 890**	**-**	**1 112 890**
Balance at 30 December 2017 (Unaudited)	**6 560 751**	**(352 016)**	**15 848**	**(13 600)**	**(106 048)**	**(477 137)**	**666 622**	**6 294 420**	**155 848**	**6 450 268**
Profit for the period	-	-	-	-	-	-	86 194	**86 194**	8 731	**94 925**
Other comprehensive income	-	282 925	(4 196)	7 940	-	-	-	**286 669**	8 748	**295 417**
Total comprehensive income for the period	**-**	**282 925**	**(4 196)**	**7 940**	**-**	**-**	**86 194**	**372 863**	**17 479**	**390 342**
Issue of ordinary shares	5 478	-	-	-	-	-	-	**5 478**	-	**5 478**
Raising fees capitalised	(869)	-	-	-	-	-	-	**(869)**	-	**(869)**
Net movement in treasury shares	(52 430)	-	-	-	-	-	-	**(52 430)**	-	**(52 430)**
Dividends	-	-	-	-	-	-	-	**-**	(7 879)	**(7 879)**
Foreign currency translation reserve	-	(5 765)	(141)	-	(8 602)	21 098	-	**6 590**	2 609	**9 199**
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	**(47 821)**	**(5 765)**	**(141)**	**-**	**(8 602)**	**34 567**	**(6 927)**	**(34 689)**	**(11 812)**	**(46 501)**
Balance at 30 June 2018 (Audited)	**6 512 930**	**(74 856)**	**11 511**	**(5 660)**	**(114 650)**	**(442 570)**	**745 889**	**6 632 594**	**161 515**	**6 794 109**
IFRS 9 adjustment	**-**	**-**	**-**	**-**	**-**	**-**	(3 778)	**(3 778)**	-	**(3 778)**
IFRS 15 adjustment	**-**	**-**	**-**	**-**	**-**	**-**	(206)	**(206)**	-	**(206)**
Adjusted opening balance as at 30 June 2018 (Unaudited)	**6 512 930**	**(74 856)**	**11 511**	**(5 660)**	**(114 650)**	**(442 570)**	**741 905**	**6 628 610**	**161 515**	**6 790 125**
Profit for the period	-	-	-	-	-	-	204 892	**204 892**	15 496	**220 388**
Other comprehensive income	-	114 142	-	2 488	-	-	-	**116 630**	1 452	**118 082**
Total comprehensive income for the period	**-**	**114 142**	**-**	**2 488**	**-**	**-**	**204 892**	**321 522**	**16 948**	**338 470**
Net movement in treasury shares	(5 401)	-	-	-	-	-	-	**(5 401)**	-	**(5 401)**
Dividends	-	-	-	-	-	-	-	**-**	(13 205)	**(13 205)**
Foreign currency translation reserve	-	-	(124)	-	(3 281)	1 677	-	**(1 728)**	(1 971)	**(3 699)**
Acquisition of subsidiary	-	-	-	-	-	-	-	**-**	(1 692)	**(1 692)**
Statutory reserve: Farmalider allocation to reserve	-	-	-	-	-	(42 300)	20 727	**(21 573)**	21 573	**-**
Total contributions by and distributions to owners of the Group recognised directly in equity	**(5 401)**	**-**	**(124)**	**-**	**(3 281)**	**(40 623)**	**20 727**	**(28 702)**	**4 705**	**(23 997)**
Balance at 31 December 2018 (Unaudited)	**6 507 529**	**39 286**	**11 387**	**(3 172)**	**(117 931)**	**(483 193)**	**967 524**	**6 921 430**	**183 168**	**7 104 598**

Condensed group cash flow statement

for the six months ended 31 December 2018

	Notes	Six months ended 31 December 2018 Unaudited R'000	Restated* Six months ended 31 December 2017 Unaudited R'000	Year ended 30 June 2018 Audited R'000
Cash generated from operations	9	502 203	309 782	1 232 723
Cash generated from/(utilised by) operations - discontinued operations	8	1 338	4 127	(52 553)
Finance income received		3 238	2 446	16 422
Finance costs paid		(183 703)	(172 193)	(381 904)
Income taxes paid	11	(75 095)	(63 303)	(128 790)
Net cash inflow from operating activities		**247 981**	**80 859**	**685 898**
Cash flows from investing activities				
Additions to property, plant and equipment		(196 402)	(86 868)	(255 407)
Proceeds on the sale of property, plant and equipment		25 910	5 400	6 315
Additions to intangible assets	5	(94 646)	(104 959)	(163 837)
Proceeds on the sale of intangible assets		3 561	4 473	-
Payment for acquisition of subsidiaries - net of cash		-	-	(96 268)
Repayments of deferred vendor liabilities	12	(228 219)	(1 093 193)	(1 220 305)
Payments for the settlement of financial instruments		(39 340)	(96 452)	(120 229)
Proceeds of loans advanced to related parties		-	-	16 445
Receivable for disposal of a disposal group		(130 000)	-	-
Loans advanced to related parties		(19 006)	-	(18 446)
Proceeds from disposal of disposal group		54 183	-	-
(Repayment of)/proceeds from loans advanced to external parties		(12 180)	7 220	-
Proceeds from disposal of other financial assets		-	-	7 844
Net cash flow from investing activities - discontinued operations	8	(7 875)	2 695	(67 142)
Net cash utilised in investing activities		**(644 014)**	**(1 361 684)**	**(1 911 030)**
Cash flows from financing activities				
Proceeds from issue of shares		-	1 035 027	1 039 117
Proceeds on the sale of treasury shares		-	67 357	67 357
Payments made to acquire treasury shares		(5 401)	-	(44 163)
Proceeds from borrowings raised	12	214 223	388 880	449 362
Repayment of borrowings	12	(278 954)	(395 240)	(288 688)
Finance lease movement	12	(5 224)	1 884	10 695
Net cash flow from financing activities - discontinued operations	8	7 685	35	115 588
Net cash(outflow)/inflow from financing activities		**(67 671)**	**1 097 943**	**1 349 268**
Net (decrease)/increase in cash and cash equivalents		**(463 704)**	**(182 882)**	**124 136**
Net increase/(decrease) in cash and cash equivalents - discontinued operations	8	1 148	6 857	(4 107)
Cash and cash equivalents at beginning of period		**686 623**	**527 175**	**527 175**
Effect of exchange difference on cash balances		14 791	(1 242)	39 419
Cash and cash equivalents at end of period		**238 858**	**349 908**	**686 623**

* The comparative information were restated as a result of the change in plan to sell the Wynberg manufacturing facility, restatement of discontinued operations and intercompany profit elimination. Refer to Note 4 and Note 8 for more details.

Corporate information

Ascendis Health Limited is a health and care brands company. The Group operates through the following health care areas: Consumer Health, Pharma, Medical, Animal Health and Biosciences. Consumer Health consists of health and personal care products sold to the public, primarily at the retail store level. The division offers over-the-counter (OTC) medicine and consumer brands products, including vitamins and minerals, homeopathic products, herbal products, dermaceuticals functional foods, functional super foods, sports nutrition, health beverages, weight management and therapeutic cosmetics. Pharma consists of the sale of prescription and selected OTC pharmaceuticals. Medical offers sale and rental of medical devices including the related consumables to health care institutions. Animal Health supplies products to the animal care and health markets. Biosciences supplies plant products. The Animal Health and Biosciences divisions manufacture and supply over 3 500 different products to over 4 500 retail stores.

These condensed consolidated Group interim financial results as at 31 December 2018 comprise of the Company and its subsidiaries (together referred to as the Group) and the Group's interest in equity accounted investments. The condensed consolidated interim financial statements have not been externally reviewed or audited.

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

The condensed consolidated Group interim financial statements for the six months ended 31 December 2018 are prepared in accordance with the requirements of the JSE Limited Listings Requirements, and the requirements of the Companies Act, 2008 applicable to summary financial statements. The JSE Limited Listings Requirements requires interim results to be prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council.

The condensed consolidated Group interim financial statements should be read in conjunction with the annual financial statements for the year ended 30 June 2018, which have been prepared in accordance with the International Financial Reporting Standards (IFRS).

The unaudited condensed interim Group financial statements for the six months ended 31 December 2018 have been prepared under the supervision of Chief Financial Officer, Kieron Futter (CA) SA. The interim 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 interim 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 interim 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 that are different to the Group:

- Farmalider – Spain
- Remedica – Cyprus
- Scitec – Hungary
- Ascendis Wellness (Sun Wave) – Romania
- Ascendis Health International Holdings – Malta

Basis of preparation (continued)

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.

Principal Accounting Policies

The accounting polices applied in the preparation of the condensed consolidated Group interim financial statements are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the consolidated annual financial statements for the year ended 30 June 2018.

New standards adopted by the Group

The Group has adopted all the new, revised or amended accounting pronouncements as issued by the International Accounting Standards Board (IASB) which were effective for the Group from 1 July 2018.

The following standards had an impact on the Group:

- IFRS 9 *Financial Instruments*
- IFRS 15 *Revenue from Contracts with Customers*

Refer to Note 3 Changes in Accounting Policies for more details on the impact of the new Standards.

Impact of standards issued but not yet applied by the Group

- IFRS 16 *Leases*

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, a right of use asset and a financial liability are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change. The new standard mainly affects the accounting for operating leases. As at 31 December 2018, the Group has non-cancellable operating lease commitments of R39.7 million. The Group is in the process of determining to what extent these commitments will result in the recognition of the right of use asset and liability for future payments and how this will affect the Group's profit and classification of cash flows. Some commitments may relate to exceptions or arrangements that will not qualify as leases under IFRS 16. More disclosures will be provided in the June 2019 annual financial statements.

The Group does not intend to early adopt the standard, therefore IFRS 16 will be applied in the annual financial period beginning on 1 July 2019.

Judgements and estimates

In preparing these interim 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.

Significant estimates and judgements were made on the following items:

- 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.

1. Group Segmental Analysis

On 25 September 2018, the Group adopted a new strategic focus which would be achieved through the implementation of the new Target Operating Model ("TOM"). The new strategy is focused on strengthening the core of the business in order to create and achieve a sustainable and leading market position for the business. As a result, the segment analysis was changed with a view to focus on the core health care areas and to strengthen operational oversight.

Five core health care areas have been identified, namely Pharma, Medical, Consumer Health, Animal Health and Biosciences. The core health care areas have been split into nine new reportable segments that are used by the Group executive committee (Chief operating decision maker ("CODM")) to make key operating decisions, allocate resources and assess performance. The new reportable segments were split taking into account the nature of the products, production process, distribution channels, types of customers and the regulatory environment in which the business units operate.

The new reportable segments are as follows:

- Consumer 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 three reportable segments:
  - Consumer Health Africa segment: operating predominantly in the South African market.
  - Scitec segment: operating predominantly in the European market.
  - Sun Wave segment: operating predominantly in Romania.
- Pharma, incorporating Ascendis' pharmaceutical products. This division includes three reportable segments:
  - Pharma Africa segment: operating predominantly in the South African market.
  - Remedica segment: operating predominantly in the European market.
  - Farmalider segment: operating predominantly in Spain.
- Medical, incorporating the supply of medical devices and consumables. The segment is operating predominantly in South Africa.
- Animal Health, incorporating manufacturing and distribution of animal health products. The segment is operating predominantly in South Africa.
- Biosciences, incorporating manufacturing and distribution of crop protection, public pesticides and equipment. The segment is operating predominantly in South Africa.

Due to the change in segment reporting, the comparative information has been restated.

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

1. Group Segmental Analysis (continued)

Revenue split by segment	Six months ended 31 December 2018 Unaudited R'000	Restated Six months ended 31 December 2017 Unaudited R'000	Restated Year ended 30 June 2018 Unaudited R'000
Consumer Health	1 298 488	1 241 170	2 491 230
Africa	336 270	346 048	658 491
Scitec	624 943	625 318	1 278 644
Sun Wave	337 275	269 804	554 095
Pharma	1 289 174	1 284 911	2 643 174
Africa	293 699	372 795	758 562
Remedica	701 233	643 194	1 325 308
Farmalider	294 242	268 922	559 304
Medical	636 462	699 343	1 336 734
Animal Health	234 112	152 082	365 004
Biosciences	497 088	476 017	900 410
Total revenue	**3 955 324**	**3 853 523**	**7 736 552**

Revenue by geographical location			
South Africa	1 997 631	2 015 623	3 998 613
Cyprus	701 233	643 194	1 325 308
Spain	294 242	273 202	559 203
Other Europe	954 584	894 333	1 853 135
Other Africa	7 634	27 171	293
Total revenue	**3 955 324**	**3 853 523**	**7 736 552**

Revenue by destination			
Africa	2 094 380	2 143 613	4 181 908
South Africa	1 791 451	1 865 154	3 525 465
Rest of Africa	302 929	278 459	656 443
Europe	1 490 141	1 394 812	2 882 021
Romania	349 666	278 869	573 931
Spain	271 632	268 593	523 930
Germany	159 449	118 259	290 305
Hungary	104 654	140 493	287 370
France	99 704	91 271	242 458
Cyprus	40 096	49 634	116 809
Other	464 940	447 693	847 218
Asia Pacific	283 726	234 045	490 978
Asia	259 668	212 363	424 248
Australia	18 533	15 739	55 148
New Zealand	5 525	5 943	11 582
United Kingdom	37 684	52 454	103 268
South America	33 199	12 224	43 151
North America	16 194	16 375	35 226
Total revenue	**3 955 324**	**3 853 523**	**7 736 552**

1. Group Segmental Analysis (continued)

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

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 (December 2017: 51%). In this market, 6% (December 2017: 4%) of the total Group revenue is derived from a single customer and 10% of the Group's revenue is generated from government institutions (local and international) (December 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	Six months ended 31 December 2018 Unaudited R'000	%	Restated Six months ended 31 December 2017 Unaudited R'000	%	Restated Year ended 30 June 2018 Unaudited R'000	%
Consumer Health	153 469		165 337	15%	315 690	13%
Africa	47 321	14%	53 827	16%	101 575	15%
Scitec	12 275	2%	46 697	7%	88 557	7%
Sun Wave	93 873	28%	64 813	24%	125 558	23%
Pharma	317 011	26%	279 740	22%	588 943	22%
Africa	18 485	13%	25 201	7%	79 511	10%
Remedica	230 676	33%	206 431	32%	407 360	31%
Farmalider	67 850	23%	48 108	18%	102 072	18%
Medical	132 778	21%	167 619	24%	318 208	24%
Animal Health	46 250	20%	30 522	20%	68 060	19%
Biosciences	84 197	17%	76 435	16%	131 413	15%
Headoffice	(49 976)		(43 873)		(82 889)	
Total normalised EBITDA	**683 729**		**675 780**		**1 339 425**	
Non-controlling interest proportionate share	(27 798)		(15 364)		(39 087)	
Total normalised EBITDA attributable to the parent	**655 931**		**660 416**		**1 300 338**	
Reconciliation of normalised EBITDA to consolidated results						
Consolidated operating profit	**475 002**		**481 736**		**939 762**	
Total impairment, amortisation and depreciation	167 320		142 487		344 767	
Business combination costs *	526		21 804		29 655	
Restructuring costs *	39 684		6 952		7 150	
Isando manufacturing operations loss *	20 754		22 801		45 602	
Profit on disposal of Isando factory *	(19 557)		-		-	
Put/call option remeasurement *	-		-		(32 532)	
Impairment of investment *	-		-		5 021	
Non-controlling interest proportionate share	(27 798)		(15 364)		(39 087)	
Total normalised EBITDA attributable to the parent	**655 931**		**660 416**		**1 300 338**	

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

1. Group Segmental Analysis (continued)

Net finance cost split by segment	Six months ended 31 December 2018 Unaudited Finance income R'000	Six months ended 31 December 2018 Unaudited Finance expense R'000	Restated Six months ended 31 December 2017 Unaudited Finance income R'000	Restated Six months ended 31 December 2017 Unaudited Finance expense R'000	Restated Year ended 30 June 2018 Unaudited Finance income R'000	Restated Year ended 30 June 2018 Unaudited Finance expense R'000
Consumer Health	396	(76 925)	(2 280)	(79 048)	(2 985)	(146 153)
Africa	91	(455)	384	(3 611)	1 332	(784)
Scitec	10	(70 744)	(2 704)	(70 118)	105	(139 533)
Sun Wave	295	(5 726)	40	(5 319)	(4 422)	(5 836)
Pharma	208	(17 147)	(604)	(9 474)	2 336	(21 941)
Africa	4	(251)	(263)	(95)	1 735	(664)
Remedica	54	(15 470)	(466)	(6 762)	269	(14 606)
Farmalider	150	(1 426)	125	(2 617)	332	(6 671)
Medical	317	(47)	733	(18)	1 841	(139)
Animal Health	108	(71)	438	(256)	739	(472)
Biosciences	253	(320)	317	(6 310)	893	(10 407)
Head Office	3 346	(114 341)	3 842	(101 782)	13 598	(215 724)
Total finance income/(cost)	**4 628**	**(208 851)**	**2 446**	**(196 888)**	**16 422**	**(394 836)**

Finance income and finance costs are managed centrally through the Group's Treasury function housed within Ascendis Financial Services (included in Head office) and Scitec (Consumer Health Europe). The EXCO evaluates the finance income and expenses based on utilisation within subsidiaries as illustrated above.

1. Group Segmental Analysis (continued)

(b) Statement of financial position measures applied

Assets and liabilities split by segment	31 December 2018 Assets R'000	31 December 2018 Unaudited Liabilities R'000	Restated 31 December 2017 Assets R'000	Restated 31 December 2017 Unaudited Liabilities R'000	Restated 30 June 2018 Assets R'000	Restated 30 June 2018 Unaudited Liabilities R'000
Consumer Health	5 487 049	(5 372 481)	5 263 362	(3 837 747)	5 423 567	(5 348 139)
Africa	1 194 004	(1 370 931)	1 139 574	(97 664)	1 246 650	(1 399 555)
Scitec	3 116 770	(2 917 988)	3 193 316	(3 379 630)	3 071 827	(2 883 958)
Sun Wave	1 176 275	(1 083 562)	930 472	(360 453)	1 105 090	(1 064 626)
Pharma	6 477 387	(6 455 308)	5 797 482	(3 549 333)	6 509 299	(6 411 316)
Africa	924 741	(968 777)	1 015 702	(138 071)	1 067 985	(1 101 695)
Remedica	4 622 113	(4 821 100)	3 975 569	(3 042 736)	4 551 789	(4 658 696)
Farmalider	930 533	(665 431)	806 211	(368 526)	889 525	(650 925)
Medical	1 747 638	(1 327 782)	1 557 566	(289 355)	1 599 948	(1 201 566)
Animal Health	847 099	(801 411)	173 647	(39 704)	845 321	(814 679)
Biosciences	971 045	(893 969)	1 255 912	(287 163)	1 007 239	(933 283)
Head office	651 811	5 773 520	497 392	(91 791)	491 697	5 626 021
Total assets and liabilities	**16 182 029**	**(9 077 431)**	**14 545 361**	**(8 095 093)**	**15 877 071**	**(9 082 962)**

The fixed assets presented below represent the non-current assets held in various geographic locations.

Fixed assets per geographic location	31 December 2018 Unaudited R'000	Restated 31 December 2017 Unaudited R'000	30 June 2018 Audited R'000
South Africa	359 311	385 539	266 900
Cyprus	581 145	486 961	572 600
Other Europe	304 113	225 693	287 132
Total fixed assets per geographic location	**1 244 569**	**1 098 193**	**1 126 632**

2. Earnings per share, Diluted earnings per share and Headline earnings per share

The calculation of headline earnings per share is based on the profit attributable to equity holders of the parent, after excluding all items of a non-trading nature, divided by the weighted average number of ordinary shares in issue during the year. The presentation of headline earnings is not an IFRS requirement, but is required by the JSE Listings Requirements and the SAICA Circular 4/2018.

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

The Group has determined that no instruments existed during the period that will result in a potential dilutive effect. Based on this assessment, basic earnings per share also represents diluted earnings per share.

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

	Six months ended 31 December 2018 Unaudited			Restated Six months ended 31 December 2017 Unaudited			Year ended 30 June 2018 Audited		
	Continuing operations R'000	Discontinued operations R'000	Total R'000	Continuing operations R'000	Discontinued operations R'000	Total R'000	Continuing operations R'000	Discontinued operations R'000	Total R'000
Basic earnings per share									
Profit attributable to owners of the parent	221 630	(16 738)	204 892	242 925	(51 948)	190 977	470 580	(193 409)	277 171
Earnings	**221 630**	**(16 738)**	**204 892**	**242 925**	**(51 948)**	**190 977**	**470 580**	**(193 409)**	**277 171**
Weighted average number of ordinary shares in issue			484 827 324			464 796 223			461 996 223
Basic earnings per share (cents)	**45.8**	**(3.5)**	**42.3**	**52.3**	**(11.2)**	**41.1**	**101.9**	**(41.9)**	**60.0**
Headline earnings per share									
Profit attributable to owners of the parent	221 630	(16 738)	204 892	242 925	(51 948)	190 977	470 580	(193 409)	277 171
Adjusted for:									
Net (profit)/loss on the sale of property, plant and equipment	(4 592)	–	(4 592)	4 923	–	4 923	(739)	–	(739)
(Profit)/loss on investment disposal	(19 557)	–	(19 557)	–	–	–	580	–	580
Goodwill and intangible asset impairment	–	–	–	–	–	–	30 269	71 319	101 588
Put-option remeasurement	–	–	–	–	–	–	(32 532)	–	(32 532)
Impairment of investment	–	–	–	–	–	–	5 021	–	5 021
Non-controlling interest portion	–	–	–	(429)	–	(429)	–	–	–
Tax effect thereof	3 002	–	3 002	(1 442)	–	(1 442)	9 128	–	9 128
Headline earnings	**200 483**	**(16 738)**	**183 745**	**245 977**	**(51 948)**	**194 029**	**482 307**	**(122 090)**	**360 217**
Weighted average number of shares in issue			484 827 324			464 796 223			461 996 223
Headline earnings per share (cents)	**41.4**	**(3.5)**	**37.9**	**52.9**	**(11.2)**	**41.7**	**104.4**	**(26.4)**	**78.0**

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's tax rate is used. Costs excluded for normalised headline earnings purposes include restructuring costs to streamline, rationalise and structure companies in the Group as well as costs relating to capital structure changes. 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.

			Six months ended 31 December 2018 Unaudited			Restated Six months ended 31 December 2017 Unaudited			Year ended 30 June 2018 Audited
Reconciliation of normalised headline earnings	**Continuing operations R'000**	**Discontinued operations R'000**	**Total R'000**	**Continuing operations R'000**	**Discontinued operations R'000**	**Total R'000**	**Continuing operations R'000**	**Discontinued operations R'000**	**Total R'000**
Headline earnings	200 483	(16 738)	183 745	245 977	(51 948)	194 029	482 307	(122 090)	360 217
Adjusted for:									
Business combination costs	526	–	526	21 804	–	21 804	29 655	–	29 655
Isando manufacturing operation loss	20 754	–	20 754	22 801	–	22 801	45 602	–	45 602
Restructuring costs	39 684	–	39 684	6 952	334	7 286	7 150	17 000	24 150
Tax effect thereof	–	–	–	(1 834)	–	(1 834)	–	–	–
Amortisation	102 581	–	102 581	95 646	–	95 646	196 453	–	196 453
Tax effect thereof	(12 751)	–	(12 751)	(18 727)	–	(18 727)	(23 221)	(4 760)	(27 981)
Normalised headline earnings	**351 277**	**(16 738)**	**334 539**	**372 619**	**(51 614)**	**321 005**	**737 946**	**(109 850)**	**628 096**
Weighted average number of shares in issue			484 827 324			464 796 223			461 996 223
Normalised headline earnings per share (cents)	**72.5**	**(3.5)**	**69.0**	**80.2**	**(11.1)**	**69.1**	**159.7**	**(23.8)**	**136.0**

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. Changes in accounting policies

Adoption of IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. Under IFRS 15 revenue is recognised at an amount that reflects the consideration an entity expects to receive for transferring goods or services to a customer.

The core principle of IFRS 15 is that any entity should recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The standard requires the apportionment of revenue earned from contracts to identified performance obligations in the contracts on a relative stand-alone selling price basis based on a five-step model. The standard also requires the capitalisation of costs incremental to obtaining the contract and recognition of these costs as an expense over the term of the contracts.

The Group principally generates revenue from manufacturing and distribution of consumer and animal health products, pharmaceutical products, biosciences products and supplying of medical devices and consumables. Revenue is measured based on the consideration agreed with the customer excluding indirect taxes, estimated returns and trade discounts and rebates.

In accordance with the transition provisions in IFRS 15, the Group has adopted the new standard using the modified retrospective approach and has processed an adjustment to the opening balance of retained earnings at 1 July 2018 (date of initial application). The modified retrospective approach is applied only to contracts that are not completed as at 1 July 2018.

The Group sells goods with a right of return in line with the current consumer legislation and the company policy, where applicable. The sales are cancelled when the right of return is exercised. IFRS 15 requires the recognition of a refund liability and refund asset for the expected returns given that there will be a significant reversal of revenue as a result. This results in an adjustment to revenue, cost of sales, trade receivables, trade payables and deferred tax.

The adjustment to opening retained earnings on the adoption of IFRS 15 as at 1 July 2018 is as follows:

	31 December 2018 Unaudited R'000
Gross amount	(286)
Increase in other receivables	5 741
Increase in other payables	(6 027)
Deferred tax	80
Impact on retained earnings	**(206)**

Adoption of IFRS 9 Financial Instruments

The new IFRS 9 includes the final classification and measurement model for financial assets and liabilities as well as the new expected credit loss (ECL) model for the impairment of financial assets that replaces the incurred loss model prescribed in IAS 39. The IAS 39 classification model for financial liabilities has been retained, however changes in own credit risk will be presented in other comprehensive income for liabilities designated at fair value through profit or loss. IFRS 9 also includes new requirements for general hedge accounting.

Initial classification and measurement

The Group has assessed the implications and concluded that the new standard has no impact on the initial classification and measurement of financial instruments.

3. Changes in accounting policies (continued)

Impairment

Before the adoption of IFRS 9, the Group calculated the allowance for credit loss using the incurred loss model. Under this model, the Group assessed whether there was any objective evidence of impairment at the end of each reporting period. The allowance for credit losses was calculated on an individual basis based on payment history, adjusted for national and industry-specific economic conditions and other indicators such as the credit terms of the customer, financial difficulties that correlate with the defaults of the individual receivable.

IFRS 9 requires the Group to record expected credit losses on all of its receivables, either on 12-month or lifetime basis. The expected credit losses (ECLs) are a probability weighted estimate of credit losses. The Group applies the simplified approach to determine the ECL for trade receivables and contract assets. This results in calculating lifetime expected credit losses for these trade receivables. ECL for trade receivables is calculated using a combination of the simplified parameter based approach and provision matrix.

Provision matrix

ECLs are calculated by applying a loss ratio to the aged balance of trade receivables at each reporting date. The loss ratio is calculated according to the ageing/payment profile of sales by applying historic/proxy write-offs to the payment profile of the sales population. In instances where there was no evidence of historical write-offs, management used a proxy write-off based on the previous provision for bad debts that was raised. Trade receivable balances have been grouped so that the ECL calculation is performed on groups of receivables with similar risk characteristics and ability to pay. Similarly, the sales population selected to determine the ageing/payment profile of the sales is representative of the entire population and in line with future payment expectations. The historic loss ratio is then adjusted for forward looking information to determine the ECL for the portfolio of trade receivables at the reporting period to the extent that there is a strong correlation between the forward looking information and the ECL.

Simplified parameter-based approach

ECLs are calculated using a formula incorporating the following parameters: exposure at default (EAD), probability of default (PD), loss given default (LGD) (i.e. PD x LGD x EAD = ECL). Exposures are mainly segmented by the size of the customer. This is done to allow for risk differentiation. The probability of a customer defaulting as well as the realised loss with defaulted accounts have been determined using historical data.

The adjustment to opening retained earnings for the transition to the expected credit loss model (impairment of trade receivables) as at 1 July 2018 is as follows:

	31 December 2018 Unaudited R'000
Decrease in trade receivables	(5 247)
Attributable deferred tax	1 469
Impact on retained earnings	**(3 778)**

4. Restatements

Restatements relating to 31 December 2017 unaudited results:

Discontinued operations

In the June 2018 annual financial statements, Ascendis presented Direct Selling and Sports Nutrition as discontinued operations and represented the Wynberg manufacturing facility as a continuing operation, which was previously classified as a discontinued operation. The December 2018 unaudited interim financial statements comparative information have been restated in terms of IFRS 5. Refer to Note 8 for more details.

Intercompany profit in inventory

Intercompany profit in inventory amounting to R25.5 million relating to intercompany sales between Sun Wave and Remedica IP for the six months ended 31 December 2017 was not eliminated on consolidation. Cost of sales and inventory as at 31 December 2017 have been restated in terms of IAS 8. The impact on basic and diluted earnings per share is a decrease of 5.5 cents per share. All intercompany profit in inventory elimination have already been recorded for the year ended 30 June 2018.

The impact of the restatements are set out below:

Statement of Profit and Loss	Reversal of Wynberg facility R'000	Discontinued Operations R'000	Intercompany Profit R'000	31 December 2017 Unaudited Total Restatement R'000
Revenue	–	(108 575)	–	**(108 575)**
Cost of sales	–	15 178	(25 518)	**(10 340)**
Gross Profit	**–**	**(93 397)**	**(25 518)**	**(118 915)**
Expenses	(27 436)	151 481	–	**124 045**
Net finance cost	(3 171)	211	–	**(2 960)**
Income tax	1 797	(6 347)	–	**(4 550)**
Net impact on profit from continuing operations	**(28 810)**	**51 948**	**(25 518)**	**(2 380)**
Net impact on loss from discontinued operations	**28 810**	**(51 948)**	**–**	**(23 138)**
Net impact on profit for the period	**–**	**–**	**(25 518)**	**(25 518)**
Impact on basic and diluted earnings per share	**–**	**–**	**(5.5)**	**(5.5)**

Statement of Financial Position	Reversal of Wynberg facility R'000	Discontinued Operations R'000	Intercompany Profit R'000	Total Restatement R'000
Property, plant and equipment	68 320	–	–	**68 320**
Inventory	–	–	(25 518)	**(25 518)**
Asset held for sale	(68 320)	–	–	**(68 320)**
Retained earnings	–	–	25 518	**25 518**
Net Impact	**–**	**–**	**–**	**–**

5. Intangible assets and goodwill

R'000	Goodwill	Brands and trademarks	Licence and computer software	Intangible assets under development	Customer relationships	Contractual agreements	Drug master files	Total
Opening balance								
Cost	5 496 124	2 209 556	55 901	24 651	1 068 389	335 107	1 241 242	10 430 970
Accumulated amortisation and impairment	(134 614)	(145 904)	(22 895)	-	(194 327)	(21 687)	(77 796)	(597 223)
Carrying value as at 30 June 2018 (Audited)	**5 361 510**	**2 063 652**	**33 006**	**24 651**	**874 062**	**313 420**	**1 163 446**	**9 833 747**
Additions	-	7 128	6 078	1 478	130	-	79 832	94 646
Disposals	-	(43)	-	-	-	-	(3 518)	(3 561)
Transfers between categories	-	8 427	(3 972)	-	-	-	(4 455)	-
Transfers from discontinued operations	4 944	1 750	-	-	3 847	-	-	10 541
Amortisation	-	(36 832)	(6 204)	-	(37 120)	(4 920)	(17 505)	(102 581)
Exchange rate differences	89 732	55 858	1 192	22	16 400	-	33 789	196 993
Carrying value as at 31 December 2018 (Unaudited)	**5 456 186**	**2 099 940**	**30 100**	**26 151**	**857 319**	**308 500**	**1 251 589**	**10 029 785**
Made up as follows:								
Cost	5 590 806	2 282 585	63 500	26 151	1 092 012	335 107	1 348 057	10 738 218
Accumulated amortisation and impairment	(134 620)	(182 645)	(33 400)	-	(234 693)	(26 607)	(96 468)	(708 433)
Carrying value (Unaudited)	**5 456 186**	**2 099 940**	**30 100**	**26 151**	**857 319**	**308 500**	**1 251 589**	**10 029 785**

5. Intangible assets and goodwill (continued)

Impairment tests for goodwill

Management reviews the business performance based on type of business and products. While the valuation is based on the 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's share price has decreased significantly over the past 6 months resulting in an impairment indication. The Group performed impairment assessments on all goodwill balances as at 31 December 2018. The following is a summary of goodwill allocation for each reporting segment:

Goodwill reconciliation 31 December 2018 Unaudited R'000	Opening balance	Additions	Impairment	Transfer from discontinued operations	Foreign currency translation	Closing balance
Consumer Health Africa	465 150	-	-	4 944	-	470 094
Scitec	1 283 585	-	-	-	36 737	1 320 322
Sunwave	95 210	-	-	-	3 004	98 214
Pharma Africa	426 806	-	-	-	-	426 806
Remedica	1 631 398	-	-	-	45 970	1 677 368
Farmalider	140 497	-	-	-	4 021	144 518
Medical	545 100	-	-	-	-	545 100
Animal Health	474 780	-	-	-	-	474 780
Biosciences	298 984	-	-	-	-	298 984
Total	**5 361 510**	**-**	**-**	**4 944**	**89 732**	**5 456 186**

Goodwill reconciliation Restated* 30 June 2018 Unaudited R'000	Opening balance	Additions	Impairment	Transfer to discontinued operations	Foreign currency translation	Closing balance
Consumer Health Africa	608 633	-	(96 535)	(46 948)	-	465 150
Scitec	1 185 227	-	-	-	98 358	1 283 585
Sun Wave	93 180	-	-	-	2 030	95 210
Pharma Africa	426 806	-	-	-	-	426 806
Remedica	1 505 679	-	-	-	125 719	1 631 398
Farmalider	130 842	-	-	-	9 655	140 497
Medical	545 100	-	-	-	-	545 100
Animal Health	225 499	249 281	-	-	-	474 780
Biosciences	298 984	-	-	-	-	298 984
Total	**5 019 950**	**249 281**	**(96 535)**	**(46 948)**	**235 762**	**5 361 510**

* Due to the change in segment reporting, the comparative information has been restated. Refer to Note 1 for more details.

5. Intangible assets and goodwill (continued)

The key assumptions used for value-in-use calculations are as follows:

	31 December 2018 Unaudited		Restated* 30 June 2018 Unaudited	
	Revenue growth rate	Discount rate	Revenue growth rate	Discount rate
Consumer Health Africa	7.3% - 14.1%	11.4% - 12.4%	5.0% - 14.0%	10.9% - 12.7%
Scitec	3.0%	7.4%	3.1%	7.4%
Sun Wave	2.5%	8.8%	2.5%	8.8%
Pharma Africa	4.8% - 10.8%	12.9%	6.0% - 10.0%	12.9%
Remedica	2.5%	10.3%	2.5%	10.3%
Farmalider	6.2% - 7.2%	8.8%	2.0% - 3.0%	8.8%
Medical	4.8%	12.7%	5.1% - 5.3%	12.6% - 13.2%
Animal Health	4.8%	11.7%	5.1% - 5.3%	13.3% - 14.3%
Biosciences	4.8% - 8.0%	11.7% - 12.2%	5.1% - 8.0%	11.4% - 12.5%

* The comparative information were restated due to the changes in segment reporting. Refer to Note 1 for more details.

6. Borrowings and other financial liabilities

For the purposes of financing the acquisition of international businesses, as well as to allow for a structure that supports growth and an integrated treasury function, Ascendis implemented a debt structure arranged and underwritten by ABSA Bank Ltd and HSBC Bank Plc. The structure consists of a syndicated facility denominated in local currency and Euro term and revolving credit facilities.

In terms of the existing debt structure, the total facilities drawn down amounts to R1 660 million and €238 million.

International loans

The Group has a €180 million secured term facility which matures in August 2021, the outstanding balance as at period end amounts to €163 million. The debt balance consists of the ZAR translated amount of R2 657 million net of debt capitalisation costs of R28.4 million. Capital repayments commenced on 30 June 2017 on a bi-annual basis. Interest is charged at 4% per annum and is repayable quarterly. The Group has a facility with the Bank of Cyprus of €10 million, interest is charged at Euribor rate and is repayable quarterly. The Group also has access to a €47 million revolving credit facility.

Syndicated South African facility

The secured syndicated facility is administered through ABSA Bank with various local registered financial institutions. The Group has two facilities of R850 million and R810 million. As at period end R850 million and R493.2 million was outstanding from the two facilities respectively. The R850 million facility matures in 2021 with the full capital amount due at maturity date. Interest is charged at JIBAR plus 4.2% per annum and is payable quarterly. The R810 million facility is payable bi-annually with a maturity date of December 2020. Interest is charged at JIBAR plus 3.75% per annum and is payable quarterly. Included with this balance are debt capitalisation fees of R35 million. Additional facilities relating to letters of credit and performance guarantees exist.

The above facilities are subject to financial covenants based on key financial ratios. For the period ended 31 December 2018, the lenders required that the Group maintain a normalised leverage ratio below 4.0, a minimum of 1.2 cash cover ratio and a minimum of 3.0 interest cover ratio. None of these were breached during the period.

6. Borrowings and other financial liabilities (continued)

The table below provides a detailed breakdown of the individual balances making up the total balance.

	31 December 2018 Unaudited R'000	31 December 2017 Unaudited R'000	30 June 2018 Audited R'000
Borrowings at amortised cost			
Term loan - South Africa debt	1 308 235	1 385 777	1 390 291
Term loan - European debt	2 667 830	3 025 893	2 660 853
Cyprus loan facility*	145 451	-	158 271
Revolving credit facility	769 405	157 591	758 922
Farmalider debt	131 230	121 413	143 112
Short-term loans with financial institutions	372 000	293 188	297 000
Other financial liabilities at amortised cost			
Other South African borrowings	74 544	8 746	38 013
Other European borrowings	48 636	-	46 948
	5 517 331	**4 992 608**	**5 493 410**
Made up as follows:			
Non-current	4 478 600	4 480 532	4 554 138
Current	1 038 731	512 076	939 272
	5 517 331	**4 992 608**	**5 493 410**

* Cyprus loan facility is secured by buildings with a fair value of €6 million (R99 million)

7. Deferred vendor liabilities

The Group structures its acquisitions to include contingent and deferred consideration that is included in the cost of the business combination at the fair value on the date of the acquisitions. Subsequent changes in the fair value of contingent consideration is recognised in profit and loss. Deferred consideration is subsequently measured at amortised cost. No new businesses were acquired during the period under review.

Detailed breakdown of the individual vendor liabilities:

	31 December 2018 Unaudited R'000	31 December 2017 Unaudited R'000	30 June 2018 Audited R'000
Remedica Group	643 190	558 512	614 388
Sun Wave Pharma Group	286 165	266 729	353 267
Cipla Group	-	67 421	50 000
Ortho-Xact	-	54 600	-
Klub M5 Proprietary Limited	55 000	53 677	55 000
Afrikelp Group	-	9 913	-
Umecom Proprietary Limited	2 874	3 152	2 792
Kyron Group	128 951	-	223 908
	1 116 180	**1 014 004**	**1 299 355**
Current	937 169	373 903	422 969
Non-current	179 011	640 101	876 386
	1 116 180	**1 014 004**	**1 299 355**
Deferred consideration	646 065	693 631	767 180
Contingent consideration	470 115	320 373	532 175
	1 116 180	**1 014 004**	**1 299 355**

During the period under review, the following payments were made in relation to deferred vendors: €5 million for the Sun Wave acquisition, R50 million for the Cipla acquisition and R99 million (R100 million less R1 million discount) for the Kyron acquisition.

8. Discontinued operations

Ascendis initiated a strategic business review in March 2018 following the appointment of Thomas Thomsen as chief executive officer ("CEO"). The strategic review is primarily aimed at creating a 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, the board decided to dispose of certain non-core assets.

8.1 Discontinued operations

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 December 2017 period, will no longer be disposed of and the losses are included in continuing operations. The comparatives have been represented

8. Discontinued operations (continued)

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. The sale-purchase agreement was concluded with a potential buyer on 10 September 2018. However, the transaction did not materialize and negotiations are continuing with another potential buyer.

Ascendis Sports Nutrition

Following a review of the Sports Nutrition business the Group decided to focus solely on its biggest sports nutrition brand, Scitec, in targeted consumer segments and geographies. The Group concluded the sale of the business, which includes Evox, SSN, Supashape, Muscle Junkie and Nutrimax, effective 1 August 2018.

The Sports Nutrition business was sold for a consideration of R54 million, a loss on sale of R0.5 million was recognised in the statement of profit and loss.

8.2 Held for sale

Isando manufacturing

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

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.

On 20 December 2018, Ascendis concluded a sale agreement with Mylan Proprietary Limited (Mylan) for the sale of the manufacturing facility. The manufacturing facility was sold for a consideration of R130 million and a profit on sale of R19.6 million was recognised in the statement of profit or loss.

Inventory and liabilities for Isando manufacturing facility will be disposed separately during the second half of the year.

Comparative information has been represented for the discontinued operations and segmental reporting in note 1 has also been restated to reflect comparative information relating to continuing operations.

Financial performance and cash flow information

Financial performance and cash flow information of the discontinued operations presented for the period ended 31 December 2018:

8. Discontinued operations (continued)

R'000	Six months ended 31 December 2018 Unaudited			Six months ended 31 December 2017 Unaudited			Year ended 30 June 2018 Audited		
	Ascendis Direct	Ascendis Sport Nutrition	Total	Ascendis Direct	Ascendis Sport Nutrition	Total	Ascendis Direct	Ascendis Sport Nutrition	Total
Revenue	46 787	3 077	49 864	34 554	74 021	108 575	89 824	128 609	218 433
Expenses	(51 648)	(12 273)	(63 921)	(46 249)	(120 621)	(166 870)	(96 546)	(232 923)	(329 469)
Loss before impairments	(4 861)	(9 196)	(14 057)	(11 695)	(46 600)	(58 295)	(6 722)	(104 314)	(111 036)
Impairments	-	-	-	-	-	-	(12 000)	(59 319)	(71 319)
Loss before tax	(4 861)	(9 196)	(14 057)	(11 695)	(46 600)	(58 295)	(18 722)	(163 633)	(182 355)
Tax	(2 681)	-	(2 681)	3 238	3 109	6 347	(4 384)	(6 670)	(11 054)
Loss after tax expense of discontinued operations	**(7 542)**	**(9 196)**	**(16 738)**	**(8 457)**	**(43 491)**	**(51 948)**	**(23 106)**	**(170 303)**	**(193 409)**
Total comprehensive loss	**(7 542)**	**(9 196)**	**(16 738)**	**(8 457)**	**(43 491)**	**(51 948)**	**(23 106)**	**(170 303)**	**(193 409)**
Net cash inflow/(outflow) from operating activities	2 214	(876)	1 338	435	3 692	4 127	(17 013)	(35 540)	(52 553)
Net cash (outflow)/inflow from investing activities	(6 380)	(1 495)	(7 875)	182	2 513	2 695	(10 011)	(57 131)	(67 142)
Net cash inflow/(outflow) from financing activities	6 097	1 588	7 685	611	(576)	35	31 117	84 471	115 588
Net increase/(decrease) in cash generated by discontinued operations	**1 931**	**(783)**	**1 148**	**1 228**	**5 629**	**6 857**	**4 093**	**(8 200)**	**(4 107)**

8. Discontinued operations (continued)

Assets and liabilities classified as held for sale
The following assets and liabilities were classified as held for sale in the periods reported:

R'000	Isando	Ascendis Direct	Ascendis Sport Nutrition	Total	Isando	Ascendis Direct	Ascendis Sport Nutrition	Total
				31 December 2018 Unaudited				**30 June 2018 Audited**
Property, plant and equipment	1 496	5 632	-	7 128	113 037	6 025	298	119 360
Intangible assets & Goodwill	-	48 450	-	48 450	-	48 688	39 160	87 848
Deferred tax asset	711	2 136	-	2 847	14	2 582	137	2 733
Inventories	20 875	14 287	-	35 162	9 300	14 379	31 776	55 455
Current Income tax receivable	96	839	-	935	-	840	832	1 672
Trade and other receivables	3 192	27 643	-	30 835	418	28 956	3 663	33 037
Cash and cash equivalents	-	4 718	-	4 718	125	2 585	704	3 414
Other financial assets	-	-	-	-	-	56 006	100	56 106
Assets held for sale	**26 370**	**103 705**	**-**	**130 075**	**122 894**	**160 061**	**76 670**	**359 625**
Borrowings	-	-	-	-	-	(18 270)	-	(18 270)
Finance lease liabilities	-	-	-	-	-	(326)	(76)	(402)
Deferred tax liability	(15 846)	(1 130)	-	(16 976)	(14 648)	(942)	(638)	(16 228)
Trade and other payables	(1 977)	(6 503)	-	(8 480)	(3 078)	(14 630)	(2 373)	(20 081)
Provisions	(950)	(1 776)	-	(2 726)	(1 637)	(2 279)	(2 294)	(6 210)
Current Income tax payable	-	(2 040)	-	(2 040)	(226)	(1 707)	(1)	(1 934)
Liabilities held for sale	**(18 773)**	**(11 449)**	**-**	**(30 222)**	**(19 589)**	**(38 154)**	**(5 382)**	**(63 125)**

9. Cash generated from operations

	Six months ended 31 December 2018 Unaudited R'000	Restated* Six months ended 31 December 2017 Unaudited R'000	Year ended 30 June 2018 Audited R'000
Profit after tax	**220 388**	**259 178**	**302 155**
Adjustments for:			
Tax	36 334	34 933	79 525
Depreciation and amortisation	167 320	145 245	318 129
Impairment on intangible assets	-	-	101 588
Net loss on sale of assets	(4 592)	4 923	739
Net profit on disposal of investment	(19 557)	-	(580)
Net loss on foreign exchange	3 412	57 020	1 555
Put-option remeasurement	-	-	(32 532)
Fair value measurement of financial assets and liabilities	-	(15 982)	14 520
Movement in provisions	(36 868)	5 704	70 140
Finance income	(4 628)	(2 446)	(16 422)
Finance expense	208 851	196 888	394 836
Income from equity accounted investments	-	(13 164)	(2 687)
Long-term incentive adjustment	1 152	-	1 706
Changes in working capital:			
(Increase)/decrease in inventory	(187 747)	(141 575)	10 292
(Increase)/decrease in trade and other receivables	(145 355)	(142 951)	85 885
Increase/(decrease) in trade and other payables	263 493	(77 991)	(96 126)
Cash generated from operations	**502 203**	**309 782**	**1 232 723**

* The comparative information were restated as a result of the change in plan to sell the Wynberg manufacturing facility, restatement of discontinued operations and intercompany profit elimination. Refer to Note 4 and Note 8 for more details.

10. Income tax expense

Major components of the tax expense

	Six months ended 31 December 2018 Unaudited R'000	Restated* Six months ended 31 December 2017 Unaudited R'000	Year ended 30 June 2018 Audited R'000
South African taxation			
Current tax	**28 005**	**41 781**	**72 850**
Current tax on profits for the period	20 428	43 360	76 665
Recognised in current tax for prior periods	7 577	(1 579)	(3 815)
Deferred tax	**(10 201)**	**(13 829)**	**(21 110)**
Originating and reversing temporary differences	16 259	(1 638)	(15 552)
Increase in tax loss	(27 604)	(12 949)	(8 633)
Measurement period adjustment	1 144	758	3 075
South African income tax expense	**17 804**	**27 952**	**51 740**
Foreign taxation			
Current tax	**23 238**	**14 242**	**45 186**
Current tax on profits for the period	23 995	14 338	48 930
Fiscal tax credits	(757)	-	(3 744)
Recognised in current tax for prior periods	-	(96)	-
Deferred tax	**(4 708)**	**(7 261)**	**(17 401)**
Originating and reversing temporary differences	(223)	(9 473)	(16 858)
(Increase in)/utilisation of tax loss	(995)	22	41
Measurement period adjustment	(3 490)	2 190	(584)
Foreign income tax expense	**18 530**	**6 981**	**27 785**
Total income tax expense	**36 334**	**34 933**	**79 525**
Income tax expense attributable to:			
Profit from continuing operations	33 653	41 280	68 471
Profit from discontinued operations	2 681	(6 347)	11 054
	36 334	**34 933**	**79 525**

* The comparative information were restated as a result of the change in plan to sell Wynberg manufacturing facility and restatement of discontinued operations. Refer to Note 8 for more details.

10. Income tax expense (continued)

	Six months ended 31 December 2018 Unaudited	Restated* Six months ended 31 December 2017 Unaudited	Year ended 30 June 2018 Audited
Tax at the South Africa tax rate	**28.00%**	**28.00%**	**28.00%**
Amortisation and impairments	0.92%	1.45%	0.66%
Disallowable charges - consulting / legal fees	0.02%	1.95%	0.02%
Disallowable charges - donations / sponsorships	0.02%	0.90%	0.88%
Effect of prior year adjustments	(2.65%)	1.88%	(0.68%)
Exempt dividend income	(10.06%)	(15.32%)	0.00%
Fines and penalties	0.36%	0.18%	0.18%
(Utilisation of)/ increase in tax losses	(4.45%)	1.41%	1.47%
Local tax incentives	(0.51%)	(0.94%)	(0.41%)
Foreign tax incentives	(1.08%)	11.94%	(5.17%)
Lower foreign tax rates	(9.08%)	(1.41%)	(6.11%)
Other disallowable charges	11.84%	(16.99%)	0.31%
Unrealised gains on revaluation of foreign loans	(0.90%)	0.00%	(7.01%)
Average effective tax rate	**12.43%**	**13.05%**	**12.14%**

* The comparative information were restated as a result of the change in plan to sell Wynberg manufacturing facility and restatement of discontinued operations. Refer to Note 8 for more details.

11. Tax paid

	Six months ended 31 December 2018 Unaudited R'000	Restated* Six months ended 31 December 2017 Unaudited R'000	Year ended 30 June 2018 Audited R'000
Balance at the beginning of the period	33 653	18 585	18 585
Current tax for the period recognised in profit or loss	(51 244)	(56 023)	(118 036)
Adjustments in respect of businesses sold and acquired during the year including exchange rate movements	(1 067)	(1 674)	4 314
Balance at the end of the period	(56 437)	(24 191)	(33 653)
Tax paid	**(75 095)**	**(63 303)**	**(128 790)**

* The comparative information were restated as a result of the change in plan to sell Wynberg manufacturing facility and restatement of discontinued operations. Refer to Note 8 for more details.

12. Liabilities from financing activities

	Liabilities from financing activities		Other
R'000	Borrowings	Financial lease liabilities	Deferred Vendor Liabilities*
Closing balance as at 30 June 2018	5 493 410	42 075	1 299 355
Cash flows	(64 731)	(5 224)	(228 219)
New loans raised	214 223	6 190	-
Capital repayments made	(278 954)	(11 414)	(228 219)
Non cash movements	88 652	884	45 044
Foreign exchange adjustments	108 505	808	23 640
Interest capitalised	2 825	-	21 404
Other non cash movements	(22 678)	76	-
Closing balance as at 31 December 2018	**5 517 331**	**37 735**	**1 116 180**

* The Group notes that the cash flows from deferred vendor liabilities are included as investing activities in the cash flow statement, however this information is considered to be useful to the users of the financial statements, since deferred vendor liabilities are included in the Group's net debt position and is therefore included in the above disclosure.

13. Dividends paid

The directors have elected not to declare an interim dividend and to retain cash to fund working capital requirements and settle debt obligations.

14. Events after reporting period

Unsolicited offer for purchase of Remedica

On 14 January 2019, Ascendis received an unsolicited offer in respect of its business unit based in Cyprus. The Group is involved in ongoing negotiations regarding the potential disposal of Remedica and has extended the offer to include other potential bidders.

Sale of Biosciences

Selected businesses and assets were identified as non-core to the Group's strategy and classified for divestment. Negotiations are at a very advanced stage for the sale of Efekto, Marltons and Afrikelp businesses which form part of the Biosciences division. The remaining businesses within Biosciences, Avima/Klub M5, may be considered for disposal in the short to medium term.

Administration

Country of Incorporation and domicile	South Africa
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	A 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* J Sebulela* (Appointed 2 Oct 2018) GJ Shayne# TB Thomsen^ (Chief Executive Officer)

* Independent non-executive
# Non-executive
^ Danish