

**ASCENDIS HEALTH**

**MEDIA RELEASE**



18 March 2019

**ASCENDIS HEALTH'S INTERNATIONAL GROWTH OFFSET BY WEAKER DOMESTIC PERFORMANCE**

Johannesburg – South African-based international health and wellness business Ascendis Health today reported a 3% increase in revenue to R4 billion for the six months to December 2018 while normalised operating profit was 2% lower at R619 million.

International revenue rose by 7% to R2 billion and accounts for 50% of the group's total sales. The tough consumer environment and weak sentiment in South Africa resulted in domestic revenue declining 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 the pharma businesses in Europe, the discontinuation of low margin products in Wellness, Biosciences and Pharma, and the acquisition of the high margin business Kyrion Laboratories.

Normalised EBITDA for the international segment grew by 11% while the South African operations were 7% lower, with group EBITDA increasing by 1% to R684 million. Normalised headline earnings from continuing operations were impacted by higher expenses, depreciation and finance costs and declined by 6% to R351 million. No interim dividend was declared, with the directors opting to retain the cash to settle debt obligations.

Cash generated from operations totaled R502 million, with cash and cash equivalents totaling R239 million at the end of December 2018. The cash conversion rate at 73% improved from 46% in the first half of 2018.

Chief executive Thomas Thomsen said: "Revenue growth in Europe was driven by improved portfolio management and product launches. We have built on our strong customer and retail relationships to increase existing customer consumption and new customer penetration. In South Africa, our businesses were hampered by market conditions, supply challenges and working capital constraints," he said.

Ascendis Health implemented a new group strategy in October last year aimed at accelerating organic revenue growth, improving cash generation and enhancing

profitability. Pharma and Consumer Healthcare were identified as the group's new core focus areas.

Following the adoption of the strategy, selected businesses and assets were identified as non-core and earmarked for divestment.

The group's manufacturing facility in Gauteng was sold to international pharmaceutical company Mylan for R130 million in December 2018, realising a profit of R19.6 million. This followed the sale of the South African sports nutrition business for R54 million in September 2018.

Thomsen said negotiations are at "a very advanced stage" for the sale of the Efekto, Marltons and Afrikelp businesses which form part of the group's Biosciences division.

In mid-January the group received an unsolicited offer for the sale of its Remedica business unit in Cyprus. Ascendis Health bought the generic pharmaceutical manufacturer for R4.4 billion in 2016. "We are involved in ongoing negotiations on the potential disposal of Remedica and have extended the process to include other potential bidders," he said.

Discussing the priorities for the remainder of the financial year, Thomsen said the group will maintain its strong focus on organic revenue and EBITDA growth as well as cash conversion. "At the same time we will address areas of underperformance in our South African operations and in Scitec, our global sports nutrition business based in Hungary."

"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. We are committed to implementing a more efficient capital structure to refinance debt and improve the health of the balance sheet."

"Our new business model is focused on creating value in the longer term. The latent value in Ascendis Health far outweighs the current market capitalisation and our strategy is aimed at unlocking this value," he added.

Ends

Issued by Tier 1 Investor Relations on behalf of Ascendis Health

For further information kindly contact  
Graeme Lillie, Tier 1 Investor Relations 082 468 1507