Ascendis HEALTH

INTEGRATED ANNUAL REPORT

2020

CONTENTS

REVIEW OF 2020

Much improved year reflected in operational performances but capital structure challenges remained	Continued support from lenders reflected by the restructuring of the group's debt
Revenue from continuing operations up 19% to **R6 963 million** (2019: R5.9 billion)	Normalised operating profit **R161 million** (2019: loss R1.1 billion)
Normalised[(1)] loss after tax from continuing operations **R682 million** (2019: loss R1.7 billion)	Normalised[(1)] HEPS from continuing operations **(6.0) cps** (2019: (17.7) cps)
Anticipated divestment of Remedica delayed	Sale of Scitec, Direct Selling and parts of the Biosciences division agreed during the year

[(1)] *Normalised loss after tax from continuing operations and normalised headline earnings per share from continuing operations is calculated by excluding specific non-trading items from the group's earnings. Refer to note 2 in the group annual financial statements for more details.*

INTRODUCING OUR INTEGRATED REPORT

The last four months of our financial year were dominated by the devastating Covid-19 global pandemic. As a health and wellness business Ascendis Health is committed to playing a meaningful role in helping to limit the spread of the disease and supporting the prevention, treatment and recovery of individuals.

Our 2020 integrated annual report aims to appraise our stakeholders of progress made on strategic priorities, the operating and financial performance during the reporting period and the group's response to the severely challenging trading environment brought about by Covid-19. The impact of the pandemic and the related lockdown restrictions on our business is referenced throughout the report.

The integrated annual report is focused primarily on our shareholders and the wider investor community locally and offshore. We, however, also recognise that a number of important stakeholder groups influence Ascendis Health's ability to create value, including our lenders, customers, suppliers, regulators and employees.

Reporting scope and boundary

The report covers the financial and non-financial performance of Ascendis Health and its subsidiaries (the group) for the financial year 1 July 2019 to 30 June 2020. The report is supplemented by the group annual financial statements which are available online at www.ascendishealth.com.

The group has operations in South Africa, which generate 47% of revenue, as well as in Cyprus, Romania and Spain. The business in Hungary was sold with effect from 31 July 2020. The financial reporting boundary is consistent with the 2019 financial year and covers the results of the group's five operating segments being Consumer Health, Pharma, Medical, Animal Health and Biosciences.

Reporting compliance

This integrated annual report complies with the requirements of the South African Companies Act and the JSE Listings Requirements. Financial reporting complies with International Financial Reporting Standards.

The group has applied the principles of the King Code of Corporate Principles (King IV) throughout the 2020 financial year and a schedule outlining the group's application of the code is available on our website.

Materiality

We have continued to apply the principle of materially in determining the content and disclosure in the integrated annual report. This covers internal or external 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.

Assurance

The integrated annual report has been reviewed by the board, the audit and risk committee, executive management and the group's corporate sponsor but has not been externally assured. Accredited service providers have measured and provided assurance on selected non-financial information which is mainly contained in the social, ethics and transformation committee report.

The group's independent auditor, PricewaterhouseCoopers Inc. (PwC), has provided assurance on the group annual financial statements and issued an unmodified audit opinion. PwC's audit report includes an emphasis of matter paragraph: material uncertainty relating to going concern. PwC has also reviewed the accuracy of the financial information extracted from the group annual financial statements that appears in the integrated annual report.

The group's B-BBEE contributor status has been verified by SANAS accredited AMAX.

Forward-looking statements

Shareholders will note that the integrated annual report includes forward-looking statements which relate to the possible future financial position and results of the group's operations. These are not statements of fact but rather statements by management based on current estimates and expectations of future performance. No assurance can be provided that these forward-looking statements will prove to be correct and shareholders are advised to exercise caution in this regard.

The group does not undertake to update or revise any of these forward-looking statements publicly, whether to reflect new information or future events. 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 believe it fairly reflects 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 2020 report for release to stakeholders.

Andrew Marshall
Chairman

Mark Sardi
Chief executive officer

27 October 2020

ABOUT ASCENDIS HEALTH

INTRODUCING ASCENDIS HEALTH

Ascendis Health is a health and wellness company marketing a portfolio of leading brands and products.

Founded in 2008 and listed in the healthcare sector (pharmaceuticals and biotechnology) on the main board of the JSE since 2013, the group supplemented its growth strategy by acquiring a portfolio of diverse healthcare businesses, strong brands and dossiers.

The business operates in related areas of healthcare and reports its performance using the following five primary segments:

- Consumer Health (wellness, health supplements, skincare).
- Pharma (generic manufacture and distribution; OTC medicine manufacture and distribution).
- Medical (clinical and diagnostic medical devices).
- Animal Health (veterinary sciences and production of animal health products).
- Biosciences[1] (pesticides and crop protection solutions).

The group's South African centred operations are complemented by three businesses in Europe: Farmalider in Spain (pharmaceuticals and over-the-counter (OTC) medicine), Remedica in Cyprus (manufacture of generic pharmaceuticals) and Sun Wave Pharma in Romania (sales and marketing of niche nutraceuticals and OTC products).

Ascendis Health owns some of the most highly recognised brands in the pharmaceutical and consumer health markets in South Africa, with brands like Reuterina, Sinucon, Sinuend, Solal, Vitaforce, Bettaway and MenaCal.7 occupying the number one or strong number two positions in their respective markets.

Products are sold in more than 130 countries with 53% (2019: 49%) of the group's revenue being generated outside of South Africa in the past financial year.

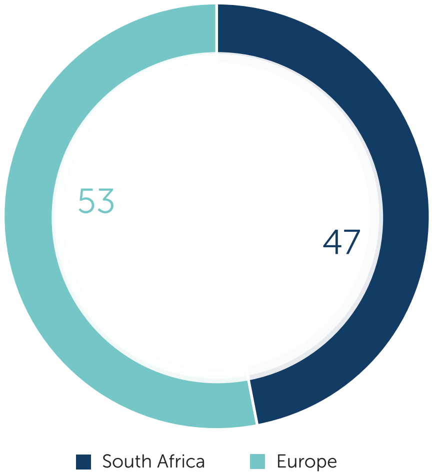
The group has an ongoing asset disposal programme and is divesting from selected businesses to reduce debt. Over the past three years the group has sold Scitec in Hungary, the South African sports nutrition business, the pharmaceutical manufacturing facility in Gauteng, the direct selling business and three businesses within the Biosciences division. The sale of the two remaining Bioscience businesses is currently in progress.

Transformation is fundamental to the group's values. For the second consecutive year Ascendis Health achieved a verified level 1 broad-based black economic empowerment (B-BBEE) rating in 2020. The diversity of the group's shareholder base continues to increase, with black equity ownership of 50.5% (2019: 30.7%) and black female shareholding of 18.7% (2019: 14.0%). The board gender and race diversity policy affirms the group's commitment to transformation in the boardroom, and currently 86% of the non-executive directors are black and 43% female.

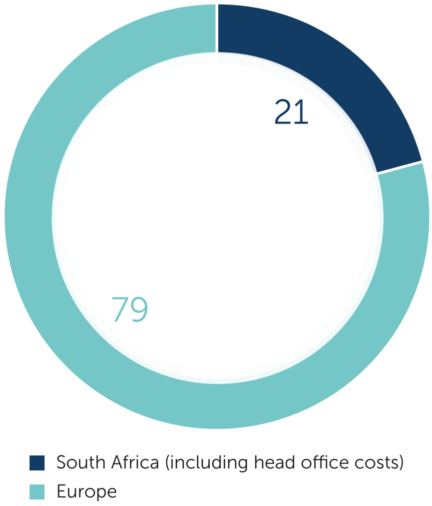
A core component of the group's transformation programme is the continued participation in the government's Youth Employment Service (YES) initiative, providing a year-long work experience programme for 100 unemployed young South Africans every year.

[1] Held-for-sale as part of the group's asset disposal programme

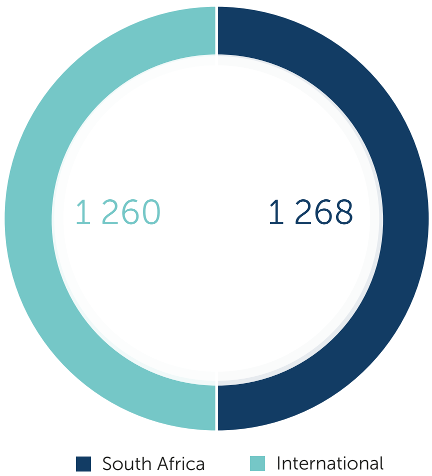
Revenue from continuing operations (%)



Contribution (before head office costs) to normalised EBITDA from continuing operations (%)



Employees (continuing operations)



Ascendis Health

Continuing operations

Business	Description	Revenue R000s	Normalised EBITDA R000s	Employees
Ascendis Health head office	Shared services: finance, company secretarial, IT and human resources			77
Consumer Health		687 559	35 550	423
Sun Wave Pharma		877 320	245 708	406
Ascendis Pharma		700 183	(45 488)	108
Remedica		2 176 186	731 378	670
Farmalider		618 743	64 325	192
Medical		1 464 111	143 010	493
Animal Health		488 973	124 681	159

GROUP STRATEGY

Against the backdrop of high debt levels, low liquidity and limited operational flexibility, the group adopted a new three-stage strategy in late 2019.

Stabilise, optimise and grow

The strategy recognises that rather than being an integrated global healthcare company, Ascendis Health currently comprises a collection of pharma and consumer focused businesses in several geographies, with limited ability to extract cost synergies, supported by a costly head office structure. The new strategy is designed to enable the group to reduce debt by disposing of selected assets in a structured manner to maximise value, rather than being a forced seller. Central to the new strategy is the restoration of an owner-led culture of accountability and to ensure that business units are appropriately incentivised.

STABILISE	OPTIMISE	GROW
Fix the balance sheet	**Right-size and create platform businesses**	**Maximise value and grow platform businesses**
• Set the medium-term portfolio strategy: determine which companies should be kept and which should be sold • Restructure existing debt to match the long-term portfolio strategy and enable the orderly disposal of assets • Secure new funding to restore operational flexibility to enable the 'Optimise' pillar of the strategy	• Set the operating model to align with portfolio strategy and reduce complexity • Implement project office discipline to drive efficiencies, optimise capital allocation and margin management strategies in each business unit • Create business unit specific incentivisation programmes and restore owner-manager culture	• Deleveraging strategy to take account of the interim cash conversion profiles of the underlying business • Remain flexible to access attractive market opportunities • Deploy capital to support growth platforms in the steady state portfolio

Progress made in 2020

STABILISE	OPTIMISE	GROW
Completed	**Early stages**	**Commence when balance sheet flexibility has been restored**
• Concluded refinancing of existing debt facilities with lender consortium, extending repayment obligations to December 2021 • Secured new debt facilities of R464 million • Developed asset disposal strategy • Appointed advisers on key proposed asset disposals • Completed sale of Scitec and Direct Selling on 31 July 2020 and 31 August 2020 respectively	• Established project office • Set strategic optimisation priorities in each of the underlying businesses to create platform businesses • Finalising business unit led incentivisation schemes • Subsequent to the year end the group embarked on an auction process for the divestment of Remedica and Animal Health	

MATERIAL ISSUES AND RISKS

Material issues which could impact positively or negatively on Ascendis Health's ability to deliver its strategy and on the revenue and profitability of the business, are identified annually by the board and executive management.

The directors consider several internal and external factors in determining these material issues. These factors include the group's strategy, trading and economic environments in the countries of operation, competitor landscape, external opportunities and threats, legislation and regulation, and the needs, expectations and concerns of the group's primary stakeholders.

Owing to the potential severity of its impact, Covid-19 has been included as a material issue in 2020.

CASH FLOW, LIQUIDITY MANAGEMENT AND FUNDING

The sustainability of the business is dependent on efficient cash flow management and long-term liquidity.

Related risks

- Lack of liquidity to fund working capital requirements
- Breach of lenders' covenants
- Inability to meet vendor payment obligations
- Delays in creditor payments
- Adverse creditor trading terms and limited supply of goods and services
- Potential default on payment of salaries and taxes
- Trading under distressed financial conditions

Risk mitigation

- Existing debt facilities restructured with lender consortium, extending repayment obligations to December 2021
- Secured new debt facilities of R464 million
- Asset disposal programme, with the priority on non-core assets
- Reduction in head office cost structure
- Weekly measuring of cash flow forecasts
- Weekly and monthly working capital management targets and tracking
- Free cash flow targets for each business unit
- Engagement with credit insurers to maintain and improve trade credit limits

IMPACT OF COVID-19

The Covid-19 pandemic and related lockdown continues to have an adverse economic impact. The group aims to limit the impact of the pandemic on its business operations and ensure the health and safety of all stakeholders.

Related risks

- Potential supply chain disruption owing to possible factory closures impacting product availability
- Delays in stock from foreign suppliers owing to lockdown constraints
- Closure of manufacturing facilities and offices to safeguard employees' health
- Limited elective surgeries being performed as hospitals focus resources on managing Covid-19 patients
- Lockdown trading restrictions imposed on certain customer groups, including beauty salons and other non-essential retail customers

Risk mitigation

- As an essential healthcare service, the group continued to operate without restriction during the national lockdown
- Identified new sources of revenue arising from the pandemic, including the provision of personal protective equipment
- Vitamins and supplements brands crucial to supporting patients' immunity levels through the pandemic
- Accelerated the sourcing and regulatory approval of local manufacturers and active pharmaceutical ingredient (API) suppliers to reduce dependency on international suppliers

MATERIAL ISSUES AND RISKS (CONTINUED)

EXCHANGE RATE EXPOSURE

As 53% of the group's revenue is generated in foreign currencies, the group is exposed to the volatility and fluctuation of the Rand against major currencies.

Related risks

- 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)
- Balance sheet exposure to currency fluctuations

Risk mitigation

- Offshore earnings in hard currencies provide a natural hedge against Rand volatility
- Forward cover hedging policy:
  - All foreign commitments are 100% hedged in the short term
  - Long-term forecast commitments are partially hedged
- Oversight by group treasury

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. This challenge has been compounded by the group's debt levels and liquidity prior to the completion of the refinancing.

Related risks

- Experienced healthcare sector professionals are in high demand both locally and internationally
- Skills shortage in healthcare increases employee mobility
- High level of staff turnover
- Loss of key people and challenge of attracting and retaining staff in current climate of uncertainty and change within the group
- Incentive schemes are currently not attractive owing to below targeted performance and share price under-performance affecting the long-term incentive schemes
- Lack of succession planning and lack of internal skills
- Lack of transformation and diversity in the South African operations

Risk mitigation

- Annual assessment of competitiveness of remuneration packages for key personnel
- Annual salary benchmarking survey
- Increased investment in leadership training and development
- Retention plan for key staff
- Monitoring of staff turnover statistics
- Revised short- and long-term incentive schemes
- Notice periods extended to three months for senior management
- Commitment to transformation

ECONOMIC AND TRADING ENVIRONMENTS

Economic and trading conditions in the group's countries of operation could negatively impact on revenue and profit growth. This has been compounded by the severe economic impact of Covid-19-related trading restrictions in South Africa.

Related risks

- Poor economic conditions in South Africa reducing consumer spending and impacting the group's organic growth, exacerbated by the Covid-19 pandemic
- Political instability
- Increase in raw material costs

Risk mitigation

- Healthcare markets in which the group operates are resilient and defensive
- Preventative care, such as wellness and nutraceuticals, is being promoted globally by 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

REGULATION

Ascendis Health supports the regulation of healthcare markets to ensure compliance and product safety for consumers as well as protection of the environment.

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 product development • Established regulatory departments in key business units across the group with synergies and knowledge sharing

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	• Manufacturing is outsourced to good manufacturing practice (GMP) compliant third parties • GMP focus, certification and quality assurance programmes at all in-house manufacturing facilities • Ensure suppliers comply with international quality, health and safety standards, and ethical practices • Regular site visits and audits of third-party supplier facilities • Adequate insurance cover for product recalls and possible product liability

TECHNOLOGY AND DATA SECURITY

Leading-edge information systems are critical for the efficient operation of the business, with effective processes required to limit the risk of breaches of data security and customer privacy.

Related risks	Risk mitigation
• Inadequate data protection • Breaches of stakeholder privacy, loss of stakeholder data and theft of intellectual property • Cyber-crime resulting in legal liability and reputational damage • Poor systems architecture • Lack of a single ERP system across the group	• Policies implemented 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

MANAGING STAKEHOLDER ENGAGEMENT

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 who have a direct or indirect impact on the business, the engagement programme focuses on six stakeholder groups who are most likely to have a material influence on the business.

STAKEHOLDER	ENGAGEMENT ISSUES, NEEDS AND CONCERNS IN 2020	ADDRESSING ENGAGEMENT ISSUES IN 2020
SHAREHOLDERS Strategic, institutional and private investors, as well as fund managers and analysts in South Africa and offshore.	• Gearing/debt levels and liquidity • Inability to meet scheduled vendor payments • Cash and working capital management • Asset disposal strategy • Uncertainty over the sale of Remedica • Group strategy post disposal of assets • Replacement of CFO who resigned post year-end • Low levels of organic growth in the South African businesses and underperformance of Scitec • Share price weakness • Impact of Covid-19 on the business	• Successful renegotiation of refinancing of existing facilities • Completion of sale of Scitec with effect from 31 July 2020 • Initiated plans to recruit a new CFO • Implemented asset disposal strategy and advisers appointed on key asset disposals • Strategy to build platform businesses post asset disposals • Prioritised capital allocation to Covid-19 relevant products (ventilation, immunity products, testing technologies and personal protective equipment (PPE) manufacture)
LENDERS Local and international financial institutions who provide funding.	• Gearing/debt levels and funding • Refinancing of existing facilities • Adherence to covenants • Cash and working capital management • Progress on disposal of assets • Share price weakness • Governance and risk management • Limitation in raising additional equity	• Successful renegotiation of existing facilities • Regular reports and updates to the lender consortium on the group's financial position, status of disposals, cashflow forecasts and covenants • Implementation of cash, capital and investment governance process • Implementation of disposal strategy
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 • Price increases • Ensuring consistent supply during Covid-19 pandemic • Lockdown trading restrictions imposed on certain customer groups, including beauty salons and other non-essential retail customers • Low customer infill rates due to disruption of Covid-19	• Ongoing search for suitable new agents and distributors • Product education • New product launches • Identified new sources of revenue as a result of Covid-19, including procurement and sale of PPE

STAKEHOLDER	ENGAGEMENT ISSUES, NEEDS AND CONCERNS IN 2020	ADDRESSING ENGAGEMENT ISSUES IN 2020
SUPPLIERS Providers of finished products, active pharmaceutical ingredients and raw materials, packaging and services.	• Reviewing and renewal of contracts • Delayed payments to creditors due to limited liquidity • Security of supply during Covid-19 • Compliance with health and safety and ethical procurement standards • Fair pricing structure and timely payments	• Supplier site visits • Successful renegotiation of extended payment terms • Engagement with credit insurers to restore supplier credit limits • Audits of supplier production facilities • Engagement on regulatory matters • Development of B-BBEE suppliers in South Africa
REGULATORS Department 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.	• Registration of products and licences to trade • Inspection and registration of production facilities • Legislative and regulatory compliance • Submission of statutory returns	• Ongoing engagement with healthcare regulatory bodies in all jurisdictions • Audit and site inspections by regulatory authorities • Engagement with financial and tax authorities in countries of operation • Membership of industry associations • Training on regulatory, compliance and governance developments • Established group environmental, health and safety function
EMPLOYEES Ascendis management and staff across all countries of operation.	• Competitive remuneration and benefits • Career path planning and development • Fair labour practices with equal opportunities • Retention rates • Employee communication and engagement • Covid-19 • Implication of disposal strategy on staff	• Talent assessments conducted with associated personal development plans implemented to bridge identified gaps • Critical staff list and associated internal and external successor talent pipeline developed • Transformation targets exceeded with employment equity candidates accounting for 82% of new recruits • R4 million invested in training and skills development • Xperience training and performance digital platform integrated, delivering training interventions remotely and in real time, as well as facilitating ongoing performance reviews in the current environment • Staff turnover 9% (2019: 6.7%) • STI scheme with 70% weighted towards the financial performance of the business and 30% weighted towards individual KPI achievement • Disposal strategy and fit-for-purpose structure programme initiated • Remote working introduced as a result of Covid-19. Additional protocols introduced to ensure the safety of staff

LEADERSHIP REVIEW

CHAIRMAN'S LETTER TO STAKEHOLDERS

Dear Stakeholders

As we reflect on a year like no other following the outbreak of the devastating global Covid-19 pandemic, I also report to stakeholders on a year which in many ways was a watershed for Ascendis Health.

The group's response to the Covid-19 state of disaster and national lockdown in South Africa was swift and decisive. A senior management Covid-19 response team implemented business continuity plans across the group, and immediately enforced a work from home policy to ensure the safety and welfare of staff.

Ascendis Health was well placed through several of its businesses to respond to the health and wellness needs of customers while also providing lifesaving hospital equipment including ventilators and respirators.

The pandemic has brought on widespread financial and human suffering and we extend our thoughts to those who have lost loved ones to Covid-19, and others who have endured hardship during this time.

We acknowledged the humanitarian nature of the crisis and provided aid to multiple causes across several of our businesses. Some examples were the donations of vitamins, supplements and food products to nursing homes and the ambulance service in Hungary, chloroquine and respirators to the ministry of health in Cyprus, and in South Africa immunity boosting products to homes for the aged in disadvantaged communities, and the manufacturing of hand sanitisers for the department of minerals and energy.

While 2020 has been a challenging year for Ascendis Health, a great deal has been achieved which is not yet reflected in the group's financial results. We were particularly pleased to attract an executive of Mark Sardi's calibre as CEO in October 2019 and it did not take him long to demonstrate his leadership ability. A three-pillar strategy was developed to address the group's high debt levels and restore the stability of the balance sheet, refinance debt and accelerate the disposal of our non-core assets.

The successful debt restructuring agreement with the lender consortium in June 2020 was a milestone achievement for the group as it effectively allows us 18 months until December 2021 to complete the asset disposal programme, without being restricted to making any debt payments in the interim. I echo Mark Sardi's comments in his report in thanking the consortium for their engaging approach during the refinancing negotiations and for the trust and confidence they have shown in our management team. Further details on the refinancing and new debt funding are included in the CEO's report which follows, together with an overview of the progress on the asset disposal programme.

On the financial performance, revenue increased by 19%, normalised EBITDA by 58% and normalised operating profit

CHAIRMAN'S LETTER TO STAKEHOLDERS (CONTINUED)

by 114%. Unfortunately, this much improved operational performance was negated by a significant increase in finance costs and impairments of close to R1 billion, resulting in the group posting a normalised loss after tax for the year of R682 million. The financial performance is detailed in the chief financial officer's report on pages 18 to 21.

Governance policies and processes continue to be aligned with good practice. We further strengthened and refreshed our board with the appointment of Sango Ntsaluba as an independent non-executive director in April 2020. A seasoned chartered accountant, Sango has extensive corporate board and cross-industry leadership experience and has been appointed to the audit and risk committee, subject to ratification at the upcoming AGM.

The investment committee, which was established mainly to advise the board on disposals, was dissolved during the year as the board has assumed responsibility for asset disposals, given the strategic importance of these to the long-term viability of Ascendis Health.

Disappointingly, the remuneration policy and remuneration implementation report for 2019 were not approved by the requisite majority of shareholders in separate non-binding advisory votes at the annual general meeting (AGM) held in February 2020. Investor concerns related mainly to the structure and disclosure of the group's short- and long-term incentives schemes. These concerns, together with the board's responses, are outlined in the remuneration report on page 46.

Management initiated an engagement process with the dissenting shareholders to determine the reasons for voting against the resolutions, as required by King lV.

The human capital committee of the board has substantively addressed these concerns through more transparent disclosure and the development of a new long-term incentive scheme.

Thank you to our shareholders for the candid and constructive engagement. We look forward to a more positive outcome on these remuneration resolutions at the upcoming AGM.

Shortly before year-end, Kieron Futter resigned as an executive director and chief financial officer, effective 30 September 2020. We thank Kieron for his contribution over the past five years, in particular his efforts and success in finalising the refinancing agreement with our lenders. We wish him well in the next stage of his career. We are pleased to welcome Cheryl-Jane (CJ) Kujenga who has been appointed as an executive director and CFO with effect from 1 December 2020, and look forward to working with her.

Andy Sims, who was appointed as company secretary shortly after the group's listing, retired in June 2020. We thank him for his service over the past six years and wish him a long and healthy retirement. We welcomed Mpeo Nkuna as company secretary to succeed Andy.

Our commitment to sustainable transformation and empowerment is reflected in the group maintaining its verified level 1 B-BBEE rating for 2020, increasing its overall score from 90.63 points in 2019 to 94.54 points in 2020.

The improved B-BBEE score was mainly due to an increase in the management control element of the scorecard and additional points for the continued participation in government's YES youth employment programme. The group again received maximum points for the ownership pillar, with our B-BBEE shareholding now 50.5% and black female equity ownership at 18.7%.

Diversity and transformation in the boardroom ensures that the needs and concerns of all stakeholders are considered. Our board gender and race diversity policy affirms our commitment to board transformation, and currently 33% of the directors are female and 67% are black.

In closing, I thank my fellow non-executive directors, the CEO and his executive committee and our staff in South Africa and Europe for their commitment and support in a year which was challenging on many fronts. I also thank our external stakeholders for their engagement and acknowledge the importance of the relationships with our lenders, shareholders, customers, suppliers and regulators.

Sincerely

Andrew Marshall
Chairman

27 October 2020

CHIEF EXECUTIVE OFFICER'S REPORT

2020 proved another demanding year for Ascendis Health as we encountered the challenges of managing unsustainably high debt levels and a lack of liquidity in an economic environment constrained by the social and financial headwinds of the global Covid-19 pandemic.

Against this background Ascendis Health delivered a strong operational performance for the past year, increasing revenue by 19% to R7.0 billion. The group improved gross profit and EBITDA margins, growing normalised EBITDA by 58% to R1.2 billion, and normalised operating profit of R161 million (2019: loss R1.1 billion).

However, the operational performance was adversely impacted by a R453 million increase in finance costs to R856 million, relating mainly to the refinancing and interim stability agreements with lenders, and impairment losses totalling R967 million. This contributed to the group reporting a normalised loss for the year of R682 million. Refer to the chief financial officer's report on pages 18 to 21 for an analysis of the group's financial performance.

Adopting a three-pillar strategy

Following my appointment as CEO in October 2019 I spent time gaining a thorough understanding of the strategic capabilities and underlying business strengths and challenges of the group, and each of the business units. My over-riding conclusion was that Ascendis Health was, in large part, a collection of good businesses, with a bad balance sheet.

We also came to better understand that rather than being an integrated global healthcare company, Ascendis Health is a collection of entrepreneur-led, pharma and consumer health businesses in disparate geographies, with limited opportunities to extract cost synergies.

The priority of the board and management was therefore to develop a strategy to grow the business but most importantly address the unsustainable debt levels. We embarked on a three-pillar strategy of 'stabilise' (fix the balance sheet), 'optimise' (execute better) and 'monetise and grow' in late calendar 2019 (refer to the group strategy report on page 6).

Our primary focus has been on stabilising the business, which we believe has been achieved through the refinancing of existing debt through to December 2021 and raising further debt to restore liquidity and operational flexibility.

In tandem with the stabilisation strategy we also focused on the optimise pillar of our strategy. Central to this leg of the strategy has been restoring an owner-led culture of accountability, while leveraging the entrepreneurial DNA of the operators in each of the businesses. In driving ownership

CHIEF EXECUTIVE OFFICER'S REPORT (CONTINUED)

and accountability at the business unit level we have inverted the corporate triangle and focused on setting a path to a lean head office structure providing support rather than determining the strategic priorities for each business unit.

To reinforce this owner-manager culture we have developed a business unit specific incentive programme.

As we enter the new financial year our focus will continue to be on driving growth and efficiencies in the underlying businesses and executing on the final leg of the strategy where we aim to restore the gearing to manageable levels through the monetise pillar.

Successful debt refinancing

After extended negotiations the group concluded a R6.9 billion debt refinancing agreement with the lender consortium in June 2020. This was a remarkable outcome given the tight Covid-19 liquidity environment and we are deeply grateful to our lenders for their support and trust in management.

The refinancing has extended the group's repayment obligations until December 2021, providing much-needed breathing space to enable the group to pursue its strategy. At the same time, the group also secured new debt facilities of R464 million to fund working capital requirements and restore operating flexibility.

Asset disposal programme

Our new strategy, together with the refinancing agreement, sets a path to enable the group to reduce debt by disposing of selected assets in a structured manner to achieve better prices, rather than being a forced seller.

Our rationale for the disposals made to date typically fall into one or more of the following categories: certain businesses operate in markets that are non-core, other businesses operate in markets with structural challenges and others are capital intensive and a drain on liquidity. We have also needed to acknowledge that Ascendis Health is not always the best owner of certain of these businesses.

The sale of the three businesses within the Biosciences division which were sold effective 31 July 2019 generated net proceeds of R424 million.

After the end of the reporting period we completed the disposal of Scitec International in Hungary for R100 million, effective from 31 July 2020, and Ascendis Direct Selling was sold for R10.5 million, effective 31 August 2020. These funds have been applied to reducing the group's debt levels. We also announced the planned sale of Dezzo Trading which forms part of Ascendis Pharma and sells generic pharmaceuticals through state tenders. We expect to complete this transaction by February 2021.

Impact of Covid-19

As an essential healthcare service the group continued to operate during the national lockdown. The group's businesses were generally defensive in the Covid-19 environment, with the vitamins and supplements brands proving beneficial to supporting patients' immunity levels.

The pharma portfolio of anti-infective medication, pain management and chronic medication also played an important role in ensuring patient compliance to reduce co-morbidities during the pandemic. New product opportunities and sources of revenue were identified, including the provision of personal protective equipment.

Our healthcare related businesses, which were classified as non-essential services, including Nimue, the skin brand sold through salons, were negatively impacted. Similarly, supply chain disruptions adversely impacted the operations of Chempure, the group's strategic raw material sourcing business.

The group's response to the pandemic was marked by the resilience not only of our business model but also our people who were unwavering in their commitment, tackling these unprecedented challenges with renewed energy. Our people were also highly innovative in thinking creatively to develop new product and service solutions when other revenue streams were restricted due to lockdown regulations.

It is also important to acknowledge our lenders for advancing R100 million ahead of the refinancing agreement to fund the investment in working capital to enable us to capitalise on these innovative opportunities to fight Covid-19.

The group's diversified health and wellness offering not only assisted in offsetting the negative commercial impact of Covid-19 but also allowed the group to play a meaningful part in our efforts to combat the spread of this disease.

The impact of the pandemic on our business units is covered in the respective operational reviews on pages 28 to 36.

Outlook

The challenges encountered by Ascendis Health over the past two years and the associated negative market perceptions have undoubtedly taken a heavy toll on our people. We are working hard at re-instilling belief in our people and it has been encouraging to see the significantly increased engagement levels of our employees and the renewed energy in the business.

The asset disposal programme is being accelerated following the refinancing and the group is committed to maximising value from the sale of its businesses to restore the stability of the balance sheet. Advisers have been appointed on our key proposed asset disposals.

While there is still a great deal to do, we are confident that the roadmap to a brighter future is clear and that the business is well positioned to deliver on its purpose of 'making tomorrow healthier' for our employees, customers, suppliers, lenders and shareholders.

Appreciation

As part of our commitment to re-establishing relationships we have engaged extensively with our stakeholders over the past year. This is reflected in the credibility and trust we have gained from the lender consortium and I thank all members of the consortium for their support.

Thank you to our shareholders for their continued investment and to the broader investment community for their engagement with the company over the past year. We are deeply grateful to our customers and suppliers who have supported and trusted us through difficult times.

Thank you to my fellow directors and executive committee for their support over the past year and for creating the environment in which to begin restoring the fortunes of Ascendis Health.

In closing, thank you to our employees who work to ensure that our products and services not only enhance health and wellbeing, but also save lives, which was so clearly demonstrated through the Covid-19 crisis.

Mark Sardi
Chief executive officer

27 October 2020

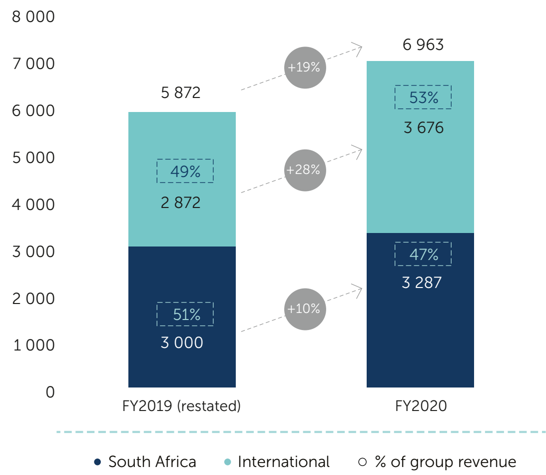
CHIEF FINANCIAL OFFICER'S REPORT

The group delivered an improved performance for the year with strong growth in revenue, EBITDA and operating profit, and a reduction in the headline loss for the year. However, high debt levels and the weak trading environment have continued to weigh on performance.

Revenue from continuing operations increased by 19%, driven by the Pharma segment which grew revenue by 27% and Medical by 15%. Growth of 58% in normalised EBITDA from continuing operations was attributable to strong all-round performances across Consumer Health (+116%), Animal Health (+53%), Medical (+49%) and Pharma (+36%).

The group reported a normalised operating profit of R161 million compared to a loss of R1.1 billion in 2019.

Revenue from continuing operations (R'm)



This pleasing operational performance was adversely impacted by finance costs, which more than doubled to R856 million, and impairments of R967 million being raised against six business units owing mainly to deteriorating trading conditions in the wake of the Covid-19 pandemic. These costs contributed to the group reporting a normalised loss after tax for the year of R682 million (2019: loss of R1.7 billion).

Discontinued operations

The following businesses have been classified as discontinued operations and are therefore not included in the group's continuing results for the 2020 financial year:

- Afrikelp, Efekto and Marltons businesses in the Biosciences division. The sale of these businesses was completed on 31 July 2019. The remaining businesses in the Biosciences division, namely Avima and Klub M5, are being held-for-sale at 30 June 2020.
- Scitec International. The sale was concluded with effect from 31 July 2020.
- Direct Selling. The sale was of this business took effect on 31 August 2020.

Following the termination of the negotiations for the sale of Remedica in Cyprus in December 2019, the business was classified as a continuing operation for the year ended 30 June 2020 after being classified as a discontinued operation for the year ended 30 June 2019.

The comparative information for the 2019 financial year has been restated to reflect these changes. Refer to the accounting policies in the audited group annual financial statements.

IFRS 16 *Leases*

The group adopted IFRS 16 *Leases* retrospectively from 1 July 2018 but has not restated comparatives for the 2019 reporting period. The reclassifications and the adjustments arising from the adoption of IFRS 16 are therefore recognised in the opening statement of financial position on 1 July 2019, reflecting right-of-use assets of R311.6 million and lease liabilities of R293.2 million. The adoption of IFRS 16 *Leases* resulted in an EBITDA increase of R58 million owing to operating leases payments being replaced by an increase in depreciation and interest paid. Refer to note 36 in the audited group annual financial statements.

Financial performance – continuing operations

The following review of the financial performance for the year ended 30 June 2020 focuses on the key line items of the group's statements of comprehensive income and financial position. The following commentary should be read together with extracts of the audited group annual financial statements on pages 22 to 27. The full audited group annual financial statements are available on the website www.ascendishealth.com.

The group reports normalised results from continuing operations after adjustments for once-off transaction-related and restructuring costs in the current and prior reporting periods.

Statement of comprehensive income

Group revenue increased by 19% to R7.0 billion (2019: R5.9 billion). International, which accounted for 53% of the group's sales, increased by 28% to R3.7 billion. Rand depreciation accounted for 9% of the growth.

Growth in the European operations was driven by Remedica which increased revenue by 30% after securing new tender business in Mexico and benefited from the introduction of the national health system in Cyprus. New product launches contributed to Sun Wave Pharma growing revenue by 22%.

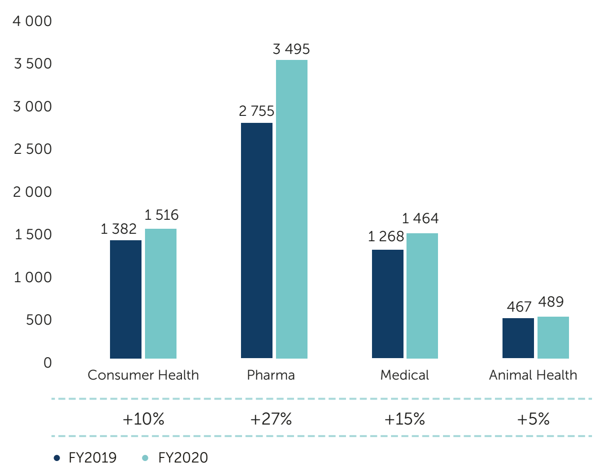
Revenue in South Africa grew by 10% to R3.3 billion. Medical Devices reported growth of 15% through new agency export business in Africa and the supply of ventilators and respirators during the Covid-19 pandemic. The benefit of these once-off Covid-19 sales was partly negated by the loss of sales of consumables used in elective surgeries which were restricted during lockdown and the lower incidence of trauma surgeries.

The Pharma segment is the largest contributor to group revenue at 50%, followed by Consumer Health at 22%, Medical 21% and Animal Health accounting for 7% of revenue. Refer to the operational review on pages 28 to 36 for detail on the segmental performance.

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

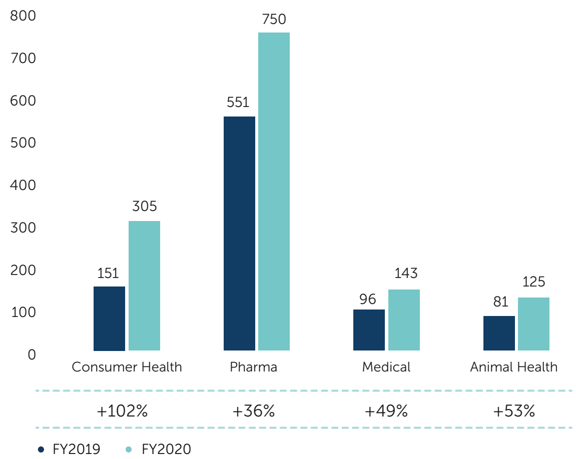
The group's gross profit grew by 23% to R3.2 billion with the gross profit margin increasing to 46.1% (2019: 44.3%). Gross profit growth was driven by the higher margin European businesses, Remedica and Sun Wave Pharma, growing faster than the local businesses, boosted by Rand weakness. In South Africa, lower inventory write-offs and the improved product mix in Animal Health benefited the gross profit margin.

Revenue from continuing operations (R'm)



CHIEF FINANCIAL OFFICER'S REPORT (CONTINUED)

EBITDA from continuing operations (R'm) (before HO costs)



Operating expenses grew by 9%, excluding depreciation, amortisation and impairments of R1 billion (2019: R1.9 billion) and once-off transaction and restructuring costs of R264 million (2019: R124 million). These latter costs included extensive consulting and professional fees associated with the restructuring of the senior debt, and other once-off costs related to the disposal of Biosciences, the planned disposal of Remedica and increased finance expenses associated with the interim stability agreements with the group's lenders.

Normalised earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 58% to R1 181 million. The EBITDA margin increased to 16.1% (2019: 12.8%).

The growth was attributable to the higher gross profit as a result of the increased revenue and lower stock write-offs in the supply chain business, partially offset by an increased investment in marketing in Europe and South Africa in support of new product launches. The adoption of IFRS 16 *Leases* resulted in an EBITDA increase of R58 million. Normalised EBITDA on a comparable basis increased by 50%.

The group's normalised operating profit reflected a turn-around to a profit of R161 million (2019: loss of R1 121 million).

Net finance costs were R453 million higher at R856 million owing mainly to the costs related to the refinancing and interim stability agreements with lenders, penalty interest on overdue deferred vendor liabilities in respect of Remedica, Sun Wave Pharma and Kyron, and the impact of the adoption of IFRS 16. The total weighted cost of debt increased to 15.5% (2019: 5.6%).

Impairment losses totalling R967 million (2019: R4.4 billion) were recognised as a result of the deterioration in trading performance and the higher cost of capital applied in the impairment testing due to the weaker economic environment in the wake of the Covid-19 pandemic. The major impairments were raised in respect of Medical Devices (R309 million) due to the slowdown in the elective surgery channel and Scitec (R268 million) which was sold below net asset value. Refer to notes 11 and 30 of the audited group annual financial statements.

The higher non-operating expenses and impairments contributed to a normalised loss after tax for the year of R682 million (2019: loss of R1.7 billion).

The normalised headline loss reduced by R55 million to a loss of R29 million, with the normalised headline loss per share improving by 66% to (6.0) cents (2019: (17.7) cents).

Statement of financial position

Following the decision to terminate the proposed sale of Remedica in December 2019, the board appointed advisers to provide an independent review of the group's capital structure and assist in implementing a debt restructure.

Management engaged with the lender consortium from March 2019 and concluded an interim stability agreement (ISA) with the consortium in May 2019. The ISA included a waiver of all debt covenants and no bank had the right to call for repayment of their debt. The ISA was extended three times to enable the group to restructure its debt.

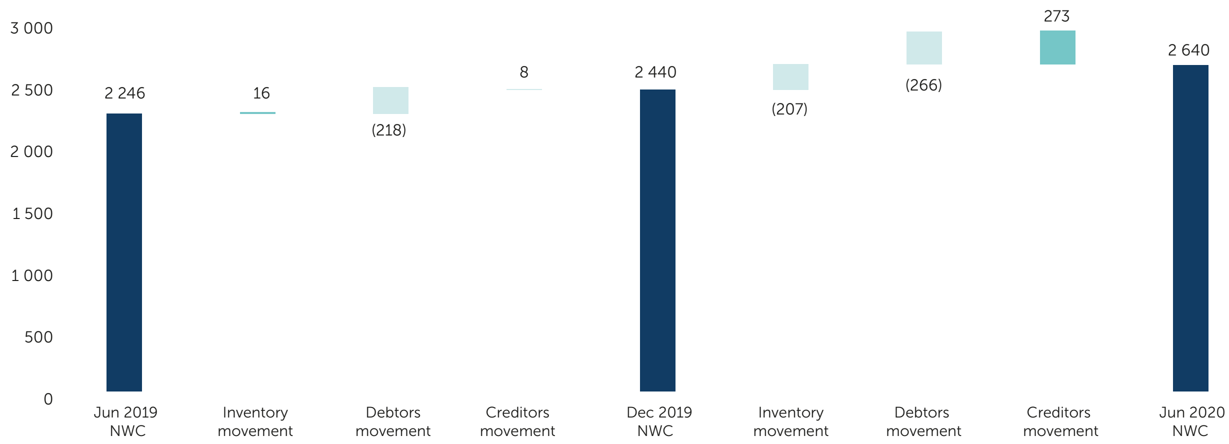
On 5 June 2020, the group concluded a R6.9 billion new senior facility refinancing agreement with the lender consortium, with a bullet repayment due in December 2021. A new superior senior debt facility of R464 million was secured at the same time to fund working capital requirements.

Bank debt totalled R6.8 billion at year-end (2019: R5.8 billion), but the net debt to EBITDA ratio improved from 6.5x in 2019 to 5.2x in 2020. The covenant target at 30 June 2020 was 5.9x.

At year end 74% of the bank debt was Euro denominated, having increased from 69% in 2019 following the addition of the new debt facility and the depreciation of the Rand. Currently 83% of the deferred vendor liabilities are payable in Euro.

Net working capital increased by R394 million from June 2019 owing to higher inventory for new Medical Device agency contracts and increased trade debtors due to increased government Covid-19 business. This was partially offset by the reduction in trade creditor payments following the increased liquidity post the refinancing agreement.

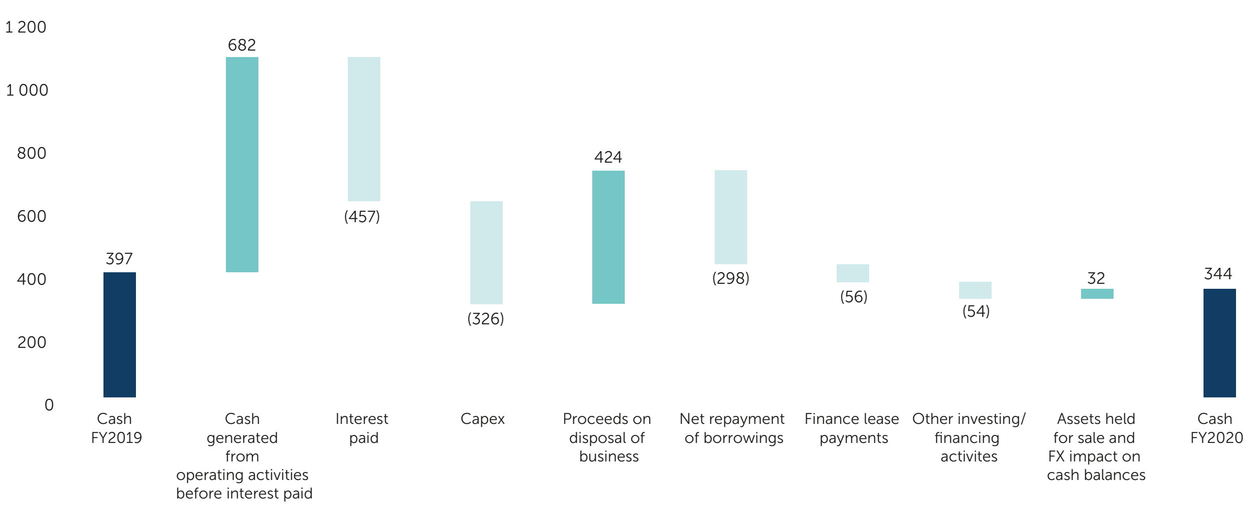
Net working capital (NWC) (R'm)



Cash and capital management

The group generated cash from operating activities before interest paid of R682 million. At end June 2020, cash and cash equivalents totalled R344 million (2019: R397 million). The group repaid borrowings of R126 million, R172 million of deferred vendor liabilities and invested R326 million in capital expenditure on property, plant and equipment (R213 million) and intangible assets (R113 million). The sale of Biosciences generated net proceeds of R424 million, with R360 million being applied to repay a bridge loan of R360 million. No dividends were declared or paid during the current or prior reporting period.

Cash management (R'm)



Appreciation

The past financial year has been challenging in many ways. I thank the members of our lender consortium for their co-operation and engagement over many months to finalise the debt refinancing arrangement.

Like so many other companies, our financial year end reporting process was particularly difficult, working under the constraints of the Covid-19 lockdown. Thank you to my group finance team as well as the finance teams in our subsidiary companies in South Africa and Europe, as well as our auditors and advisers, for ensuring the timeous and professional completion of the audit and group annual financial statements and results.

In closing, I would like to thank the many amazing people I have met during my five years at Ascendis Health, including colleagues, former colleagues, professional advisers, auditors, lenders and shareholders locally and internationally. Hopefully, our paths will cross again soon.

Kieron Futter
Chief financial officer

30 September 2020

GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2020

	2020 R'000	Restated[1] 2019 R'000
Continuing operations		
Revenue	**6 963 376**	5 871 766
Cost of sales	**(3 751 732)**	(3 269 878)
Gross profit	**3 211 644**	2 601 888
Other income	**27 964**	85 978
Selling and distribution costs	**(669 808)**	(518 005)
Administrative expenses	**(1 187 601)**	(1 222 151)
Net impairment loss on financial assets	**(40 270)**	(25 713)
Other operating expenses	**(792 325)**	(560 619)
Impairment of non-current assets	**(653 283)**	(1 606 735)
Operating loss	**(103 679)**	(1 245 357)
Finance income	**10 395**	4 272
Finance costs	**(865 858)**	(407 376)
Loss before taxation	**(959 142)**	(1 648 461)
Tax credit/(expense)	**56 570**	(128 876)
Loss from continuing operations	**(902 572)**	(1 777 337)
Loss from discontinuing operations	**(169 977)**	(2 922 276)
Loss for the year	**(1 072 549)**	(4 699 613)
Other comprehensive income:		
Items that may be reclassified to profit and loss net of tax		
Foreign currency translation reserve	**221 802**	71 208
Effects of cash flow hedges	**1 865**	4 785
Fair value adjustments	**(314)**	515
Recycled to profit and loss	**2 179**	4 270
Non-controlling interest relating to items that may be reclassified	**8 518**	(10 072)
Income tax relating to items that may be reclassified	**(522)**	(1 340)
Items that will not be reclassified to profit and loss net of tax		
Revaluation of property, plant and equipment	**13 768**	8 251
Income tax relating to items that will not be reclassified	**(1 721)**	(2 310)
Other comprehensive income for the year net of tax	**243 710**	70 522
Total comprehensive loss for the year	**(828 839)**	(4 629 091)
Loss attributable to:		
Owners of the parent	**(1 000 820)**	(4 710 192)
Non-controlling interest	**(71 729)**	10 579
	(1 072 549)	(4 699 613)
Total comprehensive loss attributable to:		
Owners of the parent	**(765 628)**	(4 629 598)
Non-controlling interest	**(63 211)**	507
	(828 839)	(4 629 091)
Loss per share from continuing operations		
Basic and diluted loss per share (cents)	**(174.0)**	(374.4)
Total loss per share		
Basic and diluted loss per share (cents)	**(209.6)**	(986.4)

[1] *The comparatives have been restated. Refer to the basis of preparation note in the group annual financial statements.*

GROUP STATEMENT OF FINANCIAL POSITION

at 30 June 2020

	2020 R'000	Restated[1] 2019 R'000
ASSETS:		
Property, plant and equipment	**1 038 999**	1 104 503
Right-of-use assets	**319 953**	–
Intangible assets and goodwill	**5 674 700**	5 335 329
Other financial assets	**15 849**	52 314
Deferred tax assets	**94 849**	124 714
Other receivables	**34 514**	–
Non-current assets	**7 178 864**	6 616 860
Inventories	**1 582 747**	1 533 106
Trade and other receivables	**2 321 597**	1 890 343
Other financial assets	**5 057**	6 439
Current tax receivable	**49 696**	79 197
Derivative financial assets	**961**	135
Cash and cash equivalents	**393 131**	464 110
	4 353 189	3 973 330
Assets classified as held for sale	**703 929**	699 049
Current assets	**5 057 118**	4 672 379
Total assets	**12 235 982**	11 289 239
EQUITY:		
Stated capital	**5 975 703**	5 975 703
Reserves	**243 226**	(137 221)
Accumulated loss	**(5 031 089)**	(3 998 071)
Equity attributable to equity holders of parent	**1 187 840**	1 840 411
Non-controlling interest	**104 666**	168 693
Total equity	**1 292 506**	2 009 104
LIABILITIES:		
Borrowings and other financial liabilities	**6 285 087**	208 226
Deferred tax liabilities	**362 468**	521 274
Deferred vendor liabilities	**1 103 108**	154 475
Lease liabilities	**294 186**	18 694
Contract liabilities	**8 826**	5 642
Employee benefit obligations	**–**	6 647
Non-current liabilities	**8 053 675**	914 958
Trade and other payables	**1 550 745**	1 377 327
Borrowings and other financial liabilities	**540 123**	5 544 782
Deferred vendor liabilities	**34 499**	896 798
Put-option on equity instrument	**–**	93 622
Provisions	**91 087**	63 217
Contract liabilities	**37 294**	8 423
Lease liabilities	**55 192**	12 747
Derivative financial liabilities	**655**	2 743
Current tax payable	**80 683**	123 963
Bank overdraft	**49 148**	66 995
	2 439 426	8 190 617
Liabilities classified as held for sale	**450 375**	174 560
Current liabilities	**2 889 801**	8 365 177
Total liabilities	**10 943 476**	9 280 135
Total equity and liabilities	**12 235 982**	11 289 239

(1) *The comparatives have been restated. Refer to the basis of preparation note in the group annual financial statements.*

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2020

R'000	Stated capital	Other reserves	Retained income/ (Accumulated loss)	Total attributable to equity holders of the group	Non-controlling interest	Total equity
Balance as at 1 July 2018	6 062 817	(176 112)	726 011	6 612 716	161 515	6 774 231
IFRS 9 adjustment	–	–	(23 025)	(23 025)	–	(23 025)
IFRS 15 adjustment	–	–	(11 073)	(11 073)	–	(11 073)
Adjusted opening balance as at 30 June 2018	6 062 817	(176 112)	691 913	6 578 618	161 515	6 740 133
(Loss)/profit for the year	–	–	(4 710 192)	(4 710 192)	10 579	(4 699 613)
Other comprehensive income	–	80 594	–	80 594	(10 072)	70 522
Total comprehensive income/(loss) for the year	–	80 594	(4 710 192)	(4 629 598)	507	(4 629 091)
Net movement of treasury shares	(87 114)	–	–	(87 114)	–	(87 114)
Dividends	–	–	–	–	(13 211)	(13 211)
Foreign currency translation reserve	–	79	–	79	–	79
Acquisition of non-controlling interest	–	–	–	–	(1 717)	(1 717)
Reclassification of reserves into retained earnings	–	518	(518)	–	–	–
Disposal of non-controlling interest	–	–	–	–	25	25
Statutory reserve: Farmalider allocation to reserve	–	(42 300)	20 726	(21 574)	21 574	–
Total contributions by and distributions to owners of the group recognised directly in equity	(87 114)	(41 703)	20 208	(108 609)	6 671	(101 938)
Balance as at 30 June 2019 (Restated)	**5 975 703**	**(137 221)**	**(3 998 071)**	**1 840 411**	**168 693**	**2 009 104**
IFRS 16 adjustment	**–**	**–**	**899**	**899**	**–**	**899**
Adjusted opening balance as at 30 June 2019 (Unaudited)	**5 975 703**	**(137 221)**	**(3 997 172)**	**1 841 310**	**168 693**	**2 010 003**
(Loss)/profit for the year	**–**	**–**	**(1 000 820)**	**(1 000 820)**	**(71 729)**	**(1 072 549)**
Other comprehensive income/(loss)	**–**	**235 192**	**–**	**235 192**	**8 518**	**243 710**
Total comprehensive income/(loss) for the year	**–**	**235 192**	**(1 000 820)**	**(765 628)**	**(63 211)**	**(828 839)**
Dividends	**–**	**–**	**4 226**	**4 226**	**(2 785)**	**1 441**
Foreign currency translation reserve	**–**	**12 916**	**–**	**12 916**	**–**	**12 916**
Reclassification of reserves into retained earnings	**–**	**36 986**	**(36 986)**	**–**	**–**	**–**
Lapse of NCI put-option	**–**	**95 067**	**–**	**95 067**	**–**	**95 067**
Disposal/deregistration of subsidiary	**–**	**(406)**	**–**	**(406)**	**–**	**(406)**
Disposal of non-controlling interest	**–**	**–**	**–**	**–**	**2 324**	**2 324**
Statutory reserve: Farmalider allocation to reserve	**–**	**692**	**(337)**	**355**	**(355)**	**–**
Total contributions by and distributions to owners of the group recognised directly in equity	**–**	**145 255**	**(33 097)**	**112 158**	**(816)**	**111 342**
Balance as at 30 June 2020	**5 975 703**	**243 226**	**(5 031 089)**	**1 187 840**	**104 666**	**1 292 506**

GROUP CASH FLOW STATEMENT

for the year ended 30 June 2020

	2020 R'000	Restated[1] 2019 R'000
Cash flows from operating activities		
Cash generated from operations	**753 689**	580 819
Cash generated from discontinued operations	**10 364**	16 715
Interest income received	**10 395**	4 238
Interest paid	**(456 664)**	(352 290)
Income taxes paid	**(92 942)**	(52 888)
Net cash inflow from operating activities	**224 842**	196 594
Cash flows from investing activities		
Purchases of property, plant and equipment	**(212 547)**	(246 321)
Proceeds on the sale of property, plant and equipment	**12 612**	38 555
Purchases of intangibles assets	**(113 123)**	(181 047)
Proceeds on the sale of intangible assets	**3 057**	3 009
Proceeds from disposal of subsidiaries – net of cash	**423 996**	158 094
Repayments on deferred vendor liabilities	**–**	(230 061)
Investment in other financial assets	**(41 564)**	(5 078)
Net cash outflow from investing activities – discontinued operations	**(17 547)**	(70 249)
Net cash inflow/(outflow) to investing activities	**54 884**	(533 098)
Cash flows from financing activities		
Payments made to acquire treasury shares	**–**	(5 401)
Proceeds from borrowings raised	**834 670**	605 763
Repayment of borrowings	**(960 452)**	(476 452)
Repayments on deferred vendor liabilities	**(172 232)**	–
Lease liabilities repaid	**(55 793)**	(16 917)
Dividends paid to minority interests	**–**	(2 005)
Net cash outflow from financing activities – discontinued operations	**(10 878)**	(537)
Net cash (outflow)/inflow from financing activities	**(364 685)**	104 451
Net decrease in cash and cash equivalents	**(84 959)**	(232 053)
Restricted cash balances at the beginning of the year	**45 515**	–
Other cash and cash equivalent balances at the beginning of the year	**351 600**	686 623
Cash and cash equivalents at beginning of year	**397 115**	686 623
Effect of exchange difference on cash balances	**37 308**	(992)
Cash and cash equivalents at the beginning of the year – assets held for sale	**56 463**	–
Cash and cash equivalents at end of year – assets held for sale	**(61 944)**	(56 463)
Restricted cash balance at the end of the year	**75 057**	45 515
Other cash and cash equivalents balance at the end of the year	**268 926**	351 600
Cash and cash equivalents at end of year	**343 983**	397 115

[1] *The comparatives have been restated. Refer to the basis of preparation note in the group annual financial statements.*

GROUP SEGMENT ANALYSIS

for the year ended 30 June 2020

The group has five core health care areas, namely Pharma, Medical, Consumer Health, Animal Health and Biosciences. The core health care areas are split into nine reportable segments that are used by the group executive committee as chief operating decision-maker (CODM) to make key operating decisions, allocate resources and assess performance.

The operating and reportable segments are as follows:

- **Consumer Health**, incorporating Sports Nutrition, Skin and all of the Ascendis over-the-counter (OTC) and complementary and alternative consumer products. This division includes three reportable segments:
  - **Consumer Health Africa:** operating predominantly in the South African market.
  - **Scitec:** operating predominantly in the European market.
  - **Sun Wave:** operating predominantly in Romania.
- **Pharma**, incorporating Ascendis' pharmaceutical products. This division includes three reportable segments:
  - **Pharma Africa:** operating predominantly in the South African market.
  - **Remedica:** operating predominantly in the European market.
  - **Farmalider:** 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.

Revenue split by segment	2020 R'000	Restated[1] 2019 R'000
Consumer Health	**2 753 486**	2 701 391
South Africa	**687 559**	738 569
Scitec	**1 188 607**	1 246 002
Sun Wave	**877 320**	716 820
Pharma	**3 495 112**	2 754 905
South Africa	**700 183**	632 288
Remedica	**2 176 186**	1 543 270
Farmalider	**618 743**	579 347
Medical	**1 464 111**	1 268 084
Animal Health	**488 973**	466 957
Biosciences	**336 258**	856 552
Other	**3 984**	7 877
Less: Discontinued operations	**(1 578 548)**	(2 184 000)
Total revenue	**6 963 376**	5 871 766

[1] *The comparatives have been restated. Refer to the basis of preparation note in the group annual financial statements.*

Normalised EBITDA and normalised EBITDA margin split by segment	2020 R'000	2020 %	Restated[1] 2019 R'000	Restated[1] 2019 %
Consumer Health	**342 421**	**12%**	158 184	6%
South Africa	**35 550**	**5%**	(20 194)	-3%
Scitec	**61 163**	**5%**	6 111	–
Sun Wave	**245 708**	**28%**	172 267	24%
Pharma	**750 215**	**21%**	550 417	20%
South Africa	**(45 488)**	**-6%**	(2 401)	–
Remedica	**731 378**	**34%**	476 625	31%
Farmalider	**64 325**	**10%**	76 193	13%
Medical	**143 010**	**10%**	96 075	8%
Animal Health	**124 681**	**25%**	81 408	17%
Biosciences	**18 116**	**5%**	107 927	13%
Head office	**(141 592)**	**–**	(129 710)	–
Other	**197**	**5%**	(37 104)	-471%
Less: Discontinued operations	**(55 765)**	**4%**	(77 821)	4%
Total normalised EBITDA	**1 181 283**	**17%**	749 376	13%
Non-controlling interest proportionate share	**(29 019)**		(30 138)	
Total normalised EBITDA attributable to the parent	**1 152 264**		719 238	

[1] *The comparatives have been restated. Refer to the basis of preparation note in the group annual financial statements.*

Assets and liabilities split by segment	2020 R'000 Assets	2020 R'000 Liabilities	Restated[1] 2019 R'000 Assets	Restated[1] 2019 R'000 Liabilities
Consumer Health	**2 337 547**	**(5 180 246)**	2 287 255	(3 505 775)
South Africa	**550 903**	**(189 915)**	696 315	(144 884)
Scitec – held for sale	**375 435**	**(4 625 527)**	505 481	(2 928 556)
Sun Wave[2]	**1 411 209**	**(364 804)**	1 085 459	(432 335)
Pharma	**7 142 567**	**(2 561 066)**	5 810 200	(2 858 653)
South Africa	**346 638**	**(242 531)**	406 238	(195 040)
Remedica	**6 187 940**	**(1 743 620)**	4 817 897	(2 135 238)
Farmalider	**607 989**	**(574 915)**	586 065	(528 375)
Medical	**1 526 349**	**(563 594)**	1 502 520	(325 412)
Animal Health	**741 670**	**(178 566)**	728 159	(133 054)
Biosciences – held for sale	**252 968**	**(161 819)**	661 052	(221 631)
Head office[2]	**232 220**	**(2 298 148)**	298 207	(2 234 982)
Other	**2 661**	**(37)**	1 846	(628)
Total consolidated assets and liabilities	**12 235 982**	**(10 943 476)**	11 289 239	(9 280 135)

[1] *The comparatives have been restated for the change in discontinued operations. Refer to the basis of preparation note in the group annual financial statements.*
[2] *Goodwill was reclassified between the Head office segment and the Sun Wave segment. Refer to the restatements section in the accounting policies note in the group annual financial statements for more details.*

OPERATIONAL REVIEWS

CONSUMER HEALTH SOUTH AFRICA

Ascendis Consumer Health (SA) was formed through the amalgamation of different consumer healthcare businesses:

- **Chempure:** Raw material supplier to several industries, including health and wellness, food, sports nutrition and personal care.
- **Supply chain:** Procurement and manufacture of vitamins and supplements for the division and external parties through its production facility in Wynberg, Gauteng.
- **Vitamins and supplements**: Marketing and sales of vitamins and supplements.
- **Compounding pharmacy:** Compounds unique patient-specific formulas.
- **Skin and body:** Specialises in professional and premium skin and body care brands.

Brand portfolio

The Ascendis Consumer portfolio comprises 11 vitamin, mineral and supplement (VMS) brands and three skincare brands.

The business is the third largest VMS supplier in South Africa with its brands occupying top three positions in 14 of the 38 product categories within the VMS market *(Source: IRI SA value sales, vitamins and supplements, total defined retail market, MAT June 2020)*.

Solal, Vitaforce and Bettaway are among the most established and recognised brands in the domestic VMS market.

Ascendis Consumer operates in both the professional and premium skincare markets with the Nimue, Solal Skincare and AgeWell brands. Nimue Skin Technology is well established in the professional skincare market in South Africa and is sold in 23 countries, garnering respect from professionals and consumers alike for its award-winning formulas and superior product efficacy.

Review of 2020

The strategic focus of the division was to identify synergies and optimise efficiencies across the five recently integrated businesses within Ascendis Consumer. While the portfolio strategy was reviewed in response to the Covid-19 pandemic, the focus on extracting synergies from procurement to operations to resources was effectively managed and contributed to the financial success of the division.

New products launched during the year included the Solal CBD and Nimue hyaluronic acid (HA) ranges. New business has been key for Chempure and Compounding Pharmacy, with growth in new markets including vitamin intravenous (IV) drips.

During the year inventory management was impacted by delays in shipping and receiving at local ports as well as strike action. In addition, cash flow management proved challenging which was compounded by regular stock shortages. To assist in overcoming this hurdle debtor collections were improved and credit terms with suppliers extended.

Impact of Covid-19

The demand for immunity, multi-vitamins and stress products showed a sharp increase ahead of the national lockdown and over the subsequent months as South Africans focused on boosting immunity levels and managing their mental health. However, it proved difficult to meet this surge in demand as stock availability was impacted by global supply shortages, delays in raw materials entering the country owing to port closures and restrictions on international flights, increased raw material costs and stock delays. Production capacity at the Wynberg manufacturing facility was affected by social distancing requirements.

Beauty salons were restricted from trading from 27 March 2020 until lockdown regulations were relaxed in mid-June 2020, which has led to several salons closing permanently and impacting the sustainability of the industry. The Skin and Body business closed for April and May and reopened when the trading restrictions for salons were lifted.

The pressure on consumer disposable income as a consequence of the lockdown has also affected sales of premium skin care products.

Financial performance

R'm	2020	2019	% change
Revenue	**687.6**	738.6	-7%
EBITDA	**35.6**	(20.2)	>100
EBITDA margin	**5.2%**	-2.7%	–

Outlook for 2021

The focus in the 2021 financial year will be on continuing to manage the impact of Covid-19 on the business and assessing the longer term impacts on the division's strategy.

Projects have been initiated to ensure the profitability and sustainability of the business, including the rationalisation of the product portfolio, diversification into more defensive ingredients, evaluating the efficiency of the Wynberg factory and reviewing the business model of the skin care business.

Chempure is expecting a recovery in the sports nutrition and personal care markets post the Covid-19 impact. The skin division will continue to pursue international growth and identify key partners in selected countries. Compounding pharmacy is expected to maintain its growth momentum through the growth in vitamin IV bars and doctor-specific compounding.

SUN WAVE PHARMA

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

Brand portfolio

Sun Wave promotes a wide range of natural products in the fields of gastroenterology, obstetrics and gynaecology, urology, cardiology, diabetology, endocrinology, neurology, rheumatology, psychiatry, orthopaedics, dermatology, paediatrics, neonatology and pulmonology.

As the leader in the Romanian nutraceutical market, Sun Wave has a market share of 13.3%, and is also one of the top five participants in the Romanian OTC market.

Several brands are leaders in their respective segments, including Neurovert Forte (neuronal remodulation post-stroke), Stresclin Complex (stress relief), Altrifer LDS (liposomal iron), FluEnd (flu relief), Urisan GR (for urinary tract infection) and Myo-Sun Plus (female infertility).

Review of 2020

Sun Wave continued to implement its proven marketing strategy of investing in doctor promotion, hosting medical conferences, participating as the premium sponsor in national congresses, increasing the number of post-marketing studies, conducting medico-marketing activities and increasing investment in media campaigns.

During the year Sun Wave hosted 70 medical conferences with over 14 000 doctors attending while being the premier sponsor of 25 national medical congresses.

SunCRD, the clinical research department at Sun Wave, conducted 31 post-marketing studies with patients.

Marketing investment focused on the top 33 brands which contributed 86% of sales during the year. €2 million was invested in a media campaign for FluEnd. The Spor probiotic range launched in 2020 achieved sales of €1 million in its first year.

Sun Wave remains number one in 'doctor's share of mind' in Romania, according to healthcare research company Cegedim, with doctors increasingly recommending Sun Wave's nutraceutical products based on quality, efficacy and safety.

The Romanian nutraceutical market grew by 13.5% in 2020 *(Source: Cegedim)*.

Impact of Covid-19

Sun Wave's nutraceutical and OTC products were highly relevant to the Romanian doctor and pharmacist network as part of the immunity and co-morbidity treatment regime for Covid-19.

Following the outbreak of the virus in Romania, Sun Wave recorded its highest monthly sales in history in March 2020, with the vitamin ranges Sun-D3 and Sun Health Vitamin C posting record sales as customers looked to increase immunity levels.

Sales in May and June 2020 declined by 37% compared to 2019, largely due to the lower number of patients visiting doctors during lockdown.

Financial performance

R'm	2020	2019	% change
Revenue	**877.3**	716.8	+22%
EBITDA	**245.7**	172.3	+43%
EBITDA margin	**28.0%**	24.0%	–

Outlook for 2021

Seven new products are scheduled to be launched in the new financial year and Sun Wave plans to expand its international presence to Bulgaria and Cyprus.

The investment in consumer media and online campaigns will be doubled while €2.4 million is planned for investment in SunCRD.

Sun Wave aims to achieve the number one position in the Romanian OTC market in 2021.

PHARMA SOUTH AFRICA

Ascendis Pharma South Africa operates within the private and public sectors of the local pharmaceutical market, selling and distributing generic pharmaceuticals and over-the-counter (OTC) medicines to retail pharmacies, dispensing doctors, pharmaceutical wholesalers, private hospital groups and government hospitals. Ascendis Pharma SA also supplies products into five other SADC countries.

Brand portfolio

Ascendis Pharma owns some of the most recognised brands in the domestic pharmaceutical market:

Reuterina is the number one selling[1] and prescribed[2] probiotic range in South Africa, with a 31% market share by value.

Sinuend and **Sinucon** hold the number one and two positions in the cold preparation market respectively based on sales[1] volume and jointly hold the number one position in value terms with a market share of 17%[1].

Canex T and **Canex V** rank number one in unit sales, holding 21% and 42% shares of volume in their respective markets.[1]

Phlexy, an injectable anti-epileptic and a first-to-market generic, is the leading phenytoin injectable with a 93% market share.[1]

Biocort is the number one selling hydrocortisone cream in volume terms in South Africa, with a 49% market share.[1]

(Sources: (1) IQVIA TPM data and (2) Impact Rx)

Review of 2020

Ascendis Pharma's strategy for the 2020 financial year focused on:

- building established brands in core OTC and generic therapeutic areas of cough and cold, pain, gastrointestinal medicine and selected niche hospital medication;
- developing a channel focus in private sector channels (retail pharmacy, dispensing doctors and private hospitals) and public sector hospitals;
- building an African presence, initially in SADC countries; and
- sourcing and developing new products.

The South African private market value declined by 1% for the year to June 2020. Year-on-year value declines in key market segments in which Ascendis Pharma competes were recorded, including cold preparations down 9%, probiotics 8% lower and anti-infectives declined by 10%. These extremely sluggish sector performances were largely due to weak winter trading conditions in 2019 and 2020, the latter impacted by Covid-19.

Economic pressures caused constrained and more selective consumer spending which impacted the premium-priced Reuterina range as consumers sourced more affordable alternatives. This shift benefitted other OTC products within the Ascendis Pharma range, including competitively positioned and priced brands Sinuend, Canex and Biocort.

Regulatory challenges, including approval times for new dossiers and changes to manufacturing sites, manufacturing methods or raw material sources required intense focus from the Ascendis Pharma regulatory team.

Impact of Covid-19

Covid-19 had an early positive impact on revenue as many brands benefitted from pre-lockdown stocking by wholesalers and retailers and panic buying by consumers during March 2020. This loading phenomenon primarily benefitted the OTC product portfolio but was countered in later months as demand slowed.

PHARMA SOUTH AFRICA (CONTINUED)

Ascendis Pharma extended the availability of the Reuterina range to e-commerce and online retail platforms as consumer buying behaviour shifted during lockdown. The consumer brand communication for Reuterina was changed to focus on the immune boosting attributes of the product in the Covid-19 environment.

As the lockdown continued, retail trading slowed, doctors' practices either closed or reduced hours due to declining patient numbers and private hospitals restricted elective surgeries. Social distancing and lockdown regulations reduced the incidence of seasonal colds and flu which saw a decline in the purchase of cough and cold medication, reduced antibiotic prescriptions and a resultant decline in probiotic script support.

Global Covid-related lockdowns resulted in reduced manufacturing output at major supplier factories impacting the availability of active ingredients and raw materials. This had a negative impact on the public sector which is heavily reliant on foreign supply, with many public sector clinics and hospitals impacted by medicine shortages. In response to the Covid-19-related challenges, Ascendis Pharma accelerated the sourcing and regulatory approval of local manufacturers and active pharmaceutical ingredient (API) suppliers to mitigate risk and dependency on international suppliers.

Financial performance

R'm	2020	2019	% change
Revenue	**700.2**	632.3	+11%
EBITDA	**(45.5)**	(2.4)	>100%
EBITDA margin	**-6.5%**	-3.8%	–

Outlook for 2021

Covid-19 will continue to impact the business into the 2021 financial year. The economic impact of the pandemic is expected to place continued pressure on consumers, reduce disposable income, divert consumer spend to essentials and make consumers discerning in their brand choices, affecting the OTC business. This could either benefit the well-known and trusted brands or divert spend to more affordable products.

As the economy continues to open up post lockdown following the peak infection period, the prescription medication portfolio should benefit as visits to doctors increase, private hospitals resume elective surgeries and trauma units become busier.

To drive growth, mitigate against the continued impact of Covid-19 and maximise profitability, Ascendis Pharma will continue to source first-to-market and niche prescription molecules, expand into Africa and address supply challenges by obtaining regulatory approval of additional manufacturers, including local suppliers, and API sources.

Commercial opportunities in the year ahead include expanding the online retail presence of brands and digital communication with consumers, rationalise low margin products, particularly in the dispensing product portfolio, and support retail pharmacies to drive feet into stores to purchase Ascendis Pharma brands.

REMEDICA

Remedica is a pharmaceutical manufacturer located in Cyprus which sells over 340 generic, branded generic and over-the-counter products in more than 100 countries. Products are sold mainly to high-growth emerging markets as well as to many non-governmental organisations (NGOs) while the company has a portfolio of over 3 400 marketing authorisations. The business has five Good Manufacturing Practice (GMP) accredited manufacturing facilities, including a world-class oncology facility. Remedica was acquired by Ascendis Health in 2016.

Brand portfolio

Remedica has a well-diversified range of products across several therapeutic categories including anti-retroviral, cardiovascular, antibiotics, antineoplastic agents, antidepressants, antispasmodic, gastrointestinal agents, respiratory and anti-infective products. Remedica is recognised as the market leader for many NGOs in the antimalarial category.

Review of 2020

The strategy continued to focus on expanding the product portfolio and upgrading existing dossiers, developing new dossiers, exploiting in-licensing opportunities with co-development partners and expanding into new geographies.

Notable achievements included the launch of three molecules, concluding a co-development partnership with a Greek pharmaceutical company, being awarded major tenders in Mexico and Ethiopia, and reaching a distribution agreement in Egypt for cancer prevention products.

The introduction of the national health system in Cyprus has been one of the major drivers of growth in revenue and EBITDA in the past year.

Impact of Covid-19

Remedica manufactures chloroquine which is a drug used for the treatment and prevention of malaria. In the early stages of the Covid-19 pandemic the United States Food and Drug Administration (FDA) authorised chloroquine for emergency use for severely ill Covid-19 patients in hospital, which led to a significant increase in demand for the product. Chloroquine has been submitted to the FDA for testing to establish long-term efficacy and safety. The continued production of anti-retrovirals remains fundamental to stemming the potential impact of Covid-19 on those who are immune compromised.

The business was negatively impacted during the pandemic by logistics challenges in the supply of API, the ban on the export of APIs from certain countries and the export restrictions imposed by the Cyprus government. In response to these supply and export challenges, Remedica sourced additional logistics providers and identified alternative transportation routes to ensure products reached their final destination. The business built up higher levels of safety stocks due to the extended lead times from suppliers while also being well positioned should a second wave of Covid-19 infections occur.

Financial performance

R'm	2020	2019	% change
Revenue	**2 176.2**	1 543.3	+41%
EBITDA	**731.4**	476.6	+53%
EBITDA margin	**33.6%**	30.9%	–

Outlook for 2021

In the year ahead, Remedica will focus on market expansion and development through own, co-developed and in-licensed products, targeting markets including Cameroon, Afghanistan, Pakistan, Iran, Uzbekistan, Kazakhstan, Russia and countries in Europe where the business does not have a strong presence.

Other focus areas include penetrating new sales channels in existing territories, introducing further in-license products into the Cyprus market, rebranding and packaging of products, close collaboration with NGOs and the implementation of new technology and systems to improve efficiency and productivity.

The national health system in Cyprus presents opportunities for growth in volumes and profitability in the year ahead.

FARMALIDER

Farmalider is a Spanish pharmaceutical company which develops, licences and manufactures mainly generic and OTC products. Headquartered in Madrid, the business sells licensing rights on differentiated products with limited competition and has marketing authorisations and dossiers for a range of pharmaceutical products in several European countries. Ascendis Health acquired a 49% stake in Farmalider in 2015.

Brand portfolio

Farmalider's products target mainly pain management and key molecules are paracetamol, ibuprofen, acetylsalicylic acid and the combination paracetamol and tramadol. These products have commanding market shares in Spain, ranging from 25% to 35%. Well-known brands in the portfolio include Vitalcare, Dentacare, Farmamix and Enol.

Review of 2020

Farmalider maintained its market leading position in the ibuprofen and paracetamol markets in Spain and made encouraging progress with the implementation of its strategic plan, despite the disruption of Covid-19 in the second half of the year.

The internationalisation strategy to increase revenue from strategic products in the European Union (EU) gained momentum in Portugal, Italy, Poland and Croatia, supported by further opportunities in France and Germany.

The business focused on the profitability of generic products, particularly ibuprofen and paracetamol which account for over 60% of supply revenues and increasing the capacity of the in-house manufacturing facility.

Management continued to partially mitigate the impact of raw material cost increases by accumulating a safety stock of ibuprofen active pharmaceutical ingredient (API) to ensure security of supply and minimise future price increases.

One of the biggest challenges encountered during the year was managing the cumulative demand as a result of the production slowdown at Farmalider's manufacturing site in the second half of the 2019 financial year. This followed the implementation of the EU serialisation directive on prescription medication which involved the installation of new software and hardware which disrupted manufacturing processes and created delays in orders.

Further challenges included identifying new contract manufacturers to ensure supply growth in the coming years and managing shifting customer demand, for example from ibuprofen 400mg to 600mg and paracetamol 650mg to 1 000mg which impacted the supply pipeline, manufacturing plans and regulatory affairs.

Impact of Covid-19

While an effective business continuity plan limited the impact of the outbreak of Covid-19, the pandemic negatively impacted logistics and consumer demand. The supply chain was impacted by transport and customs challenges on raw material imports, specifically from suppliers in India and China, which resulted in delays at Farmalider's production plant as well as third party manufacturers.

The inactivity of health regulators during this time, coupled with delays in customer agreements and the launch of new products, impacted license fee revenue. Royalty revenue was impacted by lower product sales owing to pressure on consumer spending due to Covid-19, with OTC sales declining by 8% in volume terms.

Financial performance

R'm	2020	2019	% change
Revenue	**618.7**	579.3	+7%
EBITDA	**64.3**	76.2	-16%
EBITDA margin	**10.4%**	13.2%	–

Outlook for 2021

New contract manufacturing agreements will be implemented for strategic product lines, mainly paracetamol, ibuprofen tablets and ibuprofen suspension, to improve service levels. Management is confident of reducing the production backlog resulting from the EU serialisation project by December 2020. The internationalisation strategy of exporting Farmalider's strengths to other EU markets will remain a priority in the new year.

MEDICAL

Ascendis Medical is South Africa's market leader in medical devices and in vitro diagnostic (IVD) products, and comprises four integrated businesses:

- **Surgical Innovations:** Niche consumables and equipment.
- **Respiratory Care Africa:** Theatre and ICU equipment.
- **The Scientific Group:** IVD products.
- **Ortho-Xact:** Trauma orthopaedic products.

The business offers turnkey solutions to specialist doctors, state and private hospitals, including customers in other African countries, through the supply of consumable and implantable products for clinical use.

Products and services

Ascendis Medical offers solutions for operating theatres, interventional laboratories, ICUs, trauma units, maternity, general wards and radiology. It also provides technology and in-market service in the orthopaedic trauma market. In the IVD market the business supplies and supports the African clinical diagnostic and life science market with high-tech instrumentation and consumables.

As the partner of choice to major multinational suppliers, Ascendis Medical has agency agreements with Olympus, Bayer, Getinge Group, Qiagen, Horiba, Sakura, Fisher & Paykel Healthcare, Mindray, Vyaire and Orthofix.

Review of 2020

In a year which was seriously impacted by Covid-19 the division posted growth across all the sectors in which it operates, namely private, government and Africa.

Growth in the government sector was driven by the Respiratory Care Africa product offering on the RT2 tender. The growth in the rest of Africa was mainly linked to the Qiagen and Bayer agencies through The Scientific Group and Surgical Innovations respectively.

Ascendis Medical maintained its market share position in the local market, with seven of the top 10 competitors being large multinational groups.

Impact of Covid-19

Ascendis Medical was well positioned to respond to the outbreak of Covid-19 and adapted its strategy in response to changing forms of medical treatment as the pandemic continued.

Surgical Innovations supplied masks and protective gowns in the private market and experienced strong demand for coagulation equipment once the therapy treatment for Covid-19 changed to high flow devices.

After initially selling ventilators into private and state hospitals locally and in Namibia, Respiratory Care Africa sold equipment for high flow nasal therapy as demand shifted to this form of treatment.

The Scientific Group, through its Qiagen agency, sold RT-PCR testing kits for Covid-19 in South Africa and Africa.

Ascendis Medical started sourcing new Covid-19-related products and completed a long-term agreement with a local manufacturer for the supply of PPE.

All the business units provide products or services used in elective surgeries. During level 5 lockdown only emergency cases were permitted which resulted in a total shutdown of the elective business. The restriction was relaxed slightly under level 3 lockdown but overall this has had a significant impact on revenue for the year. Management took decisive action to cancel all orders of equipment used in elective procedures to prevent a build-up of inventory.

The ban on the sale of alcohol during lockdown limited the volume of orthopaedic trauma cases which has had an impact on Ortho-Xact.

Financial performance

R'm	**2020**	2019	% change
Revenue	**1 464.1**	1 268.1	+15%
EBITDA	**143.0**	96.1	+49%
EBITDA margin	**9.8%**	7.6%	–

Outlook for 2021

Ascendis Medical strives to be recognised by customers, clinicians and patients as the trusted partner of choice in each segment in which the business operates.

Covid-19 is expected to have a continuing negative impact on elective surgeries for at least the first four months of the new financial year. The sale of Covid-19-related stock should, however, negate the adverse impact of the pandemic on the division's revenue.

The focus in the 2021 financial year will be on driving organic growth in each business unit and further expansion into Africa, including the establishment of a foothold in west Africa.

Ascendis Medical's new business growth incubator will focus on the new revenue streams of Covid-19 PPE and interventional cardiology, which are expected to support strong revenue growth.

ANIMAL HEALTH

Ascendis Animal Health aims to benefit as well as enhance the quality of life of animals by developing, importing and manufacturing medication for production animals (cattle, pigs, sheep and poultry) and companion animals (including cats, dogs and horses) through three niche businesses:

- **Ascendis Animal Health,** focusing on the farm or production animal segment.
- **Ascendis Vet,** targeting the companion animal segment.
- **Kyron Laboratories,** manufacturing OTC health and beauty brands for the animal and human health sector.

The business leverages expertise in the disciplines of veterinary sciences, chemistry and agriculture and also has small-scale exposure to the human consumer healthcare market. The division ranks as one of the leading participants in the animal health industry despite only focusing on niche sub-industries.

Brand portfolio

Animal Health is a supplier of choice to the South African veterinary and agricultural industries. The portfolio includes well recognised brands Ivermax, MAXI-TET, Attila, Triworm, Petcam, Mobiflex, Purl, Cleangel, Petremedy and Protexin. Kyron offers an extensive range of veterinary medical devices. The business is ranked number one for products for the treatment of genetic joint and skin diseases in cats and dogs and ranked second in non-steroidal pain, antibiotics and deworming products for companion animals. Market shares in product sub-segments range from 8% to 36%.

Review of 2020

The strategic objectives for the 2020 financial year were to focus on major brands, geographic expansion, commercial excellence, operational efficiency and leadership talent.

Continued weak trading conditions and lower consumer spending power had an adverse impact on the premium animal health products within the portfolio. This necessitated a shift in focus towards essential medicine brands and fast-moving products which buoyed sales in this sector.

Drought in Namibia as well as parts of South Africa in the first half of the year negatively impacted the business but conditions improved in the second half of the year due to higher rainfall.

The increased maize harvest in South Africa supported a relatively stable agricultural market, despite meat prices declining as a result of lower demand following the outbreak of Covid-19.

Impact of Covid-19

The division proved resilient in the difficult trading conditions caused by Covid-19, with a greater focus on high demand product lines and efficient inventory management ensuring continued sales.

The pandemic resulted in a marked slowdown in the supply of imported inputs and availability of materials, an increase in the cost of imported goods due to higher international prices and a weaker exchange rate, and downward pressure on consumer spending. These factors hampered new product launches and negatively affected inventory levels and cash flow.

Financial performance

R'm	2020	2019	% change
Revenue	**489.0**	467.0	+5%
EBITDA	**124.7**	81.4	+53%
EBITDA margin	**25.5%**	17.4%	–

Outlook for 2021

Animal Health aims to build a business that is well diversified across different market segments and distribution channels in South Africa and other export markets.

The business is strategically located in South Africa with access to other SADC countries and African markets, with exclusive sourcing and distribution arrangements with many international suppliers. Further in-sourcing of manufacturing and channel diversification will improve sustainability while a balance between local and offshore procurement will ensure consistent product supply.

Products are currently exported to several countries in Africa and the Middle East, with plans to expand into further markets.

The division plans to expand its product offering to further sub-segments of the animal health market in the medium term, creating new revenue streams. Growth will also be generated through building partnerships with other local and international animal health companies while management aims to extract further synergies across the three component businesses to strengthen the division.

CORPORATE GOVERNANCE

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 principles of accountability, integrity, transparency, ethical standards, fairness and compliance.

The board is responsible for ensuring compliance and effective implementation of legislation, regulation and governance codes, while at the same time maintaining a balanced approach to the entrepreneurial spirit on which the group was founded.

Statement of compliance

Ascendis Health subscribes to the spirit of good corporate governance outlined in the King Code on Corporate Governance 2016 (King IV) and the group continued to report in accordance with King IV for the 2020 financial year. Effective governance processes have been implemented across the business and the directors confirm the group has in all material respects applied the 16 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 https://ascendishealth.com/wp-content/uploads/2020/09/King-IV-Compliance-Report.pdf

The board subscribes to compliance with applicable laws and regulations in the jurisdictions in which it operates. During the financial year ended 30 June 2020, Ascendis Health was compliant in all material respects with the requirements of the Companies Act, 71 of 2008, the Companies Act Regulations, and the Listings Requirements of the JSE Limited, as well as acting in conformity with its Memorandum of Incorporation.

Board of directors

Board charter

The board has a formal charter which details the scope of authority, responsibility and functioning of the board, and is reviewed annually by 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, competency and management.
- Ensuring effective risk management and internal controls.
- Complying with legislative, regulation and governance codes.
- Ensuring the liquidity, solvency and going-concern of the group.
- Overseeing of the values, ethics and integrity of the group.
- Selecting, orientating and evaluating the directors and chairman.
- Reviewing of the terms of reference and compositions of board committees.
- Assessing the performance of board members, chairman of the board, CEO, CFO and company secretary.
- Ensuring directors' adherence to their fiduciary duties as well duty of care and skill.
- Ensuring appropriate remuneration policies and practices that are aligned to shareholders' interests.
- Overseeing shareholder communications, stakeholder engagement and AGM resolutions.
- Determining the dividend policy.

Board composition

Ascendis Health has a unitary board structure which at year-end comprised seven non-executive directors and two executive directors who are all independently minded individuals.

The seven non-executive directors, including the chairman, are all classified as independent in terms of King IV and the JSE Listings Requirements. The independence of all non-executive directors is reviewed and assessed by the board annually.

The following changes were made to the board during the year:

(i) Appointment of Mark Sardi as an executive director and chief executive officer on 14 October 2019.

(ii) Appointment of Sango Ntsaluba as an independent non-executive director on 7 April 2020.

Andrew Marshall continued in the position of acting CEO in addition to his role as chairman of the board, for the period 1 July 2019 until 13 October 2019, when Mark Sardi was appointed as CEO.

Shortly before year-end, Kieron Futter resigned as an executive director and chief financial officer with effect from 30 September 2020. On 13 October, the group announced the appointment of CJ Kujenga as CFO, replacing Kieron, with effect from 1 December 2020.

With effect from 31 October 2020, Mary Bomela resigned as an independent non-executive director, chairman of the social, ethics and transformation committee as well as member of the audit and risk committee.

In terms of the group's governance structure, the roles of the chairman and the CEO are separate and clearly defined. This division of responsibilities 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 human capital 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 page 44 to 45.

Board gender and diversity policy

The board believes that its diversity in terms of a broad range of skills, experience, gender, race, background and outlook is essential to be effective. The human capital committee considers suitability for the role, independent judgement, compliance with King IV principles as well as all aspects of diversity when making recommendations for appointments to the board.

The board acknowledges that gender and race are important aspects of diversity and currently 33% of the directors are female and 67% are black. The board has an established gender and race diversity policy in accordance with the JSE.

Key governance issues addressed by the board

The board addressed the following key governance-related issues during the financial year:

- Successful renegotiation of long-term funding with the group's lenders on 6 June 2020.
- Swift response to the Covid-19 pandemic with the group immediately enforcing a work from home policy prior to the implementation of the national lockdown, to ensure the safety and welfare of staff.
- Developed a detailed strategy to reduce the group's gearing, including the continued disposal of non-core assets.
- Increased monitoring and review of the group's liquidity and cash flow requirements.
- Negotiating extended terms with vendors on deferred payments.
- Developing an effective long-term incentive scheme to attract and retain key personnel.
- Appointed a new CEO and strengthened the board with the appointment of a new independent non-executive director.

Annual general meeting 2020

At the AGM held on 5 February 2020, the required majority of shareholders did not support the ordinary resolution for the appointment of Dr Kinesh Pather as a member of the audit and risk committee and the special resolution for the approval of non-executive directors' remuneration. As a result, Dr Pather stepped down as a member of the audit and risk committee while the company reverted to the non-executive directors' remuneration that was approved at the previous AGM held on 8 November 2018.

More than 25% of the votes exercised at the AGM voted against the resolution to approve the company's remuneration policy and implementation report by way of separate non-binding advisory votes. Following the AGM, dissenting shareholders were requested to submit their concerns and reasons for voting against the resolutions. Management and the chairman of the human capital committee then engaged telephonically and via electronic communication with the dissenting shareholders who raised their concerns. The feedback from these discussions, together with the group's response, is included in part 1 of the remuneration report on pages 46 to 54.

Five other resolutions that were to be proposed at the AGM were withdrawn before the meeting.

Company secretary

The company secretary ensures that board procedures and all regulations and governance codes are applied. The company secretary 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.

Andy Sims retired as the company secretary at the end of June 2020 after serving in the position for six years. Mpeo Nkuna was appointed as the new company secretary with effect from 1 July 2020. The company secretary is not a director of the group and has an arm's-length relationship with the board.

Board committees

The directors have delegated specific functions to committees to assist the board in meeting its oversight responsibilities. The committees all have formal charters and the directors confirm that the committees have functioned in accordance with these terms of reference during the financial year.

During the reporting period the board reviewed the committee structure and disbanded the investment committee as the group's asset disposal programme is being managed by the CEO under the supervision of the board.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Audit and risk committee

Composition

Chair: Bharti Harie

The committee comprises four independent non-executive directors. During the year, Dr Yoza Jekwa joined the committee as an independent non-executive director. All the members are elected by shareholders at the AGM each year. As a result of not receiving the required majority of votes for election at the AGM on 5 February 2020, Dr Kinesh Pather stepped down as a committee member. Sango Ntsaluba joined the committee as an independent non-executive director in April 2020, which appointment will be proposed for ratification by shareholders at the upcoming AGM.

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

The committee has implemented an audit and risk charter which has been approved by the board and is reviewed annually.

Role and responsibilities

- Ensure that there are appropriate financial procedures and controls in place and that these procedures and controls are operating, including consideration of all entities included in the consolidated group IFRS financial statements to ensure appropriate preparation and reporting in the financial statements.
- Maintain oversight of financial results and integrated reporting and monitor sustainability reporting.
- Confirm the adoption of the going-concern basis.
- Assess the liquidity and solvency of the group.
- Ensure that significant business, financial and other risks are identified and managed.
- Ensure satisfactory standards of governance, reporting and compliance in conformance to the Companies Act, King IV guidelines, IFRS, other accounting standards, tax regulations and other related regulations.
- Request from the external auditor PwC, information for the assessment of their suitability as auditor and their re-appointment for the forthcoming 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.
- Recommend the annual appointment of the external auditor to the shareholders for approval at the AGM.
- Monitor the fraud and litigation register and reporting, ensuring policies and procedures are in place to mitigate these risks.
- Consider, on an annual basis, and satisfy itself of the appropriateness of the CFO and the finance department.
- Ensure appropriate risk management policies and mitigation measures are adopted by management.
- Assess 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 effective risk-based internal audits.
- Monitor borrowings, interest rate exposure movement and interest rate hedging policies.
- Ensure appropriate insurance cover for all material risks above pre-determined self-insured limits.
- Ensure disclosure of risks to shareholders.
- Review the combined assurance plan and business continuity plan.

Human capital committee

The human capital committee is responsible for matters pertaining to remuneration and nominations, including the remuneration policy and remuneration implementation report which are presented to the shareholders at the AGM for non-binding votes.

Composition

Chair: Dr Kinesh Pather

The committee comprises three independent non-executive directors.

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

The committee has implemented a board approved charter which is reviewed annually.

Refer to the remuneration report on pages 46 to 54.

Role and responsibilities

- Ensure the group has a remuneration policy which is aligned with the company's strategic objectives and goals, which is competitive in the marketplace, and is aligned to shareholders' interests.
- Review and approve remuneration of executive directors and senior management.
- Review and approve payments in terms of the annual short-term incentive scheme, based on performance measures.
- Review and approve long-term incentive schemes.
- Propose annual fees for non-executive directors for approval at the AGM.
- 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, its committees and management have an appropriate balance of skills, experience, gender 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 and members of the board and committees annually
- Conduct assessments of the CEO, CFO, and company secretary
- Co-ordinate the induction programme for new directors and continuing development for all directors
- Recommend to shareholders the annual re-election of non-executive directors by rotation and appointment of audit and risk committee members

Social, ethics and transformation committee

Composition

Chair: Mary Bomela

The committee comprises three independent non-executive directors. Andrew Marshall, as an independent non-executive director, was appointed to the committee during the year.

The human resources manager, transformation manager, and environmental, health and safety manager regularly attend at the invitation of the committee.

The committee has implemented a social, ethics and transformation charter which has been approved by the board and is reviewed annually.

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, ethics and transformation committee report on pages 55 to 57.

Risk management

The board is responsible for the governance and 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 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 and mitigation measures that have been implemented.

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 Health to anticipate and respond to changes in the healthcare industry, as well as take informed decisions under conditions of uncertainty.

The board has approved a risk appetite statement for the Ascendis Health group of companies. The audit and risk committee review this statement on an annual basis and makes any recommendations for changes to the board.

The purpose of the risk management policy is to identify, assess, manage and monitor the risks to which the business is exposed. Risk registers are maintained and reviewed on a biannual basis in all key areas of the group's businesses as well as for the group as a whole. Information technology governance forms an integral part of the group's risk management process, with the audit and 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; and
- mitigating key risk exposures.

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 also ensures that its risk management is aligned to the King IV principles.

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 and risk committee report in the audited group annual financial statements for the year-ended 30 June 2020, available on the group's website: www.ascendishealth.com

CORPORATE GOVERNANCE REPORT (CONTINUED)

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 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.

Ethics management

Ethical practices and good corporate governance are key values of the Ascendis Health culture and are constantly promoted and measured in the regular activities of the employees and management. Ascendis Health has established a code of ethics and policies on fraud, bribery and corruption, and sanctions. A hotline facility is accessible to all employees, is administered by a qualified external service provider and ensures anonymous protection and careful follow up on matters that are reported.

Board and committee attendance

	Board#	Audit and risk##	Human capital	Social, ethics & transformation	Investment**
Number of meetings	**6**	**4**	**4**	**3**	**2**
Andrew Marshall	6/6*		4/4	3/3	2/2
Bharti Harie	6/6	4/4*			2/2
Mark Sardi (appointed 14 October 2019)	6/6				
Mary Bomela	5/6	4/4		3/3*	
Kieron Futter	6/6				1/2
Dr Yoza Jekwa	6/6	4/4			2/2*
Sango Ntsaluba (appointed 7 April 2020)	1/1	1/1			
Dr Kinesh Pather	6/6	3/3	4/4*	3/3	
George Sebulela	6/6		4/4		2/2

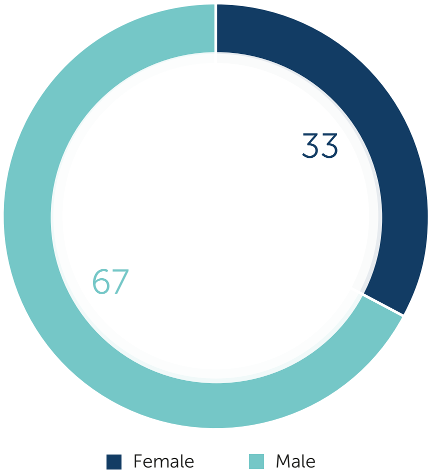
* *Chair*

** *The investment committee was disbanded during the reporting period*

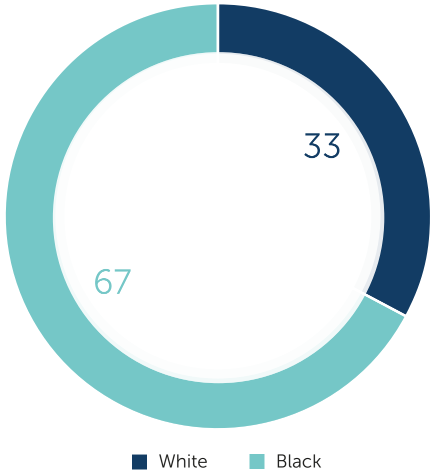
Starting in the fourth quarter of the year, the board held bi-weekly update calls to discuss pertinent issues

In addition to the quarterly meetings, the audit and risk committee held a workshop on the non-audit services in May and the chair of the committee had several engagements with the external auditors to review the additional disclosure requirements due to the Covid-19 pandemic.

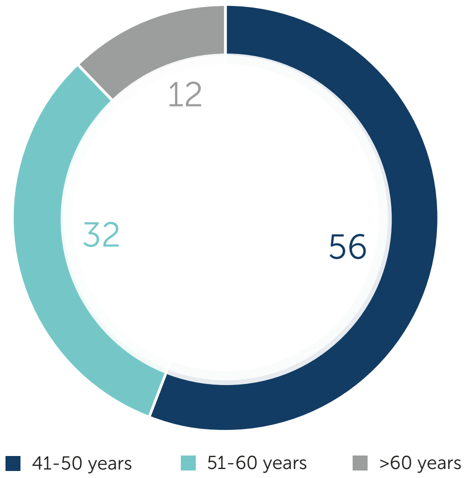
Board gender diversity (%)



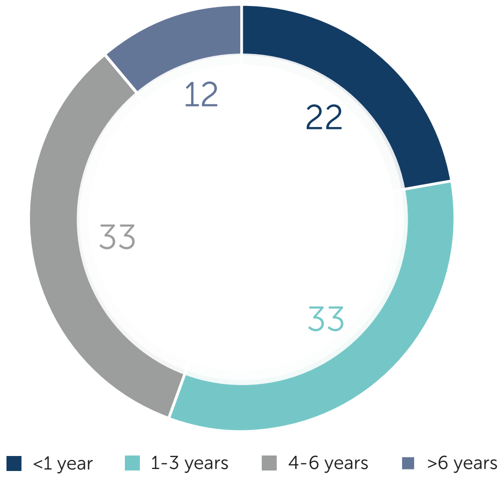
Board race diversity (%)



Board ages (%)



Board tenure (%)



ABOUT ASCENDIS HEALTH

LEADERSHIP REVIEW

ANNUAL FINANCIAL STATEMENTS

OPERATIONAL REVIEW

CORPORATE GOVERNANCE

SHAREHOLDER INFORMATION

BOARD OF DIRECTORS

Andrew Marshall (65)

B Com (Hons)
Independent non-executive chairman
Member of human capital, and social, ethics and transformation committees
Appointed to the board in 2019

Andrew is a highly experienced corporate executive and former CEO of JSE-listed companies, having spent 10 years as the CEO of the Oceana Group and then five years as the CEO of Nampak. He is the chairman of Ster-Kinekor Theatres and was recently appointed as an independent non-executive director of EOH Holdings.

Bharti Harie (50)

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

Bharti is an admitted attorney, notary and conveyancer. She spent 14 years at the Industrial Development Corporation of South Africa where she last headed the corporate funding and international finance departments. She is a director of Bell Equipment Sales SA, Lenmed Health, Stefanutti Stocks and St David's Marist Inanda School.

Mark Sardi (51)

B Bus Sc (Hons), CA (SA)
Executive director and chief executive officer
Appointed to the board in October 2019

Mark has a strong track record in senior strategic, operational and financial management roles in large listed and unlisted companies. He was joint head and managing director of investment banking at Nedbank Capital, CFO of Truworths International, deputy CEO at Cipla SA and CEO of the House of Busby.

Mary Bomela (47)

B Com (Hons), CA (SA), MBA
Independent non-executive director
Chairman of social, ethics and transformation committee, and member of audit and risk committee
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. She is a director of FirstRand Group, Primedia, Metrofile Holdings and Kumba Iron Ore. Mary resigned as an independent non-executive director of the board with effect from 31 October 2020.

Kieron Futter (43)

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 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. Kieron resigned as Ascendis Health CFO from 30 September 2020.

Dr Yoza Jekwa (45)

MB BCh (Wits), MBA
Independent non-executive director
Member of audit and risk committee
Appointed to the board in 2018

Yoza has 16 years' experience in the financial services industry where she has held senior positions at Rand Merchant Bank, Nedbank Capital and is now joint managing director of Mergence Investment Managers. Before entering structured finance and principal investing, she was a clinician in the medical field in South Africa and in the UK. Yoza is a non-executive director of Northam Platinum and Brait.

Sango Ntsaluba (60)

B Com, B Compt (Hons), H Dip Tax Law, M Com, CA (SA)
Independent non-executive director
Member of audit and risk committee
Appointed to the board in April 2020

Sango was a co-founder of one of the largest auditing firms in South Africa, SNG Grant Thornton, and has served on the Black Economic Empowerment Commission. He has extensive experience and leadership in various industries including automotive, financial services, mining and ICT. He is the executive chairman of NMT Capital and a director of Barloworld, Kumba Iron Ore, Pioneer Foods and Goldplat.

Dr Kinesh Pather (55)

BDS (Wits), MBA
Independent non-executive director
Chairman of human capital committee and member of social, ethics and transformation committee
Appointed to the board in 2016

Kinesh is the chairman of Kilimanjaro Capital and a director of Kefolile Health Investments, Tsiko Africa Group, Tosaco Energy, National Security and Likamva Resources. He had extensive experience in the trade union investment arena and has been instrumental in several significant B-BBEE transactions in the health and pharmaceutical, petroleum, mining and services sectors.

George Sebulela (50)

BA (Com)
Independent non-executive director
Member of human capital committee
Appointed to the board in 2018

George is an experienced leader and entrepreneur with many years experience in business strategy execution and investment banking in South Africa and internationally. He is a director of Avuke Energy Group, Sanlam Private Wealth and Caprivi Capital. He serves as a committee member of the Johannesburg Stock Exchange (JSE) Steering Committee of the CEO's initiative.

REMUNERATION REPORT

The remuneration report for the 2020 financial year sets out the company's remuneration policy and implementation thereof, with detailed remuneration disclosures for executive and non-executive directors. This is in accordance with the commitment to fair, responsible, and transparent remuneration and remuneration disclosure in terms of the Companies Act and JSE Listing Requirements, as recommended by King IV.

PART 1: BACKGROUND INFORMATION

Remuneration philosophy

The group's remuneration policy is aimed at creating a performance-based culture and strategy. The primary objective of this strategy is to motivate the directors, management and employees to contribute to the group's strategic growth by achieving operational and financial objectives.

The remuneration policy is based on the philosophy 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, within a performance-based culture, and with ethical and responsible corporate citizenship.

Remuneration governance

The board is responsible for the remuneration policy and has delegated responsibility to the human capital committee (the committee) for the group's remuneration practices.

The committee comprises three independent non-executive directors, namely Dr Kinesh Pather (chairman), Andrew Marshall and George Sebulela, and conforms to the King IV guidelines. The committee is governed by a formal charter which is reviewed and approved by the board annually.

The committee meets at least three times a year and additional meetings can be held to discuss specific issues arising in the business. The 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 committee for review and approval.

The fees for non-executive directors are reviewed annually by the committee and presented to the board for approval. These fees are then presented to the shareholders for approval at the AGM.

During the financial year the committee addressed the following key matters:

- The appointment of Mark Sardi as the group CEO, with effect 14 October 2019.
- The appointment of Sango Ntsaluba as an independent non-executive director with effect 7 April 2020. Sango is a chartered accountant and was also appointed to the audit and risk committee.
- Dissolved the investment committee in December 2019 on the basis that the board is dealing directly with the asset disposal strategy.
- Recommended to the board to withdraw the following proposed shareholders' resolutions at the 7th AGM held on 5 February 2020 due to lack of support from the shareholders:
  - General authority to issue shares of the company for cash.
  - Adoption of the Ascendis Health employee share option scheme.
  - General authority to repurchase shares in the company.
  - Approval of financial assistance in terms of section 44 of the Companies Act.
  - Approval of financial assistance in terms of section 45 of the Companies Act.
- Due to insufficient votes being received for the proposed non-executive director (NED) fees for the 2020 financial year, revised the fees to be aligned to the NED fees previously approved at the 6th AGM held in November 2018.
- Began the sourcing of a suitable replacement for the CFO who resigned with effect 30 September 2020.
- Reviewed and approved the executive directors' remuneration and their short-term incentives (STI), determined on their performance (more details on the STI are disclosed in the remuneration policy section which follows).
- Reviewed the annual bonuses for senior management based on their performance in the 2019 financial year.
- Determined and recommended to the board, the non-executive directors' (NED) fees for 2020 financial year.
- Reviewed the structure and performance of the board and its committees.
- Reviewed the STI scheme to ensure that it is aligned to shareholders' expectations and is competitive relative to the market and industry, with further amendments being:
  (i) increased emphasis on profit achievement and cash management;
  (ii) accountability being shifted to the subsidiary companies;
  (iii) driving organic growth; and
  (iv) develop 'owner' mindset with the senior management team in the subsidiaries.

- Prepared a long-term incentive (LTI) scheme based on a share option model, as reviewed and approved by the JSE, for further consideration and approval by the shareholders. The proposed resolution was withdrawn ahead of the AGM due to lack of shareholder support amid the continued decline in the company's share price.
- Developed an effective LTI which is relevant to the current circumstances of the company's business (more details of the LTI are disclosed in the remuneration policy section).
- Reviewed the NEDs' fees and proposed fees for the 2021 financial year.
- Engaged with dissenting shareholders who voted against the non-binding resolutions on the 2019 remuneration policy and remuneration implementation report.
- Reviewed staff turnover.
- Reviewed and approved the staff salary increases for 2021 financial year with an average salary increase of 4.5% being applied.
- Developed a mitigation plan for Covid-19 with immediate implementation and maintenance.
- Reviewed and proposed the rotation of NEDs as per the company's Memorandum of Incorporation, for approval at the next AGM.
- Reviewed the committee's charter.
- Reviewed and updated the remuneration policy and remuneration implementation report for inclusion in the 2020 integrated annual report and presentation at the next AGM for shareholders' approval as non-binding resolutions.

This remuneration report focuses on the remuneration of the executive directors and non-executive directors.

Non-binding advisory votes

The remuneration policy and the implementation report are subject to separate non-binding advisory votes at the AGM, in accordance with the recommendations of King lV. At the AGM in February 2020, 43.73% of shareholders that voted supported the remuneration policy and 48.86% supported the implementation report in these non-binding advisory votes.

Shareholder engagement

Ascendis Health encourages proactive engagement on remuneration-related issues with shareholders to ensure that informed decisions are made when voting on the group's remuneration policy and implementation report.

In line with the requirements of King lV, should either the remuneration policy or the implementation report receive 25% or more dissenting votes, management will engage directly with these shareholders to determine the reasons for the dissenting votes and take reasonable measures to address legitimate concerns. The steps taken to address legitimate and reasonable concerns will be disclosed in the following year's integrated report.

As both the remuneration policy and the implementation report received the support of less than 75% of shareholders voting at the 2019 AGM, the group initiated the required engagement process with dissenting shareholders to determine the reasons for voting against the non-binding advisory endorsements and to consider their concerns.

The key concerns raised by shareholders and the company's response to these issues is as follows:

Key shareholder concerns	Company response
The short-term incentive bonus paid to the previous CEO was considered excessive relative to the group's poor financial performance in the 2019 financial year and indicates a misalignment of pay and performance.	The bonus was paid in terms of the employment contract of the CEO which was agreed at the time of his appointment to the group. The contract of the current CEO has no settlement provision nor guaranteed bonus. Short-term incentive bonuses are reflected annually in arrears in the remuneration implementation report and the bonus in question was paid for the 2018 financial year.
The proposed share option scheme as the company's LTI included (i) accelerated vesting in the event of change of control; (ii) dividends to be earned for unvested share options; and (iii) different vesting periods for different executive positions.	The company's board decided to withdraw the proposed LTI before the 7th AGM was held, as a more effective form of LTI that is relevant to the company's current business position was required.
Lack of disclosure on the STI on the weightings of financial indicators and performance measures.	The updated remuneration policy for 2020 now provides full disclosure of the measures and weightings applied in determining the bonuses in the STI.
Details are unclear on the targeted mix of guaranteed pay, STI and LTI.	Full details on the STI and LTI are now included, recording the ranges of reward as compared to performance achievement, as well as a capping of these incentives.
Performance hurdles need to be an integral part of the LTI.	The new LTI now includes performance hurdles.

REMUNERATION REPORT (CONTINUED)

Part 2: REMUNERATION POLICY

Remuneration principles

The key principles embedded in the remuneration policy are designed to:

- align remuneration practices with the delivery of the group's strategy and ensure that remuneration of executive management is fair and responsible in the context of overall employee remuneration;
- ensure that executive reward schemes are aligned with shareholders' interests;
- attract, develop and retain employees in the health care industry who contribute to the group's sustained business growth;
- establish remuneration packages that comprise annual guaranteed pay, performance-based bonuses and other benefits;
- recognise and reward employees by promoting a performance-based culture which incorporates both short-term and long-term objectives;
- ensure the group's remuneration structures are competitive in the market;
- ensure internal equity among employees;
- grant annual increases which are performance-based and in line with the responsibilities of the job;
- benchmark and review job positions annually using the internationally recognised Hay benchmarking system;
- encourage career path aspirations and develop succession planning within the group; and
- ensure compliance with applicable legislation and regulatory codes.

Fair and responsible remuneration

As a responsible corporate citizen, the group is aware of the societal tensions relating to minimum wages and the wage gap and is committed to adopting fair and responsible remuneration practices.

The committee is required to ensure that executive remuneration is justifiable in the context of overall employee remuneration. The group is committed to applying measures that will realise the principle of fair and reasonable remuneration, including:

- equal pay for equal work;
- compliance to trade union agreements;
- performance reviews and 360° leadership assessments;
- annual salary benchmarking surveys (using the Hay model);
- annual assessment of competitive remuneration packages for key personnel;
- position grade and development curve placement inform the benchmark percentile to ensure market competitive remuneration;
- increased investment in training and leadership development to facilitate promotional opportunities;
- internal talent pipeline development programmes facilitated through personal development programmes established on a blended learning model;
- discretionary and promotional increases programme based on measurable performance and development metrics; and
- total payroll movement percentage determined by the board, as guided by the annual increase in the consumer price index and economic and employment market conditions.

Remuneration practices

Basic salaries are benchmarked annually to the Hay system as well as comparisons to JSE listed companies with similar market profiles as Ascendis Health.

The complexities of the group's business model are considered, as well as the regulatory environment within the healthcare sector in which the group operates.

The pay policy aims to pay employees on the 50% percentile on average.

Skilled positions that are difficult to source in the industry are paid to be competitive and attract the best skills.

Attrition savings are applied where necessary, to align human resource costs to business performance.

Staff turnover is measured regularly, and the underlying reasons assessed in terms of risk to the company.

Diversity and gender-based appointments continue to improve employment equity and employee diversity.

Prescribed officers

The prescribed officers of Ascendis Health in terms of the Companies Act are the executive directors and their remuneration is disclosed annually in the implementation report.

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 shareholders' interests.

The remuneration packages of the executive directors, which are reviewed and approved by the committee and the board, include the following components:

- Annual guaranteed pay including company benefits, including medical aid, provident fund, disability and life cover.
- Cash-based bonuses which are based on annual business and financial performances.
- Participation in the company's STI and LTI schemes.

The performance of the CEO is evaluated by the committee while the performance of the CFO is assessed by the CEO and reviewed by the committee. These evaluations determine the annual salary increases that are reviewed by the committee and recommended to the board.

A significant portion of short-term and long-term remuneration is variable and designed to incentivise the executive directors.

Executive directors have standard terms and conditions of employment in line with all group employees. The notice periods of the CEO and the CFO are six and three months respectively. There are no provisions for special termination benefits.

Short-term incentive scheme

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. The STI is based on both key financial indicators and key personal performance measures which are non-financial and include operational, customer, human capital and internal business process improvement metrics. The annual STI scheme is reviewed and approved by the committee.

The key components and criteria of the STI for the 2021 financial year, which are similar to the STI for the 2020 financial year, which are summarised as follows:

- STI pay-out percentage of cost-to-company (CTC), based on employee level as per Hay grade.
- Includes a minimum and maximum level of CTC eligibility percentage.
- Hay grade levels below 15 (operational and transactional employees) receive a guaranteed 13th cheque.
- STI financial performance targets are set at business unit and head office level.
- STI pay-out versus target based on financial and personal performance.
- STI pay-out achieved includes a minimum and maximum levels.
- all the STI awards are subject to a minimum achievement of the company's financial performance.

Further details of the STI results for the 2020 financial year and the STI scheme for the 2021 financial year are provided in the implementation report.

Long-term incentive scheme

The executive directors and senior management participate in a long-term incentive scheme (LTI).

The previous LTI schemes have become ineffective, being linked to the company's share price which has performed poorly over the past few years, with no reward and retention impact being achieved. Due to the company's current business position and the need to implement a revised strategy to resolve its excessive gearing, a new LTI has been developed that presents the opportunity for achievement, reward and retention, while being aligned to the company's future business plans. This LTI has been reviewed and approved by the committee as well as the board.

The key principles applied to this revised LTI are:

- move away from a share-based only scheme to a cash-based awards;
- no shareholder dilution;
- cash awards for head office participants designed to create alignment of shareholder interest and allow a degree of pay-out certainty;
- aligns with company prerogative to generate free cash flow and reduce debt;
- alignment with the company's new strategy which has three pillars:
  - stabilise – fix the balance sheet;
  - optimise – right-size and set the platform for future growth; and
  - monetise – focus on value maximisation,
- alignment of incentives to performance against corporate strategy and shareholders' interests:
  - ensuring ongoing business performance and maximising the value of asset disposals; and
  - critical talent and key skills are retained in the current uncertain environment and following the disposal of assets,
- strong governance and best-practice principles applied:
  - in addition to King IV, the specific guidelines in King III were consulted in designing the scheme;
  - multiple stakeholders consulted for inputs;
  - independent assessment of benchmark values;
  - linked to executive contribution to company performance; and
  - disclosed limits for individual participation,
- transparent and easy to understand:
  - baselines and targets are fixed; and
  - scenarios modelled to illustrate performance compared to potential upside from outset,
- fair and inclusive:
  - favours the shareholder as incentive pay-outs to management are only activated upon Ascendis Health achieving required thresholds;
  - business unit specific, with incentives for management linked to the performance of their specific business units, thereby driving accountability; and
  - pay-outs staggered (HO: 3 years; BU: 1 year) to drive retention post-close and introduce claw-back mechanism to ensure fulfillment of sale agreement terms.

Further details on the application of the proposed LTI are provided in the implementation report.

REMUNERATION REPORT (CONTINUED)

Other management and staff

Senior managers and selected key staff receive an annual guaranteed salary, which includes certain retirement and healthcare benefits as well as a variable portion based on a performance-based annual bonus. Salaries may include premiums of up to 20% for skills and positions that are scarce and critical. An annual salary increase is applied which is performance based as well as being market-related.

Non-executive directors

The committee applies an external benchmarking survey every year, the Institute of Directors SA 2019 guidelines, to ensure that directors' fees are market-related. The proposed directors' fees consider 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.

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 based on the number of meetings planned for the year 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 employment contracts with the group.

The group's remuneration policy can be accessed on the company's website :
https://ascendishealth.com/wp-content/uploads/2020/10/Ascendis_Remuneration_Policy_2020.pdf.pdf

PART 3: IMPLEMENTATION REPORT 2020

Details of the remuneration paid to executive and non-executive directors for the financial year ended 30 June 2020 are provided in this section of the report. The committee is satisfied that the remuneration policy has been consistently applied in the 2020 financial year and that there have been no deviations from this policy.

The average salary increase effective from 1 July 2019 was 5% (2019: 6%). The committee approved an increase of 4.8% for the CFO. The CEO position was replaced during the 2020 financial year.

Total directors' remuneration

	2020	**2019**
Executive directors	**8 254**	22 236
Non-executive directors		
• fees	**2 959**	3 869
• other services	**1 758**	991
Total directors	**12 971**	**27 096**

Executive directors' emoluments

	2020			**2019**		
R'000	**MJ Sardi[1]**	**K Futter**	**Total**	**TB Thomsen[2]**	**K Futter**	**Total**
Basic salary	**3 273**	**3 466**	**6 739**	6 600	3 304	9 904
Short-term incentives[3]	**–**	**1 018**	**1 018**	6 688	1 056	7 744
Retirement/medical benefits	**330**	**96**	**426**	–	88	88
Other benefits	**29**	**42**	**71**	854	46	900
Termination cost	**–**	**–**	**–**	3 600	–	3 600
Total executive directors	**3 632**	**4 622**	**8 254**	17 742	4 494	22 236

(1) *Appointed 14 October 2019*
(2) *Terminated 23 May 2019*
(3) *Short-term incentives are based on the performance in the prior financial year*

Short-term incentive scheme (STI)

The results of STI awards made in the 2020 financial year were as follows:

Performance measured used (and the weighting of each)	Target	Achievement	Value
Revenue, EBITDA, cash conversion, strategic and personal KPIs	100%	97%	R44 million

The key components of the STI for the 2021 financial year are:

- **70% of the STI is based on financial targets, which are:**
  - 40% on earnings before interest, tax, depreciation and amortisation (EBITDA);
  - 30% on return of invested capital (ROIC);
  - 30% on working capital management as determined by business units;
  - the financial measurements are based on the audited group annual financial statements; and
  - these STIs are based on financial indicators which are scaled and capped at 150%, as follows:

Performance versus budget	70% of annual basic salary
90%	20%
95%	50%
100%	100%
105%	110%
110%	125%
120%	150%

- **30% of the STI is based on personal key performance indicators (KPIs) which include:**
  - implementation of the business strategy;
  - internal and business controls development;
  - employee development;
  - asset management;
  - cost controls;
  - subject to the company's minimum financial performance achieved, being 90% or more of budget; and
  - these STIs are based on SMART KPIs which are scaled and capped at 150%, as follows:
    (SMART = Specific; Measurable; Attainable; Realistic; Timeframe)

Average personal performance rating (on a scale of 1 to 5)	30% of annual basic salary
below 3	0%
3 to 3.5	100%
3.6 to 4	110%
4.1 to 4.5	125%
4.6 to 5	150%

The executive directors' STI targets are also based on the same financial targets.

The group's CEO personal KPIs for the 2021 financial year are:

i) strategy prioritisation;
ii) optimise Medical Devices platform;
iii) leadership development;
iv) values and culture implementation;
v) delivery of disposal programme; and
vi) renegotiate deferred vendor liabilities.

REMUNERATION REPORT (CONTINUED)

Long-term incentive scheme (LTI)

The key components of the LTI are summarised as follows:

- Incentives are based on the company's asset disposal programme.
- Baseline enterprise value (BV) is determined upfront via independent valuations for each business unit.
- BV is adjusted annually for cost of carry (by CPI added to BV) to determine the Adjusted BV (ABV).
- If the actual sale price achieved is greater than the BV or ABV, 15% of the difference will be allocated towards an incentive pool.
- Incentive pool allocations will be split between key head office (35%) and business unit (65%) individuals.
- Head office incentives will be cash-based awards, vested over three years.
- Incentive pool allocations split within head office and business units to specific individuals responsible for driving value.
- To avoid issues created from relative size of business units and overly generous individual incentives, introduce a cap based on a multiple of a participant's salary.
- In addition, a cumulative cap is imposed to govern maximum pay-outs.
- In the event of the company having a change of control, the following measures would apply:
  - if the LTI incentives have not yet been earned, then they would expire;
  - if the LTI incentives have been earned but not yet paid due to the retention period, then:
    - if the participant continues to be employed, then the retention period would continue to apply;
    - if the participant's employment is terminated, then the balance of the LTI incentive earned, would be accelerated.
- The terms of the pay-outs are staggered per sale of business unit (head office: three years, business units: one year) to drive retention post-close and allow a clawback mechanism to ensure fulfilment of sale agreement term.
- The terms of capping of these incentives per business unit sold is summarised as follows:

Position	Multiple threshold	Incentive pay-out terms
Group CEO	2 times annual salary (maximum cap is 2.5 times)	50% day 1* 16.7% end of year 1 16.7% end of year 2 16.7% end of year 3
Group CFO	annual salary (maximum cap is 1.7 times)	50% day 1 16.7% end of year 1 16.7% end of year 2 16.7% end of year 3
Key head office manager	annual salary (maximum cap is 1.25 times)	50% day 1 16.7% end of year 1 16.7% end of year 2 16.7% end of year 3
Business unit MD	5 times annual salary	50% day 1 25% end of 6 months 25% end of 12 months
Key business unit manager	3 times annual salary	50% day 1 25% end of 6 months 25% end of 12 months

* *'day 1' is the day when the transaction is settled i.e. cash is received by the company*

Non-executive directors' fees

	2020			2019		
Non-executive directors	**Fees**	**Other services**	**Total**	**Fees**	**Other services**	**Total**
AB Marshall *(appointed 3 May 2019)*	**724**	**1 458**	**2 182**	92	417	509
JA Bester *(retired 3 May 2019)*	**–**	**–**	**–**	908	–	908
B Harie	**510**	**–**	**510**	668	–	668
MS Bomela	**430**	**–**	**430**	475	–	475
Dr NY Jekwa	**395**	**300**	**695**	463	574	037
SS Ntsaluba *(appointed 7 April 2020)*	**85**	**–**	**85**	–	–	–
Dr KS Pather	**475**	**–**	**475**	665	–	665
PM Roux *(appointed 3 May 2019, resigned 7 June 2019)*	**–**	**–**	**–**	21	–	21
JG Sebulela *(appointed 2 October 2018)*	**340**	**–**	**340**	390	–	390
GJ Shayne *(resigned 31 March 2019)*	**–**	**–**	**–**	187	–	187
Total non-executive directors	**2 959**	**1 758**	**4 717**	**3 869**	**991**	**4 860**

The following emoluments were paid to non-executive directors during the 2020 year in addition to their fees for serving as directors:

- R300 000 Dr NY Jekwa for consulting on a large disposal project for the group for the period 1 July to 30 September 2019.
- R1 458 331 AB Marshall for compensation for serving as acting CEO of the group for the period 1 July to 13 October 2019. During his tenure as acting CEO, Mr Marshall did not receive non-executive directors' fees.

The following emoluments were paid to non-executive directors during the 2019 financial year in addition to their fees for serving as directors:

- R574 000 Dr NY Jekwa for consulting on a large disposal project for the group for the period 9 January to 30 June 2019.
- R416 667 AB Marshall for compensation for serving as acting CEO of the group for the period 23 May to 30 June 2019. During his tenure as acting CEO, Mr Marshall did not receive non-executive directors' fees.

Other than as is recorded above, 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's executive and non-executive directors, during the years ended 30 June 2019 and 30 June 2020.

REMUNERATION REPORT (CONTINUED)

Non-executive directors' fees

Non-executive directors' fees proposed for the 2020 financial year were not approved at 7th AGM held on 5 February 2020, and therefore the fees approved in 6th AGM held on 8 November 2018, were applied for the 2020 financial year.

The fees payable to non-executive directors 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: board (four meetings); audit and risk committee (four meetings); human capital committee (three meetings); and social, ethics and transformation committee (three meetings). All travel and accommodation expenses incurred by directors to attend board and committee meetings are paid by the company.

The quantum of non-executive directors' fees was determined taking into account the following:

- Size of the group – enterprise value (EV) is more appropriate than market capitalisation given the gearing in the group i.e. EV was R8.1 billion as at 30 June 2020 vs market cap of c.R411 million at 30 June 2020.
- Complexity of the group in the following areas:
  - Geographic – operations based in Cyprus, Spain, Hungary, Romania and South Africa.
  - Currency – emerging market vs developed market.
  - Business models – Pharma and OTC manufacturing, Nutraceutical and OTC sales and marketing, Pharma research and development, B2B and B2C.
  - Group debt levels – business has operated under an interim stability agreement ('ISA') for the entire financial year with limited liquidity and constrained operational flexibility.
- Debt restructuring and refinancing with long-term lenders.
- Frequency of board meetings (the board met a total of six times during the 2020 financial year) and board committee meetings.
- Compliance wide range of regulatory requirements internationally.

The following fees for the 2021 financial year will be proposed to the shareholders for consideration and approval at the 8th AGM, to be held on 1 December 2020. The proposed fees are based on an inflationary increase of 5% per position held as compared to the fees paid for the 2020 financial year.

Proposed fees 2021	**R'000**
Chairman of the board	998
Lead independent non-executive director	350
Member of the board	263
Chairman of the audit and risk committee	242
Member of the audit and risk committee	95
Chairman of the human capital committee	126
Member of the human capital committee	63
Chairman of the social, ethics and transformation committee	95
Member of the social, ethics and transformation committee	63

Directors' and associates' shareholdings at 30 June

	Direct beneficial shares		**Indirect beneficial shares**		**Indirect non-beneficial shares**		**Total**	
Director	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
B Harie	**3 548**	3 548	**190 783**	115 783	**12 535**	12 535	**206 866**	131 866
Dr KS Pather	**180 933**	24 650	**20 000**	20 000	**–**	–	**200 933**	44 650
Dr NY Jekwa	**9 222**	2 222	**–**	–	**–**	–	**9 222**	2 222
MJ Sardi*	**25 597**	–	**–**	–	**–**	–	**25 597**	–
K Futter	**296 286**	296 286	**–**	–	**–**	–	**296 286**	296 286
Total	**515 586**	326 706	**210 783**	135 783	**12 535**	12 535	**738 904**	475 024

* *Appointed 14 October 2019*

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT

The board's social, ethics and transformation committee (the committee) is a statutory committee which assists in monitoring the group's corporate citizenship, transformation, sustainability and ethics. The committee is governed by terms of reference which detail its duties in terms of the Companies Act, the JSE Listings Requirements and King IV, as well as responsibilities delegated to it by the board.

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

Role and responsibilities of the committee

The committee acts in terms of the delegated authority of the board and assists in monitoring the group's activities and disclosures 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; and
- health and safety standards.

The committee also advises the board on any social, ethical or transformation issues that may impact the long-term sustainability of the business. The committee monitors functions required in terms of the Companies Act and its regulations and ensures appropriate short-, medium- and long-term targets are set by management.

Composition and functioning

The committee comprises three independent non-executive directors, namely, Mary Bomela (chairman), Dr Kinesh Pather and Andrew Marshall. Executive and operational management, including the group transformation manager and group human resources manager, 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

The committee met three times during the year and continued to monitor and measure the company's development in the areas of human resources, training, good corporate citizenship, employment equity, B-BBEE and transformation, black management development, leadership programmes, and compliance with environmental, health and safety regulations. In response to Covid-19 the committee ensured the implementation of the necessary health and safety protocols, including, amongst other things, the distribution of PPE to all staff.

Empowerment and transformation

	B-BBEE scorecard summary	
Elements	**2020**	**2019**
Ownership	**25.00**	25.00
Management control	**13.70**	7.43
Skills development	**13.77**	17.68
Enterprise and supplier development	**34.07**	35.52
Socio-economic development	**5.00**	5.00
Scorecard total	**91.54**	90.63
YES initiative bonus points	**3.00**	–
Total points	**94.54**	90.63

The committee has set objectives for each of the five elements of the revised DTI Codes of Good Practice on Black Economic Empowerment (B-BBEE codes) and maintains the responsibility for monitoring and reviewing all aspects of the group's B-BBEE strategies.

The group continued to make significant progress in its B-BBEE rating, maintaining a level one contributor status (2019: level one). This achievement was made possible by the group's continued efforts in the elements of management control and preferential procurement and the implementation of the government's YES initiative.

Through enterprise and supplier development projects, the group continued to support the development of emerging entrepreneurs. In collaboration with the WDB Growth Fund, Ascendis Health supported the increased participation of youth and women entrepreneurs in South Africa's economy by offering them access to capital backing business growth, high impact post-investment support and specialised mentors.

The Ascendis Health learnership programme, established in 2016, continued to thrive. The programme offers 12-month learnerships in business administration, chemical operations, project management and business management. In the past year, 155 learnerships were awarded to Ascendis staff and a further 135 to unemployed individuals. Ascendis achieved a

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT (CONTINUED)

100% absorption of all unemployed learnership candidates who successfully completed the programme.

By participating in the YES initiative, the group provided 100 unemployed youth from across the country a one-year work experience opportunity within Ascendis Health. Ascendis Health retained 25 of these young men and women, offering them permanent employment within the group.

Corporate social investment

Ascendis Health remains committed to creating positive social impact through a corporate social investment (CSI) strategy aligned to both our core business strategy and the national development priorities of South Africa. The key focus areas are on improving education and wellness with the theme of 'making tomorrow healthier'. The group's approach to CSI emphasises partnership and collaboration.

The group strives to make a meaningful difference through our involvement and support of the following initiatives:

The Clothing Bank

The Clothing Bank is a non-profit organisation (NPO) that helps unemployed women become socially and financially independent. The Clothing Bank receives excess clothing and other merchandise donations from local retailers and trains disadvantaged and unemployed women to sell the clothing and establish a sustainable informal retail trading business. At the end of June 2020, Ascendis Health donated R450 000 to the Clothing Bank raised via the MenaCal.7's Woman to the Bone campaign.

Animal Health food parcels

As part of our commitment to the development and support of underprivileged communities, the group partnered with the Department of Agriculture, Forestry and Fisheries to donate 1 000 food parcels and immunity-boosting supplements valued at R745 000 to rural communities that were affected by the economic impact of Covid-19.

21 Acts of Kindness

In August 2019, the Reuterina brand launched 21 Acts of Kindness, an initiative to support underprivileged communities with essential needs and educational supplies. Since its launch, the 21 Acts of Kindness initiative has helped establish a children's environmental learning camp through the Recycle for Africa Group, and supported the Botshabelo Babies and Children's Home with stationery and clothing. The TEARS Foundation, an NPO aimed at assisting and supporting rape and sexual abuse survivors, also received funding through the 21 Acts of Kindness sponsorship of the Women for Change movement.

Primestars

The group donated R500 000 to Primestars Marketing, a company specialising in youth development programmes for South African high school learners from underserved communities to develop the skills needed to participate more meaningfully in the economy. The sponsorship was used to support two programmes, Step up to a Startup VI and Smartbucks – Mind your Moolah, which use an 'educational theatre of learning' model to stimulate entrepreneurial thinking and financial acumen of the youth.

Seriti Institute

In May 2020, Ascendis Health, in collaboration with the social development agency Seriti Institute, donated over 1 000 JungleVites Daycare immune booster syrups, worth R76 000, to Londani Lushaka Centre. The centre is an NPO operating and serving the impoverished community of Alexandra township, Johannesburg.

The Feenix Trust

Ascendis Health donated R300 000 to support the Feenix Trust, a registered public benefit organisation that raises grant funding to pay the tuition fees of students who lack the financial means to pay for their tertiary studies, with all funds paid directly to universities.

Environmental, health and safety

The group's environmental, health and safety (EHS) development goals and objectives continue to be centred around identifying opportunities for environmental sustainability and development and energy saving. For a second consecutive year, Remedica was honoured with the Gold Environment Protector Award, which is granted to companies that have taken an active role in protecting the environment and have managed to integrate environmental policies into their business policies, establishing practises and actions that protect the environment.

Following the outbreak of the Covid-19 pandemic, the group actively responded to the additional health and safety requirements introduced by government for the protection of staff.

Covid-19

Since the start of the national lockdown on 27 March 2020, Ascendis Health has implemented workplace safety protocols and measures across the group to ensure that employees can work in a safe and healthy environment. A Covid-19 response team was formed consisting of senior management and workplace integration plans were rolled out across the group.

Employees have been trained on these safety protocols and continue to receive ongoing communication on Covid-19 awareness. Staff receive weekly updates and newsletters with information and tips on working from home, mental and physical health awareness and communication on Covid-19. Physical and social distancing is practiced with strict rules on wearing face masks and other personal protective equipment before entering Ascendis premises. Temperature readings and other precautionary measures, including employee and visitor declarations, have been effectively implemented. Facilities are deep cleaned, sanitised and decontaminated by approved service providers. Any legal and regulatory developments related to Covid-19 are communicated by the legal department.

Employees who have tested positive for Covid-19 are required to self-isolate immediately and contact their doctor or health care practitioner for medical assistance. They also have access to the employee health and wellness programme, ICAS, which has a toll-free hotline for support or advisory services regarding Covid-19. The majority of the workforce continues to work from home, where possible, with the company providing the relevant hardware and software to facilitate this working arrangement.

The businesses donated much needed products to help in the fight against Covid-19. In Hungary, vitamins, supplements, food products, food supplements and energy drinks to the value of €27 000 were donated to nursing homes and the Hungarian ambulance service. The Remedica business donated chloroquine to the Cyprus Ministry of Health, as well as ten respirators and 500 000 surgical masks. In South Africa, the business donated immunity boosting Consumer Health products to old age homes and disadvantaged communities and the supply chain business manufactured hand sanitisers at cost for the Department of Minerals and Energy.

Culture of safety

Ascendis Health's EHS department continues to monitor and evaluate incidents on a regular basis and report its findings to the committee.

The group's South African companies are audited internally by the EHS department annually, as measured against local legislation and ISO standards (9001, 14001 and 45001). During the reporting period, the Cyprus business completed a thorough energy audit to further reduce the energy consumption and carbon footprint of Remedica. Ascendis Health continues to prepare its companies for future accreditation and certification by adopting internationally recognised standards and best practice.

Recycling and waste management

The group continues to monitor and measure waste management against internal objectives to reduce and re-use non-toxic material and recycle at source, with all group companies actively sorting recycling waste. The Medical Devices business has a well-established waste sorting and separation facility with efforts focused on the recycling of cardboard, paper, plastic and tetrapack which has resulted in the equivalent of a saving of approximately 400 trees, 20 barrels of oil, 7.2 megawatts of energy, 92m^3 landfill space or 73 kilolitres of water.

Health and wellness

As Ascendis Health operates in the health care industry, the company recognises the long-term benefits of healthy living and actively promotes programmes that are focused on enhancing the health and wellbeing of its employees.

As part of the motto in 'making tomorrow healthier', the company continues to implement and promote internal programmes that cover a wide range of activities including fitness development, health awareness topics, occupational health and safety training, provision of medical benefits, a smoke-free workplace and weekly physical exercise classes. Employees also benefit from the annual Discovery Wellness Day where testing and screenings are undertaken to ensure monitoring and awareness of their health status.

The company employee assistance programme, ICAS, is available to provide counselling and intervention for those suffering from issues such as stress and depression.

Conclusion

The committee has been able to discharge its responsibilities effectively and believes the group is meeting the social, ethics and transformation requirements in terms of the Companies Act and King IV. Based on the size and resources of the group, the committee is of the opinion that steady progress is being made across the multiple dimensions of good corporate citizenship. Ascendis Health remains committed to its corporate citizenship and transformation goals, through its support of, and involvement in, the social, environmental and transformation initiatives outlined in this report.

Mary Bomela
Chairman
Social, ethics and transformation committee

SHAREHOLDER ANALYSIS

as at 30 June 2020

Public and non-public shareholders	2020 Number of shares	2020 Percentage of shares	2019 Number of shares	2019 Percentage of shares
Public shareholders	**415 089 324**	**84.8**	389 065 254	79.5
Non-public shareholders				
– Directors and associates of the company	**738 904**	**0.2**	472 802	0.1
– Treasury shares (own holdings)*	**11 955 068**	**2.4**	11 955 068	2.4
– Strategic holdings (more than 10%)	**61 686 663**	**12.6**	87 976 835	18.0
Total	**489 469 959**	**100.0**	489 469 959	100.0

* *Restated (refer to the basis of preparation note in the group annual financial statements)*

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 2020:

Major beneficial shareholders holding 2% or more	2020 Percentage of shares	2019 Percentage of shares
International Finance Corporation	**12.6**	3.7
Government Employees Pension Fund	**8.5**	10.0
Kefolile Health Investments (Pty) Ltd	**6.8**	6.8
WDB Investments Holdings (Pty) Ltd	**5.6**	5.6
Mineworkers Investment Company	**5.3**	5.3
Coast2Coast Capital (Pty) Ltd	**4.9**	18.0
Coutts & Co	**4.9**	0.9

Major fund managers managing 2% or more	2020 Percentage of shares	2019 Percentage of shares
Mergence Investment Managers	**8.0**	7.2
Public Investment Corporation	**4.5**	4.4
Old Mutual Investment Group	**3.5**	2.9
Laurium Capital	**3.5**	4.4
Major fund managers no longer managing over 2%		
Jupiter Asset Management	**0.4**	3.8
Blakeney Management	**0.0**	3.7
Sentio Capital Management	**0.0**	3.1

Top 10 shareholders	2020 Percentage of shares
International Finance Corporation	**12.6**
Mergence Investment Managers	**8.0**
Kefolile Health Investments	**6.8**
WDB Investment Holdings	**5.6**
MIC Investment Holdings	**5.3**
Coast2Coast Capital	**4.9**
Coutts & Co	**4.9**
Public Investment Corporation	**4.5**
Old Mutual Investment Group	**3.5**
Laurium Capital	**3.5**
Other shareholders	**40.4**

SHAREHOLDERS' DIARY

Annual general meeting	**1 December 2020**
Results and reporting:	
Interim results to December 2020	March 2021
Annual results to June 2021	September 2021
Publication of 2021 integrated annual report	September 2021

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 Proprietary Limited
Auditor	PricewaterhouseCoopers Inc
Transfer secretaries	Computershare Investor Services Proprietary Limited Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 Private Bag X9000, Saxonwold, 2132 Telephone: +27 (0)11 370 5000
Company secretary	Mpeo Nkuna (B Com, LLB) mpeo.nkuna@ascendishealth.com
Directors	AB Marshall (Chairman)* B Harie# MS Bomela* Dr KS Pather* Dr NY Jekwa* JG Sebulela* SS Ntsaluba* MJ Sardi (CEO)

* Independent non-executive
\# Lead independent non-executive

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