Ascendis HEALTH

UNAUDITED INTERIM RESULTS

For the six months ended
31 December 2020

Contents

Key features

Group revenue up 33% to R3.98 billion
Europe up 35%
South Africa up 30%

Normalised EBITDA[PM] up 50% to R794 million

Normalised EBITDA[PM] margin up from 17.6% to 19.9%

Normalised operating profit[PM] up 27% to R486 million

Strong operational performance impacted by debt, finance costs and impairments

Normalised headline earnings[PM] down 131% to a loss of R43 million

Normalised HEPS[PM] 131% lower at (9.0) cents

Group recapitalisation announced post reporting period

Commentary

The group is reporting normalised results from continuing operations which have been adjusted for once-off transaction-related and restructuring costs in the current and prior reporting periods. The sale of Scitec International was concluded with effect from 31 July 2020 and is not included in these results. The results of Animal Health and Biosciences are reported under discontinued operations

Financial performance

Revenue

Group revenue increased by 33% to R3.98 billion (H1 2020: R3.0 billion) as the business benefited from its largely COVID-19 defensive portfolio in extremely challenging trading conditions domestically and in Europe. International revenue increased by 35% to R2.2 billion (15% increase in Euro) and accounts for 55% of the group's total sales. Revenue generated in South Africa grew by 30% to R1.8 billion.

Growth in the European operations, which include Remedica, Sun Wave Pharma and Farmalider, was driven mainly by Remedica which increased revenue by 42% and remains the largest contributor in the group. Remedica posted strong revenue growth across each of its agency, NGO, out-licensing and home market channels.

Farmalider grew revenue by 35% for the first half through solid sales in out-licensing and contract supply. Sun Wave Pharma overcame the negative impact of COVID-19 and continued to capitalise on its market leading position in nutraceuticals and OTC products, growing revenue by 22%.

Medical Devices was the strongest performing South African business, increasing revenue by 59% through its supply of high-demand ventilators, respirators and testing products during the COVID-19 pandemic. The benefit of these COVID-19 related sales was partly offset by restrictions on elective surgeries in hospitals and fewer trauma cases during the lockdown period.

Ascendis Pharma grew revenue by 1% as the business was negatively impacted by lower state tender and dispensing doctor sales, while the absence of a winter cold and flu season during lockdown impacted sales of high volume, market leading products including Sinuend, Sinucon and Reuterina.

While Consumer Brands experienced strong demand for immunity building vitamins and supplements during the pandemic, revenue declined by 2% as lockdown restrictions resulted in the closure of beauty salons and also impacted contract manufacturing volumes.

Gross profit

The group's gross profit grew by 29% to R1.8 billion. The gross profit margin declined by 110 basis points to 44.7% due mainly to increased freight and distribution costs and sales being undertaken at slightly lower margins during the pandemic.

Expenses

Operating expenses increased by 20%, excluding once-off transaction-related and restructuring costs of R119 million (H1 2020: R72 million). These costs included extensive professional and advisory fees associated with lender agreements and planned disposal projects.

Normalised EBITDA

The resultant impact was 50% growth in normalised earnings before interest, tax, depreciation and amortisation (EBITDA) to R794 million, and improvement in the EBITDA margin from 17.6% to 19.9%.

Profit and earnings

The group's normalised operating profit grew by 27% to R486 million (2019: R383 million).

Impairment losses totalling R246 million were recognised for the half year, with R150 million relating to continuing operations and R96 million to discontinued operations. These impairments were raised in respect of Biosciences (R96 million), Medical Devices (R70 million), Pharma (R48 million) and Farmalider (R32 million). Impairment losses of R656 million (continuing operations) and R311 million (discontinued operations) were recognised at the 2020 year end.

The significant impact of the payment in kind ("PIK") interest margin on the group's secured debt facilities with the lender consortium contributed to net finance costs increasing by 121% or R298 million to R545 million.

The tax expense increased by R125 million to R139 million owing largely to the R99 million limitation of the deferred tax asset balances of certain entities in the group in line with International Financial Reporting Standards.

Normalised headline earnings reduced by 131% to a loss of R43 million (H1 2020: profit of R138 million), with a normalised headline loss per share from continuing operations of (9.0) cents for the first half (H1 2020: 28.9 cents earnings per share).

Segmental performance

Continuing operations	Revenue (R'm)	Revenue growth (%)	EBITDA (R'm)	EBITDA margin (%)
International				
Remedica	1 282	42	427	33.4
Sun Wave Pharma	532	22	161	30.2
Farmalider	366	35	42	11.6
South Africa				
Medical	1 123	59	214	19.1
Pharma	348	1	(17)	(5.0)
Consumer Health	333	(2)	34	10.2

Impact of COVID-19

As detailed above, the group's revenue benefited from the COVID-19 defensive nature of its portfolio.

The second wave of COVID-19 was less disruptive on the group than the initial outbreak as key response processes have been embedded in the business. This second wave impacted all countries of operation, with the severity of the new strain of COVID-19 resulting in strict lockdown regulations being reintroduced in South Africa. Spain and Romania also encountered harsh lockdown restrictions while the relative isolation of Cyprus benefited in the containment of the virus.

There were minimal production facility closures due to employee infections although the group experienced supply chain challenges due to port and shipping delays and faced increased freight and distribution costs.

The group has realised cost savings from reduced travel and marketing expenditure during the extended lockdown periods in most countries of operation.

While the vaccination programmes are gaining momentum in European Union countries, the slow start to the vaccine roll-out in South Africa remains a major concern as the risk of a third wave of infection increases.

Management recognises the uncertainty on the outlook and developments related to COVID-19 and the group's priorities remain to protect the health and safety of employees and stakeholders, maintain business continuity and ensure the availability of products to assist in the humanitarian response to the pandemic.

Cash and capital management

Cash generation

The group generated cash from operating activities of R145 million. The group repaid borrowings of R351 million, including deferred vendor payments of R155 million in relation to Sun Wave Pharma. Capital expenditure of R197 million included R136 million for the updating of drug master files and building refurbishment in Remedica. The sales of Scitec and Direct Selling generated net proceeds of R79 million. No dividends were declared or paid during the current or prior reporting period.

Working capital management

Net working capital increased marginally by R34 million while net working capital days showed a continuing improvement and reduced from 170 days at June 2020 to 140 at December 2020. Inventory days declined owing to the stronger sales across the group which has reduced stock levels. Debtor days were in line with management's expectations while creditor days were lower owing to pressure from suppliers for advance payments.

Net debt

Net debt totalled R6.6 billion at 31 December 2020 (30 June 2020: R6.5 billion), with the net debt to EBITDA ratio improving from 4.7x to 4.4x at December 2020.

Debt and group recapitalisation

The group entered into a Senior Facilities Agreement ("SFA") with its lender consortium on 5 June 2020 to restructure its existing debt facilities and provide for the advance of new facilities. This arrangement enabled the group to extend the repayment obligations of its debt to 31 December 2021, with no capital payments required in advance of that date, other than repayments triggered as a result of assets disposals and the repayment of any excess cash beyond the needs of the business. The debt has been classified as current in the half-year financial statements due to the timing of this repayment.

This debt extension enabled the operations to focus on driving performance, while a cash sweeping arrangement implemented at group level allowed improved oversight of the governance related to capital allocation. The debt extension was also designed to enable the group to optimise the exit values of assets targeted for disposal under the lender-prescribed divestment programme. There were milestone obligations that gave the lender consortium considerable influence over the divestment programme.

The following progress had been made on the divestment programme at 31 December 2020:

Remedica: Non-binding offers had been received and while various due diligence processes had commenced, management's judgement was that the execution risk on this disposal remained high at 31 December 2020 and therefore Remedica is not disclosed as a discontinued operation.

Sun Wave Pharma: Progress was made in reducing the outstanding deferred vendor payment to R48.8 million at 31 December 2020. This was subsequently settled in full after half year.

Medical Devices: Management requested an extension on this disposal from the lender consortium in September 2020. The delay in initiating the disposal process has enabled the group to benefit from the business's strong performance as reflected above. The disposal process had not yet commenced at 31 December 2020 and therefore Medical Devices continues to be included as a continuing operation. Medical Devices houses the Respiratory Care Africa and The Scientific Group subsidiaries that supply ventilators, respirators and testing products used in the treatment and detection of COVID-19.

Animal Health: The business was in an active process of divestment commencing in September 2020, with binding offers having been received by 31 December 2020. The business was therefore classified as held for sale at the interim reporting date and continues toward divestment.

Biosciences: The business was disclosed as a discontinued operation at the 2020 financial year reporting date and management continued to do so at the interim reporting date as an active sales process and negotiations were ongoing.

Dezzo: The entity conducting the group's public sector SA pharma business was identified as a disposal group held for sale in the 2020 financial year. This disposal was concluded in March 2021, with the transaction structured to allow the group to retain net asset value of R36 million, in addition to receiving initial proceeds of R6 million and deferred payment to a maximum of a further R21 million.

In January 2021, the board of directors were advised by Blantyre Capital Limited ("Blantyre") and L1 Health GP SARL ("L1 Health") that, as part of the lender consortium, they had increased their aggregated exposure to the SFA debt to more than 75%. This level of exposure enables Blantyre and L1 Health to provide or withhold all waiver, deferrals and consents requiring majority lender approval under the SFA. Blantyre and L1 Health also communicated their view that the divestment of core assets is not in the best long-term interest of the company and its stakeholders, and the company therefore had no choice but to terminate the disposal processes for Remedica and Sun Wave Pharma. Dezzo, Animal Health and Biosciences were confirmed as non-core assets and these disposal processes are ongoing. The sale of some of the Medical Devices businesses is now also being considered.

The directors are advanced in their engagements with Blantyre and L1 Health in respect of a recapitalisation and restructuring of the group ("Group Recapitalisation").

Rothschild and Co South Africa ("Rothschild") has been appointed to advise Ascendis in relation to the Group Recapitalisation. The group has also engaged Allen & Overy (legal advisors), Questco (JSE sponsor), PricewaterhouseCoopers (reporting accountants and auditors) and other parties to advise on the strategic, commercial, legal, regulatory, tax and exchange control complexities presented by the Group Recapitalisation. The independent board has appointed PSG Capital to act as the independent expert to provide the fair and reasonable opinion in relation to the Group Recapitalisation.

The directors have given due consideration to the following matters in determining their engagement on the Group Recapitalisation:

Cost of funding: The SFA signed on 5 June 2020 resulted in an extremely high cost of funding for the group. Interest is charged at EURIBOR plus 10% to 14% (4% - 5% related to margin and an additional 5% - 10% PIK charge) on the Euro-denominated facilities and JIBAR plus 10% to 14.2% (3.75% - 5% related to margin and an additional 5% - 10% PIK charge) for the ZAR denominated facilities. As a result, the proportionate average effective cost of debt was approximately 14.4% and 16.9% for European and South African denominated facilities respectively. As a consequence, senior debt funding costs at half year of R196 million related to the interest plus R280 million related to the PIK.

Liquidity: The inclusion of the upcoming debt repayment in credit insurers risk profiles resulted in reduced credit facilities being available to the group which put pressure on liquidity as a number of suppliers required advance payments on orders. The impact of these reduced credit facilities was particularly pronounced in the Medical Devices business where there was a need to ensure sufficient cash to manage the increased working capital requirements brought about by the increase in demand due to COVID-19. Constructive engagements in relation to the Group Recapitalisation and short-term liquidity requirements led to Blantyre and L1 Health agreeing to the Forbearance Agreement in relation to the non-payment of interest until 30 April which has provided increased short-term liquidity.

Execution risk on disposals: On review, the directors acknowledged that the lender-prescribed divestment programme and associated milestones put the group at a disadvantage in terms of extracting maximum value for the assets during the disposal processes. Further, the upcoming debt repayment date of 31 December 2021 does not allow for slippage on the programme despite the increased complexity of divesting multiple assets simultaneously, which in turn increased the overall execution risk of the divestment programme. The Group Recapitalisation aims to address these risks and provide a more sustainable outcome for all stakeholders.

Divestment related milestones: The SFA includes a number of disposal milestones. Certain disposal milestones result in events of default while others cumulatively result in an increase in the PIK margin of 2.5%. As outlined above, delays were experienced in certain milestones related to the disposals of Sun Wave Pharma, Medical Devices and Biosciences that were required to have been met by 31 January 2021. This resulted in an increase in the PIK margin applicable to all facilities of 2.5% from this date. This increased PIK strike will result in an additional c.€4 million and R51 million on Euro and Rand denominated facilities respectively in financing costs being incurred between that point and maturity of the debt.

Based on these factors, the directors believe that the Group Recapitalisation provides a stable platform to address the group's high financial leverage and punitive funding structure, as well as its short term debt maturities and operational liquidity requirements.

Liquidity

At 31 December 2020, the group's consolidated cash and cash equivalents totalled R311 million (including restricted cash of R60 million), improving from R204 million (including restricted cash of R79 million) at 31 December 2019. The group has met its short-term obligations as they have fallen due.

To address the group's short-term liquidity requirements and further potential events of default under the SFA, the group entered into a Forbearance Agreement with L1 Health and Blantyre ("the Forbearance Agreement"). Under the Forbearance Agreement, L1 Health and Blantyre have agreed not to take enforcement action in respect of certain events of default and the non-payment of interest of approximately R79 million due on 31 March 2021. In addition, pursuant to the Forbearance Agreement, the business has been able to increase its facilities with the Bank of Cyprus after the interim reporting date as well as retain the proceeds received on the disposal of Dezzo. The above factors have provided the group with the required short term liquidity headroom.

The Forbearance Agreement caters for certain other events of default and remains in place until 30 April 2021 ("Forbearance Period"). The Forbearance Period may be extended by agreement between the group and the majority lenders.

Principles of the Group Recapitalisation

In June 2020, the group embarked on a lender-driven disposal process in order to pay down the debt. This process required the divestment of all assets except for Farmalider, Consumer Health and Pharma Africa. The disposal process was challenging owing to the group's high debt levels, the execution risk of running multiple sales processes in parallel and the process being highly regulated by the SFA with lenders. The divestment programme was focused on returning capital to lenders and not necessarily maximising value, and it is not clear whether material value would have been returned to shareholders through this process. Indicative offers were received for Remedica and Sun Wave but these were below the board's initial expectations.

As outlined above, Blantyre and L1 Health increased their collective exposure to over 75% of the company's debt and in February 2021 the board and management engaged in consensual negotiations with these lenders aimed at achieving an optimal outcome for all stakeholders. The Group Recapitalisation aims to restore balance sheet stability by reducing the group's unsustainably high debt levels, addressing the need for short-term funding and maximising the long-term strategic value of the business.

Group Recapitalisation timeline

The parties aim to reach agreement on the transaction structure for the Group Recapitalisation by 30 April 2021, which should lead to an extension of the Forbearance Period. The final terms of the Group Recapitalisation will be released on SENS immediately after the parties reach agreement. A circular to shareholders containing details of the Group Recapitalisation will be distributed by 30 June 2021, including a notice of general meeting and voting instructions.

Non-consensual restructuring

Should Ascendis not reach agreement with Blantyre and L1 Health by 30 April 2021 or in the event that 75% of shareholders do not approve the consensual Group Recapitalisation, the company will enter a business rescue ("Business Rescue") process.

A Business Rescue practitioner will be appointed by the board of Ascendis and the practitioner will initiate an orderly sale of assets to settle debt with creditors. In a Business Rescue process, shareholders rank behind all other creditors.

In an accelerated Business Rescue-driven asset disposal process, it is possible that the outstanding debt may exceed the proceeds from a distress sale of assets. In this worst case scenario, shareholders are likely to receive minimal to zero value.

Going concern assessment

At 31 December 2020 the majority of the group's debt was reclassified as current in line with the repayment date of 31 December 2021. As a result, the group's current liabilities exceed the current assets by R5.1 billion. In making its going concern assessment, the directors have taken into account various points of mitigation against the material uncertainty related to going concern. This includes considering the continued strong operational performance of the underlying operations, together with progress to date on the Group Recapitalisation as well as the interest Forbearance Agreement that was signed on 28 February 2021, and the implications of this agreement and the recapitalisation on liquidity and solvency. The directors have concluded that the group can continue to operate as a going concern subject to successful implementation of the Group Recapitalisation.

Mark Sardi
Chief executive officer

Cheryl-Jane Kujenga
Chief financial officer

Bryanston
31 March 2021

Condensed group statement of profit or loss

for the six months ended 31 December 2020

	Notes	Six months ended 31 December 2020 Unaudited R'000	Restated (1) Six months ended 31 December 2019 Unaudited R'000	Restated (1) Year ended 30 June 2020 Unaudited R'000
Continuing operations				
Revenue		3 982 811	3 003 089	6 474 403
Cost of sales(2)		(2 204 484)	(1 628 504)	(3 506 801)
Gross profit		**1 778 327**	**1 374 585**	**2 967 602**
Other income		36 679	7 877	27 853
Selling and distribution costs		(349 066)	(292 227)	(631 391)
Administrative expenses		(634 215)	(650 705)	(1 173 987)
Net impairment loss on financial assets		(10 677)	2 068	(40 270)
Other operating expenses		(177 940)	(12 157)	(394 888)
Earnings before interest, tax, depreciation and amortisation	2	**643 108**	**429 441**	**754 919**
Depreciation and amortisation		(124 762)	(119 945)	(299 417)
Net impairment loss on assets		(150 366)	1 077	(653 283)
Operating profit/(loss)		**367 980**	**310 573**	**(197 781)**
Finance income	9	2 134	3 772	10 345
Finance costs	9	(546 730)	(250 127)	(863 359)
(Loss)/profit before taxation		**(176 616)**	**64 218**	**(1 050 795)**
Tax (expense)/credit	12	(126 417)	(2 518)	141 427
(Loss)/profit from continuing operations		**(303 033)**	**61 700**	**(909 368)**
(Loss)/profit from discontinuing operations	14	(370 763)	143 255	(95 057)
(Loss)/profit for the period		**(673 796)**	**204 955**	**(1 004 425)**
(Loss)/profit attributable to:				
Owners of the parent		(671 898)	219 890	(932 696)
Continuing operations		(301 135)	76 635	(837 639)
Discontinued operations		(370 763)	143 255	(95 057)
Non-controlling interest		(1 898)	(14 935)	(71 729)
		(673 796)	**204 955**	**(1 004 425)**
(Loss)/earnings per share from continuing operations				
Basic and diluted (loss)/earnings per share (cents)	3	(62.7)	16.0	(175.4)
(Loss)/earnings per share from discontinued operations				
Basic and diluted (loss)/earnings per share (cents)	3	(77.3)	30.0	(19.9)
Total (loss)/earnings per share				
Basic and diluted (loss)earnings per share (cents)	3	(140.0)	46.0	(195.3)

(1) The comparatives have been restated for the change in discontinued operations and correction of the deferred tax prior period error. Refer to the restatement note for further details.

(2) Depreciation related to property, plant and equipment of R32.4 million directly linked to cost of sales has been included in the cost of sales amount.

Condensed group statement of comprehensive income

for the six months ended 31 December 2020

	Notes	Six months ended 31 December 2020 Unaudited R'000	Restated (1) Six months ended 31 December 2019 Unaudited R'000	Restated (1) Year ended 30 June 2020 Unaudited R'000
(Loss)/profit for the period		**(673 796)**	**204 955**	**(1 004 425)**
Other comprehensive income:				
Items that may be reclassified to profit and loss net of tax				
Foreign currency translation reserve		205 712	(42 371)	221 802
Effects of cash flow hedges		-	1 865	1 865
Fair value adjustments		-	(1 303)	(314)
Recycled to profit and loss		-	3 168	2 179
Non-controlling interest relating to items that may be reclassified		2 511	(147)	8 518
Income tax relating to items that may be reclassified		-	(522)	(522)
Items that will not be reclassified to profit and loss net of tax				
Revaluation of property, plant and equipment		-	-	13 768
Income tax relating to items that will not be reclassified		-	-	(1 721)
Other comprehensive income/(loss) for the period net of tax		**208 223**	**(41 175)**	**243 710**
Total comprehensive (loss)/profit for the period		**(465 573)**	**163 780**	**(760 715)**
Total comprehensive loss attributable to:				
Owners of the parent		(466 186)	178 862	(697 504)
Continuing operations		(95 423)	35 608	(602 447)
Discontinued operations		(370 763)	143 254	(95 057)
Non-controlling interest		613	(15 082)	(63 211)
		(465 573)	**163 780**	**(760 715)**

(1) The comparatives have been restated for the change in discontinued operations and correction of the deferred tax prior period error. Refer to the restatement note for further details.

Condensed group statement of financial position

at 31 December 2020

	Notes	31 December 2020 Unaudited R'000	Restated [1] 31 December 2019 Unaudited R'000	Restated [1] 30 June 2020 Unaudited R'000
ASSETS:				
Property, plant and equipment		1 035 654	1 074 301	1 038 999
Right-of-use assets		271 561	299 961	319 953
Intangible assets and goodwill	6	4 656 376	5 234 027	5 674 700
Other financial assets		46 913	76 184	50 363
Deferred tax assets		120 471	20 193	182 216
Non-current assets		**6 130 975**	**6 704 666**	**7 266 231**
Inventories		1 349 296	1 599 182	1 582 747
Trade and other receivables		2 279 408	2 192 321	2 321 597
Other financial assets		17 077	880	6 018
Current tax receivable		44 387	87 536	49 696
Cash and cash equivalents		358 964	272 649	393 131
Current assets		**4 049 132**	**4 152 568**	**4 353 189**
Assets classified as held for sale	14	995 067	279 903	703 929
Total assets		**11 175 174**	**11 137 137**	**12 323 349**
EQUITY:				
Stated capital		5 975 703	5 975 703	5 975 703
Reserves		530 027	(177 421)	243 226
Accumulated loss		(5 572 968)	(3 697 960)	(4 883 643)
Equity attributable to equity holders of parent		**932 762**	**2 100 322**	**1 335 286**
Non-controlling interest		105 279	156 346	104 666
Total equity		**1 038 041**	**2 256 668**	**1 439 952**
LIABILITIES:				
Borrowings and other financial liabilities	4	129 888	139 032	6 285 087
Deferred vendor liabilities	5	-	155 589	1 103 108
Deferred tax liabilities		218 072	324 448	302 389
Other non-current liabilities		264 013	300 889	303 012
Non-current liabilities		**611 973**	**919 958**	**7 993 596**
Trade and other payables		1 224 941	1 444 477	1 550 745
Borrowings and other financial liabilities	4	6 758 748	5 146 343	540 123
Deferred vendor liabilities	5	926 399	911 998	34 499
Put-option on equity instrument		-	92 328	-
Provisions		82 721	40 995	91 087
Other current liabilities		73 041	54 766	93 141
Current tax payable		94 228	89 595	80 683
Bank overdraft		47 606	68 223	49 148
Current liabilities		**9 207 684**	**7 848 725**	**2 439 426**
Liabilities classified as held for sale	14	317 476	111 786	450 375
Total liabilities		**10 137 133**	**8 880 469**	**10 883 397**
Total equity and liabilities		**11 175 174**	**11 137 137**	**12 323 349**

[1] The comparatives have been restated for the correction of the errors on the TRS agreement with its related financial liability, equity price variance and deferred tax on impairment of intangible assets.

Condensed group statement of changes in equity

for the six months ended 31 December 2020

R'000	Stated capital	Foreign currency translation reserve	Revaluation reserve	Hedging reserve	Put-option non-controlling interest reserve	Other reserves	Accumulated loss	Total attributable to equity holders of the group	Non-controlling interest	Total Equity
Balance as at 1 July 2019	**6 507 529**	**(3 648)**	**17 462**	**(2 215)**	**(114 407)**	**(484 527)**	**(3 997 172)**	**1 923 022**	**168 693**	**2 091 715**
Equity price variance restatement[3]	(450 114)	-	-	-	-	450 114	-	-	-	-
Deferred tax on impairments[4]	-	-	-	-	-	-	79 322	**79 322**	-	79 322
Treasuy shares restatement[5]	(81 712)	-	-	-	-	-	-	**(81 712)**	-	(81 712)
Balance as at 1 July 2019 (Restated)	**5 975 703**	**(3 648)**	**17 462**	**(2 215)**	**(114 407)**	**(34 413)**	**(3 917 850)**	**1 920 632**	**168 693**	**2 089 325**
Profit/(loss) for the period	-	-	-	-	-	-	219 890	**219 890**	(14 935)	204 955
Other comprehensive (loss)/income	-	(42 371)	-	1 343	-	-	-	**(41 028)**	(147)	(41 175)
Total comprehensive income/(loss) for the period	**-**	**(42 371)**	**-**	**1 343**	**-**	**-**	**219 890**	**178 862**	**(15 082)**	**163 780**
Foreign currency translation reserve	-	-	58	-	1 582	(812)	-	828	-	828
Disposal/deregistration of subsidiary	-	-	-	-	-	-	-	-	(1)	(1)
Disposal of non-controlling interest	-	-	-	-	-	-	-	-	2 736	2 736
Total contributions by and distributions to owners of the Group recognised directly in equity	**-**	**-**	**58**	**-**	**1 582**	**(812)**	**-**	**828**	**2 735**	**3 563**
Balance as at 31 December 2019 (Unaudited)(Restated)	**5 975 703**	**(46 019)**	**17 520**	**(872)**	**(112 825)**	**(35 225)**	**(3 697 960)**	**2 100 322**	**156 346**	**2 256 668**
Loss for the period	-	-	-	-	-	-	(1 152 586)	**(1 152 586)**	(56 794)	(1 209 380)
Other comprehensive income	-	264 173	12 047	-	-	-	-	**276 220**	8 665	284 885
Total comprehensive (loss)/income for the period	**-**	**264 173**	**12 047**	**-**	**-**	**-**	**(1 152 586)**	**(876 366)**	**(48 129)**	**(924 495)**
Dividends	-	-	-	-	-	-	4 226	4 226	(2 785)	1 441
Foreign currency translation reserve	-	-	1 828	-	(3 348)	13 608	-	12 088	-	12 088
Reclassification of reserves into retained earnings	-	(279)	-	872	21 106	15 287	(36 986)	-	-	-
Lapse of NCI put-option	-	-	-	-	95 067	-	-	95 067	-	95 067
Disposal/deregistration of subsidiary	-	-	-	-	-	(406)	-	(406)	1	(405)
Disposal of non-controlling interest	-	-	-	-	-	-	-	-	(412)	(412)
Statutory reserve: Farmalider [1]	-	-	-	-	-	692	(337)	355	(355)	-
Total contributions by and distributions to owners of the Group recognised directly in equity	**-**	**(279)**	**1 828**	**872**	**112 825**	**29 181**	**(33 097)**	**111 330**	**(3 551)**	**107 779**
Balance as at 30 June 2020	**5 975 703**	**217 875**	**31 395**	**-**	**-**	**(6 044)**	**(4 883 643)**	**1 335 286**	**104 666**	**1 439 952**
(Loss)/profit for the period	-	-	-	-	-	-	(671 898)	(671 898)	(1 898)	(673 796)
Other comprehensive income/(loss)	-	205 712	-	-	-	-	-	205 712	2 511	208 223
Total comprehensive income/(loss) for the period	**-**	**205 712**	**-**	**-**	**-**	**-**	**(671 898)**	**(466 186)**	**613**	**(465 573)**
Foreign currency translation reserve	-	-	(1 059)	-	-	(5 441)	-	(6 500)	-	(6 500)
Reclassification of reserves into retained earnings	-	16 875	552	-	-	-	(17 427)	-	-	-
Disposal/deregistration of subsidiary[2]	-	-	-	-	-	70 162	-	70 162	-	70 162
Total contributions by and distributions to owners of the Group recognised directly in equity	**-**	**16 875**	**(507)**	**-**	**-**	**64 721**	**(17 427)**	**63 662**	**-**	**63 662**
Balance as at 31 December 2020	**5 975 703**	**440 462**	**30 888**	**-**	**-**	**58 677**	**(5 572 968)**	**932 762**	**105 279**	**1 038 041**

[1] Spanish law requires Farmalider to distribute, at least annually 10% of the profit for the year until the statutory reserve is 20% of Farmalider's share capital.
[2] Change in control reserve relating to the sale of Ascendis Health Direct (Pty) Ltd, Swissgarde (Pty) Ltd, K2012021382 (South Africa) (Pty) Ltd and the release with the deregistration of Efekto Care (Pty) Ltd.
[3] Reallocation of equity price variance to stated capital as a result of prior period error identified. Refer to the restatement section of the accounting policies note for more details.
[4] Deferred tax was incorrectly not calculated on the intangible asset impairments. Refer to the restatement section of the accounting policies note for more details.
[5] Treasury shares acquired by Elixr Brands (Pty) Ltd for R5.4 million and treasury shares acquired by Ascendis Financial Services (Pty) Ltd in terms of the TRS agreement with Absa for R81.7 million. Refer to the restatement section of the accounting policies note for more details.

Condensed group cash flow statement

for the six months ended 31 December 2020

	Notes	Six months ended 31 December 2020 Unaudited R'000	Restated (1) Six months ended 31 December 2019 Unaudited R'000	Restated (1) Year ended 30 June 2020 Unaudited R'000
Cash flows from operating activities				
Cash generated from operations	10	393 532	193 391	809 310
Cash generated from operations - discontinued operations		(29 153)	(4 111)	(64 811)
Interest income received		2 134	3 773	10 345
Interest paid		(189 882)	(204 753)	(454 166)
Income taxes paid	13	(31 905)	(29 119)	(75 836)
Net cash inflow/(outflow) from operating activities		**144 726**	**(40 819)**	**224 842**
Cash flows from investing activities				
Purchases of property, plant and equipment		(126 327)	(82 467)	(211 500)
Proceeds on the sale of property, plant and equipment		1 601	3 308	12 539
Purchases of intangibles assets		(70 333)	(40 248)	(109 503)
Proceeds on the sale of intangible assets		2 963	1	3 057
Proceeds from disposal of subsidiaries - net of cash		79 111	423 996	423 996
Investment in other financial assets		(10 181)	(7 713)	(41 572)
Net cash outflow from investing activities - discontinued operations		(4 982)	(12 798)	(22 133)
Net cash (outflow)/inflow to investing activities		**(128 148)**	**284 079**	**54 884**
Cash flows from financing activities				
Proceeds from borrowings raised		288 176	106 453	834 670
Repayment of borrowings		(196 394)	(543 166)	(960 452)
Repayments on deferred vendor liabilities		(154 791)	-	(172 232)
Lease liabilities repaid		(25 720)	(33 657)	(52 650)
Net cash outflow from financing activities - discontinued operations		(579)	(7 188)	(14 021)
Net cash outflow from financing activities		**(89 308)**	**(477 558)**	**(364 685)**
Net decrease in cash and cash equivalents		**(72 730)**	**(234 298)**	**(84 959)**
Restricted cash balance at the beginning of the period		75 057	45 515	45 515
Other cash and cash equivalents balance at the beginning of the period		268 926	351 600	351 600
Cash and cash equivalents at beginning of period		**343 983**	**397 115**	**397 115**
Effect of exchange difference on cash balances		(7 734)	(2 780)	37 308
Cash and cash equivalents at the beginning of the period - assets held for sale	14	61 944	56 464	56 463
Cash and cash equivalents at end of period - assets held for sale	14	(14 105)	(12 075)	(61 944)
Restricted cash balance at the end of the period		60 414	78 817	75 057
Other cash and cash equivalents balance at the end of the period		250 944	125 609	268 926
Cash and cash equivalents at end of period		**311 358**	**204 426**	**343 983**

(1) The comparatives have been restated for the change in discontinued operations.

Corporate information

Ascendis Health Limited is a health and wellness company listed in the healthcare sector of the JSE. The group has a global divisional operating model comprising of Consumer Healthcare, Pharma, Medical, Animal Health and Biosciences. The group's operations are geographically split across Southern Africa, Cyprus (Remedica), Romania (Sun Wave) and Spain (Farmalider). The group mainly focuses on supplying pharmaceutical and animal health products, as well as clinical and diagnostic medical devices.

Ascendis Health Limited is incorporated and domiciled in South Africa. Ascendis has a primary listing on the JSE Stock Exchange and a secondary listing on the A2X Exchange. Ascendis Health Limited is the ultimate parent company of the group.

Basis of preparation

The condensed consolidated interim financial statements for the six months ended 31 December 2020 are prepared in accordance with the requirements of the JSE Limited Listing Requirements and the requirements of the Companies Act of South Africa, No. 71 of 2008. The JSE Limited Listing Requirements require interim financial statements to be prepared in accordance and containing the information required by IAS 34 *Interim Financial Reporting*, as well as the SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council.

The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 30 June 2020, which have been prepared in accordance with IFRS. The condensed consolidated interim financial statements and any forward looking information have not been externally reviewed or audited.

The unaudited condensed interim financial statements for the six months ended 31 December 2020 have been prepared under the supervision of the chief financial officer, Cheryl-Jane Kujenga CA (SA). The condensed consolidated interim financial statements have been prepared on a historical cost basis, except for the measurement of certain financial instruments and land and buildings at fair value. The interim financial statements are prepared on a going concern basis using accrual accounting.

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

Principal accounting policies

The principal accounting policies applied in the preparation of the condensed consolidated interim financial statements are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements for the year ended 30 June 2020.

Restatements for the year ended 30 June 2020

Disposal group classified as discontinued operation

Animal Health was classified as a discontinued operation in terms of the requirements of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations from 1 September 2020. As a result, the June 2020 statement of profit or loss and statement of cash flows have been restated in order to reflect the IFRS 5 classification of Animal Health. Refer to Note 14 for more details.

Prior period error on deferred tax liability release on impairment of intangible assets

In December 2020, it was discovered that there was no release of the deferred tax liability on impairment of intangible assets that were recognised in terms of IFRS 3: Business Combinations. This error resulted in a material overstatement of the deferred tax expense recognised for the 2020 and 2019 financial years and a corresponding overstatement of the deferred tax liability.

The error has been corrected retrospectively by restating the 2020 financial year and the opening retained earnings for the 2020 financial year.

Restatements for the six months ended 31 December 2019

Disposal groups classified as discontinued operations

Scitec was classified as a discontinued operation from June 2020, however the disposal group had not been classified as a discontinued operation for the period ended 31 December 2019. In terms of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, the statement of profit or loss and statement of cash flows for the period ended 31 December 2019, had to be restated in order to reflect the classification of the disposal group as a discontinued operation.

Animal Health was classified as a discontinued operation in terms of the requirements of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations from 1 September 2020. As a result, 30 June 2020 and 31 December 2019 statement of profit/loss and statement of cash flows have been restated in order to reflect the IFRS 5 classification of Animal Health.

Refer to Note 14 for more details.

Disclosure of goodwill summary per segment

The goodwill summary per business segment was restated in respect of the Consumer Health Africa and Sun Wave segments. The nature of the restatement was that a goodwill acquisition adjustment initially allocated to the Consumer Health Africa segment was identified to actually pertain to Sun Wave. The mis-allocation of the goodwill adjustment was first disclosed in the June 2019 group annual financial statements due to the change in the group segment reporting.

Therefore, the balance of Consumer Health Africa's goodwill was increased by R34.5 million and Sun Wave's goodwill decreased by the same amount. Please refer to Note 6 where this is illustrated.

Restatement as a result of prior period error identified for the period ended 31 December 2019

The following prior period error has been restated retrospectively in terms of IAS 8.

Treasury share and corresponding liability pertaining to the long-term incentive scheme (LTI)

During 2020 the board took a decision to investigate the change in the funding structure of the LTI scheme and embarked on a process to explore the options available to the entity. During this process the board became aware that they had not appropriately accounted for a total return swap transaction entered into with ABSA Bank Limited (Absa) in July 2018. In accordance with the total return swap transaction, ABSA purchased shares from the market on behalf of Ascendis on loan account and holds such shares for the duration of the scheme. This transaction should have been accounted for as a treasury share acquisition executed via a third-party agent with a corresponding liability due to Absa.

Given the scheme was initiated in the 2019 financial year, stated capital (treasury shares) and borrowings and other financial liabilities have been restated as presented below.

The error required the restatement of previously disclosed basic, diluted and headline earnings per share as the weighted average number of shares reduced by 7,312,433 shares.

Equity price variance reserve reclassification

In the 2017 financial year, Ascendis raised capital by way of a rights offer to qualifying shareholders, private placements and a general issuance of shares.

As a result, an equity price variance reserve was recognised from the subscription price for the shares in excess of par value of the shares at the point in time. The error was identified to be an incorrect classification of equity due to shares in South African companies to be issued at their fair value represented by the issue price and the par value of shares issued no longer being applicable.

Therefore, in the current year it was identified that the equity price variance reserve forming part of reserves as per the Statement of Financial Position should have been initially recognised in stated capital in order for the proceeds from the share issuances to be recognised at their fair value depicted by the subscription price.

The impact of the prior period error is a decrease in stated capital of R450 million and a corresponding increase in reserves of the same amount.

The impact of the restatements and prior period errors are set out below:

31 December 2019 **Statement of profit or loss and other comprehensive income**	**Reported R'000**	**Restatements: Discontinued operations Animal Health R'000**	**Restatements: Discontinued operations Scitec R'000**	**Prior period errors: Equity price variance reserve R'000**	**Prior period errors: Deferred tax on impairments R'000**	**Prior period errors: Treasury shares R'000**	**Restated R'000**
Revenue	3 860 984	(237 841)	(620 054)				**3 003 089**
Cost of sales	(2 141 206)	114 141	398 561				**(1 628 504)**
Gross profit	**1 719 778**	**(123 700)**	**(221 493)**				**1 374 585**
Expenses	(1 367 523)	76 670	226 841				**(1 064 012)**
Net finance cost	(247 461)	766	340				**(246 355)**
Income tax	(13 437)	5 107	5 812				**(2 518)**
Profit/(loss) from continuing operations	**91 357**	**(41 157)**	**11 500**				**61 700**
Profit/(loss) from discontinued operations	113 598	41 157	(11 500)				**143 255**
Profit for the period	**204 955**	**-**	**-**				**204 955**
Continuing operations - Basic earnings per share (cents)	**21.9**	(8.6)	2.4			0.4	**16.1**
Total operations - Basic earnings per share (cents)	**45.4**	-	-			0.4	**45.8**
Statement of financial position							
Deferred tax assets	27 085				(6 892)		**20 193**
Borrowings and other financial liabilities	(5 203 662)					(81 713)	**(5 285 375)**
Deferred tax liabilities	(410 662)				86 214		**(324 448)**
Stated Capital	(6 507 529)			450 113		81 713	**(5 975 703)**
Reserves	627 534			(450 113)			**177 421**
Retained earnings	3 777 276				(79 322)		**3 697 960**

30 June 2020 **Statement of profit or loss and other comprehensive income**	**Reported R'000**	**Restatements: Discontinued operations Animal Health R'000**	**Restatements: Discontinued operations Scitec R'000**	**Prior period errors: Equity price variance reserve R'000**	**Prior period errors: Deferred tax on impairments R'000**	**Prior period errors: Treasury shares R'000**	**Restated R'000**
Revenue	6 963 376	(488 973)					**6 474 403**
Cost of sales	(3 751 732)	244 931					**(3 506 801)**
Gross profit	**3 211 644**	**(244 042)**					**2 967 602**
Expenses	(3 315 323)	149 940					**(3 165 383)**
Net finance cost	(855 463)	2 449					**(853 014)**
Income tax	56 570	16 733			68 124		**141 427**
Loss from continuing operations	**(902 572)**	**(74 920)**			**68 124**		**(909 368)**
(Loss)/profit from discontinued operations	(169 977)	74 920					**(95 057)**
Loss for the year	**(1 072 549)**	**-**			**68 124**		**(1 004 425)**
Continuing operations - Basic loss per share (cents)	**(174.0)**	(15.7)			14.1		**(175.6)**
Total operations - Basic loss per share (cents)	**(209.6)**						**(209.6)**
Statement of financial position							
Deferred tax assets	94 849				87 367		**182 216**
Deferred tax liabilities	(362 468)				60 079		**(302 389)**
Retained earnings	5 031 089				(147 446)		**4 883 643**

Restatements (continued)

R'000	Previously reported Six months ended 31 December 2019 Continuing operations	Discontinued operations	Total	Restatement Six months ended 31 December 2019 Continuing operations	Discontinued operations	Total	Restated Six months ended 31 December 2019 Continuing operations	Discontinued operations	Total
Reconciliation of basic earnings									
Profit/(loss) attributable to owners of the parent	106 292	113 598	219 890	(29 657)	29 657	–	76 635	143 255	219 890
Earnings/(loss)	**106 292**	**113 598**	**219 890**	**(29 657)**	**29 657**	**–**	**76 635**	**143 255**	**219 890**
Weighted average number of ordinary shares in issue			484 827 324			477 514 891			477 514 891
Basic earnings/(loss) per share (cents)	**21.9**	**23.4**	**45.4**	**(6.2)**	**6.2**	**–**	**16.0**	**30.0**	**46.0**
Reconciliation of headline earnings									
(Loss)/profit attributable to owners of the parent	**106 292**	**113 598**	**219 890**	**(29 657)**	**29 657**	**–**	**76 635**	**143 255**	**219 890**
Adjusted for									
Net (profit)/loss on the sale of property, plant and equipment	1 077	–	1 077	–	–	–	1 077	–	1 077
Tax effect	(240)	–	(240)	–	–	–	(240)	–	(240)
(Profit)/loss on disposal of subsidiary	1 354	(107 036)	(105 682)	–	–	–	1 354	(107 036)	(105 682)
Tax effect	(379)	4 796	4 417	–	–	–	(379)	4 796	4 417
Goodwill, intangible asset and tangible asset impairment	(418)	–	(418)	–	–	–	(418)	–	(418)
Tax effect	117	–	117	–	–	–	117	–	117
Impairment of investment	(659)	–	(659)	–	–	–	(659)	–	(659)
Non-controlling interest portion allocation	271	–	271	–	–	–	271	–	271
Headline (loss)/earnings	**107 415**	**11 358**	**118 773**	**(29 657)**	**29 657**	**–**	**77 758**	**41 015**	**118 773**
Weighted average number of shares in issue			484 827 324			477 514 891			477 514 891
Headline (loss)/earnings per share (cents)	**22.2**	**2.3**	**24.5**	**(6.2)**	**6.2**	**–**	**16.3**	**8.6**	**24.9**

Restatements (continued)

R'000	Previously reported Six months ended 31 December 2019 Continuing operations	Discontinued operations	Total	Restatement Six months ended 31 December 2019 Continuing operations	Discontinued operations [1]	Total	Restated Six months ended 31 December 2019 Continuing operations	Discontinued operations [1]	Total
Reconciliation of normalised headline earnings									
Headline (loss)/earnings	**107 415**	**11 358**	**118 773**	**(29 657)**	**29 657**	**–**	**77 758**	**41 015**	**118 773**
Adjusted for									
Acquisition of businesses related costs	617	–	617	–	–	–	617	–	617
Disposal of businesses related costs	30 990	–	30 990	–	–	–	30 990	–	30 990
Debt/capital restructuring costs	40 166	–	40 166	–	–	–	40 166	–	40 166
Restructuring and retrenchment costs	2 401	–	2 401	(2 399)	2 399	–	2	2 399	2 401
Tax effect thereof	(11 462)	–	(11 462)	–	–	–	(11 462)	–	(11 462)
Normalised headline (loss)/earnings	**170 127**	**11 358**	**181 485**	**(32 056)**	**32 056**	**–**	**138 071**	**43 414**	**181 485**
Weighted average number of shares in issue			484 827 324			477 514 891			477 514 891
Normalised headline (loss)/earnings per share (cents)	**35.1**	**2.3**	**37.4**	**(6.7)**	**6.7**	**–**	**28.9**	**9.1**	**38.0**

[1] The additional discontinued operations recognised in the current year resulted in the restatement of normalised earnings.

[2] The weighted average number of shares have been restated for Dec 2019. Refer to restatement and prior period error section of the note on Accounting Policies.

Restatements (continued)

R'000	Previously reported Year ended 30 June 2020 Continuing operations	Discontinued operations	Total	Restatement Year ended 30 June 2020 Continuing operations	Discontinued operations	Total	Restated Year ended 30 June 2020 Continuing operations	Discontinued operations	Total
Reconciliation of basic earnings									
Profit/(loss) attributable to owners of the parent	(830 843)	(169 977)	(1 000 820)	(6 796)	74 920	68 124	(837 639)	(95 057)	(932 696)
Earnings/(loss)	**(830 843)**	**(169 977)**	**(1 000 820)**	**(6 796)**	**74 920**	**68 124**	**(837 639)**	**(95 057)**	**(932 696)**
Weighted average number of ordinary shares in issue			477 514 891			477 514 891			477 514 891
Basic earnings/(loss) per share (cents)	**(174.0)**	**(35.6)**	**(209.6)**	**(1.4)**	**15.7**	**14.3**	**(175.4)**	**(19.9)**	**(195.3)**
Reconciliation of headline earnings									
(Loss)/profit attributable to owners of the parent	**(830 843)**	**(169 977)**	**(1 000 820)**	**(6 796)**	**74 920**	**68 124**	**(837 639)**	**(95 057)**	**(932 696)**
Adjusted for									
Net (profit)/loss on the sale of property, plant and equipment	(771)	–	(771)	–	–	–	(771)	–	(771)
Tax effect	202	–	202	–	–	–	202	–	202
(Profit)/loss on disposal of subsidiary	(408)	(107 036)	(107 444)	–	–	–	(408)	(107 036)	(107 444)
Tax effect	91	4 796	4 887	–	–	–	91	4 796	4 887
Goodwill, intangible asset and tangible asset impairment	638 959	311 498	950 457	–	–	–	638 959	311 498	950 457
Tax effect	(57 185)	(518)	(57 703)	–	–	–	(57 185)	(518)	(57 703)
Impairment of investment	14 324	–	14 324	–	–	–	14 324	–	14 324
Non-controlling interest portion allocation	257	–	257	–	–	–	257	–	257
Headline (loss)/earnings	**(235 374)**	**38 763**	**(196 611)**	**(6 796)**	**74 920**	**68 124**	**(242 170)**	**113 683**	**(128 487)**
Weighted average number of shares in issue			477 514 891			477 514 891			477 514 891
Headline (loss)/earnings per share (cents)	**(49.3)**	**8.1**	**(41.2)**	**(1.4)**	**15.7**	**14.3**	**(50.7)**	**23.8**	**(26.9)**

Restatements (continued)

R'000	Previously reported Year ended 30 June 2020 Continuing operations	Discontinued operations	Total	Restatement Year ended 30 June 2020 Continuing operations	Discontinued operations [1]	Total	Restated Year ended 30 June 2020 Continuing operations	Discontinued operations [1]	Total
Reconciliation of normalised headline earnings									
Headline (loss)/earnings	**(235 374)**	**38 763**	**(196 611)**	**(6 796)**	**74 920**	**68 124**	**(242 170)**	**113 683**	**(128 487)**
Adjusted for									
Acquisition of businesses related costs	24 225	–	24 225	–	–	–	24 225	–	24 225
Disposal of businesses related costs	70 519	574	71 093	–	–	–	70 519	574	71 093
Debt/capital restructuring costs	155 281	–	155 281	–	–	–	155 281	–	155 281
Restructuring and retrenchment costs	233	9 749	9 982	–	–	–	233	9 749	9 982
Tax effect thereof	(43 479)	(462)	(43 941)	–	–	–	(43 479)	(462)	(43 941)
Normalised headline (loss)/earnings	**(28 595)**	**48 624**	**20 029**	**(6 796)**	**74 920**	**68 124**	**(35 391)**	**123 544**	**88 153**
Weighted average number of shares in issue			477 514 891			477 514 891			477 514 891
Normalised headline (loss)/earnings per share (cents)	**(6.0)**	**10.2**	**4.2**	**(1.4)**	**15.7**	**14.3**	**(7.4)**	**25.9**	**18.5**

[1] The additional discontinued operations recognised in the current year resulted in the restatement of normalised earnings.

Going concern

In determining the appropriate basis of preparation of the group annual financial statements, the directors are required to consider whether the group and the company can continue to operate for the foreseeable future, being at least the 12 months following 31 December 2020.

At 31 December 2020 the majority of the group's debt was reclassified as current in line with the repayment date of 31 December 2021. As a result, the group's current liabilities exceed the current assets by R5.1 billion. This position reflects that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. In making the going concern assessment, the directors have taken into account the continued strong operational performance of the underlying operations, together with progress to date on the Group Recapitalisation as well as the Interest Forbearance Agreement that was signed on 28 February 2021, and the implications of this agreement and the recapitalisation on liquidity and solvency. The directors have concluded that the group can continue to operate as a going concern subject to successful implementation of the Group Recapitalisation. More information on the Debt, Group Recapitalisation and Liquidity is described in further detail below

Financial Performance

The group has benefited from a largely COVID-19-defensive portfolio with strong operational performance in both its European and South African based businesses. The half year results reflect an increase in revenue from continuing operations of 33% to R3.98 billion, and an increase in Normalised EBITDA^{PM} from continuing operations of 50% to R793.77 million.

Debt and Group Recapitalisation

On 5 June 2020 the group entered into a Senior Facilities Agreement ("SFA") with its lender consortium to restructure its existing debt facilities and provide for the advance of new facilities. This arrangement enabled the group to extend the repayment obligations of its debt to 31 December 2021, with no capital payments required in advance of that date, other than repayments triggered as a result of assets disposals and repayment of any excess cash beyond that which the business required. The debt has been classified as current in the half-year financial statements due to the timing of this repayment.

This debt extension enabled the operations to focus their attention on driving performance, whilst a cash sweeping arrangement implemented at group-level allowed improved oversight of the governance related to capital allocation. The intention of the debt extension was also to allow the group to attempt to maximise the exit values of assets targeted for disposal under the lender-prescribed divestment program.

At 31 December 2020 the following progress had been made on the divestment programme:

- **Remedica:** Non-binding offers had been received for the sale of the business and while various due diligence processes had commenced, management's judgement was that the execution risk on this disposal remained high as at 31 December 2020 and therefore Remedica is not classified as a discontinued operation.
- **Sun Wave:** Progress was made in reducing the outstanding deferred vendor payment to R48.8 million at 31 December 2020. This was subsequently settled in full after half year.
- **Medical Devices:** Management requested an extension on the commencement of this disposal process in September 2020. This delay in initiating the disposal process enabled the group to benefit from the business's strong performance as reflected in the half-year results. The disposal process had not yet commenced at 31 December 2020 and therefore Medical Devices continues to be included as a continuing operation.
- **Animal Health:** The business was in an active process of divestment commencing in September 2020 with binding offers having been received by 31 December 2020. The business was therefore classified as held for sale as at the interim reporting date and continues toward divestment.
- **Biosciences:** The business was disclosed as a discontinued operation at the 2020 financial year reporting date and management continued to do so at the interim reporting date as an active sales process and negotiations were ongoing.
- **Dezzo Trading 392 (Pty) Ltd ("Dezzo Trading"):** The entity conducting the group's public sector SA pharma business was identified as a disposal group held for sale in the 2020 financial year. The business continues to be classified as such and the disposal was concluded during March 2021.

Going concern (continued)

In January 2021, the board of directors received communication from Blantyre Capital Limited ("Blantyre") and L1 Health GP SARL ("L1 Health") confirming that, as part of the lender consortium, they had increased their aggregated exposure to the SFA debt to more than 75%. This level of exposure enables Blantyre and L1 Health to provide or withhold all waiver, deferrals and consents requiring majority lender approval under the SFA.

Blantyre and L1 Health also communicated their view that the divestment of core assets is not in the best long-term interest of the company and its stakeholders, and the disposal processes for Remedica and Sun Wave were terminated. Dezzo, Animal Health and Biosciences were confirmed as non-core assets and these disposal processes continue.

The directors are advanced in their engagements with Blantyre and L1 Health in respect of a recapitalisation and restructure of the group ("Group Recapitalisation").

The directors have provided due consideration to the following matters in determining their engagement on the Group Recapitalisation:

- **Cost of funding and its impact on the capital loan balances:** The SFA signed on 5 June 2020 resulted in an extremely high cost of funding for the group. Interest is charged at EURIBOR plus 10% to 14% (4% - 5% related to margin and an additional 5% - 10% payment in kind ("PIK") charge) on the Euro-denominated facilities and JIBAR plus 10% to 14.2% (3.75% - 5% related to margin and an additional 5%-10% PIK charge) for the ZAR denominated facilities. As a result the average effective cost of debt was approximately 14.4% and 16.9% for European and South African denominated facilities respectively. This resulted in funding costs comprising R196 million of interest plus R280 million related to the PIK margin. The SFA provides for a PIK strike of a further 2,5% in certain circumstances as described in more detail under "divestment related milestones". Importantly, the PIK interest is capitalised to the value of the debt and therefore the aggregate debt balance continues to grow by the value of the PIK.

- **Liquidity:** Reduced credit facilities available to the group due to the inclusion of the upcoming debt repayment in credit insurers risk profiles put pressure on liquidity as a number of suppliers required advance payments for orders placed with them. The impact of these reduced credit facilities was particularly pronounced in the Medical Devices business where there was a need to ensure sufficient cash to manage the escalated working capital requirements brought about by the increase in demand as a result of COVID-19. Medical Devices houses the Respiratory Care Africa ("RCA") and The Scientific Group ("TSG") subsidiaries that supply high flow oxygen units, Airvos, and ventilators that are critical in the treatment of COVID-19 and the testing equipment used to detect the virus. The Group Recapitalisation enabled engagement with the majority lenders on the most appropriate way of ensuring headroom was available in the business. This culminated in the company entering into a forbearance agreement as escribed under the "liquidity" section.

- **Execution risk on disposals:** On review, the directors acknowledged that the lender-prescribed divestment program put the group at a disadvantage related to extraction of maximum value for the assets during the disposal processes. Further, the upcoming debt repayment date of 31 December 2021 does not allow for any extension of the disposal programme despite the increased complexity of divesting multiple assets simultaneously. Importantly, the shares in Remedica and Sun Wave are subject to lender security and as such lender consent would have been required to release the security to implement a disposal. Consideration of these factors, in turn, increased overall execution risk of the divestment program.

- **Divestment related milestones:** The SFA includes a number of disposal milestones. Certain disposal milestones result in events of default while others cumulatively result in an increase in the PIK margin of 2.5%. As discussed above, delays were experienced in certain milestones related to the disposals of Sun Wave, Medical Devices and Biosciences that were required to have been met by 31 January 2021. This resulted in an increase of the PIK margin applicable to all facilities of 2.5% from this date. This PIK strike will result in an additional c.€4 million and R51 million on EURO and Rand denominated facilities respectively in financing costs being incurred between that point and maturity of the debt.

In light of the above factors, the directors are of the view that successful implementation of the Group Recapitalisation will provide a stable platform to address the group's high financial leverage and punitive funding structure, short term debt maturities and operational liquidity requirements.

Going concern (continued)

Liquidity

Management prepares annual budgets for each business unit and head office. A revised forecast is performed for each business unit and head office quarterly. This revised forecast takes into consideration expected operational performance and working capital requirements. Group Treasury manages liquidity and works closely with each business on ensuring accurate forecasting of cash inflows and cash requirements. It regularly updates its robust liquidity model which includes cash flow forecasts covering a period of 18 months from the date of these group annual financial statements. Cash flow forecasts are prepared weekly by the business units and reviewed by Group Treasury. These are shared with the consortium lenders every fortnight.

At 31 December 2020, the group's consolidated cash and cash equivalents totalled R311 million (including restricted cash of R60 million), having improved from R204 million (including restricted cash of R79 million) at 30 December 2019. The group has managed to meet its short-term obligations as these have fallen due.

In order to address the group's short-term liquidity requirements and further potential events of default under the SFA, the group entered into a forbearance agreement with L1 Health and Blantyre. Under the forbearance agreement, L1 Health and Blantyre have agreed not to take enforcement action in respect of certain events of default and the non-payment of interest of approximately R79 million due on 31 March 2021. In addition, pursuant to the forbearance agreement, the business has been able to increase its facilities with the Bank of Cyprus after the interim reporting date as well as retain the eventual proceeds received on disposal of Dezzo. The above factors have provided the group with the required short term liquidity headroom.

The forbearance agreement caters for certain other events of default and remains in place until 30 April 2021 ("forbearance period"). The forbearance period may be extended by agreement between the group and the majority lenders. The parties aim to reach agreement on the transaction structure for the Group Recapitalisation by 30 April 2021, which should lead to an extension of the forbearance period.

The group entered into an amendment to the SFA on 10 March 2021 ("Amended SFA") in order to accommodate additional and modified conditions until the completion of the Group Recapitalisation, including further liquidity support measures (as outlined above).

Covenants

In terms of the Amended SFA, management is required to provide the lender consortium with a quarterly covenant certificate. The certificate only requires a single financial covenant ratio: total net debt/adjusted EBITDA (adjusted EBITDA is defined as the last 12 months' EBITDA (including 12 months EBITDA for acquisitions made in the last 12 months and excluding EBITDA for disposals in the last 12 months)). The ratio assesses the group's ability to service its leveraged capital structure and interest cover and is reset following each disposal.

The lender consortium has set quarterly targets for this ratio until the repayment date of 31 December 2021. At 31 December 2020, the target ratio was less than or equal to 7.3x. Ascendis achieved a ratio of 4.4x, demonstrating an acceptable margin below the target ratio.

Under the Amended SFA, a condition was introduced to remove a concessionary adjustment previously included in the target ratio for the adverse effects of the COVID-19 pandemic. This condition will require that prospectively upon the next reset of the covenant (triggered by a business disposal), the target ratio calculation may no longer include the COVID-19 adjustment.

A sensitivity analysis reflects that the group will continue to meet the covenant after the abovementioned amendment.

COVID-19

The COVID-19 pandemic has been an unprecedented development arising in the prior financial year and a situation rendering adaptation to what could be considered a new status quo for society.

Going concern (continued)

The resurgence of the virus was experienced in the various markets in which the group operates. The second wave in South Africa was a more contagious viral strain, propelling the country back into a stricter lockdown throughout the wave's peak faced through until January 2021.

Other major territories of operation such as Cyprus, Romania and Spain experienced unique challenges. Cyprus' island location benefitted in the containment of the virus, but mainland Spain and Romania were more severely impacted, leading to harsher and more prolonged lockdown regulations, particularly in response to a second wave of infections from October 2020. Vaccination campaigns in the European Union ("EU") have been extensive and at the forefront globally in terms of the pace of the roll-out.

As highlighted, the group benefits from a predominantly COVID-19 defensive business and this has reflected in exceptional operational performance during the period.

The pandemic presented several operational challenges and opportunities, including:

- Inventory challenges due to port and shipping delays
- Restricted access to customers through hard lockdowns and access to medical facilities
- Increases in freight and distribution costs, for both domestic and international logistics
- Cost savings continue to be realised following lower levels of travel and marketing across the group
- Production facility closures due to virus outbreaks among employees have been minimal; and
- The postponement of elective surgeries impacted on sales across the Medical Devices segment although opportunities to supply personal protective equipment and other equipment related to treating the virus were maximised.

The impact of the second wave was less disruptive due to key response processes now being embedded into the business.

Management acknowledges the uncertainty regarding the outlook and developments relating to COVID-19 but continue to actively monitor its impacts on staff, customers and the business operations. The group takes its responsibility seriously to continue to ensure that products are available to customers to assist in the humanitarian response.

Conclusion

As outlined above, the directors have considered various points of mitigation against the material uncertainty related to going concern. This includes considering the continued support of the company's lenders, investors and customers and the progress and plans for the Group Recapitalisation, in conjunction with progress on the disposals of the identified non-core operating units. They have also considered the financial plans and forecasts, and the actions taken by the company. In particular, the going concern of the business is premised on a successful implementation of the Group Recapitalisation. Accordingly, and based on the information available to them, the directors are of the opinion that the going concern assumption is appropriate in the preparation of the group's interim financial statements.

Significant estimates and accounting judgements

In preparing these condensed consolidated interim financial statements, management made estimates and accounting judgements that affect the application of the going concern assumption, accounting policies and the reported amounts of assets, liabilities, income and expenses.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to have the actual results materially different from estimates. Detailed information about each of these estimates and judgements is included in the notes to the group annual financial statements for the year ended 30 June 2020.

Significant estimates and judgements were made on the following items:

Key estimates

- Estimation of inventory obsolescence allowance.
- Estimation of fair values of land and buildings.
- Estimation of the expected credit loss allowance.
- Future forecasts - assessing going concern and the impact of Covid-19.
- Estimation of legal provisions and assessment of likely outcome of the legal provisions.
- Impairment testing and allocation of cash-generating units.
- Allocation of impairments to classes of intangible assets.
- The useful lives and residual values of property, plant and equipment and intangible assets.
- Leases incremental borrowing rate.
- Leases renewal and termination options.
- The useful lives of right-of-use assets associated to leased assets.
- Recoverability of deferred tax assets.

Accounting judgements

- Revenue recognition.
- Lease and non-lease components.
- Assessment and conclusion of control and the effective date of disposal when control is lost.
- Classification of operations as discontinued operations and/or assets and liabilities classified as held for sale.
- Determination of extinguishment or modification of group debt facilities after amend and extend agreement.

Seasonality

The seasonality of the group's operations had no significant impact on the condensed consolidated financial statements.

1. Group segmental analysis

The group has five core health care areas, namely Consumer Health, Pharma, Medical, 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 CODM also reviews the discontinued operations until they have been disposed to ensure their performance is still assessed and resources allocated accordingly (Refer to note 14 for more details on discontinued operations). The reportable segments were split taking into account the nature of the products, production process, distribution channels, types of customers and the regulatory environment in which the business units operate.

The operating and reportable segments are as follows:

- **Consumer Health**, incorporating Skin and Body as well as all of the Ascendis over-the-counter (OTC), complementary and alternative consumer products. This division includes three reportable segments:
  - **Consumer Health Africa segment**: operating predominantly in the South African market.
  - **Scitec segment**: operated predominantly in the European market. The segment was disposed on 31 July 2020.
  - **Sun Wave segment**: operating predominantly in the Romanian market.
- **Pharma**, incorporating Ascendis' pharmaceutical products. This division includes three reportable segments:
  - **Pharma Africa segment**: operating predominantly in the South African market.
  - **Remedica segment**: operating predominantly in the European market.
  - **Farmalider segment**: operating predominantly in the Spanish market..
- **Medical**, incorporating the supply of medical devices and consumables. The segment is operating predominantly in the South African market.
- **Animal Health**, incorporating manufacturing and distribution of animal health products. The segment is operating predominantly in the South African market.
- **Biosciences**, incorporating manufacturing and distribution of crop protection, public pesticides and equipment. The segment is operating predominantly in the South African market.

The Head office is not an operating segment as it relates to all costs incurred at a group level. The Head office supports all group support functions such as group executives, group finance, group treasury, group communications, group IT, company secretarial and human resources. Any other remaining businesses that do not qualify as a separately reportable segment have been grouped in the other segments category.

There is no material inter-segment revenue.

Due to changes in the classification of discontinued operations (refer to note 14 for more details), information relating to the comparative periods has been restated.

1. Group Segmental Analysis (continued)

Revenue split by segment	Six months ended 31 December 2020 Unaudited R'000	Restated [1] Six months ended 31 December 2019 Unaudited R'000	Restated[1] Year ended 30 June 2020 Unaudited R'000
Consumer Health	1 000 491	1 435 450	2 753 486
Africa	338 100	379 318	687 559
Scitec	131 841	620 054	1 188 607
Sun Wave	530 550	436 078	877 320
Pharma	1 996 139	1 516 749	3 495 112
Africa	347 702	342 804	700 183
Remedica	1 282 002	902 546	2 176 186
Farmalider	366 435	271 399	618 743
Medical	1 123 025	706 737	1 464 111
Animal Health	280 401	237 841	488 973
Biosciences	218 465	212 069	336 258
Other	-	3 984	3 984
Less: Discontinued operations	(635 710)	(1 109 740)	(2 067 521)
Total revenue	**3 982 811**	**3 003 089**	**6 474 403**
Revenue by geographical location			
South Africa	2 307 692	1 863 073	3 677 084
Cyprus	1 282 002	902 546	2 176 186
Spain	366 435	271 399	618 743
Hungary	131 841	635 749	1 188 607
Romania	530 550	436 078	877 320
Other	-	3 984	3 984
Less: Discontinued operations	(635 710)	(1 109 740)	(2 067 521)
Total revenue	**3 982 811**	**3 003 089**	**6 474 403**

[1] The comparatives have been restated for the change in discontinued operations.

1. Group Segmental Analysis (continued)

Revenue by customer destination	Six months ended 31 December 2020 Unaudited R'000	Restated[1] Six months ended 31 December 2020 Unaudited R'000	Restated[1] Year ended 30 June 2020 Unaudited R'000
Africa	2 526 017	2 017 439	3 963 469
South Africa	2 197 597	1 677 221	3 317 595
Rest of Africa	328 421	340 218	645 874
Europe	1 669 789	1 613 000	3 534 597
Romania	534 731	447 662	905 060
Spain	305 527	259 543	589 790
Germany	62 068	165 611	301 590
Hungary	22 468	97 005	213 543
France	105 092	72 777	197 195
Cyprus	192 411	34 908	239 570
Switzerland	52 615	31 435	73 403
Denmark	90 224	30 159	107 234
Netherlands	34 900	33 817	63 579
Italy	13 707	30 483	98 700
Slovenia	44 798	58 675	115 677
Portugal	22 463	25 188	54 506
Turkey	-	28 572	45 505
Other	188 785	297 165	529 245
Asia Pacific	362 695	276 795	678 130
Asia	339 205	258 421	633 654
Australia	6 499	12 148	26 841
New Zealand	16 990	6 226	17 634
United Kingdom	29 690	35 913	87 442
South America	14 264	163 201	258 751
North America	16 065	6 480	19 535
Less: Discontinued operations	(635 710)	(1 109 740)	(2 067 521)
Total revenue	**3 982 811**	**3 003 089**	**6 474 403**

[1] The comparatives have been restated for the change in discontinued operations.

1. Group segmental analysis (continued)

The group has an international footprint and currently exports products to 171 countries, mainly in Africa and Europe. The revenue presented by geographic location represents the domicile of the entity generating the revenue and revenue by customer destination represents the domicile of the customer.

22% of the group's revenue is generated through the wholesale and retail market (December 2019: 27%). In this market, 4% (December 2019: 1%) of the total group revenue is derived from a single customer and 7% (December 2019: 10%) of the group's revenue is generated from government institutions (local and international).

The group evaluates the performance of its reportable segments based on normalised EBITDA[PM] (earnings before interest, tax, depreciation, amortisation and impairments and further adjusted for the acquisition, integration and disposal of businesses, debt and capital restructuring costs, restructuring and retrenchment costs). The financial information of the group's reportable segments is reported to the Executive Committee (EXCO) for purposes of making decisions about allocating resources to the segment and assessing its performance. The percentage disclosed represents the normalised EBITDA[PM]/revenue margin.

Normalised EBITDA[PM] split by segment [(2)]	Six months ended 31 December 2020 Unaudited		Restated[(1)] Six months ended 31 December 2019 Unaudited		Restated[(1)] Year ended 30 June 2020 Unaudited	
	R'000	%	R'000	%	R'000	%
Consumer Health	210 965	12%	175 070	12%	342 421	12%
Africa	30 854	9%	34 450	9%	35 550	5%
Scitec	18 799	14%	20 016	3%	61 163	5%
Sun Wave	161 312	30%	120 604	28%	245 708	28%
Pharma	451 318	18%	279 776	18%	750 215	21%
Africa	(17 417)	-1%	3 256	1%	(45 488)	-6%
Remedica	426 477	33%	277 142	31%	731 378	34%
Farmalider	42 258	12%	(622)	0%	64 325	10%
Medical	214 316	18%	137 453	19%	143 010	10%
Animal Health	75 755	27%	62 650	26%	124 681	25%
Biosciences	42 999	20%	12 725	6%	18 116	5%
Head office	(67 095)		(54 799)		(141 592)	-
Other	(216)		5 968	150%	197	5%
Less: Discontinued operations	(134 274)	21%	(90 074)	8%	(180 446)	9%
Total normalised EBITDA[PM]	**793 768**	**20%**	**528 769**	**18%**	**1 056 602**	**16%**
Non-controlling interest proportionate share	(21 084)		861		(29 019)	
Total normalised EBITDA[PM] attributable to the parent	**772 684**		**529 630**		**1 027 583**	

(1) The comparatives have been restated for the change in discontinued operations.

(2) Refer to Note 2 for the reconciliation of Normalised EBITDA [PM] to consolidated results .

1. Group segmental analysis (continued)

Statement of financial position measures applied

Assets and liabilities split by segment	Six months ended 31 December 2020 Unaudited R'000		Restated[(1)] Six months ended 31 December 2019 Unaudited R'000		Year ended 30 June 2020 Audited R'000	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Consumer Health	1 841 794	(348 600)	2 375 972	(4 233 451)	2 329 794	(5 175 459)
Africa	516 874	(151 392)	697 968	(166 713)	543 150	(185 128)
Scitec - held for sale	-	-	570 204	(3 636 801)	375 435	(4 625 527)
Sun Wave[(2)]	1 324 920	(197 208)	1 107 800	(429 937)	1 411 209	(364 804)
Pharma	6 727 740	(3 080 771)	5 867 911	(2 117 411)	7 217 060	(2 508 881)
Africa	302 493	(245 028)	376 863	(176 803)	347 443	(235 306)
Remedica	5 767 951	(2 333 401)	4 920 471	(1 486 925)	6 187 940	(1 743 620)
Farmalider	657 296	(502 342)	570 577	(453 683)	681 677	(529 955)
Medical	1 424 321	(579 602)	1 585 234	(415 170)	1 546 975	(563 322)
Animal Health	738 196	(170 810)	730 630	(143 936)	741 670	(178 566)
Biosciences - held for sale	191 749	(146 795)	274 087	(156 345)	252 968	(158 983)
Head office[(2)]	249 073	(5 810 533)	296 142	(1 814 010)	232 220	(2 298 148)
Other	2 301	(22)	7 161	(146)	2 662	(38)
Total consolidated assets and (liabilities)	**11 175 174**	**(10 137 133)**	**11 137 137**	**(8 880 469)**	**12 323 349**	**(10 883 397)**

(1) The comparatives have been restated for the change in discontinued operations.
(2) Goodwill was reclassified between the Head Office segment and the Sun Wave segment. Refer to the restatements section in the accounting policies note for more details.

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

Fixed assets per geographic location	Six months ended 31 December 2020 Unaudited R'000	Six months ended 31 December 2019 Unaudited R'000	Year ended 30 June 2020 Audited R'000
South Africa	208 587	355 873	208 444
Cyprus	813 097	593 587	816 353
Hungary	-	112 217	-
Romania	2 124	1 170	1 599
Spain	18 265	17 487	19 254
Assets held for sale	(6 419)	(6 033)	(6 651)
Fixed assets per geographic location	**1 035 654**	**1 074 301**	**1 038 999**

2. Normalised EBITDA[PM] Reconciliation

Performance Measures

Performance measures (PM's) are not defined or specified per the requirements of IFRS but are derived from the financial statements prepared in accordance with IFRS. They are consistent with how the group's performance is measured and reported internally to assist in providing meaningful analyses. The PM's are used to improve comparability of information between reporting periods and segments by adjusting for infrequent items. The key PM's used by the group are Normalised EBITDA (refer to the table below), Normalised operating profit and Normalised headline earnings per share (refer to note 3) and Adjusted EBITDA. PM's disclosed may not be comparable with similar labelled measures and disclosures provided by other entities and users should not use them in isolation or as a substitute for other measures. They are not intended to be projections or forecasts of future results. The directors confirm that that there has been full compliance with the JSE's practice note 4/2019 as it relates to the PMs being presented. Detailed disclosure of the performance measures is included on the Ascendis Health website: https://ascendishealth.com/wp-content/uploads/2020/09/Ascendis-Health-Performance-Measures-30-June-2020.pdf.

The table below illustrates the reconciliation of normalized EBITDA to consolidated results.

Reconciliation of normalised EBITDA[PM] to consolidated results	Six months ended 31 December 2020 Unaudited R'000	Restated[(1)] Six months ended 31 December 2019 Unaudited R'000	Restated[(1)] Year ended 30 June 2020 Unaudited R'000
Consolidated (loss)/profit before taxation from continuing operations	**(176 616)**	**64 218**	**(1 050 795)**
Finance income	(2 134)	(3 772)	(10 345)
Finance expense	546 730	250 127	863 359
Total impairment, amortisation and depreciation	275 128	118 868	952 700
EBITDA [(2)]	**643 108**	**429 441**	**754 919**
Restructuring, disposal and retrenchment costs *	77 384	31 609	94 977
Debt/capital restructuring costs *	40 898	40 168	155 281
Total cost of sales depreciation	32 378	27 551	51 425
Total normalised EBITDA[PM]	**793 768**	**528 769**	**1 056 602**
Non-controlling interest proportionate share	(21 084)	861	(29 019)
Total normalised EBITDA[PM] attributable to the parent	**772 684**	**529 630**	**1 027 583**

(1) The comparatives have been restated for the changes in discontinued operations.

(2) Depreciation related to property, plant and equipment directly linked to cost of sales is included in EBITDA. This depreciation amounts to R32 378 (December 2020: R27 551; June 2020: R51 425)

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

3. Earnings per share

Earnings per share

Earnings per share is calculated using the weighted average number of ordinary shares in issue during the period and is based on the profit after tax attributable to ordinary shareholders. For the purpose of calculating earnings per share, treasury shares are deducted from the number of shares in issue.

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume the conversion of all dilutive potential ordinary shares and is based on the net profit attributable to ordinary shareholders, adjusted for the after tax dilutive effect. During the current period, the group has determined that there are no instruments in issue that will have a potential dilutive effect to the issued ordinary shares. Based on this assessment, basic earnings per share also represents diluted earnings per share.

Headline earnings per share

The calculation of headline earnings per share is based on the profit attributable to equity holders of the parent, after excluding all items of a non-trading nature, divided by the weighted average number of ordinary shares in issue during the period. The presentation of headline earnings is not an IFRS requirement, but is required by the JSE Listings Requirements and the SAICA Circular 1/2019.

Weighted average number of shares

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

3. Earnings per share (continued)

		Six months ended 31 December 2020 Unaudited R'000			Restated[1] Six months ended 31 December 2019 Unaudited R'000			Restated[1] Year ended 30 June 2020 Unaudited R'000		
		Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
(a)	**Basic (loss)/earnings per share**									
	(Loss)/profit attributable to owners of the parent	(301 135)	(370 763)	(671 898)	76 635	143 255	219 890	(837 639)	(95 057)	(932 696)
	Weighted average number of ordinary shares in issue [2]			479 827 323			477 514 891			477 514 891
	Basic (loss)/earnings per share (cents)	**(62.7)**	**(77.3)**	**(140.0)**	**16.0**	**30.0**	**46.0**	**(175.4)**	**(19.9)**	**(195.3)**
(b)	**Headline (loss)/earnings per share**									
	(Loss)/profit attributable to owners of the parent	(301 135)	(370 763)	(671 898)	76 635	143 255	219 890	(837 639)	(95 057)	(932 696)
	Adjusted for:									
	Net loss/(profit) on the sale of property, plant and equipment	1 095	–	1 095	1 077	–	1 077	(771)	–	(771)
	Tax effect	(240)	–	(240)	(240)	–	(240)	202	–	202
	Loss/(profit) on disposal of subsidiary	–	310 168	310 168	1 354	(107 036)	(105 682)	(408)	(107 036)	(107 444)
	Tax effect	–	7 494	7 494	(379)	4 796	4 417	91	4 796	4 887
	Goodwill, intangible asset and tangible asset impairment	150 366	95 741	246 107	(418)	–	(418)	638 959	311 498	950 457
	Tax effect	–	–	–	117	–	117	(57 185)	(518)	(57 703)
	Impairment of investment	5	–	5	(659)	–	(659)	14 324	–	14 324
	Non-controlling interest portion allocation	658	–	658	271	–	271	257	–	257
	Headline (loss)/earnings	**(149 251)**	**42 640**	**(106 611)**	**77 758**	**41 015**	**118 773**	**(242 170)**	**113 683**	**(128 487)**
	Weighted average number of shares in issue			479 827 323			477 514 891			477 514 891
	Headline (loss)/earnings per share (cents)	**(31.1)**	**8.9**	**(22.2)**	**16.3**	**8.6**	**24.9**	**(50.7)**	**23.8**	**(26.9)**

[1] The comparatives have been restated for the change in discontinued operations and for the change in treasury shares. Refer to the restatement and prior period error section of the accounting policies note.

[2] The weighted average number of shares have been restated for Dec 2019. Refer to restatement and prior period error section of the accounting policies note.

3. Earnings per share (continued)

(c) **Normalised headline earnings per share PM**

The group's accounting policy and definition of normalised headline earnings per share and normalised EBITDA, are as follows:

Normalised headline earnings PM is calculated by excluding specific non-trading items from the group's earnings. Gains and losses excluded for normalised headline earnings purposes include restructuring costs to streamline, rationalise and structure the group. Costs incurred to restructure the debt and equity capital structure of the group that cannot be capitalised are excluded. It also includes settlement of product-related litigation and the costs incurred to acquire and integrate the business combinations into the group as well as any costs incurred to dispose of businesses. The country specific corporate tax rate and relevant tax legislation is applied to each individual normalised earnings adjustment. Refer to note 2 for the detailed impact on normalised EBITDA PM.

Performance measures (PM) are not defined or specified per the requirements of IFRS but are derived from the financial statements prepared in accordance with IFRS. For more details refer to performance measures in the accounting policies note.

3. Earnings per share (continued)

	Six months ended 31 December 2020 R'000 Unaudited			Restated[3] Six months ended 31 December 2019 R'000 Unaudited			Restated[3] Year ended 2020 R'000 Unaudited		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Reconciliation of normalised headline earnings									
Headline (loss)/earnings	**(149 251)**	**42 640**	**(106 611)**	**77 758**	**41 015**	**118 773**	**(242 170)**	**113 683**	**(128 487)**
Adjusted for									
Acquisition of businesses related costs [1]	–	–	–	617	–	617	24 225	–	24 225
Disposal of businesses related costs	74 675	–	74 675	30 990	–	30 990	70 519	574	71 093
Debt/capital restructuring costs	40 898	–	40 898	40 166	–	40 166	155 281	–	155 281
Restructuring and retrenchment costs	2 704	(2 708)	(4)	2	2 399	2 401	233	9 749	9 982
Tax effect thereof	(12 207)	244	(11 963)	(11 462)	–	(11 462)	(43 479)	(462)	(43 941)
Normalised headline (loss)/earnings	**(43 181)**	**40 176**	**(3 005)**	**138 071**	**43 414**	**181 485**	**(35 391)**	**123 544**	**88 153**
Weighted average number of shares in issue[2]			479 827 323			477 514 891			477 514 891
Normalised headline (loss)/earnings per share (cents)	**(9.0)**	**8.4**	**(0.6)**	**28.9**	**9.1**	**38.0**	**(7.4)**	**25.9**	**18.5**

[1] No business combinations took place in the current period, however costs relating to KlubM5 acquisition and potential acquisition of Farmalider's remaining 51% interest were incurred in the prior period.

[2] The weighted average number of shares have been restated for Dec 2019. Refer to restatement and prior period error section of the accounting policies note.

[3] The comparatives have been restated for the change in discontinued operations and restated for the change in treasury shares. Refer to the restatement and prior period error section of the accounting policies note.

Normalised diluted headline (loss)/earnings per share[PM] is calculated on the same basis used for calculating diluted (loss)/earnings per share, other than normalised headline (loss)/earnings[PM] being the numerator.

4. Borrowings and other financial liabilities

Senior Facilities Arrangement Borrowings

On 5 June 2020 the group entered into a revised Senior Facilities Arrangement (“SFA”) with its lender consortium. Under the revised SFA the group was able to restructure its debt facilities and provide for the advance of new debt. The revisions to the SFA enabled the group to extend the repayment obligations under the original SFA to 31 December 2021.

The structure consists of a syndicated facility denominated in Euro (EUR) and South African Rands (ZAR) term facilities, revolving credit facilities and other foreign bi-lateral facilities as detailed below

SFA EUR denominated facilities

The group has the following Euro term facilities amounting to €187 million (R3 360 million) as follows:

- Facility A, with an outstanding balance of €178 million (R3 194 million) which consist of €159 million capital and €18 million capitalised interest
- Facility D, with an outstanding balance of €5 million (R94 million) which consist of €5 million capital and €0.2 million; capitalised interest
- Facility E1, with an outstanding balance of €4 million (R72 million) which consist of €4 million capital and €0.05 million capitalised interest

In addition to the facilities above, the group has a revolving credit facility with an outstanding balance of €52 million (R932 million) which consist of €46 million capital and €6 million capitalised interest. The revolving credit facility was fully drawn down as at 31 December 2020. The facilities are repayable by a single bullet payment on 31 December 2021.

Interest on Facility A and revolving credit facility is charged at Euribor plus 14% (4% margin and 10% PIK) and interest on Facility D and E1 is charged at Euribor plus 10% (5% margin + 5% PIK). The cash interest is repayable quarterly, while the PIK component is capitalised quarterly and payable on 31 December 2021. The PIK margin was increased by 2.5% effective from 31 January 2021 as result of a PIK strike, please refer to the Going Concern note as included in the Basis of preparation section of this report.

SFA ZAR denominated facilities

The secured syndicated facility consists of the following term facilities:

- Facility B1, with an outstanding balance of R540 million which consist of R504 million capital and R36 million capitalised interest.
- Facility B2, with an outstanding balance of R930 million which consist of R869 million capital and R61 million capitalised interest.
- Facility E2, with an outstanding balance of R196 million which consist of R193 million capital and R3 million capitalised interest.

In addition to the facilities above, the group has a revolving credit facility with an outstanding balance R435 million which consist of R409 capital and R26 million capitalised interest. The facilities are repayable by a single bullet payment on 31 December 2021.

Interest on Facility B1, Facility B2 and the revolving credit facility is charged at JIBAR plus 13.75% to 14.2% (3.75% - 4.2% margin and 10% PIK) per annum and is payable quarterly. Interest in Facility E2 is charged at JIBAR plus 10% (5% margin and 5% PIK). The cash interest is repayable quarterly, while the PIK component is capitalized quarterly and payable on 31 December 2021.

4. Borrowings and other financial liabilities (continued)

Additional indirect credit facilities exist that include letters of credit, performance guarantees and debtors factoring. At 31 December 2020 exposures with regards to letter of credit issued on behalf of the SA Pharma businesses was R54 million.

SFA Covenants and divestment milestones

This secured syndicated facility is subject to a quarterly adjusted leverage covenant test (The ratio of total net debt to normalised EBITDA[PM]). For the year-to-date 31 December 2020 the lenders required that the group maintain an adjusted leverage ratio below 7.3 (30 June 2020: 5.9). Ascendis Health achieved a ratio of 4.4 and therefore is compliant with the requirement set by the lenders.

The SFA provides for certain key milestones in respect of the disposal of specified business units (Disposal Milestones). The consequences of missing a Disposal Milestone depend on the nature of the Disposal Milestone. For example, if certain Disposal Milestones are not met (eg the appointment of an adviser) this is an event of default, while other Disposal Milestones may cumulatively lead to an increase in the PIK interest margin applicable to all facilities of 2.5%.

On 25 January 2021, Ascendis Health received notification that Blantyre Capital Limited (Blantyre) and L1 Health GP Sarl (L1) had increased their aggregate exposure under the SFA to more than 75% of the aggregate exposure of all lenders. This level of exposure enables them to provide all waivers, deferrals and consents requiring Majority Lender approval under the SFA.

The group has commenced debt restructure and recapitalisation discussions with Blantyre and L1. Pursuant to these discussions, the group has entered into a forbearance agreement with Blantyre and L1 in terms of which Blantyre and L1 have agreed not to take enforcement action in respect of certain potential events of default and the non-payment of interest. The forbearance agreement is currently in place to 30 April 2021 and may be extended by agreement between the Company, Blantyre and L1.

More information relating to the syndicated facilities can be found under the going concern section of the accounting policies note.

4. Borrowings and other financial liabilities (continued)

SFA Security

The group entities as listed below are specifically identified guarantors under the SFA:

- Ascendis Health International Holdings Limited
- Ascendis Consumer Brands Proprietary Limited
- Ascendis Financial Services Proprietary Limited
- Ascendis Health Limited
- Ascendis Pharma Proprietary Limited
- Ascendis Skin and Body Proprietary Limited
- Ascendis Supply Chain Proprietary Limited
- Pharmachem Pharmaceuticals Proprietary Ltd
- Ortho-Xact Proprietary Limited
- Ascendis Vet Proprietary Limited
- Ascendis Wellness S.R.L.
- Avima Proprietary Limited
- Chempure Proprietary Limited
- Kyron Laboratories Proprietary Limited
- Remedica Holdings Limited
- Remedica Limited
- Respiratory Care Africa Proprietary Limited
- Surgical Innovations Proprietary Limited
- The Scientific Group Proprietary Limited
- Ascendis Financial Services International S.à r.l.
- Ascendis Health SA Holdings Proprietary Limited
- Ascendis Health Europe Holdings
- Ascendis Financial Services Europe Limited
- Dezzo Trading 392 Proprietary Limited[1]

[1] Dezzo trading 392 Proprietary Limited has been released as a guarantor entity under Amendment to the SFA signed in March 2021 as a result of its disposal from the group

Each of the above guarantors jointly and severally guarantee punctual performance of the obligations under the SFA and indemnify the lenders for any costs, loss, or liability they incur as a result of an obligor not paying any amount that was payable in accordance with the SFA when falling due.

The shares in each guarantor (other than Ascendis Health Limited) are granted as security to the lenders. In addition, each guarantor has granted security over certain of its assets. Furthermore, the shares in certain other key group companies have been granted as security to the lenders.

Other facilities

In addition to the syndicated facilities outlined above, the group also has the following borrowings as at 31 December 2020:

Euro denominated loan of €8 million (R140 million) (30 June 2020: €8 million (R160 million)) with the Bank of Cyprus that matures on 30 June 2022. Interest is charged at 3.55% per annum, capital and interest is settled on a quarterly basis.

4. Borrowings and other financial liabilities (continued)

Farmalider and its subsidiaries has a number of Euro denominated loans/facilities with different financial institutions amounting to R269 million (30 June 2020: R272 million). These facilities have different maturity dates from 2021 to 2025, repayment profiles and interest rates. These interest rates range between 1% and 2% per annum.

The TRS liability with ABSA Bank Limited consists of 5 tranches, the nominal amount of which was R82 million. Partial settlement took place in the period to 31 December 2020 and therefore the outstanding balance due is R57 million (30 June 2020: R81.7 million). 3 tranches remain outstanding and are payable on 05 July annually with the next payment due on 05 July 2021 and ultimately maturing on 05 July 2023. These tranches carry a fixed interest rate between 8.79% and 9.91% per annum and the last tranche's maturity date is 5 July 2023. Interest is paid six monthly.

Also included in other South African borrowings is a distribution right obligation whereby the Medical Devices business is to pay a total of €1.8 million in six, half-yearly installments of €0.3 million each, to retain the exclusivity rights of sale of a particular supplier of medical equipment and associated training and educational support. The agreement was entered into in the period to 31 December 2020 and therefore arose in the current period. The balance included in other South African borrowings was R26 million as at 31 December 2020.

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

	Six months ended 31 December 2020 Unaudited R'000	Restated [1] Six months ended 31 December 2019 Unaudited R'000	Year ended 30 June 2020 Audited R'000
SFA Debt			
Euro denominated term loans	3 360 270	2 514 435	3 402 133
Euro denominated RCF	931 821	726 654	960 140
ZAR denominated term loans	1 665 518	1 295 085	1 534 832
ZAR denominated RCF	434 824	-	413 536
Total senior debt	**6 392 433**	**4 536 174**	**6 310 641**
Other borrowings			
Cyprus loan facility	140 156	139 872	160 449
Bank loan - Spain	268 944	186 409	272 155
Short-term loans with financial institutions	-	340 600	-
Other European financial liabilities	4 034	-	182
Other South African financial liabilities	83 069	82 320	81 783
Total other debt	**496 203**	**749 201**	**514 569**
Total borrowings and other financial liabilities	**6 888 636**	**5 285 375**	**6 825 210**
The split between current and non-current borrowings and other financial liabilities			
Non-current liabilities	129 888	139 032	6 285 087
Current liabilities	6 758 748	5 146 343	540 123
	6 888 636	**5 285 375**	**6 825 210**

[1] 31 December 2019 comparatives have been restated due to the TRS loan payable to Absa as included in Other South African financial liabilities. Refer to the Restatement section in the accounting policy note for more details.

5. Deferred vendor liabilities

	Six months ended 31 December 2020 Unaudited R'000	Six months ended 31 December 2019 Unaudited R'000	Year ended 30 June 2020 Audited R'000
Remedica Group	753 643	637 082	801 126
Sun Wave Pharma Group	48 844	296 705	194 522
Klub M5 Proprietary Limited	12 000	34 499	34 499
Kyron Group	111 912	99 301	107 460
	926 399	**1 067 587**	**1 137 607**
Current	926 399	911 998	34 499
Non-current	-	155 589	1 103 108
	926 399	**1 067 587**	**1 137 607**
Deferred consideration	865 555	637 082	908 004
Contingent consideration	60 844	430 505	229 603
	926 399	**1 067 587**	**1 137 607**

The group acquired the **Remedica Group** in August 2016. The initial deferred consideration of €90 million which was payable in August 2019 was amended in 2017 following negotiations with the previous owners. The renegotiated terms stipulated the total deferred consideration to be €86 million, of which €46 million became payable in August 2017 and the remaining €40 million to be settled in August 2019, however the final amount has not been paid. Late penalty interest of €0.7 million has been incurred for the year to date 31 December 2020.

The outstanding deferred consideration in respect of the Remedica Group is subordinated to the group's senior debt, stipulated as a separate agreement. The debt has a maturity of 31 December 2021 and therefore in light of the subordination, the associated liability has been classified as current. The subordination in place is subject to the sale of the associated Remedica Group or its assets and therefore, its sale in accordance with the disposal milestones of the refinance agreement would result in the subordination falling away.

The group acquired the **Sun Wave Pharma group** in June 2017. The total contingent consideration is based on the performance of the acquired business, as follows:

- €5 million in July 2018 if the EBITDA exceeded €6.5 million. The amount was paid in July 2018.
- €8 million in August 2019 if EBITDA equals or exceeded €7 million for the period. The amount was paid in March 2020.
- €6 million in August 2020 if EBITDA equals or exceeded €7.5 million for the period. The targeted EBITDA was met.
- An additional payment of €4 million is payable if the average annual EBITDA over the above mentioned three periods exceed €8 million per annum. The targeted EBITDA was met and this amount was due to be paid in August 2020
- The deferred vendor liability for the year to date 31 December 2020 has been paid down by €8 million and has been settled in full subsequent to period end.

5. Deferred vendor liabilities (continued)

- The outstanding contingent consideration was originally subordinated to the group's senior debt, as stipulated as part of the sales and purchase agreement of the Sun Wave Pharma Group and approval was obtained in order to make the aforementioned settlements of the balance. The debt has a maturity of 31 December 2021 and therefore in light of the subordination, the associated liability has been classified as current. The subordination in place is subject to the sale of the associated Sun Wave Pharma Group or its assets and therefore, its sale in accordance with the disposal milestones of the refinance agreement would result in the subordination falling away. The recipients of the contingent consideration, in accordance with the sales and purchase agreement, have been presented with the option to subscribe to shares in the Sun Wave business, however these were not take up instead opting for settlement of the consideration in cash.

The group acquired **Klub M5** in May 2016. The remaining consideration payable is classified as contingent consideration based on the profit before interest, amortisation and tax (PBIAT) targets achieved relating to the earn-out period, 1 March 2016 to 28 February 2019.

The fair value had been determined using the discounted cash flow method. The key valuation inputs included the discount rate of 25% using a risk free rate of 8.47% equal to yield on 10-year South African government bond, PBIAT margin and the probability that certain profit targets will be achieved, making this a Level 3 fair value assessment.

In terms of the agreement, had the average PBIAT for 2017 and 2018 exceed a predetermined threshold, the final settlement value would increase. The final settlement value of R55 million was payable in August 2018, however payment was not made due to various product registration issues. The issue was submitted to arbitration and the previous owners were claiming R34.5 million as reflected at the last reporting date. By the date of this report, a settlement agreement was reached with the full and final settlement being R12 million paid in 3 monthly installments of R4 million each commencing February 2021. As a result the liability was remeasured to reflect the value of the obligation.

The group acquired the **Kyron Group** on 1 March 2018. The purchase consideration consisted of a deferred and a contingent portion which consists of:

- R100 million deferred consideration which was paid in August 2018 after taking into account a discount of R1 million;

- R7.3 million contingent consideration, which would be payable after 1 year, provided that the performance target for a specific division for the period was achieved. Since the performance target was not met, the contingent consideration was not paid;

- R110.6 million maximum deferred consideration, was payable after 18 months from acquisition date. The fair value of the remaining consideration was determined to be R98.8 million as at 30 June 2020 and 31 December 2020 before the consideration of interest. As at 31 December 2020, the amount has not yet been paid and as a consequence, continues to accrue late payment penalty interest of R2.9 million for the year to date 31 December 2020;

- R22.0 million maximum contingent consideration, would be payable after 2 years if the performance target for a specific division for the period was achieved. The fair value of the contingent consideration was determined to be R0.6 million as at 30 June 2020 and 31 December 2020 before the consideration of interest. This amount was due on 1 March 2020, it has however not yet been paid and continued to accrue late payment penalty interest of R16 725 for the year to date 31 December 2020.

5. Deferred vendor liabilities (continued)

- Under the terms of the Kyron Laboratories purchase agreement entered into by the Seller and the Purchaser in terms of which the Purchaser (Ascendis Health Limited) pledged 25% of Kyron shares to the seller as security for the fulfilment of the Ascendis' obligations to pay the deferred and contingent consideration. The vendors have indicated that they are not seeking to exercise their rights relative to the security they hold as a consequence of the late payments and have confirmed their intention to allow Ascendis time to progress on the planned divestment program and subsequently settle the balance due.

- As such the classification of the DVP are based on the expected divestment in Kyron and settlement of the borrowings with a maturity of 31 December 2021 and therefore, the associated liability of R110.4 million has been classified as current.

6. Intangible assets and goodwill

Intangible assets and goodwill - 31 December 2020

R'000	Goodwill	Brands and trademarks	Licences and computer software	Intangible assets under development	Customer relationships	Contractual agreements	Drug masterfiles	Total
Opening balance								
Cost	3 781 036	1 371 154	32 294	-	1 075 437	239 351	1 811 869	8 311 141
Accumulated amortisation and impairment	(1 111 143)	(498 930)	(27 991)	-	(334 989)	(53 593)	(609 795)	(2 636 441)
Carrying value as at 30 June 2020	**2 669 893**	**872 224**	**4 303**	**-**	**740 448**	**185 758**	**1 202 074**	**5 674 700**
Additions	-	17 023	28 924	1 267	-	-	57 226	104 440
Disposals	-	(2 944)	(77)	-	-	-	(3 001)	(6 022)
Transfers between categories	-	10 162	(234)	-	-	(75 901)	65 973	-
Transfers (to)/from disposal group classified as assets held for sale	(303 674)	(49 274)	71	(1 267)	(77 504)	(102 218)	(4 684)	(538 550)
Amortisation	-	(32 603)	(1 924)	-	(16 542)	(1 072)	(21 817)	(73 958)
Impairment	(69 465)	-	-	-	(3 323)	-	(77 578)	(150 366)
Foreign exchange movements	(158 702)	(60 054)	58	-	(40 291)	(6 567)	(88 312)	(353 868)
Carrying value as at 31 December 2020	**2 138 052**	**754 534**	**31 121**	**-**	**602 788**	**-**	**1 129 881**	**4 656 376**
Made up as follows:								
Cost	3 134 628	1 220 558	59 825	-	925 855	110 031	1 719 960	7 170 857
Accumulated amortisation and impairment	(996 576)	(466 024)	(28 704)	-	(323 067)	(110 031)	(590 079)	(2 514 481)
Carrying value as at 31 December 2020	**2 138 052**	**754 534**	**31 121**	**-**	**602 788**	**-**	**1 129 881**	**4 656 376**

6. Intangible assets and goodwill (continued)

Intangible assets and goodwill - 31 December 2019

R'000	Goodwill	Brands and trademarks	Licence and computer software	Intangible assets under development	Customer relationships	Contractual agreements	Drug masterfiles	Total
Opening balance								
Cost	5 034 644	1 936 684	58 559	-	1 110 975	237 669	1 680 266	10 058 797
Accumulated amortisation and impairment	(2 526 397)	(1 061 105)	(47 163)	-	(359 161)	(35 517)	(694 125)	(4 723 468)
Carrying value as at 30 June 2019	**2 508 247**	**875 579**	**11 396**	**-**	**751 814**	**202 152**	**986 141**	**5 335 329**
Additions	-	11 311	3 523	1 801	-	-	28 570	45 205
Disposals	-	(1)	(18)	-	-	-	-	(19)
Transfers between categories	-	133	(133)	-	-	-	-	-
Transfers to/from discontinued operation	-	(351)	(23)	(1 801)	(6 487)	-	17 449	8 787
Transfer to property, plant and equipment	-	-	(213)	-	-	-	-	(213)
Amortisation	-	(37 086)	(2 002)	-	(21 229)	(7 771)	(20 762)	(88 850)
Exchange rate differences	(25 027)	(9 747)	(65)	-	(9 662)	(994)	(20 717)	(66 212)
Carrying value as at 31 December 2019	**2 483 220**	**839 838**	**12 465**	**-**	**714 436**	**193 387**	**990 681**	**5 234 027**
Made up as follows:								
Cost	4 993 514	1 920 261	60 066	-	1 102 194	236 551	1 687 334	9 999 920
Accumulated amortisation and impairment	(2 510 294)	(1 080 423)	(47 601)	-	(387 758)	(43 164)	(696 654)	(4 765 893)
Carrying value as at 31 December 2019	**2 483 220**	**839 838**	**12 465**	**-**	**714 437**	**193 388**	**990 680**	**5 234 027**

6. Intangible assets and goodwill (continued)

The following is a summary of goodwill allocation for each reporting segment:

Summary of goodwill 31 December 2020 Unaudited R'000	Carrying value as at 30 June 2020	Impairment	Transfer from/ (to) discontinued operations	Foreign currency translation	Closing balance
Consumer Health Africa	16 481	-	-	-	16 481
Sun Wave	72 951	-	-	(9 010)	63 941
Remedica	1 963 896	-	-	(149 602)	1 814 294
Medical	312 801	(69 465)	-	-	243 336
Animal Health	303 764	-	(303 764)	-	-
Total	**2 669 893**	**(69 465)**	**(303 764)**	**(158 612)**	**2 138 052**

Summary of goodwill 31 December 2019 Unaudited R'000	Carrying value as at 30 June 2019	Impairment	Transfer from/ (to) discontinued operations	Foreign currency translation	Closing balance
Consumer Health Africa[(1)]	211 734	-	-	-	211 734
Sun Wave	59 289	-	-	(2 743)	56 546
Remedica	1 611 929	-	-	(22 284)	1 589 645
Medical	321 531	-	-	-	321 531
Animal Health	303 764	-	-	-	303 764
Total	**2 508 247**	**-**	**-**	**(25 027)**	**2 483 220**

[(1)] The goodwill summary has been re-presented due to a goodwill acquisition adjustment initially being allocated to the Consumer Health Africa segment but identified as pertaining to Sun Wave. The balance of Consumer Health Africa's goodwill increased by R34.5 million and Sun Wave's goodwill decreased by the same amount. Please refer to the Restatement section included in Accounting Policies for more details in this regard. This re-presentation has no impact on prior year impairments.

Impairment tests for CGUs

Impairment tests are conducted annually and are based on the projected sustainable cash flow methodology.

Due to the uncertainty concerning future operations and cash flows created by the ongoing Covid-19 pandemic, impairment tests were conducted at 31 December 2020 for CGUs with goodwill and intangible asset balances at that date.

Using each CGU’s cash flow forecast for the six months to 30 June as the basis, these are then extrapolated to 30 June 2024 (total forecast period of 3½ years) to calculate the sustainable cash flow for each CGU. A long-term growth rate is applied to the final forecast year’s cash flows to determine cash flows into perpetuity. The present value of these cash flows is calculated by applying an appropriate discount factor, determined after consideration of both systematic and unsystematic risks for each CGU.

These tests were performed on intangible assets and goodwill and property, plant and equipment as at 31 December 2020 and this resulted in R150 million (30 June 2020: R473 million) and R nil (30 June 2020: R204 million) impairment of intangible assets and goodwill and property, plant and equipment respectively. There were further impairments relating to discontinued operations of R96 million (30 June 2020: R311 million). This results in a total net impairment for the period ended 31 December 2020 of R246 million (30 June 2020: R967 million)

6. Intangible assets and goodwill (continued)

The impairments for the period ended 31 December 2020 were due to the challenging operating conditions arising from the Coivd-19 related restrictions, the continuing adverse economic conditions in South Africa, the adoption of a lower long-term growth rate and the strengthening Rand which reduces the future anticipated cash flows from foreign entities.

The table below illustrates the total impairment for goodwill, intangible assets and property, plant and equipment, for each CGU:

31 December 2020 CGU	Reporting Segment	Carrying value R'000	Recoverable amount R'000	Impairment/ (reversal) amount R'000
The Scientific Group	Medical	334 180	264 715	(69 465)
Ascendis Pharma	Pharma Africa	(378 890)	(506 585)	(48 206)
Farmalider	Farmalider	96 504	64 019	(32 695)
Avima (including Klub M5)	Biosciences	165 569	70 000	(95 741)
Total impairments				(246 107)

30 June 2020 CGU	Reporting Segment	Carrying value R'000	Recoverable amount R'000	Impairment amount R'000
Surgical Innovations	Medical	81 009	(225 767) (2)	252 548
Ortho-Xact	Medical	(14 232)	(162 598) (2)	55 882
Dezzo	Pharma Africa	41 709	27 000 (3)	14 709
Chempure	Consumer Health Africa	(176 100)	(140 060) (2)	(36 040)
Ascendis Consumer Brands	Consumer Health Africa	(15 460)	(210 708) (2)	190 316
Farmalider	Farmalider	263 371	85 241 (2)	178 130
Avima (including KlubM5)	Biosciences	109 479	78 000 (2)	31 438
Scitec	Scitec	342 959	75 060 (3)	267 899
Ascendis Sports Nutrition	Other	-	-	-
Direct selling	Other	22 660	10 500 (3)	12 160
Total impairments				**967 042**

(1) The business activities of Ortho-Xact were formally reported under the Surgical Innovations CGU. For commercial and management reasons these activities are now reported as a separate CGU.

(2) The recoverable amount was determined by estimating the CGU's value in use.

(3) The recoverable amount was determined by estimating the CGU's fair value less cost to sell of the CGU.

(4) The impairment calculated has been allocated against the carrying value of the CGU, such that the carrying value of the individual assets is not written down to an amount in excess of its fair value.

7. Inventories

Inventories written down for the period ended 31 December 2020 amounted to R31.7 million (30 June 2020: R100.8 million). These were recorded in cost of sales.

8. Deferred tax

	Six months ended 31 December 2020 Unaudited R'000	Restated[1] Six months ended 31 December 2019 Unaudited R'000	Restated[1] Year ended 30 June 2020 Unaudited R'000
The gross movement on deferred tax is as follows:			
Gross movement in the deferred income tax assets account:			
Deferred tax asset	182 218	124 714	124 714
Deferred tax liability	(302 254)	(367 995)	(367 995)
Opening balance at the beginning of the year	(120 036)	(243 281)	(243 281)
Income statement charge	(68 996)	(137 107)	107 589
Charged through equity	35 848	75 279	(23 158)
Foreign exchange difference	7 545	3 604	(47 930)
Transferred to assets and liabilities held for sale	48 038	(2 750)	86 607
Closing balance at end of year	**(97 601)**	**(304 255)**	**(120 173)**
Deferred tax assets	120 471	20 193	182 216
Deferred tax liabilities	(218 072)	(324 448)	(302 389)
Net deferred tax liability	**(97 601)**	**(304 255)**	**(120 173)**
The deferred tax balance is attributable to the following items:			
Capital allowances	(56 570)	(28 707)	45 348
Intangible assets	(73 080)	(152 643)	(212 248)
Lease liability	17 304	-	23 898
Right-of-use asset	(18 013)	-	(18 375)
Provisions	19 974	(153 104)	61 150
Taxation losses	6 753	(29 005)	33 880
Income received in advance	(3 239)	(7 649)	537
Other	14 534	(18 193)	(33 391)
Prior period adjustments	(24 039)	39 124	(34 662)
Prepayments	11 374	6 304	13 033
Operating lease liability	7 868	39 618	657
	(97 601)	**(304 255)**	**(120 173)**

[1] The comparatives have been restated due to the correction of the deferred tax prior period error. Refer to the restatement note for further details.

9. Finance income and costs

	Six months ended 31 December 2020 Unaudited R'000	Restated(1) Six months ended 31 December 2019 Unaudited R'000	Restated(1) Year ended 30 June 2020 Unaudited R'000
Finance cost			
Lease liabilities	5 372	16 093	31 920
Interest on bank and term debt facilities	488 653	199 214	713 944
Interest rate swap expense	-	2 281	3 040
Interest on deferred vendor liabilities	32 314	30 023	60 622
Debt capitalisation fees	7 305	-	42 631
Other finance costs	13 086	2 516	11 202
Finance costs	**546 730**	**250 127**	**863 359**
Finance income			
Bank interest	1 767	980	5 060
Interest received SARS and other tax authorities	-	-	454
Other finance income	367	2 224	4 832
Finance income	**2 134**	**3 772**	**10 345**
Net finance costs	**544 596**	**246 355**	**853 014**

(1) The comparatives have been restated due to the discontinued operations. Refer to note 14 for more details.

10. Cash generated from operations

	Six months ended 31 December 2020 Unaudited R'000	Restated[1] Six months ended 31 December 2019 Unaudited R'000	Restated[1] Year ended 30 June 2020 Unaudited R'000
(Loss)/profit after tax from continuing operations	**(303 033)**	**61 701**	**(909 368)**
Adjustments for:			
Tax from continuing operations	126 417	2 518	(141 427)
Depreciation and amortisation	157 140	147 286	350 883
Impairment of intangible assets	150 366	-	434 727
(Reversal of impairment)/Impairment of property, plant and equipment	-	(418)	204 233
Impairment/(reversal of impairment) of non-current assets held for sale	5	(659)	14 324
Net loss/(profit) on sale of assets	1 095	1 077	(744)
Net loss on disposal of subsidiary	50 189	1 354	943
Net loss on foreign exchange	12 371	21 331	3 883
Fair value measurement of financial assets and liabilities	131	-	-
Provisions and contract liability raised	243	(7 147)	94 889
Net movement in trade and other receivables estimated credit losses	29 661	2 039	90 033
Net movement in obsolete stock allowance	10 209	-	48 679
Finance income	(2 134)	(3 773)	(10 346)
Finance expense	539 425	251 699	863 360
Remeasurement of deferred vendor liabilities	(22 000)	-	-
Long term incentive adjustment	-	(1 453)	(7 001)
Capitalised fees amortised	7 305	13 701	50 222
Impairment of other financial assets	-	-	25 633
Changes in working capital:			
Inventories	46 704	(66 774)	(211 207)
Trade and other receivables	(180 600)	(307 599)	(397 350)
Trade and other payables	(197 006)	87 960	331 889
Provisions	(32 956)	(9 452)	(26 944)
Cash generated from operations	**393 532**	**193 391**	**809 310**

[1] The comparatives have been restated for the change in discontinued operations.

11. Dividends paid

No dividend per share has been declared to owners of the parent in the period ended 31 December 2020 (30 June 2020: Nil ; 31 December 2019: Nil).

12. Income tax expense

Major components of the tax expense	Six months ended 31 December 2020 Unaudited R'000	Restated [1] Six months ended 31 December 2019 Unaudited R'000	Restated[1] Year ended 30 June 2020 Unaudited R'000
South African Taxation			
Current Tax			
Current tax on profits for the period	52 343	19 613	27 174
Recognised in current tax for prior periods	8 200	1 244	13 094
	60 543	**20 857**	**40 268**
Deferred Tax			
Originating and reversing temporary differences	74 690	(3 076)	(160 332)
Measurement period adjustment [2]	29 054	-	-
	103 744	**(3 076)**	**(160 332)**
South African income tax expense	**164 287**	**17 781**	**(120 064)**
Foreign Taxation			
Current Tax			
Current tax on profits for the period	37 481	10 255	54 196
Fiscal tax credits	-	-	-
Recognised in current tax for prior periods	2 068	-	(25 724)
	39 549	**10 255**	**28 472**
Deferred Tax			
Originating and reversing temporary differences	(1 605)	(7 835)	(31 817)
Measurement period adjustment [2]	(4 411)	-	-
	(6 016)	**(7 835)**	**(31 817)**
Foreign income tax expense	**33 533**	**2 420**	**(3 345)**
Total income tax expense/(credit)	**197 820**	**20 201**	**(123 409)**

[1] The comparatives have been restated due to the change in discontinued operations. Refer to note 14 for more details.

[2]This represents the portion of income tax expense raised as a result of under/over-provision for prior periods arising in the current period

12. Income tax expense (continued)

Income tax expense/(credit) attributable to:	Six months ended 31 December 2020 Unaudited R'000	Restated [1] Six months ended 31 December 2019 Unaudited R'000	Restated[1] Year ended 30 June 2020 Audited R'000
Loss from continuing operations	126 417	2 518	(141 427)
Loss from discontinued operations	71 403	17 683	18 018
	197 820	**20 201**	**(123 409)**
Continuing operations			
Tax at the South Africa corporate tax rate	**(49 453)**	**17 981**	**(294 223)**
Amortisation	1 698	803	224 749
Impairment	29 116	189	(125 915)
Prior year over/under provisions	(142 925)	129	(498 609)
Utilisation of tax losses/Limitation of deferred tax assets on tax losses	1 911 174	(22 261)	-
Tax Incentives	-	1 585	469 919
Foreign adjustment to tax base	(77 811)	-	4 464
Differences in overseas tax rates	(77 188)	(10 002)	(200 509)
Capital gain	-	-	(29 510)
Non-trading entities expenditure	-	3 259	(16 819)
Other disallowable charges	(12 250)	13 875	(12)
Investment acquisition/disposal costs	(1 412 103)	-	25 675
Other exempt income	(43 841)	(3 040)	270 344
S23N Limitation of interest deduction	-	-	20 414
Section 23N limitation of interest deduction	-	-	8 605
Tax expense/(credit)	**126 417**	**2 518**	**(141 427)**

[1] The comparatives have been restated due to the change in discontinued operations. Refer to note 14 for more details.

13. Tax paid

	Six months ended 31 December 2020 Unaudited R'000	Restated [1] Six months ended 31 December 2019 Unaudited R'000	Restated [1] Year ended 30 June 2020 Unaudited R'000
Balance at the beginning of the period	(30 987)	(44 767)	(44 767)
Current tax for the period recognised in profit or loss	(57 424)	(21 593)	(51 019)
Disposal of a subsidiary	-	3 164	(16 392)
Transfer to discontinued operations	6 231	31 752	3 946
Foreign exchange differences	434	267	(882)
Tax Authorities Refund Credit	-	-	(2 984)
Fines and Penalties	-	-	5 275
Balance at the end of the period	49 841	2 058	30 987
Current tax receivable	(44 387)	(87 536)	(49 696)
Current tax payable	94 228	89 594	80 683
Tax paid	**(31 905)**	**(29 119)**	**(75 836)**

[1] The comparatives have been restated for the change in discontinued operations.

14. Discontinued operations

In accordance with the guidance provided in *IFRS 5: Non-current assets held for sale and discontinued operations,* Ascendis represents its comparative information in order to reflect disposal group classified as held for sale and discontinued operations in the current year as well as any changes in plan to sell disposal groups.

As a result, discontinued and continuing operations are restated accordingly in order to appropriately reflect the aforementioned changes to assets, liabilities and operations applicable within the scope of *IFRS 5: Non-current assets held for sale and discontinued operations.*

14.1 Completed disposals

The following disposals have been completed during the period to 31 December 2020:

Ascendis Direct

Ascendis Direct ("AD") is the group's direct selling and network marketing business selling Sportron and Swissgarde products, operating in Southern Africa and Nigeria. AD has limited integration with Ascendis as it operates its own management structure, head office and supply chain. The AD business model is not applied anywhere else in the group and as a result identified for divestment.

The disposal of AD was successfully concluded on 31 August 2020. Therefore AD was disposed from the Ascendis Group per this effective date and its results were classified and incorporated in net profit or loss from discontinued operations for the current year to this disposal date.

Scitec

Ascendis announced fulfillment of the conditions precedent to the disposal as at 31 July 2020 and this date applied as the effective disposal date for the Scitec business. Therefore Scitec's results were incorporated in net profit or loss from discontinued operations for the current period up to this disposal date.

14.2 Discontinued operations

The following operations are classified as discontinued operations in the current year:

Biosciences

The Biosciences business was considered as non-core to the group's strategy and was identified for divestment and was subject to partial divestment in the 2019 financial year. The remaining business (Tranche 2) has been classified as a discontinued operation and held for sale, continuing to be effective from 30 November 2018 in accordance with the grounds for extension past 12 months as per IFRS 5 being met in respect of both the classification as a disposal group held for sale as well as discontinued operation

14. Discontinued operations (continued)

Animal Health

At the time of approving the group financial statements for the year ended 30 June 2020, the Animal Health group was concluded as being a disposal group held for sale and a discontinued operations. This was also a non-adjusting post balance sheet event at the time. As at 31 December 2020, the disposal group continues to fulfill the qualifying criteria to be considered as a discontinued operation and therefore the disclosure requirements as stipulated in *IFRS 5: Non-current assets held for sale and discontinued operations* have been applied.

Accordingly, the respective net assets and liabilities anticipated for sale have been reclassified to assets and liabilities classified as held for sale at 31 December 2020 and the results of Animal Health have been incorporated as part of net profit or loss from discontinued operations from the effective date of classification as such determined as 1 September 2020.

31 December 2019 and 30 June 2020 results have been restated to illustrate Animal Health as a discontinued operation as required by the respective standard.

14.3 Held for sale

Dezzo

In addition to the businesses mentioned above, a plan to sell the shares in Dezzo Trading 392 (Pty) Ltd was effective from 31 May 2020. The sales agreement specifies only certain assets and liabilities as part of the sale and therefore these were the assets and liabilities classified as held for sale. This business forms part of the Pharma Segment and does not constitute a discontinued operation at 31 December 2020. The transaction is expected to be concluded by 28 February 2021.

14.4 Change of plan to sell

Remedica

The Remedica Group was concluded at the time of approving the financial statements for the year ended 30 June 2020 as being a disposal group held for sale and a discontinued operation. This was disclosed as a non-adjusting event after balance sheet date. During December 2020 however, it became clear that there was uncertainty related to the plans to continue with the disposal of Remedica. This was further crystalised in the events that happened after 31 December 2020 and therefore Remedica does constitute a discontinued operation. Further details relating to the divestment program are included under the going concern disclosure.

14. Discontinued operations (continued)

	Six months ended 31 December 2020 Unaudited R'000					Restated [1] Six months ended 31 December 2019 Unaudited R'000					Restated [2] Year ended 30 June 2020 Unaudited R'000				
	Bio-sciences	**Ascendis Direct**	**Animal Health**	**Scitec**	**Total**	**Bio-sciences**	**Ascendis Direct**	**Animal Health**	**Scitec**	**Total**	**Bio-sciences**	**Ascendis Direct**	**Animal Health**	**Scitec**	**Total**
Revenue	218 465	5 003	280 401	131 841	635 710	212 071	39 775	237 841	620 054	1 109 741	336 258	53 683	488 973	1 188 607	2 067 521
Expenses	(180 746)	(21 574)	(211 943)	(114 897)	(529 160)	(168 866)	(45 460)	(191 577)	(625 742)	(1 031 645)	(301 757)	(77 898)	(397 320)	(1 163 124)	(1 940 099)
Profit on sale of portion of disposal group		(3 704)		(306 465)	(310 169)	107 036	-	-	-	107 036	107 036	-	-	-	107 036
Profit/(loss) before impairments	37 719	(20 275)	68 458	(289 521)	(203 619)	150 241	(5 685)	46 264	(5 688)	185 132	141 537	(24 215)	91 653	25 483	234 458
Impairments of assets	(95 562)	-	-	(179)	(95 741)	-	(24 194)	-		(24 194)	(31 438)	(12 160)		(267 899)	(311 497)
Profit/(loss) before tax	**(57 843)**	**(20 275)**	**68 458**	**(289 700)**	**(299 360)**	**150 241**	**(29 879)**	**46 264**	**(5 688)**	**160 938**	**110 099**	**(36 375)**	**91 653**	**(242 416)**	**(77 039)**
Tax	(18 837)	5	(35 610)	(16 961)	(71 403)	(2 784)	(3 980)	(5 107)	(5 812)	(17 683)	1 676	(1 508)	(16 733)	(1 453)	(18 018)
Profit/(loss) after income tax expense of discontinued operation	**(76 680)**	**(20 270)**	**32 848**	**(306 661)**	**(370 763)**	**147 457**	**(33 859)**	**41 157**	**(11 500)**	**143 255**	**111 775**	**(37 883)**	**74 920**	**(243 869)**	**(95 057)**
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income/(loss)	**(76 680)**	**(20 270)**	**32 848**	**(306 661)**	**(370 763)**	**147 457**	**(33 859)**	**41 157**	**(11 500)**	**143 255**	**111 775**	**(37 883)**	**74 920**	**(243 869)**	**(95 057)**

[1] 30 December 2019 has been restated to reflect restating Animal Health and Scitec which are classified as held for sale and a discontinued operation in terms of the requirement of IFRS 5.

[2] 30 June 2020 has been restated to reflect restating Animal Health which is classified as held for sale and a discontinued operation in terms of the requirement of IFRS 5.

14. Discontinued operations (continued)

Assets and liabilities classified as held for sale

The following assets and liabilities were classified as held for sale as at periods reported:

	Six months ended 31 December 2020 Unaudited R'000				Six months ended 31 December 2019 Unaudited R'000			Year ended 30 June 2020 Audited R'000				
R'000	**Bios-ciences**	**Dezzo Trading 392 (Pty) Ltd**	**Animal Health**	**Total**	**Bios-ciences**	**Ascendis Direct**	**Total**	**Bio-sciences**	**Ascendis Direct**	**Scitec**	**Dezzo Trading 392 (Pty) Ltd**	**Total**
Property, plant and equipment	-	-	6 419	6 419	5 969	64	6 033	6 651	-	-	-	6 651
Intangible assets & Goodwill	-	-	533 205	533 205	74 548	-	74 548	44 167	-	-	-	44 167
Right-of-use asset	-	-	14 226	14 226	11 416	1 002	12 418	24 303	-	-		24 303
Deferred tax asset	8 069	6 523	-	14 592	7 487	3 251	10 738	12 896	8 528	8 637	5 652	35 713
Inventories	52 818	58 700	107 750	219 268	91 026	1 552	92 578	93 555	-	170 779	51 163	315 497
Current income tax receivable	3 654	-	-	3 654	2 695	839	3 534	5 161	839	4 699	-	10 699
Trade and other receivables	117 957	-	71 605	189 562	62 532	5 185	67 717	60 632	1 726	142 338	-	204 696
Cash and cash equivalents	9 151	-	4 955	14 106	10 636	1 439	12 075	5 240	7 722	48 982	-	61 944
Other financial assets	-	-	35	35	262	-	262	259	-	-	-	259
Assets held for sale	**191 649**	**65 223**	**738 195**	**995 067**	**266 571**	**13 332**	**279 903**	**252 864**	**18 815**	**375 435**	**56 815**	**703 929**
Borrowings	(197)	-	-	(197)	(197)	-	(197)	(197)	-	-	-	(197)
Lease liabilities	(23 450)	-	(14 645)	(38 095)	(10 516)	(3 595)	(14 111)	(23 821)	(2 384)	(85 001)	-	(111 206)
Deferred tax liability	(22 411)	(1 341)	(81 941)	(105 693)	(17 162)	(1 153)	(18 315)	(17 164)	-	(71 438)	(1 341)	(89 943)
Trade and other payables	(65 245)	(23 266)	(50 698)	(139 209)	(63 776)	(4 352)	(68 128)	(65 093)	(4 547)	(137 374)	(27 907)	(234 921)
Provisions	(9 672)	(413)	(5 430)	(15 515)	(5 661)	(1 193)	(6 854)	(5 582)	(1 270)	(4 350)	(566)	(11 768)
Current Income tax payable	(675)	-	(18 092)	(18 767)	(1 142)	(3 039)	(4 181)	(15)	(114)	(2 211)	-	(2 340)
Liabilities held for sale	**(121 650)**	**(25 020)**	**(170 806)**	**(317 476)**	**(98 454)**	**(13 332)**	**(111 786)**	**(111 872)**	**(8 315)**	**(300 374)**	**(29 814)**	**(450 375)**

15. Disposal of subsidiaries

During the current year, the group sold its investment and interests in the following disposal groups:

- Scitec; and
- Ascendis Health Direct;

The disposal of Scitec and Ascendis Health Direct were concluded on 31 July 2020 and 31 August 2020, respectively. The carrying amount of assets and liabilities that were reclassified to non-current assets held for sale and subsequently sold were:

	Six months ended 31 December 2020 R'000 Unaudited		
	Scitec	**Ascendis Direct**	**Total**
Property, plant and equipment	-	18	18
Deferred tax assets	1 402	8 581	9 983
Current income tax receivable	-	839	839
Inventories	183 518	-	183 518
Trade and other receivables	180 158	1 845	182 003
Cash and cash equivalents	18 488	2 579	21 067
Total assets	**383 566**	**13 862**	**397 428**
Lease liabilities	(87 457)	(2 176)	(89 633)
Deferred tax liability	(70 457)	(47)	(70 504)
Trade and other payables	(128 866)	(3 329)	(132 195)
Provisions	(4 658)	(1 433)	(6 091)
Current income tax payable	(6 196)	(114)	(6 310)
Total liabilities	**(297 634)**	**(7 099)**	**(304 733)**
Carrying amount of net assets disposed	**85 932**	**6 763**	**92 695**
Foreign exchange differences reclassified	**310 456**	**7 196**	**317 652**
Total disposal consideration - cash	**89 923**	**10 255**	**100 178**
Loss on disposal	**(306 465)**	**(3 704)**	**(310 169)**
Net cash			
Cash received	89 923	10 255	100 178
Less: Cash and cash equivalents balance of disposed subsidiaries	(18 488)	(2 579)	(21 067)
Net cash received on sale	**71 435**	**7 676**	**79 111**

16. Related parties

There has been no significant change in the related party transactions and related party relationships for the six months ended 31 December 2020.

17. Liabilities from financing activities

31 December 2020 R'000	Liabilties from financing activities Borrowings	 Financial lease liabilities	 Deferred vendor liabilities*
Closing balance as at 30 June 2020 (audited)	**6 825 210**	**349 378**	**1 137 607**
Cash flows	91 782	(36 736)	(154 791)
New loans raised	288 176	-	-
Capital repayments made	(196 394)	(36 736)	(154 791)
Non cash movements	(28 356)	(334)	(56 417)
New loans raised	29 920	5 926	-
Foreign exchange adjustments	(382 810)	(2 629)	(66 731)
Interest capitalised	317 229	10 438	32 314
Transfer from/(to) discontinued operations	-	(14 069)	-
Other non cash movements	7 305	-	(22 000)
Closing balance as at 31 December 2020 (unaudited)	**6 888 636**	**312 308**	**926 399**

31 December 2019 Restated R'000	Liabilities from financing activities Borrowings [1]	 Financial lease liabilities	 Deferred vendor liabilties
Closing balance as at 30 June 2019 (audited)	5 671 295	258 500	416 306
Cash flows	(436 714)	(33 657)	-
New loans raised	106 452	-	-
Capital repayments made	(543 166)	(33 657)	-
Non cash movements	50 794	93 471	651 281
New loans raised	81 712	110 740	-
Foreign exchange adjustments	(48 879)	(2 229)	(4 930)
Interest capitalised	16 923	9 955	30 023
Transfer from/(to) discontinued operations	-	(24 995)	626 188
Other non cash movements	1 038	-	-
Closing balance as at 31 December 2019 (unaudited)	**5 285 375**	**318 314**	**1 067 587**

[1] The borrowings balance has been restated for the inclusion of a TRS liability. Please refer to the restatements section of the accounting policies for more information in this regard

18. Commitments

Commitments

The commitment with The Scientific Group's Qiagen supplier is regarding a non-refundable market development support and exclusivity fee. This commitment relates to a five year agreement starting September 2018. After negotiations with Qiagen an addendum was signed whereby the market development support and exclusivity fee was paid until December 2019 and stopped thereafter.

Expenditure authorised not yet incurred at the reporting	31 December 2020 Unaudited R'000	31 December 2019 Unaudited R'000	30 June 2020 Unaudited R'000
Contracted	-	50 561	-
Property, plant and equipment	-	-	-
Intangible assets	-	50 561	-
Non-refundable market development support and exclusivity fee	-	50 561	-
- Within one year	-	-	-
- In second to fifth year inclusive	-	50 561	-
Total	**-**	**50 561**	**-**

The future aggregate minimum lease payments for low-value and short term leases from 1 July 2019 are as follows:

Minimum lease payments due	31 December 2020 Unaudited R'000	31 December 2019 Unaudited R'000	30 June 2020 Unaudited R'000
- Within one year	-	16 134	341
- In second to fifth year inclusive	-	43 886	-
Total	**-**	**60 021**	**341**

19. Contingent liabilities

The group applies judgement in assessing the potential outcome of uncertain legal and regulatory matters. The group does not recognise contingent liabilities in the statement of financial position until future events indicate that it is probable that an outflow of resources will take place and a reliable estimate can be made, at which time a provision is recognised.

The group discloses contingent liabilities where material economic outflows are considered possible but not probable.

The group is currently involved in various disputes, including one with a former employee and another with a shareholder of the company. The group is in consultation with its legal counsel, assessing the potential outcome of these disputes on an ongoing basis. As these disputes progress, management makes provision in respect of legal proceedings where appropriate.

Farmalider management with the support of its legal and tax advisors, have identified a tax related contingent liability which could arise if a more restrictive approach were to be applied (on the deductibility of expenses in the calculation of Spanish Income Tax amounting to approximately R7.4 million (€0.5 million) (including penalties and interests)). It was concluded more probable than not that the respective tax authorities to agree with the tax treatment under consideration and therefore no provision or liability raised in this regard.

20. Events after reporting period

Repayment of Sun Wave deferred vendor liability

Subsequent to the interim reporting date, the Sun Wave deferred vendor liability was settled in full through part-payments made in January 2021 and March 2021.

Change in composition of Lender Consortium

On 25 January 2021, the group announced that Blantyre Capital Limited (Blantyre) and L1 Health GP Sarl (L1 Health) have increased their aggregated exposure as a Consortium Lender to more than 75% of the aggregated exposure of all Consortium Lenders. This level of exposure enables Blantyre and L1 Health to provide or withhold all waivers, deferrals and consents requiring majority lender approvals under the group’s senior facilities agreement. The implication of this on the group has been disclosed in the going concern section under the liquidity, debt and group recapitalisation paragraphs.

Disposal of Dezzo (Pty) Ltd

The entity conducting the group’s public sector SA pharma business was identified as a disposal group held for sale in the 2020 financial year. This disposal was concluded in March 2021, with the transaction structured to allow the group to retain net asset value of R36 million, in addition to receiving initial proceeds of R6 million and deferred payment to a maximum of a further R21 million.

20. Events after reporting period (continued)

Reckitt Benckiser South Africa (Pty) Ltd claim

Reckitt Benckiser South Africa (Pty) Ltd (herein Reckitt) approached the group in a previous period with a claim against Ascendis Pharma (Pty) Ltd pertaining to cancellation of a co-packaging agreement and damages arising as a result thereof.

In the previous financial year, Ascendis Pharma had conceded on certain merits of the case, however a particular quantum of the claim and conclusion thereon was not reached at the time of approval of the group annual financial statements for the year ended June 2020.

A request was made of Reckitt and its representatives to furnish details of the claim composition by 31 October 2021. However, following an extension granted by the Ascendis group, submission was made on 29 January 2021.

Management is making their assessment of the subject matter and providing full cooperation and commitment to resolving the matter. As a result of the delay with which the claim details were received, the arbitration process has been applied for a similar deferral, however still expected to take place within 12 months of the interim reporting period.

Resignation of a director

Dr. Yoza Jekwa resigned as independent non-executive director of the group effective from 11 March 2021.

Interest Forbearance Agreement

On 28 February, the group entered an agreement with its lenders, agreeing not to take enforcement action in respect of certain potential events of default and non-payment of interest. This constituted a non-adjusting post-balance sheet event. Please refer to the going concern note included as part of the Basis of preparation and note 46 for further details in this regard.

Amendment of the Senior Facilities Agreement

On 10 March 2021, the group's SFA was amended in order to accommodate additional and modified conditions until the recapitalisation is finalised. This constituted a non-adjusting post-balance sheet event. Refer to the Going concern note for further details.

Administration

Country of Incorporation and domicile	South Africa
Registration number	2008/005856/06
Income tax number	9810/017/15/3
JSE share code	ASC
ISIN	ZAE000185005
Registered office	31 Georgian Crescent East Bryanston Gauteng 2191
Postal address	PostNet Suite #252 Private Bag X21 Bryanston 2021
Contact details	+27 (0)11 036 9600 info@ascendishealth.com www.ascendishealth.com
JSE sponsor	Questco Corporate Advisory (Pty) Ltd
Auditors	PricewaterhouseCoopers Inc.
Transfer secretaries	Computershare Investor Services Proprietary Limited Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 Private Bag X9000, Saxonwold, 2132 Telephone: +27 (0)11 370 5000
Company secretary	TM Nkuna (B Com, LLB) mpeo.nkuna@ascendishealth.com

Administration

Directors	AB Marshall (Chairman)* B Harie# Dr KS Pather* J Sebulela* SS Ntsaluba* MJ Sardi (CEO) CJ Kujenga (CFO)^ ** Independent non-executive* *# Lead independent non-executive* *^ Appointed 1 December 2020*

Changes to the board and board committees

As previously communicated, the following changes were made to board committees with effect from 1 November 2020:

Bharti Harie was appointed chairman of the social, ethics and transformation committee. Ms Harie stood down from her position as chairman of the audit and risk committee but remains a member of this committee.
Sango Ntsaluba assumed responsibility as chairman of the audit and risk committee.
George Sebulela was appointed as a member of the audit and risk committee.

Cheryl-Jane (CJ) Kujenga was appointed as chief financial officer and as an executive director with effect from 1 December 2020.

After the end of the reporting period, Dr Yoza Jekwa resigned as an independent non-executive director with effect from 11 March 2021 owing to increasing work pressures in her senior executive position in the asset management industry. She ceased to be a member of the audit and risk committee on the same date.

Following these changes, the composition of the two committees is as follows:

Audit and risk committee
Sango Ntsaluba (chairman)
Bharti Harie
George Sebulela

Social, ethics and transformation committee
Bharti Harie (chairman)
Andrew Marshall
Dr Kinesh Pather

ASCENDIS HEALTH

31 Georgian Crescent East,
Bryanston,
Gauteng,
2191

Phone
+27 (0)11 036 9600

Email
info@ascendishealth.com

Website
www.ascendishealth.com