



Ascendis
HEALTH LIMITED

**PHARMA REPORTING ENTITY
CONDENSED COMBINED
CARVE-OUT INTERIM HISTORICAL
INFORMATION**

**For the six months ended
31 December 2021**



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Condensed combined carve-out statement of profit or loss and other comprehensive income
for the six months ended 31 December 2021

| | Notes | 6 months 2021 R'000 |
|---|-------|---------------------------|
| Revenue | 1 | 181 399 |
| Cost of sales | | (82 119) |
| Gross profit | | 99 280 |
| Other income | | 394 |
| Selling and distribution costs | 2 | (20 361) |
| Administrative expenses | 2 | (42 997) |
| Net impairment loss on financial assets | | 3 982 |
| Expected credit loss on financial guarantee liability | | - |
| Other operating expenses | 2 | (19 544) |
| Operating profit | | 20 754 |
| Finance income | | 262 |
| Finance costs | | (2 978) |
| Profit before taxation | | 18 038 |
| Taxation | 3 | (3 998) |
| Profit for the period | | 14 040 |
| Other comprehensive income | | - |
| Total comprehensive income for the period | | 14 040 |

Condensed combined carve-out condensed statement of financial position at 31 December 2021

| | Notes | 31 December 2021 R'000 |
|--|-------|------------------------------|
| ASSETS | | |
| Property, plant and equipment | | 747 |
| Intangible assets and goodwill | | 52 667 |
| Deferred tax assets | 7 | 22 977 |
| Non-current assets | | 76 391 |
| Inventories | 4 | 34 754 |
| Trade and other receivables | 5 | 76 341 |
| Other financial assets | | 2 527 |
| Loans to related parties | 6 | 118 159 |
| Current tax receivable | 8 | 200 |
| Cash and cash equivalents | | 15 314 |
| Current assets | | 247 295 |
| Total assets | | 323 686 |
| EQUITY | | |
| Reserves | | 301 490 |
| Accumulated loss | | (234 386) |
| Equity attributable to equity holders of parent | | 67 104 |
| Total equity | | 67 104 |
| LIABILITIES | | |
| Trade and other payables | | 67 869 |
| Financial guarantee liability | | 7 320 |
| Provisions | 10 | 2 916 |
| Current tax payable | 8 | 2 221 |
| Loans from related parties | 6 | 176 256 |
| Current liabilities | | 256 582 |
| Total liabilities | | 256 582 |
| Total equity and liabilities | | 323 686 |

Condensed combined carve-out statement of changes in equity for the six months ended 31 December 2021

| R'000 | Common control reserve | Accumulated loss | Total equity |
|--|------------------------------|---------------------|-----------------|
| Balance as at 1 July 2021 | 301 490 | (248 426) | 53 064 |
| Profit for the period | - | 14 040 | 14 040 |
| Total comprehensive income for the period | - | 14 040 | 14 040 |
| Balance as at 31 December 2021 | 301 490 | (234 386) | 67 104 |

Condensed combined carve-out statement of cash flows for the six months ended 31 December 2021

| | Notes | 2021 R'000 |
|---|-------|-----------------|
| Cash flows from operating activities | | |
| Cash generated from operations | 9 | 7 678 |
| Interest income received | | 262 |
| Interest paid | | (268) |
| Income taxes paid | | (1 465) |
| Net cash inflow from operating activities | | 6 207 |
| Cash flows from investing activities | | |
| Purchases of property, plant and equipment | | (409) |
| Proceeds on the sale of property, plant and equipment | | - |
| Purchases of intangibles assets | | (173) |
| Proceeds on the sale of intangible assets | | - |
| Loans advanced to related parties | | (8 028) |
| Other financial assets advanced | | (2 527) |
| Net cash outflow from investing activities | | (11 137) |
| Cash flows from financing activities | | |
| Repayments of loans from related parties | | (9 907) |
| Net cash outflow from financing activities | | (9 907) |
| Net decrease in cash and cash equivalents | | (14 837) |
| Cash and cash equivalents at beginning of period | | 30 151 |
| Cash and cash equivalents at end of period | | 15 314 |

Basic of preparation and approval

Description of business

In November 2021, Ascendis Health Limited (“Ascendis”) announced its intention to dispose of its operations related to the manufacture and distribution of pharmaceutical products. In terms of the proposed transaction, Ascendis group will dispose of its entire shareholding in the following entities:

- Ascendis Pharma,
- Alliance Pharma,
- Pharmachem and
- Medicine Developers International.

(Collectively, referred to as “Pharma”).

The group’s operations related to pharmaceutical products were historically conducted through the separate legal entities set out above; the combination of these operations is referred to as Pharma.

Although the Pharma operations is a separate operating segment of the Ascendis group, the entities that form Pharma for the purposes of the combined interim results, historically did not exist as a reporting group and no separate consolidated financial statements were prepared for Pharma. For the purpose of presenting the financial performance of Pharma for the proposed disposal by Ascendis, combined historical interim financial results have been prepared.

International Financial Reporting Standards (“IFRS”) compliance

The combined carve-out historical interim results for the six months ended 31 December 2021 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 financial statements for the period ended 31 December 2021 are prepared for the sole purpose of the JSE listing requirements, announcements and circulars. For this specific announcement, the JSE listing requirements do not require comparative information.

These interim financial statements have been prepared using the same accounting policies as those in the historical financial information for the years ended 30 June 2021, 30 June 2020, and 30 June 2019.

Basis of preparation

The combined carve-out interim results of Ascendis Pharma was derived from the consolidated condensed interim financial statements of Ascendis for the six months ended 31 December 2021, which were prepared in accordance with IFRS.

The combined carve-out interim results have been prepared for the purpose of presenting the financial position, results of operations, and cash flows of Ascendis Pharma on a stand-alone basis.

As IFRS does not provide specific guidance for the preparation of combined interim results, principles outlined in IAS 8 were used in the preparation of the combined interim results for inclusion in circulars. IAS 8 requires consideration of the most recent pronouncements of other standard-setting bodies, other financial reporting requirements and recognised industry practices. The combined interim results have consequently been prepared as a combination of the historical financial information recognised in the Ascendis consolidated financial statements related to Pharma (i.e. predecessor accounting). The assets of Pharma recognised in the combined interim results include intangible assets recognised in the Ascendis consolidated financial statements that relate to Pharma.

Basic of preparation and approval

The accounting policies utilised in the combined interim results are consistent with those applied by Ascendis in its consolidated interim financial statements. The combined interim results are:

- Presented in South African Rand (ZAR).
- Prepared using the historic cost convention except for certain financial instruments including derivative instruments, which are stated at fair value.
- Prepared on the going concern basis. As at 31 December 2021 the current liabilities exceed the current assets due to the loans received from related parties of R190 million. This is due to the cash sweeping arrangement that the Ascendis group has with Pharma as part of the terms of the Ascendis group's senior debt. Excluding the loans from the related parties, Pharma is in a solvent position as the current assets will exceed current liabilities. Management therefore has a reasonable expectation that Pharma's operations have adequate resources to continue in operational existence for the foreseeable future.

The following principles and assumptions have been applied in the preparation of the combined interim results:

Equity

- Share capital and earnings per share - As Pharma did not historically constitute a combined legal group there is no issued share capital. The information on earnings per share for Pharma pursuant to IAS 33 has not been presented, as no capital structure has been presented in the combined interim results.
- Common control reserve – As a result of applying predecessor accounting, goodwill that has been recognised in another entity that belongs to the reporting entity has been included in the combined interim results from 2019 financial year.
- Other reserves: no other reserves have been presented as there are no categories in equity that will be recycled to profit or loss in the future.

Intangible assets

Intangible assets that arose on the acquisition of the entities comprising Pharma by the Ascendis group, drug master files, have been recognised in the combined interim results. Goodwill was fully impaired in the previous periods.

Allocation of central costs

Management and similar functions for the South African operations of Ascendis group were primarily performed at an Ascendis Management Services (Pty) Ltd ("Ascendis Management Services") level (a subsidiary of Ascendis); these functions include payroll, accounting, centralised purchasing, marketing, executive management, rent, advertising, legal, insurance, IT, company secretarial and other administrative functions. Any central management fees and similar costs that were incurred by Ascendis Management Services on behalf of Pharma were historically recharged to the entities comprising Pharma. Depending on the nature of the cost these were historically recharged based on either specific identification or EBITDA of the entity relative to total South African EBITDA. The basis of allocation was changed in FY21 to reflect a more reasonable/fair allocation of Head Office costs between all subsidiaries. Management believes the basis on which historic intra-group recharges were made is a reasonable reflection of the utilisation of the services provided by Ascendis Management Services and the historical cost of doing business by Pharma. As such, no additional central costs were required to be allocated to Pharma.

Taxation

The entities that comprise Pharma have historically filed separate tax returns in South Africa. All entities will continue to file separate tax returns. The income taxes have been accounted for using the separate tax return method by aggregating the tax positions of the individual entities of Pharma.

Basic of preparation and approval

Intercompany

Transactions and balances with the Ascendis group of companies have been disclosed as related party transactions and balances in the combined interim results. All intergroup transactions and balances between the entities comprising Pharma are eliminated. Directors' remuneration has been excluded due to Pharma not constituting a combined legal group for the historical reporting periods and not having a separate board of directors.

Interest

The interest charge reflected in the combined interim results are based on the interest charge historically incurred by the entities within Pharma on specific external borrowings or related party financing provided by Ascendis group companies.

Limitations inherent to carve-out

As the combined historical financial information of Pharma has been prepared on a combined basis (i.e. did not comprise a single reporting entity historically), this combined historical financial information may not be indicative of Pharma's future performance and what its combined results of operations, financial position and cash flows would have been, had Pharma operated as a separate reporting entity for the periods presented.

Subsequent events

The combined historical financial information of Pharma was authorised for issue by the board of directors of Ascendis on **06 September 2022**. Subsequent events have been considered from 31 December 2021 up to the date that the combined reviewed interim results were authorised for issuance. Refer to note 12.

Seasonality

The seasonality of the operations has no significant impact on the condensed reviewed interim results.

Commentary

To the extent that there is no note included to explain the significant movement, the financial position and performance of the reporting entity was particularly affected by the following:

Revenue

- Pharma delivered strong sales growth following a market recovery to pre-Covid-19 levels and market share gains in key brands such as Reuterina, Sinuend and Sinucon. This was further supported by positive operating profit driven by improved margins and the benefits of cost cutting initiatives.

Operating Expenses

- Operating expenses decreased by 57% as a result of decreased staff costs and legal costs. In addition, the reporting entity recognised impairment of R48 million in December 2020 and June 2021, which is one of the contributing factors to the reduced operating costs during the period under review.

Provisions

- Provisions decreased by 86% due to settlement of a long pending case during the period under review.

Basic of preparation and approval

Inventory

- Inventory balances have reduced by 16%, due to limited funding available from the Ascendis group, the reporting entity is maintaining low stock levels.

Overall financial results

- Turnover for the 6 months ended 31 December 2021 amounted to R181m, which resulted in EBIT loss of R15.3m - this is after internal management fees of R43.6m.
- Turnover was up 30% on the comparable period in FY21 driven by increased consumer spend in the private segment and recovery of export sales this was offset by the slow pick up in elective cases.
- Trading margins were 5.7 percentage points up as a result of favourable sales mix as well reduced freight and production costs.

Notes to the reviewed condensed interim financial statements for the six months ended 31 December 2021

1. Revenue

| | Six months ended 31 December 2021 R'000 |
|---|---|
| Revenue | |
| Revenue from contracts with customers | |
| Sale of goods - wholesale (in-country) | 184 540 |
| Sale of goods - wholesale (export) | 14 818 |
| | 199 358 |
| Discounts and rebates | (17 959) |
| | 181 399 |
| Timing of revenue: revenue from contracts with customers | |
| Products transferred at a point in time | 181 399 |
| Services transferred over time | - |
| | 181 399 |

There are no performance obligations that are unsatisfied or partially unsatisfied at the reporting date.

2. Significant items

Operating profit for the period includes the following items that are unusual because of their nature, size or incidence:

| | Six months ended 31 December R'000 |
|-------------------------------|---|
| Cost of sales | 82 119 |
| Distribution & Delivery Costs | 9 665 |
| Employee benefit expense | 29 428 |
| Administration Costs | 4 892 |
| | 126 104 |

Notes to the reviewed condensed interim financial statements for the six months ended 31 December 2021

3. Income tax expense

| | Six months ended 31 December 2021 R'000 |
|---|---|
| Major components of the tax expense | |
| Current Tax | |
| Recognised in current tax for prior periods | (2 523) |
| | (2 523) |
| Deferred Tax | |
| Originating and reversing temporary differences | (1 474) |
| | (1 474) |
| | (3 998) |
| Tax at the corporate tax rate | |
| Prior year over/under provisions | (3.90%) |
| Amortisation and depreciation | 1.30% |
| Provisions | (4.60%) |
| Fines and Penalties | 0.10% |
| Other | 1.26% |
| | 22.16% |
| Average effective tax rate | 22.16% |

4. Inventory

| | Six months ended 30 December 2021 R'000 |
|---|---|
| Raw materials, components | 7 094 |
| Finished goods | 23 683 |
| Goods in transit | 3 977 |
| | 34 754 |
| Reconciliation of provision for impairment | |
| Balance at the beginning of the year | (5 612) |
| Raised during the year | (885) |
| Utilised during the year | 2 090 |
| Balance at the end of the period | (4 407) |

Notes to the reviewed condensed interim financial statements for the six months ended 31 December 2021

5. Trade and other receivables

| | Six months ended 31 December 2021 R'000 |
|---|---|
| Trade receivables | 76 344 |
| Less: provision for impairment of trade receivables | (3 350) |
| Less: provision for credit notes | (330) |
| Trade receivables - net | 72 664 |
| Prepayments | 529 |
| VAT | 1 150 |
| Other receivables | 1 998 |
| Trade and other receivables | 76 341 |

6. Loans to and from related parties

Loans to related parties

| Counterparty | Gross Amount R'000 | Expected Credit Loss Allowance R'000 | Net Carrying Amount R'000 |
|--|--------------------------|---|------------------------------------|
| Ascendis Financial Services Proprietary Limited | 157 517 | (54 550) | 102 967 |
| Ascendis Health SA Holdings Proprietary Limited | 22 399 | (7 753) | 14 646 |
| Ascendis Management Services Proprietary Limited | 836 | (290) | 546 |
| | 180 752 | (62 593) | 118 159 |

The loans are unsecured, bear no interest and have no fixed terms of repayment.

Reconciliation of loss allowances

The following table shows the movement in the loss allowance (12 month expected credit losses) for loans to related parties:

| | Six months ended 31 December 2021 R'000 |
|------------------------------|---|
| Opening balance | (61 512) |
| Increase in ECL on new loans | (1 081) |
| Closing balance | (62 593) |

Loans from related parties

| | |
|---|----------------|
| Ascendis Financial Services Proprietary Limited | 88 076 |
| Ascendis Health Limited Proprietary Limited | 35 473 |
| Ascendis Pharma Healthcare Proprietary Limited | 39 171 |
| Ascendis Pharma Holdings Proprietary Limited | 27 571 |
| | 190 291 |

The loans are unsecured, bear no interest and have no fixed terms of repayment.

Notes to the reviewed condensed interim financial statements for the six months ended 31 December 2021

7. Deferred tax

| | Six months ended 31 December 2021 R'000 |
|---|---|
| The gross movement on deferred tax is as follows: | |
| Gross movement in the deferred income tax assets account: | |
| Opening balance at the beginning of the period | 24 451 |
| Income statement charge | (1 474) |
| Closing balance at end of period | 22 977 |
| Deferred tax assets | 22 977 |
| Deferred tax liabilities | - |
| Net deferred tax asset | 22 977 |
| The deferred tax balance is attributable to the following items: | |
| Intangible assets | (2 724) |
| Expected credit loss allowance on intercompany loans | 17 526 |
| Provisions | 3 687 |
| Taxation losses | 4 488 |
| | 22 977 |

8 Tax paid

| | Six months ended 31 December 2021 R'000 |
|---|---|
| Balance at the beginning of the period | (963) |
| Current tax for the period recognised in profit or loss | (2 523) |
| Balance at the end of the period | 2 021 |
| Current tax receivable | (200) |
| Current tax payable | 2 221 |
| Tax paid | (1 465) |

Notes to the reviewed condensed interim financial statements for the six months ended 31 December 2021

9. Cash generated from operations

| | Six months ended 31 December 2021 R'000 |
|---|---|
| Profit before tax | 17 161 |
| Adjustments for: | |
| Depreciation and amortisation | 2 754 |
| Net profit on foreign exchange | (293) |
| Provisions | 1 357 |
| Net impairment on loans to related parties | 1 081 |
| Net movement in trade and other receivables estimated credit losses | (2 901) |
| Net movement in obsolete stock allowance | 885 |
| Finance income | (262) |
| Finance expense | 2 978 |
| Changes in working capital: | |
| Inventories | 5 785 |
| Trade and other receivables | (225) |
| Trade and other payables | (848) |
| Provisions | (19 794) |
| Cash generated from operations | 7 678 |

10. Provisions

| Six months ended 31 December 2021 R'000 | Unused provision | | | | Closing balance |
|---|--------------------|--------------|----------------|-----------------|--------------------|
| | Opening balance | Additions | reversed | Utilised | |
| Other provisions | - | 285 | - | - | 285 |
| Leave pay provision | 2 985 | 940 | (1 276) | (18) | 2 631 |
| Provision for legal action ⁽¹⁾ | 18 500 | - | - | (18 500) | - |
| | 21 485 | 1 225 | (1 276) | (18 518) | 2 916 |

⁽¹⁾The provision related to a long outstanding claim by Reckitt Benckiser case which was settled during the period under review

Notes to the reviewed condensed interim financial statements for the six months ended 31 December 2021

11. Related parties

Related party transactions constitute the transfer of resources, services or obligations between the group and a party related to the group, regardless of whether a price is charged. For the purposes of defining related party transactions with key management, key management has been defined as directors and the group's executive committee and includes close members of their families and entities controlled or jointly controlled by these individuals.

| | |
|---------------------------------|---|
| Relationships | |
| Ultimate holding company | Ascendis Health Limited |
| Holding company | Akacia Healthcare Holdings Proprietary Limited |
| Fellow subsidiaries | Ascendis Management Services Proprietary Limited |
| | Ascendis Consumer Brands Proprietary Limited |
| | Ascendis Health SA Holdings Proprietary Limited |
| | Ascendis Animal Health Proprietary Limited |
| | Akacia Healthcare Investments Proprietary Limited |
| | Ascendis Financial Services Proprietary Limited |
| | Ascendis Pharma Holdings Proprietary Limited |
| | Ascendis Pharma Healthcare Proprietary Holdings |
| | Ascendis Skin and Body Proprietary Limited |
| Directors | CJ Kujenga |

Notes to the reviewed condensed interim financial statements for the six months ended 31 December 2021

11. Related parties (continued)

| | Six months ended 31 December 2021 R'000 |
|--|---|
| Related party balances | |
| Loans to related parties | |
| Ascendis Financial Services Proprietary Limited | 157 517 |
| Ascendis Health SA Holdings Proprietary Limited | 22 399 |
| Ascendis Management Services Proprietary Limited | 836 |
| | 180 752 |
| Loans from related parties | |
| Ascendis Financial Services Proprietary Limited | 88 076 |
| Ascendis Health Limited Proprietary Limited | 35 473 |
| Ascendis Pharma Healthcare Proprietary Limited ⁽¹⁾ | 39 171 |
| Ascendis Pharma Holdings Proprietary Limited | 27 571 |
| | 190 291 |
| ⁽¹⁾ The loan balance moved significantly from the balance as at 31 June 2021 as the loan was repaid during the period under review. | |
| Amount included in trade payables regarding related parties | |
| Ascendis Management Services Proprietary Limited | 1 724 |
| Ascendis Consumer Brands Proprietary Limited | 2 |
| | 1 726 |
| Related party Transactions | |
| Management fees paid to related parties | |
| Ascendis Management Services Proprietary Limited | 4 784 |
| Interest expense paid to related parties | |
| Ascendis Financial Services Proprietary Limited | 2 710 |
| Forward exchange contract losses paid to related parties | |
| Ascendis Financial Services Proprietary Limited | 9 |

Notes to the reviewed condensed interim financial statements for the six months ended 31 December 2021

12. Going concern

We draw attention to the fact that as at 31 December 2021 the reporting entity's total assets exceeded its liabilities by R67 million. As a result, the reporting entity is solvent. However, there is material uncertainty of the Ascendis group, hence it is important to take into consideration, the group's plans and considerations on going concern for the foreseeable future.

Material Uncertainty of the Ascendis Health Group:

At 31 December 2021 the group's debt was classified as current in line with the terms of the Forbearance Agreement reached with lenders as outlined below. As a result, the group's current assets exceed the current liabilities by R300 million meaning that the group is in a solvent position. However, and as outlined further below, if the Recapitalisation Plan is not implemented, the group will not have sufficient funds to repay the lenders by 30 June 2022 and may be placed into business rescue. This position reflects the material uncertainty that casts significant doubt on the group's ability to continue as a going concern.

In making the going concern assessment, the directors have considered the year to date performance of the underlying operations, the available liquidity to support ongoing operational requirements, together with progress on, and expected outcomes from the Recapitalisation Plan.

The directors have also considered the group's post-recapitalisation structure and strategy for the remaining entities. The directors have concluded that the group can continue to operate as a going concern.

The directors acknowledge the group's precarious financial position and the relevance of the going concern assessment in the context of the still to be concluded Recapitalisation Plan.

The directors have considered various mitigating factors against the material uncertainty related to going concern. This includes the continued support of the lenders, shareholders, suppliers and customers and the probability of successfully implementing the Pharma disposal. They have also considered the financial plans and forecasts, and the strategies that will enable the business to deliver against these plans.

The directors believe that the going concern assumption remains appropriate. Accordingly, and based on the information available to them, the directors are of the opinion that the going concern assumption is appropriate.

Notes to the reviewed condensed interim financial statements for the six months ended 31 December 2021

13. Events after reporting period

Proposed change in tax rate

The 2022 budget speech, delivered on 23 February 2022, announced that the corporate income tax rate would be reduced from 28% to 27% effective from the years of assessment ending on or after 31 March 2023.

This is considered to be a non-adjusting subsequent event as at 31 December 2021 as the tax rate was not substantively enacted as at 31 December 2021.

Russia-Ukraine War

The geopolitical situation in Eastern Europe intensified on 24 February 2022, with Russia's invasion of Ukraine. The war between the two countries continues to evolve as military activity proceeds and additional sanctions are imposed. The reporting entity does not operate in these countries hence the war does not have any impact on the financial reporting.

Changes to Board of Directors and impact on the lender consortium

On 11 May 2022, the group held a special shareholders meeting where the following members were appointed to the board:

- Amaresh Chetty as independent non-executive director;
- Bhartie Harie as independent non-executive director; and
- Carl Neethling as non-executive director.

The change in the directors as per above triggered a cancellation of the debt facilities and the debt became due and payable immediately. The lenders delivered a notice to the group on 13 May declaring the immediate payment of the debt facilities.

As a result, the board managed to conclude a loan agreement with Austell Pharmaceuticals (Pty) Ltd, ("Austell") in terms of which Austell will advance a facility to the group which will be used to repay the full amount owing to the lenders pursuant to the notice and also provide up to R10 million for the purposes of funding the group's working capital requirements.

In terms of the Austell Loan Agreement, Austell will provide a 6-month facility to the group in the amount of R590 million at an interest rate of JIBAR plus 4%(cash margin) plus 3.5% (PIK margin). If an event of default occurs under the Austell Loan Agreement, the interest rate will ratchet by 2.5% from the date of such occurrence. The Austell Facility has a maturity date of 17 November 2022. The board highlighted that these terms are more favourable. In particular, no raising fees are payable in respect of the establishment of the Austell Facility.

The Austell Loan Agreement includes the following key events of default, which would entitle Austell to declare amounts under the Austell Loan Agreement due and payable:

Notes to the reviewed condensed interim financial statements for the six months ended 31 December 2021

13. Events after reporting period (continued)

- if (a) Shareholders do not approve of the sale of the Pharma business unit to an unincorporated joint venture between Pharma-Q Proprietary Limited and Imperial Logistics Limited (the Existing Pharma Sale); and (b) the relevant subsidiaries of the Company fail to execute a sale agreement for the disposal of the Pharma business unit to Austell (an Austell/Pharma Sale) within 2 Business Days thereafter. The board noted in this regard that Austell has submitted a compelling detailed written offer to acquire the Pharma business unit; or

- If certain other milestone dates are not met in respect of the Austell Pharma Sale.

Consequence of failure to implement the Pharma disposal

The Pharma disposal is conditional upon, inter alia, the relevant resolutions being approved by shareholders at the general meeting. In concluding on the going concern assertion, the board has considered the implications of the relevant shareholder resolution not being passed to enable the implementation of the disposal.

Through ongoing communication and engagement with shareholders, the board, management and its transaction advisers are canvassing support to encourage shareholders to vote in favour of the Pharma disposal.

If the Ascendis group ("group") is unable to implement the Pharma disposal, the group will need to find an alternative mechanism to ensure the debt can be repaid in full, or face the risk that the lenders will enforce their security should the debt not be repaid by 17 November 2022. The board determines the likelihood of this taking place as low based on the following factors:

- The board takes comfort in the fact that there are currently two bidders committed to the acquisition of the Pharma business, one of whom is the lender – Austell.
- The board has also considered the successful outcome of the rights offer, and the resultant reduction on the remaining outstanding debt of the group.
- The group can access or alternatively, bridge access to the R50 million escrow facilities.

Therefore, a combination of the successful disposal of Pharma, together with the rights issue proceeds discussed below and the escrow funds is sufficient to provide a complete solution to repay the debt.

Ascendis group rights offer

On 3 August 2022, the board of directors resolved to raise an amount of R102 million by way of a fully underwritten non-renounceable rights offer through an offer of 143 million new Ascendis shares at an issue price of 71 cents per share, in the ratio of 29.70633 rights offer shares for every 100 Ascendis Shares held on the record date for participating in such rights offer. The amount will be used to settle part of the group debt.

The event above is a non-adjusting event.



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