Ascendis HEALTH

INTEGRATED ANNUAL REPORT 2022

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REVIEW OF 2022

R101.5 million
raised in an oversubscribed rights offer

Senior debt reduced to
R498 million
(2021: R6 717 million)

Full repayment of all deferred vendor liabilities (2021: R841 million)

Profit on disposal of assets of
R1 013 million

Normalised EBITDA^{PM} from existing operations*
up 136%
to R66 million

Normalised EBITDA^{PM} from continuing operations
up 154%
to R13 million

Revenue from existing operations*
up 4%
to R1 943 million

Further
24% reduction
in head office costs

* *Existing operations represent all three business units that were owned as at year end, namely Medical Devices, Consumer Health (excluding the Skin business which was sold in May 2022), Pharma, as well as the Head Office function*

INTRODUCING OUR INTEGRATED REPORT

We have followed a multi-year journey to degear the group's balance sheet and restructure the business. The 2022 financial year has been the most instrumental in progressing our strategy, with the completion of the October 2021 group recapitalisation that resulted in a R7.6 billion reduction in the debt, divestment of the group's European assets, namely Remedica, Sunwave and Farmalider, as well as Animal Health and RCA in South Africa. This was followed by ongoing debt restructuring and corporate activity, ultimately ending the year with a near complete debt solution, ready to set the group on a renewed growth path.

The integrated report is focused primarily on providing our shareholders and the broader investor community with insight into our business operations and strategic growth plans. We also recognise that several important stakeholder groups influence value creation in our business, including our lenders, customers, agencies and suppliers, regulators and employees.

Reporting scope and boundary

The report covers the financial and non-financial performance of the continuing operations of Ascendis Health and its subsidiaries (the group) for the financial year 1 July 2021 to 30 June 2022.

Following the recapitalisation and restructuring of the group over the past year, the financial reporting boundary covers the results of the remaining South African-based businesses of Medical Devices and Consumer Health (refer to the Operational review on pages 24 to 30).

Summarised consolidated financial statements have again been published in the integrated report, with the audited annual consolidated financial statements available at www.ascendishealth.com

We continue to apply the principle of materiality in determining the content and disclosure in the report. The directors have identified material issues which could affect the group's ability to deliver its strategy and could have a material impact on the revenue and profitability of the group (refer to Material issues and risks on pages 6 to 8).

Reporting standards and compliance

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

The group has applied the principles of the King Code of Corporate Principles (King IV) throughout the 2022 financial year and a schedule outlining the group's application of the code is available on our website at www.ascendishealth.com

Assurance

The integrated report has been reviewed by the board, the audit and risk committee, executive management and the group's corporate sponsor but has not been independently assured.

The group's independent auditor, PricewaterhouseCoopers Inc., has provided assurance on the annual financial statements and issued an unmodified audit opinion with an emphasis of matter on going concern.

The non-financial and sustainability information disclosed in the report has been approved by the board's social, ethics and transformation committee. Accredited service providers have determined selected non-financial performance metrics, including market share data. Management has verified the processes for measuring all other non-financial information.

Forward-looking statements

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

The group does not undertake to update or revise any of these forward-looking statements publicly, whether to reflect new information or future events. The forward-looking statements have not been reviewed or reported on by the group's external auditor.

Board approval

The directors have reviewed the integrated report and believe it fairly represents the group's performance, material issues and risks, strategy and growth prospects. The audit and risk committee, which has oversight for the integrity of the integrated report, recommended the report for approval by the board of directors who subsequently approved the 2022 report for release to stakeholders.

Harry Smit
Non-executive chairman

Cheryl-Jane Kujenga
Chief financial officer

Carl Neethling
Chief transition officer and acting chief executive officer

ABOUT ASCENDIS HEALTH

INTRODUCING ASCENDIS HEALTH

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

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

Following the completion of the recapitalisation transaction in October 2021, the group comprised the three South African businesses Medical Devices, Pharma and Consumer Health for the remainder of the 2022 financial year.

Ascendis has concluded agreements to dispose of the Pharma business, subject to, among others, shareholder approval, and will in future comprise two business units:

- Medical Devices (distributor of medical devices, *in vitro* diagnostic products and orthopaedic limb reconstruction equipment).
- Consumer Health (wellness, health supplements and skincare).

Medical Devices incorporates the three operating businesses The Scientific Group, Surgical Innovations and Ortho-Xact, and has long-standing relationships and exclusive agency distribution agreements with major multinational original equipment manufacturers, supplying surgical, diagnostic and medical equipment used to improve patient outcomes in areas such as cardiovascular, acute care therapies and endoscopic solutions (refer to Operational review on pages 24 to 30).

Consumer Health is one of the largest vitamin, mineral and supplement suppliers in South Africa, with brands such as Solal, Vitaforce, MenaCal, Bettaway and Junglevite being among the most established and recognised in their categories. The business also owns a substantial manufacturing facility in Gauteng, being one of only two South African Health Products Regulatory Authority (SAHPRA) accredited soft gel capsule manufacturers in the country (refer to Operational review on pages 24 to 30).

Over the past year, the group continued to attract interest from retail investors as the shareholder base increased by 22.1% to 17 016 (2021: 13 937). At year end, retail shareholders accounted for approximately 98% (2021: 97%) of the total number of shareholders, although representing only 9.5% (2021: 12.7%) of the total shares in issue.

GROUP STRATEGY

Creating a sustainable platform for growth

2021

JULY

Farmalider disposal implemented.

Animal Health disposal agreement concluded.

OCTOBER

Group recapitalisation approved with 98.5% shareholder support, resulting in a reduction of R7.6 billion in the group's debt. New facilities were extended by the lenders, Blantyre and L1 Health. The group recapitalisation resulted in the disposal of **Remedica and Sunwave**.

Animal Health and Respiratory Care Africa (RCA) disposals approved and RCA implemented 6 October 2021.

NOVEMBER

Animal Health disposal implemented 30 November 2021.

DECEMBER

Pursuant to the general meeting on 20 December 2021, four non-executive directors stepped down and five new non-executive directors were appointed by shareholders (refer to the Corporate Governance report which starts on page 32).

The changes to the board were not endorsed by the lenders which resulted in a mandatory prepayment of the debt.

Forbearance agreement concluded, enabling time for an alternative debt solution to be agreed.

2022

JANUARY

New loan agreement concluded with **Apex Management Services and Pharma-Q Holdings** and debt transferred.

Independent non-executive director **Harry Smit appointed as chairman**.

Chief financial officer (CFO) **Cheryl-Jane Kujenga appointed as interim CEO** following the resignation of Mark Sardi in December 2021.

MAY

Board strengthened with the appointment of three new non-executive directors. The board appointments were not endorsed by the lenders which resulted in a mandatory prepayment of the debt.

New loan agreement concluded with Austell Pharmaceuticals on more favourable terms and an extension of the repayment term from June to November 2022.

Disposal of **Skin business** to Amka Products, with net proceeds of R95 million applied to reduce debt.

JUNE

Board makes decision to retain Medical Devices and terminate negotiations for its disposal, based on the belief that the business has significant growth potential that was not reflected in the Apex purchase agreement.

Resignations of Gary Shayne and Richard Dawes from the board.

JULY

Agreement reached with Austell Pharmaceuticals on **disposal of Pharma business for R410 million**. The transaction is contingent on shareholders not approving the initial offer of R375 million received for Pharma when shareholders vote on the transaction in October 2022.

AUGUST

Rights offer undertaken to fund growth and pay down debt. The offer was oversubscribed, raising R101.5 million through the issue of 143 million new Ascendis Health shares.

SEPTEMBER

Appointment of Carl Neethling as chief transition officer (CTO) and acting chief executive officer (CEO) with effect from 13 September 2022. Company secretary and Cheryl-Jane Kujenga step down effective 30 September.

Increase in Austell purchase consideration for the Pharma disposal to R432 million.

MATERIAL ISSUES AND RISKS

The board and executive management annually identify material issues which could impact positively or negatively on Ascendis Health's ability to deliver its strategy and consequently impact on the revenue and profitability of the business.

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

In the review for the 2022 financial year, the group's debt reduction and restructuring has been included as a material issue as this will have a material impact on the sustainability of the business.

Four of the material issues for the 2022 financial year, namely the group recapitalisation, impact of Covid-19, exchange rate exposure and regulation, are not included for the forthcoming year. The group recapitalisation has been completed, and the directors do not believe that the other issues will have a material impact on the group's profitability in the year ahead.

01 GROUP RESTRUCTURING AND DEBT REDUCTION

The group's restructuring, which includes the disposal of Ascendis Pharma, and the completion of the rights offer provide a near complete debt solution and enable the group to invest in the growth of the remaining businesses of Medical Devices and Consumer Health.

Related risks	Risk mitigation
• Default on payment obligations to lenders • Failure to complete disposal of Ascendis Pharma	• Loan from Austell Pharmaceuticals concluded at more favourable commercial terms than previous debt • Decision to retain Medical Devices which was previously identified for disposal, as this is the business with the highest growth potential • Rights offer oversubscribed, raising R101.5 million • Head office costs being reduced to align with the needs of the business

02 CASH FLOW, LIQUIDITY MANAGEMENT AND FUNDING

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

Related risks	Risk mitigation
• Lack of liquidity to fund working capital • Delays in creditor payments • Unfavourable payment terms imposed by suppliers • Adverse creditor trading terms and limited supply of goods and services • Potential default on payment of salaries and taxes • Trading under distressed financial conditions	• Weekly monitoring of forecasts and actual cash flows • Weekly and monthly working capital management targets and tracking • Engagement with credit insurers to maintain trade credit limits and mitigate the impact of reduced credit limits • Ongoing head office restructure to reduce costs • Planned engagements with banks post the settlement of the debt to negotiate funding for working capital requirements to ensure timely payment of creditors

03 RETENTION OF KEY RESOURCES

Retaining key resources and ensuring leadership stability is critical to the completion of the group's restructuring and refinancing, and the delivery of the group's strategy.

Related risks	Risk mitigation
• Experienced executives and skilled staff are in high demand both locally and internationally • Loss of key people and challenge of retaining staff in current climate of uncertainty and change within the group • Instability among the leadership team could compromise the delivery of the group's strategy	• Management incentive plan to retain and incentivise key staff and executives • Short-term retention awards for selected head office employees and participating business units • Ongoing communication with staff and alignment of rewards, with heavier weighting towards business unit performance • Appointment of a chief transition officer to oversee the group restructuring and implementation of the group strategy

04 CURRENT GLOBAL ECONOMIC CRISIS AND IMPACT ON THE SA ECONOMY

Global economic and trading conditions could negatively impact revenue and profit growth. This has been compounded by the deteriorating economic environment in South Africa.

Related risks	Risk mitigation
• Poor global and local economic conditions resulting in reduced consumer spending therefore negatively impacting the group's organic growth • Increase in raw material input costs • Increase in operating costs • Possible profit/margin erosion	• Healthcare markets in which the group operates are resilient and defensive • Preventative care, such as wellness and nutraceuticals, is being promoted globally by health insurance providers, governments and consumer choice • Brand portfolio offers wellness and healthcare products across diversified customer income groups

05 PRODUCT INTEGRITY

As a healthcare business it is essential that products are manufactured to the highest standards to ensure product safety, customer satisfaction and trust in the brands.

Related risks	Risk mitigation
• Poor product quality could cause negative side-effects for consumers or patients • Customer claims from product failure could result in financial losses and reputational damage • Product recalls owing to poor standards would negatively impact on trust in the brand as well as profitability of the group	• In-house manufacturing facility in Gauteng is focused on good manufacturing practice (GMP) certification and quality assurance programmes • Outsourced manufacturing undertaken by GMP compliant third parties • Ensure suppliers comply with international quality, health and safety standards, and ethical practices • Regular site visits and audits of third-party supplier facilities • Adequate insurance cover for product recalls and product liability

MATERIAL ISSUES AND RISKS (CONTINUED)

06 TECHNOLOGY AND DATA SECURITY

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

Related risks	Risk mitigation
• Inadequate data protection • Breaches of stakeholder privacy, loss of stakeholder data and theft of intellectual property • Increased exposure to cyber-attacks due to employees working from home in a post-Covid-19 environment • Cyber-crime resulting in legal liability and reputational damage	• Robust IT security governance and processes • Data security and IT audits • Policies implemented to address data security risks • Secure data management and control processes • IT steering committee determines IT strategic initiatives • Cyber insurance cover • Regular cyber security awareness and training • Simulated phishing testing on staff

STAKEHOLDER ENGAGEMENT

Stakeholder engagement has been particularly relevant in ensuring business continuity and sustainability through the group recapitalisation in 2021, the current group restructuring and the appointment of the new leadership. While the group interacts with a range of stakeholders who have a direct or indirect impact on the business, the engagement programme focuses primarily on seven stakeholder groups who are most likely to have a material influence on the business.

SHAREHOLDERS

Primarily retail investors as well as strategic and institutional holders in South Africa and internationally.

ENGAGEMENT ISSUES, NEEDS AND EXPECTATIONS IN 2022

- Debt restructuring and revised lender requirements
- Determining assets identified for disposal, valuations achieved with potential buyers and shareholder approval requirements
- Board changes and governance within the group, including requests for specific board members to be removed
- Group strategy post-restructuring

ADDRESSING ENGAGEMENT ISSUES IN 2022

- Group recapitalisation successfully implemented in October 2021, being approved by 98.5% of shareholders
- Changes to the board that ultimately resulted in the appointment of Amaresh Chetty, Bharti Harie and Carl Neethling in May 2022. Richard Dawes and Gary Shayne, who were appointed in December 2021, resigned in June 2022
- Board decision to no longer dispose of the Medical Devices business which had previously been identified for sale
- Negotiation on the valuation of Pharma, resulting in an improved offer from Austell Pharmaceuticals of R423 million, including all Pharma staff. This transaction will be proposed for a shareholder vote in October 2022
- Change in lenders, with new debt secured on improved terms and an extension in the repayment term from June 2022 to November 2022
- Disposal of Skin business, with the proceeds being applied to reduce debt
- Agreement to proceed with a fully underwritten rights offer to raise R101.5 million
- Extensive shareholder engagement to generate support for the disposal of Pharma and rights issue

STAKEHOLDER ENGAGEMENT (CONTINUED)

LENDERS

The conclusion of the group recapitalisation in October 2021 resulted in a R7.6 billion reduction in the group's debt, and L1 and Blantyre extending new facilities to the group.

In January 2022, the group repaid its previous lenders L1 and Blantyre with a loan from Apex Management Services and Pharma-Q Holdings. This loan was in turn repaid through a loan granted by Austell Pharmaceuticals in May 2022.

ENGAGEMENT ISSUES, NEEDS AND EXPECTATIONS IN 2022

- Negotiation of debt terms
- Interest servicing and debt settlement
- Where relevant, agreement of asset disposals and set off against the debt

ADDRESSING ENGAGEMENT ISSUES IN 2022

- L1 and Blantyre:
  - Finalisation of the October 2021 group recapitalisation
  - Reinstatement of debt amounting to €15 million and provision of a draw-down facility of €20 million
  - Change in board members during December 2021, which were not endorsed by the lenders, resulted in an acceleration of the debt repayment and forbearance agreement being reached
- Apex and Pharma-Q:
  - Transfer of debt from L1 and Blantyre
  - Agreement on disposal assets being Medical Devices, Pharma and Skin, and finalisation of relevant sale and purchase agreements (SPA)
  - Changes in board members during May 2022, which were not endorsed by the lenders, resulted in a mandatory prepayment of the debt
- Austell:
  - Transfer of debt from Apex and Pharma-Q to Austell Pharmaceuticals
  - Agreement on Pharma SPA contingent upon the proposed Pharma-Q/Imperial disposal not being voted on by the shareholders

CUSTOMERS

Multiple customer channels including retail, pharmacies, hospitals, agents, distributors and state entities via tenders.

Ascendis is a critical role player in healthcare transformation and products, equipment and consumables that improve patient outcomes and improve quality of life, while our business model impacts the cost of healthcare. Engagements with doctors, specialists and hospitals enable us to partner to optimise these levers.

ENGAGEMENT ISSUES, NEEDS AND EXPECTATIONS IN 2022

- Meeting demand for products and services in a post-Covid-19 trading environment
- Innovation and response to emerging trends such as demand for products and services that encompass both physical and mental wellbeing, the demand for high quality products at a cheaper price and the changing trends in surgical and orthopaedics

ADDRESSING ENGAGEMENT ISSUES IN 2022

- Regular engagements with main customers such as Dis-Chem, Clicks and other retail pharmacies to ensure continuity and supply of appropriate products to meet the changing consumer needs post the pandemic
- Assurance provided to retailers for whom we manufacture private label products on security of supply

AGENCIES

Providers of medical equipment and consumables with whom the group has distribution agreements.

ENGAGEMENT ISSUES, NEEDS AND EXPECTATIONS IN 2022

- Defending and growing the market share that the agencies (most of whom are original equipment manufacturers) have within their specific product lines
- Availability of technically competent staff who understand and can sell their equipment
- Understanding the implications of the proposed divestment of Medical Devices and the subsequent decision to retain the business

ADDRESSING ENGAGEMENT ISSUES IN 2022

- Ensuring availability of funding required for capital investment, including agreement on credit terms that take account of the group's liquidity constraints
- Achieving targets set by the agencies, with Surgical Innovations receiving the award as the best distributor for Olympus
- Engagement with key agencies on the strategy to retain Medical Devices and the outlook for the group
- Ongoing engagement to understand the research and development pipelines for the agencies and the suitability as well as go-to-market strategies for the South African and relevant rest of Africa markets

SUPPLIERS

Providers of finished products, active pharmaceutical ingredients and raw materials, packaging and services.

ENGAGEMENT ISSUES, NEEDS AND EXPECTATIONS IN 2022

- Security of supply during the global supply chain crisis
- Credit terms and implications for group liquidity
- Compliance with health and safety and ethical procurement standards
- Fair pricing structure and timely payments

ADDRESSING ENGAGEMENT ISSUES IN 2022

- Negotiation of extended payment terms
- Engagement with credit insurers to restore supplier credit limits
- Audits of supplier production facilities
- Engagement on regulatory matters
- Development of B-BBEE suppliers in South Africa

STAKEHOLDER ENGAGEMENT (CONTINUED)

REGULATORS

Department of Health and other government departments, regulatory bodies and local authorities in all jurisdictions. As a company listed in South Africa, Ascendis Health is also regulated by the JSE.

ENGAGEMENT ISSUES, NEEDS AND EXPECTATIONS IN 2022

- Registration of products and licences to trade
- Inspection and registration of production facilities
- Legislative and regulatory compliance
- Submission of statutory returns
- Review and approval of agreements, documentation and announcements relating to the disposal of assets

ADDRESSING ENGAGEMENT ISSUES IN 2022

- Ongoing engagement with healthcare regulatory bodies in all jurisdictions
- Audit and site inspections by regulatory authorities
- Engagement with financial and tax authorities in countries of operation
- Membership of industry associations
- Training on regulatory, compliance and governance developments
- Ongoing engagement with JSE, Takeover Regulation Panel and the Competition Commission, as well as tax and regulatory authorities in all jurisdictions in relation to the implementation of the group recapitalisation, group restructuring and the disposal of assets

EMPLOYEES

Ascendis management and staff.

ENGAGEMENT ISSUES, NEEDS AND EXPECTATIONS IN 2022

- Retention of key employees during the uncertainty of the recapitalisation, restructuring and disposal process
- Impact of retrenchment process as part of the head office restructure to align with the requirements of the smaller business post the recapitalisation
- Low engagement levels, loss of employee value proposition and potential burnout
- Changes in leadership

ADDRESSING ENGAGEMENT ISSUES IN 2022

- Retention programme implemented to mitigate loss of critical skills and ensure continuity
- Employee wellness communication campaign continued, and employee assistance programme services used to guide staff through the transition
- Ongoing headcount alignment with the aim of reducing fixed cost, while ensuring business continuity through an ongoing Section 189A restructuring process, as governed by the Labour Relations Act
- Talent distribution programme conducted, and applicable staff assigned to business units to address skills shortages to ensure continuity post the restructuring
- Dispensation received from the JSE regarding the CFO holding the joint role of interim CEO and CFO
- Ongoing CEO communication campaign with regular updates on developments, supported by regular "townhalls"

LEADERSHIP REVIEW

LEADERSHIP REVIEW

Dear Stakeholders

In the past year the group has gone from being burdened with mounting debt of almost R8 billion and facing the strong possibility of entering into business rescue, to successfully completing the group recapitalisation, undertaking further funding restructuring and corporate activity to enter the 2023 financial year with a near complete debt solution.

CHAIRMAN'S LETTER TO STAKEHOLDERS

Rising shareholder activism

"Shareholder activism is not a privilege – it is a right and a responsibility. When we invest in a company, we own part of that company and we are partly responsible for how that company progresses. If we believe there is something going wrong with the company, then we, as shareholders, must become active and vocal."
– Mark Mobius

At the outset I thank the board and my fellow shareholders for their confidence in appointing me to lead the group through these turbulent and uncertain times. My appointment was a significant milestone for shareholder activism in South Africa, marking the first time that a retail shareholder activist has been appointed as chairman of the board of a JSE-listed company.

As an activist lobbying for the rights of retail shareholders of Ascendis Health during the group recapitalisation in 2021, my early relationship with the company was adversarial at times. We believe the leadership of Retail Activist Investors was able to influence the outcome of the group recapitalisation and ensure that minority shareholders were not only heard, but ultimately represented on the company's board.

I would like to acknowledge the willingness and maturity of the management team, led by former CEO Mark Sardi, for their regular and constructive engagement with the retail activists. This contributed to a positive outcome and overwhelming shareholder support for the group recapitalisation. I also thank my predecessor Andrew Marshall, who served as chairman of the group for over two years, for his stewardship of the board.

Board and governance

There were several changes to the board this year. This included retirements, removals and appointments following shareholders voting at the annual general meeting in December 2021 and the extraordinary general meeting in May 2022. We welcome those directors who joined and thank the previous directors for their service. These board changes have enhanced governance and oversight.

We have implemented board structures to ensure the appropriate balance of power, ethics and objectivity in the boardroom. Internal assessments have been conducted on the independence of the directors and our board committees have been restructured.

We now have a stable board and the diversity of backgrounds and experience among the directors ensures that we engage in robust debate, all aimed at maintaining high levels of governance oversight and safeguarding the interests of our stakeholders.

Restoring the group's fortunes

"It always seems impossible until it's done."
– Nelson Mandela

While deleveraging the business it was critical that the board focused on driving operating efficiencies and adopting a revised strategic direction to position the group for growth. In addition to the new board appointments, the group also made the strategic executive appointment of Dr Riyas Fadal as chief operating officer, responsible for managing the operating companies.

We are already benefiting from Dr Fadal's extensive healthcare experience from working with local and multinational companies, including Life Healthcare, Medscheme, Marsh and Discovery Health.

We believe that three strategic decisions taken by the "new" board late in the financial year are likely to prove pivotal in restoring the fortunes of Ascendis.

As shareholders are aware, the group has been following an asset disposal programme to repay debt owed to lenders who could enforce their rights over the assets in any event of default.

Firstly, after our Medical Devices business was initially identified for disposal in January 2022, the board's decision to terminate the sale negotiations meant that we were able to retain a key asset which has significant growth potential, and we are confident that the business can double its earnings.

Secondly, the initial offer of R375 million received for the disposal of Ascendis Pharma was lower than we had expected. Further negotiations resulted in a competing bid being received from Austell Pharmaceuticals, valuing the business at R57 million more than the initial offer, which equates to almost 10% of the group's market capitalisation.

Thirdly, shortly after year end the group undertook a fully underwritten rights offer, supported by Calibre Investment Holdings. The offer was oversubscribed and raised R101.5 million through the issue of 143 million new Ascendis Health shares. The funds will be used to capitalise on growth opportunities in Medical Devices and Consumer Health as well as paying down debt.

Positioning for growth

After addressing the debt, the company will effectively be unconstrained and may refinance any ongoing working capital and liquidity requirements at market rates. We believe our portfolio of businesses, including Medical Devices, clinical diagnostics through The Scientific Group, Consumer Health and related wellness, Compounding Pharmacy and Chempure, presents a compelling base for growth and to extract synergies across the group.

The board has identified the need to accelerate the transition of the group into a leaner, agile and more entrepreneurial business. Carl Neethling, who joined the board in May this year, has assumed a short-term, executive position as CTO and acting CEO. He has been tasked by the board to support the executive team in effecting the rapid transformation of the group, including right-sizing the business, reviewing operational and strategic assets, and finalising a disciplined process and methodology for effective capital allocation.

As we move into the new financial year, our priorities are to strengthen the group's balance sheet and ensure an appropriate capital structure, drive organic growth and invest in new opportunities in our existing businesses and beyond to ultimately ensure a more diversified revenue stream, and deliver value to our shareholders.

Appreciation

In closing, I extend my appreciation to our key stakeholders for their support over the past year. Our employees have endured many months of uncertainty and I thank them for their loyalty, commitment and resilience. Thank you to our shareholders for their continued investment and we welcome those who invested for the first time this year. The support of our customers, agencies, suppliers and business partners has been critical to our sustainability and we look forward to strengthening our relationships in the year ahead. Finally, I thank my fellow directors for their invaluable guidance and counsel.

Sincerely

Harry Smit
Chairman

R7.6 billion
reduction in senior debt

R1 013 million
profit on disposals

It has been my privilege and honour to lead Ascendis Health in my joint capacity as interim CEO and CFO for the second half of the financial year, and I thank the board for their vote of confidence in me. The work performed in the current year sets a firm foundation for the growth phase of the group's evolution.

REPORT FROM THE CFO AND OUTGOING INTERIM CEO

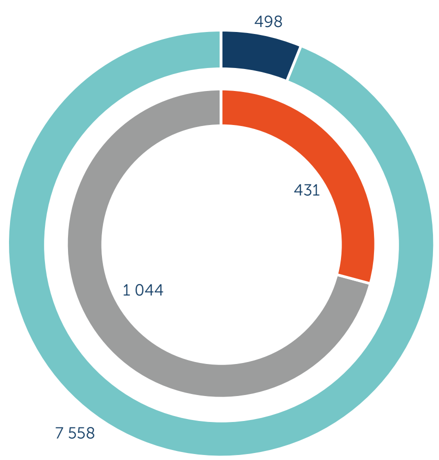
Restoring balance sheet stability

In my report, I will be focusing on the performance of all three business units that were owned as at year end, namely Medical Devices, Consumer Health (excluding the Skin business which was sold in May 2022), and Pharma (collectively referred to as total operations), as well as the continued operations (excluding Pharma).

For years, the group has been saddled with crippling debt levels, and I am proud to say that we have made significant progress towards de-gearing the business. The first half of the year saw the successful completion of the group recapitalisation and disposals of Animal Health and RCA.
The combined impact of these transactions resulted in a reduction in senior debt by R7.6 billion.

The second half of the year saw the debt trade hands a few times, a process that we leveraged to enable us to renegotiate more favourable debt terms with each subsequent lender. During that period our effective interest rate reduced from 16.62% to 12.41%. The related finance costs amounted to R431 million compared to R1 044 million in the prior year.

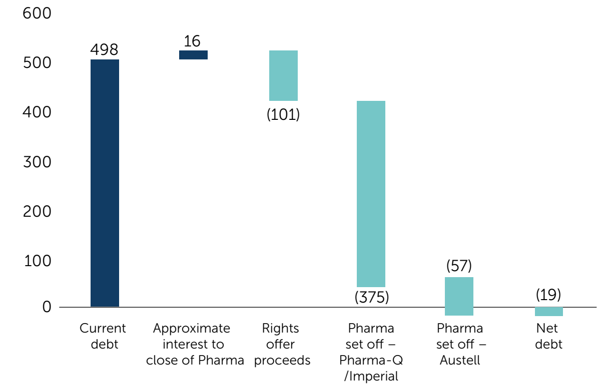
Improvement in senior debt (R'million)



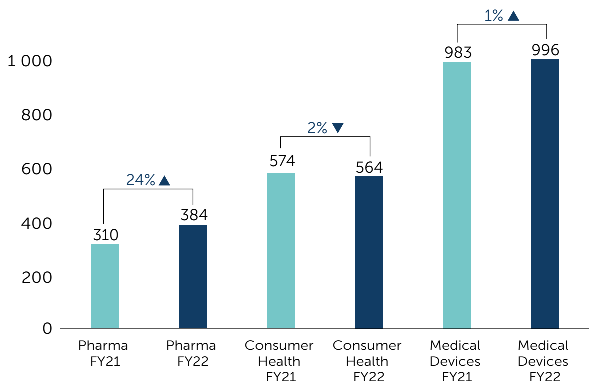
Our closing senior debt at the end of June 2022 was R498 million, a quantum that is far more palatable and for which we have a firm plan to resolve, through a combination of the utilisation of the rights offer proceeds together with the disposal of our Pharma business.

In August 2022, we raised R101.5 million in our rights offer. The rights offer was oversubscribed, demonstrating the support we are receiving from a shareholder base that sees the potential and value in the remaining businesses.

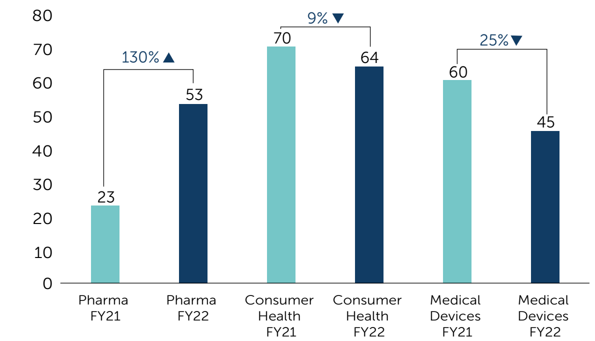
Debt solution (R'million)



Revenue (R'million)



EBITDA^{PM} (R'million)



The disposal of Pharma is anticipated to take place in October 2022, with bids of R375 million and R432 million from Pharma-Q Holdings/Imperial Logistics and Austell Pharmaceuticals respectively, being presented for shareholder vote. The combined impact of the rights offer and Pharma disposal provide a near complete solution to the debt and liquidity requirements of the group.

In addition, the balance of the Animal Health disposal proceeds of R50 million held in escrow will be released during the second quarter of the 2023 financial year. We have commenced discussions with commercial banks to provide suitable and sustainable financing arrangements for the business units and ensure that operational and growth requirements are funded at conservative gearing levels, and underpinned by a robust capital allocation framework.

Our mid-term target is to have minimal to no debt carried at a head office level. We anticipate being completed by December 2022, and the cumulative impact of these activities will restore balance sheet stability and provide a solid foundation for the turnaround of Ascendis.

Group structure

The October 2021 group recapitalisation ensured that the group retained the three businesses within Medical Devices, namely, The Scientific Group, Surgical Innovations and Ortho-Xact, which were previously identified for disposal under the senior facilities agreement signed with our lenders, L1 Health and Blantyre. It also enabled us to retain our Pharma and Consumer Health businesses.

We began the financial year contemplating two strategic options: remain a listed company with a smaller group or delist and take the group private. Core to both scenarios was the board's belief that the disposal of Pharma would enable us to sufficiently de-gear the balance sheet, therefore a comprehensive due diligence process on this business commenced in October 2021. The robust due diligence process together with continued performance improvement within Pharma provided us with a strong base to negotiate pricing with potential buyers. In June 2022, the board decided not to proceed with the disposal of the Medical Devices business.

Medical Devices, including The Scientific Group which focuses on clinical diagnostics, plays a critical role in the health system value chain. We have relationships with some of the largest global agencies and have a network of blue chip and government clients. Both factors enable our purpose of "*Making tomorrow healthier*". Our ability to reduce the group's debt provides us with the opportunity to invest appropriately in these businesses.

Resilient performance

The 2022 financial year continued to be challenging for South Africa, with the pervasive economic impact of Covid-19, civil unrest and looting in July 2021,

REPORT FROM THE CFO AND OUTGOING INTERIM CEO (CONTINUED)

ongoing supply chain disruptions, a deepening energy crisis and flooding during April 2022. South African consumers continue to feel the effects, with a reduction in real earnings impacting consumer spend (source: PricewaterhouseCoopers 2022 Consumer study).

Despite the growing headwinds, South Africa's R52 billion healthcare sector is resilient and defensive, growing at 4.7% (source: IQVIA). South African retailers are increasing the local sourcing of merchandise in order to manage global supply chain disruptions and the associated cost of inflation. Total operations produced a resilient performance against this constrained economic backdrop, with total revenue improving 4% to R1 943 million, and normalised EBITDA^{PM} from total operations (excluding head office) improving by 6% to R162 million.

The Pharma business was well positioned to take advantage of post Covid-19 normalisation, with the return of the annual flu season. Strong performance experienced in the key brands Reuterina, Sinuend and Sinucon contributed to sales growth of 24% to R384 million, and 136% normalised EBITDA^{PM} improvement to R53 million. This demonstration of consistent growth in this business was a key value protection and contributed to ensuring optimal pricing was obtained from bidders.

Consumer Health was negatively affected by slowing consumer demand in the second half of the year, together with port and shipping delays of raw materials which further slowed down third-party contract revenue. Consumer Health closed the year with a 2% reduction in revenue and 9% reduction in normalised EBITDA^{PM} to close at R564 million and R64 million respectively.

Within Medical Devices, both Surgical Innovations and Ortho-Xact reported double digit year-on-year revenue growth of 15% and 26% respectively. This growth was tempered by The Scientific Group which was negatively impacted by a combination of a reduction in funding for Covid-19 in the rest of Africa together with the loss of the South Africa National Blood Service tender, resulting in a 18% reduction in revenue. The net impact of the performance of these three businesses is a 1% increase in the Medical Devices revenue to close at R996 million.

The recently awarded National Health Laboratory Service tender provides upside potential for The Scientific Group to claw back its position in the 2023 financial year. The segment closed with a normalised EBITDA^{PM} of R45 million. This includes a provision of R17 million for a historical tax matter that was identified and resolved during the current year. Excluding this provision, the sustainable normalised EBITDA^{PM} base of Medical Devices closed the year at R62 million.

The benefit of the head office cost reduction programme is reflected in a further decrease in costs of 24% to R96 million. The head office cost reduction programme was to some degree slowed down in the second half of the financial year due to ongoing corporate activity. As the group stabilises, it enables an acceleration to this programme in the 2023 financial year.

The net effect of the operational performance and head office savings was a 154% improvement to normalised EBITDA^{PM}, with existing operations closing at normalised EBITDA^{PM} of 136% to R66 million compared to R27 million on a like-for-like basis in the prior year.

R'million	June 2022	June 2021	% Change
Existing operations	162	153	6
Head office	(96)	(125)	(24)
Net normalised EBITDA^{PM}	66	28	136

Creating the foundation

As outlined above, the culmination of the effort put into the group recapitalisation and successive debt restructuring and disposals enables us to have a near complete solution to the debt and liquidity requirements of the business. This will enable the group to move away from funding obtained from non-financial lenders, where debt servicing costs are expensive, and source commercial financing on more attractive terms in future.

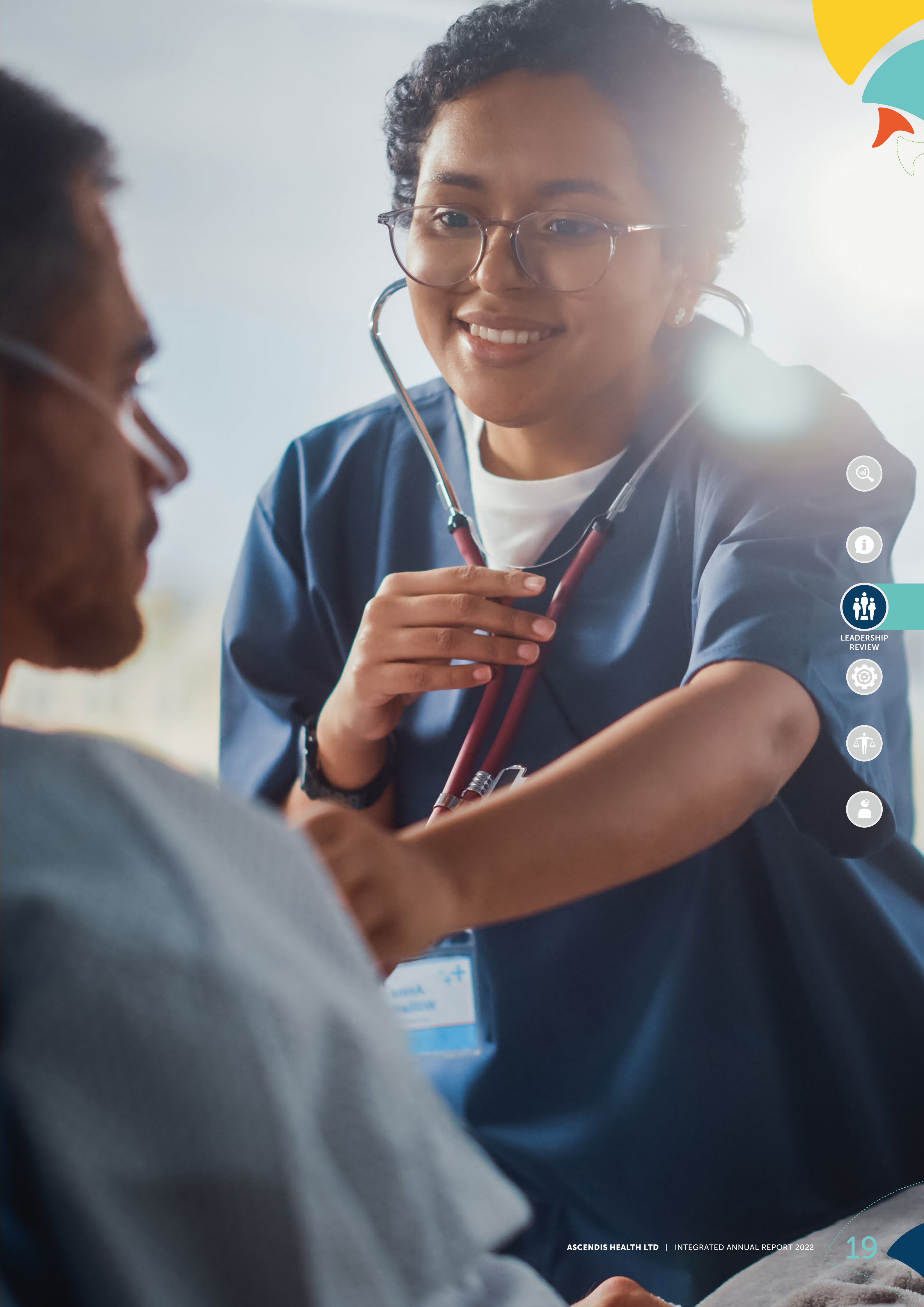
Note of appreciation to our people

The past year has tested our mettle as a business, team and as individuals. For many, there have been long workdays and nights, working weekends and time spent away from loved ones. As we awaken from the strain caused by the continuous debt restructuring and disposal processes, it is incumbent on us to provide certainty and stability for our teams and to focus our attention on building a high-performance operational culture, underpinned by pride in the business. During FY23 our focus will include ensuring that we have the right people, playing value adding roles in the group and that our teams feel adequately empowered to deliver stellar performance.

Through all of this, the grit, resilient spirit and dedication of all the employees, shareholders and stakeholders in our business has been unwavering. For this I express my utmost and sincere gratitude.

I welcome Carl Neethling's appointment as chief transition officer and acting CEO. Having worked closely with him for the past few months, I know that he will drive the changes required to unlock the potential in Ascendis. Thank you to my fellow directors, the leadership teams within our businesses and the teams who have worked tirelessly to conclude the various corporate actions that we have undertaken during the year.

Cheryl-Jane (CJ) Kujenga
CFO and outgoing interim CEO



REPORT FROM THE CFO AND OUTGOING INTERIM CEO (CONTINUED)

Our focus during the 2022 financial year was on setting a stable and sustainable foundation for the future of the group. As part of this, the board addressed the following key areas:

1 Debt reduction and group restructuring

a) *Debt reduced from **R7.6 billion** in June 2021 to **R498 million** in June 2022, through a combination of:*

- Conclusion of the recapitalisation and restructure of the group's debt with the senior lenders, L1 Health and Blantyre Capital in October 2021
- Disposal of RCA, Animal Health and Skin in October 2021, November 2021 and May 2022, respectively, for a combined disposal consideration of R1.3 billion
- Refinancing of the remaining debt at progressively better terms

b) ***Negotiating better loan terms** for the business:*

- Concluded a new loan facility in May 2022 for an amount of R590 million with Austell Pharmaceuticals. The new facility resulted in an interest saving of R3.6 million in the period to end June 2022

c) ***Ensuring value is optimised** to enable the remaining debt to be cleared through a combination of:*

- Conclusion of the Pharma disposal at full value, with competing bids at R375 million and R432 million. The disposal is subject to shareholder vote, with the general meeting expected to take place in October 2022
- Post year end, raising R101.5 million through a fully underwritten non-renounceable rights offer through the issue of 143 million new Ascendis shares

2 Stabilisation of governance structures

a) *Ensured **continued board effectiveness**:*

- Managed the transition of several changes to the board composition, including resignations, removals and new appointments, following the shareholder voting at the AGM in December 2021 and the extraordinary general meeting in May 2022
- Worked closely with management to discuss and deliberate on pertinent issues that ultimately resulted in debt reduction, the decision to retain Medical Devices thus retaining a group structure with scale and potential, optimisation of exit pricing for Pharma, liquidity management and business stabilisation

b) *Implemented appropriate **board structures**:*

- Facilitated changes to the board composition in line with shareholder requests, thereby ensuring the right balance of power, ethics and objectivity within the board
- Conducted internal assessments of the independence of the directors
- Concluded appointments to board sub-committees

3 Stabilisation of people and leadership

a) *Supporting programmes that* ***improved employee well-being and retention*** *of key talent during the period of instability:*

- Implemented a retention scheme and, where appropriate, enhanced the restraint of trade agreements, to retain key personnel during and post the group recapitalisation
- Continued with the restructure of the head office to align it with the needs of the smaller, post-recapitalisation South African-only business and the interests of shareholders
- Adopted policies for a hybrid approach of integration back into the office and working from home to ensure productivity and the safety and welfare of staff, and the continued support to employees and family members affected by Covid-19

b) ***Succession planning:***

- Facilitated the transition from the previous CEO, Mark Sardi to the interim CEO roles held firstly by Andrew Marshall then Cheryl-Jane Kujenga, ensuring there was no leadership vacuum in the organisation. In September 2022, Carl Neethling was appointed as the CTO and acting CEO, mandated with accelerating the next phase of the group turnaround
- Strengthened leadership team with the appointment of Dr Riyas Fadal as chief operating officer, who brings a wealth of knowledge from the health industry
- Worked closely with the managing directors of each business unit in order to ensure stability and continued focus on operations

We managed to retain the Medical Devices division, ensuring scale and upside potential for the group

Negotiated
R57 million
increase in the offer price for the Pharma business

A new dawn is upon us and we are about to close the book on a painful period of consolidation. As the debt storm is dissipating we are seeing glimpses of a silver lining with great things to come.

REPORT FROM THE CTO AND ACTING CEO

We now have a dedicated team that focuses on value creation, the growth of our businesses and on efficient capital allocation processes. We have reason to be cautiously optimistic about the future prospects of Ascendis. I am energised by the opportunity to be spearheading the transition and I am confident we have the team to deliver.

I joined the board in May 2022, alongside excellent colleagues, with a very clear purpose to stop the bleeding and extract greater value for shareholders from specific divestments.

I have been fortunate to have an incredibly competent, loyal, and dedicated team alongside me and we have already achieved some incredible successes over the past couple of months. The team has salvaged a great deal of value following the near-disastrous decisions that were made and almost implemented prior to the board changes in May. We are now making good progress on supporting the stabilisation, optimisation, and growth of the remaining businesses.

Extracting value through the deleveraging process

Despite not having the luxury of time and having to make several challenging decisions under trying circumstances, our team's stellar work has already yielded significant wins over the past four months:

- We have retained Medical Devices which we believe has significantly more value than reflected in the offer received for the businesses earlier this year. Following a period of capital underinvestment, our turnaround efforts in these entities are well underway with a distinct focus on value accretive capital allocation
- Despite requiring significant attention and intervention, we anticipate that shareholders will benefit from continued exposure to these businesses
- We have negotiated a R57 million increase in the offer price for the Pharma business from Austell Pharmaceuticals, with whom we refinanced the senior debt on more favourable terms compared to the previous lender
- A successful rights offer was concluded in August and we raised R101.5 million in cash for the group. The combined impact of the rights offer and Pharma disposal provide a near complete solution to the debt

- Board committees have been reconstituted following the board changes and this has enabled more robust governance and more effective decision-making
- We have embarked on an accelerated process to optimise and downsize the head office and group structure with the objective of transitioning to a lean and fit-for-purpose investment holding company

As a result of the above, the group will soon have a largely unencumbered balance sheet while retaining a meaningful base of businesses from which to grow.

Stabilising, optimising and growing the businesses

My approach is frank and transparent. The reality is that we came into a business that was in dire straits; the lack of appreciation for the sanctity of capital had reached levels I have only ever read about in state-owned enterprises (until now) and shareholders will probably never have full appreciation for the level of damage control and heavy-lifting that has been required from the team. The team was able to avoid an almost inevitable crash-landing.

Outgoing CEO, CJ Kujenga has done a sterling job in steering the ship under trying circumstances and I am thankful for her help and assistance but suffice to say, if the reconstitution of the board did not happen when it did, and we could not stem the tide as a collective, this would likely be a different letter entirely.

Like many businesses in the South African macro-environment, we face unprecedented pressures to maintain and improve margins with continually escalating costs of doing business. It is also apparent that these pressures have been compounded by our businesses facing a backlog of investment, reputational damage from the unexpected board changes in December and liquidity pressure arising from the group corporate activity that have contributed to operational inefficiencies. Despite these difficulties, I must commend and thank our management teams that have been outstanding in preserving the businesses through the turbulence of the group restructure and Covid-19.

As the de-leveraging journey nears its end, our focus has shifted to unlocking value in the businesses. My appointment was driven by a recognition that this effort needs to be accelerated given the urgency to deploy capital to restore the businesses and enable growth, and in some instances, drive optimisation and resilience in the face of a challenging macro environment.

We have commenced a rigorous programme, working alongside management of the businesses, to drive greater visibility on performance and stabilise the operations, optimise costs, enhance operating models and margins, and drive growth through sophisticated and fact-based capital allocation.

We have also embarked on a process to review and ensure we have the right people in the right roles with an appropriate remuneration structure to instil a culture of ownership and accountability. This will entail an incentive "reset" in order to break away from the trend of management incentives linked to divestments and EBITDA towards robust KPIs closely linked to return on capital invested and cash generation. At a group management level, a core focus is to change the behaviour and thinking of our people and in this regard, I believe it is of paramount importance that key personnel are aligned with the best interests of shareholders via equity-linked incentives – investigating suitable solutions in this regard will be a priority.

We are fortunate that our businesses have strong customer and supplier relationships, brands, technical depth, and market positioning in growing segments and niches and I am excited by the potential our businesses have in the South African healthcare landscape. The resilience they have shown has given us all hope and confirmed that there is value and untapped growth in the future.

My team has made excellent progress to date in fixing the plane, mid-air, and I believe we are laying a solid foundation in our pursuit of operational excellence. Guaranteed, it will not all be plain sailing in the coming years, but I believe we are taking important steps in mitigating the downside risk. I look forward to reporting on progress at the interim results in March next year.

Restructuring head office

As we embark on this exciting and challenging next phase in the Ascendis journey, we have to ensure that the group head office structure supports the value unlock in the businesses in a cost effective manner, recognising the smaller group that remains.

Some progress has been made in recent months in this regard, but the cost of the head office remains excessive and the structure continues to resemble a "corporate head office" instead of a more appropriate high impact "investment holding company" with a portfolio management team focused on driving value.

Alongside the work within the underlying businesses, I will be focused on accelerating the ongoing head office winddown towards a leaner, more cost effective holding company structure.

Appreciation

The past few months have given me confidence that we have both an opportunity and the ability to reset Ascendis and position it as a purpose-driven value creating organisation that enables our external stakeholders and our staff to thrive.

I have no doubt that, without the encumbrance of excessive debt, there are amazing things to come for our people, businesses and stakeholders.

I would like to thank the board, my fellow executives, and the teams in the business for the welcome afforded to me, and for their willingness to commit to the exciting journey ahead. It will not always be easy but we will be doing it together. I am excited about the journey and grateful for the opportunity.

Carl Neethling
CTO and acting CEO

OPERATIONAL REVIEW

CONSUMER HEALTH

Revenue*

R564 million

(June 2021: R574 million)

▼ 2%

Normalised EBITDA[PM]*

R64 million

(June 2021: R70 million)

▼ 9%

excludes Skin

Overview

Consumer Health comprises of four consumer healthcare businesses targeted at different segments of the value chain:

- **Wellness:** Develops, markets and distributes branded vitamins, minerals, supplements and skin products
- **Supply chain:** Supports the Wellness division and third parties through the procurement and manufacturing of vitamins and supplements. Manufacturing takes place at its production facility in Wynberg, Gauteng which is one of only two South African Health Products Regulatory Authority accredited soft gel capsule manufacturers in the country
- **Chempure:** One of sub-Saharan Africa's largest importers and distributors of speciality ingredients used in the sports nutrition, food and beverages, health and wellness as well as personal care industries
- **Compounding Pharmacy:** Speciality pharmacy which compounds personalised and speciality medication and care products for patients and medical practitioners from its premises in Bryanston, Gauteng. The facility includes a state-of-the-art Good Manufacturing Practice compliant sterile laboratory

Consumer Health is one of the largest vitamin, mineral and supplement (VMS) suppliers in South Africa, with market-leading brands Solal, Vitaforce, MenaCal7, Chela-range, Bettaway, Vitaforce, Biobalance and Junglevites being among the most established and recognised in their categories. The business also represents globally reputable agencies, including DSM, Hilmar, Milk Specialities and Vitajoy.

The Skin and Body business, which formed part of Consumer Health, was disposed of with effect from 31 May 2022.

CONSUMER HEALTH (CONTINUED)

Review of 2022

While consumer demand for immunity products initially remained buoyant, sales were adversely affected due to port and shipping delays of raw materials, supply chain disruptions and delays in payments.

As the year progressed, consumers came under increasing financial pressure leading to a declining basket value, reduced footfall into stores as well as a shift in shopping behaviour away from branded VMS to white label and own brands. However, despite the declining spend, two key trends contributed positively to the growth of Consumer Health products, notably the pursuit of a holistic lifestyle and consumers seeking to better manage stress and sleeplessness more naturally.

The Covid-19 lockdown had a positive impact on natural and non-scheduled products aimed at managing stress, sleep and depression. The Vitaforce stress category benefited from this, with double-digit growth on this category (source: IRI).

The move to consolidate multiple-indication products into a single solution to support a more holistic lifestyle had a positive impact on both the Solal and Vitaforce multivitamin ranges.

Unfortunately, out of stock challenges and production capacity hampered the growth potential in this category.

During 2022 Consumer Health launched two new products in the Vitaforce and Solal ranges under the energy and immunity categories. These launches were supported with extensive marketing campaigns on trending digital platforms, such as YouTube and TikTok, as well as traditional platforms, such as radio.

After encountering severe port and flight disruptions in the first half of the year, coupled with global raw material shortages and distribution turbulence, Chempure experienced good growth in purchases in the second half of the year resulting in strong growth over the prior year.

Profitability was driven by range optimisation, continuous improvement and cost reduction projects.

Outlook for 2023

In the year ahead Consumer Health aims to improve production and efficiencies, maximise infill rates and increase investment into marketing and product development of existing brands.

An increased consumer focus on health and wellness underpins the growing demand for these products, with the South African vitamins and supplements market generating approximately R8.2 billion in annual sales (sources: IRI and SSD). As consumers face increasing pressure on disposable income, the VMS market is likely to contract and stronger growth is expected in lower priced nutraceuticals.

A major focus in the year ahead will be on increasing the capacity utilisation at the Wynberg production facility as the current capacity utilisation of the facility is approximately 60%. Management aims to capitalise on the local manufacturing trend and the growing trend for large retailers and pharmaceutical chains to offer their own private label products. Private label VMS ranges are currently experiencing double digit growth (source: IRI).

The global compounding pharmacy market is forecast to increase at a compound annual growth rate of 6.1% from 2019 to 2028 (source: Research and Markets). Innovation from the group's compounding pharmacy unit in the year ahead includes the expansion into the skin and oncology categories to optimise the utilisation of the compounding facility, as part of the strategy to expand and build scale in this business over time.

Chempure is well positioned to bridge the supply chain shortages faced by the industries it services through its specialist procurement model. The business offers industry leading technical competency and expertise in providing innovative solutions for customers, supported by long-term relationships with world class manufacturers of quality ingredients.

MEDICAL DEVICES

Revenue*

R996 million

(June 2021: R983 million)

▲ **1%**

Normalised EBITDA[PM]*

R45 million

(June 2021: R60 million)

▼ **25%**

**excludes RCA*

R'million	Revenue*			Normalised EBITDA[PM]*		
	June 2022	June 2021	**% Change**	**June 2022**	June 2021	**% Change**
The Scientific Group	**376**	457	**(18)**	**55**	103	**(47)**
Surgical Innovations	**464**	402	**15**	**(13)**	(39)	**67**
Ortho-Xact	**156**	124	**26**	**3**	(4)	**175**
Normalised EBITDA[PM] margin				**4.52%**	6.10%	

Overview

Medical Devices is a market leader in the distribution of medical devices and in vitro diagnostics. It has long-standing, well entrenched and trusted relationships with key suppliers and is the exclusive distributor of leading, globally recognised and sought-after brands. Scale, geographic footprint and deep technical expertise position Medical Devices well as a partner of choice for multinationals looking to access South and sub-Saharan African markets.

The business has exclusive agency agreements with its top suppliers Olympus, Bayer, Getinge Group, Qiagen, BD, Horiba, Sakura, Orthofix, AAP and Rejoin.

Medical Devices serves private and public sector hospitals, laboratories and scientific institutions through a specialist team of sales and service personnel who install equipment, systems, sets and instruments purchased from suppliers at hospitals and laboratories. Income is generated from this installed base through sales of dedicated consumables, sets, reagents, technical service income, and in some instances rental and "pay per use". The products and services provided by Medical Devices improve healthcare outcomes and the quality of life of patients.

Following the disposal of Respiratory Care Africa in October 2021, Medical Devices comprises three businesses structured around specific market segments, operating in a market worth R38 billion.

Review of 2022

Medical Devices experienced a post-lockdown normalisation in elective surgery and trauma cases that resulted in improved performances by Surgical Innovations and Ortho-Xact. This was tempered by the underperformance in The Scientific Group owing to Covid-19 related sales dissipating and other areas taking longer to recover to pre-Covid-19 levels. The Scientific Group was also impacted by the reallocation of donor funding in the rest of Africa to Covid-19 vaccine procurement and distribution, and away from diagnostic testing.

Growth in CardaXes, the incubator business established in the cardiology segment during Covid-19, was driven by the growth in the Philips agency and the launch of the Microport agency.

Encouraging progress was made on operational optimisation strategies which focused on improving warehouse operations, demand planning and introducing additional governance.

Costs came under severe pressure during the year as the business was impacted by the global supply chain disruptions and raw material shortages in the post-Covid-19 environment, with significant increases in inbound logistics costs. The war in Ukraine contributed to major inflationary pressures, particularly in fuel and inbound logistics.

MEDICAL DEVICES (CONTINUED)

The Scientific Group
Clinical Diagnostics, Life Sciences and POC

Therapeutic areas

- **Clinical Diagnostics** – Diagnostic instruments, reagents and consumables to pathology laboratories through instrument leases
- **Science** – Services the academic and scientific industries
- **Point of Care** – Cost- and time-saving diagnostics at the patient's bedside

Key agencies

Surgical Innovations
Surgical, Cardiovascular, ACT and CardaXes

Therapeutic areas

- **Surgical** – GI, respiratory, ENT, urology, women's health, bariatric and general surgery
- **Cardiovascular** – Market leader in contrast and automation; and Cardiology, Radiology, Vascular and Neurology
- **Acute Care Therapy** – Supplies equipment in circulatory and critical care support
- **CardaXes** – Specialised interventional cardiology and peripheral vascular

Key agencies

Ortho-Xact
Orthopaedic Trauma, Reconstructive and Sports Medicine

Therapeutic areas

- Adult and paediatric limb deformity correction, internal and external fracture fixation solutions
- Specialised sports medicine and minimally invasive orthopaedic solutions
- Products include orthopaedic and surgical implants, power tools and related accessories

Key agencies

Outlook for 2023

The focus for the 2023 financial year will be on driving organic growth in each business unit and further expansion of new business areas.

Both Surgical Innovations and Ortho-Xact are focused on defending their market position, improving efficiencies and targeting profitable, cash generating growth opportunities. The business model of both businesses is under review with the aim of transitioning to income streams that have a lower capital expenditure requirement. The introduction of the Rejoin agency (a provider of specialised sports medicine and minimally invasive orthopaedic solutions) in Ortho-Xact supports that aspiration and provides a firm foundation for the growth opportunities provided by the sports medicine field. Over the past year, the team in Surgical Innovations has been developing own brand solutions that are capital-light and enable increased revenue streams from consumables. Ascendis is proud to be rated as the preferred interventional diagnostic supplier for private hospital groups Netcare and Mediclinic. The Scientific Group is focused on deepening and expanding its product portfolio as well as its geographical reach in its markets in the rest of Africa. CardaXes focuses on interventional cardiology and this is expected to support growth in revenue and profitability.

Medical Devices is fortunate to partner with global agencies such as BD, Olympus, Bayer and Getinge that are leading medical technology companies who have a strong focus on developing innovative technologies, services and solutions. Our distribution arrangements enable us to work collaboratively to bring these products to the markets that we serve and to grow revenue. We will continue to do this, with increased focus on ensuring that revenue growth translates into appropriate profit and cash return profiles.

CASE STUDY

Medical Devices has the largest market share for the supply of ECMO machines in South Africa.

ECMO is used in life and death situations, where the machine pumps blood outside the body to a heart-lung machine that allows blood to bypass the heart and lungs, allowing these organs to recuperate and heal. This was essential in saving lives during the Covid-19 pandemic.

As an example, this technology provided by Medical Devices was used successfully when a pregnant Covid-19 patient was transferred by paramedics to the Unitas Hospital in Centurion, and thanks to the ECMO machine and quality medical care, mother and baby are both healthy and well.

PHARMA

Revenue

R384 million

(June 2021: R310 million)

▲ 24%

Normalised EBITDA[PM]*

R53 million

(June 2021: R23 million)

▲ 130%

Overview

Pharma operates primarily within the private and public sectors of the South African pharmaceutical industry and is a marketer and distributor of both prescription and OTC medicines. Its customers are retail pharmacies, pharmaceutical wholesalers, private hospital groups and government hospitals via tenders.

The Pharma division has indefinite and exclusive access to and rights to market Farmalider's portfolio of products (not registered with SAHPRA yet) for 14 Southern African Development Community countries (including South Africa) and 11 other African countries.

The Pharma division owns some of the most recognised brands in the gastrointestinal, cough and cold, pain, diabetes, and niche generic segments of the domestic pharmaceutical market, including:

- **Reuterina,** the number one selling[1] and prescribed[2] probiotic range in South Africa, with a 32%[1] market share by value;
- **Sinuend and Sinucon** hold the number one and two positions in the cold preparation market respectively based on volume sales[1] and jointly hold the number one position in value terms with a market share of 20%[1];
- **Canex T and Canex V** rank number one in unit sales, collectively holding a 35% share of volume in their markets[1];
- **Phlexy,** an injectable anti-epileptic and a first-to-market generic product, is the leading phenytoin injectable with an 87% market share[1]; and
- **Biocort** is the number one selling hydrocortisone cream in volume terms in South Africa, with a 46% market share[1].

(Sources: [1] IQVIA total private market data and [2] Impact Rx)

Strong performance experienced in the key brands Reuterina, Sinuend and Sinucon contributed to sales growth of 24% to R384 million. The business continues to benefit from the cost restructuring that was completed in 2020, and the combination of this plus the revenue performance has resulted in 130% normalised EBITDA[PM] improvement to R53 million.

Outlook for Pharma and rationale for disposal

Pharma has developed a five-year new product launch plan for priority molecules. This includes the recently concluded licensing agreement for all Farmalider products, 40 of which have been identified for commercialisation. The new product pipeline, coupled with rationalisation benefits, sets a strong platform for the business.

The strong product pipeline, together with the performance of the past year, makes the business attractive to trade buyers who can extract value via their own platform at a quicker rate than Ascendis is currently able to do. The disposal of Pharma allows the group to unlock and monetise the value in Pharma's product portfolio and pipeline sooner than it would be able to do otherwise.

The disposal of Pharma, together with the rights offer, provides a complete solution to the alleviation of the group's ongoing debt burden allowing the group to consolidate its position in its core business activities and create a solid platform for expansion.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE REPORT

Ascendis Health is committed to good corporate governance and ethical practices to ensure the sustainability of the business. The group's governance framework is founded on the principles of accountability, integrity, transparency, ethical standards, fairness and compliance.

The board is responsible for ensuring compliance with and the implementation of legislation, regulation and governance codes.

Ascendis Health subscribes to the spirit of good corporate governance outlined in the King Code on Corporate Governance 2016 (King IV) and the group continued to report in accordance with King IV during the 2022 financial year. Governance processes have been implemented across the business and the directors confirm the group has, in all material respects, applied the 16 principles of King IV and where it was unable to fully apply the principle, an explanation has been provided in the King IV Report.

The application and explanation of the group's implementation of each King IV principle, as required in terms of the JSE Listings Requirements, is reviewed and updated annually in the King IV Report which is available on the group's website www.ascendishealth.com

Board of directors

Board charter

The board has a formal charter detailing the scope of authority, responsibility and functioning of the board. The charter is reviewed annually by the board. In terms of the charter, the directors retain overall responsibility and accountability for the following:

- Adopting strategic plans and setting performance objectives
- Approving financial results as well as financial objectives and targets
- Monitoring operational performance, competency and management
- Ensuring effective risk management and internal controls
- Complying with legislative, regulation and governance codes
- Ensuring the liquidity, solvency and going concern of the group
- Overseeing the values, ethics and integrity of the group
- Selecting, orientating and evaluating the directors
- Reviewing the terms of reference and composition of board committees
- Assessing the performance of board members, including the chairman, CEO, CFO as well as the company secretary
- Ensuring directors' adherence to their fiduciary duties as well as duty of care and skill
- Ensuring appropriate remuneration policies and practices that are aligned to shareholders' interests
- Overseeing shareholder communications, stakeholder engagement and shareholder meeting resolutions
- Determining the dividend policy

Board composition

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

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

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

(i) Sango Ntsaluba resigned as a non-executive director effective 29 October 2021;

(ii) Mark Sardi resigned as an executive director and CEO effective 31 December 2021;

(iii) Andrew Marshall retired as an independent non-executive director and chairman of the board as a result of shareholders resolving to remove him as a director at the annual general meeting (AGM) held on 20 December 2021;

(iv) Kinesh Pather retired as an independent non-executive director effective 20 December 2021 as a result of shareholders not reappointing him at the AGM;

(v) Bharti Harie and George Sebulela resigned as independent non-executive directors effective 20 December 2021;

(vi) Harry Smit, Lawrence Mulaudzi, Richard Dawes, Gary Shayne and Karsten Wellner were appointed as non-executive directors effective 20 December 2021;

(vii) Bharti Harie, Amaresh Chetty and Carl Neethling were appointed as non-executive directors effective 11 May 2022;

(viii) Gary Shayne resigned as a non-executive director effective 6 June 2022;

(ix) Richard Dawes resigned as a non-executive director effective 28 June 2022;

(x) Carl Neethling was appointed as an executive director, CTO and acting CEO with effect from 13 September 2022; and

(xi) With effect from 30 September 2022, Cheryl-Jane Kujenga stepped down as CFO and Mpeo Nkuna as company secretary.

After retiring as a director following the AGM, Andrew Marshall continued as acting CEO for the period 22 December 2021 to 13 January 2022, following which Cheryl-Jane Kujenga assumed the joint roles of interim CEO and CFO, with effect from 13 January 2022.

Following the appointment of Carl Neethling as CTO and acting CEO, on 13 September 2022 Cheryl-Jane Kujenga relinquished the dual role of interim CEO and CFO and resumed her role as CFO until 30 September 2022.

CORPORATE GOVERNANCE REPORT (CONTINUED)

In terms of the group's governance structure, the roles of the chairman and the CEO are separate and clearly defined. This division of responsibilities ensures a balance of authority and power, with no individual having unrestricted decision-making powers.

The board appointed Carl Neethling as an executive director and CTO and acting CEO, tasked to oversee and manage the internal shift in the organisation to an investment holding company structure. The CTO and acting CEO will renegotiate all the major aspects of commercial and cost structures and fast-track the change in the operating model. The CTO and acting CEO will work closely with the executive management team to implement the appropriate capital structure and capital allocation framework, with a focus on minimising group debt and implementing net working capital and asset backed facilities in the business units.

The CTO and acting CEO's employment agreement is set for a period of up to nine months, subject to any agreed renewals or extensions with the Company. Carl Neethling will effectively stand down as a non-executive director for the duration he is appointed as executive director and has accordingly stepped down as a member of the human capital committee of the board of directors.

As the CTO and acting CEO, Carl Neethling will initially earn a nominal fee of R1.00 per month. A performance-based incentive will be considered at the appropriate time while the Company is currently under no obligation to provide any additional compensation to Carl Neethling. All changes to the remuneration structure will be subject to the JSE Listings Requirements.

The appointment of directors is undertaken in a formal and transparent manner by the board, assisted by the human capital committee.

All non-executive directors are subject to retirement by rotation and re-election by the shareholders at least once every three years, as determined in the company's memorandum of incorporation. At the forthcoming AGM to be held in November 2022, Harry Smit and Karsten Wellner will be retiring and have made themselves available for re-election, in accordance with the company's memorandum of incorporation.

The age, tenure, status and experience of each director is detailed on page 39.

Key focus areas addressed by the board

The board's focus was primarily on setting a stable and sustainable foundation for the future of the group. As part of this, the board addressed the following key areas during the financial year:

- Debt reduction and group restructuring, including the disposal of assets and undertaking the rights offer post-year-end
- Stabilisation of governance structures, including the implementation of appropriate board structures and ensuring the effectiveness of the board
- Stabilisation of people and leadership, with the focus on succession planning, retention of key talent and supporting programmes to improve employee well-being during the period of instability through the group restructuring
- Restructure of the head office to align with the needs of the smaller, post-group restructuring business
- Continued monitoring of the group's liquidity and cash flow requirements, including the oversight of the negotiation of extended terms with vendors on deferred payments

The board's focus areas are covered in further detail in the Leadership review covered on pages 13 to 23.

Annual general meeting

At the AGM held on 20 December 2021, the required majority of shareholders did not support the following ordinary and special resolutions:

- Re-appointment of Dr Kinesh Pather as a non-executive director;
- Appointment of Lwazi Koyana as a non-executive director;
- Appointment of George Sebulela as a member of the audit and risk committee;
- Appointment of Lwazi Koyana as a member of the audit and risk committee;
- General authority to the directors to issue shares of the company for cash, limited to 10%;
- Approval of an additional non-executive directors' fee for the 2021 financial year; and
- Granting a general authority to repurchase shares in the company.

The resolution proposing the appointment of Carl Neethling as a non-executive director was withdrawn prior to the meeting.

In addition, shareholders representing more than 25% of the votes exercised at the AGM voted against the resolutions to approve the company's remuneration policy and the remuneration implementation report in non-binding advisory votes. Following the AGM, shareholders who voted against the approval of the remuneration policy and implementation report were requested to submit their concerns and reasons for voting against the resolutions. Management engaged with the dissenting shareholders who raised their concerns and provided feedback to the human capital committee and the board. The feedback from these discussions, together with the group's response, is included in part 1 of the Remuneration report on pages 42 and 43.

Company secretary

The company secretary ensures that board procedures and all regulations and governance codes are applied. The company secretary provides guidance to directors on governance, compliance and their fiduciary duties and assists in the orientation of new directors. Directors have unrestricted access to the advice and services of the company secretary.

The board undertook an annual formal evaluation of the company secretary in terms of the JSE Listings Requirements. The directors are satisfied that the company secretary has the competence, qualifications and experience to perform the role. The company secretary is not a director of the company and has an arm's-length relationship with the board.

Board committees

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

During the reporting period the board reviewed and amended the committee composition following the changes to the board.

Audit and risk committee

Composition

Chairman: Bharti Harie

The committee comprises two independent non-executive directors and two non-executive directors. During the year, the following changes occurred:

- Sango Ntsaluba stepped down as the chairman of the committee following his resignation as a non-executive director. Bharti Harie was appointed as chairman of the committee with effect from 29 October 2021
- Following the changes to the board pursuant to the AGM, Bharti Harie (chairman) and George Sebulela stepped down as committee members. Shareholders elected the following directors to the committee: Gary Shayne, Richard Dawes, Karsten Wellner and Lawrence Mulaudzi
- Gary Shayne and Richard Dawes stepped down as members of the committee following their respective resignations from the board in June 2022. The board then reconstituted the board committees, including the audit and risk committee, which now comprises Bharti Harie (chairman), Amaresh Chetty, Karsten Wellner and Lawrence Mulaudzi

All the members are elected by shareholders at the AGM each year.

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

The committee has a formal charter which has been approved by the board and is reviewed annually.

Role and responsibilities of the audit and risk committee

- Ensure the group has adequate and appropriate financial reporting procedures and operating controls
- Maintain oversight of financial results and integrated reporting and monitor sustainability reporting
- Assess the liquidity and solvency of the group
- Confirm the adoption of the going concern basis
- Ensure that significant business, financial and other risks are identified and managed
- Ensure satisfactory standards of governance, reporting and compliance in conformance to the Companies Act, King IV, International Financial Reporting Standards, other accounting standards, tax regulations and other related regulations
- Review the findings and recommendations of the internal and external auditors
- Approve the audit plans and fees for external audits
- Review and approve the significant reduction in internal audit work in light of the continuing corporate actions during the 2022 financial year
- Recommend the appointment of the external auditor to the shareholders for approval at the AGM
- Monitor the fraud and litigation register and reporting, ensuring policies and procedures are in place to mitigate these risks
- Consider the appropriateness of the expertise and experience of the CFO and the finance department
- Ensure appropriate risk management policies and mitigation measures are adopted by management
- Measure the risk profiles of all business divisions as well as the group, through regular updates of risk registers
- Ensure management has implemented systems of internal control and effective risk-based internal audits
- Monitor borrowings, interest rate exposure movement and interest rate hedging policies
- Ensure appropriate insurance cover is purchased on all material risks above pre-determined self-insured limits
- Ensure adequate disclosure of risks to shareholders
- Review the combined assurance plan and business continuity plan
- Review the IT infrastructure and governance, and monitor cyber security awareness

Human capital committee

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

Composition

Chairman: Amaresh Chetty

The committee comprises three independent non-executive directors and one non-executive director.

The CFO/interim CEO attends meetings by invitation and is recused from discussions relating to her performance and remuneration.

During the year, the following changes were made to the committee:

- Following the AGM, Dr Kinesh Pather (chairman), Andrew Marshall and George Sebulela stood down as committee members
- The committee was reconstituted to comprise Karsten Wellner (chairman), Harry Smit and Richard Dawes
- Following the appointment of new directors to the board in May 2022, the committee was again reconstituted to comprise Amaresh Chetty (chairman), Harry Smit, Bharti Harie and Carl Neethling. Richard Dawes stepped down as a member of the committee by virtue of his resignation from the board. Carl Neethling stepped down from the committee in September 2022 by virtue of his appointment as CTO and acting CEO. Karsten Wellner remains a standing invitee

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

Refer to the Remuneration report on pages 42 to 51.

Role and responsibilities of the human capital committee

- Ensure the group has a remuneration policy which is aligned with the company's strategic objectives and goals, is competitive in the marketplace, and aligned to shareholders' interests
- Review and approve the remuneration of executive directors and senior managers
- Review and approve payments in terms of the annual short-term incentive scheme, based on performance measures
- Review and approve long-term incentive schemes
- Propose annual fees for non-executive directors for approval at the AGM
- Determine a long-term strategy for the retention and development of executives and key personnel
- Ensure effective succession planning is in place for executives and senior managers
- Ensure the board and its committees have an appropriate balance of skills, experience, gender and diversity
- Identify and nominate candidates for appointment to the board and committees
- Co-ordinate the annual board and committee evaluation process
- Review the performance of the chairman and members of the board and committees annually, as well as the CEO, CFO, and company secretary
- Co-ordinate the induction programme for new directors and continuing development for all directors
- Recommend to shareholders the annual re-election of non-executive directors by rotation and the appointment of audit and risk committee members

Social, ethics and transformation committee

Composition

Chairman: Amaresh Chetty

The committee comprises three independent non-executive directors, one non-executive director and one executive director.

The human resources manager and the transformation manager regularly attend meetings at the invitation of the committee.

During the year, the following changes occurred:

- Bharti Harie (chairman), Dr Kinesh Pather and Andrew Marshall stood down as members of the committee following the AGM
- The board reconstituted the committee to comprise Lawrence Mulaudzi (chairman), Harry Smit and Cheryl-Jane Kujenga
- Following the appointment of new directors to the board in May 2022, the committee was reconstituted to comprise Amaresh Chetty (chairman), Lawrence Mulaudzi, Harry Smit, Bharti Harie and Cheryl-Jane Kujenga

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

Role and responsibilities

- Assist the board in determining the impact of the business on the environment, society and the economy
- Monitor the group's activities relating to social and economic development, the environment, and health and public safety
- Advise the board on factors impacting on the long-term sustainability of the business
- Monitor adherence to corporate citizenship principles and ethical behaviour
- Ensure the group's interactions with stakeholders are guided by legislation and regulation
- Provide guidance on empowerment and transformation, labour and employment
- Oversee corporate social investment projects

Refer to the Social, Ethics and Transformation Committee report on pages 52 to 54.

Board and committee attendance

	Board	*Ad hoc* Board meetings	Audit and risk	Social, ethics and transformation	Human capital
Number of meetings	**4**	**24**	**6**	**1**	**5**
Andrew Marshall(c)**	2/2	10/10	–	–	2/2
Sango Ntsaluba*	1/1	2/2	5/5	–	–
Bharti Harie**^^	2/2	9/9	5/5	–	–
Dr Kinesh Pather**	2/2	3/3	–	–	2/2
George Sebulela**	2/2	3/3	5/5	–	2/2
Mark Sardi***	2/2	7/7	5/5	–	2/2
Harry Smit^(C)	2/2	21/21	–	1/1	3/3
Dr Karsten Wellner^	2/2	20/21	1/1	–	3/3
Lawrence Mulaudzi^	2/2	18/21	1/1	1/1	–
Gary Shayne^#	2/2	18/19	1/1	–	–
Richard Dawes^##	2/2	14/21	1/1	–	3/3
Amaresh Chetty^^	–	6/6	–	–	–
Carl Neethling^^^	–	6/6	–	–	–
Cheryl-Jane Kujenga$	4/4	23/24	6/6	1/1	3/3

(c) *Andrew Marshall was chairman of the board until 20 December 2021; Harry Smit was appointed chairman of the board from 13 January 2022*

* *Resigned 29 October 2021*

** *Resigned/retired from the board 20 December 2021*

*** *Resigned 31 December 2021*

^ *Appointed 20 December 2021*

^^ *Appointed 11 May 2022*

Resigned from the board 6 June 2022

Resigned from the board 28 June 2022

$ *Appointed joint interim CEO and CFO 13 January 2022, resumed CFO role from 13 September 2022*

^^^ *Appointed CTO and acting CEO effective 13 September 2022*

Risk management

The board is responsible for the governance and oversight of the risk management process and is assisted in this process by the audit and risk committee. The group's chief risk officer is responsible for ensuring an efficient and effective enterprise risk management process operates across the group. The group's chief risk officer is responsible for compiling and overseeing the implementation of the group risk management policy and reports to the audit and risk committee and board on risk management and mitigation measures.

The implementation of the business strategy is dependent on management taking calculated risks that are in the best interests of the company and Its stakeholders and ensure that adequate controls are in place to mitigate the level of risk. Sound management of risk enables Ascendis Health to anticipate and respond to changes in the healthcare industry and take informed decisions under conditions of uncertainty.

The board has approved a risk appetite statement for the company. The audit and risk committee review this statement annually and makes recommendations for changes to the board.

The purpose of the risk management policy is to identify, assess, manage and monitor the risks to which the business is exposed. Risk registers are maintained and reviewed bi-annually in all the group's businesses as well as for the group as a whole. Information technology governance forms an integral part of the group's risk management process, with the audit and risk committee assisting the board in meeting its responsibilities in this regard.

Management has implemented systems of internal controls and effective risk-based internal audits aimed at:

- Safeguarding assets and reducing the risk of loss, error, fraud and other irregularities
- Ensuring the accuracy and completeness of accounting records and reporting
- Preparing timely and reliable financial statements and information in compliance with relevant legislation
- Complying with generally accepted accounting policies and practices
- Increasing the probability of anticipating unpredictable risk
- Mitigating key risk exposures

The board confirms that the group's risk management, mitigation and monitoring processes have been effective in limiting the impact of risks on the business in the past financial year. The board also ensures that its risk management is aligned to the King IV principles.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Accountability and compliance

Details of the internal audit function and systems of internal controls, as well as the external audit function, are contained in the audit and risk committee report in the audited annual financial statements for the year ended 30 June 2022, available on the group's website: www.ascendishealth.com

Legislative compliance

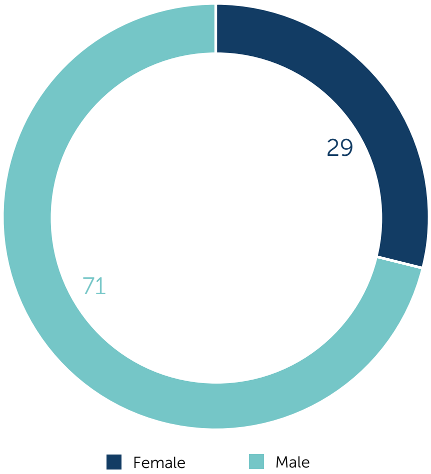
Legislative and regulatory compliance is monitored by the company secretary and the group's internal legal department. A regulatory universe process has been implemented and is managed with the divisional heads. There were no cases of material legislative or regulatory non-compliance and no penalties or sanctions were imposed on the group or any of its directors or officers during the year.

Ethics management

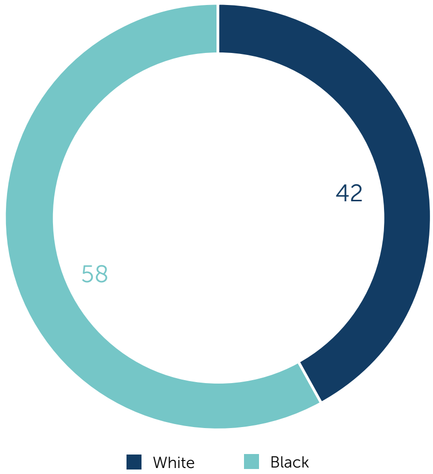
The board considers the ethics of the group as critical to the successful operation of its businesses. Ethical practices and good corporate governance are key values of the Ascendis Health culture and are constantly promoted and measured in the regular activities of the employees and management. To this extent, Ascendis Health has established a code of ethics and policies on, among others, conflicts of interests, fraud, bribery and corruption, and sanctions. A hotline facility is accessible to all employees, is administered by an external service provider and ensures absolute anonymous protection and follow up on matters that are reported.

BOARD PROFILE

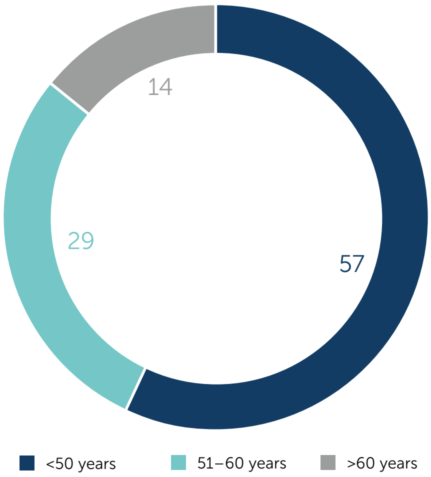
Board gender diversity (%)



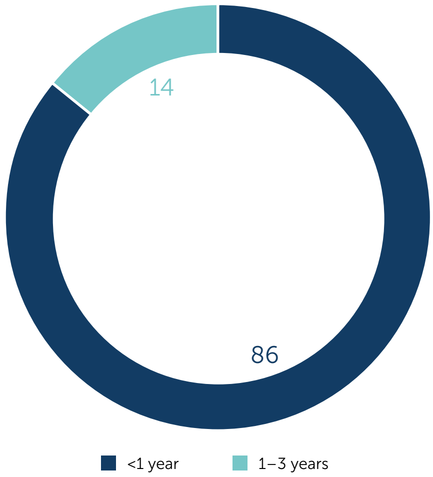
Board race diversity (%)



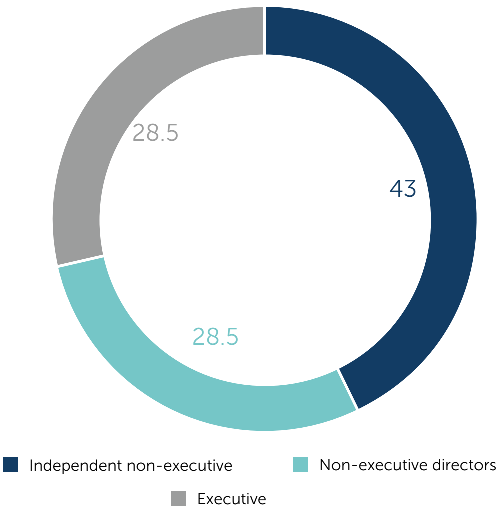
Board ages (%)



Board tenure (%)



Director classification (%)



CORPORATE GOVERNANCE

BOARD OF DIRECTORS

Harry Smit (51)

Independent non-executive director and chairman
Bachelor of Divinity | Member of social, ethics and transformation and human capital committees
Appointed to the board in December 2021

Harry was appointed to the board following the group's recapitalisation in 2021. As a co-founder of Retail Activist Investors he led the activist group in lobbying for the rights of Ascendis shareholders and in particular minority retail shareholders. He was appointed chairman of the group in January 2022, becoming the first retail shareholder activist to be appointed to this role at a JSE-listed company which heralded a significant transformation in the company's history. Harry is forward thinking and has a strong affinity for facilitating and building consensus among diverse individuals. He has a background in the legal and financial fields and built two successful construction companies as well as taking a mid-career sabbatical to pursue religious studies and focus on community outreach. Since 2020 he has devoted his attention to investments, shareholder activism and more recently being a company director.

Carl Neethling (43)

Executive director and chief transition officer, and acting chief executive officer
BCom, CA (SA)
Appointed to the board in May 2022

Carl has extensive commercial and investment experience and co-founded Acorn Private Equity, a leading alternative asset fund manager, in 2009.

He is a respected dealmaker and portfolio manager with 18 years' experience, serving on various company boards. He oversees and manages assets in excess of R5 billion in corporate and family assets.

Prior to co-founding Acorn, Carl was global investment controller for one of the leading independent private equity and alternative asset family offices in the UK and USA, working in close partnership with Goldman Sachs, Whitehall, Blackstone and other influential investors.

Cheryl-Jane (CJ) Kujenga (44)

Executive director and chief financial officer
CA (Z), CA (SA), Executive MBA (UCT) *cum* laude, Business, International Relations and the Political Economy (LSE)
Appointed to the board in December 2020

CJ has over 20 years' experience, 13 at a senior executive leadership level, having been a partner at Ernst & Young for night years, during which time she served as the Africa Strategic Growth Markets Leader; and Group CFO and Interim CEO of Adcorp Holdings before joining Ascendis Health. She received the African Women Chartered Accountants CFO of the Year award in 2020 and also served on the Accounting Standards Board for six years.

Her experience spans strategy development and implementation, driving growth in multiple markets, debt and balance sheet restructuring as well as executing organisational transformation.

CJ joined Ascendis in December 2020 as the chief financial officer and took on the joint role of interim chief executive officer and chief financial officer from January 2022 until September 2022.

Amaresh Chetty (45)

Independent non-executive director
BCom, PG Dip Bus Management, MBA | Chairman of social, ethics and transformation committee, chairman of human capital committee and member of audit and risk committee
Appointed to the board in May 2022

Amaresh has over 20 years' investment and commercial experience with significant healthcare expertise, including completing a R1 billion empowerment transaction with private hospital group Mediclinic. He is chairman of Sunstone Capital, which finances medical equipment, and is a director of Turnstar Holdings, the largest property company listed on the Botswana Stock Exchange. He was a founding director of Ithuba, the operator of the current South African national lottery.

He has extensive capital markets experience supplemented with operational experience at portfolio companies. In addition to his academic qualifications, Amaresh has completed courses in valuations, corporate restructuring and mergers and acquisitions.

Bharti Harie (52)

Independent non-executive director

BA, LLB, LLM | Chairman of audit and risk committee and member of social, ethics and transformation and human capital committees

Appointed to the board in May 2022

Bharti is a seasoned company director with over 10 years of experience. She serves as an independent non-executive on the following boards: Stefanutti Stocks Limited, Lenmed Investments Limited, Bell Equipment Sales South Africa, EOH Holdings Limited and St. David's Marist Brothers, Inanda.

Bharti has previously served as lead independent non-executive director of Ascendis Health. She was admitted as an attorney, notary and conveyancer in 1996.

Dr Karsten Wellner (61)

Non-executive director

Masters in economics; PhD in international economics (magna *cum* laude)

Member of audit and risk committee

Appointed to the board in December 2021

Karsten has extensive top management and M & A experience with global healthcare and retail companies. Karsten was the first CEO of Ascendis Health, guiding the company through its listing on the JSE and its early years of growth. He is the founder of GEC Consulting, was formerly a non-executive director of Alpha Pharm Western Cape and EC Holdings. He previously held senior executive roles for the listed global healthcare company Fresenius for 18 years in Germany, Switzerland, Eastern Europe, Middle East and South Africa. In his last role at Fresenius, he was executive vice president responsible for South Africa, Africa and the Middle East. Karsten was a guest lecturer at the University of Stellenbosch Business School from 2010 to 2015 teaching international management and market entry strategies.

Shumani (Lawrence) Mulaudzi (45)

Non-executive director

National Diploma Information Technology; Post-graduate Diploma in Computer Auditing

Member of audit and risk and social, ethics and transformation committees

Appointed to the board in December 2021

Lawrence has extensive experience at a senior and directorship level and serves as a director of Total Energies Marketing Services (formerly Total South Africa), Tosaco Energy, Kilimanjaro Capital, Kefolile Health Investments, Kefolile Consumer Brands and Blackgold Investments. Lawrence is the co-founder of Kilimanjaro Capital which has invested more than R2.5 billion in multiple businesses, ranging from health, consumer products and energy. He is the founder and president of Tshakhuma Tsha Madzivhandila Football Club.

Board gender and diversity policy

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

The board acknowledges that gender and race are important aspects of diversity and at 30 June 2022, 58% of the directors were black (2021: 58%), and 29% of the directors were black females (2021: 29%). The board has an established gender and race diversity policy in accordance with the JSE Listings Requirements.

REMUNERATION REPORT

PART 1: BACKGROUND INFORMATION

Remuneration philosophy

The group's remuneration policy is aimed at creating a performance-based culture and strategy. The primary objective of the policy is to motivate management and employees to contribute to the group's strategy by achieving operational and financial objectives and effectively managing operating expenditures.

The remuneration policy is based on the philosophy that the growth and sustainability of the group's business is dependent on its ability to motivate and retain employees with competent skills and commitment to their scope of responsibilities, within a performance-based culture, and with ethical and responsible corporate citizenship.

Impact of the group recapitalisation on the remuneration framework for 2021 and 2022

As a result of the implementation of the group recapitalisation and group restructuring, the historical approach to incentivising management needed to be aligned with the direction agreed by the board, senior lenders and shareholders.

In adapting to the changed environment driven by the group recapitalisation, the human capital committee (the committee) acknowledged that the successful conclusion of the group recapitalisation would require a stable and engaged management team during this high intensity period and an incentive programme, comprising a retention scheme together with an incentive element, was proposed.

The committee believed that the compensation approach needed to be relevant and competitive while aligning the required outcomes of the business with strategic value creation. The objectives of this alignment were to:

- Ensure a continued focus on operational performance
- Ensure the group remains liquid and solvent
- Drive the successful completion of the disposal of certain assets and the group restructuring
- Unlock optimal shareholder value post the group recapitalisation and the restructuring
- Continue to retain key talent within the group

Following the AGM in December 2021, the extraordinary general meeting in May 2022, and resignations in June 2022, the resulting changes to the board meant that the committee was reconstituted with effect from June 2022. The committee has evaluated the original management incentive plan (MIP) set up during 2021 as part of the group recapitalisation to ensure that its construct was fair and appropriate for the group. Please refer to page 46 for more detail on the construct of the MIP. An independent remuneration consultancy firm, 21st Century Pay Solutions, was engaged to review the contracts for the MIP to:

- Determine whether the base enterprise values were set appropriately
- Ensure that the computation of the MIP was correct, taking into account the contractual performance conditions such as penalties for not meeting agreed milestones
- Assess whether the MIP can be renegotiated within permitted parameters

The outcome of 21st Century's assessment was that the committee is within its right to apply reasonable discretion to determine the ultimate payments of the MIPs. This process is currently under way.

2023 and beyond

The season of lender instigated divestments has come to an end for the group. The retention of the Medical Devices and Consumer Health businesses provides a solid foundation to rebuild the group as both businesses are well positioned in their respective segments within the South African health and wellness market. Therefore, the current MIP which is linked to the divestment of assets will terminate with the disposal of Pharma and a new incentive structure will be implemented which is aligned with value creation for the group and shareholders in the context of the strategy.

The committee acknowledges that current staff costs are misaligned with the needs of a smaller group, and there is a potential mismatch of the skills required in a more entrepreneurial, agile group. Therefore, a complete overhaul of the remuneration structure will take place in the 2023 financial year. The key focus areas for the committee in this regard will be:

- Organisational restructuring that flattens the top structures in the group, ensuring that the CEO and CFO roles are more operational in nature, potentially with direct oversight of at least one of the two segments
- Ensuring that people with the right competencies are placed in the appropriate roles at the right earnings level
- Alignment of incentive structures across the group with performance outputs that drive shareholder value
- Benchmarking of salaries, bearing in mind the reality of the group's smaller size

The work that the chief transition officer and acting CEO is currently performing will feed into the considerations made by the committee on the revised remuneration policy.

The committee is cognisant that the above operational requirements may affect staff and as such will ensure that due process is followed in terms of the Labour Relations Act. It is important to note that no final decisions have been made and the well-being of our staff remain top of mind during the transition phase.

Remuneration governance

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

The committee comprises four non-executive directors, namely, Amaresh Chetty (chairman), Bharti Harie, Harry Smit and Carl Neethling, and conforms to the King IV guidelines. During the period that Carl Neethling will serve as an executive director as chief transition officer, he will stand down from the committee. The committee is governed by a formal charter which is reviewed and approved annually by the board.

The committee meets at least three times a year and additional meetings can be held to discuss specific issues arising in the business. In the financial year 2022, the committee met five times. The meetings are aligned to the review and approval of the budgeted remuneration for each year, as well as the consideration of performance bonuses for executives and senior management under the approved performance incentive scheme.

The executive directors are responsible for the implementation of the remuneration policy and ensuring that performance metrics are cascaded appropriately through the organisation.

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

During the financial year and to the date of this report, the committee addressed the following key matters:

- Provided oversight of the implementation of the 2022 short-term incentive (STI) scheme as presented to shareholders
- Considered the implications of the dissenting shareholders who voted against the non-binding resolutions on the 2021 remuneration policy and implementation report and considered the sufficiency of the follow-up and responses provided by management
- Oversaw the appointment of Cheryl-Jane Kujenga as joint interim CEO and CFO, with effect from 13 January 2022
- Oversaw the appointment of Carl Neethling as CTO and acting CEO, with effect from 13 September 2022
- Provided oversight of the implementation of the head office restructure that was commenced in April 2021 with a view to materially reducing the head office costs and align them with the needs of the smaller post recapitalisation South African-only business
- Determined and recommended to the board the proposed non-executive directors' (NED) fees for the 2023 financial year, which results in an average 15.8% reduction in the total aggregated fees per position. The proposal is aimed at equitable compensation to non-executive directors during a period of multiple corporate actions, whilst taking into consideration the current economic environment and the liquidity challenges faced by the company. This updated fee structure is discussed under page 50 and will be proposed to shareholders for approval at the forthcoming AGM
- Accepted the following changes to the board:
  - Resignation of Sango Ntsaluba from the board and as chairman of the audit and risk committee with effect from 29 October 2021
  - Andrew Marshall stepping down as chairman of the board and member of the human capital and social, ethics and transformation committees, with effect from 20 December 2021
  - Kinesh Pather stepping down as member of the board, chairman of the human capital committee and member of the social, ethics and transformation committee, with effect from 20 December 2021
  - Resignation of Bharti Harie from the board and as chairman of the audit and risk and social ethics and transformation committees with effect from 20 December 2021
  - Resignation of George Sebulela from the board and as member of the audit and risk and the human capital committees, with effect from 20 December 2021
  - Appointment of Harry Smit as a non-executive director of the board with effect from 20 December 2021, and appointment as chairman of board effective 13 January 2022
  - Appointment of Gary Shayne as a non-executive director of the board with effect from 20 December 2021, and later his resignation from the board effective 6 June 2022
  - Appointment of Karsten Wellner as a non-executive director of the board with effect from 20 December 2021
  - Appointment of Lawrence Mulaudzi as a non-executive director of the board with effect from 20 December 2021
  - Appointment of Richard Dawes as a non-executive director of the board with effect from 20 December 2021, and later his resignation from the board effective 28 June 2022
  - Resignation of Mark Sardi from the board and as CEO with effect from 31 December 2021

REMUNERATION REPORT (CONTINUED)

  - Re-appointment of Bharti Harie as a member of the board with effect from 11 May 2022
  - Appointment of Amaresh Chetty as a member of the board with effect from 11 May 2022
  - Appointment of Carl Neethling as a member of the board with effect from 11 May 2022
- Revised the composition of the committee structures and confirmed the adequacy of the structure and performance of the board and its committees in light of these board changes
- Oversaw the implementation of the MIP and retention plan aligned with the group strategy and group restructuring. More details of the MIP and retention plan are disclosed in the Remuneration policy on page 44
- Reviewed and approved the Remuneration policy and Implementation report for inclusion in the 2022 integrated annual report and presentation at the next AGM for shareholders' approval as non-binding resolutions

This remuneration report focuses on the remuneration of the executive directors and non-executive directors for the period ended 30 June 2022.

Shareholder engagement and voting

The remuneration policy and the implementation report are subject to separate non-binding advisory votes at the AGM each year, in accordance with the recommendations of King IV. In line with the requirements of King IV, should either the remuneration policy or the implementation report receive 25% or more dissenting votes, management will engage directly with these shareholders to determine the reasons for the dissenting votes and take reasonable measures to address legitimate concerns. The steps taken to address legitimate and reasonable concerns will be disclosed in the following year's integrated report.

At the AGM held in December 2021, 65.78% of shareholders (December 2020 AGM: 62.24%) voted in favour of the remuneration policy and 65.76% of shareholders (December 2020 AGM: 92.40%) supported the implementation report in these non-binding advisory votes. While these resolutions are non-binding, the committee acknowledges that the votes fall below the threshold set by King IV.

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

The committee is aware of the shareholder concerns and believe that these will be adequately addressed as part of the 2023 and beyond remuneration policy revision as outlined above.

Part 2: REMUNERATION POLICY

Remuneration principles

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

- Align remuneration practices with the delivery of the group's strategy and ensure that remuneration of executive management is fair and responsible in the context of overall employee remuneration
- Ensure that executive reward schemes are aligned with shareholders' interests and are subject to performance conditions
- Develop and retain employees in the healthcare industry who contribute to the group's sustained business growth
- Establish remuneration packages that comprise annual guaranteed pay, performance-based bonuses and other appropriate benefits
- Recognise and reward employees by promoting a performance-based culture which incorporates both short- and long-term objectives
- Ensure the group's remuneration structures are competitive in the market
- Ensure internal equity among employees
- Grant annual increases which are performance-based and in line with the responsibilities of the job, excluding trade union negotiated increases
- Benchmark and review job positions annually using the internationally recognised Hay benchmarking system
- Encourage career path aspirations and develop succession planning within the group
- Ensure compliance with applicable legislation and regulatory codes

Fair and responsible remuneration

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

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

- Equal pay for equal work
- Compliance with trade union agreements
- Performance reviews
- Annual salary benchmarking surveys (using a hybrid of the Hay and the South African Medical Device Industry Association (SAMED) models to ensure that the survey is industry-specific)

- Annual assessment of competitive remuneration packages for key personnel
- Position grade and development curve placement inform the benchmark percentile to ensure market competitive remuneration
- Increased investment in training and leadership development to facilitate promotional opportunities
- Internal talent pipeline development programmes facilitated through personal development programmes established on a blended learning model
- Discretionary and promotional increase programmes based on measurable performance and development metrics
- Total payroll movement percentage determined by the board, as guided by the annual increase in the consumer price index and economic and employment market conditions

Remuneration practices

Basic salaries are benchmarked annually to the Hay and SAMED models as well as comparisons to JSE Limited companies with similar market profiles as Ascendis Health.

The complexities of the group's business model are considered together with the regulatory environment within the healthcare sector in which the group operates. The pay policy aims to pay employees on the 50th percentile on average. Skilled positions where it is difficult to source talent are paid at levels to retain the best skills and are generally paid between the 50th and 75th percentile.

Attrition savings are applied where necessary, to align human resource costs to business performance. Staff turnover is measured monthly and reported to the committee and the social, ethics and transformation committee, and the underlying reasons assessed in terms of risk to the company.

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

Prescribed officers

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

2021 and 2022 executive directors' remuneration structure and design

The remuneration structure of the executive directors was closely linked to the achievement of the group's operating and financial objectives primarily aimed at maintaining robust operational performance, while ensuring successful implementation of the Group Recapitalisation, maximising exit pricing on disposals, ensuring that the debt restructuring resulted in a more sustainable capital structure as well as ensuring that optimal value is derived by the shareholders from the remaining operations.

The remuneration packages of the executive directors include the following components:

- Annual guaranteed pay and company benefits
- Variable pay based on a combination of STIs and MIPs

The committee has designed the remuneration mix for executives in a way that avoids over-dependence on variable stretch and variable long-term components. This results in a high requirement for on-target performance, aligns with the Group Recapitalisation requirements and discourages any excessive risk-taking behaviour.

The committee ensures that performance criteria are cascaded through the organisational structures appropriately to ensure alignment and a performance culture.

Cheryl-Jane Kujenga's performance was evaluated by both the committee and the audit and risk committee, and both assessments confirmed by the board. Her contractual term comes to an end on 30 September 2022. The committee is prioritising succession planning for both the CEO and CFO roles.

REMUNERATION REPORT (CONTINUED)

Guaranteed pay		Variable pay	
Core component of remuneration. It is set to reflect the market value of the role within a 50th to 75th percentile.		**Encourages achievement of mid- to long-term targets**	
Base salary	**Benefits**	**Short-term incentives (STI)**	**Management incentive plan (MIP)**
Market-related salary based on role and performance.	Benefits include medical aid, provident fund, disability, life cover and access to an employee assistance programme (EAP).	The STI incentivises achievement of strong operational results. Targets are based on a 12-month view aligned with the reporting period and taken in the context of the longer-term goals of the group. Targets are both financial and non-financial. The financial targets constitute 70% of the STI and are based on 95% achievement of ROIC, EBITDA and net working capital targets, weighted as follows: • 40% on EBITDA • 30% on ROIC • 30% on net working capital 30% of the STI is based on personal KPIs which include: • Setting and implementation of the business strategy • Internal and business controls development • Talent management STI are capped at a maximum of 150% of 50% of the CEO's and CFO's total annual guaranteed pay respectively. Further details of the STI results for the 2021 financial year are provided in the implementation report.	The MIP was established as a mechanism to incentivise and retain key executives during the period of the Group Recapitalisation, divestment of identified assets and debt restructuring activities. The MIP is subject to disposal gains above the baseline enterprise value (BEV). It encourages the management team to maximise the enterprise value on disposal and ensures that executives are only rewarded after delivering tangible strategic outcomes. If the actual sale price achieved is greater than the predetermined base value, 15% of the difference will be allocated towards an incentive pool, that is split between participating business unit and head office staff. If a vesting milestone is not achieved within the required timeframe, the relevant portion of the award is reduced by 5% for each month of slippage. The vesting and payment profile is set to encourage performance and the creation of a self-funding pool. These awards vest on signing of an SPA and are paid on successful completion of a disposal. Good leaver, bad leaver clawbacks are applicable.

Group Recapitalisation Retention Award – Both Mark Sardi, the former CEO, and Cheryl-Jane Kujenga, participated in the retention award that was put in place with the former lenders, Blantyre and L1 Health, subject to performance targets related to the group recapitalisation.

The maximum amounts payable were disclosed in the shareholder circular on the group recapitalisation circular issued on 3 September 2021:

	Group recapitalisation	Animal Health disposal	RCA disposal	Total
MJ Sardi	8 507	1 712	4 775	**14 994**
CJ Kujenga	3 180	640	2 388	**6 208**

In total 50% of the retention award was payable on completion of the group recapitalisation transaction and was paid in October 2021. Mark Sardi forfeited the balance of his awards when he resigned. Cheryl-Jane Kujenga will be paid the balance of her retention award at the end of September 2022 in line with her appointment agreement to take over the joint role of interim CEO and CFO.

Other management and staff

Senior managers and selected key staff receive an annual guaranteed salary, which includes retirement and healthcare benefits as well as a variable portion based on a performance-based annual bonus. Salaries may include premiums of up to 25% for scarce and critical skills and positions. An annual salary increase is applied which is performance based and market related and is dependent on the financial position of the company.

Non-executive directors

In the annual review of the non-executive directors' fees, the committee takes into consideration external benchmarking surveys such as the Institute of Directors SA Non-Executive Directors' Fees Guide. In addition, the proposed directors' fees consider the level of responsibility and activity of each director in the meetings of the board and its committees.

The non-executive directors are paid a quarterly fee for their services as directors as well as for serving on the board committees. The fees are based on the number of meetings planned for the year as well as regulatory and governance responsibilities.

In accordance with best corporate governance practices, non-executive directors do not participate in the group's incentive schemes, nor do they have employment contracts with the group.

REMUNERATION REPORT (CONTINUED)

PART 3: IMPLEMENTATION REPORT 2022

Details of the remuneration paid to executive and non-executive directors for the financial year ended 30 June 2022 are provided in this section of the report. The committee is satisfied that the remuneration policy has been consistently applied in the 2022 financial year and that there have been no deviations from this policy.

Total directors' remuneration

	2022 R'000	2021 R'000
Executive directors	**24 010**	19 041
Non-executive directors		
• set annual fees	**3 079**	3 375
• other services	**3 285**	–
• additional fee for extraordinary meetings	**801**	–
Total	**31 175**	22 416

Staff increases

A decision was taken by the committee not to apply any increases in the 2022 financial year. In line with this decision, the non-executive directors' remuneration remained unchanged from the prior year (2021: 5% increase).

In respect of the proposal for the 2023 non-executive directors' remuneration, the committee has endorsed an average 15.8% reduction in the total aggregated fees per position relative to the fees for 2022, as detailed on page 51 of the report.

For the 2023 financial year, the committee took a decision to apply an average 5% increase for the staff in the business units, effective 1 July 2022. The committee has not increased Cheryl-Jane Kujenga's remuneration for the 2023 financial year.

Executive directors' emoluments 2022

The committee has assessed achievement of the financial and individual KPI of the CEO and CFO for the year ended 30 June 2022. The remuneration is set out below:

	Basic salary	Bonus[2]	Incentives[3,4]	Benefits	Total
MJ Sardi[1]	2 473	–	7 497	769	10 739
CJ Kujenga	4 323	–	8 422	526	13 271
Total	**6 796**	**–**	**15 919**	**1 295**	**24 010**

1 *Resigned effective 31 December 2021*
2 *MJ Sardi and CJ Kujenga were not contracted to STIs in 2022 due to the focus on the debt restructuring and disposal that is recognised through the incentives*
3 *MJ Sardi received 50% of the group recapitalisation related incentive in October 2021. He forfeited the balance on his resignation*
4 *CJ Kujenga's incentives relate to the group recapitalisation related incentive, a portion of which was paid in October 2021 and the balance payable in September 2022, the disposal of Ascendis Skin and Body plus an accrual for the Pharma disposal*
The Pharma incentive award is still subject to the conclusion of the transaction and HCC determination, and represents the maximum possible payment

Non-executive directors' fees

The committee has taken a decision to adjust the remuneration of non-executive directors taking into consideration the reduced size of the group, the industry and complexity of the business, the continued large volume of *ad hoc* board and committee meetings, the time commitment required of the non-executive directors and the level of experience, skills and knowledge the non-executive directors bring to the board.

Based on this ongoing additional time commitment, the committee implemented an additional fee per meeting for non-executive director participation in these extraordinary meetings, as approved by shareholders at the AGM held on 20 December 2021.

More detail on the non-executive directors' remuneration is set out below:

2022

Non-executive directors (R'million)	Set annual fees	Other services[1]	Additional fee for extraordinary meetings	Total
AB Marshall*	562	2 500	–	3 062
Dr KS Pather*	226	–	–	226
JG Sebulela*	211	–	–	211
SS Ntsaluba**	168	–	–	168
B Harie*^^	332	–	24	356
H Smit^	591	–	146	737
G Shayne^$	159	785	146	1 090
SL Mulaudzi^	222	–	146	368
R Dawes^$$	208	–	146	354
K Wellner^	297	–	146	443
A Chetty^^	59	–	24	83
C Neethling^^	44	–	23	67
Total non-executive directors' fee	**3 079**	**3 285**	**801**	**7 165**

* *Resigned on 20 December 2021*
** *Resigned 29 October 2021*
^ *Appointed 20 December 2021*
^^ *Appointed 11 May 2022*
$ *Resigned 6 June 2022*
$$ *Resigned 28 June 2022*

1 *The following emoluments were paid to non-executive directors during the 2022 year in addition to their fees for serving as directors:*
- *R2 500 000 to Andrew Marshall for compensation for serving as acting CEO of the group for the period 22 December 2021 to 13 January 2022, including costs for early termination of his contract*
- *R785 000 to Gary Shayne for consulting on potential mergers and acquisitions for the group for the period 1 March to 30 April 2022*

2021

Non-executive directors	Fees	Other services	Total
AB Marshall	1 124	–	–
B Harie	557	–	–
MS Bomela*	151	–	–
Dr KS Pather	452	–	–
Dr NY Jekwa**	247	–	–
JG Sebulela	389	–	–
SS Ntsaluba	455	–	–
Total non-executive directors	**3 375**	**–**	**3 375**

* *Fees paid for four months of the 2021 year*
** *Fees paid for 8.5 months of the 2021 year*

No additional emoluments were paid to the non-executive directors during the 2021 year.

CORPORATE GOVERNANCE

REMUNERATION REPORT (CONTINUED)

Non-executive directors' fees

Shareholders approved the following non-executive directors' fees for 2022 at the AGM held on 20 December 2021:

Fees paid in 2022	R'000
Chairman of the board	998
Lead independent non-executive director	350
Member of the board	263
Chairman of the audit and risk committee	242
Member of the audit and risk committee	95
Chairman of the human capital committee	126
Member of the human capital committee	63
Chairman of the social, ethics and transformation committee	95
Member of the social, ethics and transformation committee	63

The fees payable to non-executive directors for the 2022 financial year comprised an annual fee based on the positions fulfilled by each director, with the expectation of attendance at a pre-determined regular number of meetings per annum: board (four meetings); audit and risk committee (four meetings); human capital committee (three meetings); and social, ethics and transformation committee (three meetings). All travel and accommodation expenses incurred by directors to attend board and committee meetings are paid by the company. Due to the lifting of the Covid-19 lockdown restrictions, a combination of virtual and in-person meetings were held.

The non-executive directors' fees were determined taking into account the size of the group, the complexity of the business, varying business models, and the challenges relating to the high gearing levels, implementation of the group recapitalisation and the subsequent group restructuring.

At the AGM held on 20 December 2021, shareholders did not vote in favour of the proposed additional flat fee of R150 000 in recognition of the extraordinary volume of board and committee meetings that were held in 2021. However, as part of the non-executive fee structure for 2022 and the Remuneration Policy that was presented to shareholders, an additional fee for extra meetings held in excess of the annual set number and industry standard was implemented for the 2022 period. The additional fee per meeting was calculated based on the average annual fee of the board/committee chairman and members, divided by 52 weeks to get to the proposed fee per extraordinary meeting.

This additional fee was implemented to take into consideration the group's strategy to maximise the value of the remaining businesses post the Group Recapitalisation and the group restructuring, and the anticipated involvement of the board in the successful execution thereof. The fee structure that was approved by shareholders at the AGM and was paid to the non-executive directors for 2022 was as follows:

(R'000)	Base fee for FY22	Fee per extraordinary meeting attended	Capped total additional fee
Position			
Board (maximum 12 additional meetings)			
Chairman	998	12.1	146
Lead independent non-executive director	350		
Board member	263		
Audit and risk committee (maximum four additional meetings)			
Chairman	242	3.2	13
Member	95		
Social, ethics and transformation committee (maximum three additional meetings)			
Chairman	95	1.5	5
Member	63		
Human capital committee (maximum two additional meetings)			
Chairman	126	1.8	4
Member	63		

At the AGM to be held on 30 November 2022, the following amended fee structure will be proposed to shareholders for the 2023 financial year:

1. An adjusted annual fee based on the positions fulfilled by each director, with the expectation of attendance at a pre-determined regular number of meetings per annum: board (four meetings); audit and risk committee (four meetings); social, ethics and transformation committee (three meetings); and human capital committee (two meetings). As recommended by the board, the base fee will be adjusted to align with the smaller size of the group, which results in an average 15.8% reduction in the fees per position relative to the fees for 2022. The proposed fee per position is as follows:

(R'000)	Approved fees for FY22	Proposed fees for FY23
Position		
Chairman	998	**789**
Lead independent non-executive director	350	**393**
Board member	263	**265**
Audit and risk committee chairman	242	**211**
Audit and risk member	95	**89**
Social, ethics and transformation committee chairman	95	**95**
Social, ethics and transformation committee member	63	**57**
Human capital committee chairman	126	**119**
Human capital committee member	63	**59**

2. An additional fee for each extraordinary meeting (board or committee), payable to each non-executive director in attendance at that meeting, with a capped total additional fee based on a maximum number of board or committee meetings. The board has recommended the same fees for additional meetings as approved by shareholders for 2022, as detailed above.

Directors' and associates' shareholdings (as at 30 June)

	Direct beneficial shares		Indirect beneficial shares		Indirect non-beneficial shares		Total	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Director								
SL Mulaudzi	**–**	–	**56 321 482**	–	**–**	–	**56 321 482**	–
C Neethling	**7 013 806**	–	**15 569 699**	–	**–**	–	**22 583 505**	–
K Wellner	**1 278 124**	–	**–**	–	**2 365**	–	**1 280 489**	–
H Smit	**220 000**	–	**–**	–	**–**	–	**220 000**	–
B Harie	**3 548**	3 548	**189 600**	189 600	**6 535**	12 535	**199 683**	205 683
Dr KS Pather*	**180 933**	180 933	**20 000**	20 000	**–**	–	**20 933**	200 933
MJ Sardi**	**–**	25 597	**–**	–	**–**	–	**25 597**	25 597
G Shayne***	**–**	–	**17 774 894**	–	**–**	–	**18 054 371**	–
R Dawes****	**295 400**	–	**–**	–	**–**	–	**295 400**	–
Total	**8 991 811**	210 078	**89 875 675**	209 600	**8 900**	12 535	**98 876 386**	432 213

* *Resigned 20 December 2021*
** *Resigned 31 December 2021*
*** *Resigned 6 June 2022*
**** *Resigned 28 June 2022*

Pursuant to the rights offer in August 2022, the following changes occurred to the above shareholdings between the end of the financial year and the date of approval of this report:

	Direct beneficial	Indirect beneficial	Indirect non-beneficial	Total
Current directors				
H Smit	430 354	–	–	430 354
B Harie	4 602	245 923	6 535	257 060
C Neethling	9 097 350	54 960 094	–	64 057 444
Total	**9 532 306**	**55 206 017**	**6 535**	**64 744 858**

CORPORATE GOVERNANCE

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT

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

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

Role and responsibilities of the committee

The committee acts in terms of the delegated authority of the board and assists in monitoring the group's activities and disclosures in terms of legislation, regulation and codes of best practices relating to:

- Social and economic development
- Ethics practices
- Good corporate citizenship
- Consumer relationships
- Labour and employment
- Transformation, empowerment, gender and diversity
- The impact of the group's products or services on the environment, society and the economy
- Health and safety standards

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

Composition and functioning

The committee comprises independent non-executive directors Amaresh Chetty (chairman), Bharti Harie and Harry Smit, non-executive director Lawrence Mulaudzi and executive director Cheryl-Jane Kujenga. Bharti Harie was the chairman of the committee for the period 1 July 2021 to 20 December 2021 when she resigned as a director. Lawrence Mulaudzi stepped in as chairman of the committee effective January 2022. Following the board changes in May 2022, the committee was reconstituted and Amaresh Chetty assumed the role of chairman effective 13 June 2022. Executive and operational management, including the group transformation manager and group human resources manager, attend meetings at the invitation of the committee.

The effectiveness of the committee is assessed as part of the annual board and committee evaluation process.

Activities

The committee met once during the 2022 financial year. Although the key focus area for the group during the period was the completion of the group recapitalisation which was followed by ongoing debt restructuring and corporate activity, the committee continued to monitor and measure the company's development in the areas of human resources, good corporate citizenship, employment equity, B-BBEE and transformation, black management development, and compliance with environmental, health and safety regulations. The committee continued to oversee the implementation of all the necessary health and safety protocols, including the implementation of a hybrid approach to integrating employees back into the office and working from home to ensure productivity and the safety and welfare of staff, and the continued support to employees and family members affected by Covid-19.

The activities are summarised below and are disclosed as recommended by the King IV principles.

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

The group's B-BBEE rating will only be verified post the publication of the integrated report.

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

The Ascendis Health learnership programme, established in 2016, has grown year on year since inception. The programme offers 12-month learnerships in business administration, chemical operations, project management and business management. In the 2022 financial year, the group expanded its skills development interventions to support 234 learners who were previously unemployed by providing them with study fees and expenses. These learners have since studied towards qualifications including chemical operations, basic pharmacy, automated packaging and retail supervision. There are also currently 124 Ascendis employees who have been awarded learnerships in the fields of chemical operations, digital marketing, human resources and automated packaging.

By participating in the YES (Youth Employment Service) initiative, the group provided 23 unemployed youth from across the country a one-year work experience opportunity. On completion of the programme, these young men and women are equipped with credible work experience and skills to enter the job market or become entrepreneurs. Ascendis Health has retained 16 of the participants, providing permanent employment in the Medical Devices division.

The group further partnered with the Health and Welfare Sector Education and Training Authority (SETA) and the Chemical Industries Sector Education and Training Authority to provide a one-year learnership to 148 unemployed youth. The learnership aims to equip the participants with skills to enter the job market. The group also provided learnerships to 33 current employees which was funded by skills development levy grants received from the SETAs.

Corporate social investment

Ascendis Health remains committed to creating positive social impact through a corporate social investment (CSI) strategy aligned to both our core business strategy and the national development priorities of South Africa. The key focus areas are on improving education and wellness with the theme of "making tomorrow healthier". The group's approach to CSI emphasises partnership and collaboration and Ascendis regularly collaborates with and supports other like-minded government, non-profit and community-based organisations to pool resources and strengthen outcomes.

As part of our commitment to the development and support of underprivileged communities and taking cognisance of our cash constraints, the group partnered with various non-profit organisations to donate vitamins and immunity-boosting supplements to rural communities that were affected by the economic impact of Covid-19 and civil unrest in KwaZulu-Natal and Gauteng. The value of donations for the year was R1.7 million. Beneficiaries included:

- Global Citizen
- Johannesburg Child Welfare
- Phaphama
- Community Chest
- Ububele

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT (CONTINUED)

Environmental, health and safety

The group's environmental, health and safety (EHS) development goals and objectives continue to be centred around identifying opportunities for environmental sustainability and development and energy saving.

Following the outbreak of the Covid-19 pandemic, the group has actively responded to the additional health and safety requirements introduced by government for the protection of staff and has adopted various policies embracing a hybrid approach of integration back into the office and working from home.

Culture of safety

The group's EHS department continues to monitor and evaluate incidents and report findings to the committee.

Emphasis was placed on ensuring that all mandatory legal training was completed.

The group's companies are audited internally by the EHS department annually, as measured against local legislation and ISO standards (9001, 14001 and 45001).

The group also demonstrated its commitment to ensuring the health and wellbeing of its employees by creating a safe and healthy work environment and conserving the natural environment through the continued implementation of an EHS policy, which is communicated and displayed at all sites.

A detailed EHS Framework (with set procedures, documents, registers and forms), placing the focus on managing EHS through legal compliance and risk management, continued to be applied.

Recycling and waste management

The group continues to monitor and measure waste management against internal objectives to reduce and re-use non-toxic material and recycle at source, with all group companies actively sorting recycling waste. The Medical Devices business has a well-established waste sorting and separation facility with efforts focused on the recycling of cardboard, paper, plastic and tetrapack.

Health and wellness

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

As part of the commitment to "making tomorrow healthier", the company continues to implement and promote internal programmes including fitness development, health awareness topics, occupational health and safety training, provision of medical benefits, a smoke-free workplace, weekly physical exercise classes (which have continued on virtual platforms in the work from home environment) as well as a quarterly "12-week challenge" focused on nutrition and mental wellbeing. Employees also benefit from the annual Discovery Wellness Day where testing and screenings are undertaken to ensure monitoring and awareness of their health status.

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

Conclusion

The committee acknowledges that the financial challenges faced by the group, the difficult operating environment and changes in leadership over the past year have required focused attention on the conclusion of the group recapitalisation and restructuring. However, the committee believes that given the size and resources of the group, it is meeting the social, ethics and transformation requirements in terms of the Companies Act and King IV. Ascendis Health remains committed to its corporate citizenship and transformation goals and plans to expand its activities once the business is restored to a sustainable growth path.

Amaresh Chetty
Chairman
Social, ethics and transformation committee

53%
Female and black representation of all employees

87%
New recruits were employment equity candidates

0
Critical health and safety incidents

23
Participants in YES programme, with 16 offered full-time employment in the company

148
Employed and unemployed youth on learnerships through partnerships with SETAs

FINANCIAL AND SHAREHOLDER INFORMATION

AUDIT STATEMENT

PricewaterhouseCoopers Inc. (PwC) have audited the consolidated annual financial statements of Ascendis Health Limited from which the summarised consolidated financial results have been extracted and issued an unqualified opinion with an emphasis of matter related to going concern as follows: We draw attention to Note 1 in the consolidated financial statements, which indicates that the Group incurred a net loss before taxation from continuing operation of R795 million during the year ended 30 June 2022 and, as of that date, the Group's current liabilities exceed current assets excluding both assets and liabilities classified as held for sale by R6 million. As disclosed in Note 1, if the Group is unable to conclude the disposal of Pharma, it will in all likelihood not have sufficient available funds to repay the lenders by 17 November 2022. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter. The details of the directors' considerations related to going concern are included in the commentary section of this announcement.

This announcement itself is not audited. Shareholders are advised that in order to obtain a full understanding of the nature of the auditors' engagement, they should obtain a copy of the auditors' report together with the accompanying financial information, which is available on the company's website, and is available for inspection at the company's registered office.

PERFORMANCE MEASURES

Performance measures (PMs) 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 PMs are used to improve comparability of information between reporting periods and segments by adjusting for infrequent items.

The key PMs used by the group are 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), and normalised operating profit and normalised headline earnings per share (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).

PMs 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 there has been full compliance with the JSE's practice note 4/2019 as it relates to the PMs 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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 30 June 2022

	Notes	2022 R'000	Restated [1] 2021 R'000
Continuing operations			
Revenue	7	1 559 458	1 825 469
Cost of sales		(921 724)	(1 132 157)
Gross profit		**637 734**	**693 312**
Other income		17 234	55 663
Selling and distribution costs		(113 897)	(109 249)
Administrative expenses		(472 356)	(557 667)
Net impairment loss on financial assets		(1 110)	(19 129)
Other operating expenses		(134 185)	(172 716)
Transaction and restructuring related costs [2]		(81 062)	(270 931)
Net impairment loss on assets[3]		(169 800)	(85 947)
Operating loss		**(317 442)**	**(466 664)**
Finance income	8	6 699	4 680
Finance costs	8	(484 649)	(1 084 204)
Loss before taxation		**(795 392)**	**(1 546 188)**
Tax credit/(expense)		37 303	(108 678)
Loss from continuing operations		**(758 089)**	**(1 654 866)**
Profit from discontinuing operations	4	1 208 235	599 899
Profit/(loss) for the period		**450 146**	**(1 054 967)**
Profit/(loss) attributable to:			
Owners of the parent		449 200	(1 090 804)
Continuing operations		(759 035)	(1 690 703)
Discontinued operations		1 208 235	599 899
Non-controlling interest		946	35 837
		450 146	**(1 054 967)**
Loss per share from continuing operations			
Basic and diluted loss per share (cents)	6	(157.3)	(351.1)
Total profit/(loss) per share			
Basic and diluted profit/(loss) per share (cents)	6	93.1	(226.5)

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

[2] This was previously presented as once-off costs. These costs are part of administrative expenses.

[3] These costs are normally presented as part of other operating expenses.

FINANCIAL AND SHAREHOLDER INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2022

	2022 R'000	Restated [1] 2021 R'000
Profit/(loss) for the period	**450 146**	**(1 054 967)**
Other comprehensive income:		
Items that may be reclassified to profit and loss net of tax		
Foreign currency translation reserve	(17 397)	159 765
Disposal and deregistration of foreign operations	(373 683)	-
Items that will not be reclassified to profit and loss net of tax		
Revaluation of property, plant and equipment	-	3 640
Income tax relating to items that will not be reclassified	-	(1 019)
Other comprehensive (loss)/income for the period net of tax	**(391 080)**	**162 386**
Total comprehensive income/(loss) for the period	**59 066**	**(892 581)**
Total comprehensive income/(loss) attributable to:		
Owners of the parent	58 120	(928 418)
Continuing operations	(757 460)	(1 691 353)
Discontinued operations	815 580	762 935
Non-controlling interest	946	35 837
	59 066	**(892 581)**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 June 2022

	Notes	2022 R'000	2021 R'000
ASSETS			
Property, plant and equipment		231 391	200 505
Right-of-use assets		115 432	157 675
Intangible assets and goodwill		116 308	363 666
Other financial assets		7 622	13 951
Deferred tax assets		48 281	68 356
Non-current assets		**519 034**	**804 153**
Inventories		371 866	454 049
Trade and other receivables		339 174	407 344
Other financial assets		51 017	14
Current tax receivable		20 909	25 895
Derivative financial assets		3 065	-
Cash and cash equivalents		213 020	365 980
		999 051	1 253 282
Assets classified as held for sale	4	159 513	8 577 531
Current assets		**1 158 564**	**9 830 813**
Total assets		**1 677 598**	**10 634 966**
EQUITY			
Stated capital		6 036 471	6 017 784
Reserves		(714)	465 516
Accumulated loss		(5 633 954)	(6 136 763)
Equity attributable to equity holders of parent		**401 803**	**346 537**
Non-controlling interest		-	167 232
Total equity		**401 803**	**513 769**
LIABILITIES			
Borrowings and other financial liabilities	2	22 131	8 222
Deferred tax liabilities		24 774	76 770
Lease liabilities		140 272	165 300
Non-current liabilities		**187 177**	**250 292**
Trade and other payables		423 560	522 753
Borrowings and other financial liabilities	2	521 538	6 784 252
Deferred vendor liabilities		-	116 808
Provisions		18 204	45 904
Contract liabilities		16 792	15 241
Lease liabilities		10 817	27 973
Derivative financial liabilities		-	2 773
Current tax payable		14 602	29 146
Bank overdraft		-	69
		1 005 513	7 544 919
Liabilities classified as held for sale	4	83 105	2 325 986
Current liabilities		**1 088 618**	**9 870 905**
Total liabilities		**1 275 795**	**10 121 197**
Total equity and liabilities		**1 677 598**	**10 634 966**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2022

R'000	Stated capital	Foreign currency translation reserve	Revaluation reserve	Other reserves	Retained income/ (Accumulated loss)	Total attributable to equity holders of the group	Non-controlling interest	Total equity
Balance as at 1 July 2020	**5 975 703**	**217 875**	**31 395**	**(6 044)**	**(4 925 308)**	**1 293 621**	**127 138**	**1 420 759**
(Loss)/profit for the period	-	-	-	-	(1 090 804)	**(1 090 804)**	35 837	(1 054 967)
Other comprehensive income	-	159 765	2 621	-	-	**162 386**	-	162 386
Total comprehensive income/(loss) for the period	**-**	**159 765**	**2 621**	**-**	**(1 090 804)**	**(928 418)**	**35 837**	**(892 581)**
Release of treasury shares[3]	42 081	-	-	-	(42 081)	-	-	-
Dividends	-	-	-	-	-	-	(2 791)	(2 791)
Foreign currency translation reserve	-	(4 493)	(1 817)	(9 072)	0	(15 382)	4 493	(10 889)
Reclassification of reserves into retained earnings	-	16 875	(4 147)	63 415	(78 854)	(2 711)	2 711	-
Disposal/deregistration of subsidiary	-	-	(278)	-	-	(278)	-	(278)
Disposal of non-controlling interest	-	-	-	-	-	-	(451)	(451)
Statutory reserve: Farmalider	-	-	-	(579)	284	(295)	295	-
Total contributions by and distributions to owners of the group recognised directly in equity	**42 081**	**12 382**	**(6 242)**	**53 764**	**(120 651)**	**(18 666)**	**4 257**	**(14 409)**
Balance as at 30 June 2021	**6 017 784**	**390 022**	**27 774**	**47 720**	**(6 136 763)**	**346 537**	**167 232**	**513 769**
Profit for the period	-	-	-	-	449 200	449 200	946	450 146
Other comprehensive loss	-	(391 080)	-	-	-	(391 080)	-	(391 080)
Total comprehensive (loss)/income for the period	**-**	**(391 080)**	**-**	**-**	**449 200**	**58 120**	**946**	**59 066**
Appraisal rights payments [1]	(2 120)	-	-	-	-	(2 120)	-	(2 120)
Release of treasury shares[2]	20 807	-	-	-	(20 807)	-	-	-
Foreign currency translation reserve	-	-	193	565	(1 492)	(734)	-	(734)
Reclassification of reserves into retained earnings	-	-	(8 921)	(66 987)	75 908	-	-	-
Disposal of non-controlling interest	-	-	-	-	-	-	(168 178)	(168 178)
Total contributions by and distributions to owners of the group recognised directly in equity	**18 687**	**-**	**(8 728)**	**(66 422)**	**53 609**	**(2 854)**	**(168 178)**	**(171 032)**
Balance as at 30 June 2022	**6 036 471**	**(1 058)**	**19 046**	**(18 702)**	**(5 633 954)**	**401 803**	**-**	**401 803**

[1]These amounts relate to the buy back of the appraisal rights from dissenting shareholders.

[2] Treasury shares to the value of R20.8 million (30 June 2021: R42.1 million) have been released to equity in the current year.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June 2022

	Notes	2022 R'000	Restated[1] 2021 R'000
Cash flows from operating activities			
Cash (utilised by)/generated from operations		(102 871)	(4 498)
Cash generated from/(utilised by) operations - discontinued operations		124 026	821 854
Interest income received		5 615	4 681
Interest paid		(106 671)	(165 987)
Income taxes paid		(13 688)	(9 573)
Net cash (outflow)/inflow from operating activities		**(93 589)**	**646 477**
Cash flows from investing activities			
Purchases of property, plant and equipment		(55 549)	(38 565)
Proceeds on the sale of property, plant and equipment		6 896	368
Purchases of intangibles assets		(254)	(117)
Proceeds on the sale of intangible assets		-	23 286
Proceeds from disposal of other financial assets		-	2 639
Net cash inflow/(outflow) from investing activities - discontinued operations		1 093 716	(255 662)
Proceeds from disposal of subsidiaries - net of cash		1 188 993	170 205
Cash outflow from investing activities - discontinued operations		(95 277)	(425 867)
Net cash inflow/(outflow) from investing activities		**1 044 809**	**(268 051)**
Cash flows from financing activities			
Payments made to acquire treasury shares		(2 120)	-
Proceeds from borrowings raised		48 730	150 649
Repayment of borrowings		(1 135 679)	(86 798)
Repayments on deferred vendor liabilities		(120 947)	(12 000)
Lease liabilities repaid		(26 686)	(35 211)
Net cash outflow from financing activities - discontinued operations		(36 729)	(283 518)
Net cash outflow from financing activities		**(1 273 431)**	**(266 878)**
Net increase/(decrease) in cash and cash equivalents		**(322 211)**	**111 548**
Restricted cash balance at the beginning of the period		60 442	75 057
Other cash and cash equivalents balance at the beginning of the period		305 469	268 926
Cash and cash equivalents at beginning of period		365 911	343 983
Effect of exchange difference on cash balances		(1 953)	24 111
Cash and cash equivalents at the beginning of the period - assets held for sale	4	175 675	61 944
Cash and cash equivalents at end of period - assets held for sale	4	(4 402)	(175 675)
Restricted cash balance at the end of the period		64 060	60 442
Cash and cash equivalents balance at the end of the period		148 960	305 469
Cash and cash equivalents at end of period		**213 020**	**365 911**

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

FINANCIAL AND SHAREHOLDER INFORMATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022

1. Material uncertainty on 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 30 June 2022.

On 30 June 2022 the group's debt was classified as current in line with the terms of the Austell Facility as outlined below. Despite this classification, the group's current assets exceed the current liabilities by R69.9 million meaning that the group is in a liquid position. However, and as outlined further below, if the group is unable to conclude the disposal of Pharma and refinance the remainder of the debt, it will not have sufficient available funds to repay the lenders by 17 November 2022. This position reflects a material uncertainty that casts significant doubt on the group's ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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, the outcome from the rights offer which took place in August 2022, together with progress on, and expected outcomes from the Pharma disposal and commercial refinance as described in further detail below.

The directors have also considered the group's structure and strategy for the remaining entities. The directors have concluded that the group can continue to operate as a going concern subject to the successful disposal of Pharma and refinance of the balance of the debt, and/or to provide working capital facilities.

1. Strategy and debt reduction

In October 2021, the group successfully concluded the debt restructure programme that was envisaged under the group recapitalisation programme led by the lenders, L1 Health and Blantyre. This resulted in the reduction of the debt that was outstanding on the senior facilities agreement ("SFA") and deferred vendor liabilities by €429 million (R7.3 billion). Further, L1 Health and Blantyre undertook to provide the group with new facilities. The group's total debt under these new facilities was R545 million on 31 December 2021.

On 20 December 2021, the lenders delivered a notice to the group confirming that the mandatory prepayment provision under the SFA had been triggered due to changes to the board of directors at the annual general meeting (the "2021 board changes"), and that as such, all outstanding utilisations of the facilities, together with accrued interest and all other amounts accrued and payable under the related finance documents, were immediately due and payable. As a result, the group entered into a forbearance agreement with the lenders. This ultimately culminated in the introduction of new lenders to the group as described below.

On 12 January 2022 a consortium incorporating Apex Management Services and Pharma-Q Holdings advanced a new facility in the amount of R550 million to the group, the proceeds of which were utilised to settle the debt owed to L1 Health and Blantyre ("Apex / Pharma-Q Loan Facility").

On 13 May 2022, the lenders delivered a notice to the group confirming that the mandatory prepayment provision under the SFA had been triggered due to changes to the board of directors at an extraordinary general meeting (the "2022 board changes), and that as such, all outstanding utilisations of the facilities, together with accrued interest and all other amounts accrued and payable under the related finance documents, were immediately due and payable.

On 16 May 2022, the group entered into a new debt agreement with Austell Pharmaceuticals for the advancement of a new facility ("Austell Facility"). The new term facility amounted to R590 million and was used to settle the Apex / Pharma-Q Loan Facility and therefore the SFA in full.

The Austell Facility reduced the cost of borrowings significantly, with a cumulative saving on interest to 30 June 2022 of approximately R3.6 million. Most importantly, it provided an extension of the repayment timeline from 30 June 2022 to 17 November 2022 without the threat of enforcement.

1. Material uncertainty on going concern (continued)

The disposal of Ascendis Skin and Body was implemented on 31 May 2022 and the proceeds were used to reduce the Austell Facility. Therefore, the group's total debt under the Austell Facility at 30 June 2022 was R498 million (total senior debt at 30 June 2021: R7.8 billion).

The extension of the debt repayment to November 2022, has allowed the board an opportunity to comprehensively review the prospects of the underlying operations versus the disposal valuations, and to consider the optimal strategic pathway for the group. Following this review, on 27 June 2022 it was announced that the Medical Devices disposal would not be proceeding, following a mutual agreement concluded between the parties to terminate the transaction. This allows the Board the chance to realise the potential growth opportunities it believes exist in the Medical Devices business.

On 19 July 2022, it was announced that Ascendis had concluded an agreement to dispose of Pharma to Austell for a purchase consideration of R410 million (the "Austell Pharma disposal"), a contingent transaction only implementable in the event that shareholders do not approve the Pharma-Q/Imperial Pharma disposal. The Pharma-Q/Imperial agreement as signed on 30 January 2022 provides a purchase consideration of R375 million. In September 2022, Austell increased the purchase consideration by a further R22 million from R410 million to R432 million.

Whilst the Pharma disposal is a Category 1 transaction requiring shareholder approval, the conclusion of these two agreements provides the board with a high level of certainty of a successful conclusion to the transaction. The Austell financing agreements cater for a set off of the gross proceeds against the debt, subject to any net working capital adjustments. Therefore, the application of this to the debt would result in a reduction of the debt as at 30 June 2022, to R88 million in an Austell Pharma Disposal transaction, and R123 million in a Pharma-Q/Imperial Pharma Disposal transaction, subject to adjustment for interest incurred up until the date the debt is settled and any closing net working capital adjustments.

On 25 July 2022, the group announced its intention to raise an amount of R101,53 million by way of a fully underwritten non-renounceable rights offer ("rights offer"), through an offer of 143 000 000 new Ascendis shares. The rights offer was concluded on 19 August 2022, and an amount of R101.53 million was raised. This amount is ring-fenced and forms part of the solution for the repayment of the debt and group liquidity requirements.

Advanced discussions regarding the early release of some or all of the R50 million, plus interest, which is currently held in escrow in respect of the disposal of the Animal Health division, as detailed in the circular issued to Ascendis shareholders on 3 September 2021 are underway.

As a result, it is anticipated that the combination of the Pharma disposal, application of the rights offer funds and the access to the Animal Health escrow funds, will be sufficient to extinguish the remaining debt and provide an injection of liquidity into the group.

The group has commenced engagements with commercial banks to provide net working capital facilities within the group companies at more commercially appropriate structures and rates.

2. Liquidity

Management prepares annual budgets for each business unit and head office. A revised forecast is provided for each business unit and head office quarterly. These revised forecasts take 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. 13-week cash flow forecasts are prepared weekly by the business units and reviewed by group treasury and are provided to the lenders monthly.

Treasury prepares a longer-term liquidity outlook covering a period of 12 months from the date of these group annual financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 30 June 2022

1. Material uncertainty on going concern (continued)

At 30 June 2022, the group's consolidated cash and cash equivalents totalled R213 million (including restricted cash of R64 million).

The group has performed detailed analysis of its liquidity requirements to 30 June 2023. In performing this analysis, the following areas relating to the budgeted performance of the continuing operations were incorporated:

- Working capital requirements
- Capital expenditure required to support the 2023 financial year budgets
- Estimated costs related to the head office restructure that is currently in progress

The Animal Health escrow funds will be used towards funding the net working capital requirements of the remaining business.

Further, various sensitivity analyses have been performed on the liquidity forecasts. These scenarios reflect that the group has sufficient liquidity for the period to 30 June 2023.

3. Covenants

In terms of the Austell Facility, management is required to provide the lender with a quarterly covenant certificate. The certificate requires the group to report a single financial covenant ratio, being the maintenance of a monthly liquidity headroom of R10 million. This headroom requirement was met as at 30 June 2022.

4. 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. The board is conscious that the year-end results will be released before the outcome of the shareholder vote is known. Therefore, in concluding on the group's going concern assertion, the board has considered the implications of the relevant shareholder resolution not being passed to enable implementation of the disposal.

If the 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 lender will enforce their security should the debt not be repaid by 17 November 2022. The board determines the likelihood of this occurring as low based on:

- 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.
- The group can access the majority of the R50 million Animal Health escrow funds.

Application of the amounts raised during the rights offer to the debt together with the escrow funds, supports the fact that the value of the group exceed the quantum of the debt.

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

Based on the above, the board does not believe that the historical threat of business rescue still exists.

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.

The Pharma disposal is conditional upon, inter alia, the relevant resolutions being approved by shareholders at the general meeting, as well as obtaining the relevant competition authority approval by 31 December 2022. The board is confident these conditions will be met.

1. Material uncertainty on going concern (continued)

5. Outlook

With the prospect of balance sheet stability being restored, the board's focus is to optimise the current operations.

Medical Devices, which incorporates the three operating businesses The Scientific Group, Surgical Innovations and Ortho-Xact, has long-standing relationships and exclusive agency agreements with major multinational suppliers, and a network of blue chip and government clients.

- The Scientific Group is a diagnostic business that is focused on deepening and expanding its product portfolio as well as its geographical reach in its chosen markets in the rest of Africa. The recently awarded National Health Laboratory Service tender also provides upside potential for the business.
- Both Surgical Innovations and Ortho-Xact have reported year on year revenue growth and will have a focus to defend their market position, improve efficiencies and target profitable, cash generating growth opportunities.

The Consumer Health business is one of the largest vitamin, mineral and supplement suppliers in South Africa, with brands such as Solal, Vitaforce, Menacal, Bettaway and Junglevite being among the most established and recognised in their categories. The business also has a manufacturing capability in Gauteng, being one of only two South African Health Products Regulatory Authority accredited soft gel capsule manufacturers in the country.

- The business is making strides to take advantage of the country-wide trend to localise manufacturing, and the increasing industry trend for large retailers and pharmaceutical chains to have their own private label products. This is in conjunction with the drive to improve production and efficiencies, maximise infill rates and increase our investment into marketing and product development of existing brands.
- Innovation in The Compounding Pharmacy will see product expansion into the veterinary and skin categories to optimise the current facility, with a view to expand and scale this business over time.
- Chempure is a leading importer and distributor of speciality ingredients used in sports nutrition, food and beverages, health and wellness as well as personal care. The business is well positioned to bridge the supply chain shortages faced by these industries through its specialist procurement model.

The finalisation of the head office rationalisation in the first half of the 2023 financial year will ensure that a sustainable cost structure is embedded in the group. Further, the conclusion of the various disposals and debt restructuring activities will mean that the group does not continue to haemorrhage costs related to various advisors.

The group has also considered the effects of Covid-19, Russia-Ukraine conflict and the floods in KwaZulu-Natal and these do not have any impact on the going concern because they had very low impact on the operations of the group during the current year.

6. Conclusion

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

The directors have considered various mitigating factors against the material uncertainty related to going concern. This includes the outcome from the rights offer in August 2022, the continued support of the lenders, shareholders, suppliers, agencies and customers and the probability of successfully concluding the disposal of the Pharma business. They have also considered the financial plans and forecasts, and the strategies that will enable the business to deliver against these plans.

Considering the above mitigating factors, the directors believe that the going concern assumption remains appropriate. The going concern of the business is premised on the conclusion of the Pharma disposal. 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 annual financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 30 June 2022

2. Borrowings and other financial liabilities

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

	2022 R'000	2021 R'000
Senior debt		
Euro denominated term loans	-	3 474 268
Euro denominated RCF	-	935 445
ZAR denominated term loans	498 164	1 828 564
ZAR denominated RCF	-	478 558
Total senior debt	**498 164**	**6 716 835**
Other Borrowings		
Other facilities	45 505	75 639
Total other debt	**45 505**	**75 639**
Total borrowings and other financial liabilities	**543 669**	**6 792 474**
The split between current and non-current borrowings and other financial liabilities		
Non-current liabilities	22 131	8 222
Current liabilities	521 538	6 784 252
	543 669	**6 792 474**

The current structure consists of a syndicated facility denominated in Rand.

On 21 October 2021 the group completed the group recapitalisation transaction with its lender consortium. As part of that transaction, the group entered into an amended and restated Senior Facilities Agreement (SFA) which provided for the settlement of its previous debt facilities and the advance of new debt facilities with a two year term. The new facilities advanced were Facility F, Facility G1, Facility G2 and Facility G3.

In December 2021, the Agent on behalf of the Lenders notified the company that as a result of changes to the board of directors without lender confirmation (the "2021 Board Changes"), the facilities together with accrued interest and all other amounts accrued and payable under the SFA were immediately due and payable.

As a result of the above-described mandatory prepayment provision being triggered, the group entered into a forbearance agreement with the Lenders on 21 December 2021. Pursuant to the forbearance agreement, the lenders agreed not to take enforcement action relating to the 2021 Board Changes provided certain milestones were achieved between 29 December 2021 and 28 February 2022. This change to the terms of these facilities did not result in a substantial modification and the terms were not substantially different from the original terms in terms of the requirements of IFRS 9. Therefore, the debt was not extinguished.

On 12 January 2022, the SFA was further amended and restated so as to provide for a new facility, Facility H with a new consortium of lenders (the "2022 Lender Consortium"). Facility H retained the terms, conditions, security and interest rate of the debt facilities as applicable as at 21 December 2021 save that the maturity date was extended to 31 January 2022. Facility H was used to settle Facility F, Facility G1, Facility G2 and Facility G3. The arrangements agreed with the 2022 Lender Consortium also resulted in the forbearance agreement of December 2021 no longer being of force and effect.

2. Borrowings and other financial liabilities (continued)

On 1 February 2022, the terms of the Facility H were revised to extend the maturity date to the earlier of 30 June 2022 or the completion of the planned divestments. The interest rate was reduced by 4%. This change to the terms of these facilities did not result in a substantial modification and the terms were not substantially different from the original terms in terms of the requirements of IFRS 9. Therefore, the debt was not extinguished.

On 13 May 2022, the 2022 Lender Consortium delivered a notice to the group confirming an immediate payment of Facility H as a result of the changes to the board of directors. The group then entered into another debt agreement with Austell Pharmaceuticals 'Austell' where Austell advanced a new facility, Facility G. Facility G amounted to R590 million which was used to settle Facility H in full. The 6 month facility matures on 17 November 2022 and interest is incurred JIBAR plus 4% (cash margin) plus 3.5% (PIK margin).

Covenants

The Austell agreement is subject to a monthly liquidity covenant test. The group has to maintain a Liquidity Headroom (unrestricted bank balances and undrawn committed facilities) of at least R10 million. The Liquidity Headroom as at year end is R148.96 million and therefore the group is compliant with the requirement set by the lenders.

The Austell agreement provides for a certain key milestone in respect of the disposal of the Pharma business units (disposal milestones). If this milestone is not fulfilled, then an interest rate ratchet of 2.5% is charged by the lenders on the outstanding balance.

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3. Discontinued operations

During the current year, the discontinued operations changed as follows:

Pharma

As part of its commitment to reduce the overall debt burden, the Board of Directors took a decision in November 2021 to dispose of the Pharma business. This culminated in two bidders for the business.

Pharma was classified as held-for-sale and discontinued operation from 1 December 2021. The disposal transaction is expected to be completed by 31 October 2022

On 31 January 2022, the group signed a sale and purchase agreement with a consortium comprising Pharma-Q Proprietary Limited and Imperial Logistics Limited (Pharma-Q/Imperial). The total purchase consideration for the disposal was set at R375 million.

On 17 May 2022, the group entered into a new debt arrangement with Austell Pharmaceuticals Proprietary Limited (Austell). The loan agreement includes the following as a key event of default:

"if (a) Shareholders do not approve of the sale of the Pharma business to Pharma-Q/Imperial; and (b) the group fails to execute a sale agreement for the disposal of the Pharma business unit to Austell (an Austell/Pharma Sale) within 2 Business Days thereafter".

Negotiations with Austell were well advanced at year end, and on 18 July, the group signed a sale and purchase agreement with Austell. The total purchase consideration for the disposal was set at R410 million. This sale and purchase agreement is conditional on shareholders not voting for the Pharma-Q/Imperial disposal.

Change of plan to sell

During the current year's interim reporting, the group classified Medical Devices as held-for-sale and discontinued operation. This was following the trigger of the Mandatory Prepayment Provision of the original SFA and the amended terms of the SFA for the group to be able to repay the debt advanced by the Apex and Pharma. The group entered into a sale agreement with Apex for the disposal of Medical Devices.

In May 2022, the group agreed to terminate the Medical Devices sales agreement with Apex. As a result, the business unit ceased to be held-for-sale and discontinued operation. The reclassification of the 2021 income statement amounts has been reversed. On the date of change of plan to sell, income statement and the balance sheet items were re-measured in terms of the requirements of IFRS 5.

Completed disposals

The following disposals have been completed during the year ended 30 June 2022:

Farmalider

The disposal was completed on 8 July 2021 for a consideration of €5 million (R86 million).

3. Discontinued operations (continued)

Respiratory Care Africa

The disposal was completed on 31 October 2021 for a consideration of R450 million. Total cash of R439 million was received upon completion and a further R5 million deferred and received in January 2022 in full and final settlement for the disposal transaction. The group returned R5.9 million to the buyers as part of the net working capital cash adjustment.

Animal Health

The disposal transaction was completed on 30 November 2021 for a consideration of R770 million constituting of upfront cash payment of R667 million, management short-term incentive adjustment of R3 million and contingent consideration of R100 million receivable. The contingent consideration was paid into two escrow accounts of R50 million in each account.

The amount in the first escrow account was due to be payable either to the buyers or the group depending on whether the target net working capital and capital expenditure was met. The amount was due to be paid upon completion of the external review of the take-on balances by the external auditors. The target net working capital was not met and only R18 million plus the interest earned was received at the end of January 2022.

The amount in the second escrow account is due to be payable on 30 November 2022 and it is being held as security for payment of any claims by the buyer against the group in respect of warranties and indemnities. The group recognised the R50 million in full as a receivable because it does not expect any such claims by the buyer against the group.

AHIH Group

The group concluded the group recapitalisation on 31 October 2021. The AHIH group, with a net asset value of R5.6 billion was disposed in exchange for the repayment of debt with a carrying value of R6.2 billion.

Ascendis Skin and Body (Nimue)

The disposal was concluded on 31 May 2022 for a consideration of R102 million in full and final settlement.

Refer to Disposal Note 4 for further details regarding the profit/loss on the disposals.

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for the year ended 30 June 2022

3. Discontinued operations (continued)

2022 R'000	Animal Health	Respiratory Care Africa[2]	Farmalider	AHIH Group [3]	Historical Discontinued Operations	Pharma	Ascedis Skin and Body [4]	New Discontinued Operations	Total
Revenue	266 560	193 990	-	999 848	1 460 398	383 777	73 710	457 487	1 917 885
Expenses	(213 271)	(152 909)	-	(901 120)	(1 267 300)	(368 151)	(67 556)	(435 707)	(1 703 007)
Profit/(loss) on sale of disposal group	126 592	181 464	(39 465)	675 751	944 342	-	68 559	68 559	1 012 901
Profit/(loss) before tax	**179 881**	**222 545**	**(39 465)**	**774 479**	**1 137 440**	**15 626**	**74 713**	**90 339**	**1 227 779**
Tax	(1 139)	9 204	-	(23 654)	(15 589)	(6 939)	2 984	(3 955)	(19 544)
Profit/(loss) after income tax expense of discontinued operations	**178 742**	**231 749**	**(39 465)**	**750 825**	**1 121 851**	**8 687**	**77 697**	**86 384**	**1 208 235**
Total comprehensive income/(loss)	**178 742**	**231 749**	**(39 465)**	**750 825**	**1 121 851**	**8 687**	**77 697**	**86 384**	**1 208 235**
Normalised EBITDA[PM]	**68 378**	**47 202**	**-**	**303 459**	**419 039**	**52 914**	**10 846**	**63 760**	**482 799**

Restated [1]

2021 R'000	Biosciences	Ascendis Direct	Scitec	Animal Health	Respiratory Care Africa [2]	Farmalider	AHIH Group [3]	Historical Discontinued Operations	Pharma	Ascedis Skin and Body [4]	New Discontinued Operations	Total
Revenue	324 578	5 003	131 841	571 825	986 078	633 604	3 330 701	5 983 630	**309 616**	**94 000**	**403 616**	**6 387 246**
Expenses	(186 455)	(5 602)	(114 590)	(427 712)	(777 604)	(565 985)	(2 763 264)	(4 841 212)	**(305 341)**	**(82 862)**	**(388 203)**	**(5 229 415)**
Profit/(loss) on sale of disposal group	34 131	(3 704)	(306 465)	-	-	-	-	(276 038)	-	-	-	**(276 038)**
Profit/(loss) before impairments	172 254	(4 303)	(289 214)	144 113	208 474	67 619	567 437	866 380	4 275	11 138	15 413	881 793
Impairments of assets	-	-	-	-	-	(32 695)	(23 256)	(55 951)	-	-	-	**(55 951)**
IFRS 5 remeasurement	(95 562)	-	-	-	-	-	-	(95 562)	-	-	-	**(95 562)**
Profit/(loss) before tax	**76 692**	**(4 303)**	**(289 214)**	**144 113**	**208 474**	**34 924**	**544 181**	**714 867**	**4 275**	**11 138**	**15 413**	**730 280**
Tax	(12 344)	6	(16 961)	(49 157)	(11 180)	6 587	(70 660)	(153 709)	**14 051**	**9 277**	**23 328**	**(130 381)**
Profit/(loss) after income tax expense of discontinued operation	**64 348**	**(4 297)**	**(306 175)**	**94 956**	**197 294**	**41 511**	**473 521**	**561 158**	**18 326**	**20 415**	**38 741**	**599 899**
Total comprehensive income/(loss)	**64 348**	**(4 297)**	**(306 175)**	**94 956**	**197 294**	**41 511**	**473 521**	**561 158**	**18 326**	**20 415**	**38 741**	**599 899**
Normalised EBITDA[PM]	**47 264**	**(3 279)**	**18 799**	**147 484**	**213 350**	**89 677**	**918 127**	**1 431 422**	**17 751**	**20 060**	**37 811**	**1 469 233**

[1] 30 June 2021 has been restated to reflect the restatement of Pharma and Ascendis Skin and Body which are classified as held for sale and a discontinued operation in terms of the requirement of IFRS 5.
[2] RCA is included as part of Medical Devices segment in the segment reporting and it has been disclosed as a discontinued operation because it is a major separate line of business.
[3] AHIH disposal group includes the following segments as per the segments note: Remedica and Sun Wave.
[4] Ascendis Skin and Body is included as part of Consumer Health segment in the segment reporting and it has been disclosed as a discontinued operation because it is a major separate line of business.

3. 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:

	2022 R'000		2021 R'000				
R'000	Pharma	Total	Animal Health	Respiratory Care Africa	Farmalider	AHIH Group	Total
Property, plant and equipment	788	788	6 408	17 086	16 428	846 205	886 127
Intangible assets & goodwill	52 638	52 638	525 075	101 475	132 672	3 902 656	4 661 878
Right-of-use asset	-	-	21 521	97	37 253	51 385	110 256
Deferred tax asset	3 029	3 029	10 461	-	65 440	330	76 231
Inventories	27 904	27 904	130 827	112 104	132 857	590 152	965 940
Current income tax receivable	200	200	160	6 678	23 556	5 874	36 268
Trade and other receivables	70 359	70 359	77 355	138 800	144 510	1 246 341	1 607 006
Cash and cash equivalents	4 523	4 523	7 817	4 601	29 499	163 877	205 794
Other financial assets	72	72	34	1	11 779	16 217	28 031
Assets held for sale	**159 513**	**159 513**	**779 658**	**380 842**	**593 994**	**6 823 037**	**8 577 531**
Borrowings	(137)	(137)	-	-	(253 822)	(74 531)	(328 353)
Deferred vendor liabilities	-	-	-	-	-	(724 177)	(724 177)
Lease liabilities	-	-	(19 635)	-	(34 279)	(51 438)	(105 352)
Deferred tax liability	-	-	(83 507)	(1 190)	-	(177 462)	(262 159)
Trade and other payables	(78 612)	(78 612)	(67 480)	(82 400)	(126 330)	(515 483)	(791 693)
Provisions	(3 347)	(3 347)	(10 708)	(6 150)	-	(15 217)	(32 075)
Current Income tax payable	(887)	(887)	(14 401)	-	(9 667)	(27 991)	(52 059)
Bank overdraft	(122)	(122)	-	-	-	(30 118)	(30 118)
Liabilities held for sale	**(83 105)**	**(83 105)**	**(195 731)**	**(89 740)**	**(424 098)**	**(1 616 417)**	**(2 325 986)**
Net assets	**76 408**	**76 408**	**583 927**	**291 102**	**169 896**	**5 206 620**	**6 251 545**

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4. Disposal of subsidiaries

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

- Farmalider – 8 July 2021
- Respiratory Care Africa – 31 October 2021
- Ascendis Health International Holdings ("AHIH group") – 31 October 2021
- Animal Health – 30 November 2021 and
- Ascendis Skin and Body – 31 May 2022

The carrying amount of assets and liabilities that were reclassified to non-current assets held for sale and subsequently sold were:

	2022 R'000					
	Animal Health	Respiratory Care Africa	Farmalider	AHIH Group	Ascendis Skin and Body	Total
Property, plant and equipment	7 082	17 218	16 715	929 281	813	971 109
Intangible assets and goodwill	527 834	101 475	153 795	4 611 930	1 668	5 396 702
Right-of-use assets	23 109	-	37 904	54 177	3 229	118 419
Deferred tax assets	374	8 014	61 704	-	6 042	76 134
Current income tax receivable	-	6 707	23 967	10 017	160	40 851
Inventories	130 858	85 359	135 177	676 078	19 727	1 047 199
Trade and other receivables	79 810	128 026	147 089	1 371 415	8 617	1 734 957
Other financial assets	768	1	11 931	677	-	13 377
Cash and cash equivalents	19 262	7 736	30 013	124 256	3 376	184 643
Total assets	**789 097**	**354 536**	**618 295**	**7 777 831**	**43 632**	**9 583 391**
Borrowings and other financial liabilities	-	-	(258 256)	(638 295)	-	(896 551)
Deferred vendor liabilities	-	-	-	(758 173)	-	(758 173)
Lease liabilities	(19 813)	-	(34 878)	(50 581)	(3 005)	(108 277)
Deferred tax liability	(56 305)	-	-	(28 055)	-	(84 360)
Trade and other payables	(63 783)	(69 455)	(128 536)	(555 677)	(6 262)	(823 713)
Provisions	(14 366)	(27 837)	-	(15 327)	(1 006)	(58 536)
Bank overdraft	-	-	-	(61 623)	-	(61 623)
Current income tax payable	(25 994)	-	(9 836)	(26 656)	-	(62 486)
Total liabilities	**(180 261)**	**(97 292)**	**(431 506)**	**(2 134 387)**	**(10 273)**	**(1 198 995)**
Carrying amount of net asset disposed	**608 836**	**257 244**	**186 789**	**5 643 444**	**33 359**	**6 729 672**
Non controlling interest	**-**	**-**	**(167 612)**	**(566)**	**-**	**(168 178)**
Foreign exchange differences reclassified	-	-	106 247	173 865	-	280 112
Total disposal consideration - cash/ debt set off	**735 428**	**438 708**	**85 959**	**6 492 494**	**101 918**	**7 854 507**
Gain/(loss) on disposal	**126 592**	**181 464**	**(39 465)**	**675 751**	**68 559**	**1 012 901**
Net cash						
Cash received	685 428	438 708	85 959	-	101 918	**1 312 013**
Less: Cash and cash equivalents balance of disposed subsidiaries	(19 262)	(7 736)	(30 013)	(62 633)	(3 376)	**(123 020)**
Net cash received on sale	**666 166**	**430 972**	**55 946**	**(62 633)**	**98 542**	**1 188 993**

5. Group segmental analysis

Revenue split by segment	2022 R'000	Restated[1] 2021 R'000
Consumer Health	1 079 772	1 867 692
Africa [2]	637 613	673 220
Scitec	-	131 841
Sun Wave	442 159	1 062 631
Pharma	941 466	3 479 373
Africa	383 777	577 699
Remedica	557 689	2 268 070
Farmalider	-	633 604
Medical Devices [3]	1 189 545	1 969 248
Animal Health	266 560	571 825
Biosciences	-	324 578
Less: Discontinued operations	(1 917 885)	(6 387 247)
Total revenue	**1 559 458**	**1 825 469**

Revenue by geographical location	2022 R'000	Restated[1] 2021 R'000
South Africa	2 477 495	4 116 570
Cyprus	557 689	2 268 070
Spain	-	633 604
Hungary	-	131 841
Romania	442 159	1 062 631
Less: Discontinued operations	(1 917 885)	(6 387 247)
Total revenue	**1 559 458**	**1 825 469**

[1] The comparatives have been restated for the change in discontinued operations.
[2] Includes revenue relating to Ascendis Skin and Body of R74 million (2021: R94 million).
[3] Includes revenue relating to RCA of R194 million (2021: R986 million).

Normalised EBITDA[PM] split by segment	2022 R'000	2022 %	Restated[1] 2021 R'000	Restated[1] 2021 %
Consumer Health	242 968	23%	408 710	22%
Africa [2]	74 712	12%	81 964	12%
Scitec	-		18 799	14%
Sun Wave	168 256	38%	307 947	29%
Pharma	188 159	0%	694 697	18%
Africa	52 926	14%	(6 273)	-1%
Remedica	135 233	24%	611 293	27%
Farmalider	-		89 677	14%
Medical Devices [3]	92 107	8%	273 512	14%
Animal Health	68 378	6%	147 484	26%
Biosciences	-		47 264	15%
Head office	(95 565)	0%	(125 004)	
Other	-		(1 057)	
Less: Discontinued operations	(482 799)	25%	(1 470 015)	25%
Total normalised EBITDA[PM]	**13 248**	**1%**	**(24 409)**	**1%**

[1] The comparatives have been restated for the change in discontinued operations.
[2] Includes R11 million (2021: R20 million) relating to Ascendis Skin and Body.
[3] Includes R47 million (2021: R214 million) relating to RCA.

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5. Group segmental analysis (continued)

Reconciliation of normalised EBITDA^{PM} to consolidated results	2022 R'000	Restated[(1)] 2021 R'000
Consolidated loss before taxation from continuing operations	**(795 392)**	**(1 546 186)**
Finance income	(6 699)	(4 681)
Finance expense	484 649	1 084 204
Total impairment, amortisation and depreciation	249 628	171 322
EBITDA	**(67 814)**	**(295 341)**
Total once off costs	81 062	270 932
Total normalised EBITDA^{PM}	13 248	(24 409)
Non-controlling interest proportionate share	-	-
Total normalised EBITDA^{PM} attributable to the parent	**13 248**	**(24 409)**

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

Statement of financial position measures applied

Assets and liabilities split by segment	2022 R'000 Assets	2022 R'000 Liabilities	2021 R'000 Assets	2021 R'000 Liabilities
Consumer Health	453 485	(93 417)	1 753 156	(319 476)
Africa	453 485	(93 417)	487 095	(145 617)
Sun Wave	-	-	1 266 061	(173 859)
Pharma	160 889	(83 123)	6 393 132	(2 744 363)
Africa	160 889	(83 123)	223 260	(93 641)
Remedica	-	-	5 575 879	(2 226 623)
Farmalider	-	-	593 993	(424 099)
Medical Devices	784 830	(455 284)	1 336 852	(507 830)
Animal Health	-	-	779 659	(195 731)
Biosciences	-	-	429	(726)
Head office	278 396	(643 971)	371 382	(6 353 072)
Other	-	-	356	-
Total consolidated assets and (liabilities)	**1 677 600**	**(1 275 795)**	**10 634 966**	**(10 121 198)**

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

Fixed assets per geographic location	2022 R'000	2021 R'000
South Africa	232 179	206 924
Assets held for sale	(788)	(6 419)
Fixed assets per geographic location	**231 391**	**200 505**

6. Earnings per share

	2022 R'000			Restated[1] 2021 R'000		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
(a) **Basic loss per share**						
Loss attributable to owners of the parent	(759 035)	1 208 235	449 200	(1 690 703)	599 899	(1 090 804)
Loss	**(759 035)**	**1 208 235**	**449 200**	**(1 690 703)**	**599 899**	**(1 090 804)**
Weighted average number of ordinary shares in issue			482 395 858			481 493 990
Basic loss per share (cents)	**(157.3)**	**250.5**	**93.1**	**(351.1)**	**124.6**	**(226.5)**
(b) **Headline loss per share**						
Loss attributable to owners of the parent	(759 035)	1 208 235	449 200	(1 690 703)	599 899	(1 090 804)
Adjusted for:						
Net (profit)/loss on the sale of property, plant and equipment	2 369	(207)	2 162	(450)	5 385	4 935
Tax effect	(739)	-	(739)	126	(455)	(329)
(Profit)/loss on disposal of subsidiary	51	(1 012 901)	(1 012 850)	-	296 338	296 338
Tax effect	(18)	4 514	4 496	-	-	-
Goodwill, intangible asset and tangible asset impairment	169 800	-	169 800	85 947	154 931	240 878
Tax effect	-	-	-	-	(957)	(957)
Impairment of investment	127	-	127	(6 665)	-	(6 665)
Headline (loss)/earnings	**(587 445)**	**199 641**	**(387 804)**	**(1 611 745)**	**1 055 141**	**(556 604)**
Weighted average number of shares in issue			482 395 858			481 493 990
Headline (loss)/earnings per share (cents)	**(121.8)**	**41.4**	**(80.4)**	**(334.7)**	**219.1**	**(115.6)**

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

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6. Earnings per share (continued)

	2022 R'000			Restated[1] 2021 R'000		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Reconciliation of normalised headline earnings						
Headline (loss)/earnings	**(587 445)**	**199 641**	**(387 804)**	**(1 611 745)**	**1 055 141**	**(556 604)**
Adjusted for						
Disposal of businesses related costs	**4 930**	**254 107**	**259 037**	185 987	178 221	364 208
Debt/capital restructuring costs	**16 252**	**-**	**16 252**	60 836	-	60 836
Restructuring and retrenchment costs	**59 754**	**-**	**59 754**	30 773	2 616	33 389
Tax effect thereof	**(21 282)**	**-**	**(21 282)**	(25 651)	(941)	(26 592)
Normalised headline (loss)/earnings	**(527 791)**	**453 748**	**(74 043)**	**(1 359 800)**	**1 235 037**	**(124 763)**
Weighted average number of shares in issue			**482 395 858**			481 493 990
Normalised headline (loss)/earnings per share (cents)	**(109.4)**	**94.1**	**(15.3)**	**(282.4)**	**256.5**	**(25.9)**

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

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.

7. Revenue

Revenue	2022 R'000	Restated [1] 2021 R'000
Revenue from contracts with customers[2]		
Sale of goods - wholesale	1 338 317	1 622 294
Sale of equipment	104 775	82 164
Rendering of service	16 627	10 298
	1 459 719	**1 714 756**
Timing of revenue: revenue from contracts with customers		
Products transferred at a point in time	1 443 092	1 704 458
Services transferred over time	16 627	10 298
	1 459 719	**1 714 756**
Rental income	**99 739**	**110 713**
Total revenue	**1 559 458**	**1 825 469**

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

8. Finance income and costs

	Financial instrument class	2022 R'000	Restated[1] 2021 R'000
Finance cost			
Interest on term debt facilities	Amortised cost	427 108	1 028 561
Incurred up to group recapitalisation		361 609	1 028 561
Facilities F,G1,G2 & G3		15 667	-
Apex/PharmaQ Facility		31 769	-
Default interest		10 034	-
Austell Facility		8 029	-
Debt raising fees	Amortised cost	18 975	7 305
Lease liabilities	Amortised cost	22 662	26 313
Other finance costs	Amortised cost	11 765	13 670
Interest on deferred vendor liabilities	Amortised cost	4 139	9 348
		484 649	**1 085 197**
Finance income			
Bank interest	Amortised cost	4 383	3 519
Other finance income	Amortised cost	2 316	1 161
		6 699	**4 680**
Net finance costs		**477 950**	**1 080 517**

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 30 June 2022

9. 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 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 two disputes, including one with a former advisor on a previous engagement 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.

10. Events after reporting period

Rights Offer

On 19 August 2022, the group managed to raise 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 per every 100 Ascendis shares held on the record date for participating in such rights offer.

This is a non-adjusting post balance sheet event.

Pharma disposal

On 23 September 2022, Austell increased the offer to purchase Pharma from R410 million to R432 million. The group accepted this offer.

This is a non-adjusting post balance sheet event.

SHAREHOLDER INFORMATION

as at 30 June 2022

Spread of ordinary shareholders	30 June 2022 Number of shares	30 June 2022 Percentage of shares	30 June 2021 Number of shares	30 June 2021 Percentage of shares
Public shareholders	**339 086 987**	**69.3**	419 069 606	85.6
Non-public shareholders				
– Directors and associates of the company	**80 605 159**	**16.5**	737 721	0.2
– Treasury shares (own holdings)	**8 091 150**	**1.7**	7 975 969	1.6
– Strategic holdings (more than 10%)	**61 686 663**	**12.6**	61 686 663	12.6
Total	**489 469 959**	**100.0**	489 469 959	100.0

According to the company's register of shareholders, read in conjunction with the company's register of disclosure of beneficial interests made by registered shareholders acting in a nominee capacity, the following shareholders held 2% or more of the issued share capital at 30 June 2022:

Major beneficial shareholders holding 2% or more	30 June 2022 Number of shares	30 June 2022 Percentage of shares	30 June 2021 Number of shares	30 June 2021 Percentage of shares
International Finance Corporation	**61 686 663**	**12.6**	61 686 663	12.6
Kefolile Health Investments (Pty) Ltd	**56 321 482**	**11.5**	33 414 481	6.8
Alpvest Equities (Pty) Ltd	**36 608 772**	**7.5**	–	0.0
Charalambos Pattihis	**23 766 421**	**4.9**	23 766 421	4.9
Cambridge Investments (Pty) Ltd[1]	**17 774 894**	**3.6**	23 945 813	4.9
Calibre Investment Holdings (Pty) Ltd	**10 053 973**	**2.1**	–	0.0
Cresthold (Pty) Ltd	**10 465 259**	**2.1**	–	0.0

[1] Name changed from Coast2Coast Capital (Pty) Ltd

Major fund managers no longer managing 2% or more	30 June 2022 Number of shares	30 June 2022 Percentage of shares	30 June 2021 Number of shares	30 June 2021 Percentage of shares
Old Mutual Investment Group	**1 359 713**	**0.3**	15 123 571	3.1
Laurium Capital	**–**	**0.0**	12 256 648	2.5

30 June 2022 Distribution of registered shareholdings	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of shares
1–1 000	**12 920**	**75.9**	1 977 289	0.4
1 001–10 000	**2 776**	**16.3**	9 825 469	2.0
10 001–100 000	**997**	**5.9**	34 708 331	7.1
100 001–1 000 000	**263**	**1.5**	76 910 982	15.7
1 000 001 shares and over	**60**	**0.4**	366 047 888	74.8
	17 016	**100.0**	**489 469 959**	100.0

30 June 2021 Distribution of registered shareholdings	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of shares
1–1 000	**9 078**	**65.1**	1 669 020	0.3
1 001–10 000	**3 007**	**21.6**	11 334 250	2.3
10 001–100 000	**1 388**	**10.0**	49 594 497	10.1
100 001–1 000 000	**399**	**2.9**	120 582 200	24.6
1 000 001 shares and over	**65**	**0.5**	306 289 992	62.6
	13 937	**100.0**	**489 469 959**	100.0

SHAREHOLDERS' DIARY

Extraordinary general meeting: Shareholder vote on disposal of Ascendis Pharma	**13 October 2022**
Annual general meeting	**30 November 2022**
Results and reporting:	
Interim results to December 2022	March 2023
Annual results to June 2023	September 2023
Publication of 2023 integrated annual report	September 2023

CORPORATE INFORMATION

Ascendis Health Limited

Registration number	2008/005856/06
Income tax number	9810/017/15/3
JSE share code	ASC
ISIN	ZAE000185005
Registered office	1 Carey Street, Wynberg, Sandton, 2090
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 (BCom, LLB) investor.relations@ascendishealth.com
Directors	HJ Smit (Chairman)*^ A Chetty*^^ B Harie*^^ CJ Kujenga*** (CFO) SL Mulaudzi**^ C Neethling***^^ (CTO and acting CEO) Dr K Wellner**^

Independent non-executive
** *Non-executive*
*** *Executive*
^ *Appointed 20 December 2021*
^^ *Appointed 11 May 2022*

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