Ascendis Health Limited
(Incorporated in the Republic of South Africa)
(Registration number: 2008/005856/06)
Share code: ASC
ISIN: ZAE000185005
("**Ascendis**" or "**the Company**")

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

SHORT-FORM ANNOUNCEMENT

Key features
(continuing operations)

- Revenue maintained at R777 million
- Gross profit 9% lower at R312 million
- Operating loss more than halved to R123 million
- Net finance costs reduced by R354 million
- Loss per share improved 79% to -29.4 cents
- Headline loss per share improved 75% to -29.4 cents
- Net asset value per share increased by 34%* following the disposal of Ascendis Pharma ("**Pharma**") for R444 million
- Raised R101.5 million in oversubscribed rights offer
- Senior debt fully repaid post period end
- Solvency ratio improved by 51%*
- Liquidity ratio improved by 55%*

*compared to 30 June 2022

Overview
During the first half of the 2023 financial year Ascendis and its subsidiaries ("**the Group**") have undergone fundamental change across the business and the team has worked to stabilise the balance sheet, optimise operating structures and enhance shareholder value.

The Group's leadership and governance structures have been enhanced with the appointment of a new chief executive officer and portfolio management team (transition team) effective from August 2022, together with a new independent non-executive chairman effective from December 2022.

In this period the shareholder base has been strengthened and consolidated, with 59% of issued shares now held by six investors and approximately 45% owned by reputable new shareholders who have affirmed their commitment and support to the Group's strategy and management team.

The new management has dedicated significant time and energy over a short period to stabilising the Group's balance sheet and underlying operations in a challenging macroeconomic environment. Despite inheriting a business facing structural headwinds in a significantly more distressed position than anticipated, the team has made material progress in turning around the under-performing businesses and optimising the Group's cost structures through decisive actions.

Following the end of the reporting period, the Group repaid the balance of its outstanding senior debt, marking the first time since listing in 2013 that it has an unleveraged and unencumbered balance sheet. However, as a result of transaction related costs and delayed collections on government debtors, the Group continues to experience near term liquidity pressure within certain businesses and following negotiations with its banking partners has received approval for a working capital facility.

During the reporting period, Pharma was sold for a net cash consideration of R444 million effective 31 October 2022, with the transition team negotiating an additional R57 million on the original purchase price and ultimately realising net proceeds of R69 million more than the initially proposed transaction.

A rights offer was successfully undertaken in August 2022, raising R101.5 million to enable the Group to manage its liquidity needs while repaying the outstanding debt. The rights offer was oversubscribed and evidenced the strong support the Group enjoys from its new shareholders of reference.

The head office cost reduction programme had not progressed as anticipated by August 2022 and the Group continued to carry significant head office payroll and operating costs despite the drastic reduction in the size and complexity of the Group in recent years. Accelerating the wind down of these costs was a key focus area of the team and accordingly the core head office payroll headcount has been reduced from 34 individuals on 30 June 2022 to 14 individuals by March 2023. This remains an area of continued focus.

While it is too early for many of the strategic initiatives to reflect in the Group's financial performance, management is confident that its operational interventions have salvaged material value for shareholders and are delivering promising early signs of improvement.

Financial performance

The Group is reporting the financial results from continuing operations following the disposal of Pharma effective 31 October 2022.

Group revenue of R777 million (H1 2022: R778 million) was consistent with the prior period. The Medical Devices businesses increased revenue by 13% to R541 million, supported by promising growth from the Surgical Innovations, CardaXes and Ortho-Xact businesses. The Consumer Health businesses were impacted by several external and internal factors which contributed to revenue declining by 21% to R236 million.

The Group's gross margin came under pressure mainly due to increased costs of doing business, with supplier price increases, higher raw material input costs and product mix changes causing a decline to 40.1% (H1 2022: 43.9%).

The Group realised operating cost savings of R74.3 million. This is attributable to a reduction in payroll costs, operating efficiencies and reduced expenditure on advisors and other professional fees.

These savings were offset by a provision for a VAT dispute between Surgical Innovations and SARS which the Group is actively challenging (provision of R53 million assessed tax and R14.3 million of arrear interest), foreign exchange losses (R9.7 million higher than the prior period), an increase in audit fees (R5.5 million) and higher fuel and travel costs (R7.7 million).

Finance costs reduced significantly from R402 million to R51 million for the half year. This was mainly attributable to a R355 million reduction in interest payments on the term debt facilities, as well as more favourable interest terms from the Group's lenders.

The Group reported a headline loss from continuing operations of R172 million compared to a headline loss from continuing operations of R554 million in the prior period. The loss per share improved 79% to 29.4 cents (H1 2022: loss of 138.7 cents) with the headline loss per share improving 75% to 29.4 cents (H1 2022: loss of 115.9 cents).

The Group reported a headline loss from total operations for the period of R160 million compared to a headline loss from total operations of R332 million in the prior period. The earnings per share decreased 52% to 32.5 cents (H1 2022: 67.1 cents), with the headline loss per share improving 61% to 27.4 cents (H1 2022: loss of 69.4 cents).

No dividends were declared or paid during the current or prior reporting periods.

Outlook

The Group's balance sheet has been strengthened following the divestment of Pharma and repayment of all senior debt. While management's interventions across the portfolio have gone a long way to stabilising the group's operating base, certain businesses within the group are not yet profitable and do not generate adequate returns to compensate shareholders for the cost of their invested capital.

In an effort to offset further pressure on returns, management will continue to invest significant effort in enhancing these business models (through partnerships with suppliers and customers to find innovative ways to preserve and grow margin while reducing invested capital) to build more robust and higher returning businesses. Where this is not possible, management will continually evaluate whether it is in the best interest of shareholders to retain or divest these businesses.

Material cost savings are anticipated across the Group as transaction and restructuring related costs are expected to normalise following an extensive period of divestments necessitated by the Group's historically excessive debt levels. Good progress has already been made with the rationalisation of head office costs, which are expected to be reduced to a sustainable level (in the listed environment) by the end of the 2023 financial year.

The Group currently faces macroeconomic headwinds with persistent increases in the cost of imported goods and pressures on the local consumer expected to continue placing strain on the Group's margins. This is compounded by operating cost pressures, which are driven by increased distribution costs and pricing pressure from service providers. The repayment of the Group's senior debt has come at a time where many small businesses are grappling with high interest rates and Ascendis is therefore comparatively well placed to capitalise on opportunities that may arise.

Ascendis is fortunate to have a diverse portfolio of businesses operating in largely defensive sectors of the economy. Management remains confident that a number of these businesses present attractive growth prospects together with opportunities to enhance cash generation and return on invested capital through initiatives focused on optimising cost structures, growing revenue within high margin business segments and improving working capital management.

In the near term, management will continue to build resilience in the underlying operations through focusing on the operational optimisation of the business units while continuing to transition the Group to a lean and value accretive investment holding company. Given the size of the remaining portfolio and the costs and complexities involved with being listed, together with the associated lack of liquidity and operational flexibility, management will continue to explore alternative pathways to unlock value for shareholders.

Interim results investor presentation

The webcast of the investor presentation by CEO Carl Neethling as well as the investor presentation is available on the group's website www.ascendishealth.com Shareholders are welcome to send questions on the results to management at investor.relations@ascendishealth.com

Directors' responsibility

This short-form announcement is the responsibility of the directors of Ascendis and has been prepared under the supervision of the acting chief financial officer, Carl Neethling CA (SA). The announcement is a summary of the detailed interim results announcement released on SENS on 27

March 2023 and does not contain full or complete details.

Any investment decision should be based on the full announcement which is available at https://senspdf.jse.co.za/documents/2023/jse/isse/asc/H12023.pdf or from the website at www.ascendishealth.com/investor-relations

A copy of the full announcement may be requested via e-mail from the company at investor.relations@ascendishealth.com.

Copies may also be requested at the company's registered office (1 Carey Road, Wynberg, Sandton) and the office of the sponsor (Unit 12, Paardevlei Specialist Medical Centre, Somerset West) at no charge during business hours for a period of 30 calendar days following the date of this announcement.

Directors: B Harie (Chairman)*#, SL Mulaudzi, K Wellner*, A Chetty*, T De Bruyn^, AC Neethling (CEO and acting CFO)
** Independent non-executive*
^ Appointed 19 October 2022
 # Appointed as chairman 9 December 2022

Johannesburg
27 March 2023

Sponsor
Valeo Capital (Pty) Ltd

Valeo