

To Kefolile Health Investments (RF) (Pty) Ltd
4 Fricker Road, Illovo, Gauteng, 2196
(the "**Shareholders**" or "**we**")

From ACN Capital
Registration number:
B4 Cinsaut House
The Vineyard Office Estate
99 Jip de Jager Drive
De Bron, Cape Town
7530
(Registered company Name: ACN Capital IHC (Pty) Ltd)

Copy Ascendis Health Limited
Registration number: 2008/005856/06
1 Carey Street
Wynberg
Sandton
South Africa
2090
("**Ascendis**")

IRREVOCABLE UNDERTAKING: PROPOSED GENERAL OFFER TO ASCENDIS SHAREHOLDERS AND DELISTING OF ASCENDIS FROM THE JOHANNESBURG STOCK EXCHANGE

1 Introduction

1.1 We understand that a consortium led by ACN Capital IHC (Pty) Ltd ("**ACN**"), (the "**Consortium**") intend for a transaction to be proposed to Ascendis shareholders (each an "**Ascendis Shareholder**") in terms of which, *inter alia*, –

1.1.1 the Consortium will offer to acquire all the Ascendis shares in issue (each a "**Share**") not already held by the Consortium from the Ascendis Shareholders, excluding treasury Shares, for a cash consideration of not less than R0.78 per Share ("**Consideration**") by way of a voluntary general offer by the Consortium to the Ascendis Shareholders (the "**Offer**") in terms of the Takeover Regulations (as defined in section 1 of the Companies Act, No 71 of 2008 ("**Companies Act**")) (the "**Takeover Regulations**"); and

1.1.2 the Ascendis Shares will be delisted from the exchange operated by the JSE Limited ("**JSE**") (the "**Delisting**"),

(collectively the "**Proposed Transaction**").

1.2 We understand that the Consortium and Ascendis intend to dispatch to the Ascendis Shareholders a joint circular (the "**Circular**"), which Circular shall include a notice convening a general meeting of Ascendis Shareholders (the "**General Meeting**") to consider and, if deemed fit, pass the resolution required to approve the Delisting together with such other resolutions as may be necessary or incidental to the implementation of the Proposed Transaction, including approval of the Management Agreement (as defined in paragraph 2.8 below) in terms of section 126(1) of the Companies Act (collectively the "**Resolutions**").

2 Rationale for the Proposed Transaction and Relevant Disclosures

We understand that:

2.1 Ascendis is embarking on a strategy to maximise value for its shareholders. Over the past year, this strategy has seen the appointment of a dedicated value creation team (the transition team) led by the group chief executive officer, Carl Neethling.

- 2.2 Significant progress has been made to date with various initiatives aimed at stabilising the group balance sheet and optimising costs and operations. Detail of these initiatives are included in **Annexure A**.
- 2.3 It is generally understood that, had it not been for the significant interventions of the Ascendis turnaround team ("**Transition Team**") under leadership of Carl Neethling, there would be little to no value left to recoup in subsidiary companies such as Surgical Innovations, InterV - Med and The Scientific Group, while significant value was protected and retained in the remainder of the Ascendis group.
- 2.4 The team has furthermore managed to cut and contain head office costs from a previous annualised expense exceeding R135 million (estimated) to less than R40 million currently (estimated).
- 2.5 The board of Ascendis (the "**Board**") has decided to initiate a process to investigate and progress the delisting of Ascendis from the JSE as the next step in its strategy to unlock value for Ascendis Shareholders and to provide exit optionality.
- 2.6 The remaining Ascendis group is materially smaller in asset size, earnings and market capitalisation and can no longer justify the high direct and indirect costs of operating on a listed stock exchange. In this regard:
- 2.6.1 the Shares trade with limited liquidity and the general negative sentiment towards investment holding companies and small cap shares listed on the JSE means that it is unable to garner sufficient institutional investment interest or raise meaningful growth capital;
- 2.6.2 compliance with the JSE Listing Requirements is both onerous and costly and has the undesired impact of limiting the group's flexibility to act in the best interest of its stakeholders;
- 2.6.3 the limited liquidity of the Shares on the JSE has necessitated that the Board explore options that may result in an exit or value realisation event for Ascendis Shareholders; and
- 2.6.4 should the Proposed Transaction receive the requisite approval of Ascendis Shareholders, it affords them the option to exit their shareholding in Ascendis or to remain invested and share in the value unlock process.
- 2.7 ACN is an entity owned and controlled by Carl Neethling who is also the Ascendis group Chief Executive Officer while the Consortium includes additional entities associated to him.
- 2.8 The Consortium envisages that the Ascendis board will conclude an agreement with ACN for the current executive management of the Ascendis group to continue, in order to ensure that the critical functions performed by Carl Neethling and the strategic and corporate functions fulfilled by the Transition Team (including Carl) are retained (the "**Management Agreement**"), as they will continue to be performed but through ACN, post the delisting. The functions included are listed in Annexure A and the Management Agreement is subject to the successful implementation of the Proposed Transaction.
- 2.9 The conclusion of the Management Agreement prior to the implementation of the Proposed Transaction is subject to the approval of the Takeover Regulation Panel and of Ascendis Shareholders in terms of section 126(1) of the Companies Act.
- 2.10 The salient terms of the Management Agreement are annexed hereto as **Annexure A**. The salient terms will also be included in the Circular for consideration, and if deemed fit, approval by Ascendis Shareholders.

3 **Shareholding**

The Shareholders hereby irrevocably and unconditionally warrant to and in favour of the Consortium that, as at the date of signature of this letter ("**Signature Date**"):

- 3.1 **Kefolile Health Investments (Pty) Ltd** is the registered holder and/or beneficial owner of **56 321 482** ordinary issued Shares in the capital of Ascendis (which Shares, together with any additional shares, options, warrants or convertibles in Ascendis which the Shareholders may become the registered holder and/or beneficial owner of prior to the voting record date in respect of the General Meeting, are hereinafter referred to as the "**Relevant Shares**");
- 3.2 the Shareholders hold the Relevant Shares free and clear of any encumbrance, charge, lien, security interest, option, right of pre-emption or other interest which (in each case) imposes any restriction on the right to exercise the voting rights attached to the Relevant Shares; and
- 3.3 the Shareholders have full power and authority and the right (free from any legal or other restriction) to enter into this undertaking and to perform the obligations in this undertaking as beneficial owners of their respective portion of the Relevant Shares, including the exercise of voting rights in favour of the Resolutions, and there are no restrictions on the manner in which the Shareholders are entitled to vote or cause their respective portion of Relevant Shares to be voted.

4 **Undertakings**

- 4.1 The Shareholders hereby irrevocably and unconditionally undertake to and in favour of the Consortium:
- 4.1.1 to attend (either in person or by proxy) the General Meeting, including any postponement or adjournment thereof, and to vote (or procure the voting of) all of their Relevant Shares in favour of all Resolutions, including the resolutions proposed for the purposes of approving the Delisting in terms of paragraphs 1.15 and 1.16 of the JSE Listings Requirements and the approval of the Management Agreement in terms of section 126(1) of the Companies Act;
- 4.1.2 to retain their shareholding in Ascendis by electing not to accept the Offer made by the Consortium in respect of any of the Relevant Shares;
- 4.1.3 if requested by the Consortium, to execute any forms of proxy and/or representation in respect of all of their Relevant Shares appointing the chairman of the board of directors of Ascendis or any person nominated by Ascendis to attend the General Meeting and vote in favour of the Resolutions and to ensure that any such executed forms of proxy are received by the Ascendis' transfer secretaries not later than 72 hours before the General Meeting;
- 4.1.4 not to revoke the terms of any proxy submitted in accordance with paragraph 4.1.3, either in writing or by attendance at the General Meeting;
- 4.1.5 not take any action or to make any statement which is or may be prejudicial to the passing of the Resolutions, or any of them;
- 4.1.6 not create or grant any encumbrance, charge, lien, security interest, option, right of pre-emption or other interest over (or permit any of the same to occur in respect of) all or any of their Relevant Shares or any interests in their Relevant Shares which (in each case) imposes any restriction on the right to exercise the voting rights attached to their Relevant Shares or otherwise fetters any of the voting rights attached to their Relevant Shares (other than pursuant to this undertaking);
- 4.1.7 not to sell, transfer or otherwise dispose of their Relevant Shares, or any of them, unless and until the transferee in respect of such transfer has (prior to any such transfer being effected) furnished the Consortium with a written irrevocable undertaking on and subject to equivalent terms and conditions to those reflected in this letter of undertaking, *mutatis mutandis*, which written undertaking is, in form and substance, acceptable to the Consortium in its sole discretion;

- 4.1.8 not to vote (nor procure the voting) in respect of their Relevant Shares, or any of them, whether in person or by proxy or by way of written resolution in favour of any Ascendis shareholder resolution which may be proposed in order to effect any transaction or corporate action the consummation of which would frustrate, delay or impede the Proposed Transaction or any of the corporate actions comprising the Proposed Transaction; and
- 4.1.9 not requisition or join the requisition of any general meeting of the Shareholders for the purpose of considering any resolution referred to in paragraph 4.1.8 above.
- 4.2 To the extent that the Shareholders fail to attend or submit its vote in favour of all Resolutions at the General Meeting in accordance with paragraph 4.1.3, or otherwise fails to discharge any of its obligations contemplated in paragraph 4.1, the Shareholders hereby irrevocably nominate, constitute and appoint the Chairperson of the General Meeting with power of substitution, to be its true and lawful attorney in *rem suam* to do all such things and to complete and sign all such documents as may be necessary for or incidental to the performance of its obligations under this letter, including, *inter alia*, such actions as may be necessary to give effect to the undertakings given under paragraph 4.1 above, and accordingly –
- 4.2.1 to the extent that their Relevant Shares are certificated, or dematerialised by way of own name registration, to vote their Relevant Shares in person or by way of proxy on the Shareholder's behalf; and
- 4.2.2 to the extent that their Relevant Shares are dematerialised other than by way of own name registration, to provide the Shareholder's Central Securities Depository Participant or broker, as the case may be, with the requisite voting instructions or to obtain the requisite letter of representation for purposes of voting in person at the relevant meeting(s).

5 Consents

The Shareholders hereby consent to:

- 5.1 the particulars of this undertaking being set out in any press release, announcement or document issued in connection with the Proposed Transaction and in the Circular;
- 5.2 this undertaking being published as required by the JSE Listings Requirements; and
- 5.3 to a copy of this undertaking being made available to any regulatory or for inspection in accordance with the relevant regulatory requirements (if applicable).

6 Insider trading

The Shareholders hereby undertake to observe the anti-insider trading and related provisions of the Financial Markets Act, 2012 (Act 19 of 2012), as amended (the **Financial Markets Act**). Specifically, the Shareholders undertake to observe the provisions of section 78 of the Financial Markets Act which, *inter alia*, makes it an offence for any person who knows that he has Inside Information (as defined in the Financial Markets Act) to:

- 6.1 deal directly or indirectly or through an agent, for his own account or for any other person, in the securities listed on a regulated market to which such inside information relates or which are likely to be affected by it;
- 6.2 disclose the inside information to another person; or
- 6.3 encourage or cause another person to deal or discourage or stop another person from dealing in the securities listed on a regulated market to which such inside information relates or which are likely to be affected by it.

7 General undertakings

The Shareholders hereby irrevocably and unconditionally warrant and undertake in favour of the Consortium:

- 7.1 to timeously provide the Consortium with all information required by them for purposes of any announcement or circular in terms of the JSE Listings Requirements, the Companies Act, and/or any other applicable law or regulation;
- 7.2 to execute (or procure the execution of) all documents which are presented to the Shareholders and which are reasonably required to be executed in order to approve and/or vote on the Resolutions and/or implement the Proposed Transaction;
- 7.3 not to act in any manner which is inconsistent with the undertakings given to the Consortium in this letter of undertaking; and
- 7.4 that the execution by the Shareholders of this letter of undertaking and the performance of the Shareholders' obligations hereunder does not and shall not:
 - 7.4.1 contravene any law or regulation to which it is subject;
 - 7.4.2 contravene any provision of its constitutional documents; or
 - 7.4.3 conflict with, or constitute a breach of, any of the provisions of any other agreement, obligation, restriction or undertaking which is binding on it.

8 Duration of undertakings

- 8.1 The undertakings contained in this letter shall be irrevocable and shall remain in full force and effect until the earlier of –
 - 8.1.1 the Proposed Transaction having been implemented in accordance with its terms; or
 - 8.1.2 3 months following the signature of this undertaking, if Ascendis has not released a firm intention announcement in respect of the Proposed Transaction within such 3 month period, or
 - 8.1.3 a public announcement by Ascendis that the Proposed Transaction will not proceed.
- 8.2 If, prior to the expiry of the 3 months period contemplated in clause 8.1.2 ("**Initial Period**"), Ascendis notifies the Shareholders that there is a reasonable likelihood that Ascendis will release a firm intention announcement in respect of the Proposed Transaction within 3 months after the expiry of the Initial Period, and wishes to extend the Initial Period for a further 3 months, then the Initial Period shall be automatically extended for a further 3 months after the expiry of the Initial Period.

9 Specific performance

Without derogating from any rights conferred on any person in terms of this letter or at law, we agree that damages may not be an adequate remedy for a breach or anticipated breach by us of this letter and that it shall be competent to seek an order for specific performance against us in that event.

10 General

- 10.1 This irrevocable undertaking is given with respect to the Proposed Transaction on the terms summarised herein, including such non-material additions or amendments as may be adopted by the Consortium and/or Ascendis in agreement with the Consortium, and/or such further terms and conditions as may be required by applicable law, rule or regulation including the JSE, the Takeover Regulation Panel, the Companies and Intellectual Property Commission or any other relevant regulatory authority.
- 10.2 This irrevocable undertaking shall not oblige the Consortium and/or Ascendis to proceed with the Proposed Transaction, or any corporate action herein.

- 10.3 The Shareholders confirm that it has received sufficient information in order to provide the undertakings set out herein. It acknowledges that no member of the Consortium or any of their representatives or agents has made any representation/s to induce the Shareholders to provide the undertakings set out herein.
- 10.4 The Shareholders confirm that they shall not be entitled to be paid any commission or commitment fee or other compensation in connection with the undertakings given in terms hereof.
- 10.5 The provisions of this letter shall be governed by the laws of the Republic of South Africa. Each party hereby irrevocably submits to the non-exclusive jurisdiction of the courts of the Republic of South Africa in respect of all matters arising under or in relation to this letter.
- 10.6 This letter constitutes the sole record of the agreement between the Shareholders and the Consortium in relation to its subject matter, provided that it shall not detract from any confidentiality undertakings that we may have given separately.
- 10.7 The Shareholders acknowledge and confirm that the undertakings contained in this letter have been given as a *stipulatio alteri* for the benefit of each person who becomes a member of the Consortium and stipulated as such in the Circular, and may be enforced by any or all of them.
- 10.8 Neither the Shareholders, nor any member of the Consortium shall be bound by any representation, warranty, promise or the like not recorded in this letter or another written document signed by all of us.
- 10.9 No addition to, variation, novation or agreed cancellation of this letter shall be of any force or effect unless in writing and signed by or on behalf of the Shareholders and the members of the Consortium.
- 10.10 No suspension of a right to enforce any term of this letter and no *pactum de non petendo* shall be of any force or effect unless in writing and duly signed by the Shareholders and each member of the Consortium members.
- 10.11 The provisions of this letter shall be binding upon the successors-in-title and the permitted assigns of the parties.
- 10.12 All provisions in this letter are, notwithstanding the manner in which they have been put together or linked grammatically, severable from each other. Any provision of this letter which is or becomes unenforceable in any jurisdiction, whether due to voidness, invalidity, illegality, unlawfulness or for any other reason whatsoever, shall, in such jurisdiction only and only to the extent that it is so unenforceable, be treated as *pro non scripto* and the remaining provisions of this letter shall be of full force and effect. The Shareholders and the Consortium declare that it is their intention that this letter would be executed without such unenforceable provisions if they were aware of such unenforceability at the time of its execution.
- 10.13 This irrevocable undertaking may be executed in counterparts, all of which taken together when signed by all the parties hereto, shall constitute one and the same agreement.

Yours faithfully



Carl Neethling

Date: 13 November 2023

by the signature of the designated signatories below, hereby agree to the terms set out in this letter of undertaking.

SIGNED at on Nov 14, 2023 2023

For and on behalf of
Kefolile Health Investments (Pty) Ltd



Signature

Charles Malemone

Name of Signatory

Authorised Director and Business Rescue Practitioner

Designation of Signatory

ANNEXURE A SALIENT FEATURES OF MANAGEMENT AGREEMENT

Background to the proposed Management Agreement

- Over the past 14 months, Carl Neethling, certain other ACN team members as well as the extended Transition Team under the leadership of Carl Neethling stepped into roles requiring intensive restructuring. The transition of Ascendis has seen the team aggressively cut the head office costs by more than R100 million per year and decreased the headcount by more than 70%.
- During this period the sale of Ascendis Pharma was also concluded for a substantially higher value of approximately R57 million.
- The team was also able to manage and implement a successful rights offer to raise more than R100 million to assist in the stabilisation of the balance sheet and the group as a whole.
- The final repayment of group debt and raising alternative cost-effective banking facilities was concluded during Q1 2023.
- The optimisation of group costs and decreasing head-count of senior management has had a material positive impact on group cost structures, it furthermore has resulted in material, sustainable cost savings.
- The closure of several non-performing business units and divisions, specifically including Ascendis Supply Chain (annualised loss of more than R50 million) has further enabled the group to be transformed from operationally loss-making to a group that is generating reasonable operational profits in most of the remaining 8 portfolio companies, with significant growth prospects in several portfolio companies.
- 6 different Section 189 processes were successfully run and implemented to decrease headcount in the underlying portfolio companies.
- The business rescue process being undertaken by Surgical Innovations has resulted in material savings on liabilities (around R60 million) as well as an annualised saving on infrastructure costs and payroll costs of around R18 million per annum.
- Several other critical initiatives have seen the team salvage value and limit significant losses to the group.
- The Transition Team took over an immensely complex treasury function and has successfully been able to decentralise this function, as well as decentralise most tax related functions.

During this period Carl undertook not to be paid, in cash, any fees or remuneration in order to further alleviate the temporary cash pressures of the group.

The context of this background is a critical consideration that has led to the current proposal of formalising the final value-unlock process for shareholders with a team that has proven their capabilities and commitment and to adequately compensate them for the value that they continue to protect and unlock for Ascendis shareholders.

ACN undertakings

1. ACN shall make available substantially all the time of Carl Neethling for the purposes of acting as CEO of Ascendis and driving all strategic value-unlock and growth initiatives.
 - a. This will be for the account of ACN and covered by the management fee.
 - b. Substantially all of Carl's time will be made available for a minimum of two years from date of delisting.

2. ACN will make available sufficient time of key other ACN team members, to the extent required:
 - a. To execute on the strategy of the group;
 - b. To perform active portfolio management functions;
 - c. To continue to wind down head office costs; and
 - d. to actively investigate opportunities to restructure the portfolio companies to decrease costs and increase efficiencies to the costs structures as required to be performed by ACN .

3. The team members will include but will not be limited to the following team members:
 - a. Carl Neethling - CEO for Ascendis and founder of ACN;
 - b. Gerhard Jacobs –
 1. FSCA key individual (15 years at ACN);
 2. Financial management;
 3. Company secretarial;
 4. Compliance;
 - c. Johan van Zyl –
 1. FSCA key individual (10 years at ACN);
 2. Investment Principal / Director;
 - d. Yaseen Jhaveri (or suitable equivalent) –
 1. Has played an integral part in the success of the group’s transformation so far;
 2. Ex McKinsey business consultant;
 - e. Eduard du Plessis (or suitable equivalent);
 - f. Bridget Mans;
 - g. One additional investment manager (as required); and
 - h. One additional legal analyst (as required).

Salient Terms of Agreement of Management Agreement:

- 1 Appointment:
 - 1.1 The Appointment of ACN will be made by the independent board of directors of Ascendis.

- 2 Duration: Initially 24 months;
 - 2.1 the board of directors of Ascendis (“**Board**”) can elect to put the Management Agreement to a shareholder’s vote for purposes of cancelling the agreement at any time thereafter.

- 3 Conditions: The Management Agreement will only come into force once the following conditions have been fulfilled –
 - 3.1 Ascendis shareholders and the Takeover Regulation Panel approve the Management Agreement in terms of section 126(1) of the Companies Act No 71 of 2008; and
 - 3.2 the delisting of Ascendis from the JSE has been implemented.

- 4 Responsibilities and key focus areas of ACN:
 - 4.1 Driving and implementing strategy as approved by the Board;
 - 4.2 All CEO-related functions;
 - 4.3 Active capital allocation;
 - 4.4 Active value creation;
 - 4.5 Return of value to shareholders;
 - 4.6 Growth initiatives and active portfolio management; and
 - 4.7 Mergers and acquisitions.

5 Fees payable

- 5.1 The management fee payable to ACN shall be R8,5 million per year (exclusive of VAT). This fee:
- 5.1.1 is inclusive of the CEO salary and all other ACN overhead costs;
 - 5.1.2 excludes traveling expenses for Ascendis-related work;
 - 5.1.3 excludes costs related to company secretarial work, which could be included as a direct additional cost to Ascendis;
 - 5.1.4 excludes any direct operational management of the underlying portfolio companies within Ascendis (such as interim/acting Managing Director and Financial Manager roles, etc.);
 - 5.1.5 will increase by CPIX annually or such amount as agreed by the Board; and
 - 5.1.6 will be payable quarterly in advance.
- 5.2 The fee payable is not intended to be profit generating for ACN and is intended to recover the overhead costs incurred while performing a critical value unlock function for the group and shareholders.
- 5.3 In addition to the management fee, a performance incentive will be put in place that is in line with industry standards for unlisted, private equity investments that will compensate ACN for a percentage of all value returned to shareholders after value of approximately R500 million (the approximate market capitalisation of Ascendis at the Offer Consideration) has been returned to shareholders.
- 5.4 It is likely that the performance incentive may be calculated utilising values allocated to each underlying portfolio company. In this event the report compiled by the independent expert that is tasked to perform the independent fair and reasonable assessment of the Offer will be used as the basis to assign relative values for the underlying portfolio companies.


Ascendis - Irrevocable Undertaking - KHI


Final Audit Report


2023-11-14


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