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

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

SHORT-FORM ANNOUNCEMENT

Key features (continuing operations)

- Revenue: R1.535 billion (2022: R1.559 billion)
- Gross profit margin declined by 145 bps to 39.4%
- Total comparable operating expenses decreased by R55.5 million (6%)
- Operating loss from continuing operations improved by 62% from R758 million to R286 million
- Earnings per share declined by 87% to 12.4 cents (2022: 93.6 cents)
- Loss per share from continuing operations had a 70% improvement at -47.2 cents (2022:-158.2 cents)
- Headline loss per share had a 66% improvement at -41.5 cents (2022: -122.4 cents)
- Tangible net asset value per share of 81 cents (2022: 62 cents)

Overview
The Group has successfully completed the recapitalization, debt restructuring and corporate activity which was required in order to wholly deleverage and unencumber the Group's balance sheet for the first time since 2013. In this regard, the Group undertook a successful rights offer which closed in August 2022 (which raised R101.5 million), the Group's Pharma business was successfully disposed of in October 2022 (for net cash consideration of R444 million) and the Group's senior debt was fully repaid in March 2023.

This has allowed the board and management to focus their attention on the operations and performance of the remaining business units operating in the Medical Devices and Consumer Health segments, where much needed restructuring and intervention was required. This business level intervention has resulted in significant operational improvements, many of which will only bear fruit in the 2024 financial year.

Some of the most important operational actions taken include:

- the CardaXes and InterV Med businesses, previously divisions within Surgical Innovations, have been spun out into their own operating companies, with their own management teams, allowing for specific focus on these two promising and exciting businesses;
- the Ascendis Supply Chain business has been wound down, resulting in material savings since April 2023;
- the Consumer Health business has outsourced its manufacturing function, leaving the business' management team to focus on its core strengths, namely sales, marketing and product development;
- the Group has successfully raised working capital and ancillary credit facilities of R82 million with RMB; and

- the business rescue of Surgical Innovations.

As envisaged, transaction and restructuring-related costs have significantly reduced as corporate activity has slowed and the continuing rationalisation of head office costs has further eased the burden on the Group's balance sheet.

Efficient cost control has been a significant focus area across the Group with a particular focus on the reduction of head office costs which have been reduced from R95 million in the prior year to a total of R54 million in the current year. This has been primarily driven by reductions in head count and advisory costs.

On an annualised run-rate basis head office costs are currently anticipated to be approximately R35 million for the 2024 financial year. Despite having identified opportunities for further cost savings, Ascendis' operation as a JSE-listed group necessitates a certain level of costs and functions to ensure compliance with the JSE Listings Requirements.

Financial performance

Group revenue from continuing operations of R1.535 billion remained largely consistent with the comparative period revenue of R1.559 billion.

The consumer segment was a key detractor from growth with revenue in the Consumer Health business declining by 18% from the prior period. This decline is primarily attributable to certain internal operational challenges, including overselling in the prior period, delayed responsiveness to changing consumer behaviour and a disruptive restructuring process which included the winding down of Ascendis Supply Chain. These challenges were compounded by a challenging macroeconomic environment, including international supply chain challenges, with pressure on discretionary spending and the post-Covid hangover impacting demand for our branded products.

Notwithstanding these challenges, we are pleased to report that significant progress has been made in addressing the internal challenges faced within the Consumer Health business and with the wind down of the Ascendis Supply Chain facility it is increasingly clear that management's efforts are bearing fruits and the entities are progressing in the right direction.

The medical devices segment continued to show strong revenue growth, particularly within Ortho-Xact and CardaXes growing revenue by more than 20%, whilst Surgical Innovations and InterV-Med both achieved double-digit revenue growth from the prior year. Unfortunately, this was partially offset by a decline of around 11% in revenue earned by The Scientific Group, which is primarily attributable to the non-renewal of certain tenders as well as an ongoing operational restructuring.

The Group's overall gross margin in the current year of 39.4% came in 1.5 percentage points lower than in the previous year due in part to certain structural challenges faced by our medical devices businesses. The declining value of the Rand relative to hard currencies together with cost inflation pressures faced by our key foreign suppliers have placed pressure on gross profit margins.

Total operating costs, including transaction costs and impairments, declined by R55.5 million (6%) during the year under review. Administration costs experienced a notable decrease of R47.6 million (36%) due to cost containment initiatives. However, this decrease was partially offset by increases in advertising and selling costs, travel costs associated with key staff attending global conferences, and a one-time expense related to the Surgical Innovations VAT dispute with SARS

(R53 million excluding interest) which will be resolved pursuant to the implementation of the business rescue process.

Transaction and restructuring-related expenses have been substantially limited, reflecting a reduction of R46.2 million from the prior period. These costs were necessitated by several ongoing restructuring processes, divestments concluded in the past year, and the restructuring of the Group's debt.

During the year, as part of management's ongoing commitment to enhance the integrity of our financial records, a decision was made to impair land and buildings, as well as plant and machinery previously operated by Ascendis Supply Chain, amounting to a value of R50.7 million. This impairment followed the closure of the Ascendis Supply Chain factory in Wynberg and pertained to the remaining factory building, land and related plant, which management revalued in accordance with market-related rates and prevailing economic conditions.

After an extensive exercise was undertaken to assess the value of fixed assets held by Surgical Innovations and placed in the market, a decision was taken to impair PPE to the value of R19.9 million. This impairment is included in the income statement for the period prior to the deconsolidation of Surgical Innovations. Furthermore, management recorded impairments of R15.4 million for brands and R42.7 million for customer relationships related to the Ascendis Consumer Brands and The Scientific Group businesses, respectively.

As at year-end, the Group is in a strong overall solvency position, characterized by no external senior debt and surplus net assets totalling R563 million. This represents a remarkable 40% improvement from the previous year. The Group's liquidity position has also stabilized, boasting available cash reserves of R102 million and net working capital in excess of R300 million at year-end.

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

Auditor's opinion
Nexia SAB&T have audited the consolidated and separate annual financial statements from which this announcement has been derived and have expressed an unmodified audit opinion on these financial statements.

Going concern assessment
The Group annual financial statements have been prepared on a going concern basis.

The Group has sufficient liquidity and access to financing to meet its obligations as they fall due, and the directors have no reason to believe that this will change in the foreseeable future.

The directors are satisfied that there are no longer any material uncertainties that cast significant doubt on the Group's ability to continue as a going concern and the going concern assumption is appropriate.

Outlook
The companies making up the Medical Devices business unit (The Scientific Group, Surgical Innovations, Ortho-Xact, CardaXes and InterV-Med) have both long-standing and new relationships and exclusive agency agreements with major multinational suppliers and a network of blue chip and government clients. Surgical Innovations is expected to shortly exit a successful, but challenging, business rescue process pursuant to which relationships with suppliers, customers and other stakeholders have been strengthened, and outstanding disputes have been resolved.

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 recognized in their categories.

With the Group's balance sheet stability having been restored, management's focus remains to optimise the current operations and enhance shareholder value.

While several projects and interventions are still underway, and further optimizations of our operating base and implementation of revenue growth initiatives are required, we are confident in our trajectory towards profitability.

In conjunction with these interventions, management and the board are exploring various opportunities to unlock and return value to shareholders including a potential near-term delisting from the Johannesburg Stock Exchange.

Carl Neethling
CEO and Acting CFO

Sandton
29 September 2023

Directors' responsibility
This short-form announcement is the responsibility of the directors of Ascendis Health and has been prepared under the supervision of the acting chief financial officer, Carl Neethling CA (SA). The announcement is a summary of the information in the full Annual Financial Statements for the year ended 30 June 2023 released on SENS ("**Full AFS**"), which are available at https://senspdf.jse.co.za/documents/2023/JSE/ISSE/ASC/AFS2023.pdf and on the Company's website at https://ascendishealth.com/investor-relations/financial-results/. A pre-recorded investor presentation in relation to the Full AFS is available on the Company's website at https://ascendishealth.com/investor-relations/presentations/.

Any investment decision should be based on the Full AFS.

Copies may also be requested at the Company's registered office (1 Carey Street, 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

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