LIFE HEALTHCARE

AUDITED SUMMARISED CONSOLIDATED RESULTS

FOR THE YEAR ENDED **30 SEPTEMBER 2017**,

DECLARATION OF SCRIP DISTRIBUTION WITH CASH DIVIDEND ALTERNATIVE AND TRADING STATEMENT.

Life

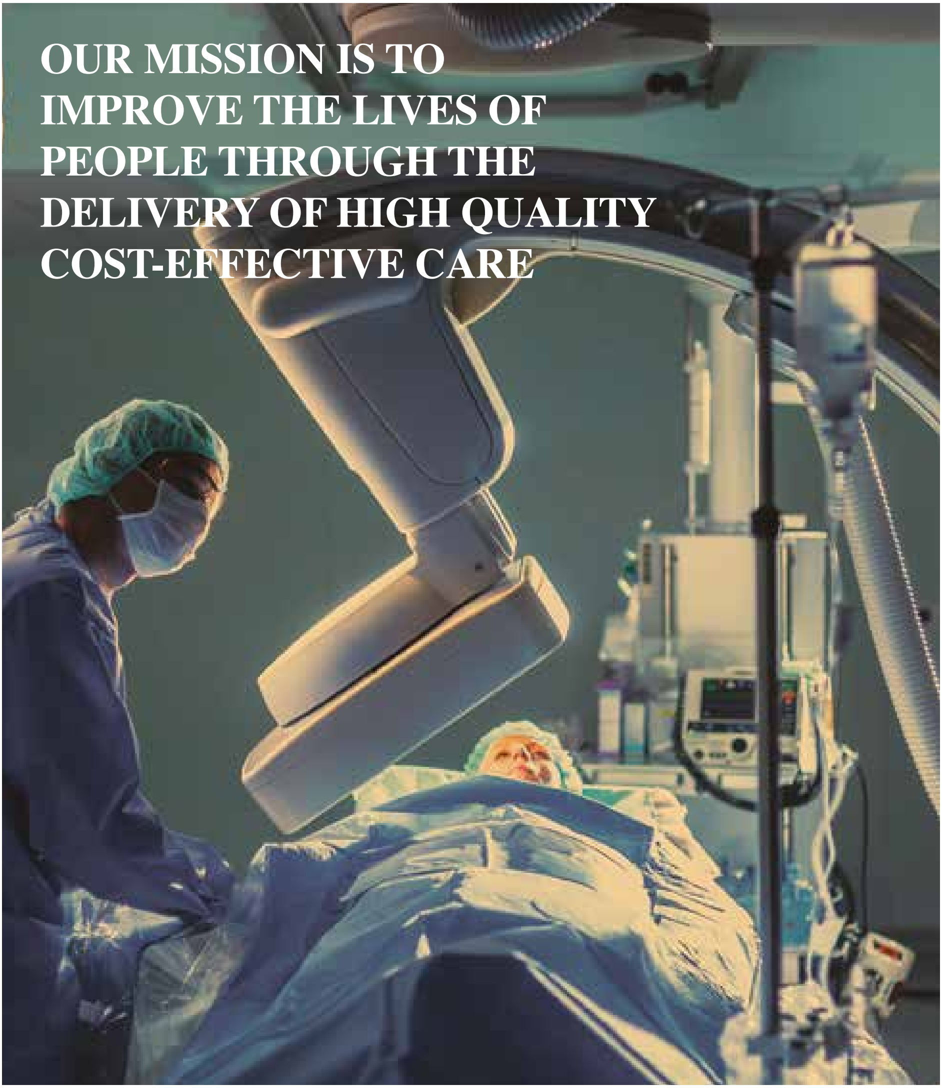
Well-being and quality of life

Health

Clinical excellence in world-class facilities

Care

Quality, service, respect and empathy for those entrusted to our care



HIGHLIGHTS

REVENUE

+26.8%

to R20 797 million

NORMALISED EBITDA

+15.9%

to R5 001 million

FINAL DIVIDEND OF

45 cents

PER SHARE

HEADLINE EARNINGS PER SHARE DECREASED TO 77.4 CENTS

-56.8%

ACQUISITION OF ALLIANCE MEDICAL

ENTERPRISE VALUE

R13.9 billion

Summarised consolidated statement of profit or loss and comprehensive income

for the year ended 30 September 2017

R'm	2017	% Change	2016
Revenue	**20 797**	26.8	16 404
Operating expenses	**(17 177)**		(12 744)
Operating profit	**3 620**	(1.1)	3 660
Contingent consideration released	**43**		109
Transaction costs	**(267)**		(12)
Impairment of investment	**(167)**		(370)
Profit/(loss) on remeasuring previously held interest in associate to fair value	**6**		(23)
(Loss)/profit on disposal of property, plant and equipment	**(37)**		1
Fair value adjustment on derivative financial instruments	**(92)**		(2)
Other	**(20)**		(7)
Finance income	**162**		12
Finance cost	**(1 299)**		(512)
Share of associates' and joint ventures' net (loss)/profit after tax	**(15)**		8
Profit before tax	**1 934**		2 864
Tax expense	**(815)**		(894)
Profit after tax	**1 119**	(43.2)	1 970
Other comprehensive income, net of tax			
Items that may be reclassified to profit or loss			
Movement in foreign currency translation reserve	**127**		(30)
Items that may not be reclassified to profit or loss			
Retirement benefit asset and post-employment medical aid	**13**		8
Total comprehensive income for the year	**1 259**	(35.4)	1 948
Profit after tax attributable to:			
Ordinary equity holders of the parent	**814**		1 616
Non-controlling interest	**305**		354
	1 119	(43.2)	1 970
Total comprehensive income attributable to:			
Ordinary equity holders of the parent	**952**	(40.4)	1 596
Non-controlling interest	**307**		352
	1 259	(35.4)	1 948
Weighted average number of shares in issue (million)	**1 310**		1 121
Earnings per share (cents)	**62.2**	(56.8)	144.1
Headline earnings per share (cents)	**77.4**	(56.8)	179.1
Diluted earnings per share (cents)	**62.0**	(56.9)	143.7
Diluted headline earnings per share (cents)	**77.2**	(56.8)	178.5
Headline earnings (R'm)			
Profit attributable to ordinary equity holders	**814**		1 616
Headline earnings adjustable items:			
Impairment of investment	**167**		370
(Profit)/loss on remeasuring previously held interest in associate to fair value	**(4)**		23
Loss/(profit) on disposal of property, plant and equipment	**37**		(1)
Headline earnings	**1 014**	(49.5)	2 008

Summarised consolidated statement of financial position

as at 30 September 2017

R'm	2017	2016
Assets		
Non-current assets	**31 459**	14 395
Property, plant and equipment	**11 131**	7 752
Intangible assets	**16 281**	3 196
Other non-current assets	**4 047**	3 447
Current assets	**5 180**	3 102
Cash and cash equivalents	**1 176**	604
Other current assets	**4 004**	2 498
Total assets	**36 639**	17 497
Equity and liabilities		
Capital and reserves		
Stated capital	**13 084**	3 666
Reserves	**1 296**	1 820
Non-controlling interest	**1 171**	1 312
Total equity	**15 551**	6 798
Liabilities		
Non-current liabilities	**9 991**	6 111
Interest-bearing borrowings	**7 786**	5 469
Derivative financial instruments	**749**	–
Other non-current liabilities	**1 456**	642
Current liabilities	**11 097**	4 588
Bank overdraft	**450**	1 030
Interest-bearing borrowings	**6 301**	1 312
Other current liabilities	**4 346**	2 246
Total liabilities	**21 088**	10 699
Total equity and liabilities	**36 639**	17 497

Summarised consolidated statement of changes in equity

for the year ended 30 September 2017

R'm	Total capital and reserves	Non-controlling interest	Total equity
Balance at 1 October 2016	**5 486**	**1 312**	**6 798**
Total comprehensive income for the year	**952**	**307**	**1 259**
Profit for the year	**814**	**305**	**1 119**
Other comprehensive income	**138**	**2**	**140**
Issue of new shares as a result of scrip distributions	**712**	**–**	**712**
Issue of new shares as a result of the rights offer, net of transaction costs	**8 770**	**–**	**8 770**
Gains on transactions with non-controlling interests	**6**	**(6)**	**–**
Transactions with non-controlling interests	**(6)**	**(205)**	**(211)**
Non-controlling interest arising on business combination	**–**	**17**	**17**
Distributions to shareholders	**(1 477)**	**(254)**	**(1 731)**
Purchase of treasury shares for staff benefit schemes	**(125)**	**–**	**(125)**
Long-term incentive scheme charge	**17**	**–**	**17**
Life Healthcare employee share trust charge	**45**	**–**	**45**
Balance at 30 September 2017	**14 380**	**1 171**	**15 551**
Balance at 1 October 2015	5 168	1 280	6 448
Total comprehensive income for the year	1 596	352	1 948
Profit for the year	1 616	354	1 970
Other comprehensive income	(20)	(2)	(22)
Issue of new shares as a result of scrip distributions	575	–	575
Gains on transactions with non-controlling interests	1	(1)	–
Transactions with non-controlling interests	(197)	(39)	(236)
Non-controlling interest arising on business combination	–	9	9
Distributions to shareholders	(1 662)	(289)	(1 951)
Purchase of treasury shares for staff benefit schemes	(61)	–	(61)
Long-term incentive scheme charge	31	–	31
Life Healthcare employee share trust charge	35	–	35
Balance at 30 September 2016	**5 486**	**1 312**	**6 798**

Summarised consolidated statement of cash flows

for the year ended 30 September 2017

R'm	2017	% Change	2016
Cash generated from operations	**4 663**	15.9	4 024
Transaction costs paid	**(210)**		–
Interest received	**162**		12
Tax paid	**(891)**		(981)
Net cash from operating activities	**3 724**	21.9	3 055
Capital expenditure	**(1 656)**		(1 013)
Acquisition of Alliance Medical (net of cash acquired)	**(9 568)**		–
Other investments[1]	**(733)**		(1 012)
Other	**72**		29
Net cash utilised in investing activities	**(11 885)**		(1 996)
Interest-bearing borrowings raised	**18 685**		1 961
Interest-bearing borrowings repaid	**(15 462)**		(1 437)
Proceeds from issue of shares as a results of the rights offer, net of costs directly attributable to the rights offer	**8 770**		–
Finance cost paid	**(1 210)**		(453)
Dividends paid	**(765)**		(1 087)
Other	**(720)**		(661)
Net cash generated from/(utilised in) financing activities	**9 298**		(1 677)
Net increase/(decrease) in cash and cash equivalents	**1 137**		(618)
Cash and cash equivalents – beginning of the year	**(426)**		255
Effect of foreign exchange rate movements	**15**		(63)
Cash and cash equivalents – end of the year	**726**		(426)

[1] *The other investments include the additional shares acquired in Max Healthcare for R428 million (2016: R320 million), the acquisitions of Albaro for R104 million (net of cash acquired), and Life Radiopharma Group for R189 million. During the prior year the other investments included the acquisitions in Poland for R669 million.*

Segmental report

The hospital and complementary services segment comprises all the acute hospitals and complementary services in southern Africa. The healthcare services segment comprises of Life Esidimeni and Life Employee Health Solutions (Life Occupational Health and Careways) in southern Africa.

Poland comprises healthcare services in Poland and Alliance Medical comprises diagnostic services in the United Kingdom and Europe.

Inter-segment revenue that is eliminated relates to revenue with Careways Wellness Proprietary Limited of R5 million (2016: R3 million).

R'm	**Year ended 30 September 2017**	Year ended 30 September 2016
Revenue		
Southern Africa		
Hospitals and complementary services	**15 019**	14 381
Healthcare services	**871**	849
Poland		
Healthcare services	**1 095**	1 174
Alliance Medical		
Diagnostic services	**3 812**	–
Total	**20 797**	16 404
EBITDA		
Southern Africa		
Hospitals and complementary services	**3 420**	3 603
Healthcare services	**121**	120
Poland		
Healthcare services	**44**	120
Alliance Medical		
Diagnostic services	**908**	–
Corporate	**508**	471
Total	**5 001**	4 314
Depreciation	**(971)**	(530)
Southern Africa		
Hospitals and complementary services	**(475)**	(420)
Healthcare services	**(14)**	(13)
Poland		
Healthcare services	**(58)**	(62)
Alliance Medical		
Diagnostic services	**(390)**	–
Corporate	**(34)**	(35)
EBITA		
Southern Africa		
Hospitals and complementary services	**2 945**	3 183
Healthcare services	**107**	107
Poland		
Healthcare services	**(14)**	58
Alliance Medical		
Diagnostic services	**518**	–
Corporate	**474**	436
Total	**4 030**	3 784

Segmental report continued

R'm	Year ended 30 September 2017	Year ended 30 September 2016
Amortisation	**(439)**	(147)
Southern Africa		
Hospitals and complementary services	**(135)**	(124)
Healthcare services	**–**	–
Poland		
Healthcare services	**(20)**	(23)
Alliance Medical		
Diagnostic services	**(284)**	–
Corporate	**–**	–
Operating profit before items detailed below	**3 591**	3 637
Southern Africa		
Hospitals and complementary services	**2 810**	3 059
Healthcare services	**107**	107
Poland		
Healthcare services	**(34)**	35
Alliance Medical		
Diagnostic services	**234**	–
Corporate	**474**	436
Retirement benefit asset and post-employment medical aid income	**29**	23
Operating profit	**3 620**	3 660
Contingent consideration released	**43**	109
Transaction costs	**(267)**	(12)
Impairment of investment	**(167)**	(370)
Profit/(loss) on remeasuring previously held interest in associate to fair value	**6**	(23)
(Loss)/profit on disposal of property, plant and equipment	**(37)**	1
Fair value adjustment on derivative financial instruments	**(92)**	(2)
Other	**(20)**	(7)
Finance income	**162**	12
Finance cost	**(1 299)**	(512)
Share of associates' and joint ventures' net (loss)/profit after tax	**(15)**	8
Profit before tax	**1 934**	2 864

Operating profit before items detailed includes the segment's share of shared services and rental costs. These costs are all at market-related rates.

R'm	**Year ended 30 September 2017**	Year ended 30 September 2016
Total assets before items detailed below		
Southern Africa	**12 542**	11 433
Poland	**2 280**	2 602
Alliance Medical	**17 815**	–
India	**2 960**	2 547
	35 597	16 582
Employee benefit assets	**399**	433
Deferred tax assets	**608**	426
Derivative financial assets (included in other assets)	**2**	17
Income tax receivable	**33**	39
Total assets per the balance sheet	**36 639**	17 497
Net debt		
Southern Africa	**6 492**	6 121
Poland	**1 109**	1 086
Alliance Medical	**3 293**	–
Acquisition funding (Alliance Medical)	**2 467**	–
	13 361	7 207
Cash and cash equivalents		
Southern Africa	**49**	(533)
Poland	**87**	127
Alliance Medical	**590**	–
	726	(426)

Liabilities are reviewed on a net debt basis, which comprises all interest-bearing borrowings and overdraft balances (net of cash on hand).

Acquisitions and disposals of investments

Changes in ownership interest in subsidiaries as a result of non-controlling interest transactions

The Group had increases and decreases in its shareholdings in a number of its subsidiary companies due to transactions with minority shareholders. The individual transactions are immaterial.

The Group acquired an additional 27.84% interest in Free State Oncology Trust (Free State Oncology), resulting in Free State Oncology becoming a subsidiary of the Group. The Group previously had an interest of 23.16% in Free State Oncology, which was accounted for as an associate. The investment in associate was derecognised, and an investment in subsidiary was recognised at a consideration of R6 million.

Increase in investment in Max Healthcare Institute Limited (Max Healthcare)

The Group acquired additional shares in Max Healthcare on 16 August 2017 for a total consideration of R428 million and now owns 49.70%.

Business combinations

The Group acquired the business of the Bohes Trust on 1 October 2016 for a total consideration of R9 million (including a contingent consideration of R1.8 million). The trust had no significant contingent liabilities at the acquisition date.

1. Acquisition of Alliance Medical Group Limited (Alliance Medical)

On 21 November 2016, the Group acquired 93.78% of the issued share capital of Alliance Medical, incorporated in the United Kingdom. This is accounted for as a 100% subsidiary in terms of International Financial Reporting Standards (IFRS). The exchange rate as at 21 November 2016 and 30 September 2017 was GBP1:R17.88 and GBP1:R18.18 respectively. The acquisition has been accounted for in terms of IFRS 3 “Business combinations”.

The following presents the impact on the consolidated information of the Group for the period 21 November 2016 to 30 September 2017, converted at an average rate of GBP1:R16.93:

	R’m
Revenue	3 812
EBITDA	908
Depreciation and amortisation	(674)
EBIT	234
Transaction and other related costs	(128)
Fair value loss on derivative financial instruments	(65)
Loss on disposal of property, plant and equipment	(36)
Finance costs	(103)
Fair value adjustment of contingent consideration	43
Share of associates’ and joint ventures’ net profit after tax	6
Taxation	23
Net loss	(26)

Impact on consolidated information if the business combination took place 1 October 2016, converted at an average rate of GBP1:R16.93:

	R'm
Revenue	4 412
Net profit	11
Details of the net assets acquired and goodwill are as follows:	
Total purchase consideration	(10 832)
Cash portion	9 884
Contingent consideration[1]	358
B share liability assumed[2]	590
Fair value of net assets acquired	1 282
Fair value of net assets acquired	1 282
Goodwill arising on acquisition[3]	(9 550)

[1] *The sellers of Alliance Medical were entitled to an earn-out consideration of GBP4 for each GBP1 of the adjusted EBITDA results of Alliance Medical, calculated with reference to the 12 months ending 31 March 2017, in excess of GBP66 million subject to a maximum of GBP40 million. At acquisition, the fair value of the contingent consideration was estimated at GBP20 million (R358 million). The final contingent consideration paid was calculated as GBP17.45 million (R339 million).*

[2] *The Life UK Healthcare Limited B shares were issued to key management within Alliance Medical in exchange for a portion of their B shares held in Alliance Medical. The B share liability at the acquisition date amounted to GBP36.2 million (R647 million), of which GBP33 million (R590 million) is considered part of the business combination and GBP3.2 million (R57 million) is recognised as a post-acquisition expense in transaction costs in profit and loss. The B share liability was remeasured as GBP40.0 million (R727 million) as at 30 September 2017. The fair value adjustment from acquisition date to 30 September 2017 was GBP3.8 million (R65 million). This is recognised in profit and loss.*

[3] *The goodwill is attributable to the Group's future earnings potential related to diagnostic businesses.*

The fair values of the assets and liabilities arising from the acquisition are as follows:

	R'm
Inventories	7
Trade and other receivables	1 038
Trade and other payables	(1 549)
Cash and cash equivalents	655
Current tax liability	(132)
Interest-bearing borrowings	(3 815)
Property, plant and equipment	2 242
Investments in joint ventures and other	18
Retirement benefit liability	(73)
Brand	129
Customer relationship	3 247
Software	79
Deferred tax	(561)
Non-controlling interest	(3)
	1 282
Cash outflow to acquire Alliance Medical, net of cash acquired	
Cash consideration	9 884
Less: cash at acquisition	(655)
Contingent consideration paid	339
	9 568

The increase in intangible assets at 30 September 2017 mainly relates to the goodwill recognised of R9.6 billion and fair value uplift of intangible assets of R3.5 billion related to the Alliance Medical acquisition.

2. Additional material acquisitions

The following additional material acquisitions took place during the current financial year:

	Albaro Group and Direct Medical Imaging	Life Radiopharma Group
Acquirer	Alliance Medical	Alliance Medical
Country of incorporation	Italy and United Kingdom respectively	Germany, Poland and Austria
Acquisition date	30 December 2016 and 1 August 2017 respectively	1 May 2017
% voting equity interest acquired	100%	100%
Primary reasons for business combination	Growth	Growth
Qualitative factors that make up goodwill recognised	Attributable to future earnings potential	Attributable to future earnings potential
Contingent liabilities at acquisition	None	None

Details of the fair values of net assets acquired and goodwill are as follows:

R'm	Albaro Group and Direct Medical Imaging	Life Radiopharma Group
Total purchase consideration	**(161)**	**(189)**
Cash portion	**(123)**	**(189)**
Contingent consideration	**(38)**	**–**
Fair value of net assets acquired	**12**	**95**
Inventories	**1**	**3**
Trade and other receivables	**13**	**28**
Trade and other payables	**(68)**	**(77)**
Cash and cash equivalents	**20**	**–**
Current tax liability	**(3)**	**–**
Interest-bearing borrowings	**(9)**	**(59)**
Property, plant and equipment	**47**	**155**
Investments in joint ventures and other	**3**	**–**
Customer relationship	**9**	**36**
Software	**–**	**1**
Deferred tax	**(1)**	**8**
Goodwill	**(149)**	**(94)**
Impact on consolidated information if each business combination took place on 1 October 2016		
Revenue	**79**	**118**
Net loss	**(18)**	**(2)**

3. Interest-bearing borrowings

	R'm
Total borrowings at 30 September 2016	**6 781**
Bridge facilities for Alliance Medical acquisition	**14 601**
Rights offer proceeds to reduce Alliance Medical acquisition debt	**(8 770)**
Net borrowings assumed on acquisition of Alliance Medical and its subsidiaries	**1 169**
Net other loan movements	**194**
Exchange difference	**112**
Total borrowings at 30 September 2017	**14 087**

Basis of presentation and accounting policies

The summarised consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, and the requirements of the Companies Act 71 of 2008 (as amended) applicable to summary financial statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting.

The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements, except for the adoption of the new and revised standards.

These financial results have been prepared under the supervision of PP van der Westhuizen (CA)(SA), the Group Chief Financial Officer.

Report of the independent auditors

This summarised report is extracted from audited information, but is not itself audited. The annual financial statements were audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The audited annual financial statements and the auditors' report thereon are available for inspection at the Company's registered office.

The directors take full responsibility for the preparation of the preliminary report and that the financial information has been correctly extracted from the underlying annual financial statements.

Commentary

Overview

One of Life Healthcare's strategic objectives is to accelerate the transition from a South African focused acute care group to an international diversified healthcare provider. Life Healthcare's growth strategy has been focused on expanding its complementary services within the South African market while increasing its international exposure.

In line with this strategy, Life Healthcare completed the acquisition of Alliance Medical in November 2016. The Group acquired Alliance Medical for an enterprise value of around GBP780 million (R13.9 billion). The acquisition was initially funded through ZAR and GBP debt bridge facilities, which have subsequently been partially repaid through the successful completion of the rights offer and will be fully repaid by end of November 2017.

The Group results for the 12 months ended 30 September 2017 include the acquisition of Alliance Medical, with revenue up 26.8%, normalised EBITDA up 15.9% and headline earnings per share (HEPS) down 56.8%. The Group's earnings have been impacted by the one-off items related to the Alliance Medical acquisition and the further impairment of the investment in Poland.

Acquisition of Alliance Medical Group

Rationale

Life Healthcare views the entry into diagnostics as a natural part of the Group strategy of diversifying both internationally and into non-acute lines of business. Alliance Medical is one of western Europe's leading providers of complex molecular and diagnostic imaging services, with strong market positions in the United Kingdom (UK), Italy and Ireland and a platform for expansion more broadly with existing participation in 10 European markets. Alliance Medical is unique in western Europe in terms of its vertically integrated model providing services across the molecular imaging value chain ranging from radiopharmaceutical production to scanning services provision and results reporting.

Benefits of the acquisition

The acquisition of Alliance Medical accelerates both Life Healthcare's expansion of its complementary services business, adding diagnostics to mental health, acute rehabilitation, renal dialysis and oncology and geographic diversification, firmly positioning Life Healthcare in a strategically important high-growth business. Non-acute care revenue is now 27.6% of Group revenue (2016: 11.0%). International revenue as a percentage of Group revenue is now 23.6% (2016: 7.2%) and international normalised EBITDA as a percentage of Group normalised EBITDA is 19.0% (2016: 2.8%). Alliance Medical has a strong management team with broad healthcare experience to help support Life Healthcare's international growth.

Operational review

Southern Africa

Revenue from the southern African operations increased by 4.3% to R15 890 million (2016: 15 230 million). Revenue was negatively impacted by lower activity with paid patient days (PPDs) declining by 1.7% (2016: +4.0%). The H1 PPD volume decline of 1.0% as reported in H1 was impacted by Easter falling in H2 in 2017 as opposed to H1 in 2016. The decline in PPDs as at the end of February 2017 and end of April 2017 was 2.7% with the region impacted the most being KwaZulu-Natal. Post-Easter there has been an improvement in underlying activities, resulting in a full year decline of 1.7%. Overall lower activity volumes have been due to limited or no growth in the private healthcare market, macroeconomic factors and intensified case management efforts by medical healthcare funders. Within this difficult trading environment, the Group is still experiencing good growth in its complementary services division with revenue growing by 18.5%. The overall weighted occupancy for the year decreased to 70.0% (2016: 72.5%). EBITDA margins for the year declined to 25.5% (2016: 27.5%), primarily as a result of the decrease in activities and changes in case mix.

An additional 133 beds (2016: 176), 22 renal dialysis stations and a new oncology centre have been added to the business. The increase in beds in operation was primarily driven by the adding of 60 mental health beds at Life Carstenview in Gauteng. An additional oncology unit at Life Eugene Marais Hospital in Pretoria was completed and operationalised. The board, as part of our transformation strategy, approved the sale of a share of Life Occupational Health to The Life Healthcare Nursing Education Trust (the Trust). The Trust is now registered to provide nursing degree bursaries to previously disadvantaged individuals.

The Group continued to provide high-quality clinical care as evidenced by the positive clinical outcomes, hospital-associated infection rates and patient incident rates in our facilities.

Alliance Medical
The business has performed well against the comparative year with revenue increasing by 12.0% to R4 419 million and normalised EBITDA increasing by 11.3% to R1 168 million on a constant currency basis. In the UK, the business continues to benefit from the growth in PET-CT volumes but is experiencing increased competition on the mobile diagnostic business as more capacity is added to the market. The operations in Italy and Ireland performed according to expectations and northern Europe showed good growth on the back of the acquisition of the Life Radiopharma Group (previously Eckert and Ziegler) for R189 million (Eur13 million) in May 2017. This acquisition extends Alliance Medical's molecular imaging presence in northern Europe and supplements its PET-CT scanning services.

Poland
Scanmed S.A. (Scanmed) revenue for the period to 30 September 2017 was R1 095 million (2016: R1 174 million). Normalised EBITDA is significantly below last year with the EBITDA margin reducing to 4.0% (2016: 10.2%). This is primarily due to the impact of the reduction in cardiology tariffs as promulgated in Poland effective 1 July 2016 (-17%), further cardiology tariff reductions from 1 January 2017 (-11%) in a division that makes up 45% of the Scanmed's Narodowy Fundusz Zdrowia (NFZ) revenue, and debtor impairments related to prior years to the value of R50 million. Several turnaround activities are taking place in the business, including major cost savings (such as administrative headcount and third parties cost reduction), integration and improvement in operational efficiency. Completion of the system integration with Life Healthcare processes is planned for mid-2018. Scanmed has successfully secured new four-year NFZ contracts covering 85% of the business. We expect to complete contracts for the balance of the business in H1 2018.

The further tariff reductions in January 2017 have resulted in an additional impairment of R167 million of the Polish investment for the year.

India
Max Healthcare reported revenue growth of 8.0% and EBITDA growth of 7.0% for the 12 months ended 30 September 2017. Max Healthcare was impacted by the demonetisation of the currency towards the end of 2016 and the introduction of a number of regulatory changes such as stent and knee implant price caps. To mitigate the regulatory impact, a number of cost efficiency initiatives have been identified totalling Rs93 Cr of which Rs34 Cr was realised in the last six months. The Group, with Max India, each acquired an equal share of the IFC stake at Rs105 per share equating to R428 million. The Group's shareholding in Max Healthcare is now 49.7% and maintains the equal shareholding status with Max India, thus protecting our shareholder rights. The earnings of this business are impacted by the funding cost, costs of acquisition and development incurred in respect of the business acquisitions. Whilst these operations continue to ramp up, the earnings will be low.

Financial performance

Group revenue increased by 26.8% to R20 797 million (2016: R16 404 million) consisting mainly of a 4.3% increase in southern African revenue to R15 890 million (2016: R15 230 million); R3 812 million new revenue from Alliance Medical and R1 095 million (2016: R1 174 million) revenue contribution from Poland. The southern African hospital and complementary services division revenue increased by 4.4% to R15 019 million (2016: R14 381 million) driven by a higher revenue per PPD of 6.3%, made up of a 6.1% tariff increase and a 0.2% positive case mix impact, partially offset by a 1.7% decrease in PPDs. Healthcare services revenue increased marginally by 2.6% to R871 million (2016: 849 million) due to good growth in the employee health solutions division attributable to new contracts gained.

Normalised EBITDA[1] increased by 15.9% to R5 001 million (2016: R4 314 million). The EBITDA contributions from Alliance Medical and Scanmed were R908 million and R44 million (2016: R120 million) respectively.

[1] *Life Healthcare defines normalised EBITDA as operating profit before depreciation on property, plant and equipment and amortisation of intangible assets and non-trading related costs and income.*

Commentary continued

R'm	30 September 2017	% Change	30 September 2016
Normalised EBITDA			
Operating profit	**3 620**		3 660
Depreciation on property, plant and equipment	**971**		530
Amortisation of intangible assets	**439**		147
Retirement benefit asset	**(29)**		(23)
Normalised EBITDA	**5 001**	15.9	4 314
Southern Africa	**4 049**	(3.5)	4 194
Alliance Medical	**908**		–
Poland	**44**		120

Cash flow

The Group produced good cash flows from operations and continues to anticipate positive free cash flow. The overall net cash inflow position of the Group is positive, as a result of the related bridge loan funding raised for the acquisition of Alliance Medical and due to the rights offer proceeds that occurred in April 2017.

Financial position

Net debt to normalised EBITDA as at 30 September 2017 was 2.55 times (30 September 2016: 1.67 times). The banks covenants for net debt to EBITDA is 3.5 times (2016: 2.75 times).

The increase in net debt is primarily due to the impact of the Alliance Medical Group that was partially funded via debt.

Capital expenditure and investments

During the current year, Life Healthcare invested R11 957 million (2016: R2 025 million), comprising mainly R9 568 million (net of cash acquired) for the acquisition of Alliance Medical, R428 million additional investment in Max Healthcare and R292 million (net of cash acquired) in new acquisitions by Alliance Medical. The Group invested in capital projects of R1 103 million in southern Africa and R553 million internationally.

Headline earnings per share and normalised earnings per share

Headline earnings per share decreased by 56.8% to 77.4 cps (2016: 179.1 cps). Earnings per share on a normalised basis, which excludes non trading related items listed below, decreased by 44.6% to 93.9 cps (2016: 169.4 cps).

The earnings per share and headline earnings per share for the year ended September 2016, have been amended as a result of a change to the weighted average number of shares, which has been increased due to the rights offer and the related bonus element within the rights offer, in accordance with IFRS.

R'm	30 September 2017	% Change	30 September 2016
Normalised earnings			
Profit attributable to ordinary equity holders	**814**		1 616
Retirement funds	**(21)**		(16)
Contingent consideration released	**(43)**		(109)
Transaction costs	**267**		12
Impairment of investment	**167**		370
(Profit)/loss on remeasuring previously held interest in associate to fair value	**(4)**		23
Loss/(profit) on disposal of property, plant and equipment	**37**		(1)
Fair value gain on foreign exchange hedge contract	**(7)**		–
Other	**20**		4
Normalised earnings	**1 230**	(35.2)	1 899
Normalised EPS (cents)	**93.9**	(44.6)	169.4
Southern Africa operations (cents)	**149.7**		193.4
International operations (cents)	**3.6**		(0.9)
Funding costs (international acquisitions) (cents)	**(59.4)**		(23.1)

Changes to board of directors

The board, together with A Meyer, decided that he would step down as Group Chief Executive Officer and as a member of the board with effect from 30 June 2017, and PP van der Westhuizen was appointed as acting Group Chief Executive Officer, while continuing in his role as Group Chief Financial Officer.

The board approved the appointment of Dr S Viranna to the position of Group Chief Executive Officer effective 1 February 2018.

LM Mojela resigned from the board with effect from 25 January 2017 at the annual general meeting. MEK Nkeli and PJ Golesworthy were respectively appointed as chairman and as member of the social, ethics and transformation committee with effect from 25 January 2017. Adv M Sello and AM Mothupi were appointed as non-executive directors on 3 July 2017.

Scrip Distribution and Cash Dividend Alternative

1. Introduction

The board has declared a final distribution for the year ended 30 September 2017, by way of the issue of fully paid Life Healthcare Group Holdings Limited ordinary shares of 0.0001 cent each (the Scrip Distribution) payable to ordinary shareholders (Shareholders) recorded in the register of the Company at the close of business on the Record Date, being Friday, 5 January 2018.

Shareholders will be entitled, in respect of all or part of their shareholding, to elect to receive a gross cash dividend of 45 cents per ordinary share in lieu of the Scrip Distribution, which will be paid only to those Shareholders who elect to receive the cash dividend, in respect of all or part of their shareholding, on or before 12:00 on Friday, 5 January 2018 (the Cash Dividend). The Cash Dividend has been declared from income reserves. A dividend withholding tax of 20% (2016: 15%) will be applicable to all shareholders not exempt therefrom after deduction of which the net Cash Dividend is 36 cents per share.

The new ordinary shares will, pursuant to the Scrip Distribution, be settled by way of capitalisation of the Company's distributable retained profits.

The Company's total number of issued ordinary shares is 1 449 390 750 as at 10 November 2017. The Company's income tax reference number is 9387/307/15/1.

2. Terms of the Scrip Distribution

The Scrip Distribution will be done at a 2.5% discount to the 15-day volume weighted average price (VWAP). The number of Scrip Distribution shares to which each of the shareholders will become entitled pursuant to the Scrip Distribution (to the extent that such shareholders have not elected to receive the Cash Dividend) will be determined by reference to such shareholder's ordinary shareholding in Life Healthcare Group Holdings Limited (at the close of business on the Record Date, being Friday, 5 January 2018) in relation to the ratio that 45 cents multiplied by 1.025 bears to the VWAP of an ordinary Life Healthcare Group Holdings Limited share traded on the JSE during the 15-day trading period ending on Friday, 1 December 2017. Where the application of this ratio gives rise to a fraction of an ordinary share, the number of shares will be rounded up to the nearest whole number if the fraction is 0.5 or more and rounded down to the nearest whole number if the fraction is less than 0.5.

Details of the ratio will be announced on the Stock Exchange News Service (SENS) of the JSE in accordance with the timetable on the following page.

Commentary continued

3. Circular and salient dates

A circular providing shareholders with full information on the Scrip Distribution and the Cash Dividend alternative, including a Form of Election to elect to receive the Cash Dividend alternative will be posted to shareholders on or about Friday, 8 December 2017 and announced on SENS. The salient dates of events thereafter are as follows:

Announcement released on SENS in respect of the ratio applicable to the Scrip Distribution, based on the 15-day volume weighted average price ending on Wednesday, 20 December 2017, by 11h00 on	Thursday, 21 December 2017
Announcement published in the press of the ratio applicable to the Scrip Distribution, based on the 15-day volume weighted average price ending on Wednesday, 20 December 2017 on	Friday, 22 December 2017
Last day to trade in order to be eligible for the Scrip Distribution and the Cash Dividend alternative	Tuesday, 2 January 2018
Ordinary shares trade "ex" the Scrip Distribution and the Cash Dividend alternative on	Wednesday, 3 January 2018
Listing and trading of maximum possible number of ordinary shares on the JSE in terms of the Scrip distribution from the commencement of business on	Wednesday, 3 January 2018
Announcement released on SENS in respect of the cash payment for fractional entitlements, based on the VWAP traded on the JSE on Wednesday, 3 January 2018, discounted by 10%	Thursday, 4 January 2018
Last day to elect to receive the Cash Dividend alternative instead of the Scrip Distribution, Forms of Election to reach the transfer secretaries by 12h00 on	Friday, 5 January 2018
Record Date in respect of the Scrip Distribution and the Cash Dividend alternative	Friday, 5 January 2018
Scrip Distribution certificates posted and Cash Dividend payments made, CSDP/broker accounts credited/updated, as applicable, on	Monday, 8 January 2018
Announcement relating to the results of the Scrip Distribution and the Cash Dividend alternative released on SENS on	Monday, 8 January 2018
Announcement relating to the results of the Scrip Distribution and the Cash Dividend alternative published in the press on	Tuesday, 9 January 2018
JSE listing of ordinary shares in respect of the Scrip Distribution adjusted to reflect the actual number of ordinary shares issued in terms of the Scrip Distribution at the commencement of business on or about	Wednesday, 10 January 2018

All times provided are South African local times. The above dates and times are subject to change. Any change will be announced on SENS.

Share certificates may not be dematerialised or rematerialised between Wednesday, 3 January 2018 and Friday, 5 January 2018, both days inclusive.

Competition Commission Market Inquiry

A revised timetable for the Healthcare Market Inquiry was released in December 2016 with a provisional report on findings and recommendations due by 30 November 2017. Life Healthcare remains committed to participating in the Healthcare Market Inquiry and continues to engage extensively.

Outlook

Whilst general market conditions are not expected to improve substantially in the foreseeable future, the Group is well positioned strategically, has the advantage of cost competitive and operationally efficient structures, as well as access to the funding necessary to fulfil its international expansion aspirations.

In southern Africa the Group will take a cautious approach with regard to bed expansion and expects to add 120 brownfield beds in 2018 and 145 mental health and acute rehabilitation beds in 2019 to facilitate the growing demand in these businesses. The Group expects PPD growth to return to positive growth in 2018 despite the continued market pressure.

We will continue to deliver cost-effective care through efficient business processes, optimal resource utilisation and benchmarking of facilities and doctors. A changing external environment reinforces the need to differentiate ourselves through a patient-centric strategy and focus on clinical outcomes.

Prospects for Poland have improved on the back of the four-year contracts signed with the NFZ adding stability and the business will continue to focus on driving efficiencies to improve margins.

Alliance Medical will continue to execute on its growth strategies in both existing territories and new potential markets. In the UK the PET-CT roll-out will be completed and good growth in PET-CT volumes is expected to continue. The business will continue to experience pricing pressure in the diagnostic mobile business and as a result will continue to focus on growing its CDC business with the first unit opening in Q2 2018. Ireland, Italy and northern Europe are all anticipated to show continued growth.

Max Healthcare will continue to focus on driving cost efficiencies to mitigate the regulatory impact and will continue to add capacity to its business as well as focusing on improving revenue and channel mix.

Trading statement for the six months ending 31 March 2018

Life Healthcare's results for the six months ending 31 March 2018 are expected to show an increase of more than 20% in EPS (minimum increase of 2.7 cps) and HEPS (minimum increase of 5.3 cps) from those reported for the six months ended 31 March 2017 (EPS: 13.7 cps and HEPS: 26.7 cps). This is primarily due to the non-recurring impact of the transaction costs as well as the funding costs related to the Alliance Medical acquisition and the impairment of Poland in 2017.

A detailed trading statement will be released in early April 2018.

Shareholders are advised that the investor presentation for the 12 months ended 30 September 2017 is published on Life Healthcare's website (www.lifehealthcare.co.za).

Thanks

The contribution of the doctors, nurses and employees of Life Healthcare have greatly enhanced the quality of our performance. We thank them for their contributions.

Approved by the board of directors on 20 November 2017 and signed on its behalf:

Mustaq Brey
Chairman

Pieter van der Westhuizen
Acting Group Chief Executive Officer

Executive directors: PP van der Westhuizen (Acting Group Chief Executive Officer)

Non-executive directors: MA Brey (Chairman), PJ Golesworthy, ME Jacobs, AM Mothupi, MEK Nkeli, JK Netshitenzhe, MP Ngatane, M Sello, GC Solomon, RT Vice

Company secretary: F Patel

Registered Office: Oxford Manor, 21 Chaplin Road, Illovo

Private Bag X13, Northlands, 2116

Sponsors: Rand Merchant Bank, a division of FirstRand Bank Limited

Date: 21 November 2017

Note regarding forward-looking statements: The Company advises investors that any forward-looking statements or projections made by the Company, including those made in this announcement, are subject to risk and uncertainties that may cause actual results to differ materially from those projected and have not been reviewed or reported on by the Company's external auditors. The auditors' report does not necessarily report on all the information contained in this announcement. Shareholders are therefore 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 from the Company's registered office.

LIFE HEALTHCARE GROUP HOLDINGS LIMITED
Registration number: 2003/002733/06
Income tax number: 9387/307/15/1
ISIN: ZAE000145892
Share code: LHC

online

www.lifehealthcare.co.za