REVIEWED PRELIMINARY CONDENSED GROUP RESULTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

OUR VISION

at Life Healthcare Group is to be a market-leading, international, diversified healthcare organisation.

SUMMARY

Revenue of

R25.4 billion

Normalised EBITDA*
pre-IFRS 16 of

R4.1 billion

Estimated negative impact of COVID-19 on normalised EBITDA

R2.1 billion

Cash generated from operations of

R4.6 billion

Normalised earnings per share

-47.6%

to 61.0 cents

Strong financial position with available undrawn bank facilities of

R6.3 billion

* *Non-IFRS measure.*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 September 2020

	2020 R'm	Change %	2019 R'm
Revenue	**25 386**	(1.1)	25 672
Operating expenses	**(23 206)**		(21 728)
Operating profit[1]	**2 180**	(44.7)	3 944
Fair value adjustments to contingent consideration	**(37)**		2
Fair value loss on derivative financial instruments	**(5)**		(438)
Gain on derecognition of lease asset and liability	**75**		–
Impairment of assets and investments	**(798)**		(164)
Profit on disposal of investment in joint venture	**–**		1 501
Profit on disposal of investment in subsidiary	**–**		11
Loss on disposal of property, plant and equipment	**(6)**		–
Transaction costs relating to acquisitions and disposals	**(17)**		(148)
Other	**–**		(22)
Finance income	**93**		60
Finance cost[1]	**(918)**		(1 058)
Share of associates' and joint ventures' net profit after tax	**14**		18
Profit before tax[1]	**581**	(84.3)	3 706
Tax expense	**(543)**		(835)
Profit after tax	**38**	(98.7)	2 871
Other comprehensive income/(loss), net of tax			
Items that may be reclassified to profit or loss			
Movement in foreign currency translation reserve	**1 833**		117
Items that will not be reclassified to profit or loss			
Retirement benefit asset and post-employment medical aid	**(13)**		(54)
Total comprehensive income for the year	**1 858**	(36.7)	2 934
Profit after tax attributable to:			
Ordinary equity holders of the parent	**(93)**	> (100)	2 569
Non-controlling interest	**131**		302
	38	(98.7)	2 871
Total comprehensive income attributable to:			
Ordinary equity holders of the parent	**1 708**	(34.9)	2 622
Non-controlling interest	**150**		312
	1 858	(36.7)	2 934

[1] *Impact of adopting IFRS 16 on statement of profit or loss – refer to note 3.*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS continued

for the year ended 30 September 2020

	2020	Change %	2019
(Loss)/earnings per share (cents)	**(6.4)**	>(100)	176.4
Diluted (loss)/earnings per share (cents)	**(6.4)**	>(100)	175.8

HEADLINE EARNINGS PER SHARE

for the year ended 30 September 2020

	2020	Change %	2019
Weighted average number of shares in issue (million)	**1 455**	(0.1)	1 456
Headline earnings per share (cents)	**48.7**	(45.1)	88.7
Diluted headline earnings per share (cents)	**48.5**	(45.1)	88.4
Headline earnings (R'm)			
(Loss)/profit attributable to ordinary equity holders	**(93)**		2 569
Adjustments (net of tax)			
Impairment of assets and investments	**798**		140
Profit on disposal of investment in joint venture	**–**		(1 407)
Profit on disposal of investment in subsidiary	**–**		(11)
Loss on disposal of property, plant and equipment	**3**		–
Headline earnings	**708**	(45.2)	1 291

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 September 2020

	Notes	**2020 R'm**	2019 R'm
ASSETS			
Non-current assets		**35 328**	31 588
Property, plant and equipment	3	**15 361**	12 929
Intangible assets[1]		**18 238**	16 969
Deferred tax assets		**1 162**	1 102
Other non-current assets		**567**	588
Current assets		**7 377**	5 978
Cash and cash equivalents		**2 279**	1 544
Other current assets		**5 098**	4 434
Total assets		**42 705**	37 566
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital		**13 531**	13 515
Reserves		**3 527**	2 673
Non-controlling interest		**1 220**	1 303
Total equity		**18 278**	17 491
LIABILITIES			
Non-current liabilities		**14 535**	11 632
Interest-bearing borrowings	1, 3	**12 034**	9 399
Deferred tax liabilities		**1 450**	1 371
Other non-current liabilities	2	**1 051**	862
Current liabilities		**9 892**	8 443
Bank overdraft		**2 181**	867
Interest-bearing borrowings	1, 3	**2 180**	2 596
Other current liabilities	2	**5 531**	4 980
Total liabilities		**24 427**	20 075
Total equity and liabilities		**42 705**	37 566

[1] *Intangible assets increased mainly as a result of a R2.5 billion movement in foreign currency rates, offset by a R798 million impairment.*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 September 2020

	Total capital and reserves R'm	Non-controlling interest R'm	Total equity R'm
Balance at 1 October 2019[1]	**16 188**	**1 303**	**17 491**
Total comprehensive income for the year	**1 708**	**150**	**1 858**
(Loss)/profit for the year	**(93)**	**131**	**38**
Other comprehensive income	**1 801**	**19**	**1 820**
Transactions with non-controlling interests	**(108)**	**(34)**	**(142)**
Distributions to shareholders	**(778)**	**(199)**	**(977)**
Net movement in treasury shares for staff benefit schemes	**(40)**	**–**	**(40)**
Share-based payment charge for staff benefit schemes	**88**	**–**	**88**
Balance at 30 September 2020	**17 058**	**1 220**	**18 278**
Balance at 1 October 2018 (as previously reported)	14 916	1 286	16 202
Transition adjustment relating to IFRS 9	20	–	20
Balance at 1 October 2018 (restated)	14 936	1 286	16 222
Total comprehensive income for the year	2 622	312	2 934
Profit for the year	2 569	302	2 871
Other comprehensive income	53	10	63
Transactions with non-controlling interests	(60)	(44)	(104)
Disposal of subsidiary	(5)	(18)	(23)
Distributions to shareholders	(1 321)	(233)	(1 554)
Net movement in treasury shares for staff benefit schemes	(62)	–	(62)
Loss on disposal of treasury shares	(3)	–	(3)
Share-based payment charge for staff benefit schemes	81	–	81
Balance at 30 September 2019	16 188	1 303	17 491

[1] *There was no impact on retained earnings on 1 October 2019 as a result of adopting IFRS 16.*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 September 2020

	2020 R'm	Change %	2019 R'm
Cash generated from operations	**4 562**	(23.0)	5 927
Transaction costs paid relating to acquisitions and disposals	**(17)**		(147)
Finance income received	**93**		60
Tax paid	**(597)**		(1 185)
Net cash generated from operating activities	**4 041**	(13.2)	4 655
Capital expenditure	**(1 964)**		(2 060)
Investments (net of cash acquired) and contingent considerations paid	**(43)**		(269)
Proceeds from disposal of subsidiary and joint venture	**–**		4 395
Premiums paid/settlement of foreign exchange option contracts relating to disposal of joint venture	**–**		(322)
Other	**13**		27
Net cash (utilised in)/generated from investing activities	**(1 994)**		1 771
Proceeds from interest-bearing borrowings	**12 766**		5 996
Repayment of interest-bearing borrowings	**(13 525)**		(10 052)
Contingent considerations paid	**(37)**		–
Dividends paid to Company's shareholders	**(778)**		(1 321)
Finance costs paid	**(823)**		(984)
Other	**(381)**		(404)
Net cash utilised in financing activities	**(2 778)**		(6 765)
Net decrease in cash and cash equivalents	**(731)**		(339)
Cash and cash equivalents – beginning of the year	**677**		1 006
Effect of foreign currency rate movements	**152**		10
Cash and cash equivalents at end of the year[1]	**98**		677

[1] *Cash and cash equivalents at the end of the year are net of bank overdrafts.*

SEGMENTAL INFORMATION
for the year ended 30 September 2020

The Group's segments are aligned to those business units that are evaluated regularly by the chief operating decision maker (CODM) in deciding how to allocate resources and in assessing performance.

In southern Africa, the hospitals and complementary services segment comprises all the acute hospitals and complementary services which include mental health, acute rehabilitation, renal dialysis and oncology. The healthcare services segment comprises Life Esidimeni and Life Employee Health Solutions.

International comprises diagnostic services (Alliance Medical) and healthcare services (Scanmed) across Europe and the United Kingdom.

Growth initiatives comprise the new outpatient business model, developing the imaging services opportunity, investing in data analytics and clinical quality products within South Africa and product development internationally.

Corporate is a non-operating segment.

The operating businesses have been aggregated into different segments based on the similar nature of products and services, similar economic characteristics, similar type of customers and operating in a similar regulatory environment.

Inter-segment revenue of R5 million (2019: R5 million) is eliminated and relates to revenue between Life Employee Health Solutions and the southern Africa business.

	2020 Reported R'm	**Impact of IFRS 16 R'm**	**2020 Pre-IFRS 16 Pro forma R'm**	2019 R'm
Revenue[1]				
Southern Africa				
Hospitals and complementary services	**15 899**	**–**	**15 899**	17 213
Healthcare services	**1 346**	**–**	**1 346**	1 259
International				
Diagnostic services	**6 286**	**–**	**6 286**	5 582
Healthcare services	**1 535**	**–**	**1 535**	1 349
Growth initiatives	**320**	**–**	**320**	269
	25 386	**–**	**25 386**	25 672

[1] *Revenue of approximately 31% (2019: 33%) is derived from two (2019: two) external customers. The revenue is attributable to the southern Africa segment.*

SEGMENTAL INFORMATION continued
for the year ended 30 September 2020

	2020 Reported[2] R'm	Impact of IFRS 16 R'm	2020 Pre-IFRS 16[2] Pro forma R'm	2019 R'm
Normalised EBITDA[1, 4]				
Southern Africa				
Hospitals and complementary services	**2 583**	**(219)**	**2 364**	3 933
Healthcare services	**135**	**(1)**	**134**	148
International				
Diagnostic services	**1 311**	**(127)**	**1 184**	1 253
Healthcare services	**191**	**(51)**	**140**	97
Growth initiatives	**(60)**	**(4)**	**(64)**	(25)
Corporate				
Recoveries	**1 205**	**154**	**1 359**	1 292
Corporate costs	**(1 019)**	**–**	**(1 019)**	(971)
	4 346	**(248)**	**4 098**	5 727
Depreciation				
Southern Africa				
Hospitals and complementary services	**(636)**	**33**	**(603)**	(576)
Healthcare services	**(24)**	**5**	**(19)**	(18)
International				
Diagnostic services	**(732)**	**111**	**(621)**	(521)
Healthcare services	**(118)**	**46**	**(72)**	(62)
Growth initiatives	**(17)**	**3**	**(14)**	(10)
Corporate	**(67)**	**10**	**(57)**	(49)
	(1 594)	**208**	**(1 386)**	(1 236)
EBITA[3, 4]				
Southern Africa				
Hospitals and complementary services	**1 947**	**(186)**	**1 761**	3 357
Healthcare services	**111**	**4**	**115**	130
International				
Diagnostic services	**579**	**(16)**	**563**	732
Healthcare services	**73**	**(5)**	**68**	35
Growth initiatives	**(77)**	**(1)**	**(78)**	(35)
Corporate	**119**	**164**	**283**	272
	2 752	**(40)**	**2 712**	4 491

[1] *Normalised EBITDA is defined as operating profit before depreciation on property, plant and equipment, amortisation of intangible assets and non-trading-related costs or income.*

[2] *Difference between reported and pre-IFRS 16 totals relates to the impact of IFRS 16, which is a once-off adjustment in FY2020.*

[3] *EBITA is defined as normalised EBITDA less depreciation.*

[4] *The presentation of normalised EBITDA and EBITA is not an IFRS requirement, nor a JSE Listing requirement and is a measurement used by the CODM. Investors should not consider normalised EBITDA and EBITA in isolation or as an alternative to operating profit, profit after tax or any other measure of financial performance presented. Normalised EBITDA and EBITA as disclosed above may not be comparable to other similarly titled measures of performance of other companies.*

	2020 Reported[1] R'm	Impact of IFRS 16 R'm	2020 Pre-IFRS 16[1] Pro forma R'm	2019 R'm
Amortisation of intangible assets				
Southern Africa				
Hospitals and complementary services	**(64)**	**–**	**(64)**	(110)
International				
Diagnostic services	**(466)**	**–**	**(466)**	(411)
Healthcare services	**(14)**	**–**	**(14)**	(17)
Growth initiatives	**(20)**	**–**	**(20)**	(18)
Corporate	**(40)**	**–**	**(40)**	(30)
	(604)	**–**	**(604)**	(586)
Operating profit before items detailed below				
Southern Africa				
Hospitals and complementary services	**1 883**	**(186)**	**1 697**	3 247
Healthcare services	**111**	**4**	**115**	130
International				
Diagnostic services	**113**	**(16)**	**97**	321
Healthcare services	**59**	**(5)**	**54**	18
Growth initiatives	**(97)**	**(1)**	**(98)**	(53)
Corporate	**79**	**164**	**243**	242
	2 148	**(40)**	**2 108**	3 905
Retirement benefit asset and post-employment medical aid income	**32**	**–**	**32**	39
Operating profit[2]	**2 180**	**(40)**	**2 140**	3 944
Fair value adjustments to contingent consideration	**(37)**	**–**	**(37)**	2
Fair value loss on derivative financial instruments	**(5)**	**–**	**(5)**	(438)
Gain on derecognition of lease asset and liability	**75**	**–**	**75**	–
Impairment of assets and investments	**(798)**	**–**	**(798)**	(164)
Profit on disposal of investment in joint venture	**–**	**–**	**–**	1 501
Profit on disposal of investment in subsidiary	**–**	**–**	**–**	11
Loss on disposal of property, plant and equipment	**(6)**	**–**	**(6)**	–
Transaction costs relating to acquisitions and disposals	**(17)**	**–**	**(17)**	(148)
Other	**–**	**–**	**–**	(22)
Finance income	**93**	**–**	**93**	60
Finance cost	**(918)**	**65**	**(853)**	(1 058)
Share of associates' and joint ventures' net profit after tax	**14**	**–**	**14**	18
Profit before tax	**581**	**25**	**606**	3 706

[1] *Difference between reported and pre-IFRS 16 totals relates to the impact of IFRS 16, which is a once-off adjustment in FY2020.*

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

SEGMENTAL INFORMATION continued

for the year ended 30 September 2020

	Reported 2020 R'm	Impact of IFRS 16 R'm	Pre-IFRS 16 Pro forma 2020 R'm	2019 R'm
Total assets before items below				
Southern Africa	**14 659**	**(488)**	**14 171**	13 550
International	**26 332**	**(976)**	**25 356**	22 342
	40 991	**(1 464)**	**39 527**	35 892
Employee benefit assets	**379**		**379**	448
Deferred tax assets	**1 162**	**–**	**1 162**	1 102
Income tax receivable	**173**	**–**	**173**	124
Total assets per the balance sheet	**42 705**	**(1 464)**	**41 241**	37 566
Net debt[1]				
Southern Africa	**5 366**	**(558)**	**4 808**	4 481
International	**8 750**	**(1 011)**	**7 739**	6 837
	14 116	**(1 569)**	**12 547**	11 318
Cash and cash equivalents (net)				
Southern Africa	**(1 463)**	**–**	**(1 463)**	(141)
International	**1 561**	**–**	**1 561**	818
	98	**–**	**98**	677

[1] *Net debt is a key measure for the Group, which comprises all interest-bearing borrowings, overdraft balances and cash on hand. Net debt is not an IFRS requirement, nor a JSE Listing requirement.*

Pro forma information

The adoption of IFRS 16 from 1 October 2019 complicates performance comparison between the results of the year under review and the prior financial year. To provide a more meaningful assessment of the Group's performance, pro forma information has been presented for the year ended 30 September 2020. The pro forma financial information has been prepared for illustrative purposes and represents the impact on segmental information for FY2020 as if IFRS 16 had not been applied at 1 October 2019. This is a once-off adjustment in FY2020.

The tables on pages 7 to 10 show the impact of IFRS 16 on the numbers disclosed on the segmental statement of profit or loss, total assets and net debt as at 30 September 2020. IFRS 16 balances have been removed from the reported figures in order to determine the pro forma figures to enable a like-for-like comparison to FY2019 where IFRS 16 had not been applied.

ACQUISITIONS AND DISPOSALS OF INVESTMENTS

TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Increases and decreases in ownership interest in subsidiaries

The Group had marginal increases and decreases in its percentage shareholdings in some of its South African subsidiary companies due to transactions with minority shareholders. The individual transactions are immaterial.

BUSINESS COMBINATIONS

Priamar SRL

The Group, through Alliance Medical Group Limited (Alliance Medical), acquired 100% of Priamar SRL, incorporated in Italy, on 30 December 2019 for a total consideration of EUR0.7 million (R10 million). Goodwill of EUR0.8 million (R12 million) was recognised. No significant contingent liabilities existed at the acquisition date.

NOTES

1. INTEREST-BEARING BORROWINGS

	R'm
Total borrowings at 30 September 2019	11 995
Proceeds from interest-bearing borrowings	12 766
Repayment of interest-bearing borrowings	(13 525)
Additional lease liabilities recognised on 1 October 2019 as a result of adopting IFRS 16	1 292
Additional lease liabilities recognised during the year	355
Derecognition of lease liability	(173)
Other movements	2
Effect of foreign currency movement	1 502
Total borrowings at 30 September 2020	**14 214**

2. FINANCIAL INSTRUMENTS

Fair value

Other non-current liabilities and other current liabilities as presented in the statement of financial position, include contingent consideration liabilities of R642 million (2019: R543 million) and derivative financial instrument liabilities of R53 million (2019: R30 million) at fair value (through profit or loss).

The largest contingent consideration payable (R629 million) relates to a potential amount payable to the previous owners of Life Molecular Imaging (LMI), acquired during June 2018. The contingent consideration will become payable when the acquired business is generating a positive cash contribution, measured on a cumulative basis from the date of acquisition. The contingent consideration is a 50% share of pre-tax cash generated for a period of 10 years post-acquisition or a maximum amount payable of USD200 million. The amount included is the calculated payment, based on long-term forecasts adjusted for probabilities associated with the success of the product developed, discounted to present value using a discount rate of 13.25%.

NOTES continued

2. FINANCIAL INSTRUMENTS continued

Fair value continued

The fair value of interest rate swaps is calculated as the mark-to-market valuation, which represents the mid-market value of the instrument as determined by the financial institution at 30 September 2020.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active and for unlisted securities, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group's financial instruments held at fair value, are measured subsequent to their initial recognition and are grouped into levels 1 to 3 based on the extent to which the fair values are observable. All of the resulting fair value estimates for the derivative financial instruments used for hedging are included in level 2. The contingent considerations are included in level 3.

There were no transfers between levels 1, 2 and 3 during the year.

3. NEW ACCOUNTING STANDARD (IFRS 16 LEASES)

The Group adopted IFRS 16 from 1 October 2019, and changed its accounting policies accordingly. The Group has elected the modified retrospective approach, with no restatement to comparative years.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate, as of 1 October 2019.

For leases previously classified as finance leases the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

3. NEW ACCOUNTING STANDARD (IFRS 16 LEASES) continued

	2020 R'm
Operating lease commitments disclosed as at 30 September 2019	**1 293**
Discounted using the lessee's incremental borrowing rate at the date of initial application	**(367)**
Finance lease liabilities recognised as at 30 September 2019	**1 427**
Short-term leases recognised on a straight-line basis as expense	**(5)**
Low-value leases recognised on a straight-line basis as expense	**(4)**
Adjustments as a result of a different treatment of extension and termination options	**375**
Lease liability recognised at 1 October 2019 as included in interest-bearing borrowings	**2 719**
Current lease liabilities	**647**
Non-current lease liabilities	**2 072**
	2 719

The associated right-of-use assets for all lease classes were recognised at an amount equal to the lease liabilities on 1 October 2019, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised on the balance sheet as at 30 September 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	30 Sep 2020 R'm	1 Oct 2019 R'm
Land and buildings	**2 083**	1 840
Medical equipment	**921**	904
Motor vehicles and other equipment	**73**	79
Total right-of-use assets	**3 077**	2 823

NOTES continued

3. NEW ACCOUNTING STANDARD (IFRS 16 LEASES) continued

The change in accounting policy affected the following items in the statement of financial position on 1 October 2019:
- Right-of-use assets included under property, plant and equipment – increased by R1.2 billion
- Prepayments included under other liabilities – decreased by R86 million
- Lease liabilities included as part of interest-bearing borrowings – increased by R1.3 billion

There was no impact on retained earnings on 1 October 2019.

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:
- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- Reliance on previous assessments on whether leases are onerous
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 October 2019 as short-term leases
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The Group elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its initial assessment made by applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

Leasing activities and how these are accounted for

The Group leases various properties, medical equipment (including scanning equipment, blood gas machines and renal dialysis units), motor vehicles, IT equipment and gym equipment. Rental contracts are typically entered into for fixed periods of between 1 to 25 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for bank borrowing purposes.

Until FY2019, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 October 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

3. NEW ACCOUNTING STANDARD (IFRS 16 LEASES) continued

Leasing activities and how these are accounted for continued

Assets and liabilities arising from a lease are initially measured at present value. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that are based on consumer price index, the Polish inflation rate or Warsaw Interbank Offer Rate
- Amounts expected to be payable by the lessee under residual value guarantees (only in our Polish operations)
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets (defined as assets with a value of less than R60 000 for our southern Africa business and GBP5 000 for our international business) comprise IT equipment and contracts for general business services.

(i) Extension options

Extension options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension options held are exercisable only by the Group and not by the respective lessor.

Critical judgements in determining the lease term

Consideration of whether extension options should be included in determining the lease term is a critical judgement. In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. The Group has assessed that it is reasonably certain that all extension options on property leases for hospitals will be exercised and therefore has included all renewal periods as part of the lease term as hospital buildings are integral to the Group's operations and cost of relocation would be significant. Due to the medical equipment being highly technical in nature, and the possibility that new technology may be developed, extension options have not been taken into account for medical equipment.

(ii) Discount rate applied to leases

The lease payments are discounted using the incremental borrowing rate, which is the rate that the relevant business unit (lessee) would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

NOTES continued

3. NEW ACCOUNTING STANDARD (IFRS 16 LEASES) continued

Leasing activities and how these are accounted for continued

(ii) Discount rate applied to leases continued

Critical estimates in calculating discount rates

The incremental borrowing rate was calculated using an adjusted Group weighted average cost of capital (WACC) approach by extracting the pre-tax cost of debt element from the WACC rate, which was adjusted for the following:

- Local borrowing rates
- The unsecured/secured nature
- Lessee-specific credit risk
- Lease start date and term

The weighted average incremental borrowing rate applied to the lease liabilities on 1 October 2019 was 9.33% for the Group's leases in southern Africa and 3.35% for the Group's international operations.

Should the discount rate applied at the date of transition change by 0.5%, the impact would be as follows:

- Increase by 0.5%: Right-of-use asset and lease liability decrease by R33 million
- Decrease by 0.5%: Right-of-use asset and lease liability increase by R34 million

Impact on statement of profit or loss

	2020 Reported R'm	IFRS 16 impact R'm	**2020 Pre-IFRS 16 Pro forma R'm**	Change % Pre-IFRS 16	2019 R'm
Operating profit	**2 180**	(40)	**2 140**	(45.7)	3 944
Finance cost	**(918)**	65	**(853)**		(1 058)
Profit before tax	**581**	25	**606**	(83.6)	3 706

No impact on FY2019.

Impact on earnings per share (EPS)

EPS decreased by 1.2 cps for the year ended 30 September 2020 as a result of the adoption of IFRS 16.

4. EVENT AFTER REPORTING PERIOD

The Group has in November 2020 received an offer to dispose of its Polish operation, Scanmed. The offer is lower than the carrying value of Scanmed. With the receipt of the offer, it is considered prudent and appropriate to impair the carrying value at 30 September 2020 to reflect the value of the offer. The impairment for the year ended 30 September 2020, relating to Scanmed, is R793 million.

The disposal of Scanmed is in line with the Group strategy that has previously been communicated. The Group is in negotiations regarding the offer and is expecting to finalise the disposal of Scanmed after successful conclusion of the related agreements. The disposal will be subject, inter alia, to regulatory approvals in Poland.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The preliminary condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Limited (JSE) Listings Requirements for preliminary reports, and the requirements of the South African Companies Act, 71 of 2008 (as amended) applicable to condensed financial statements. The JSE Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the South African Institute of Chartered Accountants (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 preliminary condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the prior year consolidated annual financial statements, except for the adoption of the new standard IFRS 16 Leases.

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

Pro forma information

To provide a more meaningful assessment of the Group's performance for the year, pro forma information and non-IFRS measures (normalised EBITDA, EBITA and net debt) have been included. Pro forma information includes H2 FY2020 results, IFRS 16 *Leases* financial information that represents the impact on FY2020 as if IFRS 16 had not been applied as well as the estimated impact of the COVID-19 pandemic on the Group results for the year under review. The pro forma financial information and non-IFRS measures are the responsibility of the Group's directors. Pro forma financial information is presented for illustrative purposes only. Because of its nature, the pro forma financial information and non-IFRS measures may not fairly present the Group's financial position, results of operations, changes in equity or cash flows for the year under review.

The pro forma information and non-IFRS measures are not an IFRS requirement. The Group's external auditor, Deloitte & Touche, has reviewed the pro forma information. A copy of independent reporting accountant's assurance report on the compilation of the pro forma financial information is available for inspection at the registered office of the Company.

NOTES continued

REPORT OF THE INDEPENDENT AUDITOR

Deloitte & Touche has issued an unmodified review conclusion on the preliminary condensed consolidated financial statements. A copy of their review report on the preliminary condensed consolidated financial statements is available for inspection at the Company's registered office and on the Company's website. Any perceived reference to future financial performance included in this announcement has not been audited nor reviewed and reported on by the Group's external auditors and is the responsibility of the directors. The auditor's report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's review report together with the accompanying financial information from the Company's website.

The directors take full responsibility for the preparation of the preliminary report.

COMMENTARY

OVERVIEW

Life Healthcare's 2020 financial year was a year of vastly different halves. The Group delivered an excellent performance during H1 FY2020 but trading was significantly impacted in H2 FY2020 by the COVID-19 pandemic (the pandemic). The primary focus of the Group in H2 FY2020 was to manage the impact of the pandemic. A number of actions were taken over the period since the outbreak of the pandemic to ensure that we continued to deliver a safe environment providing quality care to our patients, protected the health, safety and job security of our employees in the short term and preserved liquidity. While there is still a high degree of uncertainty regarding the future progression of the pandemic, the Group is pleased with its response to the challenges that arose during H2 FY2020 and we are confident that the lessons learned will enable us to respond effectively to future COVID-19-related challenges.

Revenue for the year ended 30 September 2020 (year under review) decreased by 1.1% against last year and Group normalised EBITDA before the impact of IFRS 16 is 28.4% down against last year. The H2 FY2020 performance was significantly impacted by the pandemic. Normalised EBITDA was impacted to a greater extent, due to additional costs associated with the pandemic and lower activity levels, resulting in negative operational leverage.

H1 and pro forma H2 results comparison:

	FY2020 R'm	FY2019 R'm	**H1 FY2020[1] R'm**	H1 FY2019[1] R'm	**H2 FY2020[2] R'm**	H2 FY2019[2] R'm
Revenue	**25 386**	25 672	**13 244**	12 399	**12 142**	13 273
Normalised EBITDA pre-IFRS 16	**4 098**	5 727	**2 806**	2 733	**1 292**	2 994
Attributable (loss)/ profit	**(93)**	2 569	**781**	357	**(874)**	2 212

[1] *H1 numbers are unaudited and were released in the interim published results for the six months ended 31 March 2020.*
[2] *H2 numbers are unaudited and derived from deducting the H1 unaudited published results from the full year reported results.*

The H2 FY2020 attributable loss included the following items:
- Impairment of Scanmed investment of R793 million
- Deferred tax charge on the unrecognised exchange gain on a loan with Scanmed of R133 million
- Provision for additional expected credit losses of R186 million

The Group's efficiency programmes contributed R125 million in the year under review.

The Group has, however, seen a good recovery, since May 2020, in medically necessary procedures in southern Africa and the return to approximately 90% of pre-COVID-19 scan volumes in the majority of the geographies in the international operations.

COMMENTARY continued

The Group successfully refinanced its term debt in the international operations during March 2020 and thereby extended the debt maturities that were due in November 2020 out to 2023 and 2025. Given the significant uncertainty caused by the pandemic the Group pre-emptively negotiated amended bank covenants for the period up to 31 March 2021. In addition, banking facilities have been increased and the Group's committed undrawn bank facilities as at 30 September 2020 are R6.3 billion.

COVID-19 PANDEMIC

The impact of the pandemic has varied across the Group's geographic regions and business lines due to the timing of the spread of the disease and the responses of the various governments. Stakeholders are referred to the Group's detailed COVID-19 narrative contained in the trading statement released on 20 April 2020, and trading updates released on 6 March 2020 and 31 August 2020 on Stock Exchange News Services (SENS).

Pro forma information

To provide more meaningful information on the performance of the operations, the pro forma information has been included to illustrate the impact of the pandemic on the FY2020 results.

The impact of the pandemic on revenue and normalised EBITDA was estimated based on the actual performance and activities pre-COVID-19 adjusted for the full year, and deducting management's estimated unaudited results from the reported results.

Southern Africa

The southern Africa business performed well up to mid-March 2020 but saw a significant reduction in hospital admissions following the announcement of the national lockdown during March 2020. The southern African operation experienced its lowest monthly occupancy in April 2020 before recovering and peaking in July 2020 due to the high number of COVID-19 cases in that month. Occupancies decreased again in August 2020 and September 2020 as the increase in medically necessary procedures was slower than the drop-off in COVID-19 cases. The overall weighted occupancy for H2 FY2020 was 50% resulting in overall weighted occupancy for the year under review of 58.4% (2019: 69.7%). Occupancy levels have continued to improve in October 2020 and the first half of November 2020.

The estimated impact of the pandemic for the year ended 30 September 2020 on revenue and normalised EBITDA for southern Africa was R2.3 billion and R1.8 billion respectively.

International

The Alliance Medical diagnostic imaging business experienced significant reductions in volumes (approximately 60% to 65% reduction on average) from mid-March 2020 to mid-May 2020 across all its major geographies. The reduction in volumes was due to national healthcare systems prioritising urgent and emergency cases as well as country-specific self-isolation and social distancing guidelines, resulting in a significant reduction in patient referrals, increase in patient cancellations and non-attendance for appointments.

The increase, however, in scan volumes across all Alliance Medical businesses, since the gradual easing of lockdowns in Europe from May 2020, has been encouraging. The scan volumes in our

PET-CT centres in the United Kingdom (UK) are ahead of the prior year (1.8%), with these scan volumes increasing by 5.2% for Q4 FY2020 compared to Q4 FY2019, demonstrating the robustness of our molecular imaging offering. Scan volumes have continued to improve with total scan volumes for October 2020, up 7.0% against October 2019.

Within our Alliance Medical business, we delivered a number of services to support governments in their response to the pandemic, such as COVID-19 testing in Italy and the delivery of a dedicated mobile CT service for up to 16 units in England, which continues into FY2021. This contributed positively at a revenue level to compensate for the reduction in scan volumes.

The estimated net impact of the pandemic for the year ended 30 September 2020 on revenue and normalised EBITDA for our international operations was R437 million (GBP21 million) and R291 million (GBP14 million) respectively. The impact of the pandemic was reduced as a result of the benefit received due to the additional services to governments to support their COVID-19 responses.

The Group's operational response to the pandemic included:

In southern Africa

- Established COVID-19 committees across the organisation with representation from internal leadership and management teams as well as various medical specialities, and where possible, leveraging scarce expertise across the hospitals to drive consistent best practice
- Implemented strict access control and entrance screening for all people entering our facilities
- Focused on the sourcing of personal protective equipment (PPE) and implementation of standards and protocols across all facilities, including the implementation of universal masking
- Implemented a dynamic forecasting model that the hospitals are using for logistical, capacity and staff planning including, where practical, designation of COVID-19 and non-COVID-19 teams and areas
- Restricted the number of visitors in our facilities
- Extensive workforce management, including redeployment of permanent employees and reduction in the use of agencies
- Representation on various national and provincial structures as well as participating in the Business Unity for South Africa initiatives in order to ensure broader alignment
- COVID-19 testing of patients before admission
- Daily monitoring of symptoms of all employees and doctors
- Random COVID-19 testing of hospital employees and doctors
- Developed facility response plans covering:
  - Staggered admission times
  - The split of facilities between COVID-19 and non-COVID-19 patients
  - Bed capacity management to ensure social distancing
  - Appropriate protocols in theatre covering utilisation, cleaning and social distancing
  - Revised PPE protocols
  - Employee rotation
- Incorporated guidelines from various medical societies and considered international best practice in the adopted approach

COMMENTARY continued

Internationally

- Established processes for the rapid deployment of employees to manage fluctuation in demand of sites as the need arises
- Trained employees in different modalities in the scanning business to enable redeployment where the need arises
- Introduced restricted opening hours and limited site closures in all regions where needed
- Prepared sites and employees for an increase in scanning demand post-lockdown
- Introduced screening and treatment protocols in all facilities to manage in a COVID-19 environment
- Reviewed post-COVID-19 opportunities including permanent changes to practices, continuation of new clinical services, and revised customer and supplier relationships

This operational response is continuously monitored and adapted in response to the changing environment as the pandemic progresses.

Life Healthcare has also introduced cash preservation levers to manage liquidity. This was done through continuous cash forecasting, adapting and implementing operational controls, limiting capital expenditure without compromising patient safety, suspending discretionary operational expenses, suspending dividends and deferring management bonuses.

OPERATIONAL REVIEW

Southern Africa

Southern Africa includes hospitals and complementary services, healthcare services and corporate.

	2020 Reported R'm	Change versus FY2019 %	**2020 Pre-IFRS 16 Pro forma R'm**	Change versus FY2019 %	2019 R'm
Revenue					
Hospitals and complementary services	**15 899**	(7.6)	**15 899**	(7.6)	17 213
Healthcare services	**1 346**	6.9	**1 346**	6.9	1 259
	17 245	(6.6)	**17 245**	(6.6)	18 472
Normalised EBITDA					
Hospitals and complementary services	**2 583**	(34.3)	**2 364**	(39.9)	3 933
Healthcare services	**135**	(8.8)	**134**	(9.5)	148
Corporate					
Recoveries	**1 205**	(6.7)	**1 359**	5.2	1 292
Corporate costs	**(1 019)**	4.9	**(1 019)**	4.9	(971)
	2 904	(34.0)	**2 838**	(35.5)	4 402

Revenue for the southern African operations for the year under review decreased by 6.6% to R17.2 billion (2019: R18.5 billion) and normalised EBITDA pre-IFRS 16 decreased by 35.5% to R2.8 billion (2019: R4.4 billion).

The main operating segment, hospitals and complementary services, did well to manage the pandemic. The overall weighted occupancy for the year decreased to 58.4% (2019: 69.7%).

Paid patient days (PPDs) for the year decreased by 15.7% (2019: +0.8%) with PPDs for H2 FY2020 declining by 30.5% (H1 FY2020: +0.2%). The revenue per PPD for the year increased by 8.9% from FY2019. The higher than expected increase is due to a change in case mix as well as an increased proportion of higher acuity patients being admitted to hospital. The increase in revenue per PPD is made up of a 4.4% tariff increase and a 4.5% positive change in case mix.

The healthcare services segment was less affected with revenue for the year up 6.9% to R1 346 million (2019 R1 259 million) and normalised EBITDA pre-IFRS 16 down 9.5% to R134 million (2019: R148 million).

Normalised EBITDA pre-IFRS 16, for the southern African operations, decreased by 35.5% with a normalised EBITDA margin pre-IFRS 16 of 16.5% for the year (2019: 23.8%). As a large percentage of costs are fixed, the decline in activities due to the pandemic had a direct impact on the normalised EBITDA margin. The pandemic also resulted in additional costs incurred of approximately R244 million. The normalised EBITDA margin excluding the estimated pandemic impact was 23.7%.

The southern African operations were a victim of a criminal cyber-attack in June 2020. In response, the Group immediately took its systems offline and switched to manual processes and procedures. Although the care of patients was not impacted, the Group was unable to issue bills for a period of around 45 days. This billing backlog was resolved by end August 2020 and most of the outstanding accounts were collected by end September 2020. The direct costs of the restoration of the information technology (IT) infrastructure amounted to R64 million.

The Group had excellent patient quality scores, with pleasing improvements shown in the healthcare associated infection (HAI) rate and the patient safety adverse event rate.

International

International comprises diagnostic services (Alliance Medical) and healthcare services (Scanmed) with operations across Europe and the UK.

COMMENTARY continued

	2020 Reported R'm	Change versus FY2019 %	**2020 Pre-IFRS 16 Pro forma R'm**	Change versus FY2019 %	2019 R'm
Revenue					
Diagnostic services	**6 286**	12.6	**6 286**	12.6	5 582
Healthcare services	**1 535**	13.8	**1 535**	13.8	1 349
	7 821	12.8	**7 821**	12.8	6 931
Normalised EBITDA					
Diagnostic services	**1 311**	4.6	**1 184**	(5.5)	1 253
Healthcare services	**191**	96.9	**140**	44.3	97
	1 502	11.3	**1 324**	(1.9)	1 350

Revenue in diagnostic services increased by 12.6% to R6.3 billion (2019: R5.6 billion). This increase was driven by the good growth of the volumes within our PET-CT centres (1.8 %) in the UK, along with additional services to support governments' responses to the pandemic and the weakening of the rand against the pound sterling and the euro. Revenue in diagnostic services was negatively impacted by the pandemic, from February 2020 but more acutely between mid-March 2020 and mid-May 2020 with scan volumes dropping by an average 60% to 65% against pre-COVID-19 levels. Up to the end of February 2020, revenue in pound sterling was 8.4% ahead of the prior period. However, due to the impact of the pandemic, revenue in pound sterling for the year ended 30 September 2020 only increased by 0.3% compared to the prior year. The Alliance Medical operations showed good recovery in diagnostic scan volumes from June 2020 with Q4 FY2020 scan volumes up 0.2% against Q4 FY2019.

Within our UK business, our fourth cyclotron site in Preston was reopened in March 2020 after a period of closure for refurbishment. By having four sites operational again, we were able to meet demand, providing a more reliable PET-CT service. The fifth site, Dinnington, is going through its final accreditation and should be able to produce commercially from Q1 FY2021. This will further enhance our reliability of isotope production.

PET-CT scan volumes were impacted less severely than other modalities during the initial pandemic surge between mid-March 2020 and mid-May 2020. The full-year volume growth in our PET-CT scan centres in the UK was 1.8%, with Q4 FY2020 showing growth of 5.2% against Q4 FY2019.

Normalised EBITDA pre-IFRS 16 for diagnostic services was R1.2 billion (2019: R1.3 billion).

The normalised EBITDA margin pre-IFRS 16 for Alliance Medical of 18.8% (2019: 22.4%) was negatively impacted by the pandemic.

The normalised EBITDA margin, excluding the estimated pandemic impact, net of the benefit received due to the additional services to governments to support their COVID-19 response alongside cost-saving initiatives, was 21.9%.

Healthcare services' revenue for the year under review increased by 13.8% to R1 535 million (2019: R1 349 million). The normalised EBITDA margin pre-IFRS 16 increased to 9.1% (2019: 7.2%). The pandemic had a minimal financial impact on Scanmed during the year under review.

Scanmed had a good performance in the year under review, with an improvement on the prior year, as some of its facilities were designated as non-COVID-19 facilities and provided elective treatments to patients from other government facilities. The Group restarted the Scanmed disposal process during September 2020, and received an offer during November 2020 to dispose of its Polish operation. The offer is lower than the carrying value of Scanmed at 30 September 2020. With the receipt of the offer, it is considered prudent and appropriate to impair the carrying value at 30 September 2020 to reflect the value of the offer. The impairment for the year under review relating to Scanmed is R793 million. The disposal of Scanmed is in line with the Group's previously communicated strategy. The Group is in negotiations regarding the offer and is expecting to finalise the disposal of Scanmed after successful conclusion of the related agreements. The disposal will be subject, inter alia, to regulatory approvals in Poland and it is anticipated that the proceeds will be used to reduce debt levels.

Growth initiatives

Growth initiatives comprise the development of a new outpatient business model, the development of the imaging services opportunity, the investment in data analytics, and clinical quality products in South Africa and product development internationally.

The Group has made good progress with its imaging services opportunity in South Africa but delays were experienced in the execution of its first few transactions due to the pandemic. The acquisition process has restarted and the Group hopes to conclude the transactions in H1 FY2021.

The outpatient business model continues to evolve and we have two standalone clinics, and four retail clinics in partnership with a large retailer. The management team has successfully developed a COVID-19 symptom checker, as well as a telemedicine tool with the ability to offer direct-to-patient doctor virtual consultations.

LMI, our primary international growth initiative, had a strong performance and contributed revenue of R319 million (2019: R268 million) and a normalised EBITDA pre-IFRS 16 loss of R7 million (2019: profit of R18 million). The loss in the year under review included a non-trading foreign exchange loss of R8 million (2019: profit: R30 million). Excluding this item the normalised EBITDA for 2020 was R1 million (2019: loss of R12 million) achieving its objective of breaking even in 2020 at normalised EBITDA level.

COMMENTARY continued

FINANCIAL POSITION AND LIQUIDITY

The Group is in a strong financial position with net debt to normalised EBITDA as at 30 September 2020 at 2.96 times (2019: 1.96 times).

The Group negotiated amended bank covenants for the periods ended 30 September 2020 (net debt to normalised EBITDA of 4.0 times) and ending 31 March 2021 (net debt to normalised EBITDA of 4.5 times) due to the uncertainty of the pandemic. The Group agreed not to pay dividends without lender approval as part of the covenants amendment terms. The Group was well within its original bank covenant for net debt to normalised EBITDA of 3.50 times as at 30 September 2020.

The Group has implemented additional structures and processes to forecast, monitor and mitigate liquidity risks.

The refinancing of the term debt in the international operations has increased the committed facilities by approximately GBP55 million.

The Group's available undrawn bank facilities as at 30 September 2020 amounted to R6.3 billion.

To ensure the Group has sufficient cash reserves, in addition to securing additional bank facilities, management has implemented a number of mitigating actions and cash preservation levers across the Group's operations. These levers include the reduction and deferral of capital expenditure (capex) projects, suspending the interim and final dividend, placed an interim embargo on non-critical spend, reduced temporary employee costs through increased utilisation of permanent employees, negotiated extended payment terms with suppliers, and utilised government incentive programmes, as far as possible. The Group's executive team has also agreed to defer their short-term incentives.

FINANCIAL PERFORMANCE

Group revenue decreased by 1.1% to R25.4 billion (2019: 25.7 billion) consisting of a 6.6% decrease in southern African revenue to R17.2 billion (2019: R18.5 billion), a 12.6% increase in international revenue to R7.8 billion (2019: R6.9 billion) and R336 million revenue contribution from growth initiatives (2019: R269 million).

Normalised EBITDA pre-IFRS 16 decreased by 28.4% to R4.1 billion (2019: R5.7 billion).

Normalised EBITDA was negatively impacted by the pandemic and related costs.

	2020 R'm	%	2019 R'm
Normalised EBITDA			
As reported			
Operating profit	**2 180**	(44.7)	3 944
Depreciation on property, plant and equipment	**1 594**	29.0	1 236
Amortisation of intangible assets	**604**	3.1	586
Retirement benefit asset and post-employment medical aid income	**(32)**		(39)
Normalised EBITDA as reported	**4 346**	(24.1)	5 727
Impact of IFRS 16	**(248)**		–
Normalised EBITDA pre-IFRS 16 (pro forma)	**4 098**	(28.4)	5 727
Southern Africa	**2 838**	(35.5)	4 402
International	**1 324**	(1.9)	1 350
Growth initiatives	**(64)**	>(100)	(25)

CASH FLOW AND CAPITAL EXPENDITURE

The Group had strong working capital management despite the challenging environment in which the Group operated. The cash generated from operations amounted to R4.6 billion, and represented 111% of normalised EBITDA pre-IFRS 16 (2019: 103%).

During the financial year under review, the Group invested approximately R2.0 billion (2019: R2.3 billion), comprised mainly of capital projects of R2.0 billion (2019: R2.1 billion) and a new acquisition (net of cash acquired) by Alliance Medical of R6.0 million. The maintenance capital expenditure (capex) for the year was R1.2 billion (2019: R1.2 billion).

(LOSS)/EARNINGS PER SHARE (EPS), HEADLINE EARNINGS PER SHARE (HEPS) AND NORMALISED EARNINGS PER SHARE (NEPS)

EPS decreased by more than 100% to -6.4 cps (2019: 176.4 cps). The impairment of R793 million relating to Scanmed reduced EPS by 54.5 cps.

HEPS decreased by 45.1% to 48.7 cps (2019: 88.7 cps). NEPS, which excludes non-trading-related items listed on page 28, decreased by 47.6% to 61.0 cps (2019: 116.4 cps). The presentation of normalised earnings is a non-IFRS measure.

EPS, HEPS and NEPS for the year ended 30 September 2020 include the impact of IFRS 16 (2019: no impact).

Earnings in the prior year included a non-recurring profit on the disposal of our equity investment in Max Healthcare (net profit on the disposal in FY2019 of 68.5 cps). The earnings in the year under review have been positively impacted (+9.3 cps) by the reduction in post-tax interest cost of R135 million as a result of the repayment of debt in Q4 FY2019, following the disposal.

COMMENTARY continued

	2020 R'm	Change %	2019 R'm
Weighted average number of shares in issue (million)	**1 455**	(0.1)	1 456
Normalised earnings			
Profit attributable to ordinary equity holders	**(93)**		2 569
Adjustments (net of tax and non-controlling interest)			
Retirement benefit asset and post-employment medical aid income	**(23)**		(28)
Fair value adjustments to contingent consideration	**37**		(2)
Fair value loss on the Max foreign exchange option contracts	**–**		292
Gain on derecognition of lease asset and liability	**(50)**		–
Impairment of assets and investments	**798**		140
Profit on disposal of investment in joint venture	**–**		(1 407)
Profit on disposal of investment in subsidiary	**–**		(11)
Loss on disposal of property, plant and equipment	**3**		–
Transaction costs relating to acquisitions and disposals	**17**		148
Other	**–**		30
Unwinding of contingent consideration	**66**		44
Deferred tax raised on unrecognised exchange gain on intercompany loan	**133**		–
Deferred tax raided on historical losses	**–**		(80)
Normalised earnings	**888**	(47.6)	1 695
NEPS (cents)	**61.0**	(47.6)	116.4
NEPS pre-IFRS 16 (cents)	**62.2**	(46.6)	116.4

CHANGES TO THE BOARD OF DIRECTORS

Dr Shrey Viranna resigned from the Company and the board with effect from 17 January 2020. Peter Wharton-Hood was appointed as Group Chief Executive effective 1 September 2020.

Dr Victor Litlhakanyane was appointed to the board from 15 April 2020 and as Chairman-designate from 27 July 2020.

DIVIDEND DECLARATION

The board of directors has decided, considering the current trading conditions and in order to preserve cash, not to pay a final dividend for the year. This position will be reviewed in the new financial year.

OUTLOOK

In southern Africa, we expect underlying activities to continue to improve resulting in higher occupancies. The business is preparing for a potential COVID-19 second wave but we are confident that the lessons learned will enable us to respond effectively to future COVID-19-related challenges. Capex for the year is expected at approximately R1.7 billion. We will continue to focus on improving clinical quality and driving our operational efficiency programmes.

Diagnostic services will continue to drive efficiencies in the “new normal” of lower scanner utilisation due to COVID-19 protocols. Dinnington, our fifth cyclotron site in the UK, should be able to produce commercially from Q1 FY2021 which will further enhance our reliability of isotope production. Capex for the year is expected at approximately R0.9 billion.

The Group aims to conclude on its disposal of Scanmed.

The Group will invest further into growth initiatives:

- Executing on initial South Africa imaging transactions
- Increasing its operational capacity in the LMI business

Management teams have taken steps to protect revenue streams, reduce costs and preserve cash in all the countries we operate in and will focus on bringing operations to full capacity as quickly as possible as the pandemic develops.

The pandemic introduces a high degree of uncertainty surrounding the impact on activity levels and the timing of the return to previous trading environments, therefore it is not possible to provide guidance for the next six months.

Shareholders are advised that the investor presentation for the year ended 30 September 2020 is published on Life Healthcare’s website (www.lifehealthcare.co.za).

THANKS

Our ability to effectively respond to the pandemic and provide quality care to our patients in this time of crisis is largely due to the dedication and unwavering support of our employees and our doctors. The Company wishes to acknowledge your invaluable contribution and to sincerely thank them.

COMMENTARY continued

Worldwide 12 May 2020 was International Nurses Day. This carries additional significance as 2020 is also the World Health Organization's year of the nurse. Nurses across the world have been at the forefront of looking after patients during the pandemic and we would like to thank them for their valuable role and sacrifice in these times. Their contribution to society is immense and we thank them for it.

Approved by the board of directors on 18 November 2020 and signed on its behalf:

Mustaq Brey	**Peter Wharton-Hood**	**Pieter van der Westhuizen**
Chairman	*Group Chief Executive*	*Group Chief Financial Officer*

Executive directors
PG Wharton-Hood (Group Chief Executive)
PP van der Westhuizen (Group Chief Financial Officer)

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

Group Company Secretary
A Parboosing

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Private Bag X13, Northlands 2116

Sponsor
Rand Merchant Bank, a division of FirstRand Bank Limited

Date
19 November 2020

Note regarding forward looking statements
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 Group's external auditor.

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

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