Netcare Limited

Unaudited Interim Group Results

for the six months ended 31 March 2020

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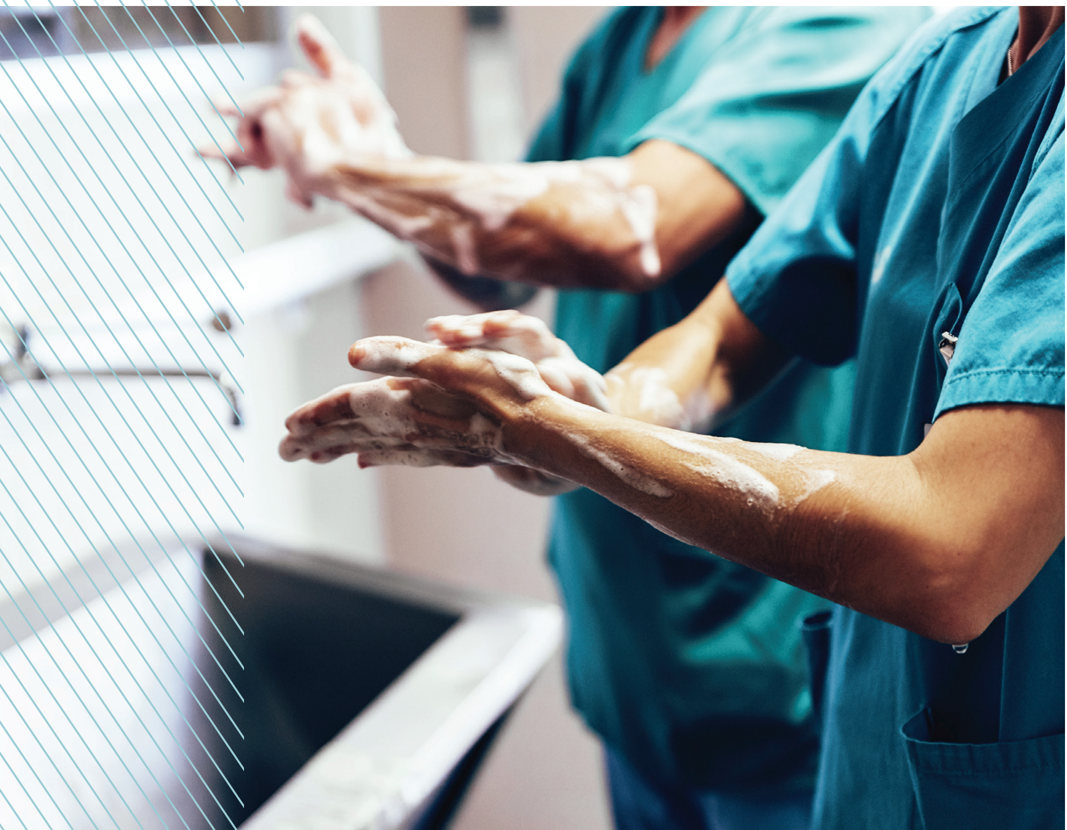

Commentary

In order to aid comparability, the commentary that follows excludes the impact of IFRS 16 and the exceptional item (comprising a once-off, non-cash share-based payment expense on the Broad-based Black Economic Empowerment ("B-BBEE") transaction), unless otherwise indicated.

Salient features

- A strong performance for five months to end of February 2020 ahead of COVID-19 pandemic
- 1.0% increase in Group EBITDA to R2 127 million
- 6.3% decrease in adjusted HEPS to 79.0 cents
- Cash preservation measures in place and R4.8 billion of undrawn committed facilities
- COVID-19 introduces significant uncertainty and forecast risk for the remainder of the financial year
- Strategic objectives remain unchanged but implementation timelines disrupted by COVID-19

Key financial results[1]

	Six months ended		
Rm	**31 March 2020**	31 March 2019	% change
Continuing operations			
Revenue	**10 713**	10 520	1.8
EBITDA[2]	**2 127**	2 106	1.0
Operating profit[2]	**1 738**	1 748	(0.6)
Profit before taxation[2]	**1 523**	1 545	(1.4)
Taxation[2]	**(442)**	(430)	(2.8)
Profit after taxation from continuing operations[2]	**1 081**	1 115	(3.0)
Discontinued operations			
Loss from discontinued operations	**–**	(1)	
Profit after taxation[2]	**1 081**	1 114	(3.0)
Exceptional item:			
Share-based payment expense on B-BBEE transaction	**(348)**	–	
Profit for the period	**733**	1 114	(34.2)
Adjusted HEPS (cents)	**79.0**	84.3	(6.3)
ROIC (%)	**18.1**	18.8	

1. *March 2020 reported on a pre IFRS 16 basis. (Please refer to notes 8 and 9 of the unaudited interim Group financial statements).*
2. *"Normalised" to exclude the impact of exceptional items, comprising a once off, non-cash share-based payment expense on B-BBEE transaction.*

NOTE:
The accounting policies applied in preparing the unaudited interim Group financial statements are consistent in all material respects with those applied in the audited financial statements for the year ended 30 September 2019, with the exception of the adoption of IFRS 16: ***Leases***, which was adopted with effect from 1 October 2019 by applying the modified approach whereby comparative figures for the six months ended 31 March 2019 have not been restated. Further detail on the impact of the adoption of this new accounting statement is set out in Note 8 to the unaudited interim Group financial statements and pro forma financial information presenting the results on a pre IFRS 16 basis is detailed in Note 9.

Overview

Netcare continued to deliver a resilient operational performance in a rapidly changing market and economic environment. Trading during the first five months of the 2020 financial year ("FY 2020") through to the end of February 2020 remained in line with expectations and market guidance. However, following the confirmation of the first South African case of the Novel Coronavirus Disease ("COVID-19" or the "pandemic"), the month of March 2020 proved to be a transitionary period, in which the business was materially impacted by extensive COVID-19 preparations and the curtailment of patient volumes resulting in lower occupancies from mid-month.

These preparations were initiated by Netcare adopting an 'abundance of caution' approach, which utilises a combination of the principles of Disaster Management and Occupational Health and Safety and is informed by the evolving policy guidelines of the National Department of Health, the National Institute of Communicable Diseases and the World Health Organisation. Capex of approximately R150 million has been spent or committed to date to enhance the readiness of Netcare's ICU and high care facilities in the form of additional ventilators, specialised air filters and ultraviolet light disinfection robots. Additional inventory reserves have been procured, including adequate levels of personal protective equipment, drugs and consumables.

The real impact of COVID-19 was experienced in the month of April 2020 when South Africa was under full lockdown, dramatically impacting non-urgent surgery, medical and trauma cases, with acute hospital occupancies falling to 32.5%. Through the lockdown, pathology laboratories experienced a significant fall in the percentage of positive specimens for the usual respiratory viral cases. Emergency and trauma related activity also fell dramatically, which is borne out by a decline of up to 60% in unnatural deaths in South Africa during this period. The responsible resumption of medically necessary, time sensitive surgery commenced at the beginning of May 2020, resulting in an uplift in patient days.

Netcare St. Augustine's Hospital in Durban was temporarily closed between 2 April and 11 May 2020. This followed an outbreak of COVID-19 infections at the facility. Netcare has welcomed the release of the report of the independent investigation into the outbreak. The investigation was conducted by infectious disease specialists and researchers from the Nelson R Mandela School of Medicine at the University of KwaZulu-Natal and the KwaZulu-Natal Research Innovation and Sequencing Platform (KRISP). All recommendations and interventions outlined in the report have been fully implemented at the hospital. In many cases these interventions were already in place and have been further strengthened and enhanced as a result of the valuable recommendations made by the report.

Given the evolving understanding of the pandemic, both locally and globally, it is evident that demand for, and the provision of,

Commentary continued

healthcare services for the next six months and beyond, will change significantly. Netcare's operational plans are informed by a demand forecasting model which assists in managing bed capacity on a risk-stratified basis. Margins will be impacted by changes in volume and case mix, which will be determined by the timing and peak of the pandemic, as well as the increased costs of risk mitigation measures that are essential in delivering healthcare in these circumstances. Netcare has committed to Government to treat public COVID-19 patients in Netcare facilities on a not-for-profit, cost recovery basis and a process to establish pricing is underway.

Netcare remains in a healthy financial position with low levels of gearing as reflected by its net debt to earnings before interest, tax, depreciation and amortisation ("EBITDA") coverage of 1.5x at 31 March 2020. Notwithstanding this, and given the performance of the business in April and the extraordinary levels of uncertainty, Netcare has suspended its interim dividend in order to preserve cash.

Other cash preservation measures include the reduced utilisation of agency staff, deferral of non-critical project expenditure, postponement of approximately R800 million of capital expenditure earmarked for new and current projects and the suspension of further share buy-backs. The GHG PropCo 2 property disposal proceeds of approximately R665 million are expected to be repatriated in the second half of FY 2020.

Furthermore, an additional R2.8 billion of undrawn committed banking facilities and funding has been secured to date, increasing available committed undrawn facilities to R4.8 billion which will bolster liquidity for the foreseeable future. As a precautionary measure, Netcare has secured a waiver of its covenant testing for the September 2020 period. The business is therefore well placed to withstand possible operating losses from the uncertain environment introduced by the pandemic.

Group financial review

The pandemic had a disruptive effect on trading in the month of March 2020. The indicative impact thereof was an approximate reduction of R143 million in revenue and R64 million at the EBITDA level.

Revenue from continuing operations improved marginally to R10 713 million (2019: R10 520 million).

EBITDA increased 1.0% to R2 127 million (2019: R2 106 million) at a margin of 19.9% (2019: 20.0%). Operating profit was 0.6% lower at R1 738 million (2019: R1 748 million).

Net financial expenses decreased marginally to R241 million (2019: R246 million) benefiting from a lower average cost of debt.

Profit before taxation decreased by 1.4% to R1 523 million (2019: R1 545 million). The taxation charge amounted to R442 million (2019: R430 million), reflecting an effective tax rate of 29.0% (2019: 27.8%). Profit after taxation from continuing operations decreased by 3.0% to R1 081 million (2019: R1 115 million).

A once-off, non-cash share-based payment expense of R348 million was recognised in the current period arising from the implementation of Netcare's B-BBEE transaction in October 2019 (discussed in more detail below).

Adjusted headline earnings per share ("HEPS") from continuing operations declined 6.3% to 79.0 cents (2019: 84.3 cents), inclusive of the adverse trading conditions in the month of March 2020 related to COVID-19. Adding back the estimated impact of COVID-19 equating to 3.4 cents, adjusted HEPS amounted to 82.4 cents, representing a 2.3% decline against the prior period.

Corporate activity

In terms of corporate activity, Netcare executed the buy-back and cancellation of 12.7 million shares at an average price of R19.68 per share for R251 million during November and December 2019.

On 15 October 2019, Netcare approved a further allocation of 61 110 000 previously unallocated Netcare shares ("B-BBEE transaction") that were available under its Health Partners For Life ("HPFL") B-BBEE scheme, to 20 350 Netcare employees (excluding executives), of which 80% are black and 65% are black women ("the Beneficiaries"). Following the 2015 restructure of the scheme, all HPFL shares are fully paid up, have no related outstanding debt and are not encumbered.

The B-BBEE transaction is reflective of Netcare's commitment to the imperative of building a transformed South Africa characterised by values of social and economic equality and inclusion for all. This objective has been achieved through the B-BBEE transaction in a manner that both strengthened the ownership component of Netcare's empowerment rating and resulted in an improved overall B-BBEE rating to Level 4 (from Level 5 in 2018 and Level 8 in 2017).

In terms of the B-BBEE transaction, each Beneficiary received an equal allotment of 3 000 shares funded through a notional interest-bearing debt structure with a waiting period of ten years. The allocation was made at R13.94 per share, being a 20% discount to the 15-day VWAP on 15 October 2019, with no forfeiture conditions. Beneficiaries are entitled to 20% of dividends from the date of allocation. After the ten-year waiting period, the value of the shares, less any outstanding notional funding balance at that time, will be delivered to Beneficiaries in the form of Netcare shares.

Commentary continued

Financial position and cash flow[1]

Rm	Actual 31 March 2020	Actual 30 September 2019
Assets		
PPE, goodwill and intangible assets	**14 358**	14 322
Right of use assets	**3 780**	–
Other non-current assets	**1 472**	1 569
Current assets	**6 836**	5 298
Assets classified as held for sale	**226**	226
Total assets	**26 672**	21 415
Equity and liabilities		
Total shareholders' equity	**10 044**	10 235
Borrowings	**8 195**	6 846
Lease liability – long and short term	**3 957**	–
Other liabilities	**4 476**	4 334
Total equity and liabilities	**26 672**	21 415

1. March 2020 reported on an IFRS 16 basis; September 2019 not restated.

Total assets increased 6.9% to R22 892 million at 31 March 2020, from R21 415 million at 30 September 2019 on a pre IFRS 16 basis. A right of use asset of R3 780 million has been recognised under IFRS 16 bringing reported total assets at 31 March 2020 to R26 672 million. The right of use asset is offset by the corresponding recognition of total lease liabilities, both long and short term, with a balance of R3 957 million as at 31 March 2020. In terms of its 'asset

lighter' approach, the Group's capital expenditure for the period (including intangible assets) reduced to R451 million (2019: R497 million), of which R142 million was on expansionary projects. Capital expenditure for FY 2020 is expected to total approximately R1.0 billion.

The sale of six United Kingdom ("UK") hospital properties owned by GHG PropCo 2 was successfully concluded in late January 2020. This completes Netcare's exit from the UK and the final winding up of the UK structure is in progress, which will enable repatriation of the net proceeds after the settlement of debt and related expenses. Cash proceeds of approximately R665 million are expected to be repatriated before September 2020, and are in excess of the carrying value of Netcare's 56.9% interest in GHG PropCo 2 of R226 million.

Total shareholders' equity decreased to R10 044 million at 31 March 2020 from R10 235 million at 30 September 2019, largely due to the repurchase and cancellation of shares during the period.

The return on invested capital for the period amounted to 18.1% compared to 18.8% last year.

At 31 March 2020, Group net debt (exclusive of IFRS 16 lease liabilities) was contained at R6 231 million (March 2019: R6 182 million). Net debt to annual normalised EBITDA was stable at 1.5 times and remains comfortably within the internally-set policy limit of less than 2.0 times and interest cover was consistent at 7.2 times.

The increase in net debt from R5 114 million at 30 September 2019 is due to ongoing capital expenditure, tax and ordinary dividend payments which amounted to R1 712 million (March 2019: R1 814 million), as well as the repurchase and cancellation of 12.7 million shares at a cost of R251 million.

Divisional review

Hospital and emergency services

Revenue for the segment grew by 2.5% to R10 380 million (2019: R10 129 million). Patient days declined by 2.6%, which comprises a 3.2% decline in acute hospital patient days (excluding the Rand and Bell Street hospitals, disposed of in the prior year, and the Port Alfred and Settlers hospitals, where the public private partnership arrangement is in the process of being terminated), offset by growth of 2.9% from Akeso Clinics. Of the decline in acute patient days, approximately 1.4% is due to lower activity in March 2020 because of COVID-19. The balance of the decline is a result of new hospital networks in the 2019 calendar year, a tightening of conditions on an existing Designated Service Provider ("DSP") network for 2020 and ongoing pressure on respiratory admissions prior to the onset of COVID-19.

While acute patient days are lower compared to the same period last year, some recovery in activity was experienced in the second quarter pre COVID-19 related impacts.

Acute hospital full week occupancy levels (excluding the Rand, Bell Street, Port Alfred and Settlers hospitals) ended the period at 62.3% (2019: 64.7%), with weekday occupancies of 67.5% compared to 70.5% in the prior year. Acute hospital revenue per patient day increased by 5.6%.

Netcare continues to attract specialists and a net 56 doctors were granted admission rights at the acute and mental health facilities during the period.

EBITDA decreased by 1.6% to R2 076 million from R2 110 million in 2019. The EBITDA margin for the segment was 20.0% (2019: 20.8%). Within the acute hospital business, EBITDA margins during the

Commentary continued

pre-COVID period were in line with guidance at 20.5% (excluding the increase in central costs relating to the development of a data platform and analytics capabilities and new business development), assisted by cost savings initiatives. The EBITDA margin for the full reporting period equated to 20.6% (excluding R25 million of increased central costs and the estimated impact of COVID-19 during the month of March 2020). Operating profit was marginally lower at R1 718 million (2019: R1 777 million).

The pre-COVID-19 implementation of the CareOn pilot at Netcare Milpark Hospital remained on track and within budget during the reporting period, with R20 million of capital expenditure invested in H1 2020 and R9 million of operating costs incurred. The total capex spend on this project is expected to be R369 million over 10 years. The project implementation timetable will be extended due to delays caused by the pandemic.

In line with Netcare's strategy of improving asset utilisation, 19 under-utilised acute hospital beds were converted to high demand disciplines in September 2019 with a further 42 beds being converted in the first half of the 2020 financial year. Of the 100 beds transferred from Rand Hospital to Netcare Milpark Hospital, 48 beds were opened in mid-September 2019 and the remaining 52 beds were commissioned in January 2020.

Primary Care

Primary Care revenue decreased by 12.5% to R342 million (2019: R391 million) because of the integration of the 15 Medicross day clinics into the Hospital division with effect from 1 October 2019 as well as the rationalisation of some previously loss-making Medicross clinics. Underlying revenue growth (excluding day and rationalised clinics) amounted to 7.3%. EBITDA remained flat at R52 million, but the EBITDA margin improved to 15.2% from 13.3% in 2019, driven by the benefits of clinic rationalisation, offset by the transfer of day clinics and prior period restructuring costs.

Guidance

The impact of COVID-19 introduces significant forecast risk. Given the high level of uncertainty surrounding the impact and possible knock-on effects of COVID-19, particularly in terms of the timing of the expected peak in new cases as well as the quantum of demand on hospital capacity, we believe it is prudent to withdraw FY 2020 full-year guidance. However, we will continue to provide regular high-level updates on our operations to assist investors in assessing how the Group is faring through the pandemic.

Trading update post March 2020

Trading during the month of April 2020 took place under conditions of full lockdown, which had a severe impact on activity levels across the business. Acute hospital patient days for the month of April 2020 declined by 49.5% compared to April 2019, with occupancy levels at 32.6% (April 2019: 65.0%). Mental health patient days in April 2020 declined by 63.3% against the comparative period. Netcare 911 experienced a slowdown in emergency cases during the lockdown, while the impact on cancer care and renal care services was less severe. Within the Primary Care division, general practitioner patient visits declined approximately 50% from pre-COVID-19 levels, while the South African Dental Association's prohibition on non-emergency dental work saw a decline of approximately 67% in dental visits. To date 643 COVID-19 positive patients have been treated in Netcare acute hospitals, sub-acute facilities and Medicross clinics.

Level Four of the national lockdown commenced on 1 May 2020 and has allowed our doctors to recommence with medically necessary, time sensitive surgical procedures. From the beginning of May 2020, acute hospital patient days to-date are trending 15.0% higher than April 2020.

COVID-19 has accelerated the need for telemedicine which enables clinicians to continue providing care and virtual consultations to patients without exposing themselves, their patients and staff at the facilities to avoidable risks. In a post COVID-19 world, the adoption of telemedicine is likely to grow and to this end, Netcare has developed an innovative telemedicine solution. The technology employed is accessible through any modern web browser, allows for a dial in option for patients who don't have access to data and facilitates integration into the electronic health record systems being rolled out. The solution is currently being deployed in Medicross and will be completed by the end of May 2020, although this is only partially expected to soften the impact of lower overall general practitioner patient visits in H2 2020. The platform will be rolled out to our hospital specialists in June 2020 and to Akeso and Netcare Occupational Health in July 2020.

COVID-19 relief

The company wishes to announce that non-executive directors of the Board and Group executive committee members will voluntarily donate up to 30% of their fees or salaries respectively for three months to the Netcare Foundation, which will be used to provide communities and staff members with COVID-19 related assistance.

Acknowledgement and thanks

We wish to extend our sincere thanks and appreciation to all members of the Netcare family and our healthcare partners, their families and loved ones for their incredible efforts under these trying and challenging circumstances. We acknowledge their tireless dedication and commitment on the frontline during this time of uncertainty and remain deeply grateful to them all.

Change in directorship

Mr David Kneale was appointed as an independent non-executive director of the Board on 1 January 2020 and will also serve as chairperson of the Remuneration Committee and as a member of the Audit Committee and the Nomination Committee. The Board and management of Netcare welcome Mr Kneale and look forward to his significant insights and contribution.

Change in company secretary

Ms Lynelle Bagwandeen resigned from the Board as company secretary and legal counsel effective 30 June 2020. The Board thanks Ms Bagwandeen for her truly outstanding contribution to the business for over nine years and wishes her well in her future endeavours.

On behalf of the Board

Thevendrie Brewer
Chairperson

Richard Friedland
Chief Executive Officer

Keith Gibson
Chief Financial Officer

Sandton
21 May 2020

Disclaimer

Any forward-looking statements incorporated in these financial results have not been audited or reviewed by our external auditors.

Group statement of profit or loss*

Rm	Notes	Unaudited six months ended 31 March 2020	Unaudited six months ended 31 March 2019	Year ended 30 September 2019
Continuing operations				
Revenue		**10 713**	10 520	21 589
Cost of sales		**(5 306)**	(5 164)	(10 653)
Gross profit		**5 407**	5 356	10 936
Other income		**213**	212	446
Administrative and other expenses – excluding items below		**(3 833)**	(3 820)	(7 742)
Operating profit before items below		**1 787**	1 748	3 640
Share-based payment expense on B-BBEE transaction		**(348)**	–	–
Realisation of foreign currency translation reserve		**–**	–	128
Operating profit	2	**1 439**	1 748	3 768
Investment income		**93**	83	172
Finance costs	3	**(518)**	(329)	(656)
Other financial losses – net		**(1)**	–	(2)
Attributable earnings of associates		**7**	22	29
Attributable earnings of joint ventures		**19**	21	46
Profit before taxation		**1 039**	1 545	3 357
Taxation	4	**(404)**	(430)	(879)
Profit for the period from continuing operations		**635**	1 115	2 478
Loss from discontinued operations		**–**	(1)	–
Profit for the period		**635**	1 114	2 478
Attributable to:				
Owners of the parent		**597**	1 071	2 393
Preference shareholders		**27**	27	54
Profit attributable to shareholders		**624**	1 098	2 447
Non-controlling interest		**11**	16	31
		635	1 114	2 478
Cents				
Continuing operations:				
Basic earnings per share		**43.6**	78.9	176.7
Diluted earnings per share		**43.1**	78.1	175.0
Dividend per share		**–**	47.0	111.0

* *March 2020 reported on an IFRS 16 basis; March and September 2019 not restated. Refer to notes 8 and 9.*

Group statement of comprehensive income*

Rm	Unaudited six months ended 31 March 2020	Unaudited six months ended 31 March 2019	Year ended 30 September 2019
Profit for the period	**635**	1 114	2 478
Item that will not subsequently be reclassified to profit or loss	**–**	–	66
Remeasurement of defined benefit obligation	**–**	–	91
Taxation on item that will not subsequently be reclassified to profit or loss	**–**	–	(25)
Items that may subsequently be reclassified to profit or loss	**(39)**	(19)	(161)
Effect of cash flow hedge accounting	**(54)**	(25)	(44)
Amortisation of cash flow hedge accounting reserve	**9**	2	5
Change in fair value of cash flow hedges	**(63)**	(27)	(49)
Effect of translation of foreign entities	**–**	–	(1)
Realisation of foreign currency translation reserve	**–**	–	(128)
Taxation on items that may subsequently be reclassified to profit or loss	**15**	6	12
Other comprehensive income for the period	**(39)**	(19)	(95)
Total comprehensive income for the period	**596**	1 095	2 383
Attributable to:			
Owners of the parent	**558**	1 052	2 298
Preference shareholders	**27**	27	54
Non-controlling interest	**11**	16	31
	596	1 095	2 383

* *March 2020 reported on an IFRS 16 basis; March and September 2019 not restated. Refer to notes 8 and 9.*

Group statement of financial position*

Rm	Notes	Unaudited 31 March 2020	Unaudited 31 March 2019[1]	30 September 2019
ASSETS				
Non-current assets				
Property, plant and equipment		**12 582**	12 095	12 541
Right of use assets	8	**3 780**	–	–
Goodwill		**1 606**	1 606	1 606
Intangible assets		**170**	129	175
Equity-accounted investments, loans and receivables	5	**930**	1 015	1 024
Financial assets	6	**10**	23	5
Deferred lease assets		**23**	33	28
Deferred taxation		**509**	458	512
Total non-current assets		**19 610**	15 359	15 891
Current assets				
Loans and receivables	5	**183**	73	122
Inventories		**781**	811	564
Trade and other receivables		**3 844**	3 438	2 837
Taxation receivable		**64**	–	43
Cash and cash equivalents		**1 964**	1 313	1 732
		6 836	5 635	5 298
Assets classified as held for sale		**226**	281	226
Total current assets		**7 062**	5 916	5 524
Total assets		**26 672**	21 275	21 415
EQUITY AND LIABILITIES				
Capital and reserves				
Ordinary share capital		**4 297**	4 335	4 334
Treasury shares		**(3 852)**	(3 860)	(3 853)
Other reserves		**779**	640	447
Retained earnings		**8 120**	7 818	8 611
Equity attributable to owners of the parent		**9 344**	8 933	9 539
Preference share capital and premium		**644**	644	644
Non-controlling interest		**56**	44	52
Total shareholders' equity		**10 044**	9 621	10 235
Non-current liabilities				
Long-term debt	7	**5 727**	6 988	5 061
Long-term lease liabilities	8	**3 470**	–	–
Financial liabilities	6	**105**	37	44
Post-employment benefit obligations		**504**	556	487
Deferred lease liabilities		**1**	55	54
Deferred taxation		**229**	209	238
Total non-current liabilities		**10 036**	7 845	5 884
Current liabilities				
Trade and other payables		**3 530**	3 295	3 462
Short-term debt	7	**2 468**	507	1 780
Short-term lease liabilities	8	**487**	–	–
Financial liabilities	6	**26**	7	26
Taxation payable		**81**	–	23
Bank overdrafts		**–**	–	5
Total current liabilities		**6 592**	3 809	5 296
Total equity and liabilities		**26 672**	21 275	21 415

* *March 2020 reported on an IFRS 16 basis; March and September 2019 not restated. Refer to notes 8 and 9.*

1. *Other receivables and other payables in March 2019 have increased by R244 million to restate for credit balances previously incorrectly included in other receivables.*

Group statement of cash flows*

Rm	Unaudited six months ended 31 March 2020	Unaudited six months ended 31 March 2019	Year ended 30 September 2019
Cash flows from operating activities			
Cash received from customers	**9 651**	10 189	21 890
Cash paid to suppliers and employees	**(8 398)**	(8 595)	(17 002)
Cash generated from operations	**1 253**	1 594	4 888
Interest paid on debt	**(309)**	(304)	(602)
Interest paid on lease liabilities	**(183)**	–	–
Taxation paid	**(358)**	(450)	(967)
Ordinary dividends paid by subsidiaries	**(8)**	(10)	(21)
Ordinary dividends paid	**(860)**	(814)	(1 454)
Special dividends paid	**–**	(542)	(542)
Preference dividends paid	**(27)**	(27)	(54)
Distribution to beneficiaries of the HPFL B-BBEE[1] trusts	**(8)**	(16)	(26)
Net cash from operating activities	**(500)**	(569)	1 222
Cash flows from investing activities			
Payments for acquisition of property, plant and equipment	**(451)**	(497)	(1 378)
Payments for additions to intangible assets	**–**	–	(51)
Proceeds on disposal of property, plant and equipment and intangible assets	**2**	29	193
Payments for investments and loans	**(40)**	(15)	(66)
Interest received	**93**	83	172
Dividends received	**87**	3	8
Cash and cash equivalents of businesses deconsolidated	**–**	(5)	(3)
Net cash flow from investing activities	**(309)**	(402)	(1 125)
Cash flows from financing activities			
Proceeds on disposal of treasury shares	**1**	14	22
Purchase of treasury shares	**(251)**	(452)	(458)
Debt raised[2]	**1 871**	2 400	2 748
Debt repaid[2]	**(500)**	(1 048)	(2 050)
Acquisition of non-controlling interests	**(2)**	–	–
Proceeds from issue of shares to non-controlling interests	**–**	3	3
Payment of principal elements of lease liabilities	**(73)**	–	–
Net cash from financing activities	**1 046**	917	265
Net increase/(decrease) in cash and cash equivalents	**237**	(54)	362
Cash and cash equivalents at the beginning of the period	**1 727**	1 365	1 365
Cash and cash equivalents related to assets held for sale	**–**	2	–
Cash and cash equivalents at the end of the period	**1 964**	1 313	1 727
Consisting of			
Cash on hand and balances with banks	**1 964**	1 313	1 732
Bank overdrafts	**–**	–	(5)
	1 964	1 313	1 727

** March 2020 reported on an IFRS 16 basis; March and September 2019 not restated. Refer to notes 8 and 9.*
1. Health Partners for Life Broad-based Black Economic Empowerment.
2. Debt raised and debt repaid have been presented on a gross basis.

Summarised Group statement of changes in equity*

Rm	Ordinary share capital	Treasury shares	Cash flow hedge accounting reserve
Balance at 30 September 2018	4 391	(3 871)	(15)
Impact of adoption of IFRS 9	–	–	–
Taxation impact of adoption of IFRS 9	–	–	–
Balance at 1 October 2018	4 391	(3 871)	(15)
Shares purchased during the period[1]	(56)	–	–
Sale of treasury shares	–	11	–
Share-based payment reserve movements	–	–	–
Tax recognised in equity	–	–	–
Preference dividends paid	–	–	–
Ordinary dividends paid	–	–	–
Special dividends paid	–	–	–
Distributions to beneficiaries of the HPFL B-BBEE[2] trusts	–	–	–
Changes in equity interest in subsidiaries	–	–	–
Total comprehensive income for the period	–	–	(19)
Profit for the period	–	–	–
Other comprehensive income	–	–	(19)
Balance at 31 March 2019	4 335	(3 860)	(34)
Shares purchased and cancelled during the period[1]	(1)	–	–
Sale of treasury shares	–	7	–
Share-based payment reserve movements	–	–	–
Reclassification of investment reserve to retained earnings	–	–	–
Reclassification of reserves	–	–	–
Tax recognised in equity	–	–	–
Preference dividends paid	–	–	–
Ordinary dividends paid	–	–	–
Written put option over non-controlling interest	–	–	–
Distributions to beneficiaries of the HPFL B-BBEE[2] trusts	–	–	–
Changes in equity interest in subsidiaries	–	–	–
Total comprehensive income for the period	–	–	(13)
Profit for the period	–	–	–
Other comprehensive income	–	–	(13)
Balance at 30 September 2019	**4 334**	**(3 853)**	**(47)**
Shares purchased and cancelled during the period[3]	**(37)**	**–**	**–**
Sale of treasury shares	**–**	**1**	**–**
Share-based payment reserve movements	**–**	**–**	**–**
Tax recognised in equity	**–**	**–**	**–**
Preference dividends paid	**–**	**–**	**–**
Ordinary dividends paid	**–**	**–**	**–**
Distributions to beneficiaries of the HPFL B-BBEE[2] trusts	**–**	**–**	**–**
Changes in equity interest in subsidiaries	**–**	**–**	**–**
Total comprehensive income for the period	**–**	**–**	**(39)**
Profit for the period	**–**	**–**	**–**
Other comprehensive income	**–**	**–**	**(39)**
Balance at 31 March 2020	**4 297**	**(3 852)**	**(86)**

* *March 2020 reported on an IFRS 16 basis; March and September 2019 not restated. Refer to notes 8 and 9.*

1. *The Group purchased 19 million shares at an average price of R24.11 per share. The shares have subsequently been cancelled and now form part of authorised shares not issued.*

Foreign currency translation reserve	Other reserves	Retained earnings	Equity attributable to owners of the parent	Preference share capital and premium	Non-controlling interest	Total shareholders' equity
112	538	8 566	9 721	644	50	10 415
–	–	(50)	(50)	–	–	(50)
–	–	10	10	–	–	10
112	538	8 526	9 681	644	50	10 375
–	–	(396)	(452)	–	–	(452)
–	–	3	14	–	–	14
–	24	–	24	–	–	24
–	–	(4)	(4)	–	–	(4)
–	–	–	–	(27)	–	(27)
–	–	(814)	(814)	–	(10)	(824)
–	–	(542)	(542)	–	–	(542)
–	–	(16)	(16)	–	–	(16)
–	–	(10)	(10)	–	(12)	(22)
–	–	1 071	1 052	27	16	1 095
–	–	1 071	1 071	27	16	1 114
–	–	–	(19)	–	–	(19)
112	562	7 818	8 933	644	44	9 621
–	–	(5)	(6)	–	–	(6)
–	–	–	7	–	–	7
–	26	–	26	–	–	26
–	(90)	90	–	–	–	–
13	–	(13)	–	–	–	–
–	–	(5)	(5)	–	–	(5)
–	–	–	–	(27)	–	(27)
–	–	(640)	(640)	–	(11)	(651)
–	–	(9)	(9)	–	–	(9)
–	–	(14)	(14)	–	–	(14)
–	–	1	1	–	4	5
(129)	–	1 388	1 246	27	15	1 288
–	–	1 322	1 322	27	15	1 364
(129)	–	66	(76)	–	–	(76)
(4)	**498**	**8 611**	**9 539**	**644**	**52**	**10 235**
–	**–**	**(214)**	**(251)**	**–**	**–**	**(251)**
–	**–**	**–**	**1**	**–**	**–**	**1**
–	**371**	**–**	**371**	**–**	**–**	**371**
–	**–**	**(4)**	**(4)**	**–**	**–**	**(4)**
–	**–**	**–**	**–**	**(27)**	**–**	**(27)**
–	**–**	**(860)**	**(860)**	**–**	**(8)**	**(868)**
–	**–**	**(8)**	**(8)**	**–**	**–**	**(8)**
–	**–**	**(2)**	**(2)**	**–**	**1**	**(1)**
–	**–**	**597**	**558**	**27**	**11**	**596**
–	**–**	**597**	**597**	**27**	**11**	**635**
–	**–**	**–**	**(39)**	**–**	**–**	**(39)**
(4)	**869**	**8 120**	**9 344**	**644**	**56**	**10 044**

2. *Health Partners for Life Broad-based Black Economic Empowerment.*
3. *The Group purchased 12.7 million shares at an average price of R19.68 per share. The shares have subsequently been cancelled and now form part of authorised shares not issued.*

Headline earnings*

Rm	Unaudited six months ended 31 March 2020	Unaudited six months ended 31 March 2019	Year ended 30 September 2019
Reconciliation of headline earnings			
Profit for the period	**635**	1 114	2 478
Adjusted for:			
Dividends paid on shares attributable to the Forfeitable Share Plan	**(14)**	(11)	(16)
Preference shareholders	**(27)**	(27)	(54)
Non-controlling interest	**(11)**	(16)	(31)
Profit attributable to owners of the parent used in the calculation of basic and diluted earnings per share	**583**	1 060	2 377
Adjusted for:			
Net loss on disposal of investments	**–**	22	25
Net loss/(profit) on disposal of property, plant and equipment and intangibles	**7**	1	(64)
Realisation of foreign currency translation reserve	**–**	–	(128)
Recognition of impairment of investment in associate	**–**	–	5
Recognition of impairment of property, plant and equipment	**–**	–	7
Tax effect of headline adjusting items	**(2)**	1	9
Headline earnings	**588**	1 084	2 231
Adjustments for discontinued operations:			
Loss from discontinued operations	**–**	1	–
Headline earnings from continuing operations	**588**	1 085	2 231

* *March 2020 reported on an IFRS 16 basis; March and September 2019 not restated. Refer to notes 8 and 9.*

Headline earnings continued

Rm	Unaudited six months ended **31 March 2020**	Unaudited six months ended 31 March 2019	Year ended 30 September 2019
Adjusted headline earnings			
Headline earnings	**588**	1 084	2 231
Adjusted for:			
Ineffectiveness losses/(gains) on cash flow hedges	**1**	(2)	(4)
Fair value losses on derivative financial instruments	**–**	–	1
Amortisation of cash flow hedge accounting reserve	**9**	2	5
Recognition of loan impairment	**12**	6	19
Share-based payment expense on B-BBEE transaction	**348**	–	–
Health Market Inquiry	**–**	28	34
Restructure costs incurred by Netcare in respect of BMI Healthcare	**1**	6	13
Hospital division restructure costs	**–**	24	22
Associate restructure costs	**3**	–	–
Tax effect of adjusting items	**(4)**	(16)	(19)
Adjusted headline earnings	**958**	1 132	2 302
Adjustments for discontinued operations:			
Loss from discontinued operations	**–**	1	–
Adjusted headline earnings from continuing operations	**958**	1 133	2 302
Cents			
Continuing operations:			
Headline earnings per share	**44.0**	80.7	165.9
Diluted headline earnings per share	**43.5**	79.9	164.3
Adjusted headline earnings per share	**71.7**	84.3	171.2
Diluted adjusted headline earnings per share	**70.8**	83.4	169.5

Earnings, headline earnings and adjusted headline earnings per share decreased by 7.3 cents per share for the six months to 31 March 2020 as a result of the adoption of IFRS 16.

Condensed segment report*

Rm	Hospital and pharmacy operations[1]	Non-acute services	Hospital and emergency services	Primary Care	Inter-segment elimination	Total
31 March 2020						
Statement of profit or loss						
Revenue	9 810	570	10 380	342	(9)	**10 713**
EBITDA[2] before item below	2 172	113	2 285	75	–	**2 360**
Operating profit before item below	1 735	30	1 765	22	–	**1 787**
Share-based payment expense on B-BBEE transaction	(348)	–	(348)	–	–	**(348)**
Operating profit	1 387	30	1 417	22	–	**1 439**

* *March 2020 reported on an IFRS 16 basis; March and September 2019 not restated. Refer to notes 8 and 9.*

1. *EBITDA and operating profit are inclusive of UK related restructure costs amounting to R1 million.*
2. *Earnings before interest, tax, depreciation and amortisation.*

Hospital and emergency services

This segment is further disaggregated into Hospital and pharmacy operations covering our private acute hospital network and non-acute services. The non-acute services include emergency medical services, the operation of private mental health clinics and cancer care services.

Primary Care

This segment offers comprehensive primary healthcare services, employee health and wellness services and administrative services to medical and dental practices.

Condensed segment report continued

Rm	Hospital and pharmacy operations[1]	Non-acute services	Hospital and emergency services	Primary Care	**Total**
31 March 2019					
Statement of profit or loss					
Revenue	9 595	534	10 129	391	**10 520**
EBITDA[2]	1 990	64	2 054	52	**2 106**
Operating profit	1 684	37	1 721	27	**1 748**

1. *EBITDA and operating profit are inclusive of restructure costs of R24 million, a loss on disposal of investment of R26 million and UK-related restructure costs of R6 million.*
2. *Earnings before interest, tax, depreciation and amortisation.*

Rm	Hospital and pharmacy operations[1]	Non-acute services	Hospital and emergency services	Primary Care	Inter-segment elimination	**Total**
30 September 2019						
Statement of profit or loss						
Revenue	19 706	1 104	20 810	795	(16)	**21 589**
EBITDA[2] before item below	4 152	118	4 270	118	–	**4 388**
Operating profit before item below	3 516	60	3 576	64	–	**3 640**
Realisation of foreign currency reserve	128	–	128	–	–	**128**
Operating profit	3 644	60	3 704	64	–	**3 768**
Additional segment information						
Impairment of property, plant and equipment	–	(7)	(7)	–	–	**(7)**

1. *EBITDA and operating profit are inclusive of UK related restructure costs amounting to R13 million, Hospital division restructure costs amounting to R22 million, a loss on disposal of a subsidiary amounting to R27 million and a profit on disposal of PPE of R69 million.*
2. *Earnings before interest, tax, depreciation and amortisation.*

Condensed notes to the unaudited interim Group financial statements

1. Basis of preparation and accounting policies

The condensed unaudited interim Group financial statements for the six months ended 31 March 2020 have been prepared in compliance with the Listings Requirements of the JSE Limited, the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the requirements of the International Accounting Standards (IAS) 34: ***Interim Financial Reporting***, SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act, No. 71 of 2008. These condensed unaudited interim financial statements were compiled under the supervision of Mr KN Gibson (CA) SA, Group Chief Financial Officer.

All accounting policies applied in the preparation of these results are in accordance with IFRS. Aside from the adoption of IFRS 16: ***Leases***, detailed in note 8, all policies are consistent in all material respects with those applied in the audited financial statements for the year ended 30 September 2019.

Due to the significance of the share-based payment expense recognised on the Group's B-BBEE transaction, we have presented this separately on the face of the statement of profit or loss, together with the realisation of a foreign currency translation reserve in the prior year.

We believe this presentation is in line with IAS 1: ***Presentation of Financial Statements***, which notes that additional line items may be presented in the statement of profit or loss when such presentation is relevant to an understanding of the entity's financial performance.

The interim results have not been reviewed or audited by the Group's independent external auditors, Deloitte and Touche.

Rm	Unaudited six months ended 31 March 2020	Unaudited six months ended 31 March 2019	Year ended 30 September 2019
2. Operating profit	**1 439**	1 748	3 768
After including:			
Depreciation and amortisation	**(573)**	(358)	(748)
Depreciation and amortisation – excluding items below	**(389)**	(358)	(748)
Depreciation – Right of use assets	**(177)**	–	–
Amortisation of cash flow hedge accounting reserve	**(7)**	–	–
Impairment of property, plant and equipment	**–**	–	(7)
Loss on disposal of investment	**–**	(26)	(27)
Operating lease charges	**(89)**	(318)	(629)
Profit on disposal of property, plant and equipment	**–**	–	69

Rm	Unaudited six months ended 31 March 2020	Unaudited six months ended 31 March 2019	Year ended 30 September 2019

3. Finance costs

Interest on bank loans and other	**(96)**	(101)	(193)
Interest on promissory notes	**(213)**	(203)	(409)
Interest on lease liability	**(183)**	–	–
Total funding finance costs	**(492)**	(304)	(602)
Amortisation of cash flow hedge accounting reserve	**(2)**	–	–
Retirement benefit plan finance costs	**(24)**	(25)	(54)
	(518)	(329)	(656)

4. Taxation

South African normal and deferred taxation			
Current year	**(402)**	(421)	(875)
Prior years	**–**	1	15
Capital gains tax	**–**	–	(9)
	(402)	(420)	(869)
Foreign normal and deferred taxation			
Current year	**(2)**	(10)	(10)
Total taxation per the statement of profit or loss	**(404)**	(430)	(879)

Rm	Unaudited 31 March 2020	Unaudited 31 March 2019	30 September 2019

5. Equity-accounted investments, loans and receivables

Non-current			
Associates	**467**	499	476
Joint ventures	**196**	235	259
Other loans and receivables	**267**	281	289
	930	1 015	1 024
Current			
Loans and receivables	**183**	73	122
	1 113	1 088	1 146

Condensed notes to the unaudited interim Group financial statements continued

Rm	Level	Unaudited **31 March 2020**	Unaudited 31 March 2019	30 September 2019
6. Financial assets/liabilities				
Non-derivative financial asset				
Investment in Cell Captive	2	**10**	19	5
Derivative financial assets				
Interest rate swaps	2	**–**	4	–
		10	23	5
Included in:				
Non-current assets		**10**	23	5
Derivative financial liabilities				
Interest rate swaps	2	**(90)**	(14)	(31)
Inflation rate swaps	2	**(31)**	(30)	(29)
Written put option over non-controlling interest	3	**(10)**	–	(10)
		(131)	(44)	(70)
Included in:				
Non-current liabilities		**(105)**	(37)	(44)
Current liabilities		**(26)**	(7)	(26)
		(131)	(44)	(70)

Fair value hierarchy

Financial instruments measured at fair value are grouped into the following levels based on the significance of the inputs used in determining fair value:

Level 1: Fair value is derived from quoted prices (unadjusted) in active markets for identical instruments.

Level 2: Fair value is derived through the use of valuation techniques based on observable inputs, either directly or indirectly.

Level 3: Fair value is derived through the use of valuation techniques using inputs not based on observable market data.

The Group has no financial instruments measured at fair value categorised as Level 1. There were no transfers between categories in the current period.

Rm	31 March 2020 (Unaudited)	31 March 2019 (Unaudited)	30 September 2019

7. Debt

Rm	**31 March 2020**	31 March 2019	30 September 2019
Long-term debt	**5 727**	6 988	5 061
Short-term debt	**2 468**	507	1 780
Total debt	**8 195**	7 495	6 841
Comprising:			
Secured liabilities			
Finance leases	**–**	29	26
Unsecured liabilities			
Bank loans	**1 750**	2 700	2 050
Promissory notes and commercial paper in issue	**5 861**	4 761	4 761
Other	**584**	5	4
	8 195	7 495	6 841

Maturity Profile[1]

Rm	Total	<1 year	1-2 years	2-3 years	3-4 years	>4 years
31 March 2020	**9 553**	**2 991**	**2 172**	**2 082**	**1 007**	**1 301**
31 March 2019	9 293	1 171	3 005	1 758	2 733	626
30 September 2019	8 069	2 304	1 725	1 570	1 871	599

1. *This maturity analysis includes the contractual undiscounted cash flows, represented by gross commitments, including finance charges. These amounts are different to those reflected in the statement of financial position, which are based on discounted cash flows.*

Condensed notes to the unaudited interim Group financial statements continued

8. New accounting standards

The Group has adopted IFRS 16: *Leases*, effective 1 October 2019. As permitted by the standard in the specific transitional provisions, the Group has elected not to restate any comparative information. Accordingly, reclassifications and adjustments arising upon adoption of IFRS 16 have been recognised in the opening balance sheet on 1 October 2019.

Recognition and measurement

Prior to the adoption of IFRS 16, leases were classified as either finance or operating leases. Payments made under operating leases 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. 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.

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.

The Group did not identify any onerous lease contracts that would have required an adjustment to the right of use assets at the date of initial application.

Upon 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 lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 October 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 October 2019 was 9.36%.

Rm	
Operating lease commitments disclosed as at 30 September 2019[1]	**4 586**
Effect of discounting using the incremental borrowing rate	**(1 425)**
Add: highly probable lease extensions	**857**
Add: financial lease liabilities recognised as at 30 September 2019	**18**
Less: short-term leases recognised on a straight-line basis as expense	**(24)**
Less: low-value leases recognised on a straight-line basis as expense	**(8)**
Lease liability recognised as at 1 October 2019	**4 004**

1. *This number has been restated, refer to note 10 for details.*

Rm	**31 March 2020**	1 October 2019
Included in:		
Current lease liabilities	**487**	464
Non-current lease liabilities	**3 470**	3 540
	3 957	4 004

Right of use assets were measured at an amount equal to the related lease liability, adjusted by the deferred lease liability relating to the specific lease which had been recognised in the balance sheet as at 30 September 2019.

The recognised right of use assets relate to the following type of assets:

Rm	31 March 2020	1 October 2019
Properties	3 694	3 828
Vehicles	42	49
Aircraft	44	55
Total right of use assets	**3 780**	3 932

At 30 September 2019 the Group estimated that a right of use asset and lease liability of between R4.1 billion and R4.5 billion would be recognised on 1 October 2019, and this range was included in the disclosure contained in note 13 of the annual financial statements. However, as a result of a change in circumstances at some of the leased sites, management decided to exclude the extension periods included for those contracts, as the Group was no longer considered to be reasonably certain that they would be exercised. As a result, the right of use asset and lease liability brought onto the statement of financial position at 1 October 2019 was lower than anticipated, at R3.9 billion and R4.0 billion respectively.

The adoption of IFRS 16 had an impact on the following statement of financial position items:

Rm		
Property, plant and equipment	decreased by	18
Right of use assets	increased by	3 932
Long-term debt	decreased by	15
Short-term debt	decreased by	3
Lease liabilities	increased by	4 004
Deferred lease liabilities	decreased by	51
Current portion of deferred lease liabilities	decreased by	21

Impact on segment disclosures

EBITDA and operating profit for March 2020 increased as a result of the change in accounting policy. The following segments were affected by the change in policy:

Rm	Increase in EBITDA	Increase in depreciation
Hospital and pharmacy operations	181	142
Non-acute services	29	20
Hospital and emergency services	210	162
Primary Care	23	22
Group	**233**	**184**

Impact on earnings per share

Earnings per share decreased by 7.3 cents per share for the six months to 31 March 2020 as a result of the adoption of IFRS 16.

Condensed notes to the unaudited interim Group financial statements continued

8. New accounting standards continued

Maturity profile

The maturity analysis below discloses the undiscounted contractual cash flows, represented by gross lease commitments, including finance charges. These amounts are different to those reflected in the statement of financial position, which are based on discounted cash flows.

Rm	Total	<1 year	1-5 years	>5 years
31 March 2020	**13 432**	**487**	**2 979**	**9 966**

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by IFRS 16:

- 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 assets 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; and
- reliance on previous assessments on whether leases are onerous.

The Group has also 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 assessment made when applying IAS 17 and IFRIC 4: *Determining whether an Arrangement contains a Lease.*

The Group's leasing activities

The Group leases property, vehicles and aircraft. Rental contracts range from 1 year to 30 years with extension options available. The extension period has been taken into account when determining the term of the lease where the Group is reasonably certain it will exercise the option to extend. 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.

Critical judgements in determining the lease term

Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Factors considered when determining whether an extension will be exercised include:

- the importance of the leased asset to the Group's operations;
- contractual terms and conditions for the optional period;
- the specialised nature of leased assets - buildings are outfitted specifically for use as hospitals and medical facilities and cannot be readily used for alternate operations;
- significant leasehold improvements undertaken or expected to be undertaken during the term of the lease;
- costs relating to the termination of the lease; and
- the Group's past practice regarding the period over which the leased asset has been occupied/used.

Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Low value leases

Leases for assets which have a value less than R100 000 are considered to be low value leases and are not accounted for under IFRS 16 as permitted by the standard. The expenses relating to these leases are recognised on the accrual basis.

9. Pro forma financial information

Information excluding the impact of IFRS 16 presented in the unaudited interim Group financial statements constitutes pro forma financial information.

9.1 Excluding the impact of IFRS 16

Pro forma Group summarised statement of profit or loss and key metrics

	Unaudited six months ended				
	31 March 2020			31 March 2019	
Rm	As reported	Indicative IFRS 16 impact	Indicative pre-IFRS 16 result	As reported	% change
EBITDA	**2 361**	(233)	**2 128**	2 162	(1.6)
Hospital and emergency services	**2 286**	(210)	**2 076**	2 110	(1.6)
Primary Care	**75**	(23)	**52**	52	–
Non-trading items	**(1)**		**(1)**	(56)	
Reported EBITDA	**2 360**	(233)	**2 127**	2 106	1.0
Depreciation and amortisation	**(573)**	184	**(389)**	(358)	(8.7)
Operating profit	**1 787**	(49)	**1 738**	1 748	(0.6)
Hospital and emergency services	**1 765**	(48)	**1 717**	1 721	(0.2)
Primary Care	**22**	(1)	**21**	27	(22.2)
Financial expenses	**(518)**	185	**(333)**	(329)	(1.2)
Profit before taxation	**1 387**	136	**1 523**	1 545	(1.4)
Taxation	**(404)**	(38)	**(442)**	(430)	(2.8)
Profit for the period before exceptional item	**983**	98	**1 081**	1 115	(3.0)
Exceptional item – share-based payment expense on B-BBEE transaction	**(348)**	–	**(348)**	–	
Profit for the period	**635**	98	**733**	1 114	(34.2)

Condensed notes to the unaudited interim Group financial statements continued

9. Pro forma financial information continued

9.1 Excluding the impact of IFRS 16 continued

	Unaudited six months ended				
	31 March 2020			31 March 2019	
Cents	**As reported**	Indicative IFRS 16 impact	**Indicative pre-IFRS 16 result**	As reported	% change
Earnings per share	**43.6**	7.3	**50.9**	78.9	(35.5)
Headline earnings per share	**44.0**	7.3	**51.3**	80.7	(36.4)
Adjusted headline earnings per share	**71.7**	7.3	**79.0**	84.3	(6.3)
Diluted adjusted headline earnings per share	**70.8**	7.2	**78.0**	83.4	(6.5)
Key metrics					
EBITDA margin (%)	**22.0**		**19.9**	20.0	
Hospital and emergency services	**22.0**		**20.0**	20.3	
Primary Care	**21.9**		**15.2**	13.3	
Operating profit margin (%)	**16.7**		**16.2**	16.6	
ROIC (%)	**18.7**		**18.1**	18.8	
Net debt to EBITDA (times)	**1.3**		**1.5**	1.5	
EBITDA/net interest (times)	**5.6**		**8.9**	8.8	
Interest cover (times)	**4.2**		**7.2**	7.1	

9.2 Notes

9.2.1 The pro forma financial information, which is the responsibility of the Group's directors, has been presented for illustrative purposes only and is consistent with the prior reporting period. The pro forma financial information is presented in accordance with the JSE Listings Requirements and the SAICA Guide on Pro Forma Financial Information.

9.2.2 The accounting policies applied in the preparation of these pro forma results are consistent in all material respects with those applied in the audited financial statements for the year ended 30 September 2019.

9.2.3 The adjustments are calculated with reference to actual depreciation and financial expenses and estimated operating lease charges, on a pre and post IFRS 16 basis, which have been extracted from the Group's accounting records, and an effective tax rate of 28%, all attributable to the appropriate segments. The adjustments are of a continuing nature.

9.2.4 The pro forma financial information is derived by excluding IFRS 16 adjustments and including IAS 17 adjustments. IFRS 16 adjustments relating to depreciation of right of use assets of R184 million have been reversed and financial expenses of R185 million relating to the amortisation of lease liabilities have been reversed. Straight-lined operating lease charges of R233 million have been included to reflect the accounting for leases under IAS 17, had the standard still been in effect from 1 October 2019. This information is reflected in the above column headed "Indicative IFRS 16 impact".

9.2.5 The calculation of earnings per share, headline earnings per share, adjusted headline earnings per share and diluted adjusted headline earnings per share for the pro forma information is based on the weighted average number of shares in issue at 31 March 2020.

9.2.6 Accordingly, because of its nature, the pro forma financial information may not fairly present the Group's financial position, results of operations or cash flows.

9.2.7 The pro forma financial information has not been reviewed or reported on by the Group's external auditors.

10. Commitments

During the drafting of the IFRS 16 transition reconciliation between the previously reported operating lease commitments and the initial take-on lease liability value, it was determined that the 2019 commitments were erroneously understated due to the inadvertent omission of certain leases.

In line with the JSE's recommendation in the guidance published by the JSE proactive monitoring panel, management has restated the comparative 2019 operating lease commitments to correctly reflect the complete balances.

	Unaudited		
Rm	**31 March 2020**	31 March 2019[1]	30 September 2019[1]
Capital expenditure commitments	**1 209**	2 128	1 990
Operating lease commitments	**18**	4 745	4 586

Operating lease commitments restatement			
As reported		3 455	2 821
Adjustment		1 290	1 765
Restated		4 745	4 586

1. Prior year has been restated.

Condensed notes to the unaudited interim Group financial statements continued

Rm	Unaudited **31 March 2020**	31 March 2019	30 September 2019
11. Contingent liabilities	**16**	43	22

12. Events after the reporting period

Since the emergence of COVID-19 in South Africa in early March 2020, trading circumstances have changed dramatically, resulting in increased levels of uncertainty prevalent in the global and domestic economies, the healthcare sector and in Netcare specifically. Further detail regarding the impact on Netcare has been disclosed in the commentary section of this booklet.

This heightened uncertainty has predicated a need to consider, in line with remodelled existing forecasts, the going concern assertion applicable to the Group.

COVID-19 will undoubtedly have a negative impact on the Group's performance in the second half of FY 2020. However, Netcare remains in a healthy financial position with low levels of gearing as reflected by its net debt to EBITDA coverage of 1.5x (pre IFRS 16) at 31 March 2020. An additional R2.8 billion of undrawn committed banking facilities and funding has been secured to date, increasing available committed undrawn facilities to R4.8 billion which will ensure the availability of liquidity for the forseeable future. As a precautionary measure, Netcare has secured a waiver of its covenant testing for the September 2020 period. The business is therefore well placed to withstand possible operating losses from the current uncertain environment and the Board is confident in the Group's ability to continue as a going concern for the foreseeable future.

The directors are not aware of any other matters or circumstances arising since the end of the reporting period, not otherwise dealt with in the Group's unaudited interim financial statements, which significantly affect the financial position at 31 March 2020 or the results of its operations or cash flows for the period then ended.

Salient features

	Unaudited		
	31 March 2020	31 March 2019	30 September 2019
Share statistics			
Ordinary shares			
Shares in issue (million)	**1 439**	1 452	1 452
Shares in issue net of treasury shares (million)	**1 333**	1 345	1 345
Weighted average number of shares (million)	**1 337**	1 344	1 345
Diluted weighted average number of shares (million)	**1 353**	1 358	1 358
Market price per share (cents)	**1 500**	2 335	1 755

Administration

Netcare Limited

Registration number: 1996/008242/06
(Incorporated in the Republic of South Africa)
JSE ordinary share code: NTC
ISIN: ZAE000011953
JSE preference share code: NTCP
ISIN: ZAE000081121
("Netcare" or the "Company")

Registered office

76 Maude Street (corner West Street),
Sandton 2196, Private Bag X34
Benmore 2010

Executive directors

RH Friedland (Chief Executive Officer),
KN Gibson (Chief Financial Officer)

Non-executive directors

T Brewer (Chair), MR Bower, B Bulo,
L Human, D Kneale, MJ Kuscus, KD Moroka,
N Weltman

Company Secretary

L Bagwandeen

Sponsor

Nedbank Corporate and Investment Banking
135 Rivonia Road
Sandown, 2196

Transfer secretaries

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Cedar Woods House
Ballywoods Office Park
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Disclaimer

Certain statements in this document constitute 'forward-looking statements'. Forward-looking statements may be identified by words such as 'believe', 'anticipate', 'expect', 'plan', 'estimate', 'intend', 'project', 'target', 'predict' and 'hope'. By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future, involve known and unknown risks, uncertainties and other facts or factors which may cause the actual results, performance or achievements of the Group, or the healthcare sector to be materially different from any results, performance or achievement expressed or implied by such forward-looking statements. Forward-looking statements are not guarantees of future performance and are based on assumptions regarding the Group's present and future business strategies and the environments in which it operates now and in the future. No assurance can be given that forward-looking statements will prove to be correct and undue reliance should not be placed on such statements.

Any forward-looking information contained in this announcement/presentation has not been reviewed or reported on by the company's external auditors.

Forward-looking statements apply only as of the date on which they are made, and Netcare does not undertake other than in terms of the Listings Requirements of the JSE Limited, to update or revise any statement, whether as a result of new information, future events or otherwise.

The normalised information has been prepared for illustrative purposes only, is the responsibility of the directors, has not been reviewed or reported on by the auditors and, because of its nature, may not fairly represent Netcare's financial position.

You're in safe hands

www.netcare.co.za

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