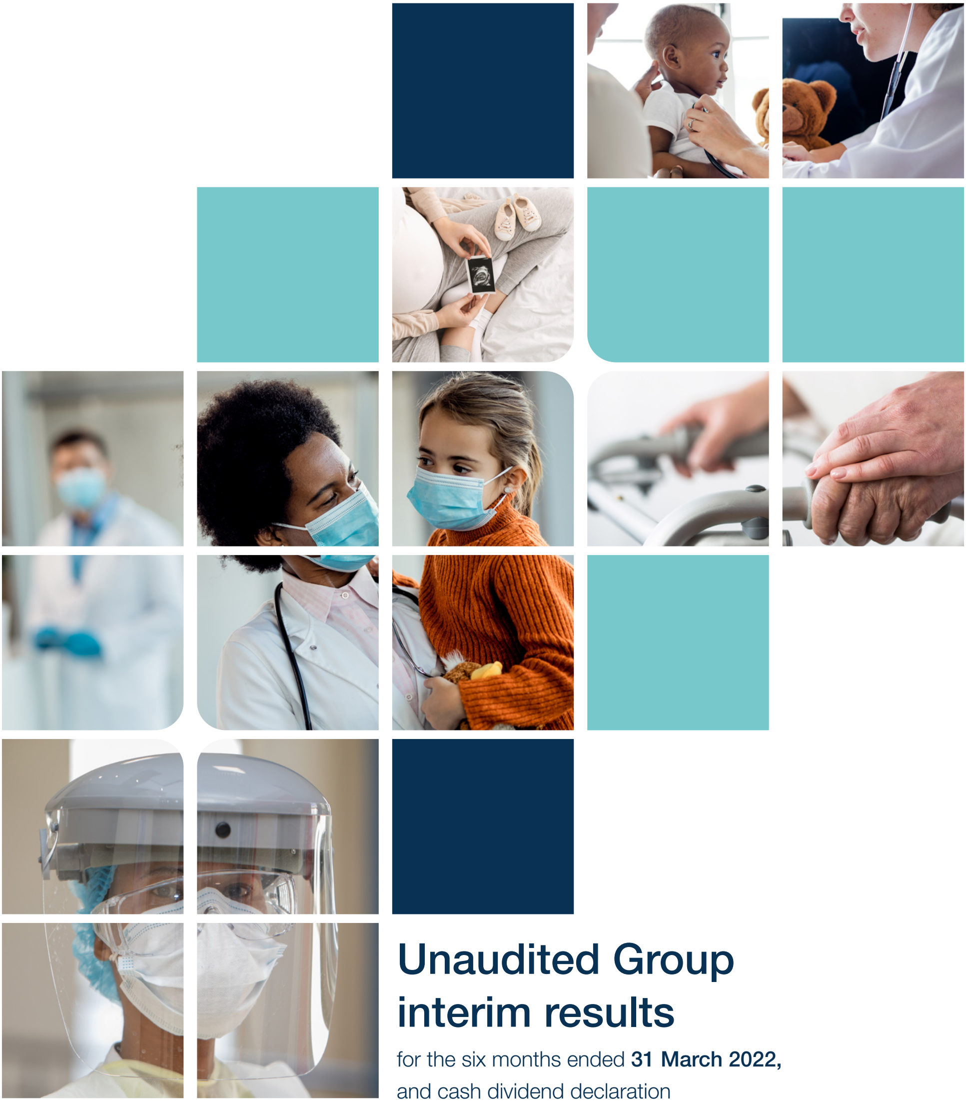
Life Healthcare



Unaudited Group interim results

for the six months ended **31 March 2022,** and cash dividend declaration

Our purpose

Making life better

Our mission

We **improve** the lives of people through the **delivery** of **high-quality**, **cost-effective care**.

Our vision

Our **vision** is to be an international healthcare provider delivering **measurable clinical quality** through a **diversified** offering and **people-centred** approach.

Our strategy has **four key pillars** which form the foundation for much of what we set out to do. Whether we embark on a restructuring programme, or implement a new business line, the impact must be measurable in terms of either **Quality**, **Growth**, **Efficiency** or **Sustainability** for the Group.

Quality
Deliver clinical excellence and a leading patient experience

Growth
Drive continued growth while diversifying our revenue and earnings

Efficiency
Deliver operational excellence

Sustainability
Ensure the long-term viability and sustainability of our business

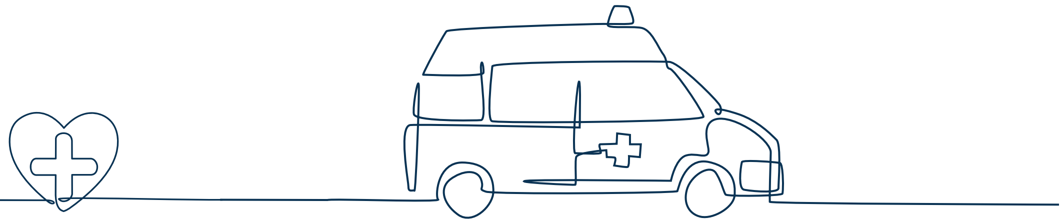
Highlights

Revenue
from continuing operations
+4.2%
to R13.5 billion

Normalised EBITDA*
from continuing operations of
R2.4 billion

Cash generated from operations of
R1.9 billion

** Non-IFRS measures.*



Our core values

We aim to leave a lasting impression of understanding and meeting our patients' needs.
We achieve this by focusing on our core values.

Passion for people

those that are the life of our business

Qe

quality to the power of **e** (ethics, excellence, empowerment, empathy, energy)

Performance pride

we act for the right reasons, with quality in mind

Personal care

adding the human touch

Lifetime partnerships

with our patients at the very centre

Normalised earnings per share (NEPS)*
from continuing operations

-16.5%

to 44.1 cents

Strong financial position
with net debt to EBITDA of

2.03 times

Completed our first imaging transaction

in South Africa

Condensed consolidated statement of profit or loss

for the six months ended 31 March 2022

	Notes	2022 R'm	Change %	2021 R'm
Continuing operations				
Revenue	1	**13 544**	4.2	13 004
Other income		**114**		92
Operating expenses		**(12 375)**		(11 747)
Operating profit before items below		**1 283**	(4.9)	1 349
Fair value gain on derivative financial instruments		**15**		38
Impairment of investment		**–**		(9)
Profit/(loss) on disposal of property, plant and equipment		**1**		(5)
Transaction costs		**(4)**		–
Finance income		**26**		23
Finance cost		**(324)**		(357)
Share of associates' and joint ventures' net profit after tax		**12**		17
Profit before tax		**1 009**	(4.5)	1 056
Tax expense		**(328)**		(297)
Profit after tax from continuing operations		**681**	(10.3)	759
Discontinued operation				
Profit from discontinued operation	2	**–**		87
Profit after tax		**681**	(19.5)	846
Profit after tax attributable to:				
Ordinary equity holders of the parent		**602**	(25.9)	812
Non-controlling interest		**79**		34
		681	(19.5)	846
Earnings per share (cents)				
From continuing operations				
Basic		**41.5**	(16.8)	49.9
Diluted		**41.2**	(17.1)	49.7
From continuing and discontinued operations				
Basic		**41.5**	(25.8)	55.9
Diluted		**41.2**	(26.0)	55.7

Condensed consolidated statement of comprehensive income

for the six months ended 31 March 2022

	2022 R'm	Change %	2021 R'm
Profit after tax	**681**	(19.5)	846
Other comprehensive income			
Items that may be reclassified to profit or loss			
Movement in foreign currency translation reserve (FCTR) of continuing foreign operations	**(664)**		(729)
Movement in FCTR of discontinued operation, net of tax	**–**		(143)
Items that will not be reclassified to profit or loss			
Retirement benefit asset and post-employment medical aid, net of tax[1]	**8**		34
Total comprehensive income for the period	**25**	>100	8
Total comprehensive income attributable to:			
Ordinary equity holders of the parent	**(41)**	>(100)	1
Non-controlling interest	**66**		7
	25	>100	8
Total comprehensive income attributable to ordinary equity holders of the parent arises from:			
Continuing operations	**(41)**	>(100)	57
Discontinued operations	**–**		(56)
	(41)	>(100)	1

[1] *Includes tax of R3 million.*

Headline earnings per share

for the six months ended 31 March 2022

	2022 R'm	Change %	2021 R'm
Weighted average number of shares in issue (million)	**1 452**	(0.1)	1 454
From continuing and discontinued operations			
Headline earnings per share (cents)	**41.4**	(12.7)	47.4
Diluted headline earnings per share (cents)	**41.2**	(12.9)	47.3
Headline earnings (R'm)			
Profit attributable to ordinary equity holders	**602**		812
Adjustments (net of tax)			
Exchange gain reclassified to profit or loss on disposal of discontinued operation	**–**		(147)
Impairment of investment from continuing operations	**–**		9
(Profit)/loss on disposal of property, plant and equipment	**(1)**		3
Loss on disposal of discontinued operation (after withholding tax)	**–**		12
Headline earnings from continuing and discontinued operations	**601**	(12.8)	689

Condensed consolidated statement of financial position

as at 31 March 2022

	Notes	31 March 2022 R'm	30 September 2021 R'm
ASSETS			
Non-current assets		**32 356**	33 367
Property, plant and equipment		**14 454**	14 695
Intangible assets[1]		**15 604**	16 383
Deferred tax assets		**1 691**	1 698
Other non-current assets	4	**607**	591
Current assets		**6 046**	7 414
Cash and cash equivalents		**1 149**	2 672
Other current assets		**4 897**	4 742
Total assets		**38 402**	40 781
EQUITY AND LIABILITIES			
Capital and reserves			
Stated Capital		**13 350**	13 565
Reserves		**4 155**	4 501
Non-controlling interest		**1 054**	1 105
Total equity		**18 559**	19 171
LIABILITIES			
Non-current liabilities		**10 003**	13 723
Interest-bearing borrowings	3	**7 411**	10 914
Deferred tax liabilities		**1 746**	1 730
Other non-current liabilities	4	**846**	1 079
Current liabilities		**9 840**	7 887
Bank overdrafts		**504**	325
Interest-bearing borrowings	3	**4 155**	1 811
Other current liabilities	4	**5 181**	5 751
Total liabilities		**19 843**	21 610
Total equity and liabilities		**38 402**	40 781
GBP:ZAR		**19.06**	20.35

[1] *Intangible assets decreased mainly as a results of a R872 million foreign currency movement, set off by the goodwill and intangibles acquired through the business combinations (refer note 2).*

Condensed consolidated statement of changes in equity

for the six months ended 31 March 2022

	Total capital and reserves R'm	Non-controlling Interest R'm	Total Equity R'm
Balance at 1 October 2021	**18 066**	**1 105**	**19 171**
Total comprehensive income for the period	**(41)**	**66**	**25**
Profit for the period	**602**	**79**	**681**
Other comprehensive loss	**(643)**	**(13)**	**(656)**
Transactions with non-controlling interests	**3**	**(7)**	**(4)**
Purchase of treasury shares for staff benefit schemes[1]	**(250)**	**–**	**(250)**
Distributions to shareholders	**(367)**	**(110)**	**(477)**
Share-based payment charge for staff benefit schemes	**94**	**–**	**94**
Balance at 31 March 2022	**17 505**	**1 054**	**18 559**
Balance at 1 October 2020	17 058	1 220	18 278
Total comprehensive income for the period	1	7	8
Profit for the period	812	34	846
Other comprehensive loss	(811)	(27)	(838)
Transactions with non-controlling interests	(4)	(21)	(25)
Purchase of treasury shares for staff benefit schemes	(9)	–	(9)
Distributions to shareholders	–	(90)	(90)
Share-based payment charge for staff benefit schemes	63	–	63
Balance at 31 March 2021	17 109	1 116	18 225

[1] *Mainly relates to the purchase of 9.2 million shares for a value of R217 million, relating to the co-investment scheme. The scheme was introduced at the end of FY2021 and the initial grant was made on 1 December 2021.*

Condensed consolidated statement of cash flows

for the six months ended 31 March 2022

	Notes	2022 R'm	Change %	2021 R'm
Cash generated from operations		**1 855**	(19.7)	2 309
Transaction costs paid		**–**		(2)
Finance income received		**26**		23
Tax paid		**(324)**		(246)
Net cash generated from operating activities		**1 557**	(25.3)	2 084
Capital expenditure		**(1 129)**		(631)
Business combinations (net of cash acquired)	2	**(237)**		(98)
Proceeds from disposal of discontinued operation (net of cash disposed)		**–**		573
Other		**2**		13
Net cash utilised in investing activities		**(1 364)**		(143)
Proceeds from interest-bearing borrowings		**–**		1 440
Repayment of interest-bearing borrowings		**(792)**		(2 370)
Dividends paid to Company's shareholders		**(367)**		–
Finance costs paid		**(289)**		(275)
Other[1]		**(378)**		(153)
Net cash utilised in financing activities		**(1 826)**		(1 358)
Net (decrease)/increase in cash and cash equivalents		**(1 633)**		583
Cash and cash equivalents – beginning of the period		**2 347**		98
Effect of foreign currency rate movements		**(69)**		(169)
Cash and cash equivalents at end of the period[2]		**645**		512

[1] *Other includes distributions to non-controlling interest (R104 million), cash flow on increases/proceeds on decreases in ownership interests (R24 million) and treasury shares acquired for delivery to staff schemes (R250 million).*

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

Segmental information

for the six months ended 31 March 2022

IFRS 8 requires operating segments to be identified on the basis of internal reports about the components of the Group that are regularly reviewed by the chief operating decision maker (CODM) in order to allocate resources to the segments and to assess their performance.

The Group's segments are aligned to those business units that are evaluated regularly by the 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, oncology and imaging services. The healthcare services segment comprises Life Esidimeni and Life Health Solutions.

International comprises diagnostic services (Alliance Medical Group (AMG)) across Europe and the United Kingdom (UK).

Growth initiatives comprise broadening the Group's exposure across the healthcare continuum and include the development of cyclotron capability, investing in data analytics and clinical quality products within South Africa and product development (Life Molecular Imaging (LMI)) internationally. The prior period growth initiatives in South Africa included developing the outpatient business model, which was scaled-down and incorporated into Life Health Solutions, and the imaging services opportunity. As a result of the completion of our first imaging transaction in South Africa, imaging services is now included as part of the hospital and complementary services segment in the current period.

The corporate segment 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 types of customers and operating in a similar regulatory environment.

Inter-segment revenue of R12 million (H1-2021: R3 million) is eliminated of which R3 million relates to revenue between Life Health Solutions and the southern Africa business and R9 million between LMI and AMG.

	2022 R'm	2021 R'm
Revenue[1]		
Southern Africa		
Hospitals and complementary services	**8 811**	8 351
Healthcare services	**688**	736
International		
Diagnostic services	**3 813**	3 747
Growth initiatives	**232**	170
	13 544	13 004

[1] *Revenue of approximately 33% (H1-2021: 33%) is derived from two (H1-2021: two) external customers. The revenue is attributable to the southern Africa segment.*

Segmental information continued

for the six months ended 31 March 2022

	2022 R'm	2021 R'm
Normalised EBITDA[1]		
Southern Africa		
Hospitals and complementary services	**1 507**	1 260
Healthcare services	**71**	122
International		
Diagnostic services	**806**	930
Growth initiatives	**(58)**	(22)
Corporate		
Recoveries	**675**	637
Corporate costs	**(630)**	(509)
	2 371	2 418
Depreciation		
Southern Africa		
Hospitals and complementary services	**(362)**	(332)
Healthcare services	**(13)**	(11)
International		
Diagnostic services	**(390)**	(405)
Growth initiatives	**(8)**	(8)
Corporate	**(38)**	(47)
	(811)	(803)
EBITA[2]		
Southern Africa		
Hospitals and complementary services	**1 145**	928
Healthcare services	**58**	111
International		
Diagnostic services	**416**	525
Growth initiatives	**(66)**	(30)
Corporate	**7**	81
	1 560	1 615

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

The presentation of normalised EBITDA and EBITA is not an IFRS requirement, nor a JSE Listings 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.

	2022 R'm	2021 R'm
Amortisation of intangible assets		
Southern Africa		
Hospitals and complementary services	**(12)**	(10)
International		
Diagnostic services	**(224)**	(226)
Growth initiatives	**(10)**	(11)
Corporate	**(31)**	(19)
	(277)	(266)
Operating profit before items below		
Southern Africa		
Hospitals and complementary services	**1 133**	918
Healthcare services	**58**	111
International		
Diagnostic services	**192**	299
Growth initiatives	**(76)**	(41)
Corporate	**(24)**	62
	1 283	1 349
Fair value gain on derivative financial instruments	**15**	38
Impairment of investment	**–**	(9)
Profit/(loss) on disposal of property, plant and equipment	**1**	(5)
Transaction costs	**(4)**	–
Finance income	**26**	23
Finance costs	**(324)**	(357)
Share of associates' and joint ventures' net profit after tax	**12**	17
Profit before tax	**1 009**	1 056

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

Segmental information continued

for the six months ended 31 March 2022

	31 March 2022 R'm	30 September 2021 R'm
Total assets before items detailed below		
Southern Africa (including growth initiatives)	**15 506**	16 308
International (including growth initiatives)	**20 754**	22 306
	36 260	38 614
Employee benefit assets	**430**	418
Deferred tax assets	**1 691**	1 698
Derivative financial assets (included in other non-current assets)	**13**	4
Income tax receivable (included in other current assets)	**8**	47
Total assets per the balance sheet	**38 402**	40 781
Net debt[1]		
Southern Africa (including growth initiatives)	**4 096**	3 299
International (including growth initiatives)	**6 825**	7 079
	10 921	10 378
Cash and cash equivalents (net of bank overdrafts)		
Southern Africa (including growth initiatives)	**(71)**	1 344
International (including growth initiatives)	**716**	1 003
	645	2 347

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

GEOGRAPHICAL INFORMATION

The Group's revenue from external customers and information about its segment assets (non-current assets excluding employee benefit assets and deferred tax assets) by geographical locations are:

	Revenue from external customers		Non-current assets	
	March 2022 R'm	March 2021 R'm	**March 2022 R'm**	September 2021 R'm
Southern Africa	**9 499**	9 087	**11 837**	11 568
International	**3 813**	3 747	**17 663**	18 981
UK	**1 964**	1 913	**14 859**	15 939
Italy	**1 090**	1 086	**1 955**	2 076
Ireland	**451**	421	**394**	407
Other	**308**	327	**455**	559
Growth initiatives	**232**	170	**735**	702
Southern Africa	**–**	1	**4**	5
UK	**6**	13	**703**	669
Italy	**4**	3	**–**	–
Other	**222**	153	**28**	28
Total – continuing operations	**13 544**	13 004	**30 235**	31 251
Employee benefit assets			**430**	418
Deferred tax assets			**1 691**	1 698
Total as per income statement and balance sheet	**13 544**	13 004	**32 356**	33 367

Notes

1. REVENUE

The table below illustrates the disaggregation disclosure by primary geographical areas, type of customer and timing of revenue recognition, including a reconciliation of how the disaggregated revenue ties into the segmental report (refer to page 7 above).

Management believes that both disaggregations depict how the nature, amount, timing and uncertainty of the Group's revenue and cash flows are affected by economic factors.

Segments	Hospitals and complementary services R'm	Healthcare services R'm	Diagnostic services R'm	Growth initiatives R'm	Total R'm
2022					
Primary geographical areas					
Southern Africa	8 811	688	–	–	9 499
International	–	–	3 813	232	4 045
UK	–	–	1 964	6	1 970
Italy	–	–	1 090	4	1 094
Ireland	–	–	451	–	451
Other	–	–	308	222	530
	8 811	688	3 813	232	13 544
Type of customer					
Contract from customers					
Private (including private medical aids and cash paying patients)	8 608	–	490	–	9 098
Government and public healthcare facilities	152	314	2 602	–	3 068
Corporate institutions	–	374	721	232	1 327
Rental revenue					
Rental income related to auxiliary services	51	–	–	–	51
	8 811	688	3 813	232	13 544
Timing of revenue recognition					
Over time	6 519	684	–	–	7 203
At a point in time	2 292	4	3 813	232	6 341
	8 811	688	3 813	232	13 544

1. **REVENUE** continued

Segments	Hospitals and comple-mentary services R'm	Healthcare services R'm	Diagnostic services R'm	Growth initiatives R'm	Total R'm
2021					
Primary geographical areas					
Southern Africa	8 351	736	–	1	9 088
International	–	–	3 747	169	3 916
UK	–	–	1 913	13	1 926
Italy	–	–	1 086	3	1 089
Ireland	–	–	421	–	421
Other	–	–	327	153	480
	8 351	736	3 747	170	13 004
Type of customer					
Contract from customers					
Private (including private medical aids and cash paying patients)	8 143	–	479	1	8 623
Government and public healthcare facilities	156	300	2 605	–	3 061
Corporate institutions	–	436	663	169	1 268
Rental revenue					
Rental income related to auxiliary services	52	–	–	–	52
	8 351	736	3 747	170	13 004
Timing of revenue recognition					
Over time	6 224	736	–	1	6 961
At a point in time	2 127	–	3 747	169	6 043
	8 351	736	3 747	170	13 004

2. ACQUISITIONS AND DISPOSALS

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 southern Africa subsidiary companies due to transactions with minority shareholders. The individual transactions are immaterial.

Business combinations

	Centro Diagnostico Signa SRL (Signa)*	Istituto Diagnostico Pistoiese SRL (IDP)*	East Coast Radiology Incorporated (ECR) and East Coast Radiology Mthatha Incorporated (ECR Mthatha)*
Acquirer	AMG through its subsidiary Alliance Medical Italia SRL	AMG through its subsidiary Alliance Medical Italia SRL	Life Healthcare Group Proprietary Limited through its subsidiary Life Diagnostic Imaging East Coast Proprietary Limited
Country of incorporation	Italy	Italy	South Africa
Acquisition date	28 Oct 2021	29 Dec 2021	1 Feb 2022
Total purchase consideration	R12 million	R22 million	R230 million
Goodwill recognised	R8 million	R18 million	R104 million
Percentage voting equity interest acquired	100%	100%	100%
Primary reasons for business combination	This is in line with Life Healthcare's strategy to grow its non-acute businesses.		
Qualitative factors that make up goodwill recognised	Attributable to the acquired workforce and expected synergies from combining the acquired operations within the international operations		Attributable to the acquired workforce and future earnings potential
Contingent liabilities at acquisition	None	None	None

* *The acquisitions have been provisionally accounted for in terms of IFRS 3 Business Combinations.*

None of the goodwill recognised is expected to be deductible for income tax purposes.

The acquisitions qualify as a business as defined in IFRS 3.

2. ACQUISITIONS AND DISPOSALS continued

Business combinations continued

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

R'm	Signa and IPD	ECR and ECR Mthatha
Total purchase consideration	(34)	(230)
Cash portion	(34)	(203)
Contingent consideration[1]	–	(27)
Fair value of net assets acquired	8	126
Property, plant and equipment	3	29
Customer relationships	–	145
Trade and other receivables	10	–
Inventories	–	1
Deferred tax asset/(liability)	1	(47)
Trade and other payables	(6)	(2)
Goodwill	26	104
Cash outflow to acquire businesses, net of cash acquired		
Initial cash considerations	34	203
Less: cash at acquisitions	–	–
	34	203
Aggregated impact on consolidated information from date of acquisitions		
Revenue	9	19
Net profit	–	3
Aggregated impact on consolidated information if the business combinations took place on 1 October 2021		
Revenue	17	53
Net profit	1	12

[1] *The contingent consideration is based on the financial performance of the business and will be payable in three annual tranches commencing one year after the acquisition date. The maximum amount payable is R84 million.*

Disposal of Scanmed S.A (Scanmed) in Poland for R733 million

The sale of Scanmed was concluded in the prior period (26 March 2021) and was reported as a discontinued operation. Refer to the consolidated annual financial statements for the year ended 30 September 2021 for detailed disclosures.

3. INTEREST-BEARING BORROWINGS

	R'm
Total borrowings at 30 September 2021	12 725
Repayment of interest-bearing borrowings	(792)
Additional lease liabilities recognised	211
Other movements	(5)
Exchange differences	(573)
Total borrowings at 31 March 2022	**11 566**

4. FINANCIAL INSTRUMENTS

Fair value

Other non-current assets, as presented in the statement of financial position, include derivative financial instrument assets of R13 million (Sept 2021: R4 million) at fair value (through profit or loss).

Other non-current liabilities and other current liabilities, as presented in the statement of financial position, include contingent consideration liabilities of R665 million (Sept 2021: R631 million) and derivative financial instrument liabilities of R0 million (Sept 2021: R9 million) at fair value (through profit or loss).

The largest contingent consideration payable (R633 million) relates to a potential amount payable to the previous owners of LMI, acquired during June 2018. The increase in the contingent consideration relating to LMI from 30 September 2021 (R626 million) relates to the unwinding of the contingent consideration (+R35 million), offset by the movement in foreign exchange rates (R28 million).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 13.37%. There has been no significant change to the assumptions used from those disclosed in the previous consolidated annual financial statements.

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 31 March 2022.

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 significance of the inputs used in the valuation. 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 period.

5. EVENTS AFTER REPORTING PERIOD

No event which is material to the understanding of this report has occurred between 31 March 2022 and the date of the interim financial statements, other than:

- The cash dividend distribution – refer page 24.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial statements contained in the interim report are prepared in accordance with the requirements of the JSE Limited (JSE) Listings Requirements for preliminary reports, and the requirements of the South Africa Companies Act, 71 of 2008 (as amended) applicable to summary financial statements. The accounting policies are in terms of International Financial Reporting Standards (IFRS) and are consistent with those applied in the previous consolidated annual financial statements. There were no material changes to the critical judgements, accounting estimates and assumptions applied as disclosed in the previous consolidated annual financial statements. The consolidated interim financial statements are prepared in accordance with and contain the information required by IAS 34 Interim Financial Reporting, as well as 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.

The condensed consolidated interim financial statements are prepared on a going concern basis. The Board is satisfied that the liquidity and solvency of the Company is sufficient to support the current operations for the next 12 months.

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

Unaudited results

The results for the period ended 31 March 2022 have not been reviewed or audited by the Group's auditors.

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

Non-IFRS measures

To provide a more meaningful assessment of the Group's performance for the period, non-IFRS measures (normalised EBITDA, EBITA, NEPS and net debt) have been included. The non-IFRS measures are the responsibility of the Group's directors. Due to their nature, the non-IFRS measures may not fairly present the Group's financial position, results of operations, changes in equity or cashflows for the period under review.

The non-IFRS measures are not an IFRS nor a JSE requirement.

Commentary

OVERVIEW

Life Healthcare had a good trading performance for the six-month period ended 31 March 2022 (H1-2022, or the current period) driven by a strong performance in southern Africa and a good underlying business performance in AMG.

The diminishing disruptions from recent COVID-19 waves and signs of normality returning, have driven an encouraging recovery in healthcare demand, which is reflected in these results.

The Group announced the sale of Scanmed in Poland in November 2020 and this process was finally concluded on 26 March 2021. Scanmed was presented as a discontinued operation for the period ended 31 March 2021 (H1-2021 or prior period). As a result, the prior period results have been re-presented.

Group trading highlights include:

- The southern African operations delivered 4.5% revenue growth year-on-year for H1-2022 while the normalised EBITDA margin improved to 17.1% compared to 16.6% for the H1-2021 period
- Continued volume growth across all AMG regions has led to revenue growth of 1.8% year-on-year for H1-2022 (in Rand). AMG's normalised EBITDA margin reduced to 21.1% (from 24.8% in H1-2021) mainly related to the ending of COVID-19-related support services
- Group revenue has increased by 4.2% year-on-year for H1-2022 while the Group normalised EBITDA margin is 17.5% versus 18.6% in H1-2021
- The Group remains in a strong financial position with net debt to normalised EBITDA of 2.03x, compared to the 1.82x reported at 30 September 2021 and 2.78x reported at 31 March 2021
- We completed our first imaging transaction in South Africa with the purchase of the non-clinical operations of East Coast Radiology business, which was effective from 1 February 2022

Summarised financials	**H1-2022 R'm**	H1-2021 R'm
Revenue from continuing operations	**13 544**	13 004
Normalised EBITDA from continuing operations	**2 371**	2 418
Normalised EBITDA margin	**17.5%**	18.6%
Attributable profit to ordinary shareholders	**602**	812

GROUP FINANCIAL PERFORMANCE

Group revenue from continuing operations increased by 4.2% to R13.5 billion (H1-2021: R13.0 billion) consisting of a 4.5% increase in southern African revenue to R9.5 billion (H1-2021: R9.1 billion), a 1.8% increase in international revenue from continuing operations to R3.8 billion (H1-2021: R3.7 billion) and R232 million revenue contribution from growth initiatives (H1-2021: R170 million).

Normalised EBITDA from continuing operations decreased by 1.9% to R2.4 billion (H1-2021: R2.4 billion). This decline in normalised EBITDA was largely driven by our international operations which saw normalised EBITDA decline by 13.3% to R806 million (H1-2021: R930 million), while our southern African operations saw normalised EBITDA growth of 7.5% to R1.6 billion (H1-2021: R1.5 billion).

OPERATIONAL REVIEW

Southern Africa

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, oncology and imaging services. The healthcare services segment comprises Life Esidimeni and Life Health Solutions.

Southern Africa	**H1-2022 R'm**	H1-2021 R'm	% change 2022 vs 2021
Revenue			
Hospitals and complementary services	**8 811**	8 351	5.5
Healthcare services	**688**	736	(6.5)
	9 499	9 087	4.5
Normalised EBITDA			
Hospitals and complementary services	**1 507**	1 260	19.6
Healthcare services	**71**	122	(41.8)
Corporate			
Recoveries	**675**	637	6.0
Corporate costs	**(630)**	(509)	(23.8)
	1 623	1 510	7.5
Normalised EBITDA margin	**17.1%**	16.6%	

H1-2022 revenue for southern Africa grew by 4.5% versus H1-2021 and the normalised EBITDA margin for the period is 17.1% compared with the 16.6% we reported at H1-2021 and 17.1% for the twelve months to 30 September 2021 (FY2021). The normalised EBITDA margin was positively impacted by the 2.1% overall paid patient days (PPD) growth, higher activity levels and occupancies since mid-January 2022, tighter management of costs and a reduction in COVID-19-related expenses. Some of these benefits were offset by the early nursing salary increases (implemented in October 2021 versus January 2022) as part of our staff retention strategy, and the lower occupancies during late December 2021 and early January 2022.

The acute hospital business delivered a robust result in the current period, with particularly strong activity levels during February and March 2022. The business started the current period with improved activity levels during October and November 2021. The seasonally quiet December 2021 and early January 2022 period was impacted by the fourth COVID-19 wave given that this wave saw far fewer COVID-19 admissions with lower levels of acuity than we experienced in previous waves. As a result, activities and occupancy levels across our hospitals during December 2021 and early January 2022 were lower than anticipated and lower than at the same time in the prior period. However, since mid-January 2022 we have seen a strong recovery in a broad range of surgical and medical activities in our acute hospitals.

These factors have resulted in acute hospital PPDs growing 1.5% year-on-year. Average occupancies in H1-2022 were 57.7%, versus 57.0% for H1-2021, but understate the average occupancy level of c.66% seen over the last 8 – 10 weeks of the current period.

The 1.5% PPD growth has been achieved despite the length of stay reducing by 7.4% to 4.0 days (H1-2021: 4.32 days) as the case mix started to normalise with a reduction in the COVID-19 admissions and a corresponding increase in surgical activity and non-COVID-19 medical cases. Acute hospital admissions increased by 10.2% over H1-2021. Theatre minutes increased by 11.3% year-on-year while surgical PPDs increased 9.0% over the prior period. Non-COVID-19 medical PPDs increased by 26.3% year-on-year reflecting the normalising of the underlying case mix.

In H1-2022 revenue growth for our acute hospitals was 5.3% year-on-year attributed to a 3.8% increase in revenue per PPD and 1.5% growth in PPDs. The increase in revenue per PPD is made up of a 4.1% tariff increase and a 0.3% negative positive case mix change.

The complementary services business performed well during the current period due to a strong recovery in demand for mental health and oncology services, which grew revenue year-on-year by 12.7% and 12.2% respectively. The increased surgical activity across our hospitals helped demand for acute rehabilitation services, while our renal dialysis services continued to perform consistently.

During the current period, we completed our first imaging transaction in South Africa with the purchase of the non-clinical operations of the East Coast Radiology business, which was effective from 1 February 2022. The ECR business has five imaging operations within our acute hospitals in the Eastern Cape, and this business unit has been incorporated into our complementary services business.

Revenue for complementary services grew 8.1% to R612 million in the current period (H1-2021: R566 million). The complementary services business saw PPD growth of 6.9% year-on-year during the current period while the acute and complementary business combined saw PPD growth of 2.1%.

Revenue from healthcare services decreased by 6.5% to R688 million (H1-2021: R736 million). This result was due to the loss of a number of commercial contracts for Life Health Solutions' occupational health business, including the COVID-19 contracts which contributed to a strong performance in the prior period. Life Esidimeni delivered another consistent performance during the current period.

In our southern African business R605 million was spent on capex during the current period (H1-2021: R258 million). In addition, R203 million (H1-2021: R14 million) was spent on new acquisitions.

International

International revenue only includes revenue from AMG's diagnostic services.

International	H1-2022 R'm	H1-2021 R'm	% change 2022 vs 2021
Revenue			
Diagnostic services	**3 813**	3 747	1.8
Normalised EBITDA			
Diagnostic services	**806**	930	(13.3)
Normalised EBITDA margin	**21.1%**	24.8%	

AMG has continued to see strong underlying operating activities in the current period with all three major geographies (UK, Italy and Ireland) delivering higher scan volumes than in the prior period.

In the UK, Diagnostic Imaging (DI) volumes saw pleasing H1-2022 growth of 5.9% year-on-year, including the benefit of some of the new Community Diagnostic Centres (CDCs). The mobile units that delivered COVID-19-related support services for the NHS through to 30 September 2021 have been redeployed elsewhere for both NHS and private work, although tariffs for this work have reverted to prevailing tariffs. This has resulted in lower revenue and normalised EBITDA per scan when compared with the prior period, although this impact was in line with our expectations.

PET-CT volumes in the UK have continued to grow strongly in H1-2022 and were 13.7% higher than H1-2021 volumes.

In Italy volumes for the H1-2022 period were 5.5% higher year-on-year than H1-2021, helped by additional budgets being awarded by some Azienda Sanitaria Locale to assist clinics in reducing waiting lists. The Irish business has continued to benefit from a rebound in activity and increased public sector contracting resulting in H1-2022 volumes being 26.8% higher than in H1-2021.

These operational results have resulted in AMG delivering 1.8% revenue growth year-on-year (in Rand) for the H1-2022 period. The normalised EBITDA margin for AMG has moderated to 21.1% versus the 24.8% we reported at H1-2021, given the reduced tariff mix following the ending of the COVID-19-related support services in the UK and Italy. The AMG results have also been negatively impacted due to rising inflationary pressures on staff salaries and energy prices, as well as a c.5% weakening of the Euro versus the Pound during the period.

As per the announcement released by the Group on the Stock Exchange News Service on 1 April 2021, the Group completed the disposal of Scanmed in Poland to Abris Capital Partners on 26 March 2021, with net proceeds after transaction costs and withholding tax amounting to R681 million. It is important to note that our H1-2021 earnings were positively impacted (+6.0 cents per share) by this profit from the discontinued Scanmed operations (net of tax) of R87 million, which does not reoccur in the H1-2022 results.

AMG has worked closely with governments across the UK and Europe to provide high-quality radiology services throughout the pandemic, often at short notice. While a number of AMG's COVID-19-related support services have come to an end, AMG's proven ability to quickly mobilise scanning equipment and staff across multiple locations places AMG in a good position to continue securing public sector contracts.

AMG's capex spend in H1-2022 totalled £27 million (H1-2021: £21 million) including £1.6 million (H1-2021: £4.3 million) in acquisitions.

Growth initiatives

The growth initiatives are aimed at broadening the Group's exposure across the healthcare continuum, and include, in southern Africa, developing new business lines, preparing to build two cyclotrons with joint venture partner AXIM, investing in data analytics and clinical quality products. Progress continues to be made across each of these areas. The prior period growth initiatives in South Africa included developing the outpatient business model, which was scaled-down and incorporated into Life Health Solutions, and the imaging services opportunity. As a result of the completion of our first imaging transaction in South Africa, imaging services is now included as part of the hospital and complementary services segment in the current period.

LMI is our primary international growth initiative. At present, due to the limited Aduhelm® reimbursement agreements with payors in the US, we have yet to see a ramp-up in commercial sales of our tracer Neuraceq®. The European and Japanese drug authorities have not approved Biogen's Aduhelm® which is likely to delay any commercial sales of Neuraceq® in these territories in the foreseeable future.

However, we have seen increased sales of Neuraceq® for other disease modifying drug trials as other pharmaceutical companies increase the pace of their clinical trials within the Alzheimer's field. The increase in clinical trial sales of Neuraceq® and other LMI products has resulted in LMI's revenue growing by 37.3% year-on-year.

Within the southern African growth initiatives, good progress continues to be made within the renal dialysis and oncology businesses. The process to build two cyclotrons in South Africa has commenced following the announcement of the establishment of the joint venture with AXIM in November 2021.

For the H1-2022 period revenue from growth initiatives, largely from LMI, grew 36.5% to R232 million (H1-2020: R170 million). The normalised EBITDA loss increased to R58 million (from a loss of R22 million in the prior period) due to our operational investment in LMI including investment into our tau tracer product which will now go into Phase 3 trials.

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

EPS from continuing operations decreased by 16.8% to 41.5 cents (H1-2021: 49.9 cents) while EPS from continuing and discontinued operations decreased to 41.5 cents (H1-2021: 55.9 cents).

This decline in EPS can be attributed to two positive contributors during the H1-2021 period which have not recurred in the current period, namely the disposal of Scanmed and the COVID-19-related support services AMG provided in the UK and Italy. In addition, our operational investments into both AMG and LMI have negatively impacted the margins for these businesses during the current period.

The profit from Scanmed of R87 million (net of tax) positively impacted earnings during the prior period, increasing EPS by 6.0 cents.

HEPS from continuing and discontinued operations decreased by 12.7% to 41.4 cents (H1-2021: 47.4 cents).

NEPS from continuing operations, which excludes non-trading related items (some of which are shown in the headline earnings reconciliation on page 3, and the table on page 23), decreased by 16.5% to 44.1 cents (H1-2021: 52.8 cents). NEPS from continuing and discontinued operations decreased by 20.8% to 44.1 cents (H1-2021: 55.7 cents). The presentation of normalised earnings metrics are a non-IFRS measure.

Reconciliation of headline earnings (HEPS) and normalised earnings (NEPS)[1]	**H1-2022 R'm**	H1-2021 R'm	**H1-2022 cps**	H1-2021 cps	% change in cps
Weighted average number of shares at the end of the year (millions)	**1 452**	1 454			
Profit attributable to ordinary equity holders	**602**	812	**41.5**	55.9	(25.8)
Profit from discontinued operation attributable to ordinary equity holders	**–**	(87)	**–**	(6.0)	
Profit from continuing operations attributable to ordinary equity holders	**602**	725	**41.5**	49.9	(16.8)
Adjustments (net of tax and non-controlling interest):					
Impairment of investment	**–**	9	**–**	0.6	
(Profit)/loss on disposal of property, plant and equipment	**(1)**	3	**(0.1)**	0.2	
Headline earnings from continuing operations	**601**	737	**41.4**	50.7	(18.3)
Transaction costs	**4**	–	**0.3**	–	
Unwinding of contingent consideration	**35**	31	**2.4**	2.1	
Normalised earnings from continuing operations	**640**	768	**44.1**	52.8	(16.5)
Normalised earnings from discontinued operation	**–**	42	**–**	2.9	
Normalised earnings from continuing and discontinued operations	**640**	810	**44.1**	55.7	(20.8)

[1] *The presentation of normalised earnings metrics are a non-IFRS measure.*

CAPITAL EXPENDITURE

The Group invested approximately R1.1 billion (H1-2021: R0.6 billion), comprised mainly of maintenance capex for the period of R888 million (H1-2021: R466 million) and growth capex of R241 million (H1-2021: R165 million) while new acquisitions of R237 million (H1-2021: R98 million) were made in the current period.

FINANCIAL POSITION AND LIQUIDITY

The Group is in a strong financial position with net debt to normalised EBITDA as at 31 March 2022 of 2.03 times compared to the 1.82 times reported at 30 September 2021 and 2.78 times reported at 31 March 2021.

Given the ongoing uncertainty around COVID-19 and the future impact that this may have on the Group, Life Healthcare has kept in place some banking facilities that were put in place during 2020. The available undrawn facilities as at 31 March 2022 amounted to R4.8 billion (down from R6.6 billion at the end of the FY2021 period).

DISTRIBUTION POLICY

The Board approved an interim gross cash dividend of 15.0 cents per ordinary share for the six months ended 31 March 2022. The dividend has been declared from income reserves. The dividend is subject to South African dividend withholding tax of 20%, which will be applicable to all shareholders not exempt therefrom, after deduction of which the net cash dividend is 12.00000 cents per share.

The Company's total number of issued ordinary shares is 1 467 349 162 as at 26 May 2022. The Company's income tax reference number is 9387/307/15/1.

In compliance with the requirements of the JSE, the following salient dates are applicable:

◆ Last date to trade cum dividend	Monday, 13 June 2022
◆ Shares trade ex the dividend	Tuesday, 14 June 2022
◆ Record date	Friday, 17 June 2022
◆ Payment date	Monday, 20 June 2022

Share certificates may not be dematerialised or rematerialised between Tuesday, 14 June 2022 and Friday, 17 June 2022, both days inclusive.

H2-2022 OUTLOOK

Our people and infrastructure have been significantly tested over recent years and have shown their resilience. We have learnt from these challenges, made structural changes and invested in infrastructure, IT systems, talent and processes.

The diminishing disruptions from recent COVID-19 waves and signs of normality returning, have driven an encouraging recovery in healthcare demand, which is reflected in these results. The continuation of these trends would make us more optimistic on the outlook for our business.

For our southern African operations we currently anticipate that we should be able to deliver increased activities, higher occupancies and improvement in normalised EBITDA margin for H2-2022.

International Governments' drive to reduce diagnostic waiting lists is expected to increase the demand for AMG's services. Real evidence of increased demand for existing and new isotopes is encouraging for our radiopharmacy business.

CHANGES TO THE BOARD OF DIRECTORS

Shareholders are referred to the announcement in December 2021 and confirm that Ms Hess did not offer herself for election as a director at the annual general meeting (AGM) held on 26 January 2022. Cindy was appointed to the Board on 1 September 2021 and for the short period she served in the role, made a valuable and meaningful contribution.

INVESTOR PRESENTATION

Shareholders are advised that the investor presentation for the six months ended 31 March 2022 has been published on Life Healthcare's website (**www.lifehealthcare.co.za**).

THANKS

The Company's ability to effectively respond to operational challenges, including the ongoing COVID-19 pandemic, the civil unrest in the prior period (July 2021), and the recent floods in KwaZulu-Natal (April 2022), while continuing to provide quality care to its patients during these times of crisis, is largely due to the resilience, dedication and unwavering support of its employees and doctors. Life Healthcare would like to thank them for their tireless work and for the care they delivered under these difficult circumstances.

Approved by the board of directors on 25 May 2022 and signed on its behalf:

Dr Victor Litlhakanyane
Chairman

Mr Peter Wharton-Hood
Group Chief Executive

Executive directors	Non-executive directors	Company Secretary	Registered office	Sponsors
PG Wharton-Hood (Group Chief Executive), PP van der Westhuizen (Group Chief Financial Officer)	VL Litlhakanyane (Chairman), PJ Golesworthy, CM Henry, ME Jacobs, AM Mothupi, JK Netshitenzhe, MP Ngatane, M Sello, GC Solomon, RT Vice	J Ranchhod	Building 2, Oxford Parks, 203 Oxford Road (cnr Eastwood and Oxford Roads), Dunkeld 2196 Private Bag X13, Northlands 2116	Rand Merchant Bank, a division of FirstRand Bank Limited.

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 auditors.

LIFE HEALTHCARE GROUP HOLDINGS LIMITED

Registration number: 2003/002733/06
Income tax number: 9387/307/15/1
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Share code: LHC

Notes

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