

2024

A man with a shaved head, wearing a light-colored button-down shirt, is holding a baby in his arms. The baby is wearing a white top and a pink headband. They are positioned in front of a large, glowing blue laptop screen. The background is a dark blue gradient with various medical and technology icons, including a doctor, a stethoscope, a hand holding a plus sign, a hospital building, and a circular icon with a plus sign. The overall theme is healthcare and technology.

Netcare Limited

Unaudited Interim Group Results

for the six months ended 31 March 2024

Providing YOU with the best and safest care.



NETCARE

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Our purpose and promise

Our purpose

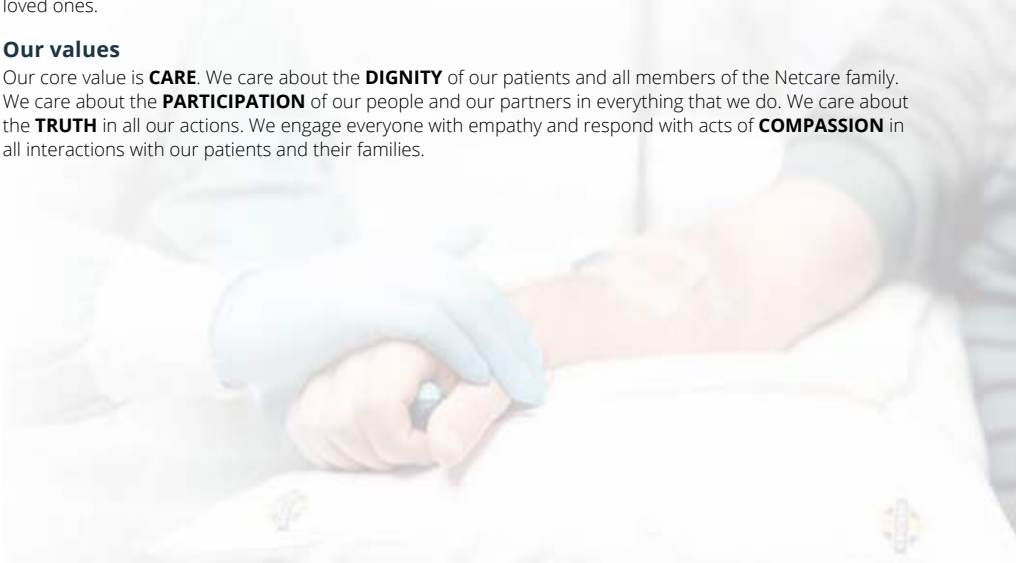
Providing **YOU** with the best and safest care

Our promise

We promise to care for you, and about you, in a manner that places you and your family at the centre of everything we do. We recognise that you are an individual with unique needs and expectations. We recognise the importance of your family and loved ones in your healing process. We are here to ensure that we provide you with the best and safest care, when you need it and in a way that we would wish for our loved ones.

Our values

Our core value is **CARE**. We care about the **DIGNITY** of our patients and all members of the Netcare family. We care about the **PARTICIPATION** of our people and our partners in everything that we do. We care about the **TRUTH** in all our actions. We engage everyone with empathy and respond with acts of **COMPASSION** in all interactions with our patients and their families.



Commentary

NETCARE LIMITED

(Registration number 1996/008242/06)

JSE ordinary share code: NTC

ISIN: ZAE000011953

JSE preference share code: NTCP

ISIN: ZAE000081121

A2X share code: NTC

("Netcare" or the "Group")

Interim results for the six months ended 31 March 2024

To aid comparability, the commentary that follows excludes the impact of exceptional items unless otherwise indicated.

Salient features

- 4.3% increase in Group revenue to R12 034 million
- 7.5% growth in normalised Group EBITDA, demonstrating strong operating leverage
- 60 basis point improvement in EBITDA margin of Hospital and pharmacy operations sub-segment (excluding strategic and generator diesel costs)
- 5.8% increase in adjusted HEPS to 49.0 cents
- R146 million invested in share buybacks in H1 2024
- ROIC increased to 10.9% (H1 2023: 10.6%)
- Interim dividend of 30.0 cents per share

Key financial results

Rm	Unaudited six months ended			Year ended
	31 March 2024	31 March 2023	% change	30 September 2023
Revenue	12 034	11 537	4.3	23 699
Normalised ¹ EBITDA	2 167	2 015	7.5	4 115
Normalised ¹ operating profit	1 502	1 382	8.7	2 841
Normalised ¹ profit before taxation	1 000	934	7.1	1 932
Normalised ¹ taxation	(284)	(268)		(504)
Normalised¹ profit after taxation	716	666	7.5	1 428
Exceptional items:				
Impairment of properties	(11)			(125)
Taxation on exceptional items	3			33
Profit for the period	708	666	6.3	1 336
Normalised ¹ EBITDA margin (%)	18.0	17.5		17.4
Adjusted HEPS (cents)	49.0	46.3	5.8	105.7
ROIC (%)	10.9	10.6		10.8

1. Normalised excludes the impact of exceptional items.

Note:

The normalised information for the six months ended 31 March 2024 has been presented on a consistent basis with the normalised financial information published for the year ended 30 September 2023.

The normalised information contained in this announcement is the responsibility of the directors of Netcare, has been prepared for illustrative purposes only and, because of its nature, may not fairly present Netcare's financial position, changes in equity, results of operations or cash flows.

The accounting policies applied in preparing the unaudited interim Group financial statements for the six months ended 31 March 2024 are consistent in all material respects with those applied in the audited financial statements for the year ended 30 September 2023.

Overview

The Group's unwavering commitment to operational excellence has enabled Netcare to achieve a solid set of financial results for the six months ended 31 March 2024 ("H1 2024" or the "review period").

In H1 2024, activity across the Group was influenced by sector seasonality, as well as lower respiratory admissions, a reduction in maternity cases, the intentional cessation of poor credit risk activity and, to a lesser extent and in line with the Group's expectations, changes in low-cost medical scheme networks.

Sector seasonality affected the dynamics of H1 2024 through the later start of the school year in January 2024 and the earlier timing of Easter school holidays in March 2024, as compared to April 2023. The timing difference created by the holidays distorts comparative analysis of H1 2024 against H1 2023 and accordingly the metrics for the seven-months ended 30 April 2024 provide a more accurate indicator of year-on-year trends. As expected there was a deceleration in activity in the final two weeks of March 2024, with a reversal of this timing impact in April 2024.



Commentary continued

Total paid patient days ("PPD") for H1 2024 decreased by 0.8% compared to the prior period. However, total PPD grew by 0.4% for the seven months to 30 April 2024.

Revenue growth amounted to 4.3% for H1 2024 and despite the seasonally lower volumes, operating profit increased by 8.7%, achieving strong operating leverage due to our ongoing focus on operational efficiencies.

The Group's dividend policy aims to provide shareholders with a sustainable dividend of 50% - 70% of earnings. Accordingly, the Board of Directors ("Board") has declared an interim dividend of 30.0 cents per share, representing 61.2% of adjusted headline earnings per share ("HEPS").

In line with Netcare's capital allocation strategy of returning excess cash to shareholders, the Group continued with its share buyback program, whereby a total of 11.2 million ordinary shares were acquired in the market in H1 2024 at an average price of R12.96. A further 19.1 million ordinary shares have been purchased post 31 March 2024 at an average price of R11.35. Collectively from 7 September 2023 to 15 May 2024, 54.7 million ordinary shares have been repurchased at a total cost of R684 million and an average price of R12.47 per share.

The Group's statement of financial position remains solid, with a net debt to EBITDA ratio of 1.3 times (H1 2023: 1.2 times). Pleasingly, our ROIC improved further to 10.9% from 10.6% in H1 2023.

Group financial overview

Netcare is encouraged by the solid financial performance in H1 2024 notwithstanding the lower volumes.

Group revenue for H1 2024 increased by 4.3% to R12 034 million (H1 2023: R11 537 million) and normalised Group EBITDA for H1 2024 improved by 7.5% to R2 167 million (H1 2023: R2 015 million).

Group EBITDA margin increased by 50 basis points to 18.0% in H1 2024 from 17.5% in H1 2023, despite lower volumes and high inflation in the healthcare sector, particularly wages and medical consumables.

In H1 2024, the Group incurred operational costs relating to strategic projects of R87 million (H1 2023: R127 million). We experienced an average of Stage 2.6 (H1 2023: Stage 3.5) load shedding across our facilities in H1 2024, resulting in a reduction in generator diesel costs to R39 million from R67 million in H1 2023. EBITDA margin excluding strategic and generator diesel costs remained flat against the prior period at 19.1%.

Normalised operating profit increased by 8.7% from R1 382 million to R1 502 million.

Net interest paid, excluding interest on lease liabilities, increased to R265 million (H1 2023: R223 million) reflecting the higher average cost of debt of 9.4% (H1 2023: 8.6%).

Normalised profit before taxation increased by 7.1% to R1 000 million (H1 2023: R934 million). The normalised taxation charge amounted to R284 million (H1 2023: R268 million), reflecting an effective tax rate of 28.4% (H1 2023: 28.7%).

Exceptional items amounted to R11 million (R8 million net of tax), comprising provisions for impairment of property assets.

Profit after tax and exceptional items increased by 6.3% to R708 million (H1 2023: R666 million) and adjusted HEPS increased by 5.8% to 49.0 cents (H1 2023: 46.3 cents).

Financial position

Rm	<i>Unaudited</i>		
	31 March 2024	31 March 2023	30 September 2023
Assets			
Property, plant, equipment, goodwill and intangible assets	15 793	15 302	15 760
Right of use assets	4 222	3 841	4 073
Deferred tax assets	712	968	854
Other non-current assets	685	675	688
Current assets	4 959	4 401	4 149
Cash and cash equivalents	1 601	1 619	2 279
Total assets	27 972	26 806	27 803
Equity and liabilities			
Total shareholders' equity	11 135	11 093	11 041
Borrowings	7 442	6 638	7 307
Lease liabilities – long and short term	5 246	4 659	4 992
Deferred tax liabilities	269	333	254
Other liabilities	3 880	4 083	4 209
Total equity and liabilities	27 972	26 806	27 803

At 31 March 2024, total assets increased to R27 972 million from R27 803 million at 30 September 2023.

Total shareholders' equity increased to R11 135 million from R11 041 million at 30 September 2023, notwithstanding the payment of ordinary and preference dividends totaling R498 million and share buybacks in H1 2024 of R146 million.

The Group's return on invested capital improved to 10.9% (H1 2023: 10.6%).

Total capex, including strategic projects, amounted to R510 million for H1 2024, of which R50 million related to expansionary projects.

At 31 March 2024, the Group's cash resources and available undrawn committed facilities amounted to R3.3 billion.

Group net debt (exclusive of IFRS 16 lease liabilities) increased to R5.8 billion from R5.0 billion at 30 September 2023 as a result of normal seasonality, the payment of ordinary and preference dividends, share buybacks and higher interest rates. The net bank debt to annualised EBITDA ratio at 31 March 2024 was 1.3 times (31 March 2023: 1.2 times). The EBITDA/net interest cover remains strong at 4.2 times (H1 2023: 4.5 times).

Divisional review

Hospital and emergency services

Hospital and emergency services comprise acute and mental health hospitals, as well as emergency and ancillary services.

Commentary continued

Rm	Unaudited six months ended			Year ended
	31 March 2024	31 March 2023	% change	30 September 2023
Revenue	11 705	11 226	4.3	23 050
Normalised ¹ EBITDA	2 096	1 937	8.2	3 947
Normalised ¹ operating profit	1 474	1 348	9.3	2 759
Normalised ¹ EBITDA margin (%)	17.9	17.3		17.1
Normalised ¹ operating profit margin (%)	12.6	12.0		12.0

	31 March 2024	31 March 2023	Seven months to April 2024	FY 2023
Full week occupancy (%):				
Total	62.8	63.2	63.4	64.4
Acute hospitals	62.1	62.6	62.7	63.5
Mental health	69.3	70.2	69.7	72.7
Percentage change in:				
PPD – total	(0.8)		0.4	
PPD – acute hospitals	(1.7)		(0.3)	
PPD – mental health	7.0		6.9	

1. Normalised excludes the impact of exceptional items.

Revenue in H1 2024 increased by 4.3% to R11 705 million (H1 2023: R11 226 million). Total PPD decreased by 0.8% in H1 2024, comprising a 1.7% reduction in acute PPD and a 7.0% increase in mental health PPD.

The decline in acute hospital PPD is due to sector seasonality, a decrease in respiratory, maternity and private cases, the intentional cessation of poor credit risk activity and, to a lesser extent and in line with the Group's expectations, changes in low-cost networks.

The month of April 2024 reflected a recovery of the sector seasonality experienced in H1 2024. Therefore, the year-to-date metrics for the seven months to April 2024, where acute PPD decreased marginally by 0.3%, provide a more accurate indicator of year-on-year trends.

In line with the acute hospital trend reported in FY 2023, medical PPD recovered at a faster pace than surgical PPD when compared to the prior period. Surgical PPD continue to be impacted by sector trends of declining maternity cases and the outmigration of lower-margin day cases. The decrease in maternity cases over the past six years has also impacted medical and surgical cases involving newborns and young children, with these categories declining by over 10% since 2019.

Total surgical cases comprised 51.7% of PPD (H1 2023: 51.9%) and medical cases 48.3% (H1 2023: 48.1%). Notwithstanding the changes referred to above, surgical cases still contribute more than 70% of revenue. Similarly, ICU and high care PPD remain c.10% higher than pre-pandemic levels.

Commentary continued

The enduring weak macroeconomic environment and increased pressure on disposable income have driven growth in more affordable restricted network plans. Despite the changes in various networks, our significant geographic footprint, coupled with NetcarePlus GapCare products, enabled us to retain a steady portion of patients in networks where Netcare is not a designated service provider. The Group remains focused on driving efficiencies to mitigate the impact of the lower tariffs related to these networks.

Acute hospital revenue per PPD increased by 5.7% for H1 2024.

The average case severity remains above that of 2019 and is reflected in an increased length of stay, which increased to 4.5 days in H1 2024 from 4.3 days in H1 2023.

Occupancy in the acute hospitals declined slightly to 62.1% for H1 2024 from 62.6% in the prior period. The impact of seasonality and the subsequent reversal of the timing mismatch in activity is evident in the average acute occupancy for the combined months of March and April 2024 which averaged 65.8% vs. 64.3% in the comparative two-month period.

Demand for mental health remains strong and PPD grew by 7.0% in H1 2024 against the prior period, with the new Netcare Akeso Gqeberha facility (commissioned in May 2023) contributing 5.2% of this growth. Average occupancy of 69.3% (71.0% excluding Netcare Akeso Gqeberha) was achieved for the review period. Same store PPD for the month of March 2024 were lower than March 2023, with activity normalising in April 2024, although slightly later than the acute hospitals. Resultantly, PPD for the seven months to April 2024 increased by 6.9% (with Netcare Akeso Gqeberha contributing 5.4%).

Notwithstanding the lower volumes, costs have been well contained. Normalised EBITDA for the Hospital and emergency services segment increased by 8.2% to R2 096 million from R1 937 million in H1 2023.

EBITDA margins improved from 17.3% to 17.9% in H1 2024. The underlying EBITDA margin (excluding operational costs of R87 million (H1 2023: R123 million) that relate to strategic projects and generator diesel costs of R37 million (H1 2023: R65 million)) improved to 19.0% in H1 2024 from 18.9% in H1 2023.

The H1 2024 EBITDA margin within the Hospital and pharmacy operations sub-segment strengthened to 18.9% from 17.7%. The underlying EBITDA margin normalised for strategic costs of R60 million (H1 2023: R86 million) and generator fuel costs of R35 million (H1 2023: R62 million), improved to 19.7% from 19.1% reported in H1 2023.

The Group granted admission rights to a net 59 specialists at its acute and mental health facilities during H1 2024.

Primary care

Rm	<i>Unaudited six months ended</i>		% change	<i>Year ended</i>
	31 March 2024	31 March 2023		30 September 2023
Revenue	337	317	6.3	663
EBITDA	71	78	(9.0)	168
Operating profit	28	34	(17.6)	82
EBITDA margin (%)	21.1	24.6		25.3
Operating profit margin (%)	8.3	10.7		12.4

The occupational health business recorded a strong performance, enhanced by new contracts. However, activity in the medical and dental practices was impacted by sector seasonality with GP and dental visits declining by 4.6% against the prior period. A strong improvement in April 2024 saw visits for the seven months ended April 2024 decreasing by 1.5% against the comparative period.

Revenue growth amounted to 6.3% for H1 2024. Sector seasonality, diminished activity levels and a higher proportion of lower-margin contracts collectively contributed to a 6.6% decrease in EBITDA against the underlying EBITDA of the prior period, which was boosted by a R2 million capital profit on sale of property. EBITDA margins declined from an underlying margin of 24.0% to 21.1%.

Strategic update

The Group made excellent progress across all its strategic projects in H1 2024.

In H1 2024, the Group invested capital expenditure of R46 million (H1 2023: R72 million) and incurred operational costs of R87 million (H1 2023: R127 million) across a spectrum of strategic projects aligned to our strategy of person centred health and care that is digitally enabled and data driven.

Person centred health and care, digitally enabled and data driven

In 2018, the Group embarked on a groundbreaking ten-year strategy to fundamentally transform the way we deliver health and care, what we have termed 'person centred health and care, that is digitally enabled and data driven'. The first phase

of this strategy entailed an ambitious digitisation project to implement Electronic Medical Records ("EMR") across the Group's entire ecosystem, spanning seven clinical delivery platforms (hospitals, primary care, mental health, emergency services, renal care, cancer care and occupational health). In April 2024, we successfully completed this ambitious initiative in line with the capex and opex budgets, marking an inflection point for our business and a significant milestone for the African continent.

Central to the first phase was the implementation of our CareOn hospital EMR system, which has now been seamlessly integrated across Netcare's acute hospital portfolio. In addition to the myriad of clinical and patient benefits, gross cumulative financial savings and benefits of R204 million from FY 2022 to date have met expectations and crossed the break-even mark such that our digitisation initiative will be accretive from H2 2024. The CareOn project is set to deliver an IRR in excess of 21%.

The CareOn program has garnered widespread adoption, with over 29 000 active users, including nurses, doctors, pharmacists, allied professionals and administrative personnel.

Completion of this first phase of 'digitally enabled' has enabled the next two phases of our ten-year strategy to transform the way we deliver health and care. With more than 41GB of clinical data generated per day, we are now progressing to the next phase of 'data driven' clinical efficiency, which will be rolled out over the next two to three years. This will allow us to analyse the wealth of data to

enhance patient safety, quality of outcomes and care at the most appropriate cost. To this end we have begun implementing an analytics platform that will enable our clinical teams and clinicians in Netcare to access data and provide them with the analytical tools to fully interrogate and understand the data. We will be providing our clinicians access to Generative AI and Natural Language Processing tools to enable clinicians to easily publish their clinical studies on a large scale. We believe this will result in clinicians within Netcare becoming significant contributors to clinical research and the maintenance of the highest standards of medicine and surgery in South Africa.

Also, as a result of the large amount of rich clinical data being produced in real time, the application of machine learning and predictive analytics is now becoming a reality, further benefiting our patients and healthcare professionals throughout the Netcare ecosystem. We are currently piloting an application that will assist in identifying specific life-threatening clinical events several hours before their onset, thus allowing timeous intervention and enhancing patient care and safety.

The third phase of our strategy, that of 'person centred health and care', which entails providing patients with their personal health records and engaging meaningfully with them as to what really matters to them, is being rolled out co-terminously with phase two and will be completed over the next three to four years.

We are confident that our strategy will establish a sustainable competitive advantage and allow Netcare to substantially differentiate the patients' experience, improve patient safety and clinical outcomes and make a substantial scientific contribution to medicine and surgery in South Africa. In addition, it will position the Group to grow organically, harness efficiencies and capitalise on growth opportunities, ultimately enhancing returns for shareholders.

Netcare App

There has been a robust uptake of the new Netcare App which was launched in July 2023, allowing for online pre-admissions, booking of doctor appointments, geo-location in an emergency, and the ability to purchase NetcarePlus products. Our efforts to strengthen digital engagement with our patients and consumers are continuing, with new features in development aimed at improving the patient's in-hospital journey.

Promoting access to healthcare

NetcarePlus is dedicated to enhancing access to high-quality, affordable healthcare throughout South Africa by offering a diverse range of innovative healthcare funding solutions and products. This comprehensive portfolio includes gap cover and emergency cover alongside a primary care insurance product. In addition, prepaid healthcare solutions in the form of vouchers for primary care consultations, as well as several prepaid procedures spanning ophthalmology, ENT, gynaecology, orthopaedics and urology are offered.

Sales of NetcarePlus products to the retail and corporate segments are gaining traction, expanding access to private healthcare beyond traditional medical scheme lives and contributing to the Netcare ecosystem through the increased utilisation of our services. NetcarePlus GapCare products enable Netcare to retain patients in networks where Netcare is not a designated service provider.

Netcare Diagnostics

Netcare Diagnostics, which supports a black female owned pathology service provider, Dr Esihle Nomlomo Inc., recorded steady volumes. Following the first stage rollout of 133 blood gas analysers at Netcare's intensive care and high care units, a further 70 point of care devices were commissioned at 11 emergency departments. Additionally, the service has been rolled out at 21 Mediacross facilities to date and will be extended to further sites in H2 2024.

Environmental sustainability

Our environmental sustainability strategy delivers ongoing tangible financial savings and plays a vital role in reducing exposure to the instability of the national electricity grid, as well as mitigating the risks associated with the current water crisis in South Africa.

In 2023, the Group completed phase one of its environmental sustainability strategy (spanning 2013 - 2023) where we exceeded targets and garnered cumulative operational savings and cost avoidance benefits of more than R1.5 billion to FY 2023, yielding an IRR of 40%.

The Group's 2030 strategy (phase two) is aimed at reducing Scope 2 emissions to zero by 2030 by ensuring 100% utilisation requirements from renewable sources, reducing Scope 1 and 2 emissions by a combined 84% and placing a large focus on our waste, water and backup energy (generator) sources. Accordingly, Netcare aims to achieve zero waste to landfill and a further 20% reduction in our fresh water utilisation (9.7% already achieved since 2020). Our 2030 strategy will entrench our leadership position in healthcare sustainability while driving further financial savings with lower capex requirements and moving the business closer to our 2050 'net zero' target. The strategy is aligned with the Just Energy Transition Investment Plan and the 1.5-degree pathway specified by the COP21 Paris Accord.

Water security is a critical risk in South Africa that is likely to increase in the coming decade. Failure to adequately address strains on the country's water infrastructure can have severe consequences, as demonstrated by persistent water shortages in major metros across the country. The water crisis is particularly pronounced in Gauteng where the majority of our hospitals are located. In March 2024, 50% of the Johannesburg water supply area was affected by a water supply disruption lasting 11 days. The recent announcement of maintenance work on the Lesotho Highlands Water Project tunnel set to start in October 2024, will place further strain on water supply in the greater Johannesburg area.

While our operations are exposed to the water crisis, the Group has several initiatives to mitigate the risk. The majority of our hospitals have a minimum 48-hour water backup with some having up to six days supply. Our water conservation model allows us to double this backup period in the event of water supply interruptions. The Netcare Christiaan Barnard Memorial Hospital is equipped with a desalination plant allowing supply of additional water to all Western Cape facilities. In Gauteng, we have two water reservoirs at Netcare Garden City and Netcare Milpark hospitals, which will be able to supply water to hospitals within Gauteng in the event of an emergency. Our proactive approach includes plans to install 20 additional boreholes complementing the 16 existing boreholes and seven filtration plants to reduce risk and provide additional sources of water supply throughout the Group.

Given our comprehensive water management strategies, we do not foresee any significant capital expenditure or financial ramifications resulting from the present water crisis.

Outlook and guidance

The macroenvironment remains challenging in light of the prevailing elevated unemployment rates and a financially constrained consumer base. Furthermore, the persistent downturn in formal sector employment has engendered sluggish growth in medical aid membership.

However, we are encouraged by the resilience of the pool of insured lives underscoring the sustainable demand for quality private healthcare, which is exacerbated by the growing disease burden and ageing insured population. We remain confident that our unique strategy of person centred health and care that is digitally enabled and data driven positions the Group to navigate these challenges and benefit from the changing dynamics in the healthcare sector, thereby allowing us to continue to deliver sustainable earnings growth and favorable returns for shareholders, with benefits for all other stakeholders.

Furthermore, we are pleased by the normalised trading patterns following a number of public and school holidays during March and April 2024. Occupancy for May 2024 is currently trending at 72.3% in the acute hospitals and 74.5% in mental health.

We maintain the updated PPD and revenue guidance provided in the voluntary update published on 3 May 2024.

We are expecting positive growth in total PPD in H2 2024. However, the decline in activity in H1 2024 will result in full year growth ranging from -0.5% to 0.5%. Acute hospital PPD for H2 2024 are expected to grow between 0.5% and 1.0% versus the 1.7% decline in the first half. The rate of growth in mental health patient days for the full year will reduce as the new Netcare Akeso Gqeberha facility was included in the base from May 2023. Total Group revenue is expected to grow between 5.0% and 5.5% and normalised EBITDA margins will benefit from operational efficiencies off the FY 2023 base of 17.5%.

All other guidance remains unchanged and is included below for reference.

The final operational implementation costs associated with the CareOn EMR project of approximately R4 million will be incurred in H2 2024 (total costs for FY 2024 of R57 million). We remain on track to realise gross savings of approximately R120 million for FY 2024.

Other strategic costs of R41 million will be incurred in H2 2024 (total cost for FY 2024 of R75 million) related to environmental sustainability and NetcarePlus, which are critical enablers of our strategy. These costs will reduce to approximately R60 million in FY 2025.

Total capex for FY 2024 of R1.4 billion remains in line with previous guidance.

Following the successful commissioning of Netcare Akeso Gqeberha (72 beds) in May 2023, we are exploring opportunities to meet the demand for mental healthcare and plan to expand Netcare Akeso's footprint further by adding 164 beds. Construction of the new Netcare Akeso Polokwane (77 beds) and Netcare Akeso Alberlito (87 beds) facilities has commenced. The Alberlito facility is

expected to be commissioned in October 2025, with Polokwane in February 2026.

We will continue to maintain an optimal capital structure, and the strength of the statement of financial position and the ongoing improvement in operational performance in the underlying businesses will support dividend payments in line with our dividend policy, where we seek to return between 50% - 70% of adjusted headline earnings to shareholders. Additionally, the Group will return excess cash to shareholders by way of share buybacks.

National Health Insurance

Netcare has always acknowledged that the inequities in healthcare access and delivery in South Africa need to be addressed and we remain fully supportive of universal healthcare.

On 15 May 2024, the President signed the National Health Insurance ("NHI") Bill. Extensive and constructive inputs were made over several years by a wide range of stakeholders, including ourselves. These were motivated by a genuine desire to seek improvements to the Bill and thus achieve a practical and sustainable attainment of the policy objective of universal healthcare.

Netcare believes that it is essential to get NHI right in the interests of all South Africans. The Bill was, however, signed without addressing fundamental areas of weakness. Furthermore, significant flaws in the Bill and the legislative processes followed in promulgating the Bill, will likely result in the Bill being challenged on numerous fronts, unfortunately leading to further delays in implementation.

These potential delays in furthering the provision of universal healthcare could have been avoided, had government engaged meaningfully with all interested parties. Nevertheless, Netcare welcomes the President's statement in which he expressed the desire to work with all parties, albeit after the fact.

The concluding phases Netcare's ten-year strategy to transform the way we deliver health and care will remain unaffected, and we expect it to further enhance our future participation in the provision of universal healthcare.

Executive leadership changes

As previously communicated, Netcare has secured a successor to Dr Richard Friedland. The details remain confidential at this stage. To ensure a smooth transition, at the Board's request, Dr Friedland has agreed to continue as CEO until March 2025.

Dividend

Declaration of dividend number 27

Notice is hereby given of the declaration of a gross interim dividend of 30.0 cents per ordinary share for the interim financial period ended 31 March 2024. The dividend has been declared from income reserves and is payable to shareholders recorded in the register at the close of business on Friday, 12 July 2024. The number of ordinary shares (inclusive of treasury shares) in issue at the date of this declaration is 1 417 549 301. The dividend will be subject to a local dividend withholding tax at a rate of 20%, which will result in a net final dividend to those shareholders not exempt from paying dividend withholding tax of 24.0 cents per ordinary share and 30.0 cents per ordinary share for those shareholders who are exempt from dividend withholding tax.

The Board has confirmed by resolution that the solvency and liquidity test as contemplated by the Companies Act 71 of 2008 (as amended) has been duly considered, applied and satisfied.

The salient dates applicable to the dividend are as follows:

Last day to trade cum dividend	Tuesday, 9 July 2024
Trading ex-dividend commences	Wednesday, 10 July 2024
Record date	Friday, 12 July 2024
Payment date	Monday, 15 July 2024

Share certificates may not be dematerialised nor rematerialised between Wednesday, 10 July 2024 and Friday, 12 July 2024, both dates inclusive.

On Monday, 15 July 2024, the dividends will be electronically transferred to the bank accounts of all certificated shareholders. Holders of dematerialised shares will have their accounts credited at their participant or broker on Monday, 15 July 2024.

Netcare Limited's tax reference number is 9999/581/71/4.

The information presented above has not been reviewed or reported on by Netcare's external auditors.

On behalf of the Board

Mark Bower
Chairperson

Richard Friedland
Chief Executive Officer

Keith Gibson
Chief Financial Officer

Sandton

17 May 2024

Sponsor

Nedbank Corporate and Investment Banking, a division of Nedbank Limited

Condensed Group statement of profit or loss

Rm	Notes	Unaudited		
		31 March 2024	31 March 2023	30 September 2023
Revenue¹		12 034	11 537	23 699
Cost of sales		(6 079)	(5 789)	(11 937)
Gross profit		5 955	5 748	11 762
Other income		248	216	466
Administrative and other expenses		(4 629)	(4 491)	(9 371)
Net impairment losses of financial assets		(83)	(91)	(141)
Operating profit	2	1 491	1 382	2 716
Investment income		97	59	144
Finance costs	3	(613)	(502)	(1 064)
Other financial (losses)/gains – net ²		(2)	—	2
Attributable (losses)/earnings of associates ²		(2)	—	2
Attributable earnings of joint ventures		18	15	38
Impairment of long-term interests and investment in associates		—	(20)	(31)
Profit before taxation		989	934	1 807
Taxation	4	(281)	(268)	(471)
Profit for the period		708	666	1 336
<i>Attributable to:</i>				
Owners of the parent		646	618	1 271
Preference shareholders		31	23	50
		677	641	1 321
Non-controlling interests		31	25	15
		708	666	1 336
Cents				
Basic earnings per share		48.7	45.8	94.5
Diluted earnings per share		48.7	45.7	93.5

1. Refer to the segment report on page 20 for detail on the disaggregation of revenue.

2. March 2023 losses below R1 million.

Condensed Group statement of comprehensive income

Rm	Unaudited six months ended		Year ended
	31 March 2024	31 March 2023	30 September 2023
Profit for the period	708	666	1 336
Items that will not subsequently be reclassified to profit or loss			
Remeasurement of post employment benefit obligation	—	—	53
Taxation on items that will not subsequently be reclassified to profit or loss	—	—	72
Items that may subsequently be reclassified to profit or loss	(19)	(3)	(6)
Effect of cash flow hedge accounting	(26)	(4)	(8)
Reclassification into profit or loss	(21)	(5)	(27)
Change in the fair value of cash flow hedges	(5)	1	19
Taxation on items that may subsequently be reclassified to profit or loss	7	1	2
Other comprehensive income for the period	(19)	(3)	47
Total comprehensive income for the period	689	663	1 383
<i>Attributable to:</i>			
Owners of the parent	627	615	1 318
Preference shareholders	31	23	50
Non-controlling interests	31	25	15
	689	663	1 383

Condensed Group statement of financial position

Rm	Notes	Unaudited		
		31 March 2024	31 March 2023	30 September 2023
ASSETS				
Non-current assets				
Property, plant and equipment		13 902	13 457	13 887
Right of use assets		4 222	3 841	4 073
Goodwill		1 606	1 606	1 606
Intangible assets		285	239	267
Equity-accounted investments, loans and receivables	5	632	610	606
Financial assets	6	32	46	63
Deferred lease assets		21	19	19
Deferred taxation		712	968	854
Total non-current assets		21 412	20 786	21 375
Current assets				
Loans and receivables	5	28	39	27
Financial assets	6	19	31	15
Inventories	7	791	608	556
Trade and other receivables		4 075	3 699	3 542
Taxation receivable		46	24	9
Cash and cash equivalents		1 601	1 619	2 279
Total current assets		6 560	6 020	6 428
Total assets		27 972	26 806	27 803
EQUITY AND LIABILITIES				
Capital and reserves				
Ordinary share capital		4 297	4 297	4 297
Treasury shares		(4 032)	(3 578)	(3 926)
Other reserves		537	486	526
Retained earnings		9 655	9 192	9 479
Equity attributable to owners of the parent		10 457	10 397	10 376
Preference share capital and premium		644	644	644
Non-controlling interests		34	52	21
Total shareholders' equity		11 135	11 093	11 041
Non-current liabilities				
Long-term debt	8	6 055	4 680	6 057
Long-term lease liabilities		4 495	4 003	4 334
Financial liabilities	6	1	—	—
Post-employment healthcare benefit obligations		511	550	495
Provisions		19	18	19
Deferred taxation		269	333	254
Total non-current liabilities		11 350	9 584	11 159
Current liabilities				
Trade and other payables		3 298	3 429	3 657
Short-term debt	8	1 387	1 932	1 249
Short-term lease liabilities		751	656	658
Financial liabilities	6	12	14	12
Taxation payable		39	72	26
Bank overdrafts		—	26	1
Total current liabilities		5 487	6 129	5 603
Total equity and liabilities		27 972	26 806	27 803

Condensed Group statement of cash flows

Rm	<i>Unaudited</i>		<i>Year ended</i>
	31 March 2024	31 March 2023	30 September 2023
Cash flows from operating activities			
Cash received from customers	11 408	11 144	23 338
Cash paid to suppliers and employees	(10 334)	(9 603)	(19 203)
Cash generated from operations	1 074	1 541	4 135
Interest paid on debt	(329)	(250)	(516)
Interest paid on lease liabilities	(251)	(219)	(454)
Taxation paid	(145)	(156)	(374)
Ordinary dividends paid by subsidiaries	(21)	(27)	(47)
Ordinary dividends paid	(463)	(402)	(808)
Preference dividends paid	(31)	(23)	(50)
Distribution to beneficiaries of the HPFL B-BBEE ¹ trusts	(4)	(3)	(6)
Net cash from operating activities	(170)	461	1 880
Cash flows from investing activities			
Advances from/(to) associates	14	(62)	(25)
Advances (to)/from joint ventures	(9)	19	(20)
Payments for acquisition of property, plant and equipment	(494)	(404)	(1 443)
Payments for additions to intangible assets	(16)	(26)	(64)
Proceeds on disposal of property, plant and equipment and intangible assets	33	42	101
Payments for investments and loans	(6)	(32)	(45)
Interest received	97	48	144
Dividends received	—	27	46
Net cash from investing activities	(381)	(388)	(1 306)
Cash flows from financing activities			
Proceeds on disposal of treasury shares	—	49	49
Payments for acquisition of treasury shares	(146)	(153)	(510)
Debt raised	1 600	1 000	2 080
Debt repaid	(1 465)	(760)	(1 174)
Payment for equity interests in subsidiaries	—	—	(8)
Proceeds from disposal of shares to non-controlling interests	4	—	—
Payment for acquisition of non-controlling interests	—	—	(2)
Payment of principal elements of lease liabilities	(119)	(111)	(226)
Net cash from financing activities	(126)	25	209
Net (decrease)/increase in cash and cash equivalents	(677)	98	783
Cash and cash equivalents at the beginning of the period	2 278	1 495	1 495
Cash and cash equivalents at the end of the period	1 601	1 593	2 278
Consisting of			
Cash on hand and balances with banks ²	1 601	1 619	2 279
Bank overdrafts	—	(26)	(1)
	1 601	1 593	2 278

1. Health Partners for Life Broad-based Black Economic Empowerment.

2. Includes restricted cash balances of R474 million (March 2023: R394 million; September 2023: R424 million).

Condensed Group statement of changes in equity

Rm	Ordinary share capital	Treasury shares	Cash flow hedge accounting reserve
Balance at 1 October 2022	4 297	(3 504)	31
Share-based payment reserve movements	—	—	—
Preference dividends paid	—	—	—
Ordinary dividends paid	—	—	—
Distributions to beneficiaries of the HPFL B-BBEE trusts ¹	—	—	—
Tax recognised in equity	—	—	—
Sale of treasury shares	—	79	—
Purchase of treasury shares	—	(153)	—
Other reserve movements	—	—	—
Transfer ²	—	—	—
Total comprehensive income for the period	—	—	(3)
Profit for the period	—	—	—
Other comprehensive income	—	—	(3)
Balance at 31 March 2023	4 297	(3 578)	28
Share-based payment reserve movements	—	—	—
Preference dividends paid	—	—	—
Ordinary dividends paid	—	—	—
Distributions to beneficiaries of the HPFL B-BBEE trusts ¹	—	—	—
Tax recognised in equity	—	—	—
Sale of treasury shares	—	—	—
Purchase of treasury shares	—	(358)	—
Other reserve movements	—	—	—
Transfer ²	—	10	—
Changes in equity interest in subsidiaries	—	—	—
Total comprehensive income for the period	—	—	(3)
Profit for the period	—	—	—
Other comprehensive income	—	—	(3)
Balance at 30 September 2023	4 297	(3 926)	25
Share-based payment reserve movements	—	—	—
Preference dividend paid	—	—	—
Ordinary dividends paid	—	—	—
Distributions to beneficiaries of the HPFL B-BBEE trusts ¹	—	—	—
Tax recognised in equity	—	—	—
Sale of treasury shares	—	—	—
Purchase of treasury shares	—	(146)	—
Other reserve movements	—	—	—
Transfer ²	—	40	—
Changes in equity interest in subsidiaries	—	—	(19)
Total comprehensive income for the period	—	—	(19)
Profit for the period	—	—	—
Other comprehensive income	—	—	(19)
Balance at 31 March 2024	4 297	(4 032)	6

1. Health Partners for Life Broad-based Black Economic Empowerment.

2. Transfer of share-based payment reserve in respect of vested shares.

Share-based payment reserve	Retained earnings	Equity attributable to owners of the parent	Preference share capital and premium	Non-controlling interests	Total shareholders' equity
442	8 980	10 246	644	54	10 944
45	—	45	—	—	45
—	—	—	(23)	—	(23)
—	(402)	(402)	—	(27)	(429)
—	(3)	(3)	—	—	(3)
—	(1)	(1)	—	—	(1)
—	(30)	49	—	—	49
—	—	(153)	—	—	(153)
—	1	1	—	—	1
(29)	29	—	—	—	—
—	618	615	23	25	663
—	618	618	23	25	666
—	—	(3)	—	—	(3)
458	9 192	10 397	644	52	11 093
53	—	53	—	—	53
—	—	—	(27)	—	(27)
—	(406)	(406)	—	(20)	(426)
—	(3)	(3)	—	—	(3)
—	(2)	(2)	—	—	(2)
—	1	1	—	—	1
—	—	(358)	—	—	(358)
—	(9)	(9)	—	—	(9)
(10)	—	—	—	—	—
—	—	—	—	(1)	(1)
—	706	703	27	(10)	720
—	653	653	27	(10)	670
—	53	50	—	—	50
501	9 479	10 376	644	21	11 041
69	—	69	—	—	69
—	—	—	(31)	—	(31)
—	(463)	(463)	—	(21)	(484)
—	(4)	(4)	—	—	(4)
—	(3)	(3)	—	—	(3)
—	—	—	—	—	—
—	—	(146)	—	—	(146)
—	—	—	—	—	—
(39)	(1)	—	—	—	—
—	1	1	—	3	4
—	646	627	31	31	689
—	646	646	31	31	708
—	—	(19)	—	—	(19)
531	9 655	10 457	644	34	11 135

Headline earnings

Rm	Unaudited		Year ended
	31 March 2024	31 March 2023	30 September 2023
Reconciliation of headline earnings			
Profit for the period	708	666	1 336
<i>Adjusted for:</i>			
Dividends paid on shares attributable to the Single Incentive Plan and HPFL B-BBEE ¹ Trust units	(14)	(7)	(14)
Preference shareholders	(31)	(23)	(50)
Non-controlling interests	(31)	(25)	(15)
Profit for the purposes of basic and diluted earnings per share			
	632	611	1 257
<i>Adjusted for:</i>			
Net profit on disposal of property, plant and equipment and intangible assets	(8)	(21)	(14)
Recognition of impairment of property, plant and equipment in operating profit	11	—	130
Reversal of impairment of property, plant and equipment	(1)	—	—
Recognition of impairment of investment in associates	—	2	2
Tax effect of headline adjusting items ²	—	6	(32)
Headline earnings	634	598	1 343

1. Health Partners for Life Broad-based Black Economic Empowerment.

2. Amount for March 2024 is less than R1 million.

Headline earnings continued

Rm	Unaudited		Year ended
	31 March 2024	31 March 2023	30 September 2023
Adjusted headline earnings			
Headline earnings	634	598	1 343
<i>Adjusted for:</i>			
De-designation of portion of hedging instrument	—	—	(2)
Amortisation of cash flow hedge accounting reserve	—	2	3
Impairment of financial assets	—	—	27
Impairment of associate loans	1	20	31
Reversal of impairment of joint venture loan	(1)	—	—
Ineffectiveness losses on cash flow hedges	2	—	—
Modification loss	—	—	7
Tax effect of adjusting items	(1)	(3)	(3)
Adjusted headline earnings	635	617	1 406
Cents			
Headline earnings per share	48.9	44.8	101.0
Diluted headline earnings per share	48.9	44.7	99.9
Adjusted headline earnings per share	49.0	46.3	105.7
Diluted adjusted headline earnings per share	49.0	46.1	104.5

Adjusted headline earnings per share is a measurement used by the chief operating decision maker as a key measure of sustainable earnings from trading operations. The calculation of adjusted headline earnings per share excludes non-trading and/or non-recurring items, and is based on the adjusted profit attributable to ordinary shareholders, divided by the weighted average number of ordinary shares in issue during the period. The presentation of adjusted headline earnings is not an IFRS requirement, nor a JSE Listings Requirement.

Adjusted headline earnings represent headline earnings which have been adjusted for specific items of a non-trading and/or non-recurring nature, and may include the following:

- Gains or losses on financial instruments;
- Impairments and reversal of impairments on loans;
- Acquisition costs;
- Regulatory inquiry costs;
- Onerous lease provisions;
- Significant restructuring costs;
- New business development costs;
- Realisation of reserves through profit or loss;
- B-BBEE transaction costs;
- Changes in tax rates;
- Other non-trading items; and
- Other non-recurring items.

Condensed segment report

Hospital and emergency services

This segment is further disaggregated into Hospital and pharmacy operations, covering our private acute hospital network and day clinics, and Non-acute services. The Non-acute services include the provision of emergency services, the operation of private mental health clinics, cancer care, diagnostic services and the sale of healthcare products and vouchers.

Primary Care

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

Rm	Hospital and pharmacy operations	Non-acute services	Hospital and emergency services	Primary Care	Inter-segment elimination ¹	Total
31 March 2024						
Statement of profit or loss						
Revenue	10 897	808	11 705	337	(8)	12 034
EBITDA²	2 046	39	2 085	71	—	2 156
Depreciation and amortisation	(540)	(82)	(622)	(43)	—	(665)
Operating profit/(loss)	1 506	(43)	1 463	28	—	1 491
Additional segment information						
Reversal of impairment of property, plant and equipment	1	—	1	—	—	1
Impairment of property, plant and equipment	(11)	—	(11)	—	—	(11)

1. Relates to revenue earned in the Non-acute services segment.

2. Earnings before interest, tax, depreciation and amortisation.

Condensed segment report continued

Rm	Hospital and pharmacy operations	Non-acute services	Hospital and emergency services	Primary Care	Inter-segment eliminaton ¹	Total
31 March 2023						
Statement of profit or loss						
Revenue	10 478	748	11 226	317	(6)	11 537
EBITDA²	1 853	84	1 937	78	—	2 015
Depreciation and amortisation	(489)	(100)	(589)	(44)	—	(633)
Operating profit/(loss)	1 364	(16)	1 348	34	—	1 382

Rm	Hospital and pharmacy operations	Non-acute services	Hospital and emergency services	Primary Care	Inter-segment eliminaton ¹	Total
30 September 2023						
Statement of profit or loss						
Revenue	21 472	1 578	23 050	663	(14)	23 699
EBITDA²	3 661	168	3 829	161	—	3 990
Depreciation and amortisation	(1 046)	(142)	(1 188)	(86)	—	(1 274)
Operating profit	2 615	26	2 641	75	—	2 716
Additional segment information						
Impairment of property, plant and equipment	(118)	(5)	(123)	(7)	—	(130)

1. Relates to revenue earned in the Non-acute services segment.

2. Earnings before interest, tax, depreciation and amortisation.

The Group's operations and main revenue streams and those described in the Group's last annual financial statements and the disaggregation of revenue as described therein are consistent with the revenue information disclosed for each of the reportable segments above.

Notes to the condensed 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 2024 have been prepared in compliance with the Listings Requirements of the JSE Limited, the requirements of International Accounting Standard (IAS) 34: *Interim Financial Reporting*, as well as the Financial Pronouncements as issued by the Financial Reporting Standards Council, SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the requirements of the Companies Act, No. 71 of 2008 (as amended). This should be read in conjunction with the Group's last annual financial statements as at and for the year ended 30 September 2023.

All accounting policies and methods of computation applied in the preparation of these condensed unaudited interim results, are in terms of the IFRS Accounting Standards as issued by the International Accounting Standards Board and are consistent in all material respects with those applied in the audited annual financial statements for the year ended 30 September 2023, except for the adoption of the new and amended standards. The new or amended standards that became applicable for the current reporting period did not have a material impact on the Group.

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

These condensed unaudited interim Group financial statements were compiled under the supervision of Mr KN Gibson (CA) SA, Group Chief Financial Officer.

Notes to the condensed unaudited interim Group financial statements continued

Rm	Unaudited six months ended		Year ended
	31 March 2024	31 March 2023	30 September 2023
2. Operating profit	1 491	1 382	2 716
After including:			
Cost of sales	(6 079)	(5 789)	(11 937)
Cost of goods sold	(3 182)	(3 091)	(6 325)
Settlement and volume discounts	38	37	78
Direct payroll	(2 848)	(2 656)	(5 527)
Other	(87)	(79)	(163)
Depreciation and amortisation	(665)	(633)	(1 274)
Depreciation and amortisation of property, plant and equipment and intangible assets	(440)	(420)	(844)
Depreciation of right of use assets	(225)	(211)	(428)
Amortisation of cash flow hedge accounting reserve	—	(2)	(2)
Impairment of property, plant and equipment	(11)	—	(130)
Employee costs (excluding direct payroll)	(1 796)	(1 741)	(3 713)
Reversal of impairment of property, plant and equipment	1	—	—
Net impairment of financial assets	(83)	(91)	(141)
Movements in expected credit losses related to trade and other receivables	(83)	(89)	(114)
Impairment of loans	—	(2)	(27)
Lease charges	(72)	(89)	(173)
Net profit on disposal of property, plant and equipment and intangible assets	8	21	14

Operating profit is defined as the profit generated from the core business activities of the Group. Operating profit is derived after general and administrative expenses, including impairment of financial assets, have been deducted from gross profit and other income. Operating profit excludes investment income, and is stated before finance costs and before other net financial gains/losses are added/deducted. Due to their nature, these items are not classified as being part of the core operating activities of the Group.

Operating profit only includes profit from entities which are controlled by the Group in accordance with IFRS 10: *Consolidated Financial Statements*, and excludes amounts from entities where we share control or have significant influence. The Group, therefore, excludes from operating profit, income and expense items relating to associates and joint ventures, such as its share of earnings/losses of associates and joint ventures, profit/loss on disposal of investments in associates and joint ventures, and impairments of long-term interests and investment in associates and joint ventures.

Revenue, income or expense items that would otherwise be presented within gross profit or operating profit, are separately disclosed and appropriately described when, by virtue of their nature or amount, they require separate disclosure on the statement of profit or loss.

Notes to the condensed unaudited interim Group financial statements *continued*

Rm	<i>Unaudited</i>		
	<i>31 March</i>	<i>31 March</i>	
	2024	2023	2023
3. Finance costs			
Interest on bank loans and other	(77)	(47)	(91)
Interest on promissory notes	(254)	(205)	(456)
Interest expense on lease liabilities	(251)	(220)	(454)
Total funding finance costs	(582)	(472)	(1 001)
Amortisation of cash flow hedge accounting reserve	—	—	(1)
Post-employment healthcare benefit plan finance costs	(31)	(30)	(62)
	(613)	(502)	(1 064)
4. Taxation			
South African normal and deferred taxation			
Current year	(280)	(267)	(498)
Prior years	—	1	33
Capital gains tax	—	—	(2)
	(280)	(266)	(467)
Foreign normal and deferred taxation			
Current year	(1)	(2)	(2)
Prior years	—	—	(2)
Total taxation per the statement of profit or loss	(281)	(268)	(471)
	<i>Unaudited</i>		
	<i>31 March</i>	<i>31 March</i>	<i>30 September</i>
	2024	2023	2023
5. Equity-accounted investments, loans and receivables			
Non-current			
Associated companies	163	177	166
Joint ventures	244	209	217
Loans and receivables	225	224	223
	632	610	606
Current			
Loans and receivables	28	39	27
Total equity-accounted investments, loans and receivables	660	649	633

Notes to the condensed unaudited interim Group financial statements continued

Rm	Level	Unaudited		
		31 March 2024	31 March 2023	30 September 2023
6. Financial assets/liabilities				
Non-derivative financial assets				
Investment in Cell Captive	2	5	—	5
Investment in equity instruments ¹	3	38	38	38
Derivative financial assets				
Interest rate swaps	2	8	39	35
		51	77	78
Included in:				
Non-current assets		32	46	63
Current assets		19	31	15
		51	77	78
Derivative financial liabilities				
Interest rate swaps	2	1	—	—
Inflation rate swaps	2	—	2	—
Written put option over non-controlling interests	3	12	12	12
		13	14	12
Included in:				
Non-current liabilities		1	—	—
Current liabilities		12	14	12
		13	14	12

1. The Group designates investments in equity instruments held at fair value through other comprehensive income.

Investment in equity instruments

The valuations are based on the estimated liquidation values determined for the net assets on the statement of financial position of each entity. The main objective of these entities is the investment in start-up businesses. Given the difficulty in obtaining reliable forward-looking cash flow forecasts for these types of new businesses, it is challenging to determine a reliable fair value for the underlying investments, and therefore a liquidation basis approach to the valuation has been adopted.

Written put option over non-controlling interests

The fair value of the put option is based on the following formula: annual rent of the entity in which shares will be purchased when the option is exercised, divided by 10% yield (before tax) divided by 100 to derive the value per percentage shareholding.

Interest rate swaps

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 2024.

Notes to the condensed unaudited interim Group financial statements continued

6. Financial assets/liabilities continued

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.

Analysis of movements in swap instruments

31 March 2024

Rm	Interest rate swaps	Inflation rate swaps	Total
Recognised in profit or loss			
Recognised in profit or loss ¹	(2)	—	(2)
Reclassification into profit or loss ²	21	—	21
	19	—	19
Recognised in other comprehensive income			
Fair value movements	(5)	—	(5)
Reclassification into profit or loss	(21)	—	(21)
	(26)	—	(26)
Cash flow hedge reserve			
Gross	8	—	8
Deferred tax	(2)	—	(2)
Net	6	—	6

1. Amounts included in other financial (losses)/gains – net in the statement of profit or loss.

2. Amounts included in interest and depreciation.

Notes to the condensed unaudited interim Group financial statements continued

6. Financial assets/liabilities continued Analysis of movements in swap instruments continued

Rm	31 March 2023		Total
	Interest rate swaps	Inflation rate swaps	
Recognised in profit or loss			
Reclassification into profit or loss ¹	7	(2)	5
	7	(2)	5
Recognised in other comprehensive income			
Fair value movements	1	—	1
Reclassification into profit or loss	(7)	2	(5)
	(6)	2	(4)
Cash flow hedge reserve			
Gross	39	(1)	38
Deferred tax	(10)	—	(10)
Net	29	(1)	28

Rm	30 September 2023		Total
	Interest rate swaps	Inflation rate swaps	
Recognised in profit or loss			
De-designation of portion of hedging instrument ²	2	—	2
Reclassification into profit or loss ¹	30	(3)	27
	32	(3)	29
Recognised in other comprehensive income			
Fair value movements	19	—	19
Reclassification into profit or loss	(30)	3	(27)
	(11)	3	(8)
Cash flow hedge reserve			
Gross	34	—	34
Deferred tax	(9)	—	(9)
Net	25	—	25

1. Amounts included in interest and depreciation.

2. Amounts included in other financial (losses)/gains – net in the statement of profit or loss.

Notes to the condensed unaudited interim Group financial statements continued

Rm	Unaudited		
	31 March 2024	31 March 2023	30 September 2023
7. Inventory			
Medical and pharmaceutical merchandise	679	403	434
Crockery, cutlery, linen, soft furnishings and other consumables	112	205	122
	791	608	556

Inventories include personal protective equipment, of which R83 million (March 2023: 45 million; September 2023: R53 million) is expected to be recovered more than 12 months after the reporting period.

Rm	Unaudited		
	31 March 2024	31 March 2023	30 September 2023
8. Funding			
8.1 Debt			
Long-term debt	6 055	4 680	6 057
Short-term debt	1 387	1 932	1 249
Total debt	7 442	6 612	7 306
Comprising:			
Unsecured liabilities			
Bank loans	2 634	1 277	2 414
Promissory notes and commercial paper in issue	4 803	5 330	4 888
Other	5	5	4
	7 442	6 612	7 306

Maturity profile¹

Rm	Total	<1 year	1-2 years	2-3 years	3-4 years	>4 years
31 March 2024	9 367	2 068	1 276	3 047	1 900	1 076
31 March 2023	8 167	2 462	1 441	1 031	1 747	1 486
30 September 2023	9 022	1 828	2 017	2 505	1 300	1 372

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.

8.2 Lease liabilities

Maturity analysis of undiscounted lease payments

Rm	Total	<1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years ¹
31 March 2024	12 779	786	709	665	617	556	9 446
31 March 2023	11 347	680	653	598	559	527	8 330
30 September 2023	12 494	702	667	604	569	531	9 421

1. Prior year restated to correct overstatement of undiscounted cash flows.

Notes to the condensed unaudited interim Group financial statements *continued*

		<i>Unaudited</i>		
Rm	31 March 2024	31 March 2023	30 September 2023	
9. Commitments				
Authorised and contracted for				
Property, plant and equipment	852	606	419	
Intangible assets	4	34	—	
Authorised but not yet contracted for				
Property, plant and equipment	412	903	1 141	
Intangible assets	24	33	—	
Capital expenditure commitments	1 292	1 576	1 560	
10. Contingent liabilities				
Guarantees in favour of municipalities and other beneficiaries	30	26	29	

11. Related parties

Government Employee Pension Fund

The Government Employee Pension Fund (GEPF) holds more than 20% of the voting rights in Netcare Limited, and is therefore presumed to have significant influence.

The Group has the following balances with the GEPF including detail of the associated transactions:

		<i>Unaudited</i>		
Rm	31 March 2024	31 March 2023	30 September 2023	
Right of use asset	5	7	6	
Lease liability – long term	(3)	(7)	(3)	
Lease liability – short term	(4)	(4)	(5)	
Depreciation on right of use asset	(1)	(1)	(4)	
Interest on lease liability ¹	—	—	(1)	

1. March 2024 and March 2023 amounts below R1 million.

Notes to the condensed unaudited interim Group financial statements continued

12. Events after the reporting period

Shareholders are advised that an ordinary interim dividend of 30.0 cents per share has been declared by the Board of Netcare Limited on 16 May 2024.

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 condensed unaudited interim Group financial statements, which significantly affect the financial position at 31 March 2024 or the results of its operations or cash flows for the period then ended.

Salient features

	<i>Unaudited</i>		
	31 March 2024	31 March 2023	30 September 2023
Share statistics			
<i>Ordinary shares</i>			
Shares in issue (million)	1 439	1 439	1 439
Shares in issue net of treasury shares (million)	1 296	1 331	1 305
Weighted average number of shares (million)	1 297	1 334	1 330
Diluted weighted average number of shares (million)	1 297	1 338	1 345
Market price per share (cents)	1 189	1 481	1 350

Corporate information

Netcare Limited

Registration number: 1996/008242/06
(Incorporated in the Republic of South Africa)
JSE ordinary share code: NTC
ISIN: ZAE00011953
JSE preference share code: NTCP
ISIN: ZAE000081121
Listed on JSE and A2X exchanges
("Netcare" or the "Company" or the "Group")

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

MR Bower (Chair), B Bulu,
L Human, I Kirk, A Maditse, R Philips,
L Stephens

Company Secretary

CM Vikisi

Sponsor

Nedbank Corporate and Investment Banking,
a division of Nedbank Limited,
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Transfer secretaries

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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, which is the responsibility of the directors. It has not been reviewed or reported on by the auditors because of its nature, may not fairly represent Netcare's financial position, changes in equity, results of operations or cash flows.



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