

DISCOVERY LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1999/007789/06)
Legal Entity Identifier: 378900245A26169C8132
JSE share code: DSY, DSYBP
DSY ISIN: ZAE000022331
DSBP ISIN: ZAE000158564
JSE bond code: DSYI
("Discovery" or "the Group")

Further Trading Statement for the year ended 30 June 2020

Shareholders are referred to the detailed trading statement released by Discovery on the JSE Stock Exchange News Service (SENS) on 15 June 2020 - issued to provide guidance on the potential effect of the COVID-19 pandemic - and relating to the expected financial performance of Discovery for the full year ended 30 June 2020. Discovery is currently in the process of finalising its financial year-end results and this trading statement serves as a further update.

Continued operating performance resilience

In line with the guidance previously provided, Discovery expects its financial performance for the year ended 30 June 2020 to be resilient, despite the effects of the COVID-19 pandemic during the period:

- Normalised operating profit growth is expected to increase by between 5% and 15%, before the establishment of a provision for COVID-19 effects, which are expected to emerge post the reporting period;
- Core new business is expected to increase 4%, with similar trends as reported in the previous trading statement; and
- The overall lapse and claims experience has been resilient for the period, with the performance in June 2020 broadly similar to the trends seen in the initial stages of the pandemic, as reported in the previous trading statement.

Significant provision for future COVID-19 effects of approximately R3.3bn, in line with previous guidance

In the previous trading statement, Discovery estimated the expected future cost of the COVID-19 pandemic effect to be approximately R3.3 billion, based on its central (prudent best-estimate) scenario. Taking emerging data into account, Discovery remains confident that the R3.3 billion estimate is sufficient to provide for the COVID-19 effect post the reporting period. The impact on normalised profit from operations is still expected to be partially offset by discretionary margins.

Continued volatility in long-term interest rates in both SA and the UK negatively affecting headline earnings

There were significant movements in long-term interest rates in SA and the UK during the period under review - continuing from the previous SENS announcement to the end of the reporting period, with negative real rates of return in the UK and positive real rates of return in SA both at historic levels. This volatility has a significant impact on policy values and headline earnings, but no impact on cash flows, solvency and capital in SA and, since the implementation of the hedge strategy, little impact in the UK, and will be normalised out of the Group's financial results, with it having no bearing on operating performance. The estimated impact of this provided in the previous trading statement was R3.5 billion but, with continued volatility to the end of the reporting period, it is now estimated to have a further R1.3 billion impact.

The following table summarises the position.

Table 1: Forecast change over prior year

Metrics	Forecast % change over prior year	Impact since previous trading update
Group normalised profit from operations before allowing for COVID-19 provision	+5% to +15%	no change
Group normalised profit from operations after allowing for COVID-19 provision	-18% to -28%	no change
Group normalised headline earnings	-20% to -30%	no change
Headline earnings (after the impact of long-term interest rates)	-90% to -100%	Revised

Shareholders are therefore advised that given the above factors:

- Normalised headline earnings per share are expected to remain within the range of between 20% and 30% lower (to between 617.5 cps and 540.3 cps compared to reported 771.9 cps for the prior financial year)
- Headline earnings per share are expected to be between 90% and 100% lower (to between 78.9 cps and 0 cps compared to reported 789.0 cps for the prior financial year)
- Basic earnings per share are expected to be between 95% and 105% lower (to between 50.1 cps and -50.1 cps compared to reported 1 001.5 cps for the prior financial year)

Discovery's financial results for the year ended 30 June 2020 are due to be released on SENS on 16 September 2020.

The information contained in this announcement, including any estimated or forecast financial information on which this trading statement is based, has not been reviewed and reported on by Discovery's external auditors.

Sandton
28 August 2020

Sponsor
RAND MERCHANT BANK (A division of FirstRand Bank Limited)