

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: ZAE00022331
DSBP ISIN: ZAE000158564
JSE bond company code: DSYI
("Discovery" or "the Group")

Trading statement for the year ended 30 June 2022

1. Strong operational performance highlights the resilience and continued relevance of the business model

Discovery delivered a strong performance for the year ended 30 June 2022 (reporting period):

- Normalised profit from operations is expected to increase by between 43% and 48%;
- Normalised headline earnings (NHE) are expected to increase by between 65% and 75%, positively impacted by mark-to-market foreign currency gains;
- Headline earnings (HE) are expected to increase by between 70% and 80%;
- Core new business Annual Premium Income (API) increased by 6%.

2. An operating environment of considerable complexity

The period under review was characterised by two significant factors: Firstly, the evolution of COVID-19, as the pandemic has eased and appears to be approaching endemic stage, with the normalisation of conditions emerging across most markets, except for Asia, where lockdowns and other restrictions continued to constrain economic and operational activities. Secondly, the emergence of considerable geo-political polarisation and macro-economic volatility caused by the conflation of the knock on effects of COVID-19, the Ukraine conflict and supply side constraints, manifesting in higher inflation, increased interest rates as well as currency and market volatility.

In this regard, the Group's focus through the reporting period has been on a pivot to growth based on three strategies:

1. Ensuring the robust performance of the Group's businesses, building on their existing strong competitive positioning within the SA Composite, UK Composite and Vitality Global, by successfully navigating the latter stages of the COVID-19 period and ensuring focused overall execution while continuing to invest in the Vitality Shared Value business model.
2. Driving new business initiatives to scale, led by Discovery Bank as well as initiatives within Vitality Group, notably the build out of Amplify Health, whilst streamlining some initiatives to position the Group for strong growth, with a drive to ensure future new initiative spend reverts to the Group's long-term guidance of 10% of operating profit.
3. Ensuring capital strength and discipline, with high levels of liquidity and solvency and a commensurate reduction in the Group's financial leverage ratio.

Table 1: Summary of performance for year ended 30 June 2022 versus year ended 30 June 2021 (previous reporting period)

Business	Normalised profit from operations (% change)	Core New business API *(% change)
Discovery Health	3% to 8%	20%
Discovery Life	198% to 203%	12%
Discovery Invest	9% to 14%	7%
Discovery Insure	Lower by 163% to 168%	-3%
SA Composite (excluding new initiatives)**	38% to 43%	15%
VitalityHealth	37% to 42%	27%
VitalityLife	2% to 7%	10%
UK Composite (excluding new initiatives)	23% to 28%	19%
Vitality Group	10% to 15%	10%*
Ping An Health Insurance (PAH)	Lower by 15% to 20%	-15%
Vitality Global (excluding new initiatives)	Lower by 0% to 5%	-8%*
New initiatives, including Discovery Bank and other new businesses	Spend increased by 0% to 5%	-25%#
Normalised profit from operations	43% to 48%	
Normalised headline earnings	65% to 75%	
Headline earnings	70% to 80%	
Core new business API		6%

* Core new business API excludes DH take-on of new closed schemes and gross revenue for Vitality Group

** The SA Composite includes Vitality

New business in this category was impacted by the lumpy nature of Umbrella funds sales, which had strong growth in the prior period.

- 1) The SA Composite performed strongly with normalised operating profit expected to increase by between 38% and 43% and new business increasing by 15%, compared with the previous reporting period. The results were driven by a strong recovery from Discovery Life, and robust performances from Discovery Health and Discovery Invest. Discovery Insure was severely impacted by adverse weather, notably the particularly severe flooding in KwaZulu-Natal, combined with considerable supply-side inflation related to the cost of repairing motor vehicles.
- 2) The UK Composite performed strongly with normalised operating profit expected to increase by between 23% and 28%, and new business by 19%, compared with the previous reporting period. Vitality Health's performance was strong across all metrics, while Vitality Life's robust performance benefited from the strengthening of the business over the last three years.
- 3) The operating performance of Vitality Global, represented by Vitality Group and PAH, reflected the specific dynamics of the impact of COVID-19 on the Asian markets. Vitality Group's normalised operating profit remained robust, increasing by between 10% and 15% over the previous period, despite a reduction in new business volumes experienced by some key markets in the region. PAH delivered a strong operational performance, but profits were impacted by the decline in Chinese investment markets. Total PAH new business declined following the restructure of the co-operation with Ping An Life, as described in the Group's interim results, but own license sales improved in the reporting period.
- 4) New initiatives progressed well, notably with the strong performance of Discovery Bank and the clear focus on the build out of Amplify Health, the joint venture with AIA. Continued progress was made both on scaling key opportunities as well as streamlining some initiatives.

3. Trading statement

In accordance with paragraph 3.4(b) of the JSE Listings Requirements, issuers must publish a trading statement as soon as they have a reasonable degree of certainty that earnings per share (EPS) and / or headline earnings per share (HEPS) for the reporting period will differ by at least 20% from that of the previous corresponding period. Shareholders and noteholders are advised that:

- EPS (basic) is expected to be between 65% and 75% higher (to between 793.2 cents and 841.2 cents compared to the reported EPS (basic) of 480.7 cents for the prior period).
- HEPS (basic) is expected to be between 70% and 80% higher (to between 773.0 cents and 818.5 cents compared to the reported HEPS (basic) of 454.7 cents for the prior period).
- NHEPS (basic) is expected to be between 65% and 75% higher (to between 855.9 cents and 907.7 cents compared to the reported NHEPS (basic) of 518.7 cents for the prior period).

Discovery intends to report its full year 2022 financial results on 7 September 2022. The information contained in this announcement, including any forecast financial information on which this trading statement is based, is the responsibility of the board of directors of Discovery and has not been reviewed and reported on by Discovery's external auditors.

Sandton
31 August 2022

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