

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

Voluntary trading statement for the year ended 30 June 2023

1. Overview

Discovery delivered a robust Group performance for the year ended 30 June 2023 (“the reporting year”), with all of its three business composites – South Africa, United Kingdom and Vitality Global – performing well over the year. High levels of engagement in the Vitality Shared-value model, together with the efficacy of the model, underpinned the Group’s performance, despite a challenging and volatile macro-economic environment.

- Normalised profit from operations is expected to increase by between 22% and 27%;
- Headline earnings (“HE”) is expected to increase by between 3% and 8%; and
- Normalised headline earnings (“NHE”) is expected to increase by between 30% and 35%.

2. Normalised profit from operations

The following table demonstrates the expected change in the Group’s normalised profit from operations for the reporting year over the prior year (30 June 2022) by composite:

Business	Normalised profit from operations expected % change
SA Composite	20% to 25%
UK Composite	18% to 23%
Vitality Global	72% to 77%
Normalised profit from operations	22% to 27%

Within the composites:

- **SA Composite:** Businesses across the composite all delivered strong growth, with Discovery Bank continuing to deliver excellent progress across all metrics, as acquisition of quality clients accelerated over the year.
- **UK Composite:** VitalityLife performed strongly, with profit boosted by positive operating variances, benefiting from significantly higher premium inflation indexation. VitalityHealth’s profits declined slightly off a strong prior result, given elevated new business strain from strong sales and the industry-wide return of PMI claims post the COVID-19 pandemic.
- **Vitality Global:** The composite delivered strong growth in operating profits, given a strong recovery in investment returns for Ping An Health Insurance during the second half of the 2023 financial year, combined with continued strong operating delivery.

3. Normalised headline earnings and headline earnings

The strong growth in normalised profits from operations is anticipated to drive strong normalised headline earnings, which are expected to grow between 30% and 35% for the reporting year.

The reporting year coincided with considerable macro-economic volatility, with significant movements of interest rates within the markets in which Discovery operates. The headline earnings impact of higher rates in the United Kingdom was more muted over the reporting year, as the hedging strategy proved effective despite significant market volatility. The sizeable increase in both real and nominal interest rates in South Africa had a more pronounced impact on headline earnings over the reporting period.

As in prior reporting periods, the increase in interest rates creates volatility in Discovery's headline earnings but has no impact on the operations of the Group, with little impact on the Group's liquidity, cash flows and solvency. Consequently, the Group has a stated policy of normalising for the impact of interest rate movements in the presentation of normalised headline earnings. This predominantly explains the difference between the expected headline earnings growth of between 3% and 8% and the expected growth in normalised headline earnings of between 30% and 35%.

Voluntary trading statement

Shareholders and noteholders are advised that, for the reporting year:

- Earnings per share ("EPS") (basic) is expected to be between 3% and 8% lower (to between 759.5 cents and 800.7 cents) compared to the reported EPS (basic) of 825.5 cents for the prior period.
- Headline earnings per share ("HEPS") (basic) is expected to be between 3% and 8% higher (to between 816.2 cents and 855.8 cents) compared to the reported HEPS (basic) of 792.4 cents for the prior period.
- Normalised HEPS ("NHEPS") (basic) is expected to be between 30% and 35% higher (to between 1 151.2 cents and 1 195.4 cents) compared to the reported NHEPS (basic) of 885.5 cents for the prior period.

Discovery intends to report its annual 2023 financial results on or about 21 September 2023. The information contained in this announcement, including any forecast financial information on which this voluntary 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
12 September 2023

Sponsor and Debt Sponsor
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