

DISCOVERY LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 1999/007789/06)

Legal Entity Identifier: 378900245A26169C8132

JSE share code: DSY ISIN: ZAE000022331

JSE share code: DSBP ISIN: ZAE000158564

Debt company code: DSYI

Company tax reference number: 9652/003/71/7

("Discovery" or "the Company" or "the Group")

SUMMARISED AUDITED RESULTS FOR THE YEAR ENDED 30 JUNE 2023 AND CASH DIVIDEND DECLARATION

Discovery Group delivered a robust performance for the 2023 financial year, with its three business composites – South Africa (SA), United Kingdom (UK), and Vitality Global (VG) – all performing well. At a Group level, normalised operating profit increased 24% to R11 661 million; headline earnings increased 5% to R5 490 million; normalised headline earnings increased 32% to R7 678 million; and core new business annualised premium income (API) increased 12% to R22 788 million¹.

The year under review was characterised by significant macroeconomic uncertainty, with several issues coalescing. The period saw prolonged inflationary pressures, rising interest rates, a remarkably strong US dollar, increasing consumer pressure, and a cost-of-living crisis in many regions. These pressures have constrained economic growth, following short-lived economic rebounds experienced by many countries after the COVID-19 pandemic, with severe energy shortages in South Africa posing a further challenge.

KEY FINANCIAL RESULTS

	30 June 2023	30 June 2022	Change
Normalised profit from operations (R million)	11 661	9 384	24%
Profit from operations (R million)	8 662	7 858	10%
Normalised headline earnings (R million)	7 678	5 816	32%
Earnings per share (basic) - (cents)	785.4	825.5	(5%)
Headline earnings per share (basic) - (cents)	834.3	792.4	5%
Normalised headline earnings per share (basic) - (cents)	1 166.7	885.5	32%
Net asset value (R million)	63 974	53 555	19%
Embedded value (R million)	98 176	86 258	14%
Embedded value per share (R)	149.11	131.29	14%
Ordinary dividend per share – (cents)	110.00000	-	100%

Delivering growth in quality earnings and cashflow with a robust balance sheet

The Group generated normalised operating profit growth of 24%. The businesses delivered strong premium and revenue growth, with core new business API increasing 12% and positive customer retention and indexation, while total non-insurance income increased 44%. Normalised operating profit growth was strong across each composite, as SA increased 22%, UK increased 21%, and VG increased 74%, with the UK and VG benefitting from a weaker rand during the year. New business growth was strong in SA and the UK, with core new business API increasing 11% and 26%, respectively while VG declined 1% as new business growth in Ping An Health Insurance was constrained in a complex environment.

The headline earnings volatility caused by economic assumption changes is the rationale behind Discovery's stated policy of normalising for the impact of long-term interest rate movements in the presentation of normalised headline earnings. Although the interest rate changes impact headline earnings, they have no impact on the operations of the Group, with little impact on the Group's liquidity, cash flows, and solvency.

The sharp rise in both nominal and real interest rates across Discovery's main insurance markets (SA and UK)

¹Excluding products of VitalityInvest and Ping An Health Insurance reinsurance business in run down

negatively affected headline earnings growth, and predominantly explains the difference between the 5% growth in headline earnings and the 32% growth in normalised headline earnings. The impact of interest rates in the UK was more muted over the reporting year, as the hedging strategy proved effective, with some gains resulting in increased discretionary margins. There was a more pronounced impact in SA, with the Discovery Life economic assumptions adjustments amounting to R2 811 million, gross of tax.

The Group demonstrated continued financial resilience over the year as central liquidity remained strong, notwithstanding a R600 million reduction in debt, and the financial leverage ratio (FLR) improving to 20%. Organic cash generation was robust during the year following growth in quality earnings, a significant recovery in Discovery Life's cash generation following elevated COVID-19-related claims in the prior period, and the reduction in the cost of new initiatives. The robust balance sheet and cash positions support the recommencement of dividends.

The Group's embedded value increased to R98 176 million, which represented a 13.2% return on embedded value (RoEV). The RoEV benefited from R2.6 billion positive non-economic variances over the year, reflecting the positive dynamics of the Vitality Shared-value model. The weaker rand exchange rate had a positive impact on the RoEV, offset by higher long-term interest rates in SA and the UK, which also decreased new business margins.

ORDINARY SHARE CASH DIVIDEND DECLARATION

The directors of the Company declared a final gross cash dividend of 110.00000 cents (88.00000 cents net of dividend withholding tax) per ordinary share, out of income reserves, for the reporting year ended 30 June 2023. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt.

The issued ordinary share capital at the declaration date is 673 146 417 ordinary shares.

The salient dates for the dividend will be as follows

Last day to trade in order to receive a dividend	Tuesday, 10 October 2023
Shares commence trading "ex" dividend	Wednesday, 11 October 2023
Record date	Friday, 13 October 2023
Payment date	Monday, 16 October 2023

Share certificates may not be dematerialised or rematerialised between Wednesday 11 October 2023 and Friday 13 October 2023, both days inclusive.

OTHER INFORMATION

Shareholders and noteholders are advised that this announcement represents a summary of the information contained in the audited annual financial statements and does not contain full or complete details. Any investment decisions by investors and/or shareholders should be based on a consideration of the audited annual financial statements as a whole, which is available, together with the summarized audited results booklet, on <https://senspdf.jse.co.za/documents/2023/JSE/ISSE/DSY/DSY0623.pdf> and on Discovery's website: www.discovery.co.za/corporate/investor-relations.

Any forecast financial information contained herein has not been reviewed or reported on by the Group's external auditors.

PricewaterhouseCoopers Inc. and KPMG Inc., the Group's independent joint auditors, have audited the consolidated and separate annual financial statements from which this announcement has been derived and have expressed an unmodified audit opinion on these financial statements. The full audit opinion, with Key Audit Matters, issued on the consolidated and separate annual financial statements and the accompanying financial statements can be accessed as set out above. Copies may be requested from the Company Secretary at companysecretarial2@discovery.co.za.

On behalf of the Board

ME Tucker

Chairperson

20 September 2023

A Gore

Group Chief Executive

Directors ME Tucker (UK) (Chairperson), A Gore* (Group Chief Executive), HL Bosman¹, L Chiume³, R Farber, WM Hlahla, HD Kallner*², FN Khanyile, NS Koopowitz*², D Macready, Dr TV Maphai, T Mboweni, Dr A Ntsaluba*², A Pollard*², KC Ramon³, M Schreuder, B Swartzberg*, B van Kralingen, DM Viljoen* (Group Chief Financial Officer), SV Zilwa

* *Executive.*

1 Retired effective 1 December 2022.

2 Stepped down from the Board effective 1 March 2023 as part of changes in governance structures.

3 Appointed effective 18 September 2023.

Debt officer DM Viljoen

Registered office and business address

1 Discovery Place,
Sandton 2196

PO Box 78672,
Sandton 2146

Transfer secretaries

Computershare Investor Services Proprietary Limited

Equity and Debt Sponsor

Rand Merchant Bank (A division of FirstRand Bank Limited)

Company secretary

A Ceba

Independent auditors

PricewaterhouseCoopers Inc.

KPMG Inc.

www.discovery.co.za

SENS release date 21 September 2023