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
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JSE bond company code: DSYI
("Discovery" or "the Group")

Voluntary trading statement for the year ended 30 June 2024

1. Overview

Shareholders and noteholders are advised that Discovery is in the process of finalising its financial results for the twelve months ended 30 June 2024, which will be released on the Stock Exchange News Service of the JSE Limited on Thursday, 19th September 2024. This trading statement provides an indication of the ranges of headline earnings and earnings attributable to equity holders of the Group in accordance with paragraph 3.4(b) of the Listings Requirements of the JSE Limited. Full-year earnings will be reported under the IFRS 17 Insurance Contracts accounting standard for the first time, with the results to the twelve months ended 30 June 2023 ("prior year") restated, as required.

Discovery expects the following results for the year ended 30 June 2024 ("the reporting year"):

- New business increased by 18%;
- Normalised profit from operations is expected to have increased by between 15% and 20%;
- Normalised headline earnings ("NHE") is expected to have increased by between 12% and 17%; and
- Headline earnings ("HE") is expected to have increased by between 4% and 9%.

The normalisation adjustment to headline earnings largely relates to the realisation of the UK interest rate swaption during the second half of the prior financial year, resulting in no profit or loss during the reporting year in contrast to the prior year fair value gain. Consistent with prior reporting, headline earnings are normalised for this.

2. Business-specific performance

Business	Growth in normalised profit from operations expected for the 12 months to 30 June 2024
Discovery Health	increase by 4% to 9%
Discovery Life	increase by 6% to 11%
Discovery Invest	increase by 17% to 22%
Discovery Insure – Personal lines	increase by > 100%
Discovery Bank – operating loss	lower by 38% to 43%
SA central costs and initiatives	increase by 17% to 22%
Discovery SA	**increase by 13% to 18%**
VitalityHealth	decrease by 44% to 49%
VitalityLife	decrease by 17% to 22%
UK costs, including closure costs	lower by 67% to 72%
Vitality UK	**decrease by 11% to 16%**
Vitality Network	increase by 27% to 32%
Ping An Health Insurance (PAHI)	increase by 82% to 87%
VHI other and VG costs	increase by 78% to 83%

Vitality Global (VG)	increase by 54% to 59%
Normalised profit from operations	increase by 15% to 20%

Within the composites:

Discovery SA performed strongly, with a compelling contribution from each business in the composite.

- Discovery Bank exceeded expectations, with excellent progress across all metrics. The acquisition of quality clients continued to accelerate, resulting in strong revenue growth.
- Discovery Life delivered robust earnings, despite the result for Group Life being elevated in the prior year.
- Discovery Health generated solid earnings growth, while continuing to invest in technology, innovation and artificial intelligence (AI).
- Discovery Invest delivered strong profit growth due to an increase in the value of assets under management. In addition, the earnings profile of certain contracts was amended in line with the approach to the Group's reporting under IFRS 17.
- Discovery Insure delivered a strong recovery in the second half of the reporting year, as prior period management actions took effect.

Vitality UK achieved strong growth in customers, new business and earned premiums. Normalised operating profit was impacted by two specific issues: claims experience in VitalityHealth and a basis strengthening for the back book under VitalityLife.

- VitalityHealth's membership reached 1 million during the reporting year, having grown strongly from the increased demand for private medical insurance (PMI) given the backlogs experienced by the National Health Service (NHS). There was a concomitant increase in claims during the reporting period which negatively impacted earnings by £30 million, given the lag of premium increases. VitalityHealth has significantly increased prices in response to the higher claims, in line with the market, with little impact on observed lapse rates. Post the reporting period, claim levels are in line with actuarial expectation. As such, margins are expected to recover strongly in the 2025 financial year.
- VitalityLife's underlying performance was robust with new business value generation improving in the second half of the reporting year. In light of continued lower lapses than expected for a block of whole of life business within the Prudential Assurance Company (PAC) book, VitalityLife strengthened the lapse basis resulting in a negative impact on earnings of £12.5 million for the period. While VitalityLife has contractual service (CSM) and risk adjustment (RA) margins in excess of £400 million, these margins are not applicable to this particular cohort resulting in the basis change directly impacting in period earnings. This is not expected to recur.

Vitality Global performed exceptionally over the year.

- Ping An Health Insurance delivered an excellent operating result, with a reduction in the combined ratio, and strong cash generation. Importantly, Ping An Health Insurance commenced the payment of dividends at a payout ratio of 30% of 2023 calendar year distributable profits.
- Vitality Network generated strong profit and membership growth, with improving margins.
- Vitality Health International represents a key growth area for the Group, with investment made over the period to capitalise on the opportunity.

3. First full financial year reported in terms of financial reporting standard IFRS 17 and related restatement of comparative information (being the financial year ended 30 June 2023)

Prior year earnings were restated as required in our unaudited interim results. Some restatements relating to the recognition of insurance assets and liabilities held on the PAC licence and related interest rate hedging instruments have been subsequently refined, corrected and audited as part of the full-year process. This has led to the following updates to the interim-stage restatements of the prior year earnings and statement of financial position.

- An increase in the accounting carrying value of VitalityLife's insurance assets and an increase in shareholder equity [through Other Comprehensive Income (OCI)], amounting to R1.3 billion for the year ended 30 June 2023.
- VitalityLife's normalised operating profit for the year to 30 June 2023 has been restated to R468 million (previously restated to R589 million)
- The normalisation adjustment made in the presentation of normalised measures relating to the gain on the disposal of the PAC interest rate swaption was adjusted from R248 million to R410 million. As a result, normalised headline earnings for the year to 30 June 2023 have been restated to R6 400 million (previously restated to R6 655 million).

4. Voluntary trading statement

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

- Earnings per share ("EPS") (basic) is expected to be between 8% and 13% higher (to between 1050.4 cents and 1099.0 cents) compared to the restated EPS (basic) of 972.6 cents (previously reported of 986.5 cents) for the prior year.
- Headline earnings per share ("HEPS") (basic) is expected to be between 4% and 9% higher (to between 1062.4 cents and 1113.4 cents) compared to the restated HEPS (basic) of 1021.5 cents (previously reported of 1035.3 cents) for the prior year.
- Normalised HEPS ("NHEPS") (basic) is expected to be between 12% and 17% higher (to between 1089.5 cents and 1138.2 cents) compared to the restated NHEPS (basic) of 972.8 cents (previously reported of 1011.3 cents) for the prior year.

Discovery intends to report its annual 2024 financial results on 19 September 2024. 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 2024

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