

MEDIA RELEASE

Thursday, 17 November 2011 – for immediate release

LIFE HEALTHCARE UPBEAT AFTER ROBUST RESULTS

Highlights of the Life Healthcare Group Holdings Limited (Life Healthcare) annual financial results, which were released today, include:

- a 11,7% increase in revenue to R9 812 million (2010: R8 786 million)
- a 16.4% increase in operating profit to R2 173 million (2010: R1 867 million)
- a 27.4% increase in profit before tax to R2 089 million (2010: R1 640 million)
- a 91.6% increase in earnings per share to 123.6 cents (2010: 64.5 cents)
- a 28.7% increase in normalised earnings per share to 119.3 cents (2010: 92.7 cents)
- a 14.7% increase in cash generated from operations to R2 562 million (2010: R2 233 million.)
- an 86% increase on final distribution to 54 cents per share (2010: 29 cents).

Commenting on the results, Michael Flemming, chief executive officer of Life Healthcare, said: “It has been a successful year in which we achieved robust results. The continued strong operating performance of the Group reflects the success of our strategy of focusing on growth, efficiency and sustainability. The Group is in a healthy financial position to deliver on its strategic objectives in the new financial year.”

Financial performance

The hospital division revenue increased by 12.2% (2010: 11.6%). This represents 93% of the Group's revenue and 85% of the Group's operating profit. The increase was driven by a 5.4% growth in paid patient days, and an increase of 6.5% in revenue per paid patient day. The Group's acute mental health and acute rehabilitation operations achieved a 21.3% growth.

Revenue in the healthcare services division – comprising Life Occupational Health and Life Esidimeni – increased by 6.0% (2010: 3.6%). This increase in revenue was impacted by a 20.0% growth in Life Occupational Health and the stabilisation of Life Esidimeni after the completion of two contracts in 2010.

A key management measure of business performance is normalised EBITDA, which increased by 17.3% to 2 548 million (2010: R2 173 million). Life Healthcare defines normalised EBITDA as operating profit plus depreciation, amortisation of intangible assets, impairment of goodwill as well as excluding profit/loss and fair value adjustments on disposal of businesses, surpluses/deficits on retirement benefits and the accelerated employee trust charge.

The business generated healthy cash flows. Streamlined IT-driven administrative processes contributed to tight working capital management, resulting in cash generated from operations of R2 562 million (2010: R2 233 million). The group is financially robust with low gearing and a net debt to EBITDA ratio of 0.66, against 0.92 in 2010.

Capital expenditure

During 2011, Life Healthcare invested R780 million (2010: R813 million) comprising capital projects of R740 million (2010: R516 million) including the purchase of various hospital properties for R140 million, and acquisitions of R80 million (2010: R297 million).

In a vote of confidence in the future, Flemming announced a further R686 million for capital projects (excluding acquisitions) in the 2012 financial year, saying that investment in the Group's facilities ensures that the increasing demand for private healthcare services and that can be met and that the Group remains abreast of global technology and standards.

Growth

During the year, the Group commissioned 234 new beds, with registered beds now numbering 7 916 (excluding beds of associate hospitals).

The Group expanded its geographic coverage of its mental health business with the opening of the 80 bed Life Glynnview mental health facility in Benoni. Its sixth dedicated mental health facility, the 80 bed Life St Joseph's, opened in Durban in November this year, and this will be followed by 80 bed Life Poortview facility on Johannesburg's West Rand early in 2012.

The Group's seventh dedicated acute rehabilitation unit opened in Cape Town, extending the network's footprint to five provinces and 255 beds, representing nearly 60% of all private acute rehabilitation beds in South Africa. During the year, Life Healthcare also increased its number of renal stations to 78, with the latest renal unit opening at Life Vincent Pallotti Hospital in Cape Town.

Dividends

The Company has revised its distribution policy. The policy will be determined taking into account trading results, the financial position, commitments to third parties and requirements in respect of business plans and investment opportunities, subject to JSE Listing Requirements. The board has approved a distribution to shareholders of 54 cents per share (2010: 29 cents) consisting of a dividend of 18 cents per share (2010: 29 cents) and a distribution of capital out of share premium of 36 cents per share.

Outlook

Life Healthcare is well placed within the attractive South African marketplace to benefit from the robust fundamentals of the healthcare sector.

"Our strategic growth priorities are to develop the breadth and depth of the Life's existing acute care hospital network, expand our coverage and penetration of the South African market, leverage off aspirational consumerism, and to position the group for international expansion. We will continue to enhance operational efficiencies focusing on occupancies, cost of sales, information technology, administrative processes and overhead productivity as part of our efficiency strategy. The key focus areas in terms strategic sustainability will be to maintain our commitment to the delivery of world class healthcare, implement sustainable human capital strategies, and pursue ongoing partnership and engagement with government on healthcare reform," explained Flemming.

The Group is in a strong financial position with low gearing. This provides the Group with the financial flexibility to continue to invest and also to complete its proposed Max Healthcare and Joint Medical Holdings (JMH) transactions.

Ends.

For further information contact:

Adam Pyle – Group marketing executive
Mobile 082 331 5546

Marietjie Shelly – Group communications manager
Mobile 082 372 3194

NOTES TO EDITORS

Life Healthcare Group Holdings Limited is a leading private hospital operator in South Africa that primarily serves the market for privately insured individuals, representing more than eight million people.

The group has more than 28 years' experience operating private hospitals in South Africa. Established in 1983, Life has grown through acquisitions, capacity expansion within existing facilities, the addition of new lines of business, and development and construction of hospitals.

Five years after the group (then known as Afrox Healthcare) was taken private and delisted from the JSE, on 10 June 2010, it again listed on the JSE and became a public company, Life Healthcare Group Holdings Limited.

Life Healthcare is primarily a provider of acute care, high technology private hospital services and its business is organised into two divisions:

- hospital division, which includes Life Healthcare's core acute care hospital business, as well as specialised facilities that provide services in areas such as acute rehabilitation, acute mental healthcare and renal dialysis services.
- healthcare services division, which includes the provision of acute and long-term chronic hospitalisation services to state patients through Life Esidimeni, as well as occupational, primary and other healthcare through Life Occupational Health.

Life Healthcare has an extensive geographic network of diverse facilities, including hospitals across seven of South Africa's nine provinces and in the country's most populous metropolitan areas. The group enjoys the support of approximately 2 700 specialists and other healthcare professionals. In conjunction with these healthcare professionals our hospitals and sameday surgical centres offer access to 7 916 registered beds (excluding associate hospitals).

Life Healthcare's vision is to be a world class provider of quality care for all. Its core values are a passion for people, Qe – quality to the power of e (ethics, excellence, empowerment, empathy and energy), performance pride, personal care and lifetime partnerships.