MEDIA RELEASE
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LIFE HEALTHCARE GROUP POSTS SOLID RESULTS POST ALLIANCE MEDICAL ACQUISITION

Johannesburg, 21 November 2017: Life Healthcare Group Holdings Limited (JSE: LHC), one of South Africa's largest private hospital operators, today released its Annual Financial Results for the financial period 1 October 2016 to 30 September 2017.

Highlights of the Group's performance include:

- Group revenue increased from R16 404 million to R20 797 million (+26.8%)
- Normalised EBITDA increased to R5 001 million (+15.9%)
- Normalised earnings per share decreased to 93.9 cents (-44.6%)
- Acquisition of Alliance Medical Limited (Alliance Medical) (Enterprise value R13.9 billion)
- Final distribution of 45 cents per share

The Group delivered good performance despite tough trading conditions in the markets in which it operates. Financial results for the 12 months ended 30 September 2017 show revenue up 26.8%, normalised EBITDA up 15.9% and the normalised earnings per share are down by 44.6%. The Group's earnings have been impacted by the one-off items related to the Alliance Medical acquisition and the further impairment of the investment in Poland.

Speaking at the results announcement today Pieter van der Westhuizen, Acting Group CEO of Life Healthcare said: "One of Life Healthcare's strategic objectives is to diversify the group along its lines of business as well as its geographic presence.

Life Healthcare's growth strategy has been focused on expanding its complementary services within the South African market while increasing its international exposure. In line with this strategy, Life Healthcare completed the acquisition of Alliance Medical in November 2016."

Life Healthcare views the entry into diagnostics as a natural part of the Group strategy of diversifying both into non-acute lines of business as well as to grow internationally. Alliance Medical is one of Western Europe's leading providers of complex molecular and diagnostic imaging services, with strong market positions in the United Kingdom (UK), Italy and Ireland and a platform for expansion more broadly with existing participation in 10 European markets.

The acquisition accelerates Life Healthcare's expansion of its complementary services business, adding diagnostics to mental health, acute rehabilitation, renal dialysis and oncology and geographic diversification, firmly positioning Life Healthcare in a strategically important high-growth business.

Non-acute care revenue is now 27.6% of Group revenue (2016: 11.0%). International revenue as a percentage of Group revenue is now 23.6% (2016: 7.2%) and international normalised EBITDA as a percentage of Group normalised EBITDA is 19.0% (2016: 2.8%).

Financial performance

Group revenue increased by 26.8% to R20 797 million (2016: R16 404 million) consisting mainly of a 4.3% increase in southern African revenue to R15 890 million (2016: R15 230 million); R3 812 million new revenue from Alliance Medical and R1 095 million (2016: R1 174 million) revenue contribution from Poland.

The southern African hospital and complementary services division revenue increased by 4.4% to R15 019 million (2016: R14 381 million) driven by a higher revenue per PPD of 6.3%, made up of a 6.1% tariff increase and a 0.2% positive case mix impact, partially offset by a 1.7% decrease in PPDs. Healthcare services revenue increased marginally by 2.6% to R871 million (2016: 849 million) due to good growth in the employee health solutions division attributable to new contracts gained.

Normalised EBITDA increased by 15.9% to R5 001 million (2016: R4 314 million). The EBITDA contributions from Alliance Medical and Scanmed were R908 million and R44 million (2016: R120 million) respectively.

Southern African activities:

Revenue was negatively impacted by lower activity with paid patient days (PPDs) which declined by 1.7%. Overall lower activity volumes have been due to limited or no growth in the private healthcare market, macroeconomic factors and intensified case management efforts by medical healthcare funders. Within this difficult trading environment, the Group is still experiencing good growth in its complementary services division with revenue growing by 18.5%.

EBITDA margins for the year declined to 25.5% (2016: 27.5%), primarily as a result of the decrease in activities and the resultant impact of this on the operational leverage.

An additional 133 beds (2016: 176), 22 renal dialysis stations and a new oncology centre have been added to the business. The increase in beds in operation was primarily driven by the adding of 60 mental health beds at Life Carstenview in Gauteng. An additional oncology unit at Life Eugene Marais Hospital in Pretoria was completed and operationalised.

“We continue to provide high-quality clinical care as evidenced by the good clinical outcomes, hospital associated infection rates and patient incident rates in our facilities, with most of our measures showing improved performance against last year” van der Westhuizen said.

The Group has established an Education Trust that provides nursing degree bursaries to previously disadvantaged individuals.

International activities:

Alliance Medical

The business has performed well against the comparative year on a 12 month basis with revenue increasing by 12.0% to R4 419 million and normalised EBITDA increasing by 11.3% to R1 168 million on a constant currency basis. In the UK, the business continues to benefit from the growth in PET-CT volumes but is experiencing increased competition on the mobile diagnostic business as more capacity is added to the market.

Operations in Italy and Ireland performed according to expectations and northern Europe showed good growth on the back of the acquisition of the Life Radiopharma Group (previously Eckert and Ziegler) for R189 million (Eur13 million) in May 2017. This acquisition extends Alliance Medical's molecular imaging presence in northern Europe and supplements its PET-CT scanning services.

Poland

Scanmed S.A. (Scanmed) revenue for the period to 30 September 2017 was R1 095 million (2016: R1 174 million). Normalised EBITDA is below last year with the EBITDA margin reducing to 4.0% (2016:10.2%). This is primarily due to the impact of the reduction in cardiology tariffs as promulgated in Poland effective 1 July 2016 (-17%), further cardiology tariff reductions from 1 January 2017 (-11%). Several turnaround activities are taking place in the business, including major cost reduction, integration and improvement in operational efficiency. Completion of the system integration with Life Healthcare processes is planned for mid- 2018. However, Scanmed has successfully secured new four-year Narodowego Funduszu Zdrowia (NFZ) contracts covering 85% at better pricing. This adds increased stability to the business. We expect to complete contracts for the balance of the business during the first half of 2018.

The further tariff reductions in January 2017 have resulted in an additional impairment of R167 million of the Polish investment for the year.

India

Max Healthcare reported revenue growth of 8.0% and EBITDA growth of 7.0% for the 12 months ended 30 September 2017. Max Healthcare was impacted by the demonetisation of the currency in the beginning of 2017 and the introduction of a number of regulatory changes. To mitigate the regulatory impact of a number of cost efficiency initiatives have been identified totalling Rs93 Cr of which Rs34 Cr was realised during the last six months.

The Group, with Max India, each acquired an equal share of the IFC stake at Rs105 per share equating to R428 million. The earnings of this business are impacted by the funding cost, costs of acquisition and development incurred in respect of the business acquisitions.

Outlook for 2017

Whilst general market conditions are not expected to improve substantially in the foreseeable future, the Group is strategically well positioned, has the advantage of cost competitive and operationally efficient structures, as well as access to the funding necessary to fulfil its growth.

In southern Africa the Group will take a cautious approach with regard to bed expansion and expects to add 120 brownfield beds in 2018 and 145 mental health and acute rehabilitation beds in 2019 to meet the growing demand in these businesses. The PPD growth for South Africa is expected to return to positive growth in 2018 despite continued market pressure. We will continue to deliver cost-effective care through efficient business processes, optimal resource utilisation and benchmarking of facilities and doctors. A changing external environment reinforces the need to differentiate ourselves through a patient-centric strategy and focus on clinical outcomes.

Prospects for Poland have improved on the back of the four-year contracts signed with the NFZ adding stability and the business will continue to focus on driving efficiencies to improve margins.

Alliance Medical will continue to execute on its growth strategies in both existing territories and new potential markets. In the UK the PET-CT roll-out will be completed and good growth in PET-CT volumes is expected to continue. The business will continue to experience pricing pressure in the diagnostic mobile business but will open its first Community Diagnostic Centre business in the second quarter of 2018. Ireland, Italy and northern Europe are all anticipated to show continued growth.

Max Healthcare will continue to focus on driving cost efficiencies to mitigate the regulatory impact and will continue to add capacity to its business as well as focusing on improving revenue and channel mix.

Appointment of Group Chief Executive Officer

The board, together with A Meyer, decided he would step down as Group Chief Executive Officer and as a member of the board with effect from 30 June 2017, and PP van der Westhuizen was appointed as acting Group Chief Executive Officer, while continuing in his role as Group Chief Financial Officer.

The board has since approved the appointment of Dr S Viranna to the position of Group Chief Executive Officer effective 1 February 2018.

Finally, a revised timetable for the Healthcare Market Inquiry was released in December 2016 with a provisional report on findings with recommendations due by 30 November 2017. Life Healthcare remains committed to participating in the Healthcare Market Inquiry and continues to engage extensively with them.

“The doctors, nurses and employees of Life Healthcare have greatly enhanced the quality of our performance and I thank them for their valuable contribution to the business”, concluded van der Westhuizen.

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About Life Healthcare Group

Established in 1983, The Life Healthcare Group has more than 32 years' experience in the private healthcare and hospital industry. With headquarters in Johannesburg, South Africa, the Group is a listed company on the Johannesburg Stock Exchange. The company's primary business is private acute hospital care with 64 healthcare facilities in seven of South Africa's nine provinces and one hospital in Botswana, as well as providing services for acute physical rehabilitation, mental health, renal dialysis and oncology. Life Healthcare is the first and only South African hospital group to have achieved a multisite IS09001 certification. Acute and long term hospitalisation services to public sector patients is provided by Life Esidimeni, while Life Employee Wellness Services provides both occupational health and employee wellness services to private and public employers . The Group includes an international presence through Alliance Medical Group in the UK and Europe, Scanmed S.A. in Poland and Max Healthcare in India. The three cornerstones of the Life Healthcare Group business and its commitment to patients are, Life, Health and Care. For additional information about the Group, please visit www.lifehealthcare.co.za