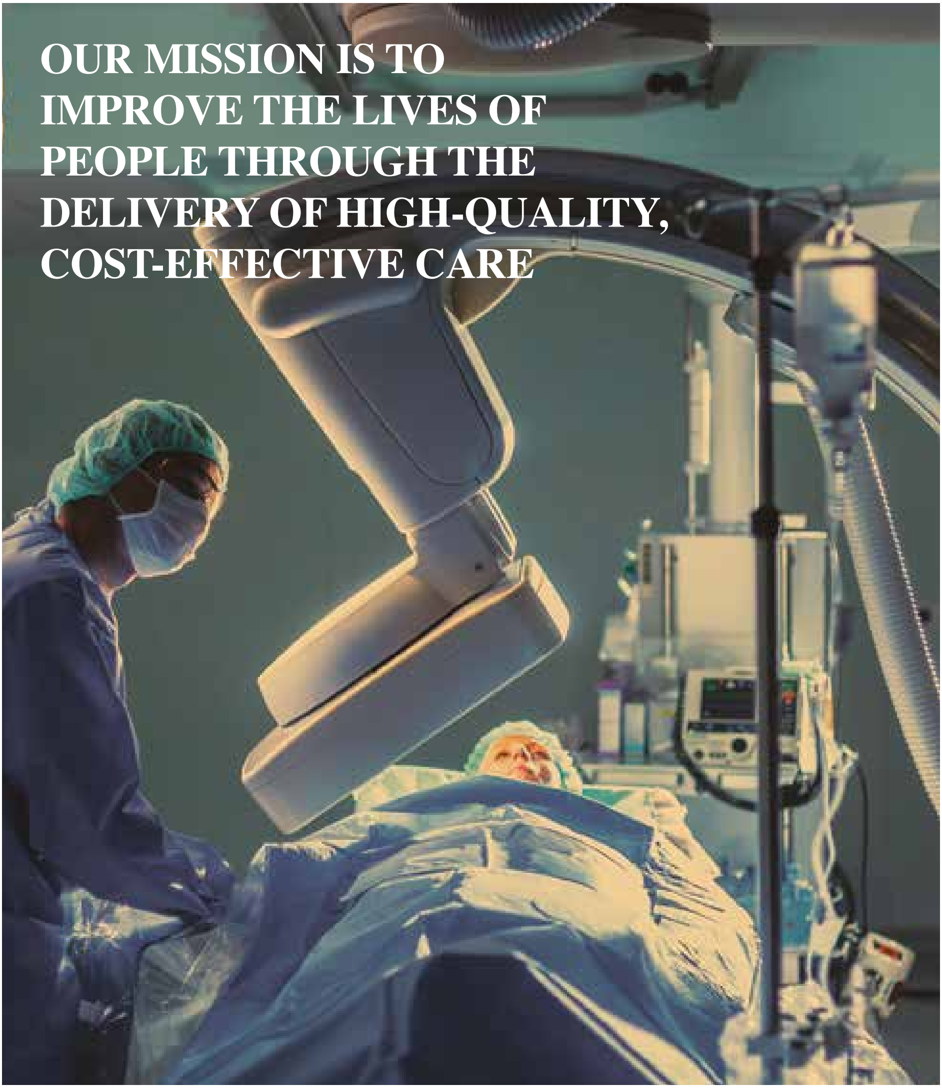
LIFE HEALTHCARE

UNAUDITED GROUP RESULTS

FOR THE SIX MONTHS ENDED **31 MARCH 2017**,

DECLARATION OF SCRIP DISTRIBUTION WITH CASH DIVIDEND ALTERNATIVE AND TRADING STATEMENT

Life	Health	Care
Well-being and quality of life	Clinical excellence in world-class facilities	Quality, service, respect and empathy for those entrusted to our care



HIGHLIGHTS

REVENUE

+22.6%

to R9.6 billion

NORMALISED EBITDA

+15.2%

to R2.4 billion

INTERIM DIVIDEND OF 35 CENTS PER SHARE

R504 million

HEADLINE EARNINGS PER SHARE DECREASED TO 26.7 CENTS

-71.3%

ACQUISITION OF ALLIANCE MEDICAL

ENTERPRISE VALUE

R14.3 billion

(including contingent consideration payable)

Condensed consolidated statement of profit or loss and other comprehensive income

for the period ended 31 March 2017

R'm	6 months 31 March 2017	% Change	6 months 31 March 2016
Revenue	**9 638**	22.6	7 860
Operating expenses	**(7 848)**		(6 081)
Operating profit	**1 790**	0.6	1 779
Contingent consideration released	**–**		66
Transaction costs	**(254)**		(11)
Impairment of investment	**(142)**		–
Fair value adjustment of contingent consideration	**(18)**		–
Reorganisation and contract mobilisation costs	**(18)**		–
Fair value (loss)/gain on derivative financial instruments	**(18)**		12
Other	**(14)**		(8)
Finance income	**30**		33
Finance cost	**(713)**		(279)
Share of associates' and joint ventures' net loss after tax	**(9)**		(1)
Profit before tax	**634**		1 591
Tax expense	**(331)**		(458)
Profit after tax	**303**	(73.3)	1 133
Other comprehensive (loss)/income, net of tax			
Items that may be reclassified to profit or loss			
Movement in foreign currency translation reserve	**(638)**		124
Items that will not be reclassified to profit or loss			
Retirement benefit asset and post-employment medical aid	**(6)**		(4)
Total comprehensive (loss)/income for the year	**(341)**	(127.2)	1 253
Profit after tax attributable to:			
Ordinary equity holders of the parent	**144**	(85.1)	965
Non-controlling interest	**159**		168
	303	(73.3)	1 133
Total comprehensive (loss)/income attributable to:			
Ordinary equity holders of the parent	**(496)**	(146.0)	1 078
Non-controlling interest	**155**		175
	(341)	(127.2)	1 253
Weighted average number of shares in issue (million)	**1 054**		1 038
Earnings per share (cents)	**13.7**	(85.3)	93.0
Headline earnings per share (cents)	**26.7**	(71.3)	93.0
Diluted earnings per share (cents)	**13.7**	(85.2)	92.7
Diluted headline earnings per share (cents)	**26.6**	(71.3)	92.7
Headline earnings (R'm)			
Profit attributable to ordinary equity holders	**144**		965
Headline earnings adjustable items			
Impairment of investment	**142**		–
Other	**(5)**		–
Headline earnings	**281**	(70.9)	965

Condensed consolidated statement of financial position

as at 31 March 2017

R'm	Notes	31 March 2017	30 September 2016
Assets			
Non-current assets		**28 912**	14 395
Property, plant and equipment		**10 002**	7 752
Intangible assets	1	**15 312**	3 196
Other non-current assets		**3 598**	3 447
Current assets		**5 841**	3 102
Cash and cash equivalents		**1 430**	604
Restricted cash		**674**	–
Other current assets		**3 737**	2 498
Total assets		**34 753**	17 497
Equity and liabilities			
Capital and reserves			
Stated capital		**4 186**	3 666
Reserves		**352**	1 820
Non-controlling interest		**1 138**	1 312
Total equity		**5 676**	6 798
Liabilities			
Non-current liabilities		**9 067**	6 111
Interest-bearing borrowings	2	**7 331**	5 469
B share consideration liability		**610**	–
Other non-current liabilities		**1 126**	642
Current liabilities		**20 010**	4 588
Bank overdraft		**818**	1 030
Interest-bearing borrowings	2	**14 645**	1 312
Other current liabilities		**4 547**	2 246
Total liabilities		**29 077**	10 699
Total equity and liabilities		**34 753**	17 497

Condensed consolidated statement of changes in equity

for the period ended 31 March 2017

R'm	Total capital and reserves	Non-controlling interest	Total equity
Balance at 1 October 2016	**5 486**	**1 312**	**6 798**
Total comprehensive (loss)/income for the period	(496)	155	(341)
Profit for the period	144	159	303
Other comprehensive loss	(640)	(4)	(644)
Issue of new shares	490	–	490
Non-controlling interest arising on restructuring	–	13	13
Non-controlling interest arising on business combination		3	3
Increase in ownership interest in subsidiaries	–	(180)	(180)
Distributions to shareholders	(973)	(165)	(1 138)
Life Healthcare Employee Share Trust charge	22	–	22
Long Term Incentive Scheme charge	22	–	22
Purchase of treasury shares	(13)	–	(13)
Balance at 31 March 2017	**4 538**	**1 138**	**5 676**
Balance at 1 October 2015	5 168	1 280	6 448
Total comprehensive income for the period	1 078	175	1 253
Profit for the period	965	168	1 133
Other comprehensive income	113	7	120
Issue of new shares	230	–	230
Transactions with non-controlling interests	30	(30)	–
Increase in ownership interest in subsidiaries	(50)	–	(50)
Distributions to shareholders	(897)	(203)	(1 100)
Life Healthcare Employee Share Trust charge	16	–	16
Long Term Incentive Scheme charge	13	–	13
Purchase of treasury shares	(11)	–	(11)
Balance at 31 March 2016	**5 577**	**1 222**	**6 799**

Condensed consolidated statement of cash flows

for the period ended 31 March 2017

R'm	Notes	6 months 31 March 2017	% Change	6 months 31 March 2016
Cash generated from operations		**1 951**	20.1	1 625
Interest received		**30**		33
Tax paid		**(513)**		(398)
Net cash generated from operating activities		**1 468**	16.5	1 260
Capital expenditure		**(603)**		(345)
Acquisition of Alliance Medical (net of cash acquired)	1	**(9 932)**		–
Other investments[1]	1	**(109)**		(989)
Other		**(261)**		(9)
Net cash utilised in investing activities		**(10 905)**		(1 343)
Interest-bearing borrowings raised		**16 193**		1 655
Interest-bearing borrowings repaid		**(4 307)**		(767)
Dividends paid		**(484)**		(666)
Interest paid		**(673)**		(251)
Other		**(183)**		(217)
Net cash generated/(utilised) in financing activities		**10 546**		(246)
Net increase/(decrease) in cash and cash equivalents		**1 109**		(329)
Cash and cash equivalents – beginning of the period		**(426)**		255
Cash balances acquired through business combinations		**–**		54
Effect of foreign currency movement		**(71)**		(46)
Cash and cash equivalents – end of the period		**612**		(66)

[1] *The other investments comprise the acquisitions of Albaro for R102 million and Bohes Trust for R7 million. During the prior year, the other investments comprised of the acquisitions in Poland for R669 million, and the additional shares in Max Healthcare Institute Limited, India for R320 million.*

Segmental report

The Hospital and complementary services segment comprises all the acute hospitals and complementary services in southern Africa. The Healthcare services segment comprises of Life Esidimeni and Life Employee Health Solutions (Life Occupational Health and Careways Wellness) in southern Africa.

Poland comprises healthcare services in Poland, and Alliance Medical comprises diagnostic services in the United Kingdom and Europe.

Inter-segment revenue that is eliminated relates to revenue with Careways Wellness Proprietary Limited of R2 million (2016: R3 million).

R'm	**6 months 31 March 2017**	6 months 31 March 2016
Operating segments		
Revenue		
Southern Africa		
Hospitals and complementary services	**7 228**	6 842
Healthcare services	**399**	446
Poland		
Healthcare services	**530**	572
Alliance Medical		
Diagnostic services	**1 481**	–
Total	**9 638**	7 860
EBITDA		
Southern Africa		
Hospitals and complementary services	**1 661**	1 695
Healthcare services	**59**	75
Poland		
Healthcare services	**27**	77
Alliance Medical		
Diagnostic services	**410**	–
Corporate	**261**	252
EBITDA before items detailed below	**2 418**	2 099
Depreciation	**(441)**	(270)
Southern Africa		
Hospitals and complementary services	**(226)**	(211)
Healthcare services	**(7)**	(6)
Poland		
Healthcare services	**(30)**	(31)
Alliance Medical		
Diagnostic services	**(158)**	–
Corporate	**(20)**	(22)

Segmental report continued

R'm	6 months 31 March 2017	6 months 31 March 2016
Amortisation	**(187)**	(65)
Southern Africa		
Hospitals and complementary services	**(65)**	(56)
Healthcare services	**–**	–
Poland		
Healthcare services	**(11)**	(9)
Alliance Medical		
Diagnostic services	**(111)**	–
Corporate	**–**	–
Operating profit before items detailed below	**1 790**	1 764
Southern Africa		
Hospitals and complementary services	**1 370**	1 428
Healthcare services	**52**	69
Poland		
Healthcare services	**(14)**	37
Alliance Medical		
Diagnostic services	**141**	–
Corporate	**241**	230
Retirement benefit asset and post-employment medical aid expense	**–**	15
Operating profit	**1 790**	1 779
Contingent consideration released	**–**	66
Transaction costs	**(254)**	(11)
Impairment of investment	**(142)**	–
Fair value adjustment of contingent consideration	**(18)**	–
Reorganisation and contract mobilisation costs	**(18)**	–
Fair value (loss)/gain on derivative financial instruments	**(18)**	12
Other	**(14)**	(8)
Finance income	**30**	33
Finance costs	**(713)**	(279)
Share of associates' and joint ventures' net loss after tax	**(9)**	(1)
Profit before tax	**634**	1 591

Operating profit before items detailed includes the segment's share of shared services and rental costs. These costs are all at market-related rates.

R'm	31 March 2017	30 September 2016
Total assets before items below		
Southern Africa	**11 184**	11 433
India	**2 535**	2 547
Poland	**2 310**	2 602
Alliance Medical	**16 883**	–
	32 912	16 582
Employee benefit assets	**424**	433
Deferred tax assets	**621**	426
Derivative financial assets	**9**	17
Restricted cash	**674**	–
Income tax receivable	**113**	39
Total assets per the balance sheet	**34 753**	17 497
Net debt		
Southern Africa	**6 485**	6 121
Poland	**1 027**	1 086
Alliance Medical	**2 306**	–
Acquisition funding (Alliance Medical)	**11 546**	–
	21 364	7 207

Liabilities are reviewed on a net debt basis, which comprises all interest-bearing borrowings and overdraft balances (net cash on hand).

Acquisitions and disposals of investments

Changes in ownership interest in subsidiaries as a result of non-controlling interest transactions

The Group had increases and decreases in its shareholdings in a number of its subsidiary companies due to transactions with minority shareholders. The individual transactions are immaterial.

Business combinations

The Group acquired the business of the Bohes Trust on 1 October 2016 for a total consideration of R9 million (including a contingent consideration of R1.8 million). The trust had no significant contingent liabilities at the acquisition date.

Alliance Medical Group Limited (Alliance Medical) acquired 100% of Albaro, incorporated in Italy, on 30 December 2016 for a total consideration of R102 million (EUR7 million). The company had no significant contingent liabilities at the acquisition date.

1. Acquisition of Alliance Medical

On 21 November 2016, the Group acquired 93.78% of the issued share capital of Alliance Medical, incorporated in the United Kingdom. This is accounted for as a 100% subsidiary in terms of International Financial Reporting Standards (IFRS). The exchange rate as at 21 November 2016 and 31 March 2017 was GBP1:R17.88 and GBP1:R16.84 respectively. The acquisition has been provisionally accounted for in terms of IFRS 3 "Business combinations".

The following presents the impact on the consolidated information of the Group for the period 21 November 2016 to 31 March 2017, converted at an average rate of GBP1:R16.72:

	R'm
Revenue	1 481
EBITDA	410
Depreciation and amortisation	(269)
EBIT	141
Transaction costs	(138)
Finance costs	(54)
Fair value adjustment of contingent consideration	(18)
Taxation	15
Net loss	(54)
Impact on consolidated information if the business combination took place on 1 October 2016, converted at an average rate of GBP1:R16.72:	
Revenue	2 073
Net profit	41
Details of the net assets acquired and goodwill are as follows:	
Total purchase consideration	**(10 832)**
Cash portion	9 884
Contingent consideration[1]	358
B share liability assumed[2]	590
Provisional fair value of net assets acquired	1 198
Fair value of net assets acquired	1 198
Provisional goodwill arising on acquisition[3]	(9 634)

[1] *The sellers of Alliance Medical are also entitled to an earn-out consideration of GBP4 for each GBP1 of the adjusted EBITDA result of Alliance Medical, calculated with reference to the 12 months ending 31 March 2017, in excess of GBP66 million, subject to a maximum of GBP40 million. At acquisition, the fair value of the contingent consideration was estimated at GBP20 million (R358 million).*

As at 31 March 2017, the provisional contingent consideration was calculated as GBP21 million (R354 million). This is due to the positive performance of Alliance Medical and the signing of six community diagnostic centre (CDC) contracts. The adjustment to the fair value of the contingent consideration of GBP1 million (R18 million) was recognised through profit and loss.

The maximum contingent consideration of GBP40 million was paid into escrow and is treated as restricted cash.

[2] *The Bidco B shares were issued to key management in exchange for a portion of their B shares held in Alliance Medical. The B share liability at the acquisition date amounted to GBP36.2 million (R647 million), of which GBP33 million (R590 million) is considered part of the business combination and GBP3.2 million (R57 million) is recognised as a post-acquisition expense in profit or loss.*

[3] *The goodwill is attributable to the Group's future earnings potential related to diagnostic businesses, and related future growth globally.*

The provisional fair values of the assets and liabilities arising from the acquisition are as follows:

	R'm
Inventories	7
Trade and other receivables	911
Trade and other payables	(1 866)
Cash and cash equivalents	667
Current tax liability	(187)
Interest-bearing borrowings	(3 620)
Property, plant and equipment	2 209
Brand	129
Customer relationship	3 246
Software	79
Deferred tax	(374)
Non-controlling interest	(3)
	1 198
Cash outflow to acquire Alliance Medical, net of cash acquired	
Cash consideration	9 884
Less: cash at acquisition	(667)
Restricted cash paid into escrow account	715
	9 932

The fair values identified on acquisition will remain provisional and are subject to further review.

The increase in intangible assets at 31 March 2017 mainly relates to the goodwill recognised of R9.6 billion and fair value uplift of intangible assets of R3.5 billion related to the Alliance Medical acquisition.

2. Interest-bearing borrowings

	R'm
Total borrowings at 30 September 2016	**6 781**
Bridge facility for Alliance Medical acquisition	**10 579**
Bridge facility for repayment of Alliance Medical existing debt	**4 022**
Net borrowings arising on acquisition of Alliance Medical	**906**
Additional loans raised	**1 592**
Repayment of existing loans	**(1 617)**
Exchange difference	**(287)**
Total borrowings at 31 March 2017	**21 976**

The net proceeds of R8.8 billion received from the rights offer during April 2017 have been used to repay a portion of the bridge facility drawn down for the Alliance Medical acquisition.

Basis of presentation and accounting policies

The condensed consolidated interim financial statements contained in the interim report are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, and the requirements of the Companies Act of South Africa applicable to summary financial statements, and are consistent with those applied in the previous consolidated annual financial statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS and the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 "Interim Financial Reporting".

These interim financial results have been prepared under the supervision of PP van der Westhuizen (CA(SA)), the Group Chief Financial Officer.

Unaudited results

The results for the period ended 31 March 2017 have not been reviewed or audited by the Group's auditors. The directors take full responsibility for the preparation of the interim report.

Commentary

Overview

Life Healthcare's strategic objective is to establish a sizeable international business and to accelerate the transition from a South African-focused acute care group to an international, diversified healthcare provider. Life Healthcare's international expansion strategy has been focused on selected attractive markets that display supportive characteristics for the longer-term growth of the private healthcare market.

In line with this strategy, Life Healthcare completed the acquisition of Alliance Medical in November 2016. The Group acquired Alliance Medical for an enterprise value of around GBP800 million (R14.3 billion) including a maximum contingent consideration of GBP40 million (R715 million). The acquisition was initially funded through ZAR and GBP debt bridge facilities, which have subsequently been partially repaid through the successful completion of the rights offer.

The Group results for the six months ended 31 March 2017 have been impacted by the acquisition of Alliance Medical with revenue up 22.6%, normalised EBITDA up 15.2% and headline earnings per share down 71.3%. The Group's earnings have also been impacted by the once-off items related to the Alliance Medical acquisition and a further impairment of the investment in Poland.

Acquisition of Alliance Medical Group

Rationale

Life Healthcare's vision is to be a market-leading, international, diversified healthcare provider offering high-quality, cost-effective care in its chosen markets. Over the past few years, Life Healthcare has expanded into mental health, acute rehabilitation, renal dialysis and oncology. Life Healthcare views the entry into diagnostics as a natural part of this growth and diversification strategy. 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. Alliance Medical is unique in Western Europe in terms of its vertically integrated model providing services across the molecular imaging value chain, ranging from radiopharmaceutical production to scanning services provision and results reporting. Alliance Medical is well-positioned in attractive growth markets underpinned by favourable structural drivers, including ageing populations, growing disease burden, capacity constraints in public health systems, and the demand for improved access to diagnostics.

Benefits of the acquisition

The acquisition of Alliance Medical exposes Life Healthcare to a faster growing diagnostics market with a company which generates good cash flows, good margins and with excellent growth prospects. It further continues Life Healthcare's expansion of its complementary services business, adding diagnostics to mental health, acute rehabilitation, renal dialysis and oncology, firmly positioning Life Healthcare in a strategically important, high-growth business. Alliance Medical has a strong and highly complementary management team with broad healthcare experience to help support Life Healthcare's international, diagnostic and oncology growth.

Operational review

Southern Africa

Revenue from the southern African operations increased by 4.7% to R7.6 billion (2016: R7.3 billion). Revenue was negatively impacted by the decline in activity with paid patient days (PPDs) declining by 1% (2016: increased by 2.7%) and the impact in the Healthcare services division of the non-renewal of the mental health contract by the Gauteng Department of Health as of 30 June 2016. Overall, lower activity volumes have been due to limited or no growth in the private healthcare market, a greater than expected slowdown in the South African economy and an increase in active case management by medical aids. The overall weighted occupancy for the period decreased to 68.4% (2016: 69.9%). EBITDA margins for the period declined to 26.0% (2016: 27.7%) due to the impact of the lower activities and the resultant lower occupancies, an increase in discounts for volume and cost pressures.

An additional 82 beds (2016: 91) and 11 renal dialysis stations have been added to the business. The increase in beds in operation was primarily driven by the opening of the 60-bed mental health unit, Life Carstenview, in February 2017. Despite the lower trading in the southern Africa hospital division, the complementary services division continues to show good growth with revenue increasing by 22.7%.

The Group continued to provide high-quality clinical care with an improvement in overall patient experience.

Commentary continued

Alliance Medical

The business has performed well against the comparative period, with normalised EBITDA for the six months ended 31 March 2017 up 7.5% on a constant currency basis. On a regional basis, there were strong performances from the UK, on the back of increased PET-CT volumes, and Northern Europe. Ireland performed in line with expectations and revenue in Italy was relatively flat. This was due to the negative impact of the Appropriateness decree on MRI demand, but the business is starting to benefit from the Albaro acquisition.

Poland

The Scanmed Group (Scanmed) now consists of 624 beds, 12 inpatient cardiology centres and 40 medical centres. Scanmed operations performed to expectations, with revenue of R530 million (2016: R572 million). Normalised EBITDA is significantly below last year, with the EBITDA margin reducing to 5.1% (2016: 13.5%). This is primarily due to the impact of the reduction in cardiology tariffs as promulgated in Poland effective 1 July 2016 (-17%) and further cardiology tariff reductions from 1 January 2017 (-11%). Cardiology initially represented 45% of the Scanmed business. An adjustment of R23 million related to prior year over-quota underprovision, excluding this adjustment the normalised EBITDA margin is 9.2%

The further tariff reductions in January 2017 have resulted in an additional impairment of R142 million of the Polish investment.

India

Max Healthcare reported strong growth, with revenue growing by 9.1% and EBITDA by 20.5%. The growth in revenue was primarily driven by the good growth in the phase 2 and 3 hospitals, which grew revenue by 25%. The EBITDA margin improved to 11.7% (2016: 10.6%) on the back of improved management of costs and a focus on driving efficiencies. Max Healthcare was impacted by the demonetisation of the currency and the introduction of regulatory changes including reduced pricing of stents, introducing a minimum wage and improved maternity benefits. The earnings of this business were impacted by both the funding cost, costs of acquisition and development incurred in respect of the business acquisitions. As these operations continue to ramp up, the earnings will be low.

Financial performance

Group revenue increased by 22.6% to R9.6 billion (2016: R7.9 billion), consisting mainly of a 4.7% increase in southern African revenue to R7.6 billion (2016: R7.3 billion), R1.5 billion new revenue from Alliance Medical and R530 million (2016: R572 million) revenue contribution from Poland. The southern Africa hospital and complementary services division revenue increased by 5.6% to R7.2 billion (2016: R6.8 billion) 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 1.0% decrease in PPDs. Healthcare services revenue decreased by 10.5% to R399 million (2016: 446 million) due to the impact of the non-renewal of the mental health contract by the Gauteng Department of Health.

Normalised EBITDA[1] increased by 15.2% to R2.4 billion (2016: R2.1 billion), with R410 million new EBITDA from Alliance Medical.

[1] *Life Healthcare defines normalised EBITDA as operating profit before depreciation on property, plant and equipment and amortisation of intangible assets and non-trading-related costs and income.*

R'm	**6 months 31 March 2017**	% Change	6 months 31 March 2016
Normalised EBITDA			
Operating profit	**1 790**		1 779
Depreciation on property, plant and equipment	**441**		270
Amortisation of intangible assets	**187**		65
Other	**–**		(15)
Normalised EBITDA	**2 418**	15.2	2 099
Southern Africa	**1 981**	(2.0)	2 022
Alliance Medical	**410**		–
Poland	**27**		77

Cash flow

The Group produced good cash flows from operations and continues to anticipate positive free cash flow. The overall net cash inflow position of the Group is positive as a result of the investment in Alliance Medical, and the related bridge loan funding raised for the acquisition and related costs.

Financial position

Net debt to normalised EBITDA as at 31 March 2017 was 3.99 times (30 September 2016: 1.67 times). The increase in net debt is primarily due to the R14.6 billion raised in respect of the acquisition of Alliance Medical. The bank covenant for net debt to EBITDA is 2.75 and 3.0 times. The net debt ratio has decreased following the repayment of a portion of the debt raised with the net proceeds received from the rights offer, following which the net debt:EBITDA has reduced to approximately 2.35 times.

Capital expenditure

During the current financial period, Life Healthcare invested R10.9 billion (2016: R1.3 billion), comprising mainly capital projects of R603 million (2016: R345 million), and R9.9 billion (net of cash acquired) for the acquisition of Alliance Medical. The Group has approved R1.2 billion of its 2017 capital expenditure programme to date.

Headline earnings per share (HEPS) and normalised earnings per share (EPS)

Headline earnings per share decreased by 71.3% to 26.7 cps (2016: 93.0 cps). Earnings per share on a normalised basis, which excludes non-trading-related items listed below, decreased by 35.7% to 56.0 cps (2016: 87.1 cps).

R'm	31 March 2017	% Change	31 March 2016
Normalised earnings			
Profit attributable to ordinary equity holders	**144**		965
Transaction costs	**254**		11
Contingent consideration released	**–**		(66)
Fair value adjustment of contingent consideration	**18**		–
Reorganisation and contract mobilisation costs	**18**		–
Impairment of investment	**142**		–
Other	**14**		(6)
Normalised earnings	**590**	(34.7)	904
Normalised EPS (cents)	**56.0**	(35.7)	87.1
Southern Africa operations (cents)	**96.7**		97.3
Poland and India operations (cents)	**(2.9)**		1.3
Alliance Medical operations (cents)	**10.8**		–
Funding costs (international acquisitions) (cents)	**(48.6)**		(11.5)

Changes to board of directors

LM Mojela resigned from the board with effect from 25 January 2017. MEK Nkeli was appointed chairman of the social, ethics and transformation committee and PJ Golesworthy as a member of the social, ethics and transformation committee with effect from 25 January 2017.

Commentary continued

Distribution consideration

In considering the dividend, the board has considered the impact of the rights offer, the once-off acquisition costs and the higher debt levels.

The Group's dividend policy is to pay a dividend that takes into account the underlying earnings and future growth needs of the Group, both in southern Africa and internationally, while retaining sufficient capital to fund ongoing operations and to manage gearing to acceptable levels.

Scrip Distribution and Cash Dividend alternative

1. Introduction

The board has declared an interim distribution for the period ended 31 March 2017, by way of the issue of fully paid Life Healthcare Group Holdings Limited ordinary shares of 0.0001 cent each (the Scrip Distribution) payable to ordinary shareholders (Shareholders) recorded in the register of the Company at the close of business on the Record Date, being Friday, 30 June 2017.

Shareholders will be entitled, in respect of all or part of their shareholding, to elect to receive a gross cash dividend of 35 cents per ordinary share in lieu of the Scrip Distribution, which will be paid only to those Shareholders who elect to receive the cash dividend, in respect of all or part of their shareholding, on or before 12:00 on Friday, 30 June 2017 (the Cash Dividend). The Cash Dividend has been declared from income reserves. A dividend withholding tax of 20% (2016: 15%) will be applicable to all shareholders not exempt therefrom after deduction of which the net Cash Dividend is 28.0 cents per share.

The new ordinary shares will, pursuant to the Scrip Distribution, be settled by way of capitalisation of the Company's distributable retained profits.

The Company's total number of issued ordinary shares is 1 440 939 874 as at 11 May 2017. The Company's Income Tax reference number is 9387/307/15/1.

2. Terms of the Scrip Distribution

The Scrip Distribution will be done at a 2.5% discount to the 15-day volume weighted average price (VWAP). The number of Scrip Distribution shares to which each of the Shareholders will become entitled pursuant to the Scrip Distribution (to the extent that such Shareholders have not elected to receive the Cash Dividend) will be determined by reference to such Shareholder's ordinary shareholding in Life Healthcare Group Holdings Limited (at the close of business on the Record Date, being Friday, 30 June 2017) in relation to the ratio that 35 cents multiplied by 1.025 bears to the VWAP of an ordinary Life Healthcare Group Holdings Limited share traded on the JSE during the 15-day trading period ending on Monday, 19 June 2017. Where the application of this ratio gives rise to a fraction of an ordinary share, such fraction will be rounded down to the nearest whole number, resulting in allocations of whole ordinary shares and a cash payment for the fraction.

The applicable cash payment will be determined with reference to the VWAP of an ordinary Life Healthcare Group Holdings Limited share traded on the JSE on Wednesday, 28 June 2017, (being the day on which an ordinary Life Healthcare Group Holdings Limited share begins trading 'ex' the entitlement to receive the Scrip Distribution or the Cash Dividend alternative), discounted by 10%.

The applicable cash payment will be announced on Stock Exchange News Service (SENS) on Thursday, 29 June 2017.

Details of the ratio will be announced on the SENS of the JSE in accordance with the timetable that follows.

3. Circular and salient dates

A circular providing shareholders with full information on the Scrip Distribution and the Cash Dividend alternative, including a Form of Election to elect to receive the Cash Dividend alternative will be posted to Shareholders on or about Friday, 2 June 2017. The salient dates of events thereafter are as follows:

Announcement released on SENS in respect of the ratio applicable to the Scrip Distribution, based on the 15-day VWAP ending on Monday,19 June 2017, discounted by 2.5%, by 11h00 on	Tuesday, 20 June 2017
Announcement published in the press of the ratio applicable to the Scrip Distribution, based on the 15-day VWAP ending on Monday,19 June 2017, discounted by 2.5%, on	Wednesday, 21 June 2017
Last day to trade in order to be eligible for the Scrip Distribution and the Cash Dividend alternative	Tuesday, 27 June 2017
Ordinary shares trade "ex" the Scrip Distribution and the Cash Dividend alternative on	Wednesday, 28 June 2017
Listing and trading of maximum possible number of ordinary shares on the JSE in terms of the Scrip Distribution from the commencement of business on	Wednesday, 28 June 2017
Announcement released on SENS in respect of the cash payment for fractional entitlements, based on the VWAP traded on the JSE on Wednesday, 28 June 2017, discounted by 10% on	Thursday, 29 June 2017
Last day to elect to receive the Cash Dividend alternative instead of the Scrip Distribution, Forms of Election to reach the Transfer Secretaries by 12h00 on	Friday, 30 June 2017
Record Date in respect of the Scrip Distribution and the Cash Dividend alternative	Friday, 30 June 2017
Scrip Distribution certificates posted and Cash Dividend payments made, CSDP/broker accounts credited/updated, as applicable, on	Monday, 3 July 2017
Announcement relating to the results of the Scrip Distribution and the Cash Dividend alternative released on SENS on	Monday, 3 July 2017
Announcement relating to the results of the Scrip Distribution and the Cash Dividend alternative published in the press on	Tuesday, 4 July 2017
JSE listing of ordinary shares in respect of the Scrip Distribution adjusted to reflect the actual number of ordinary shares issued in terms of the Scrip Distribution at the commencement of business on or about	Wednesday, 5 July 2017

All times provided are South African local times. The above dates and times are subject to change. Any change will be announced on SENS.

Share certificates may not be dematerialised or rematerialised between Wednesday, 28 June 2017 and Friday, 30 June 2017, both days inclusive.

Commentary continued

Competition Commission Market Inquiry

A revised timetable for the Health Market Inquiry was released in December 2016, with a provisional report due in September 2017 and the final report due in December 2017. Life Healthcare remains committed to participating in the Healthcare Market Inquiry and continues to make detailed submissions on the subject matter.

Outlook

General market conditions in southern Africa are not expected to improve substantially in the foreseeable future and we expect continued pressure on acute hospital volumes. The Group is well-positioned to continue driving its complementary services business through expansion in southern Africa and through Alliance Medical. The successful completion of the rights issue will result in the Group's net debt to EBITDA decreasing to approximately 2.35 times.

In southern Africa, the Group aims to add over 112 acute hospital brownfield beds in the next six months. The complementary services business will grow through the addition of 22 mental health beds, 10 renal stations and one oncology unit. Further growth will come from the mental health beds added in H1 and at the end of 2016. Pressure on costs and occupancies will continue, and the Group has implemented measures to mitigate the impact of these pressures and will continue to focus on driving efficiency programmes.

Alliance Medical will continue to execute on its growth strategies in both its existing territories as well as new potential markets. The roll-out of the PET-CT programme will continue in the UK and the business will start rolling out the CDCs with an initial focus on six sites. In Germany, the business has acquired Eckert & Zieglers cyclotron division for EUR13 million effective May 2017. This extends Alliance Medical's molecular imaging presence in Northern Europe and supplements PET-CT scanning services across the region as well as the radiopharmacy facilities in the UK and Italy. It creates the largest European integrated radiotracer supply and imaging organisation.

In Poland, Scanmed will continue to focus on improving efficiencies and cutting costs. In addition, Scanmed will focus the business to benefit from the new NFZ contracts and tenders which are due out in the second half of the year, as well as increasing the percentage of business from non-government work.

The Max Healthcare business will continue to focus on driving revenue through increasing the number of operational beds, improving occupancies and its channel mix. Max Healthcare will continue to focus on improving operational efficiencies despite the introduction of regulatory pricing on stents, the introduction of a minimum wage and extended maternity benefits. The International Finance Corporation (IFC) is currently in the process of disposing of its 7.5% shareholding in Max Healthcare. Both Life Healthcare and Max India will take up an equal share from the IFC at Rs105 per share. This will allow Life Healthcare to retain an equal shareholding in Max Healthcare, protect its existing shareholding rights as well as continuing the partnership with Max Healthcare. Life Healthcare remains excited by the good growth prospects of the Indian healthcare market on the back of strong economic growth, a growing middle class, an ageing population and an increasing disease burden.

Trading statement for the 12 months ending 30 September 2017

Life Healthcare's results for the full financial year ended 30 September 2017 are expected to show a decline of more than 20% in EPS (minimum decline of 31.0 cps) and HEPS (minimum decline of 38.5 cps) from those reported for the financial year ended 30 September 2016 (EPS: 154.9 cps and HEPS: 192.5 cps). This is primarily due to the impact of the transaction costs as well as the increased funding costs related to the Alliance Medical acquisition and the impairment of Poland.

A detailed trading statement will be released in early October 2017. The forecast financial information on which this trading statement is based has not been reviewed and reported on by the Group's external auditors.

Shareholders are advised that the investors presentation for the six months ended 31 March 2017 and the rights offer circular issued in April 2017 are published on Life Healthcare's website (www.lifehealthcare.co.za).

Thanks

The contributions of the doctors, nurses and employees of Life Healthcare have greatly enhanced the quality of our performance. We thank them for their contributions.

Approved by the board of directors on 11 May 2017 and signed on its behalf:

Mustaq Brey	**André Meyer**
Chairman	*Group Chief Executive Officer*

Executive directors: A Meyer (Group Chief Executive Officer),
PP van der Westhuizen (Group Chief Financial Officer)

Non-executive directors: MA Brey (Chairman), PJ Golesworthy, ME Jacobs,
MEK Nkeli, JK Netshitenzhe, MP Ngatane, GC Solomon, RT Vice

Company secretary: F Patel

Registered office: Oxford Manor, 21 Chaplin Road, Illovo
Private Bag X13, Northlands, 2116

Sponsors: Rand Merchant Bank, a division of FirstRand Bank Limited

Date: 12 May 2017

Note regarding forward-looking statements: the Company advises investors that any forward-looking statements or projections made by the Company, including those made in this announcement, are subject to risk and uncertainties that may cause actual results to differ materially from those projected.

LIFE HEALTHCARE GROUP HOLDINGS LIMITED
Registration number: 2003/002733/06
Income tax number: 9387/307/15/1
ISIN: ZAE000145892
Share code: LHC

GREYMATTER & FINCH # 11044