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Unaudited Group results and cash dividend for the six month period ended 31 March 2012

Growth | **Efficiency** | **Sustainability**

Executive Directors: CMD Flemming (Chief Executive Officer), RJ Hogarth (Chief Financial Officer)

Non-executive Directors: Prof GJ Gerwel (Chairman), MA Brey, FA du Plessis, PJ Golesworthy, KM Gordhan, LM Mojela, TS Munday, JK Netshitenzhe, MP Ngatane, GC Solomon

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.

__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
Incorporated in the Republic of South Africa
Registration number: 2003/002733/06
Income Tax number: 9557/379/154
ISIN: ZAE000145892
Share Code: LHC
("Life Healthcare" or "the Company")

Paid patient days (PPDs):
+6,0%

Revenue:
+11,7% to R5 271 million

Normalised EBITDA:
+17,5% to R1 370 million

Operating profit:
+22,4% to R1 208 million

Normalised earnings per share:
+21,9% to 62,3 cents

Interim dividend:
45 cents

Condensed consolidated statement of comprehensive income

R Million	6 months 31 March 2012 Unaudited	Change %	6 months 31 March 2011 Unaudited	12 months 30 Sept 2011 Audited
Revenue	**5 271**	11,7	4 718	9 812
Other income	**50**		50	102
Operating expenses	**(4 144)**		(3 785)	(7 838)
(Loss)/Gain on remeasuring of fair value of equity interest before business combination	**(3)**		—	92
Additional receipt on previous disposed business	**2**		—	5
Profit on disposal of businesses	**32**		4	—
Operating profit	**1 208**	22,4	987	2 173
Fair value gain on derivative financial instruments	**8**		8	14
Finance income	**10**		30	37
Finance cost	**(119)**		(144)	(250)
Share of associates' net profit after tax	**47**		56	115
Profit before tax	**1 154**		937	2 089
Tax expense	**(346)**		(297)	(597)
Profit after tax	**808**	26,3	640	1 492
Other comprehensive income, net of tax				
Currency translation differences	**(2)**		(1)	2
Total comprehensive income for the period	**806**	26,1	639	1 494
Profit after tax attributable to:				
Ordinary equity holders of the parent	**690**	25,0	552	1 287
Non-controlling interest	**118**		88	205
	808	26,3	640	1 492
Total comprehensive income attributable to:				
Ordinary equity holders of the parent	**689**		551	1 288
Non-controlling interest	**117**		88	206
	806	26,1	639	1 494
Total shares in issue ('000)	**1 042 210**		1 042 210	1 042 210
Weighted average shares in issue ('000)	**1 040 833**		1 042 210	1 041 523
Diluted number of shares ('000)	**1 041 057**		1 042 210	1 041 523
Earnings per share (cents)	**66,3**	25,1	53,0	123,6
Headline earnings per share (cents)	**63,8**	21,3	52,6	119,5
Diluted earnings per share (cents)	**66,3**	25,1	53,0	123,6
Diluted headline earnings per share (cents)	**63,8**	21,3	52,6	119,5
Headline earnings				
Profit attributable to ordinary equity holders	**690**		552	1 287
Headline earnings adjustable items (net of tax)				
Impairment of intangible assets	**—**		—	54
Loss/(Gain) on remeasuring of fair value of equity interest before business combination	**3**		—	(92)
Additional receipt on previous disposed business	**(2)**		—	(4)
Profit on disposal of businesses	**(27)**		(3)	—
Profit on disposal of property, plant and equipment	**—**		—	(1)
Headline earnings	**665**	21,1	549	1 244

Condensed consolidated statement of financial position

R Million	31 March 2012 Unaudited	31 March 2011 Unaudited	30 Sept 2011 Audited
ASSETS			
Non-current assets	**7 582**	6 266	6 775
Property, plant and equipment	**3 791**	3 346	3 753
Intangible assets	**2 242**	2 164	2 296
Other non-current assets[1]	**1 549**	756	726
Current assets	**1 771**	1 624	1 693
Other current assets	**1 558**	1 360	1 293
Cash and cash equivalents	**213**	264	400
TOTAL ASSETS	**9 353**	7 890	8 468
EQUITY AND LIABILITIES			
Capital and reserves			
Capital and reserves	**3 629**	3 102	3 518
Non-controlling interests	**878**	686	867
TOTAL EQUITY	**4 507**	3 788	4 385
LIABILITIES			
Non-current liabilities	**2 685**	2 292	2 084
Interest-bearing borrowings[2]	**2 213**	1 786	1 565
Other non-current liabilities	**472**	506	519
Current liabilities	**2 161**	1 810	1 999
Other current liabilities	**1 402**	1 346	1 539
Current portion of interest-bearing borrowings	**474**	464	460
Bank overdraft	**285**	—	—
TOTAL LIABILITIES	**4 846**	4 102	4 083
TOTAL EQUITY AND LIABILITIES	**9 353**	7 890	8 468

[1]The increase includes the investment made in Max Healthcare during the current period.

[2]The increase includes the new funding regarding the acquisition of Max Healthcare during the current period.

Condensed consolidated statement of changes in equity

for the period ended 31 March 2012

R Million	Total capital and reserves	Non-controlling interest	Total equity
Balance at 1 October 2011	3 518	867	4 385
Total comprehensive income for the year	689	117	806
Profit for the year	690	118	808
Other comprehensive income	(1)	(1)	(2)
Share-based payment reserve movement	7	—	7
Non-controlling interests arising on business acquisition	—	2	2
Distribution to shareholders	(562)	(108)	(670)
Treasury shares	(23)	—	(23)
Balance at 31 March 2012	3 629	878	4 507
Balance at 1 October 2010	2 849	667	3 516
Total comprehensive income for the year	551	88	639
Profit for the year	552	88	640
Other comprehensive income	(1)	—	(1)
Transactions with non-controlling interests	4	—	4
Distribution to shareholders	(302)	(69)	(371)
Balance at 31 March 2011	3 102	686	3 788
Balance at 1 October 2010	2 849	667	3 516
Total comprehensive income for the year	1 288	206	1 494
Profit for the year	1 287	205	1 492
Other comprehensive income	1	1	2
Transactions with non-controlling interests	12	—	12
Non-controlling interest arising on business acquisition	—	128	128
Change in ownership that does not result in loss of control	—	16	16
Distribution to shareholders	(625)	(150)	(775)
Treasury shares	(6)	—	(6)
Balance at 30 September 2011	3 518	867	4 385

Condensed consolidated statement of cash flows

R Million	6 months 31 March 2012 Unaudited	6 months 31 March 2011 Unaudited	12 months 30 Sept 2011 Audited
Cash generated from operations	**1 003**	1 069	2 562
Tax paid	**(375)**	(301)	(617)
Net cash inflow from operating activities	**628**	768	1 945
Net cash outflow from investing activities[1]	**(909)**	(207)	(688)
Net cash outflow from financing activities[2]	**(193)**	(779)	(1 378)
Net decrease in cash and cash equivalents	**(474)**	(218)	(121)
Cash and cash equivalents – beginning of the year	**400**	482	482
Cash balances acquired through business combinations	**2**	—	39
Cash and cash equivalents – end of the year	**(72)**	264	400

[1]The increase includes the investment made in Max Healthcare during the current period.

[2]The decrease includes the new funding regarding the acquisition of Max Healthcare during the current period.

Segmental report

During the reporting periods all the operating segments operated in Southern Africa and therefore no geographical segments are presented.

Assets and liabilities are not reviewed on an individual segment basis but rather on a Group basis and are therefore not presented.

There are no inter-segment revenue streams.

R Million	6 months 31 March 2012 Unaudited	6 months 31 March 2011 Unaudited	12 months 30 Sept 2011 Audited
Operating segments			
Revenue			
Southern Africa			
Hospitals	**4 905**	4 393	9 136
Healthcare Services	**365**	324	674
Other	**1**	1	2
Total	**5 271**	4 718	9 812
Profit before items below			
Southern Africa			
Hospitals	**1 040**	859	1 917
Healthcare Services	**71**	68	141
Other	**100**	93	191
Operating profit before amortisation, disposals and impairment of intangible assets	**1 211**	1 020	2 249
Amortisation of intangible assets	**(57)**	(60)	(110)
Impairment of intangible assets	**—**	—	(65)
Profit on disposal of businesses	**32**	4	—
Retirement benefit asset movement	**21**	20	2
Post-retirement medical aid movement	**2**	3	—
(Loss)/Gain on remeasuring of fair value of equity interest before business combination	**(3)**	—	92
Additional receipt on previous disposed business	**2**	—	5
Operating profit	**1 208**	987	2 173
Fair value gain on derivative financial instruments	**8**	8	14
Finance income	**10**	30	37
Finance costs	**(119)**	(144)	(250)
Share of associates' net profit after tax	**47**	56	115
Profit before tax	**1 154**	937	2 089

Operating profit before amortisation, disposals and impairment of intangible assets includes the segment's share of shared services and rental costs. These costs are all at market related rates.

Acquisition of investments

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

The Group had a marginal increase in its interest in Little Company of Mary Trust.

Acquisition of shareholding in Max Healthcare Institute Limited, India (Max Healthcare)

On 23 January 2012, the Group acquired a 26% shareholding in Max Healthcare for a cash investment of R823 million. This is funded through a long-term finance agreement of R820 million.

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

The Group disposed of a marginal percentage of its holding in a subsidiary company to a non-controlling interest, maintaining control.

Disposal of investments

Disposal of associates

On 1 December 2011, the Group disposed of its 50% interest in Occuli Trust and Bloemfontein Eye Clinic.

Disposal of subsidiary

On 1 March 2012, the Group disposed of its total interest in Birchmed Day Clinic Partnership and property.

Basis of presentation and accounting policies

These condensed consolidated interim financial statements for the six months ended 31 March 2012 have been prepared in accordance with IAS 34, "Interim Financial Reporting" and in the manner required by the Companies Act of South Africa and Section 8.57 of the JSE Listings Requirements. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 30 September 2011 which have been prepared in accordance with International Financial Reporting Standards (IFRS).

The accounting policies applied are consistent with those applied in preparation of the annual financial statements for the year ended 30 September 2011, unless otherwise stated.

Costs that occur unevenly during the year are anticipated or deferred in the interim report only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

These interim financial results have been prepared under the supervision of RJ Hogarth (CA)(SA), the Chief Financial Officer of the Group.

Unaudited results

The results for the period to 31 March 2012 have not been reviewed or audited by the Group's auditors.

Commentary

Overview

Life Healthcare continued to grow during the period under review and is in a healthy financial position to deliver on its strategic objectives of growth, efficiency and sustainability. Activities as measured by hospital paid patient days (PPDs), increased by 6,0% as a result of an increased demand for hospital services due to high incidence of disease together with a growing and aging medical aid population and preferred network arrangements. Additional beds have been added to the business to cater for this additional demand, including the opening of Life Glynnview (Mental Health) in April 2011, the acquisition of Life Midmed in August 2011, the opening of Life Vincent Palotti Rehabilitation in September 2011 and the addition of 154 beds in the current period including the opening of Life Piet Retief Hospital and Life St Josephs (Mental Health).

The total number of registered beds at 31 March 2012 is 8 212.

The Max Healthcare India investment of R823 million resulted in a 26% shareholding.

Life Healthcare continued to improve on its clinical quality metrics during the period under review resulting in an improvement in its hospital acquired infection rate.

Financial performance

Group revenue increased by 11,7% to R5 271 million (2011: R4 718 million). Hospital division revenue increased by 11,7% to R4 905 million (2011: R4 393 million) driven by the 6,0% increase in PPDs and higher revenue per PPD of 5,2%. Healthcare Services revenue increased by 12,7% to R365 million (2011: R324 million). Life Esidimeni revenue grew in line with inflation while Life Occupational Healthcare concluded new contracts and provided additional services to existing clients.

The Group continues to focus on efficiencies across the business to ensure services remain affordable. The alternative reimbursement model (ARM) provides an incentive to actively manage input costs, which together with slightly higher occupancies of 70,3% (2011: 69,5%) allowed the Group to leverage efficiencies across the existing base resulting in an operating profit increase of 22,4% to R1 208 million (2011: R987 million).

A key management measure which is a non-IFRS measure of business performance is normalised EBITDA (Life Healthcare defines normalised EBITDA as operating profit plus depreciation, amortisation of intangible assets, impairment of intangible assets as well as excluding profit/loss and fair value adjustments on disposal of businesses and surpluses/deficits on retirement benefits) which increased by 17,5% to R1 370 million (2011: R1 166 million).

R Million	6 months 31 March 2012 Unaudited	6 months 31 March 2011 Unaudited	12 months 30 Sept 2011 Audited
Normalised EBITDA			
Operating profit	**1 208**	987	2 173
Profit on disposal of businesses	**(32)**	(4)	—
Additional receipt on previous disposed business	**(2)**	—	(5)
Loss/(Gain) on remeasuring of fair value of equity interest before business combination	**3**	—	(92)
Depreciation on property, plant and equipment	**160**	146	299
Impairment of intangible assets	**—**	—	65
Amortisation of intangible assets	**57**	60	110
Retirement benefit asset movement	**(21)**	(20)	(2)
Post-retirement medical aid movement	**(2)**	(3)	—
Normalised EBITDA	**1 370**	1 166	2 548
Normalised EBITDA as % of turnover	**26,0%**	24,7%	26,0%

Cash flow

The business generated solid cash flows, however, weak collections of government related debt, contributed to a decrease of 6,2% in cash generated from operations to R1 003 million (2011: R1 069 million).

Financial position

The Group is in a strong financial position with a low gearing. Net debt to normalised EBITDA is 0,97 as of 31 March 2012 after the Max Healthcare investment. The Group has the financial flexibility to continue investing in the growth of the business.

Normalised earnings per share

The earnings on a normalised basis, which excludes non-trading related items as set out below, increased by 21,9% to 62,3 cps (2011: 51,1 cps) and excluding the amortisation of intangibles by 19,9% to 66,2 cps (2011: 55,2 cps).

R Million	6 months 31 March 2012 Unaudited	% Change	6 months 31 March 2011 Unaudited	12 months 30 Sept 2011 Audited
Normalised earnings				
Profit attributable to ordinary equity holders	**690**		552	1 287
Adjustments (net of tax):				
Profit on disposal of businesses	**(27)**		(3)	—
Additional receipt on previous disposed business	**(2)**		—	(4)
Loss/(Gain) on remeasuring of fair value of equity interest before business combination	**3**		—	(92)
Impairment of intangible assets	**—**		—	54
Retirement funds	**(16)**		(17)	(2)
Normalised earnings	**648**		532	1 243
Amortisation of intangible assets (net of tax)	**41**		43	79
Normalised earnings (excluding amortisation of intangible assets)	**689**		575	1 322
Normalised EPS (cents)	**62,3**	21,9	51,1	119,3
Normalised EPS – excluding amortisation (cents)	**66,2**	19,9	55,2	126,9

Shareholders dividend

Notice is hereby given that the directors have declared an interim cash dividend of 45 cents per ordinary share (2011: 31 cents per ordinary share) out of income reserves in respect of the six months to 31 March 2012. The Group has utilised STC credits amounting to 9.877 cents per share. The balance of the dividend will be subject to a dividend withholding tax at a rate of 15%, which will result in a net dividend of 39.732 cents per share to those shareholders who are not exempt in terms of section 64F of the Income Tax Act.

The issued share capital at the declaration date is 1 042 209 750 ordinary shares.
The salient dates for the dividend will be as follows:

Last day to trade cum the distribution	Friday, 1 June 2012
Trading ex dividend commences	Monday, 4 June 2012
Record date	Friday, 8 June 2012
Payment date	Monday, 11 June 2012

Share certificates may not be dematerialised or rematerialised between Monday, 4 June 2012 and Friday, 8 June 2012, both days inclusive.

Capital expenditure

During the current period, Life Healthcare invested R1 033 million (2011: R235 million) including capital projects of R199 million (2011: R235 million) and the Max Healthcare India investment of R823 million. The board has approved a capital expenditure budget of R686 million for the financial year and capital expenditure of R440 million has been approved as at 31 March 2012. This investment in the Group's facilities is to ensure that the demand for services is met and the Group remains abreast of modern technology and standards.

An additional 141 beds are projected to be commissioned in the second six months.

Changes to board of directors

There have been no changes to the board of directors during the period ended 31 March 2012.

Outlook

Subject to the current economic conditions prevailing for the rest of the financial year, the Group expects continued growth in earnings.

Growth

The Group will continue to focus on its growth objectives in South Africa by adding additional beds through brownfield expansion and mental healthcare, including the 80 bed Life Poortview mental health facility in Gauteng. Life Healthcare will assist Max Healthcare to improve its business operations.

Efficiency

The Group will continue to focus on driving operational efficiencies in South Africa through; cost of sales, procurement, streamlined administrative processes; the re-engineering of certain IT systems and improving hospital occupancies to enable the leveraging of the fixed cost base.

Sustainability

The Group will continue to focus on and expand its quality management programme which is a comprehensive, consistently applied and measured programme which benchmarks clinical interventions against international best practice with the aim of enhancing patient outcomes. In addition the Group recognises the shortage of healthcare skills and will continue to invest heavily in the training of doctors, nurses and pharmacists. In connection with the development of healthcare policy and proposed healthcare reforms, the Group will continue to actively engage with the South African government.

Thanks

The contribution of the doctors, nurses and employees of Life Healthcare have greatly enhanced the quality of our performance. For their effort, we extend our thanks.

Approved by the board of directors on 10 May 2012 and signed on its behalf:

Professor Jakes Gerwel — Chairman

Michael Flemming — Chief Executive Officer

10 May 2012



Making life better

BASTION GRAPHICS