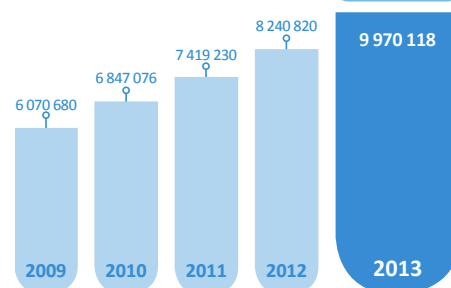


ANNUAL FINANCIAL RESULTS

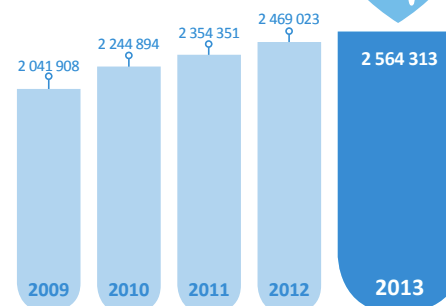
FOR THE YEAR ENDED 31 DECEMBER 2013

GROWTH IN MEMBERS' FUNDS
(R'000)



up **20.98%**

INCREASE IN SCHEME LIVES



up **3.9%**

R1.5 billion
Net surplus

R9.9 billion
Members' funds

2 564 313
Number of lives covered

Overview

The Discovery Health Medical Scheme continued to deliver on its core purpose of funding evidence-based, cost-effective, quality healthcare cover and supporting the enhancement of the healthcare system for Scheme members and stakeholders. This objective is underpinned by sound financial management, best practice governance and effective risk management efforts, ensuring long-term sustainability, as is evidenced by the strong financial performance for the year under review.

The net healthcare result increased from R187 million in 2012 to R860 million for the year ended 31 December 2013. Investment income of R682 million contributed to a substantial net surplus for the year ended 31 December 2013 of R1.5 billion.

In an environment where the majority of open medical schemes are shrinking, the Scheme continues to attract and retain members with a net growth in lives of 3.9%. At 31 December 2013, the Scheme provided cover to 2 564 313 lives, constituting 52% of all beneficiaries in the open medical scheme industry. The ability of the Scheme to retain members is demonstrated by extremely low lapse rates with an annualised lapse rate of 4.15% for 2013. The low lapse rate together with a consistent pattern of stability in plan selection within the large and diverse membership base results in significant financial stability within the Scheme.

The Scheme's strong membership growth during 2013 continues to create short-term solvency pressure as new members join without any reserves, but the Scheme has to hold the full 25% solvency requirement from their date of joining. The Scheme has ended 2013 with a solvency level of 24.3%, which is 1.3% above the business plan solvency trajectory agreed with the Council for Medical Schemes. The Scheme is projected to reach the statutory solvency level of 25% in 2015. Members' funds increased to over R9.9 billion, with the Scheme's total assets exceeding R11.9 billion at the end of the financial year. The Scheme's high level of financial strength and claims paying ability were once again confirmed with a credit rating of AA+, the highest possible rating in the industry, by the independent credit rating agency, Global Credit Rating Co.

Non-healthcare expenditure has continued its downward trajectory, being the Scheme's only cost component which has been reducing in real terms, while claims cost has increased by 17.9% over and above consumer price inflation over the past five years. The combined administration and managed healthcare fees have had a deflationary effect of 3.6% over the same period.

The Scheme continues to offer the widest range of competitively-priced plans and the richest benefits in the open medical scheme market. Stability in both annual contribution increases and benefit provision has been of key importance in an environment characterised by complexity and volatility.

Details of the Annual General Meeting

Date: Friday, 06 June 2014

Time: Registration from 11:00 to 12:00

Meeting to start at 12:00

Venue: Discovery Auditorium, 155 West Street, Sandton

Identification: Members attending the Annual General Meeting (AGM) are required to bring along identification and their membership card. A South African ID book or card, South African driver's license or a passport will be accepted for identification purposes.

Agenda:

- Welcome and Quorum
- Minutes of the 2013 Annual General Meeting – for approval
- 2013 Annual Financial Statements
 - Financial Performance of the Discovery Health Medical Scheme for the year ended 31 December 2013
 - Discovery Health (Pty) Ltd strategic focus areas
 - Acceptance of the Discovery Health Medical Scheme 2013 Annual Financial Statements
- Governance
 - 2014 Trustee remuneration
 - Confirmation of Trustee appointment
 - Appointment of Auditors
- Motions
- General
- Closure



Michael van der Nest
Chairman



Milton Streak
Principal Officer

Proxies

Any principal member who is unable to attend the Scheme's Annual General Meeting, may authorise another principal member of the Scheme to act on their behalf (proxy). The proxy must be a principal member of the Scheme and must attend the Annual General Meeting. A proxy form needs to be completed and signed by the principal member nominating the proxy. The proxy forms are available at www.discovery.co.za

Motions

The Rules of the Discovery Health Medical Scheme require attendees to notify the Principal Officer of any motions for discussion at least seven days before the date of the Annual General Meeting. Please visit www.discovery.co.za to familiarise yourself with the motion submission process and relevant AGM information.

For more information, please visit www.discovery.co.za