



ADVANCED HEALTH LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 2013/059246/06)

("the Company" or "Advanced Health")

ISIN Code: ZAE000189049 JSE Code: AVL

DETAILED TERMS ANNOUNCEMENT REGARDING THE DISPOSAL OF ADVANCED HEALTH FACILITIES

1 INTRODUCTION AND BACKGROUND TO THE TRANSACTION

Shareholders are referred to the various cautionary announcements released on SENS on 27 July 2020, 17 August 2020 and 23 September 2020 respectively, which provided information regarding the restructuring process that Advanced embarked on in order to simplify the group structure, reduce operational and overhead costs and to inject the necessary cash resources to ensure the continued solvency and liquidity of Advanced and the subsidiaries for the foreseeable future.

In the renewal of cautionary announcement released on SENS on Wednesday, 23 September 2020, Shareholders were further advised that in parallel with the above restructuring process, Advanced Health entered into discussions with a third party regarding the potential sale of Advanced Health's shareholding in the remaining South African hospital facilities, following the receipt of an offer.

Shareholders are further advised that Advanced Health, through its 100% owned subsidiary, Advanced Health South Africa Proprietary Limited ("AHSA") has entered into a sale of shares agreement with Samaritan Health Proprietary Limited (the "Purchaser" or "Samaritan") in terms of which Samaritan will purchase AHSA's ordinary shares and related shareholder loans, in seven of the South African hospital facilities in which AHSA's owns the majority interests ("Advanced Health SPVs"), for a maximum consideration of R200 million. ("Transaction" and "Transaction Agreement").

2 BACKGROUND TO THE ADVANCED HEALTH SPVs

The subjects of the sale of shares and shareholder loans are the following day hospital facilities:

- Advanced Durbanville Surgical Centre Proprietary Limited ("Durbanville");
- Advanced Worcester Surgical Centre Proprietary Limited ("Worcester");
- Advanced Groenkloof Day Hospital Proprietary Limited ("Groenkloof");
- Advanced Medgate Day Clinic Proprietary Limited ("Medgate");
- Advanced Panorama Surgical Centre Proprietary Limited ("Panorama");
- Advanced De La Vie Day Hospital Proprietary Limited ("De la Vie"); and
- Advanced Harbour Bay Surgical Centre Proprietary Limited ("Harbour Bay").

The hospitals are situated in the Western Cape and Gauteng and they conduct business as day hospitals, including short procedure surgical services which can be performed on a same day basis.

3 BACKGROUND TO THE PURCHASER

Samaritan is a joint initiative between Carican Financial Services (Pty) Ltd, the Pivotal Group (technology experts) and Palesa Capital. In partnership with medical practitioners, medical schemes

and developers, Samaritan harnesses the benefits of the latest medical, administration and building technologies to facilitate the cost-effective provision of facility based medical services at the most appropriate level of care to patients from underserved communities in high economic growth areas. They design, commission and manage hospitals, day clinics, step-down facilities, assisted living facilities and frail care & dementia care facilities.

4 RATIONALE FOR THE TRANSACTION

In the reviewed condensed consolidated annual financial statements for the year ended 30 June 2020, which was released on SENS on 25 September 2020, attention was drawn to Going Concern of the Advanced Health group.

The reviewed condensed consolidated annual financial statements were prepared on the basis of accounting policies applicable to a going concern. This basis presumed that funds will be available to finance future operations and the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The ability of the Group to continue as a going concern was dependent on the directors procuring funding for the ongoing operations of the Group.

The conclusion of the Transaction will secure such funding for the Advanced Health Group and secure the ability of the group to continue operating as a going concern.

Samaritan views the Advanced Health SPVs as a unique healthcare investment opportunity that is complementary to its business plan to provide cost effective solutions for patients that are in line with trends in the private and public pre-funded sectors, and accordingly wishes to purchase the Sale Shares from the Seller.

5 KEY TERMS OF THE TRANSACTION

5.1 Transaction Agreement

5.1.1 Sale Shares

In terms of the Transaction Agreement the Purchaser will acquire and AHSA will sell, AHSA's shareholding in the Following Advanced Health SPVs, including the shareholder loans extended to the Advanced Health SPVs by AHSA:

- 87.99% of the issued ordinary shares in Durbanville and the related shareholder loans;
- 97% of the issued ordinary shares in Worcester and the related shareholder loans;
- 89.23% of the issued ordinary shares in Groenkloof and the related shareholder loans;
- 100% of the issued ordinary shares in Medgate and the related shareholder loans;
- 90% of the issued ordinary shares in Panorama and the related shareholder loans;
- 89% of the issued ordinary shares in De la Vie and the related shareholder loans; and
- 80% of the issued ordinary shares in Harbour Bay and the related shareholder loans. (Together the "Sale Shares")

The Harbour Bay sale of shares includes 11.875% of the ordinary shares owned by David Howard Knight and 11.875% owned by Jacques Louis Loftus (the "Additional Sellers"). The shares owned by the Additional Sellers and the related shareholder loans of the Additional Sellers are included as part of the Sale Shares, in terms of the Transaction Agreement.

5.1.2 Advanced Knysna Surgical Centre Proprietary Limited ("Knysna")

In addition to acquiring the Sale Shares in the aforementioned Advanced Health SPVs, Samaritan further agreed to consider, as part of its due diligence investigation the

potential purchase of the shares and related shareholder loans held by both AHSA and additional shareholder, Dawie de Villiers, in Knysna for potential inclusion in the Transaction. It will inform AHSA by 14 November 2020 as to whether it intends on including Knysna in the Transaction.

If the Parties agree to include Knysna in the Transaction, this Transaction Agreement will be amended to incorporate the agreed terms and conditions relating to such inclusion.

A further announcement in this regard will be made in due course.

5.1.3 The Loan

In terms of the Transaction Agreement, AHSA agreed to loan to Samaritan an amount of R25 million within three days of the Effective Date, for use by the Purchaser in funding the working capital requirements of the Advanced Health SPVs in order to achieve higher occupancy levels ("Loan").

The Loan will carry interest at a rate of prime plus 3% per annum, which interest shall accrue monthly in arrears. The Purchaser agreed to repay the Loan by the end of the Earn Out Period. The Loan will be deducted from the payment of the Transaction Consideration as detailed in 5.2 below. A separate Loan Agreement has been concluded between the parties on 15 October 2020.

5.2 Transaction Consideration

The transaction consideration is R170 million, with an earn out potential up to an additional maximum amount of R30 million ("Earn Out") ("Transaction Consideration").

The Transaction Consideration is payable in cash, to AHSA as follows:

- A deposit of R1 million was paid on 11 September 2020 by the Purchaser into an escrow trust account as a show of good faith;
- A further deposit of R9 million was paid on 17 October 2020 into an escrow trust account subsequent to the signature of the Transaction Agreement. The Deposit shall be released as detailed below;
- the balance of the Transaction Consideration, in an amount of R160 million less an amount of R25 million (the Loan Amount) will be paid within three days of the Effective Date or such later date as agreed to between the parties in writing; and
- any amounts payable to AHSA in respect of the Earn Out will be paid as detailed in 5.3 below. Payment of the Earn Out is in no way guaranteed, and AHSA will only become entitled to receive the Earn Out in the event of fulfilment of the conditions as detailed in 5.3 below.

Samaritan will obtain all or part of the funding to settle the Transaction Consideration from Qualiroad Capital Proprietary Limited ("Qualiroad").

A separate Escrow agreement has been concluded in which the parties agreed the manner in which the R10 million deposit will be held and released to the Seller and/or refunded to the Purchaser.

In the event that the Transaction is not approved by Samaritan and/or the Qualiroad investment committee, as required in 5.5.9 below, the R9 million deposit will be repaid to Samaritan within three days. The R1 million will be released to AHSA, with interest within three days.

In the event that the board of directors of AHSA for any reason disapproves the Transaction, the full value of the R10 million deposit will be repaid with interest.

The Proceeds of the Transaction will be utilised by the Advanced Health group towards settlement of outstanding liabilities and creditors as at the Effective Date.

5.3 Earn Out

The Earn Out may be paid by Samaritan to AHSA to the Seller as follows:

- 5.3.1 At the end of a three year period commencing on the Effective Date (the **“Earn Out Period”**), the average earnings before interest, taxes, depreciation and amortization (**“Average EBITDA”**) of the Advanced Health SPVs for years 2 and 3 will be determined by the auditors appointed by Samaritan and AHSA’s appointed auditors shall be afforded a reasonable opportunity to review the Average EBITDA amount determined by the Purchaser’s Auditors. For the avoidance of doubt, year 1 shall commence on the Effective Date, year 2 shall commence on the anniversary of the Effective Date and year 3 shall commence on the anniversary of year 2.
- 5.3.2 Where the Average EBITDA for years 2 and 3 exceeds R35 million, the amount of such excess above R35 million will be calculated at a multiple of 6 (six) and such amount will be paid to AHSA in settlement of the Earn Out. The maximum amount which shall be payable as an Earn Out will be R30 million.
- 5.3.3 If however, the Average EBITDA for years 2 and 3 does not exceed R35 million, no Earn Out amount will be payable.

AHSA will be entitled to appoint no more than two directors to the Samaritan board of directors from the Effective Date for the duration of the Earn Out Period. This will give AHSA sight of the operations of the business and entitle it to participate in the decision making as well as assist in driving and increasing the EBITDA of the Advanced Health SPVs during this Earn Out Period.

5.4 Effective date

The Effective Date will be the date on which the Conditions Precedent are fulfilled or waived, as the case may be.

5.5 Conditions Precedent

As at the date of this announcement, the Transaction Agreement is subject to the fulfilment of the following conditions precedent:

- 5.5.1 That the Transaction Agreement, loan agreement and escrow agreement have become unconditional in accordance with their terms, save for the fulfilment of any condition relating to the Transaction Agreement and any of the related agreements becoming unconditional;
- 5.5.2 By no later 29 November 2020, or such later date as agreed between the parties in writing (the **“Due Diligence Completion Date”**), AHSA have allowed Samaritan to conduct and complete a comprehensive due diligence investigation on the Advanced Health SPVs (the **“Due Diligence Investigation”**) and have:
 - 5.5.2.1 allowed Samaritan’s professional and other representatives reasonable opportunity to conduct the Due Diligence Investigation;
 - 5.5.2.2 made available to Samaritan by way of a secure virtual data room, all the documentation, information, contracts, accounting policies and financial information requested by Samaritan and/or their representatives in the due diligence questionnaire and/or as may be relevant to the Due Diligence Investigation; and
 - 5.5.2.3 procured that the executive team of Advanced Health and such other staff members if so required by Samaritan and with the prior consent of the executive team, attend any interview that Samaritan may require as part

of the Due Diligence Investigation and answer any such questions as Samaritan may pose regarding the affairs of Advanced Health and/or the Advanced Health SPVs.

- 5.5.3 By no later than the Due Diligence Completion Date, and to the extent required, all required regulatory (including Competition Commission Approval if required) and statutory approvals are obtained;
- 5.5.4 By no later than the Due Diligence Completion Date, all such resolutions as may be necessary to approve and implement the provisions of the Transaction Agreement and the related agreements have been passed by the board of directors of Samaritan;
- 5.5.5 By no later than the Due Diligence Completion Date, all such resolutions as may be necessary to approve and implement the provisions of the Transaction Agreement and the related agreements have been passed by the board of directors of Advanced Health;
- 5.5.6 By no later than the Due Diligence Completion Date, the Seller has procured a resolution from each of the Additional Sellers. For the avoidance of doubt, this resolution shall stipulate that each of the Additional Sellers:
 - 5.5.6.1 approves the Transaction as contemplated in the Transaction Agreement;
 - 5.5.6.2 authorises AHSA to negotiate, finalise and settle the purchase and sale of the Harbour Bay Sale Shares and related shareholder loans (and, if included the Knysna Sale Shares and related shareholder loans) on his/her behalf;
 - 5.5.6.3 authorise representatives of AHSA to complete, sign and submit all documents as may be necessary to finalise the sale of shares transaction as contemplated in the Transaction Agreement;
 - 5.5.6.4 approves the execution version of the Transaction Agreement and agrees to be bound by the terms of the Transaction Agreement as if he/she were a party hereto; and
 - 5.5.6.5 agrees that he/she will do all such things, provide and/or sign all such documentation and comply with all such obligations and requirements as may be required of him/her in order to give effect to the Transaction.
- 5.5.7 By no later than the Due Diligence Completion Date, both Parties, acting in good faith, are satisfied that there has been no material adverse change in the prospects of AHSA;
- 5.5.8 By no later than the Due Diligence Completion Date, Samaritan is satisfied that the due diligence criteria as detailed in the Transaction Agreement (the "Due Diligence Success Criteria") have been proven, satisfied and/or complied with;
- 5.5.9 By no later than 14 days following the Due Diligence Completion Date, Qualiroad has approved the findings of Samaritan's Due Diligence Investigation and the Qualiroad investment committee has in writing approved the Transaction and the funding for the Transaction, and the necessary funding agreements have been entered into between the parties thereto and have become unconditional in accordance with their terms (the "Funding Approval Date");
- 5.5.10 By no later than three days following the Funding Approval Date, the Samaritan board of directors finally approves the Transaction as contemplated in the Transaction Agreement;

- 5.5.11 By no later than the Effective Date, the minority shareholders of the Advanced Health SPVs have, in writing, waived any and all pre-emptive rights which they may have in respect of the Sale Shares;
- 5.5.12 By no later than the Effective Date, the current management contracts in place between AHSA and the Advanced Health SPVs have been terminated and new management contracts between Samaritan and the Advanced Health SPVs (in terms of which Samaritan will take over all of the management responsibilities of the SPVs) have been entered into; and
- 5.5.13 By no later than the Effective Date, AHSA has, on behalf of each of the Advanced Health SPVs applied to Discovery, GEMS, Bonitas and Polmed for Designated Service Provider status in respect of each of the Advanced Health SPVs, and has taken all necessary steps to ensure that such status has been or will be granted in respect of 2021 for inclusion into the medical scheme's benefit design.

The dates for fulfilment of the conditions precedent shall be extended by mutual agreement between the Parties. The date for fulfilment of the condition precedent set out in 5.5.3 shall automatically extend for a period of 60 days to the extent that any regulatory or statutory approval has not been obtained on the date stipulated for fulfilment of this condition.

5.6 Other key terms of the Transaction Agreement

5.6.1 Intellectual property restraint

All intellectual property rights in or relating to any party's products or services, and any associated patents, trademarks, trade secrets, trade names, ideas, concepts, techniques, inventions, processes, technology, applications, methods, procedures, design, getup and layout of materials, are and shall remain the property of that party and the other parties acquire no right, interest or proprietorship therein by virtue of the Transaction Agreement.

Each party agrees not to use any other party's intellectual property and/or confidential information, either independently or together with or through any other third party (including its affiliates), directly or indirectly, in any part of the world, to compete with that other party, either in the ordinary course of the restrained party's business, and whether independently or through any of its affiliates.

5.6.3 Warranties

The Transaction Agreement further contains legal warranties and indemnities which are considered normal in respect of a transaction of this nature.

6 PROFIT AND NET ASSET VALUES ATTRIBUTABLE TO ADVANCED HEALTH SPVs

The net assets of the Advanced Health SPVs, as per the reviewed condensed consolidated annual financial statements of Advanced Health for the 12 months ended 30 June 2020 was (R66.4 million) and the total loss after tax attributable to the net assets of the Advanced Health SPVs was R32.8 million.

The reviewed condensed consolidated annual financial statements for Advanced Health were prepared in accordance with International Financial Reporting Standards ("IFRS") as appropriate for-profit-oriented entities.

7 CATEGORISATION OF THE TRANSACTION

The Transaction is categorised as a category 1 disposal for Advanced Health in terms of the Listings Requirements of the JSE Limited and is therefore subject to Advanced Health shareholder approval.

Advanced Health will distribute the category 1 disposal circular to shareholders, including the notice to convene the general meeting, in due course, subject to the relevant regulatory approvals being obtained.

8 RENEWAL OF CAUTIONARY ANNOUNCEMENT

Shareholders are referred to the renewal of cautionary released on SENS on 23 September 2020, and are advised that although this announcement contains the detailed terms of this Transaction, the discussions regarding the underperforming facilities and the provision of an additional R20 million loan facility to the group by a shareholder is still ongoing.

In addition to the above the Effective Date of the Transaction will only be determined once the conditions precedent as detailed in 5.5 above, have been fulfilled or waived.

Accordingly, shareholders are advised to continue to exercise caution when dealing in the Company's securities until further announcements are made.

Johannesburg

5 November 2020

Designated Advisor

Grindrod Bank Limited

