NOTICE 507 OF 2011

COMPETITION COMMISSION

NOTIFICATION TO CONDITIONALLY APPROVE THE TRANSACTION INVOLVING:

LIFE HEALTHCARE GROUP (PTY) LTD

AND

AURORA HOSPITAL (PTY) LTD

CASE NUMBER: 2011APR0015

The Competition Commission hereby gives notice, in terms of Rule 38 (3)(c) of the 'Rules for the Conduct of Proceedings in the Competition Commission, that it has approved the transaction involving the above mentioned firms subject to the conditions as set out below.

The Primary Acquiring Firm is Life Healthcare Group (Pty) Ltd ("LHG"). The Primary Target Firm is Aurora Hospital (Pty) Ltd ("Aurora"). LHG is a key player in the South African healthcare industry, with its primary business being acute hospital care and surgical centres which are spread throughout Southern Africa. Aurora is an independent hospital providing private rehabilitation hospital facilities and services, situated in Port Elizabeth. A shareholder of Aurora is the Quadraplegic Society of South Africa ("QASA")

In terms of the transaction LHG purchased Aurora as a going concern with effect from 1 September 2010 and was requested by the Competition Commission to notify the merger in terms of section 13(3) of the Act because the Commission was of the opinion that the acquisition may substantially prevent or lessen competition or may not be justified on public interest grounds.

Both LHG and Aurora conduct business in the market for private hospital acute and sub-acute rehabilitation services, in particular LHG provides these services in East London at the St Dominic's hospital and Aurora provides these services from Port Elizabeth. The Commission has found that the respective hospitals do not compete with each other on a narrow regional level in that they serve patients from different geographic regions approximating their respective local cities. In addition there is but limited competition for specialists at the local level between Aurora and St Dominic hospitals. Therefore, the Commission concludes that there is no geographic overlap in the activities of the merging parties on a local level.
The Commission also considered a national market for the purposes of assessing competition post-merger for medical aid tariff negotiations. Medical Aid administrators negotiate tariffs on behalf of their significant membership and use their volumes to wield countervailing power. Medical aids' countervailing power is likely to be attenuated if one or few hospital groups

significantly increase their size such that alternatives to the services provided by these groups become limited or less attractive. The Commission found that Aurora accounts for a small proportion of the market for acute and sub-acute rehabilitation services and as such does not substantially augment LHG's existing market position.

Accordingly, the Commission finds that the merger is unlikely to result in substantial prevention or lessening of competition in the broad national and narrow local markets.

The Commission found that even though Aurora was always operated on a commercial, profit oriented basis it has a strong social responsibility element built into its operations. This is in the form of an arrangement between the Aurora hospital and QASA in which Aurora would provide a pro bono service to all quadraplegic patients identified by the QASA board as deserving of such treatment. The fact that QASA was also a shareholder in Aurora contributed to a certain extent in ensuring that Aurora continued to provide this pro bono service in this region.

This agreement was always an informal one and although LHG has undertaken to continue to honour the arrangement post-merger, without a binding agreement or a condition it is likely that adherence to this undertaking could be uncertain. As such the proposed transaction gives rise to significant public interest concerns. In order to guarantee the continued provision of this service and to prevent the effects of its cessation of in the region the Commission sought and obtained an agreement from the merging parties that the arrangement between Aurora and QASA for the provision of this pro bono service be made a condition for approval of the transaction.

The Commission therefore approves that the proposed transaction be approved with the following condition:

Aurora shall continue to provide pro bono services to quadriplegic patients approved by QASA to the value of R250 000 per year. This amount is not subject to inflationary increases and shall persist indefinitely for as long as LHG controls Aurora. Compliance with this condition shall be monitored by QASA.

Enquiries in this regard may be addressed to Mr. Maarten van Hoven at Private Bag X23, Lynnwood Ridge, 0040. Telephone: (012) 394 3295, or Facsimile: (012) 394 4295.