

AUDITED RESULTS OF MEDI-CLINIC CORPORATION LIMITED AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009

MEDI-CLINIC CORPORATION LIMITED

2009

- STRONG DEFENSIVE PERFORMANCE BY THE GROUP
- SOUTHERN AFRICAN AND SWISS OPERATIONS EXCEEDED EXPECTATIONS
- SUCCESSFUL COMMISSIONING OF THE CITY HOSPITAL AND OVERALL SOLID PERFORMANCE IN DUBAI
- INCREASE IN THE TOTAL DIVIDEND PER ORDINARY SHARE BY 12% TO 68.6 CENTS



MEDI-CLINIC
Private hospital group

Consolidated abridged BALANCE SHEET

as at 31 March	2009 R'm	2008 R'm
ASSETS		
Non-current assets	38 982	37 273
Property, equipment and vehicles	32 479	30 972
Intangible assets	6 293	6 101
Investments – unlisted	32	34
Derivative financial instruments	–	43
Deferred income tax assets	178	123
Current assets	4 892	4 326
Inventories	496	448
Trade and other receivables	3 371	3 077
Cash and cash equivalents	994	801
Current income tax assets	31	–
Total assets	43 874	41 599
EQUITY AND LIABILITIES		
Total equity	7 989	9 367
Share capital and reserves	7 091	8 560
Minority interest	898	807
Total liabilities	35 885	32 232
Long-term interest-bearing borrowings	24 349	23 266
Retirement benefit obligations	997	639
Provisions	229	190
Derivative financial instruments	2 512	595
Deferred income tax liabilities	5 162	5 088
Short-term interest-bearing borrowings	241	131
Short-term interest-free borrowings	2 395	2 323
Total equity and liabilities	43 874	41 599
Number of ordinary shares ('000)	560 316	560 260
Weighted number of ordinary shares ('000)	559 336	421 437
Diluted number of ordinary shares ('000)	590 999	455 748
Net asset value per ordinary share – cents	1 266	1 585
Directors' valuation of unlisted investments	32	34

Consolidated abridged INCOME STATEMENT

for the year ended 31 March	2009 R'm	Change %	2008 R'm
Revenue	16 351	71	9 579
Cost of sales	(9 262)		(5 381)
Administration and other operating expenses	(3 658)		(2 136)
Operating profit before depreciation (EBITDA)	3 431	66	2 062
Depreciation	(684)		(341)
Operating profit	2 747	60	1 721
Income from associates	2		–
Finance income	67		49
Finance cost	(1 602)		(685)
Profit before taxation	1 214		1 085
Taxation	(502)		(364)
Profit for the year	712		721
Attributable to:			
Shareholders of the company	636		610
Minority interest	76		111
	712		721
Earnings per ordinary share – cents			
Basic	113.7	(22)	144.9
Diluted	107.6		134.0
Headline earnings per ordinary share – cents			
Basic	111.5	(23)	144.5
Diluted	105.6		133.6
Earnings reconciliation:			
Profit attributable to shareholders	636		610
Profit on sale of property, equipment and vehicles	(12)		(2)
Headline earnings	624	3	608

OTHER FINANCIAL INFORMATION

	2009 R'm	2008 R'm
Capital commitments		
Southern Africa	786	798
Middle East	14	98
Switzerland	226	103
Exchange rates	R	R
Average Swiss Franc (ZAR/CHF)	8.01	6.60
Closing Swiss Franc (ZAR/CHF)	8.32	8.14
Average UAE Dirham (ZAR/AED)	2.41	1.94
Closing UAE Dirham (ZAR/AED)	2.58	2.20

**Consolidated abridged
STATEMENT OF RECOGNISED INCOME AND EXPENSE**

for the year ended 31 March	2009 R'm	2008 R'm
Currency translation differences	267	2 326
Fair value adjustment to cash flow hedges (net of tax)	(1 766)	(394)
Actuarial losses	(245)	(341)
Net (loss)/income recognised directly in equity	(1 744)	1 591
Profit for the year	712	721
Total recognised (loss)/income for the year	(1 032)	2 312
Attributable to:		
Equity holders of the Company	(1 108)	2 201
Minority interest	76	111
	(1 032)	2 312

**Consolidated abridged
CASH FLOW STATEMENT**

for the year ended 31 March	2009 R'm	2008 R'm
Cash flow from operating activities	1 386	738
Cash generated from operations	3 346	1 517
Net finance cost	(1 438)	(419)
Taxation paid	(522)	(360)
Cash flow from investment activities	(1 380)	(16 898)
Cash flow from financing activities	125	16 461
Proceeds from issuance of ordinary shares	–	4 500
Distributions to shareholders	(339)	(189)
Distributions to minorities	(54)	(41)
Movement in borrowings	547	12 219
Treasury shares purchased	(29)	–
Share issue costs	–	(28)
Net movement in cash, cash equivalents and bank overdrafts	131	301
Opening balance of cash, cash equivalents and bank overdrafts	787	357
Exchange rate fluctuations on foreign cash	23	129
Closing balance of cash, cash equivalents and bank overdrafts	941	787
Cash and cash equivalents	994	801
Bank overdrafts	(53)	(14)
	941	787

Consolidated abridged SEGMENTAL REPORT

for the year ended 31 March	2009 R'm	2009 R'm	2009 R'm	2009 R'm
	Hospital Services	Hospital Properties	Adjustments and eliminations	Total
Revenue				
Southern Africa	6 792	611	(611)	6 792
Middle East	822	29	(29)	822
Switzerland	8 737	1 408	(1 408)	8 737
EBITDA				
Southern Africa	865	593		1 458
Middle East	(17)	29		12
Switzerland	646	1 315		1 961
EBITDA margin				
Southern Africa	12.7%			21.5%
Middle East	(2.1%)			1.5%
Switzerland	7.4%			22.5%
Operating profit				
Southern Africa	688	593		1 281
Middle East	(70)	29		(41)
Switzerland	333	1 174		1 507
Assets				
Southern Africa*	4 150	5 484	(4 328)	5 306
Middle East	1 217	1 013		2 230
Switzerland	9 720	26 835		36 555
Liabilities				
Southern Africa	2 366	3 463	(700)	5 129
Middle East**	827	457		1 284
Switzerland	2 747	26 936		29 683

* Includes intersegmental assets of R217m which eliminate on group consolidation

** Includes intersegmental liabilities of R211m which eliminate on group consolidation

**Consolidated abridged
SEGMENTAL REPORT (continued)**

for the year ended 31 March	2008 R'm	2008 R'm	2008 R'm	2008 R'm
	Hospital Services	Hospital Properties	Adjustments and eliminations	Total
Revenue				
Southern Africa	6 056	546	(546)	6 056
Middle East	482	–		482
Switzerland	3 041	483	(483)	3 041
EBITDA				
Southern Africa	772	530		1 302
Middle East	50	–		50
Switzerland	259	451		710
EBITDA margin				
Southern Africa	12.7%			21.5%
Middle East	10.3%			10.3%
Switzerland	8.5%			23.3%
Operating profit				
Southern Africa	613	530		1 143
Middle East	22	–		22
Switzerland	154	402		556
Assets				
Southern Africa*	3 699	5 250	(4 216)	4 733
Middle East	769	804		1 573
Switzerland	9 418	26 059		35 477
Liabilities				
Southern Africa	1 880	3 463	(700)	4 643
Middle East**	413	287		700
Switzerland	2 780	24 297		27 077

* Includes intersegmental assets of R184m which eliminate on group consolidation

** Includes intersegmental liabilities of R188m which eliminate on group consolidation

COMMENTARY

This is the first set of annual results that reflects the full effect of the Hirslanden acquisition of October 2007. The change in the Group's operating results, attributable income and headline earnings per share reflects the quantum leap that the acquisition represented. A new international base representing geographic diversification and enhanced income generation potential has been created from which the consistent growth pattern, which the Group is known for, should continue.

THE GLOBAL ECONOMIC OUTLOOK

The current global economic crisis has culminated in the first global recession since World War II. Although there are signs that we have reached the bottom of the slowdown, the International Monetary Fund predicts that the recovery will be slow and could take longer than expected, because of the fact that the recession resulted from a financial crisis.

The Group had to consider its own position carefully in the light of the economic crisis. Obligations and covenants in terms of the facility agreements were evaluated and stress tested.

To date, the Group's volumes have been unaffected by the economic crisis. In fact, the Group experienced strong patient attendance towards the end of the financial year and beyond at all three of its operating platforms. Early warning systems comprising of the monitoring of macro-indicators such as employment as well as micro-indicators at hospital level, are in place at all three platforms. If required, immediate action will be taken.

GROUP OVERVIEW

Hirslanden acquisition

The Group acquired 100% of Hirslanden, the holding company of the largest private hospital group in Switzerland, with effect from 26 October 2007. Hirslanden is the leading private hospital group in Switzerland, comprising 13 private acute care facilities located in nine cantons. The purchase consideration for the total issued share capital of Hirslanden was CHF2 556 million, which represented an enterprise value of CHF3 364 million. CHF2 450 million of new debt was arranged by Barclays Capital, the investment banking division of Barclays Bank plc. This was fully underwritten by Barclays Bank plc on a non-recourse basis to Medi-Clinic's Southern African operations. The base interest rate in respect of this facility was fixed for ten years at the time of the transaction. The interest payable on debt of CHF1 610 million, raised to finance the purchase consideration, will not be tax deductible for a period of five years from the date of the transaction.

The remainder of the purchase consideration together with expenses, interest accrued on the purchase price and other costs, amounted to CHF1 114 million and was funded by Medi-Clinic by way of a rights offer of R4 500 million ("the rights offer") and existing debt facilities within the Group. The rights offer was for a total of 198 675 497 Medi-Clinic shares.

For more information about the transaction, see the company announcement of 2 August 2007, the detailed acquisition circular by Medi-Clinic to shareholders dated 17 August 2007 ("the Circular"), the company announcements of 10 September 2007 and 26 October 2007, as well as the company announcement relating to the rights offer of 26 October 2007. All these documents are available on the company's website, www.mediclinic.co.za.

IFRS and technical matters

Adjustment to prior year balance sheet

The adjustment of the prior year's balance sheet was because of:

- The finalisation of the provisional purchase price allocation ("PPA") in respect of the Hirslanden acquisition. The adjustment was made in accordance with IFRS 3 – Business Combinations and had no income statement effect.
- Previously, the Hirslanden pension plans disclosed a calculated surplus which was not recognised on the balance sheet of the Group in terms of the limit set by IAS 19 paragraph 58. During the finalisation of the provisional PPA, the values of the pension plans were reassessed, which resulted in the recognition of a pension liability at acquisition date, as well as at the prior year's balance sheet date. As a result of the recognition of the pension liability, further actuarial losses were recognised in the statement of recognised income and expense ("SoRIE") for the period ended 31 March 2008. See further comments under Swiss pension liability below.

These adjustments had the following effect on the prior year balance sheet:

	As previously reported	Adjustments	As adjusted
Intangible assets	R6 079m	R22m	R6 101m
Share capital and reserves	R8 880m	(R320m)	R8 560m
Deferred income tax liabilities	R5 187m	(R99m)	R5 088m
Retirement benefit obligations	R177m	R462m	R639m
Short-term interest-free borrowings	R2 344m	(R21m)	R2 323m

Fair value of Swiss liabilities

The Group manages its exposure to interest rates by entering into fixed interest rate hedges from time to time. As mentioned above, the base interest rate in respect of the Barclays facility of CHF2 450 million was fixed for ten years at the time of the transaction. The facility has a fixed term of seven years with a fixed interest rate of 5.62% for the entire period.

IAS 39 Financial Instruments requires derivative financial instruments to be measured at fair value, which was determined by the Group through discounted cash flow analyses, using prevailing and expected interest rates. On the other hand, borrowings are also required to be recognised at fair value, being at amortised cost which is effectively at face value.

The global financial crisis had, inter alia, two distinct consequences to the cost of third party funding. Firstly, short term and long term interest rates declined significantly because of the easing of monetary policies by central banks. Secondly, the credit spreads of funding (or margins charged by third party funders) increased dramatically due to the lack of liquidity and risk averseness by third party funders.

Due to lower interest rates the hedge is recognised at its fair value being a liability of 2 353 million (CHF283 million) included under "Derivative financial instruments" in the Group's balance sheet. However, the Barclays facility is recognised at its amortised cost, being its face value, which does not recognise the low total cost of funding of 5.62% available until October 2014. Current market rates, if funding is available at all, would conservatively range between 8% and 9%. Consequently, the Group's borrowings in respect of the Barclays facility are overstated at amortised cost compared to if the loan was properly valued. By only valuing the hedge, only one portion of the Group's borrowings is valued at fair value, hence the Group's total borrowings is overstated. This situation is further exacerbated by the fact that the fair value liability recognised in respect of the hedge is not a real liability for the Group being a going concern, a fundamental premise on which the annual financial statements are compiled. The liability will disappear with the efflux of time. In the interim, the fair value will be influenced by relative interest rates which are not in the Group's control, precisely the reason why the hedge was taken out.

This obviously also applies to the Southern African borrowings of which interest rates are hedged, but with a much less material impact.

Swiss pension liability

Hirslanden provides defined contribution pension plans in terms of Swiss law to employees, the assets of which are held in separate trustee administered funds. These plans are funded by payments from employees and Hirslanden, taking into account the recommendations of independent qualified actuaries. Due to the strict definition of defined contribution plans in IAS 19, these plans are classified as defined benefit plans for IFRS purposes, since the funds take some investment and longevity risk in terms of Swiss law.

Using the projected unit credit method prescribed for defined benefit plans, the pension liability calculated in accordance with IAS 19 amounted to R765 million (CHF92 million) (2008: R462 million (CHF57 million)) included under "Retirement benefit obligations" in the Group's balance sheet. However, under Swiss pension law and the consequent accounting approach, the underfunding in the pension funds amounted to R191 million (CHF24 million) at 31 March 2009. In addition, and importantly, if a statutory deficit occurs, the trustees of the funds have certain alternatives to address the deficit. They

may, for example, reduce the benefits credited to members albeit not below statutory required minimums. The plans were 93% funded at 31 March 2009 and, in terms of Swiss practice, it is acceptable for trustees not to take these measures at these levels. Therefore, from an economic and legal point of view this underfunding does not lead to a liability for Hirslanden at 31 March 2009. In this respect, the Group's liabilities are overstated by a further amount of R765 million.

The prior year adjustment of R462 million (CHF57 million) in respect of the Swiss pension liability came about because Hirslanden changed its actuaries during the year. The legal peculiarities of Swiss pension plans have the result that such plans do not fit well to the inflexible prescribed methodology of IAS 19. The allocation of the liability to accrued and future service is one area impacted by this. Swiss actuaries use different methodologies to allocate the present value of future benefits to past and future service costs in order to determine the defined benefit obligations of a particular plan. Using these different actuarial methodologies may lead to significant different results. The newly appointed actuary used a different methodology than the previous actuary, which mainly explains the difference in the two valuations.

Segmental reporting

The Group has elected to early adopt IFRS 8 – Operating Segments in advance of its effective date. IFRS 8 is a disclosure Standard and has no impact on the reported results or financial position of the Group. Apart from the geographic platforms, the business is segmented into the hospital services and property segments consistent with the way in which the business as a whole is managed.

GROUP FINANCIAL PERFORMANCE

Trading results

Due to the Hirslanden acquisition, the Group results are not directly comparable with those of the previous period.

Group revenue increased by 71% to R16 351 million (2008: R9 579 million) for the year under review. Operating income before interest, taxation, depreciation and amortisation ("EBITDA") was 66% higher at R3 431 million (2008: R2 062 million). Headline earnings rose by 3% to R624 million (2008: R608 million) after incurring higher finance charges, mainly resulting from the Hirslanden transaction. Basic headline earnings per ordinary share declined by 23% to 111.5 cents (2008: 144.5 cents) due to the higher finance charges and the 33% increase in the weighted number of ordinary shares resulting from the rights offer. The decline in the Group's headline earnings per share was, therefore, mainly as a result of the Hirslanden acquisition, as anticipated and communicated at the time of the acquisition.

The total dividend per ordinary share at 68.6 cents (2008: 61.2 cents) is 12% higher, in line with the Southern African group's performance.

During the reporting period, the Group, through a wholly owned subsidiary, acquired 3 009 622 of its own shares in the market for about R55 million to be held as treasury shares. It utilised 1 271 889 of the treasury shares for the Group's executive share option scheme and management incentive scheme.

Finance cost

Included in the finance cost is an amount of R81 million (2008: R16 million), being the current year's amortisation in respect of raising fees paid on the Group's local and offshore debt. These amounts are amortised over the terms of the relevant loans in line with future cash payments as prescribed in IAS 39.

The margin applicable to the Barclays facility remained subject to a market flex to facilitate the syndication process. Barclays has now settled the margin finally, which brings the total interest rate payable on the Barclays facility to 5.62%, effective from 1 August 2008. Prior to 1 August 2008, a total interest rate of 5.27% was charged. Barclays communicated the increase in its margin to the Group on 14 October 2008.

Foreign exchange rates

The Rand displayed some volatility during the reporting period against the Swiss Franc and the United States Dollar (against which the UAE Dirham is pegged at AED3.675 to the US Dollar). The spot rate of the CHF moved from R8.14 at 31 March 2008 to R8.32 at year end, with an average rate of R8.01 for the year (R6.60 for the period from 26 October 2007 to 31 March 2008). The spot rate of the AED moved from R2.20 at 31 March 2008 to R2.58 at year end, with an average rate of R2.41 (2008: R1.94) for the year. In terms of accounting convention, the offshore balance sheets are converted at spot rate, while the trading

results in the offshore income statements are converted at the average rate. The difference between the spot rate and the average foreign exchange rate results in a distortion when ratios between the balance sheet and the income statement are calculated in Rand. Therefore, the spot rate should also be used for translating EBITDA to achieve the actual ratio.

The resulting currency translation difference, being the amount by which the Group's interest in the equity of the two foreign platforms increased merely as a result of the movement in the spot rate, amounted to R267 million (2008: R2 326 million) and was credited to the Statement of Recognised Income and Expense.

Cash flow

The Group's cash flow continued to be strong mainly due to efficient working capital management. The Group converted 98% of EBITDA into cash generated from operations. Cash and cash equivalents increased from R801 million at 31 March 2008 to R994 million at year end.

Interest-bearing borrowings

Interest-bearing borrowings ("debt") increased from R23 397 million at 31 March 2008 to R24 590 million. It is important to note that the foreign debt in Switzerland and Dubai, amounting R20 723 million, is matched with foreign assets in the same currencies. The foreign debt also has no recourse to the Southern African operations' assets, as stipulated by the South African Reserve Bank as well as applicable financing arrangements.

OPERATIONS IN SOUTHERN AFRICA

MEDI-CLINIC SOUTHERN AFRICA GROUP

Financial performance

The Southern African group revenue increased by 12% to R6 792 million (2008: R6 056 million) for the year under review. EBITDA was 12% higher at R1 458 million (2008: R1 302 million).

After incurring depreciation charges of R177 million (2008: R159 million), net finance charges of R328 million (2008: R231 million), taxation of R284 million (2008: R278 million) and deducting the interest of minority shareholders in the attributable income of the Southern African group amounting to R117 million (2008: R109 million), the Southern African operations contributed R553 million (2008: R527 million) to the attributable income of the Group.

Business performance

The 12% revenue growth was achieved through a 3.3% increase in bed-days sold and an 8.6% increase in the average income per bed-day, while the profile of patients treated remained stable. The increase in utilisation was evident in both surgical and medical cases. The number of patients admitted increased by 2.5%, while the average length of stay increased by almost 1%.

The Southern African group operations maintained its EBITDA margin at 21.5% despite inflationary pressure during the last six months of the 2008 calendar year.

During the reporting period the Southern African operations spent R381 million (2008: R195 million) on capital projects and new equipment to enhance its business as well as R184 million (2008: R161 million) on the replacement of existing equipment. In addition, R185 million (2008: R173 million) was spent on the repair and maintenance of property and equipment, charged through the income statement. For the next financial year, R308 million is budgeted for capital projects and new equipment to enhance its business, while R197 million is budgeted for the replacement of existing equipment. Incremental EBITDA resulting from capital projects in progress or approved should amount to R8 million and R47 million in 2010 and 2011, respectively.

The number of hospital beds increased from 6 776 to 6 855 during the year under review.

The construction of the new 140 bed Cape Gate Medi-Clinic in the Western Cape is expected to be completed during March 2010. Extensive upgrade projects are in progress at Panorama Medi-Clinic, Constantiaberg Medi-Clinic and Hermanus Medi-Clinic, the latter of which includes the addition of 25 beds. Other significant projects that are planned to commence during the next financial year are the addition of 20 beds at Nelspruit Medi-Clinic and the addition of at least 30 beds at Limpopo Medi-Clinic. Both projects are only due for commissioning in the 2012 financial year.

The number of beds is expected to increase from 6 855 to 7 024 during the next financial year.

The Southern African operations' cash flow continued to be strong during the period under review. It converted 104% (2008: 96%) of EBITDA into cash generated from operations. Cash and cash equivalents increased from R360 million at 31 March 2008 to R368 million at year end.

Debt increased from R3 699 million at 31 March 2008 to R3 867 million at year end primarily to finance the capital expenditure referred to above.

The process to develop a National Health Insurance ("NHI") system for South Africa was reaffirmed at the ANC congress in Polokwane during December 2007 and has gained much momentum since then. Medi-Clinic is well positioned to take part in the process that lies ahead and will endeavour to make a meaningful contribution towards finding sustainable solutions for the South African challenges.

The Reference Price List ("RPL") process, by which a methodology and framework to calculate benchmark tariffs will be established, is ongoing. The private hospital industry started its process of engagement with the National Department of Health, in terms of the current regulations, to determine a RPL for the 2010 calendar year. Two international independent accounting firms have been appointed by the Hospital Association of Southern Africa to provide their independent opinion on the methodology of the benchmark tariffs. The National Department of Health also appointed an international independent accounting firm as its consultant. Based on its own experience and tariff calculations, the Group is convinced that the result of the exercise will show that current tariffs charged by the Group are in actual fact lower than the benchmark tariff if scientifically calculated according to internationally accepted costing principles.

Medi-Clinic Southern Africa undertakes to support the newly appointed Minister of Health, Dr. Aaron Motsoaledi. It is looking forward to a constructive relationship between the public and private sectors where cooperation between the sectors can lead to innovative solutions in addressing access to quality healthcare. It would also like to thank the outgoing Minister of Health, Ms. Barbara Hogan, for the positive contribution that she has made towards uniting healthcare stakeholders during her relatively short period in office. Her vision and dynamic leadership were sincerely appreciated.

OPERATIONS IN SWITZERLAND

HIRSLANDEN

The Group consolidated Hirslanden's results from the effective date of its acquisition, 26 October 2007. During the previous reporting period, Hirslanden's revenue was R3 041 million (CHF461 million) and EBITDA was R710 million (CHF107 million).

Although not included in the Group's results for the comparative year under review, the comparative figures and statements below are provided for a pro forma full year to give shareholders a better understanding of the underlying trends in the businesses.

Financial performance

Hirslanden's revenue increased by 41% (9% at constant foreign exchange rates) to R8 737 million (CHF1 091 million) (2008: R6 186 (CHF1 001 million)) for the year under review. EBITDA was 43% (10% at constant foreign exchange rates) higher at R1 961 million (CHF245 million) (2008: R1 372 million (CHF222 million)).

After incurring depreciation charges of R454 million (CHF57 million) (2008: R154 million (CHF23 million)), net finance charges of R1 166 million (CHF146 million) (2008: R387 million (CHF59 million)) and taxation of R218 million (CHF27 million) (2008: R86 million (CHF13 million)), Hirslanden contributed R124 million (CHF16 million) (2008: R83 million (CHF13 million)) to the attributable income of the Group. (Comparative amounts are for the period from the effective date of the Hirslanden acquisition, 26 October 2007, in this paragraph only and not for a pro forma full year.)

Business performance

Inpatient admissions increased by 5% while day surgery admissions improved by 8%. The average length of stay remained fairly constant.

The EBITDA margin of the group increased from 22.2% to 22.5%.

During the reporting period, Hirslanden spent R227 million (CHF28 million) on capital projects and new equipment to enhance its business as well as R359 million (CHF45 million) on the replacement of existing equipment. In addition, R231 million (CHF29 million) was spent on the repair and maintenance of property and equipment, charged through the income statement. For the next financial year, CHF42 million is budgeted for capital projects and new equipment to enhance its business, while CHF58 million is budgeted for the replacement of existing equipment. Included in the budgeted amount for capital projects is an amount of CHF25 million for capital projects which was transferred to the 2010 financial year due to delays in approvals, which have now all been received. Incremental EBITDA resulting from capital projects in progress or approved should amount to CHF11 million and CHF21 million in 2010 and 2011, respectively.

A second linear accelerating oncology machine and a Cyberknife (a state of the art non-invasive stereo tactic radiation device for the treatment of tumours and metastases, the first of its kind in Switzerland) were successfully commissioned at Klinik Hirslanden during June 2008 and March 2009, respectively. A state of the art centre for neurology, neurosurgery and neuroradiology (with the neurology component still under development) and an international centre for laparoscopic neuro-functional pelvic surgery with two renowned surgeons, were both opened at Klinik Hirslanden on 1 October 2008. The very successful Urology Centre at Klinik Hirslanden is being expanded by three renowned urologists in addition to the current two urologists. This expanded new Urology Centre will be commissioned on 1 November 2009. Planned investment in new technology, which provides for new treatment options and increased case load, includes a 3.0 tesla MR machine at Klinik Im Park as well as a dual source CT scanner and a catheterisation laboratory at Klinik Beau-Site.

The number of fully operational beds increased from 1 301 to 1 334 (based on the average number of beds for the year), with the addition of 27 (average) beds at Klinik Hirslanden and nine (average) beds at Klinik St. Anna and a temporary reduction of three beds (average) at Klinik Cecil.

In addition, projects for the increase of capacity at Klinik Aarau (28 beds), Klinik Im Park (two additional ICU beds, four additional intermediate care beds and an additional operating theatre) and Klinik St. Anna (seven new private rooms) were approved to be commissioned towards the end of 2009 and early in 2010 respectively. During the next financial year the total average number of beds is expected to increase slightly to 1 349 (Klinik St. Anna three; Klinik Aarau nine; Klinik Cecil three). Feasibility studies will be performed in the next financial year on the extensions of Klinik Hirslanden (approximately 50 beds), Klinik Beau-Site (approximately 23 beds) and Klinik St. Anna (approximately 30 beds).

Hirslanden produced strong cash flow during the period under review. It converted 99% (2008: 90%), after adjusting for the seasonality of cash flows and accrued transaction costs, both relating to the Hirslanden acquisition in the comparative period) of EBITDA into cash generated from operations. Cash and cash equivalents increased to R504 million (CHF61 million) (2008: R400 million (CHF49 million)) after financing capital expenditure.

Interest bearing debt increased from R19 481 million (CHF2 393 million) at 31 March 2008 to R19 949 million (CHF2 398 million) at year end net of capitalised debt transaction fees because of foreign exchange rate fluctuations.

The Swiss Federal Government approved a partial revision of the mandatory health insurance relating to hospital planning and financing, effective from 1 January 2009. The new legislation will have to be implemented by each canton commencing on 1 January 2012 with all elements aimed to be in place by 1 January 2015. Due to the complexity and diversity of the implementation at cantonal level, management, in consultation with an expert panel, is in the process of an in depth analysis of the potential impact of the proposed changes on Hirslanden's business.

OPERATIONS IN UNITED ARAB EMIRATES

Financial performance

Revenue increased by 71% (37% at constant foreign exchange rates) to R822 million (AED341 million) (2008: R482 million (AED249 million)) for the year under review. EBITDA declined by 76% (81% at constant exchange rates) to R12 million (AED5 million) (2008: R50 million (AED26 million)) mainly due to start-up losses at The City Hospital as expected and alluded to in earlier reports. The EBITDA includes a once-off profit on sale of property of R19 million (AED8 million).

As a result, the EBITDA margin declined from 10.3% to 1.5%.

After incurring depreciation charges of R53 million (AED22 million) (2008: R28 million (AED14 million)), net finance charges of R41 million (AED17 million) (2008: R18 million (AED9 million)) and the sharing of minority shareholders in the attributable loss of Emirates Healthcare amounting to R41 million (AED17 million) (2008: sharing in the attributable income of R2 million (AED1 million)), Emirates Healthcare made a negative contribution of R41 million (AED17 million) (2008: a positive contribution of R2 million (AED2 million)) to the attributable income of the Group.

Business performance

Revenue of the units in full operation, being the Welcare Hospital, the Emirates Diagnostic Clinic, the Welcare Ambulatory Care Centre and the Welcare Eye Clinic, increased by 50% (21% at constant foreign exchange rates) to R718 million (AED298 million) (2008: R478 million (AED246 million)) and EBITDA by 77% (43% at constant foreign exchange rates) to R145 million (AED60 million) (2008: R82 million (AED42 million)).

The start up operations, namely The City Hospital, EHL Management Services, Welcare Qusais Clinic and Welcare Mirdiff Clinic generated revenue of R104 million (AED43 million) (2008: R4 million (AED2 million)), but generated start up operating losses at EBITDA level of R133 million (AED55 million) (2008: R32 million (AED16 million)). Except for The City Hospital, all the other units are now fully operational and will generate positive EBITDA during the next reporting period.

The City Hospital was commissioned successfully on 15 October 2008, after passing rigorous international accreditation requirements. Agreements with insurance companies are concluded on a calendar year basis and most agreements could therefore only be finalised from January 2009. Since then, it is pleasing to report that month on month increases in the number of admissions exceeded expectations. However, it is expected that The City Hospital will still incur start up losses for the next financial year, with break even at an EBITDA level expected to be reached by about November 2009. During March 2009, The City Hospital already generated revenue of more than AED10 million. The operations of the Welcare Eye Clinic were merged with The City Hospital in October 2008.

During the reporting period Emirates Healthcare spent R251 million (AED104 million) (2008: R337 million (AED174 million)) to complete and equip The City Hospital and R33 million (AED14 million) (2008: R30 million (AED16 million)) on the replacement of existing equipment. In addition, R24 million (AED10 million) (2008: R13 million (AED7 million)) was spent on the repair and maintenance of property and equipment, charged through the income statement.

In line with the start up losses referred to above, Emirates Healthcare had a negative cash flow from operating activities before working capital changes of R7 million (AED3 million) (2008: positive cash flow of R51 million (AED26 million)), while the investment in working capital (mainly working capital for The City Hospital) required a further R108 million (AED45 million) (2008: a reduction in working capital of R114 million (AED59 million)). This resulted in a cash outflow from operations of R115 million (AED48 million) (2008: cash generated from operations of R165 million (AED85 million)).

After funding the capital expenditure and the cash outflow from operations, the bank facilities of Emirates Healthcare are now fully drawn in the amount of R774 million (AED300 million) (2008: R217 million (AED98 million)). Cash and cash equivalents amounted to R122 million (AED47 million) (2008: R40 million (AED18 million)).

PROSPECTS

Three well defined platforms for growth have been established successfully within the Group. The South African private hospital industry is one of the most developed and mature in the world. It offers a great deal to the international world specifically in terms of best practices relating to cost effectiveness and quality of care. In Switzerland, Hirslanden is the leading provider of acute private hospital care in an economically stable country. It has an excellent reputation with high quality facilities enabling it to attract top medical specialists. Hirslanden provides a solid platform for future Swiss and European expansion. The investment in Emirates Healthcare, which is more green fields by nature, offers a platform for incremental growth in the Middle East where a growing need for cost-effective quality private healthcare continues to exist.

In Dubai, with The City Hospital successfully commissioned, admissions are increasing steadily.

The Group continues to invest significant resources across its three platforms.

Inflationary cost pressures were experienced at all three platforms, but the Group was successful in managing these pressures.

Regulatory issues are part and parcel of the healthcare environment. The Group, particularly in Switzerland and Southern Africa, is constantly monitoring the regulatory environment with a view to pro-actively play a role in decision making or adjust to a potential new environment. Health monitoring units have been established at the platforms with this purpose in mind.

Without the benefit of clear foresight on how the global financial crisis will finally play out, the Group remains optimistic about its operational prospects for the next year. Shareholders should also note that the dilutionary effect of the additional shares issued in terms of the rights issue at the time of the Hirslanden transaction on the Group's headline earnings per share will not recur in the next financial year.

In terms of the Group's current dividend policy, the dividend per share is derived from the performance of the Southern African operations. Although the Group's ability to pay dividends will be dictated by the cash flow of the Southern African operations, the Group will in future target a dividend cover of three times based on Group headline earnings which is more in line with levels prior to the Hirslanden transaction. This does not imply a reduction in dividend per share, only an indicative target which the Board would seek to achieve over time.

CHANGES TO THE BOARD OF DIRECTORS

As previously reported in the commentary to the Group's interim results, the following changes to the board of directors occurred during the year.

Mr J du T Marais, who served as an executive director (technical) of Medi-Clinic since 1985, has retired and did not offer himself for re-election at the annual general meeting of the company on 30 July 2008. Ms S Dakile-Hlongwane, who served as a non-executive director for more than 8 years, also did not offer herself for re-election at the annual general meeting. Dr V E Msibi, who served as a non-executive director since 2005 representing Phodiso Holdings, one of the Group's strategic black partners, tragically passed away on 12 July 2008. Dr R H Bider, who served as an executive director of Medi-Clinic since 2007 (in his capacity as the Chief Executive Officer of Hirslanden) also retired and resigned from the Board of Medi-Clinic with effect from 5 November 2008. The valuable inputs of all of these past members of the Board are greatly appreciated and will be long remembered.

Ms Z P Manase was co-opted as an independent non-executive director with effect from 16 September 2008. Dr M K Makaba was also co-opted as a non-executive director with effect from 16 September 2008 representing Phodiso Holdings. The Board of Medi-Clinic approved the co-option of Dr T O Wiesinger, the new Chief Executive Officer of Hirslanden, as an executive director with effect from 6 November 2008.

REPORTS OF THE INDEPENDENT AUDITOR

The annual financial statements have been audited by PricewaterhouseCoopers Inc. and their unqualified audit reports on the comprehensive annual financial statements and the abridged financial statements are available for inspection at the registered office of the Company.

BASIS OF PREPARATION

The financial results have been prepared in accordance with the recognition and measurement requirements of IFRS and the disclosure requirements of IAS 34. These financial results incorporate accounting policies that are consistent with those adopted in prior years, with the exception of the early adoption of IFRS 8 – Operating Segments. Refer to the section on segmental reporting.

DIVIDEND TO SHAREHOLDERS

The board of directors declared a final dividend of 47.0 cents per ordinary share.

In compliance with the requirements of STRATE, the following dates are applicable:

Last date to trade cum dividend	Friday, 19 June 2009
First date of trading ex dividend	Monday, 22 June 2009
Record date	Friday, 26 June 2009
Payment date	Monday, 29 June 2009

Share certificates may not be dematerialised/rematerialised from Monday, 22 June 2009 to Friday, 26 June 2009, both days inclusive.

Signed on behalf of the board of directors:

E DE LA H HERTZOG

Chairman

Stellenbosch, 19 May 2009

LJ ALBERTS

Chief Executive Officer

DIRECTORS: E de la H Hertzog (Chairman), L J Alberts (Chief Executive Officer), J C Cohen, M K Makaba, Z P Manase, A R Martin, D P Meintjes, K H S Pretorius, A A Raath, M A Ramphele, D K Smith, J G Swiegers, W L van der Merwe, M H Visser, T O Wiesinger

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