



# MEDI-CLINIC CORPORATION LIMITED

## UNAUDITED INTERIM GROUP RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

### SALIENT FEATURES

GROWTH IN REVENUE	+24 %
INCREASE IN EBITDA	+21 %
RESULTS OF EMIRATES HEALTHCARE INCLUDED FOR THE FIRST TIME	
ACQUISITION OF HIRSLANDEN EFFECTIVE 26 OCTOBER 2007	



GROUP INCOME STATEMENT	Unaudited	Increase	Unaudited	Audited
	6 months to 30/09/07		6 months to 30/09/06	Year to 31/03/07
	R'm	%	R'm	R'm
<b>Revenue</b>	<b>3,228</b>	<b>24</b>	<b>2,605</b>	<b>5,364</b>
Cost of sales	(1,748)		(1,431)	(2,928)
Administration and other operating expenses	(819)		(629)	(1,285)
<b>Operating profit before depreciation (EBITDA)</b>	<b>661</b>	<b>21</b>	<b>545</b>	<b>1,151</b>
Depreciation	(86)		(67)	(146)
Profit on sale of equipment	-		-	1
<b>Operating profit</b>	<b>575</b>	<b>20</b>	<b>478</b>	<b>1,006</b>
Income from associates	-		-	1
Finance income	15		22	44
Finance cost	(53)		(44)	(88)
<b>Profit before taxation</b>	<b>537</b>		<b>456</b>	<b>963</b>
Taxation	(157)		(133)	(270)
<b>Profit for the period</b>	<b>380</b>		<b>323</b>	<b>693</b>
<b>Attributable to:</b>				
Shareholders of the company	322		272	582
Minority interest	58		51	111
	<b>380</b>		<b>323</b>	<b>693</b>
Earnings per ordinary share - cents				
- Basic	89.3	17	76.2	162.5
- Diluted	81.4		69.0	147.5
<b>Headline earnings per ordinary share - cents</b>				
- Basic	89.3	17	76.2	162.2
- Diluted	81.4		69.0	147.2
<b>Earnings reconciliation:</b>				
Profit attributable to shareholders	322		272	582
Profit on sale of equipment	-		-	(1)
<b>Headline earnings</b>	<b>322</b>	<b>18</b>	<b>272</b>	<b>581</b>

GROUP STATEMENT OF CHANGES IN EQUITY	Unaudited	Unaudited	Audited
	6 months to 30/09/07		6 months to 30/09/06
	R'm	R'm	R'm
Opening balance	2,820	1,931	1,931
Minorities acquired	-	-	391
Distributed to shareholders	(127)	(122)	(178)
Distributed to minorities	(29)	(25)	(40)
Profit for the period	380	323	693
Cash flow hedges, net of tax	(661)	-	-
Movement in shares held in treasury	6	4	13
Movement in share-based payment reserve	4	4	8
Movement in foreign currency translations	(43)	-	4
Minority interest acquired by the group	(59)	-	(2)
	<b>2,291</b>	<b>2,115</b>	<b>2,820</b>

GROUP BALANCE SHEET	Unaudited	Unaudited	Audited
	30/09/07		30/09/06
	R'm	R'm	R'm
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>4,005</b>	<b>2,685</b>	<b>3,709</b>
Property, plant and equipment	3,391	2,445	3,124
Intangible assets	474	48	419
Investments - unlisted	6	72	46
Deferred income tax assets	134	120	120
<b>Current assets</b>	<b>1,343</b>	<b>1,122</b>	<b>1,780</b>
Inventories	190	158	190
Trade and other receivables	873	606	874
Cash and cash equivalents	280	358	716
<b>Total assets</b>	<b>5,348</b>	<b>3,807</b>	<b>5,489</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Total equity</b>	<b>2,291</b>	<b>2,115</b>	<b>2,820</b>
Share capital and reserves	1,593	1,799	2,068
Minority interest	698	316	752
<b>Total liabilities</b>	<b>3,057</b>	<b>1,692</b>	<b>2,669</b>
Long-term interest-bearing borrowings	928	810	996
Retirement benefit obligations	146	116	129
Deferred income tax liabilities	4	5	5
Derivative financial instruments	677	-	-
Short-term interest-bearing borrowings	248	76	628
Short-term interest-free borrowings	1,054	685	911
<b>Total equity and liabilities</b>	<b>5,348</b>	<b>3,807</b>	<b>5,489</b>
Number of ordinary shares ('000)	361,120	357,910	359,369
Weighted number of ordinary shares ('000)	360,038	356,832	357,606
Diluted number of ordinary shares ('000)	395,014	394,320	394,107
Net asset value per ordinary share - cents	441	503	575
Directors' valuation of unlisted investments	6	72	46

GROUP CASH FLOW STATEMENT	Unaudited	Unaudited	Audited
	6 months to 30/09/07		6 months to 30/09/06
	R'm	R'm	R'm
Cash flow from operating activities	620	515	837
Cash generated from operations	803	696	1,187
Net finance cost	(38)	(22)	(44)
Taxation paid	(145)	(159)	(306)
Cash flow from investment activities	(466)	(138)	(672)
Cash flow from financing activities	(353)	(175)	43
Distributions to shareholders	(127)	(122)	(178)
Distributions to minorities	(29)	(25)	(40)
Movement in borrowings	(203)	(32)	248
Other	6	4	13
Net movement in cash, cash equivalents and bank overdrafts	(199)	202	208
Opening balance of cash, cash equivalents and bank overdrafts	357	149	149
Exchange rate fluctuations on foreign cash	(5)	-	-
Closing balance of cash, cash equivalents and bank overdrafts	153	351	357
Cash and cash equivalents	280	358	716
Bank overdrafts	(127)	(7)	(359)
	<b>153</b>	<b>351</b>	<b>357</b>

SEGMENTAL REPORT	Unaudited	Unaudited	Audited
	6 months to 30/09/07		6 months to 30/09/06
	R'm	R'm	R'm
<b>Revenue</b>			
Southern Africa	3,000	2,605	5,364
Middle East	228	-	-
<b>EBITDA</b>			
Southern Africa	638	545	1,151
Middle East	23	-	-
<b>Operating profit</b>			
Southern Africa	565	478	1,006
Middle East	10	-	-
<b>Assets</b>			
Southern Africa	4,185	3,807	3,951
Middle East	1,163	-	1,538
<b>Liabilities</b>			
Southern Africa	2,789	1,692	2,212
Middle East	268	-	457
Average exchange rate (R/AED) for the period ending 30 September 2007 : 1.93			
Closing exchange rate (R/AED) at 30 September 2007 : 1.87 (31 March 2007 : 1.98)			

### COMMENTARY

We are pleased to report that the group has maintained its consistent growth pattern. It strengthened its operational performance and continued to implement strategic initiatives to expand the group's operations in South Africa and other countries.

#### THE GROUP

##### Financial performance

Group revenue, which consists mainly of hospital fees levied, increased by 24% to R3 228 million (2006: R2 605 million) for the six months under review. Operating income before interest, taxation, depreciation and amortisation ("EBITDA") was 21% higher at R661 million (2006: R545 million). Headline earnings rose by 18% to R322 million (2006: R272 million) resulting in an increase of 17% in headline earnings per ordinary share to 89.3 cents (2006: 76.2 cents). The interim dividend per ordinary share at 19.3 cents (2006: 16.5 cents) is 17% higher.

##### Business performance

The Southern African operations acquired a 51% interest in the 200-bed Protector hospitals effective from 8 November 2006. As alluded to in more detail in the report on the Southern African section, the group also acquired from Phodiso Holdings ("Phodiso") its 49% interest in Tshwane Private Hospitals ("Tshwane") as well as its 49% interest in Phodisclinics effective from 1 April 2007. The acquisition of Phodiso's interests in Tshwane and Phodisclinics decreases the amount attributable to minorities in the group's income statement.

The group obtained a controlling equity interest of 50% plus one share, with board and management control in Emirates Healthcare effective 27 March 2007. It owns and operates one of the two biggest private hospitals in Dubai, the 120-bed Welcare Hospital, along with one ambulatory surgery centre and two clinics which are in close proximity.

Due to the above transactions, the current period's results are not directly comparable with those of the previous period.

As discussed in more detail under the heading of Switzerland below, the Hirslanden operations were acquired at an enterprise value of CHF3 364 million, effective on 26 October 2007. Although the financial effects of this transaction are not reflected in the group's results under review, it will transform the group into a truly international business.

The group's cash flow continued to be strong mainly due to efficient working capital management. The group converted 121% (2006: 128%) of EBITDA into cash generated from operating activities. Cash and cash equivalents decreased to R280 million from R716 million at 31 March 2007 mainly by reducing short term interest-bearing borrowings from R628 million at 31 March 2007 to R248 million and also financing capital expenditure and investments.

Interest-bearing borrowings ("debt") decreased from R1 624 million at 31 March 2007 to R1 176 million resulting in a strengthening of the debt to equity ratio from 58% to 51%.

Capital expenditure for the period under review was R386 million (2006: R185 million). Capital commitments (including amounts approved but not yet contracted for) amount to R723 million (2006: R312 million).

#### SOUTHERN AFRICA

##### Financial performance

The Southern African revenue increased by 15% to R3 000 million (2006: R2 605 million) for the six months under review. EBITDA was 17% higher at R638 million (2006: R545 million). Headline earnings rose by 18% to R322 million (2006: R272 million).

##### Business performance

As mentioned, the Southern African operations acquired a 51% interest in the 200-bed Protector hospitals effective from 8 November 2006. It also acquired from Phodiso Holdings ("Phodiso") its 49% interest in Tshwane, which in turn holds a 63% interest in Curamed Holdings, as well as its 49% interest in Phodisclinics effective from 1 April 2007. Curamed Holdings owns all the group's hospitals in Pretoria with 738 beds while Phodisclinics owns the 200-bed Protector hospitals as well as the license to the 140 bed Cape Gate Medi-Clinic in the northern suburbs of the Cape Metropole. Together with other external finance, Phodiso will mainly utilise the proceeds to follow most of its rights in terms of the rights issue of the group announced on 26 October 2007 and referred to below. The acquisition of Phodiso's interests in Tshwane and Phodisclinics decreases the amount attributable to minorities in the group's income statement.

Due to the above transactions, the current period's results are not directly comparable with those of the previous period. Excluding the increase in capacity due to the acquisition of the Protector hospitals, the Southern African operations' revenue growth amounted to 12%. This revenue growth was achieved through a 4% increase in bed-days sold, a 6% increase in the average income per bed-day and a 2% change in the profile of patients treated. The increase in utilisation was evident in both surgical and medical cases. The number of patients admitted increased by 4% while the average length of stay remained the same.

The Southern African operations' EBITDA margin increased from 20.9% to 21.3% due to improved operational efficiencies.

The Southern African operations' cash flow continued to be strong during the period under review, mainly due to efficient working capital management. The group converted 121% (2006: 128%) of EBITDA into cash generated from operating activities. Cash and cash equivalents increased to R246 million from R211 million at 31 March 2007 after financing capital expenditure and investments.

Debt decreased from R1 317 million at 31 March 2007 to R1 084 million resulting in a strengthening of the debt to equity ratio from 76% to 53%.

Capital expenditure for the period under review was R191 million (2006: R185 million). Capital commitments (including amounts approved but not yet contracted for) amount to R632 million (2006: R312 million).

##### Industry matters

Affordability will always remain a critical issue in the healthcare industry internationally, but especially in developing countries.

Throughout the world increased healthcare costs are driven by increased utilisation resulting from factors such as the ageing population, new technology, patient expectations and the increased burden of disease. The situation is exacerbated by an international shortage of skilled nursing staff. This leads to and will for the foreseeable future continue to lead to sustained pressure for higher nursing salaries.

The private hospital industry in South Africa plays a significant role in the delivery of healthcare services and is the biggest local investor in the healthcare industry. As a major role-player in the healthcare industry, private hospitals participated in the recent Private Healthcare Indaba, hosted by the National Department of Health. Proposals were presented to address the challenges of access to and affordability of healthcare services. Medi-Clinic is actively participating in follow-up industry initiatives to respond to concerns regarding the private health sector, as raised at the Private Healthcare Indaba. The group will continue to

strive for the sector to play a meaningful role in broadening access to healthcare and is preparing to further engage with Government on this issue.

#### UNITED ARAB EMIRATES ("UAE")

As mentioned, the group obtained a controlling equity interest of 50% plus one share, with board and management control in Emirates Healthcare effective 27 March 2007 for an amount of US\$53.1 million (R384.2 million). General Electric Company, a member of the General Electric Group, subscribed for a 6.59% equity interest for an amount of US\$7 million. Mr Sunny Varkey (the founder and chairman of Emirates Healthcare) will retain an equity interest of 43.41%. The group also subscribed for cumulative variable rate participating redeemable convertible preference shares in Emirates Healthcare for an amount of US\$21.5 million (R155.2 million).

Emirates Healthcare owns and operates one of the two biggest private hospitals in Dubai, UAE, the 120-bed Welcare Hospital, along with one ambulatory surgery centre, two clinics and one specialist eye clinic with a further clinic under construction. It has also commenced with the construction of the first multi-disciplinary hospital in Dubai Health Care City ("DHCC"), the City Hospital with 210 beds, which is scheduled for commissioning towards the second quarter of 2008. In addition, Emirates Healthcare has the right to develop an additional 150 bed hospital in DHCC. This makes Emirates Healthcare one of the largest private healthcare providers in Dubai.

Emirates Healthcare, through a subsidiary, Welcare World Health Systems ("WWHS"), is currently making a significant investment in infrastructure, mainly in systems and human capital to ensure a solid platform to take advantage of the many growth opportunities in the region.

##### Financial performance

The UAE revenue amounted to R228 million for the six months under review. EBITDA was R23 million. After incurring depreciation charges of R13 million, net finance costs of R9 million and a loss from associates of R1 million, Emirates Healthcare broke even during the period under review.

The fully operating units, being the Welcare Hospital, the Emirates Diagnostic Clinic ("EDC"), the Welcare Ambulatory Care Centre ("WACC") and the Welcare Eye Clinic ("WEC"), produced revenue of R227 million and EBITDA of R36 million. The Welcare Clinic Al Qusais which opened for business on 7 July 2007 and WWHS had a turnover of R1 million, but generated start up operating losses at EBITDA level of R10 million. The City Hospital and the Welcare Clinic Mirdif, both still to be commissioned, incurred start up costs of R3 million.

##### Business performance

The Welcare Hospital increased its revenue and EBITDA by 16% and 17%, respectively, against the same period last year. It maintained an EBITDA margin of 14%.

The three clinics in full operation, namely EDC, WACC and WEC, maintained an EBITDA margin of 24%.

Due to late changes to the maternity section, the emergency unit and other specifications, the commissioning of the City Hospital has been postponed to the second quarter of 2008. The recruitment of doctors and nurses is progressing satisfactorily. Careful planning is required regarding the timing of the commissioning and staffing of the hospital.

Emirates Healthcare converted 382% of EBITDA into cash generated from operating activities. Cash and cash equivalents decreased to R34 million from R505 million at 31 March 2007. This was mainly due to the reduction in short term interest-bearing borrowings from R255 million at 31 March 2007 to R42 million and also to the financing of capital expenditure, mainly at the City Hospital.

Debt decreased from R307 million at 31 March 2007 to R92 million resulting in a strengthening of the debt to equity ratio from 28% to 10%.

Capital expenditure for the period under review was R195 million. Capital commitments (including amounts approved but not yet contracted for) amount to R91 million.

#### SWITZERLAND

As mentioned, the group acquired 100% of Hirslanden, the holding company of the largest private hospital group in Switzerland. The transaction became unconditional on 26 October 2007, which will also be the effective date of the transaction.

Hirslanden is the leading private hospital group in Switzerland, comprising 13 private acute care facilities located in nine cantons. It currently operates 1 275 beds, provides admitting rights to some 1 400 specialists and employs over 3 800 staff (full time equivalents).

The purchase price for the total issued share capital of Hirslanden is CHF2 556 million, which translates into an enterprise value of CHF3 364 million.

CHF2 450 million of new debt has been arranged by Barclays Capital, the investment banking division of Barclays Bank PLC. This is fully underwritten by Barclays Bank PLC, within Hirslanden, on a non-recourse basis to Medi-Clinic's Southern African operations. The debt was used to repay Hirslanden's existing debt and to pay part of the purchase price. The interest rates in respect of these facilities have been fixed. The interest paid on the debt raised to finance the purchase consideration amounting to CHF1 610 million, will not be tax deductible for 5 years.

The remainder of the purchase consideration which, together with expenses, interest accrued on the purchase price and other costs, amount to CHF1 114 million, will be contributed by Medi-Clinic. It will be funded by a rights issue of R4 500 million (see below) and existing debt facilities within the group.

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 company announcements of 10 September 2007 and 26 October 2007 as well as the company announcement relating to the rights issue of 26 October 2007. All these documents are available on the company's website, www.mediclinic.co.za.

##### Financial performance

The financial results of Hirslanden are not included in the group's financial results for the period under review, since the transaction only became effective on 26 October 2007. However, its financial results are provided to afford shareholders more updated information on Hirslanden.

Hirslanden's revenue for the six months ended 30 September 2007 amounts to CHF469 million, which is 2.3% and 7.5% higher than respectively budget and the same period last year. EBITDA was CHF98 million which is respectively 2.4% and 6.3% higher than budget and the same period last year.

Its revenue for the twelve months ended 30 September 2007 amounts to CHF957 million, which is 2.5% and 6.8% higher than respectively budget and the same period last year. EBITDA was CHF215 million which is respectively 2.1% and 5.6% higher than budget and the same period last year.

#### THE RIGHTS OFFER

The board of directors has resolved to proceed with the rights offer in order to raise an amount of up to R4 500 million. Approximately R4 000 million of the proceeds will be applied towards the equity contribution towards the Hirslanden transaction and the balance will be used to fund expansion opportunities in Medi-Clinic's Southern African operations.

The rights offer will be for a total of 198 675 497 Medi-Clinic shares ("rights offer shares") for subscription at a subscription price of 2 265 cents per rights offer share in the ratio of 50,38197 rights offer shares for every 100 Medi-Clinic shares held at the close of trade on Friday, 16 November 2007. If fully subscribed, the rights offer will raise R4 500 million.

Qualifying shareholders recorded in the register of Medi-Clinic at the close of business on Friday, 16 November 2007, will be entitled to participate in the rights offer.

Provision has been made for excess applications in terms of the rights offer.

The rights offer has been underwritten by RMB Asset Management (Proprietary) Limited (for and on behalf of its clients) and Stanlib Asset Management Limited (in its capacity as portfolio manager for Liberty Group Limited), to the extent that it is made to shareholders other than Remgro Limited ("Remgro") to a maximum amount of R1 569 million.

In addition, Remgro, a shareholder holding approximately 43% in Medi-Clinic, has irrevocably undertaken to follow its rights in respect of the rights offer, and portfolio managers, representing approximately 7% of the Medi-Clinic shares in issue, have irrevocably undertaken to recommend to their clients to follow their rights.

More detail about the rights offer, including the timetable, was published in the rights offer announcement on 26 October 2007. A rights offer circular will be posted to shareholders on or about 19 November 2007.

### PROSPECTS

The group has managed to transform itself into a truly international business. During the next full financial year, more than half of its revenue and EBITDA will be from sources outside South Africa.

Three platforms for growth have been established. The South African private hospital industry is one of the most developed and mature in the world. It offers a great amount to the international world specifically in terms of cost effectiveness and quality of care. The Hirslanden group could act as 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 exists.