



MEDI-CLINIC CORPORATION LIMITED

Reg. No. 1983/010725/06 Share code: MDC ISIN-code: ZAE000004370
 ("Medi-Clinic" – Incorporated in the Republic of South Africa)

PROFIT ANNOUNCEMENT

Audited results of Medi-Clinic Corporation Limited and its subsidiaries for the financial year ended 31 March 2005

Committed to Quality Care

HIGHLIGHTS

- Growth in revenue: 11%
- Headline earnings per share growth: 13%
- Distribution per share up: 13%

CONSOLIDATED INCOME STATEMENT

	2005 R'000	Increase %	2004 R'000
Revenue	4,039,907	11	3,642,763
Cost of sales	(2,236,117)		(2,046,544)
Administration and other operating expenses	(981,088)		(873,791)
Operating profit	822,702	14	722,428
Dividends	1,705		–
Interest received	57,051		45,618
Income from associates	24,776		17,331
Profit on sale of equipment	667		514
Consideration for the termination of agreements	50,000		–
Goodwill	(2,913)		(2,969)
Depreciation	(109,886)		(101,018)
Finance cost	(29,450)		(31,349)
Net profit before taxation	814,652		650,555
Taxation	210,673		174,008
Net profit after taxation	603,979		476,547
Minority interests	64,903		37,507
Attributable earnings	539,076		439,040
Headline earnings reconciliation:			
Attributable earnings	539,076		439,040
Goodwill	2,913		2,969
Profit on sale of equipment	(667)		(514)
After tax consideration for the termination of agreements	(42,500)		–
Attributable headline earnings	498,822	13	441,495
Headline earnings per ordinary share – cents	145.7	13	129.5
Earnings per ordinary share – cents	157.5		128.8
Distribution per ordinary share – cents			
Interim – capital distribution	13.3		11.9
Final	31.7		28.1
Capital distribution	12.9		28.1
Dividend	18.8		–
	45.0	13	40.0

CONSOLIDATED BALANCE SHEET

	2005 R'000	2004 R'000
Assets		
Non-current assets	2,203,879	2,082,900
Property, plant and equipment	1,935,843	1,846,126
Intangible assets	48,144	47,874
Investments – unlisted	113,856	102,631
Deferred taxation	106,036	86,269
Current assets	1,510,170	1,134,151
Inventories	136,434	137,846
Receivables and prepayments	525,211	545,237
Cash and cash equivalents	848,525	451,068
Total assets	3,714,049	3,217,051
Equity and liabilities		
Share capital and reserves	2,654,753	2,245,832
Minority interests	230,592	199,700
Long-term interest-bearing debt	159,214	167,803
Short-term interest-bearing debt	80,362	74,317
Interest-free debt and provisions	589,128	529,399
Total equity and liabilities	3,714,049	3,217,051
Number of ordinary shares ('000)	343,618	341,715
Weighted number of ordinary shares ('000)	342,368	340,840
Net asset value per ordinary share – cents	773	657
Directors' valuation of unlisted investments	153,332	144,844

STATEMENT OF CHANGES IN EQUITY

	2005 R'000	2004 R'000
Opening balance	2,242,033	1,917,276
Prior year adjustment	3,799	3,799
Distributed to shareholders	(141,594)	(119,841)
Net profit for the year	539,076	439,040
Movement in shares held in treasury	11,439	5,558
	2,654,753	2,245,832

CONSOLIDATED CASH FLOW STATEMENT

	2005 R'000	2004 R'000
Cash flow from operating activities	582,078	484,802
Cash generated from operating activities	920,827	818,903
Net finance income	27,601	14,269
Dividends received	1,705	–
Consideration for the termination of agreements	50,000	–
Taxation paid	(242,675)	(196,543)
Cash distributions to minorities	(33,786)	(31,986)
Capital distributions to shareholders	(141,594)	(119,841)
Cash flow from investment activities	(176,408)	(324,943)
Cash flow from financing activities	(8,213)	64,079
Net movement in cash and cash equivalents	397,457	223,938
Opening balance of cash and cash equivalents	451,068	227,130
Closing balance of cash and cash equivalents	848,525	451,068

COMMENTARY

We are pleased that the group continued its consistent growth pattern in the year under review.

Financial Performance

Revenue, which consists of hospital fees levied, increased by 11% to R4 040 million (2004: R3 643 million) for the year under review. Operating profit before interest, taxation, depreciation and amortisation (EBITDA) was 14% higher at R823 million (2004: R722 million). Headline earnings rose by 13% to R499 million (2004: R441 million) resulting in an increase of 13% in headline earnings per ordinary share to 145,7 cents (2004: 129,5 cents). The total distribution per ordinary share at 45,0 cents (2004: 40,0 cents) is 13% higher.

Business Performance

In comparing the results with the previous financial year, the increase in bed capacity by approximately 500 beds to about 6 400 beds due to the commissioning and acquisition of new hospitals reported on previously should be taken into account. The current period's results are, therefore, not directly comparable with those of the previous year. Excluding the increase in capacity, the group's turnover growth amounted to 9%.

On a comparable basis the group experienced an increase in admissions and bed-days sold of 1,2% and 3,2% respectively mainly as a result of an increase in medical cases. The group was successful in its efforts to enhance the affordability of healthcare costs, elaborated on later in this commentary. These efforts, in close collaboration with supporting doctors, resulted in a significant slowdown in pharmaceutical price inflation and in some instances a lowering of cost in the pharmaceutical usage mix. This trend is expected to continue.

The group's EBITDA margin increased from 19,8% to 20,4% mainly as a result of benefits realised from the integration and turnaround of the Curamed Group in Pretoria. We are pleased to report that the plans and actions taken to restore the attractiveness and profitability of these city hospitals are showing success. A number of new doctors have established their practices at these hospitals. Our empowerment partners have played an important role in the turnaround of Curamed. The higher figure of R64,9 million (2004: R37,5 million) allocated to minority interests is mainly attributable to the improved performance of the Curamed Group. With the support of the doctors and staff, the Curamed hospitals were successfully rebranded during the year as Medi-Clinic hospitals.

Cash flow continued to be strong during the period under review, mainly due to more efficient working capital management. The group converted 112% (2004: 113%) of EBITDA into cash generated from operating activities. Cash and cash equivalents increased to R849 million from R451 million after financing net capital expenditure of R176 million. Interest-bearing debt decreased from R242 million to R240 million resulting in a strengthening of the debt: equity ratio from 10% to 8%. The group's strong cash flow continues to underline the quality of its earnings.

Capital expenditure for the period under review was R200 million (2004: R341 million). Capital commitments (including amounts approved but not yet contracted for) amounted to R526 million (2004: R399 million).

Commitment to the Future of Private and Public Healthcare in South Africa

Medi-Clinic has again illustrated its firm commitment to the future of healthcare in South Africa with a planned investment of R60 million in the Witwatersrand University Donald Gordon Medical Centre (WDGMC) with a further R5 million conditional on projected occupancy being achieved. In return Medi-Clinic will obtain a 49,9% share in this hospital. In addition to contributing capital, Medi-Clinic will have a management contract to efficiently manage all day-to-day operational and financial aspects of the WDGMC. The finalisation of contractual detail depends on the outcome of the due diligence currently conducted and approval by the regulatory authorities.

This development enhances the ability of the Witwatersrand University to support the public sector health services without requiring any government subsidy. This significant partnership with the public sector is designed to support the training of specialists and super specialists for both public and private sectors, and to make the best clinical staff available to the Johannesburg academic hospitals.

The group is keen to support the training of specialists, on whom

the future of both public and private hospitals sector depends, and will reinvest a portion of its share of any profits generated in the academic activities of the WDGMC. This step also brings greater representation of the Medi-Clinic network in Johannesburg. The group will have the opportunity to participate in academic activities such as the implementation of evidence-based treatment protocols developed by clinical experts in particular speciality fields.

Black Economic Empowerment

The group has stated consistently that it supports the need for economic transformation in South Africa and regards Broad Based Black Economic Empowerment ("BBBEE") as a strategic opportunity to strengthen the economic base of our country. A key success factor of the strategy is evident in the capital accumulation at all levels of society involving human, social, intellectual and physical capital. Medi-Clinic's commitment to sustainable growth and prosperity in a democratic South Africa and the location of its hospitals across the country implies that BBBEE strategies can be supported and encouraged across a broad spectrum of opportunities.

Phodiso Holdings successfully acquired Mvelaphanda Strategic Investments' interest in the Curamed Group. Phodiso Holdings, together with our longer term partner Nozala Investments, have added notable value to this venture, particularly in relationship building, transformation and at operational level. Their capital accumulation increased rapidly at the same time and we are optimistic about their future positive contribution.

In a further transaction, Phodisoclinics (Pty) Ltd, a joint venture company owned 51% by Medi-Clinic and 49% by Phodiso, made an offer to acquire the four hospitals with about 200 beds of the Protector group (in liquidation). The group consists of the Medivaal-Medical Centre (Vanderbijlpark), Kathu Private Hospital (Kathu), Maropong Hospital (Lepalale) and the Kingsley Hospital (Pretoria). The offer was accepted by the liquidator in December 2004 subject to certain conditions precedent, inter alia the approval of the regulatory authorities. The conditions precedent are in the process of being fulfilled.

Further discussions to enhance the principles of BBBEE within Medi-Clinic, are currently taking place and will be finalised towards the end of the year. Medi-Clinic supports the principle of a Healthcare Charter and is actively participating with the Private Healthcare Forum and the Hospital Association of South Africa to establish the charter.

Medi-Clinic is proud to have been instrumental in the formation of Bidco that has successfully acquired a controlling stake in Afrox Health. The decision to withdraw was taken when outside funding for the transaction became available. This put Brimstone and Mvelaphanda in a position to continue with the transaction on their own. Bidco paid Medi-Clinic R50 million as consideration for relinquishing its rights to participate in the deal.

Affordability of Healthcare

Affordability remains a critical issue in the healthcare industry.

The group supports the Department of Health in their efforts to create transparency in the pricing of medicines and scheduled drugs. As alluded to in previous reports, the group has had a fully transparent pricing system in place with Discovery Health since January 2003, almost 18 months prior to the new pharmacy pricing regulations becoming operative. Its scope went beyond medicines and scheduled drugs and included surgical consumables, which are the larger part of the total pharmaceutical portion of a typical private hospital account. This enabled the group to focus on pharmaceutical products as cost items and not income contributors with major savings to medical schemes in the long-term and should be regarded as beneficial to the group since it improves the affordability of healthcare.

This totally transparent pricing system was offered to all medical schemes. Although it proved to be challenging, we were successful in negotiating a cost-neutral change with nearly all the schemes.

Changes to the Board of Directors

Dr P J A Mphahudi resigned as non-executive director with effect from 9 December 2004.

Dr M A Rampele has been appointed as non-executive director with effect from 17 March 2005. Dr Rampele has been vice-chancellor of the University of Cape Town, a managing director of the World Bank and currently serves as chair of Circle Capital Ventures. It is foreseen that apart from her directorship, she will also render certain consultancy services to the company.

PROSPECTS

The group plans to continue its track record of consistent growth based on meeting the needs of the market, increasing the use and expansion of facilities and services in its core competencies, together with efficiency improvements. Apart from these internally driven growth focus areas, initiatives by government aimed at broadening the membership base of medical schemes should have a positive impact on growth in the industry in the longer term. It is, however, still too early to predict the likely outcome of these initiatives. Other focus areas will be to implement our BBBEE strategy, to intensify our investigation into meaningful opportunities in other countries and to explore alternatives aimed at optimising the capital structure of the group in the short to medium term.

With effect from 1 April 2005, ER24 became a wholly-owned

subsidiary of the group, thereby enhancing its emergency service offering to the communities it serves.

Major upgrades at Morningside Medi-Clinic and Sandton Medi-Clinic each involving about R100 million are in progress so as to ensure their competitiveness in this particularly high income area. Expansions at Durbanville Medi-Clinic and Pietermaritzburg Medi-Clinic are also taking place while a project at Nelspruit Medi-Clinic consisting of additional consulting rooms and the upgrade of the original hospital, is underway. Routine upgrades continue at various hospitals, while strategic upgrades at the Pretoria hospitals are in the planning phase.

The group remains optimistic about its prospects for the next financial year.

ACCOUNTING POLICIES

The annual results are prepared in accordance with South African Statements of Generally Accepted Accounting Practice, the requirements of the South African Companies Act and the Listing Requirements of the JSE Securities Exchange South Africa. The accounting policies are consistent with those of the

previous financial period, except for the implementation of the South African Statements of Generally Accepted Accounting Practice, AC 140: Business Combinations and AC 501: Secondary Tax on Companies (STC), which has now been applied.

REVIEW BY INDEPENDENT AUDITORS

The results have been audited by the company's auditors, PricewaterhouseCoopers Inc., Stellenbosch and a copy of their

unqualified report is available for inspection at the registered office of the company.

DISTRIBUTIONS TO SHAREHOLDERS

The board of directors has declared a capital distribution of 12,9 cents per ordinary share, which will be paid out of share premium as well as a dividend of 18,8 cents per ordinary share resulting in an aggregate final distribution of 31,7 cents per ordinary share.

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

Last date to trade cum distributions Friday, 17 June 2005
 First date of trading ex distributions Monday, 20 June 2005
 Record date Friday, 24 June 2005
 Payment date Monday, 27 June 2005

Share certificates may not be dematerialised / re-materialised from Monday, 20 June 2005 to Friday, 24 June 2005, both days inclusive.

Signed on behalf of the board of directors:

E DE LA H HERTZOG
 Chairman
 Stellenbosch, 11 May 2005

L J ALBERTS
 Managing Director

