MEDI-CLINIC CORPORATION LIMITED

Committed to Quality Care

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

INTERIM REPORT

Unaudited results of Medi-Clinic Corporation Limited and its subsidiaries for the six months ended 30 September 2003 **and cautionary announcement**

HIGHLIGHTS

- **Growth in hospital turnover:** **29%**
- **Headline earnings per share growth:** **23%**
- **Distribution per share up:** **23%**

CONSOLIDATED INCOME STATEMENT

	6 months to 30/09/03 R'000	Increase %	6 months to 30/09/02 R'000	Year to 31/03/03 R'000
Revenue	**1 779 005**	29	1 378 416	2 924 229
Cost of sales	**(1 011 498)**		(798 832)	(1 694 980)
Administration and other operating expenses	**(420 511)**		(306 157)	(658 744)
Operating income	**346 996**	27	273 427	570 505
Interest received	**24 344**		17 827	42 650
Income from associates	**8 298**		9 092	18 678
Profit on sale of equipment	**293**		194	314
Amortisation of goodwill	**(1 816)**		(660)	(1 997)
Depreciation	**(47 459)**		(34 490)	(74 180)
Financing costs	**(14 853)**		(3 942)	(16 034)
Net income before taxation	**315 803**		261 448	539 936
Taxation	**85 746**		71 912	145 102
Net income after taxation	**230 057**		189 536	394 834
Minority interests	**18 027**		15 513	30 963
Attributable earnings	**212 030**		174 023	363 871
Headline earnings reconciliation:				
Attributable earnings	**212 030**		174 023	363 871
Amortisation of goodwill	**1 816**		660	1 997
Profit on sale of equipment	**(293)**		(194)	(314)
Attributable headline earnings	**213 553**	22	174 489	365 554
Headline earnings per ordinary share – cents	**62,7**	23	51,1	107,0
Earnings per ordinary share – cents	**62,3**		50,9	106,5
Capital distribution per ordinary share – cents				
Interim	**11,9**	23	9,7	9,7
Final	**–**		–	23,3
	11,9		9,7	33,0

CONSOLIDATED BALANCE SHEET

	30/09/03 R'000	30/09/02 R'000	31/03/03 R'000
Assets			
Non-current assets	**1 953 686**	1 470 377	1 805 067
Property, plant and equipment	**1 750 602**	1 376 318	1 610 597
Intangible assets	**36 212**	16 860	35 964
Investments – unlisted	**94 849**	19 790	92 505
Deferred taxation	**72 023**	57 409	66 001
Current assets	**955 195**	777 197	890 735
Inventories	**140 876**	104 838	139 462
Receivables and prepayments	**503 707**	377 373	524 143
Cash and cash equivalents	**310 612**	294 986	227 130
Total assets	**2 908 881**	2 247 574	2 695 802
Equity and liabilities			
Share capital and reserves	**2 051 402**	1 771 328	1 917 276
Minority interests	**174 460**	79 741	172 010
Long-term interest-bearing debt	**155 603**	12 582	112 083
Short-term interest-bearing debt	**82 064**	26 433	66 618
Interest-free debt and provisions	**445 352**	357 490	427 815
Total equity and liabilities	**2 908 881**	2 247 574	2 695 802
Number of ordinary shares ('000)	**341 053**	342 025	340 719
Weighted number of ordinary shares ('000)	**340 496**	341 569	341 627
Net asset value per ordinary share – cents	**601**	518	563
Directors' valuation of unlisted investments	**132 595**	90 374	127 043

STATEMENT OF CHANGES IN EQUITY

	30/09/03 R'000	30/09/02 R'000	31/03/03 R'000
Opening balance	**1 917 276**	1 660 270	1 660 270
Distributed to shareholders	**(79 256)**	(66 586)	(99 731)
Net income	**212 030**	174 023	363 871
Movement in shares held in treasury	**1 352**	3 621	(7 134)
	2 051 402	1 771 328	1 917 276

CONSOLIDATED CASH FLOW STATEMENT

	30/09/03 R'000	30/09/02 R'000	31/03/03 R'000
Cash flow from operating activities	**202 567**	158 226	284 759
Cash generated from operations activities	**423 579**	310 601	519 633
Net finance income	**9 491**	13 885	26 616
Taxation paid	**(130 416)**	(89 194)	(143 109)
Cash distributions to minorities	**(20 831)**	(10 480)	(18 650)
Capital distributions to shareholders	**(79 256)**	(66 586)	(99 731)
Cash flow from investment activities	**(179 403)**	(56 386)	(275 676)
Cash flow from financing activities	**60 318**	(15 301)	9 600
Net movement in cash and cash equivalents	**83 482**	86 539	18 683
Opening balance of cash and cash equivalents	**227 130**	208 447	208 447
Closing balance of cash and cash equivalents	**310 612**	294 986	227 130

COMMENTARY

We are pleased to report that the group has maintained its consistent growth pattern.

Turnover, which consists entirely of hospital fees levied, increased by 29% to R1 779 million (2002: R1 378 million) for the six months under review. Operating income before interest, taxation, depreciation and amortisation (EBITDA) was 27% higher at R347 million (2002: R273 million). Headline earnings rose by 22% to R214 million (2002: R174 million) resulting in an increase of 23% in headline earnings per ordinary share to 62,7 cents (2002: 51,1 cents). The interim capital distribution per ordinary share at 11,9 cents (2002: 9,7 cents) is 23% higher.

Capacity increased during the period under review as a result of the acquisition on 1 December 2002 of the Curamed Group comprising about 700 beds. The current period results are, therefore, not directly comparable with those of the previous period. Excluding the addition of Curamed, the group's turnover growth amounted to 14%.

The group's EBITDA margin declined slightly from 19,8% to 19,5% mainly due to the start-up costs of the new Curamed Kloof Hospital in Pretoria, which opened in June 2003, as well as certain once-off costs relating to the Curamed transaction.

The Curamed integration is complete and benefits are already being realised. The new Curamed Kloof Hospital has exceeded all expectations with occupancies well above the initial budget. As envisaged, some of the more established hospitals in the Curamed group currently have capacity to increase their activity levels and efforts aimed at achieving this have been initiated. The Howick Private Hospital (26 beds) and Tzaneen Private Hospital (100 beds) were successfully commissioned in August and September 2003 respectively. The expansion at Nelspruit Medi-Clinic which includes a cardiac unit, has been commissioned while expansions at Durbanville Medi-Clinic and Pietermaritzburg Medi-Clinic are in progress. The extensive upgrade of the Lamprecht Clinic, recently renamed George Medi-Clinic, has been successfully completed. The upgrade of Potchefstroom Medi-Clinic is nearing completion while major upgrades at Morningside Medi-Clinic and Sandton Medi-Clinic have commenced.

A transaction was concluded whereby an interest of one-third will be acquired in the Victoria Hospital (120 beds) in Tongaat, KwaZulu-Natal coupled with a limited, but significant, management agreement. An aspect of this transaction that needs special mentioning is the good working relationship that was built up with the shareholders during the negotiations which should benefit both parties over the long-term. The Victoria Hospital also increases the Medi-Clinic network in KwaZulu-Natal.

On 1 July 2003 the Drakenstein day clinic was merged with the nearby Paarl Medi-Clinic in a unique transaction involving the supporting doctors of both hospitals. The outcome of this model will be closely monitored as it may be a blueprint for further transactions at other hospitals in the group.

The new environment whereby tariff negotiations are conducted on an individual basis with funders of healthcare created meaningful changes in the industry. Medi-Clinic took the lead by negotiating a unique and transparent tariff structure with Discovery Health. Further enhancements to this structure led to a brand new product launched by Discovery Health in partnership with Medi-Clinic, called Medi-Clinic Priority Plus. This is a comprehensive, quality product with contributions priced at 70% of comparable products in the Discovery stable. Further discussions with stakeholders are in progress to refine the product.

The trading environment is challenging as the country as a whole experienced limited economic growth and the medical scheme membership remained virtually unchanged. The group is therefore pleased to have experienced a 1,1% increase in beddays sold as well as a favourable patient mix change over the previous period on a comparable basis.

Cash flow continued to be strong during the period under review. The group converted 122% (2002: 114%) of EBITDA into cash generated from operating activities. Cash and cash equivalents increased to R311 million from R227 million at 31 March 2003 after financing net capital expenditure of R179 million. Interest-bearing debt increased from R179 million at 31 March 2003 to R238 million mainly as a result of debt incurred by the Curamed Group in completing the Curamed Kloof Hospital which resulted in a weakening of the debt:equity ratio from 9% to 11%. The group's strong cash flow continues to underline the quality of its earnings.

Capital expenditure for the period under review was R188 million (2002: R64 million). Capital commitments (including amounts approved but not yet contracted for) amounted to R339 million (2002: R272 million).

PROSPECTS

The group expects to continue its consistent growth pattern.

Focus will remain on adapting to the needs of the market, thereby increasing the utilisation of facilities. Risk sharing models in addition to alternative reimbursement models are being investigated together with various role-players. The group will also endeavour to continue expanding its facilities and services within its core competencies. Forces such as changing technology, consumerism and affordability will shape the hospital of the future and are continuously considered in forward planning.

The group has established a good knowledge of selected overseas markets and has also broadened its knowledge about potential markets in Africa. It remains committed to exploring attractive opportunities that may arise.

The local regulatory environment is virtually in a constant state of flux and is being closely monitored. The private hospital industry has always been strictly regulated. Coupled with the business approach and the values of the group, no major threat to the business of the group is foreseen. New laws and regulations pertaining to sub-sectors of the industry such as private practitioners, pharmacies and medical schemes are in the pipeline that may in the longer run influence the industry. Over the shorter term their financial impact is, however, not expected to be significant.

New projects amounting to about R340 million have recently been commissioned or are in progress. The most significant are the expansions at Durbanville Medi-Clinic and Pietermaritzburg Medi-Clinic as well as the major upgrades at Morningside Medi-Clinic and Sandton Medic-Clinic which were mentioned in the commentary above. It is envisaged that the total expenditure on projects over the next two years will amount to about R400 million. These investments demonstrate the group's confidence in and commitment to the private hospital industry in South Africa.

ACCOUNTING POLICIES

The interim financial statements comply with South African Statements of Generally Accepted Accounting Practice and are in accordance with accounting standard AC127. The accounting policies are consistent with those for the year ended 31 March 2003, except for the application of AC133, which has now been adopted. The effect of the change in the accounting policy had no material effect on the results.

CAPITAL DISTRIBUTION TO SHAREHOLDERS

The board of directors has declared a capital distribution of 11,9 cents per ordinary share, which will be paid out of share premium.

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

Last date to trade cum capital distribution	Friday, 5 December 2003
First date of trading ex capital distribution	Monday, 8 December 2003
Record date	Friday, 12 December 2003
Payment date	Monday, 15 December 2003

Share certificates may not be dematerialised/rematerialised from Monday, 8 December 2003 to Friday, 12 December 2003, both days inclusive.

CAUTIONARY ANNOUNCEMENT

Shareholders are advised that Medi-Clinic has entered into discussions which may have a material effect on the price of the company's securities. Accordingly, shareholders are advised to exercise caution when dealing in the company's securities until a further announcement is made.

Signed on behalf of the board of directors:

E DE LA H HERTZOG
Chairman
Stellenbosch, 12 November 2003

LJ ALBERTS
Managing Director

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