MEDICLINIC
INTERNATIONAL

UNAUDITED INTERIM GROUP RESULTS

OF MEDICLINIC INTERNATIONAL LIMITED
AND ITS SUBSIDIARIES FOR THE SIX MONTHS ENDED **30 SEPTEMBER 2011**

Incorporated in the Republic of South Africa Reg. No. 1983/010725/06 Share code: MDC ISIN code: ZAE000074142 ("Mediclinic" or "the Company")

SALIENT FEATURES

- SOLID PERFORMANCE BY ALL THREE OPERATING PLATFORMS
- HEADLINE EARNINGS INCREASED BY **19%**
- HEADLINE EARNINGS PER SHARE INCREASED BY **10%**
- INTERIM DIVIDEND PER ORDINARY SHARE MAINTAINED AT **23.0 CENTS**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 30/9/2011 R'm	Unaudited 30/9/2010 R'm	Audited 31/3/2011 R'm
ASSETS			
Non-current assets	**43 830**	34 504	36 929
Property, equipment and vehicles	**36 019**	28 844	30 409
Intangible assets	**6 684**	5 398	5 565
Other investments and loans	**893**	22	712
Derivative financial instruments	**–**	–	33
Deferred income tax assets	**234**	240	210
Current assets	**7 132**	6 362	6 608
Inventories	**600**	516	522
Trade and other receivables	**4 037**	3 241	3 796
Investment in money market funds	**860**	–	723
Cash and cash equivalents	**1 635**	2 605	1 567
Total assets	**50 962**	40 866	43 537
EQUITY AND LIABILITIES			
Total equity	**11 572**	8 646	10 560
Share capital and reserves	**10 394**	7 665	9 489
Non-controlling interests	**1 178**	981	1 071
Liabilities			
Non-current liabilities	**35 750**	29 306	27 922
Borrowings	**25 485**	21 169	20 414
Deferred income tax liabilities	**5 682**	4 514	4 773
Retirement benefit obligations	**595**	564	383
Provisions	**234**	167	182
Derivative financial instruments	**3 754**	2 892	2 170
Current liabilities	**3 640**	2 914	5 055
Trade and other payables	**2 711**	2 247	2 938
Borrowings	**608**	477	1 834
Provisions	**117**	71	89
Derivative financial instruments	**16**	–	48
Current income tax liabilities	**188**	119	146
Total liabilities	**39 390**	32 220	32 977
Total equity and liabilities	**50 962**	40 866	43 537
Net asset value per ordinary share – cents	**1 656.8**	1 227.2	1 516.7

CONDENSED CONSOLIDATED INCOME STATEMENT

	Unaudited 6 months to 30/9/2011 R'm	Increase %	Unaudited 6 months to 30/9/2010 R'm	Audited Year to 31/3/2011 R'm
Revenue	**10 467**	19%	8 768	18 625
Cost of sales	**(5 968)**		(5 009)	(10 327)
Administration and other operating expenses	**(2 320)**		(1 893)	(4 112)
Operating profit before depreciation (EBITDA)	**2 179**	17%	1 866	4 186
Depreciation and amortisation	**(436)**		(351)	(738)
Operating profit	**1 743**		1 515	3 448
Other gains and losses	**(29)**		–	13
Income from associates	**–**		–	4
Finance income	**43**		23	61
Finance cost	**(809)**		(732)	(1 491)
Profit before tax	**948**		806	2 035
Income tax expense	**(357)**		(305)	(654)
Profit for the period	**591**		501	1 381
Attributable to:				
Equity holders of the Company	**484**		410	1 177
Non-controlling interests	**107**		91	204
	591		501	1 381
Earnings per ordinary share – cents				
– Basic	**77.2**	9%	70.7	195.3
– Diluted	**74.2**		67.4	186.9
Headline earnings per ordinary share – cents				
– Basic	**77.2**	10%	70.2	184.2
– Diluted	**74.2**		67.0	176.3
Normalised headline earnings per ordinary share – cents				
– Basic	**77.2**	10%	70.2	179.6
– Diluted	**74.2**		67.0	171.9
EBITDA RECONCILIATION:				
Operating profit before depreciation (EBITDA)	**2 179**		1 866	4 186
Adjusted for:				
Past service cost	**–**		–	(33)
Impairment of property and equipment	**–**		–	34
Insurance proceeds	**–**		–	(84)
Normalised EBITDA	**2 179**	17%	1 866	4 103
EARNINGS RECONCILIATION:				
Profit attributable to shareholders	**484**		410	1 177
Re-measurements for headline earnings	**–**		(3)	(77)
Profit on sale of property, equipment and vehicles	**–**		(1)	(4)
Gain on rights sold	**–**		(2)	(2)
Gain on purchase of business acquisition	**–**		–	(21)
Impairment of property and equipment	**–**		–	34
Insurance proceeds	**–**		–	(84)
Income tax effects	**–**		–	10
Headline earnings	**484**	19%	407	1 110
Re-measurements for normalised headline earnings				
Past service cost	**–**		–	(33)
Income tax effects	**–**		–	5
Normalised headline earnings	**484**	19%	407	1 082

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months to 30/9/2011 R'm	Unaudited 6 months to 30/9/2010 R'm	Audited Year to 31/3/2011 R'm
Profit for the period	**591**	501	1 381
Other comprehensive income			
Currency translation differences	**2 009**	115	488
Fair value adjustment to cash flow hedges (net of tax)	**(1 029)**	(437)	246
Actuarial gains and losses (net of tax)	**(179)**	(183)	(73)
Other comprehensive income/(loss), net of tax	**801**	(505)	661
Total comprehensive income/(loss) for the period	**1 392**	(4)	2 042
Attributable to:			
Equity holders of the Company	**1 195**	(70)	1 877
Non-controlling interests	**197**	66	165
	1 392	(4)	2 042

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited 6 months to 30/9/2011 R'm	Unaudited 6 months to 30/9/2010 R'm	Audited Year to 31/3/2011 R'm
Opening balance	**10 560**	7 616	7 616
Shares issued	**–**	6	6
Premium on shares issued	**–**	1 358	1 358
Share issue costs	**–**	(33)	(33)
Movement in shares held in treasury	**5**	15	23
Movement in share-based payment reserve	**3**	–	6
Capital contributed by non-controlling interests	**3**	–	–
Non-controlling interests acquired by the Group	**–**	–	(1)
Total comprehensive income/(loss) for the period	**1 392**	(4)	2 042
Distributed to shareholders	**(298)**	(261)	(398)
Distributed to non-controlling interests	**(93)**	(51)	(59)
Closing balance	**11 572**	8 646	10 560
Comprising			
Share capital	**65**	65	65
Share premium	**6 066**	6 066	6 066
Treasury shares	**(283)**	(296)	(288)
Share-based payment reserve	**132**	123	129
Foreign currency translation reserve	**3 747**	1 441	1 828
Hedge reserve	**(3 126)**	(2 780)	(2 097)
Retained earnings	**3 793**	3 046	3 786
Shareholders' equity	**10 394**	7 665	9 489
Non-controlling interests	**1 178**	981	1 071
Total equity	**11 572**	8 646	10 560

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 6 months to 30/9/2011 R'm	Unaudited 6 months to 30/9/2010 R'm	Audited Year to 31/3/2011 R'm
Cash flow from operating activities	**858**	864	2 316
Cash generated from operations	**1 913**	1 742	4 179
Net finance cost	**(744)**	(669)	(1 368)
Taxation paid	**(311)**	(209)	(495)
Cash flow from investment activities	**(530)**	(241)	(2 563)
Investment to maintain operations	**(245)**	(216)	(645)
Investment to expand operations	**(318)**	(141)	(778)
Proceeds on sale of property, equipment and vehicles	**11**	3	24
Proceeds on disposal of FVTPL assets	**18**	–	–
Insurance proceeds	**20**	–	57
Proceeds from other investments and loans	**1**	113	120
Purchases of FVTPL financial assets	**(26)**	–	(688)
Purchases of money market funds	**–**	–	(672)
Interest received	**9**	–	19
Cash flow from financing activities	**(491)**	929	688
Distributions to shareholders	**(298)**	(261)	(398)
Distributions to non-controlling interests	**(98)**	(51)	(59)
Proceeds from shares issued	**–**	1 364	1 364
Share issue costs	**–**	(33)	(33)
Movement in borrowings	**(91)**	(105)	(208)
Capitalised refinancing costs	**(11)**	–	–
Proceeds from disposal of treasury shares	**14**	15	23
Treasury shares purchased	**(9)**	–	–
Acquisition of non-controlling interests	**–**	–	(1)
Proceeds on disposal of non-controlling interests	**2**	–	–
Net movement in cash, cash equivalents and bank overdrafts	**(163)**	1 552	441
Opening balance of cash, cash equivalents and bank overdrafts	**1 447**	967	967
Exchange rate fluctuations on foreign cash	**160**	(50)	39
Closing balance of cash, cash equivalents and bank overdrafts	**1 444**	2 469	1 447
Cash and cash equivalents	**1 635**	2 605	1 567
Bank overdrafts	**(191)**	(136)	(120)
	1 444	2 469	1 447

CONDENSED SEGMENTAL REPORT

	Unaudited 6 months to 30/9/2011 R'm	Unaudited 6 months to 30/9/2011 R'm	R'm	Unaudited 6 months to 30/9/2011 R'm
	Hospital Services	**Hospital Properties**	**Adjustments and eliminations**	**Total**
Revenue				
Southern Africa	**4 695**	**408**	**(408)**	**4 695**
Middle East	**771**	**28**	**(28)**	**771**
Switzerland	**5 001**	**776**	**(776)**	**5 001**
EBITDA				
Southern Africa	**594**	**395**		**989**
Middle East	**92**	**28**		**120**
Switzerland	**349**	**721**		**1 070**
Operating profit				
Southern Africa	**471**	**395**		**866**
Middle East	**47**	**28**		**75**
Switzerland	**157**	**645**		**802**
Assets				
Southern Africa	**5 032**	**7 139**	**(5 833)**	**6 338**
Middle East	**1 185**	**863**		**2 048**
Switzerland	**11 304**	**29 532**		**40 836**
Corporate				**1 740**
Liabilities				
Southern Africa	**2 416**	**4 050**	**(1 055)**	**5 411**
Middle East	**598**	**296**		**894**
Switzerland	**2 855**	**30 037**		**32 892**
Corporate				**1**
Intersegmental liabilities				**192**

	Unaudited 6 months to 30/9/2010 R'm	Unaudited 6 months to 30/9/2010 R'm	R'm	Unaudited 6 months to 30/9/2010 R'm
Revenue				
Southern Africa	4 244	378	(378)	4 244
Middle East	611	30	(30)	611
Switzerland	3 913	647	(647)	3 913
EBITDA				
Southern Africa	543	367		910
Middle East	61	29		90
Switzerland	262	604		866
Operating profit				
Southern Africa	431	367		798
Middle East	25	29		54
Switzerland	120	543		663
Assets				
Southern Africa	4 510	6 380	(5 121)	5 769
Middle East	907	747		1 654
Switzerland	8 589	23 388		31 977
Corporate				1 466
Liabilities				
Southern Africa	2 349	3 992	(931)	5 410
Middle East	438	283		721
Switzerland	2 479	23 610		26 089

CONDENSED SEGMENTAL REPORT (continued)

	Audited Year to 31/3/2011 R'm	Audited Year to 31/3/2011 R'm	R'm	Audited Year to 31/3/2011 R'm
Revenue				
Southern Africa	8 632	760	(760)	8 632
Middle East	1 334	57	(57)	1 334
Switzerland	8 659	1 326	(1 326)	8 659
EBITDA				
Southern Africa	1 150	737		1 887
Middle East	183	57		240
Switzerland	834	1 225		2 059
Operating profit				
Southern Africa	921	737		1 658
Middle East	107	57		164
Switzerland	527	1 099		1 626
Assets				
Southern Africa	4 937	6 872	(5 609)	6 200
Middle East	1 005	727		1 732
Switzerland	9 812	24 338		34 150
Corporate				1 455
Liabilities				
Southern Africa	2 381	3 973	(1 059)	5 295
Middle East	473	263		736
Switzerland	3 176	23 923		27 099
Corporate				4
Intersegmental liabilities				(157)

ADDITIONAL INFORMATION

	Unaudited 6 months to 30/9/2011 R'm	Unaudited 6 months to 30/9/2010 R'm	Audited Year to 31/3/2011 R'm
Capital commitments	**2 054**	1 901	2 393
Southern Africa	**1 227**	857	1 490
Middle East	**15**	13	9
Switzerland	**812**	1 031	894
Exchange rates	**R**	R	R
Average Swiss franc (ZAR/CHF)	**8.25**	6.96	7.11
Closing Swiss franc (ZAR/CHF)	**8.96**	7.18	7.42
Average UAE dirham (ZAR/AED)	**1.90**	2.03	1.96
Closing UAE dirham (ZAR/AED)	**2.20**	1.90	1.85
Shares	**Number '000**	Number '000	Number '000
Number of ordinary shares in issue	**652 315**	652 315	652 315
Number of ordinary shares held in treasury	**(24 956)**	(27 704)	(26 664)
Number of ordinary shares in issue net of treasury shares	**627 359**	624 611	625 651
Weighted average number of ordinary shares in issue	**626 692**	579 965	602 467
Diluted weighted average number of ordinary shares in issue	**651 921**	607 912	629 488

In determining basic earnings per share and basic headline earnings per share, the weighted average number of ordinary shares in issue were taken into account.

COMMENTARY

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

GROUP OVERVIEW

Trading results

Group revenue increased by 19% to R10 467m (2010: R8 768m) for the six months under review. Operating profit before interest, tax, depreciation and amortisation ("EBITDA") was 17% higher at R2 179m (2010: R1 866m). Headline earnings rose by 19% to R484m (2010: R407m). Basic headline earnings per ordinary share increased by 10% to 77.2 cents (2010: 70.2 cents).

These results were achieved despite the continuing tough global economic conditions. The lower headline earnings per share growth of 10%, compared to the headline earnings growth of 19% was due to the increased weighted average number of ordinary shares in issue which resulted from last year's rights offer.

The average rand/Swiss franc (CHF) exchange rate was R8.25 compared to R6.96 for the comparative period, which had a positive effect on the reported results, as detailed under Hirslanden's financial performance section.

Finance cost

Included in the finance cost is an amount of R40m (2010: R36m), which is the current period'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 Financial Instruments.

Cash flow

The Group's cash flow continued to be strong. The Group converted 88% (2010: 93%) of EBITDA into cash generated from operations. Cash and cash equivalents increased from R1 567m at 31 March 2011 to R1 635m at 30 September 2011.

Interest-bearing borrowings

Interest-bearing borrowings ("debt") increased from R22 248m at 31 March 2011 to R26 093m at 30 September 2011, mainly as a result of the increase in the closing rand/CHF exchange rate. The CHF closing exchange rate moved from R7.42 at 31 March 2011 to R8.96 at 30 September 2011. It is important to note that the foreign debt of the Group's Swiss and Middle Eastern operations, amounting to R22 349m, 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.

Assets

Property, equipment and vehicles increased from R30 409m at 31 March 2011 to R36 019m at 30 September 2011 and intangible assets increased from R5 565m at 31 March 2011 to R6 684m at 30 September 2011. These increases are mainly as a result of the change in the closing rand/CHF exchange rate, as mentioned above.

Dividend

As indicated previously, the Group is moving towards a targeted dividend cover of three times based on Group headline earnings, over time. Therefore the interim dividend per share is being maintained at 23.0 cents (2010: 23.0 cents) and the Board will review the final dividend based on the Group's results of the full financial year.

OPERATIONS IN SOUTHERN AFRICA

MEDICLINIC SOUTHERN AFRICA

Financial performance

The Southern African group revenue increased by 11% to R4 695m (2010: R4 244m) for the six months under review. EBITDA was 9% higher at R989m (2010: R910m).

After incurring depreciation charges of R123m (2010: R112m), net finance charges of R166m (2010: R174m), tax of R230m (2010: R195m) and deducting the interest of minority shareholders in the attributable income of the Southern African group amounting to R76m (2010: R73m), the Southern African operations contributed R394m (2010: R356m) to the attributable income of the Group.

Business performance

The 11% revenue growth was achieved through a 3.2% increase in bed-days sold, a 5.5% increase in the average income per bed-day and 2.3% increase in other revenue. The increase in utilisation was more evident in medical rather than surgical cases. The number of patients admitted increased by 2.4%, while the average length of stay increased by 0.8%.

The Southern African operations' EBITDA margin decreased slightly from 21.4% to 21.1%. The margin was negatively affected by 0.2% because of rental income which is now shown as part of revenue; furthermore the margin was negatively affected by another 0.2% which resulted from the straight-lining of a major lease renewal.

During the reporting period the Southern African operations spent R145m (2010: R86m) on capital projects and new equipment to enhance business, as well as R139m (2010: R119m) on the replacement of existing equipment. In addition, R125m (2010: R128m) was spent on the repair and maintenance of property and equipment, charged through the income statement. For the current financial year, R599m is budgeted for capital projects and new equipment to enhance its business, R237m for the replacement of existing equipment and R254m for repairs and maintenance. Incremental EBITDA resulting from capital projects in progress or approved is budgeted to amount to R43m and R65m in 2012 and 2013 respectively.

The number of licensed hospital beds increased from 7 103 to 7 115 during the six months under review.

During the past six months building projects at Mediclinic Stellenbosch (10 additional beds), Mediclinic Paarl (2 additional beds and 1 theatre) and Mediclinic Cape Town (new doctors consulting block) were completed.

Currently there are building projects in progress at Mediclinic Kimberley (8 additional beds), Mediclinic Kloof (32 additional beds), Mediclinic Welkom (36 additional beds and upgrade), Mediclinic Legae (4 additional beds and upgrade), Mediclinic Potchefstroom (13 additional beds), Mediclinic Highveld (27 additional beds) and Mediclinic Otjiwarongo (2 additional beds), which will be completed during the next six months. Projects at Mediclinic Nelspruit (66 additional beds), Mediclinic Limpopo (60 additional beds and upgrade), Mediclinic Cottage (14 additional beds and upgrade), Mediclinic Louis Leipoldt (upgrade) and Mediclinic Hoogland (new doctors consulting block and upgrade) will be completed during the 2013 financial year and projects at Mediclinic Pietermaritzburg (new cardiology unit, 80 additional beds, consulting rooms and upgrade), and Mediclinic Windhoek (26 additional beds and consulting rooms) will be completed during the 2014 financial year.

Projects were approved for the establishment of a new hospital in Centurion (174 beds), Mediclinic Stellenbosch (upgrade) and Mediclinic Milnerton (10 additional beds). These projects will start during the next 12 months.

The number of licensed beds is expected to increase from 7 115 to 7 237 during the next six months.

The Southern African operation's cash flow continued to be strong as it converted 96% (2010: 115%) of EBITDA into cash generated from operations. Cash and cash equivalents decreased from R755m at 31 March 2011 to R728m at 30 September 2011.

Interest-bearing borrowings decreased from R3 757m at 31 March 2011 to R3 744m at 30 September 2011.

Mediclinic Southern Africa continued its focus on transformation and maintained its status as a Level 3 contributor in terms of the BBBEE scorecard.

The long awaited Green Paper on the proposed introduction of a National Health Insurance ("NHI") system for South Africa was published on 12 August 2011 for public comment by 30 December 2011. After the consultation process government will finalise a White Paper, after which legislation will be developed for public engagement. Mediclinic Southern Africa and the Hospital Association of Southern Africa ("HASA") are preparing comprehensive submissions to the Department of Health. The Green Paper provides reasonable clarity on some issues, but there is a lack of clarity on certain major issues, amongst others, the cost implications, the source of funding, human resources, the benefit package, provider payment and price determination.

Mediclinic Southern Africa believes that the approach to the implementation of the NHI is pragmatic and supports the phased implementation plan. The initial focus on primary care and the proposed introduction of selected pilot projects is appropriate. Mediclinic Southern Africa does not believe that the proposed implementation of NHI should have any significant implications for the group.

OPERATIONS IN SWITZERLAND

HIRSLANDEN

Financial performance

Hirslanden's revenue increased by 28% (8% at constant foreign exchange rates) to R5 001m (CHF606m) (2010: R3 913m (CHF562m)) for the six months under review. EBITDA was 24% higher (4% at constant foreign exchange rates) at R1 070m (CHF129m) (2010: R866m (CHF124m)).

After incurring depreciation charges of R268m (CHF33m) (2010: R203m (CHF29m)), net finance charges of R605m (CHF73m) (2010: R517m (CHF74m)) and tax of R128m (CHF15m) (2010: R110m (CHF16m)), Hirslanden contributed R69m (CHF8m) (2010: R36m (CHF5m)) to the attributable income of the Group.

Business performance

Inpatient admissions increased by 6% during the reporting period. Although the average length of stay remained fairly constant the average income per bed-day increased by 3% because of a greater proportion of higher acuity cases.

The EBITDA margin of the group decreased from 22.1% to 21.4%. The EBITDA margin was influenced mainly by the newly acquired Klinik Stephanshorn's lower operating margin, as well as challenging conditions in the Western Region which offset strong performances in most of the other group hospitals.

During the reporting period, Hirslanden spent R136m (CHF16m) (2010: R51m (CHF7m)) on capital projects and new equipment to enhance its business as well as R99m (CHF12m) (2010: R86m (CHF12m)) on the replacement of existing equipment. In addition, R132m (CHF16m) (2010: R104m (CHF15m)) was spent on the repair and maintenance of property and equipment, charged through the income statement. For the current financial year CHF72m is budgeted for capital projects and new equipment, CHF53m for the replacement of existing equipment and CHF33m for repairs and maintenance. Incremental EBITDA resulting from capital projects in progress or approved is budgeted to amount to CHF8m and CHF5m in 2012 and 2013 respectively.

Investment in new technology, that provides for new treatment options and increased case load, includes a 3.0 tesla MRI machine at Klinik Hirslanden as well as a 1.5 tesla MRI machine at Klinik St. Anna, both commissioned in 2011.

The number of fully operational inpatient beds increased from 1 457 to 1 471 during the period under review. Klinik Beau-Site opened the major part of its new building in September 2011 which added 14 inpatient beds. Another 5 beds were opened in October 2011, with an option for 4 more beds for the current financial year.

During the summer months major refurbishment projects for wards were completed at Klinik Aarau and Klinik St. Anna. The extensive upgrade at Klinik Beau-Site is ongoing. The new building at Klinik Hirslanden is still proceeding well and should be commissioned in the European spring 2013. The hospital will be expanded by 71 inpatient beds and 8 ICU beds and new consulting rooms will be added. At Klinik Bois-Cerf the new radiology department is expected to become operational in early 2012 and the radiotherapy department towards the end of 2012.

Hirslanden converted 79% (2010: 70%) of EBITDA into cash generated from operations. An IAS 19 pension fund adjustment of R53m (CHF6.4m) (2010: R46m (CHF6.6m)), representing the employer contributions exceeding the current service cost, was credited to the consolidated income statement. A decrease in trade creditors of R104m (CHF12m) in respect of major building projects had a negative effect on the cash conversion. If the IAS 19 non-cash flow pension fund credit and the cash flows from the decrease in trade creditors in respect of building projects are excluded, then the Hirslanden group would have converted 92% EBITDA into cash from operations.

Cash and cash equivalents increased from R699m (CHF94m) at 31 March 2011 to R775m (CHF86m) at 30 September 2011.

Interest-bearing borrowings increased from R18 083m (CHF2 437m) at 31 March 2011 to R21 837m (CHF2 437m) at 30 September 2011, mainly because of the increase in the spot rate of the rand/CHF exchange rate.

The amendments to the Swiss Health Insurance Act ("KVG") decided by the Parliament at the end of 2007 will become effective on 1 January 2012. There are three areas in which major changes are to be introduced:

1) Hospital financing system: new rules governing the funding proportions of the cantons versus the health insurance companies;
2) Compensation of service providers: introduction of a compensation system based on diagnosis-related groups (DRGs) for the treatment of patients with basic insurance; and
3) Allocation of service mandates: revision of the cantonal hospital lists (service mandates) for the treatment of patients with basic insurance, which gives a listed hospital the right to cantonal funding.

In all three areas, a number of questions regarding the implementation of the new regulations still remain unanswered.

Regarding the new rules for the financing of hospitals, the invoicing and payment process for the cantonal contributions have still not been finalised yet in many cantons. To ensure correct, reliable and timely payments to the service providers, the exact rules and mechanisms still need to be defined before the end of December 2011.

While the preparations for the introduction of the Swiss DRG system are well under way, the applicable base rates (base tariffs) have not been finalised. Although some of the cantons have published a draft hospital list for 2012, the rules for compiling these lists often deviate sharply from the criteria specified by the federal legislator. For that reason Hirslanden has formally objected to a number of the cantonal decisions. To date Hirslanden has been awarded important service mandates in several cantons and is confident that it will obtain additional mandates as a result of the objections filed. Management is continually focusing on ensuring group hospitals are listed, fair conditions are applied on hospitals with service mandates and that reasonable base rates are implemented.

The implementation of the Inter-cantonal Agreement on Highly-Specialised Medicine of 14 March 2008 is proceeding. Hirslanden has applied for mandates in certain specialist fields and objected to rulings made in a number of disciplines.

The moratorium on the licensing of new physicians will not be extended beyond 31 December 2011. This is a very positive development for Hirslanden as this means that a major inhibitor of growth will be removed and cooperation agreements with new doctors can be concluded and put into practice.

OPERATIONS IN UNITED ARAB EMIRATES

EMIRATES HEALTHCARE

Financial performance

Revenue increased by 26% (35% at constant foreign exchange rates) to R771m (AED406m) (2010: R611m (AED301m)) for the six months under review. EBITDA increased by 33% (40% at constant exchange rates) to R120m (AED63m) (2010: R90m (AED45m)) and the EBITDA margin increased from 14.7% to 15.6%.

After incurring depreciation charges of R45m (AED24m) (2010: R36m (AED18m)), net finance charges of R14m (AED8m) (2010: R18m (AED9m)) and the sharing of minority shareholders in the attributable income of Emirates Healthcare amounting to R30m (AED15m) (2010: R18m (AED9m)), Emirates Healthcare contributed R31m (AED16m) (2010: R18m (AED9m)) to the attributable income of the Group.

Business performance

During the reporting period inpatient admissions in the hospitals increased by 25% (2010: 22%), while hospital outpatient consultations and visits to the emergency units increased by 15% (2010: 6%). Clinic outpatient consultations increased by 87% (2010: decreased by 2%) mainly because of the addition of the three Emaar clinics during January 2011.

The number of licensed hospital beds remained constant at 336 beds during the period under review.

During the reporting period Emirates Healthcare spent R8m (AED4m) (2010: R4m (AED2m)) on capital projects and new equipment to enhance its business as well as R6m (AED3m) (2010: R11m (AED5m)) on the replacement of existing equipment. In addition, R15m (AED8m) (2010: R10m (AED5m)) was spent on the repair and maintenance of property and equipment, charged through the income statement. For the current financial year, AED8m is budgeted for capital projects and new equipment to enhance its business, AED29m for the replacement of existing equipment and AED18m for repairs and maintenance.

Emirates Healthcare converted 97% (2010: 97%) of EBITDA into cash generated from operations. Cash and cash equivalents increased from R114m (AED61m) at 31 March 2011 to R132m (AED60m) at 30 September 2011.

Interest-bearing borrowings increased from R408m (AED221m) at 31 March 2011 to R512m (AED233m) at 30 September 2011, mainly as a result of the change in the closing rand/AED exchange rate.

PROSPECTS

The Group is uniquely positioned across three diverse international operating platforms with stable and experienced management teams in place. It continues to focus on its core business to fulfil its vision of being respected internationally and preferred locally. The Group continues to consolidate its collective intellectual capital and strengths with the goal of establishing a respected international hospital group with a very specific focus on the delivery of quality health care cost effectively.

Although regulatory issues create uncertainties (at the moment especially in Switzerland), we are optimistic about the future of our businesses in all three platforms. This is supported by our continued substantial investments in capacity building in all the platforms. The Group continuously monitors the regulatory environment and pro-actively participates in discussions with regulatory bodies to influence decision-making and to better understand changes that might impact on the Group.

The availability of sufficient skilled medical resources in South Africa remains a challenge and we continue to make substantial investments in the training of our staff. We also support the Minister of Health's recent announcements to increase the capacity of medical and nursing schools to train more professionals.

The Group remains positive about its operational prospects for the next six months.

BASIS OF PREPARATION

The accounting policies applied in the preparation of these condensed group interim financial statements, which are based on reasonable judgements and estimates, are in accordance with International Financial Reporting Standards (IFRS) and are consistent with those applied in the audited annual financial statements for the year ended 31 March 2011. The condensed group interim financial statements have been prepared in terms of IAS 34 Interim Financial Reporting as well as in compliance with the Companies Act 71 of 2008 and the Listings Requirements of the JSE Limited. The preparation of the condensed group interim financial statements was supervised by the Chief Financial Officer, Mr CI Tingle (CA(SA)).

DIVIDEND TO SHAREHOLDERS

The board of directors declared an interim cash dividend of 23.0 cents per ordinary share. In compliance with the requirements of STRATE, the following dates are applicable:

Last date to trade cum dividend	Friday, 2 December 2011
First date of trading ex dividend	Monday, 5 December 2011
Record date	Friday, 9 December 2011
Payment date	Monday, 12 December 2011

Share certificates may not be dematerialised or rematerialised from Monday, 5 December 2011 to Friday, 9 December 2011, both days inclusive.

Signed on behalf of the board of directors:

E DE LA H HERTZOG
Chairman

D P MEINTJES
Chief Executive Officer

Stellenbosch

8 November 2011

EXPERTISE YOU CAN TRUST.

DIRECTORS:
Dr E de la H Hertzog *(Chairman)*, DP Meintjes *(Chief Executive Officer)*, CI Tingle *(Chief Financial Officer)*,
JC Cohen *(British)*, Prof Dr RE Leu *(Swiss)*, Dr MK Makaba, ZP Manase, KHS Pretorius, AA Raath, Dr MA Ramphele,
DK Smith, CM van den Heever, Dr CA van der Merwe, Prof WL van der Merwe, MH Visser, Dr TO Wiesinger *(German)*

SECRETARY: GC Hattingh

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