AUDITED RESULTS OF
MEDICLINIC INTERNATIONAL LIMITED
AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012

Incorporated in the Republic of South Africa Reg. No. 1983/010725/06 Share code: MDC ISIN code: ZAE000074142 Income tax no: 9950122714 ("Mediclinic" or "the Company")

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March	2012 R'm	Increase %	2011 R'm
Revenue	**21 986**	18%	18 625
Cost of sales	**(12 314)**		(10 327)
Administration and other operating expenses	**(5 003)**		(4 112)
Operating profit before depreciation (EBITDA)	**4 669**	12%	4 186
Depreciation and amortisation	**(910)**		(738)
Operating profit	**3 759**		3 448
Other gains and losses	**(26)**		13
Income from associates	**1**		4
Finance income	**85**		61
Finance cost	**(1 642)**		(1 491)
Profit before tax	**2 177**		2 035
Income tax expense	**(693)**		(654)
Profit for the year	**1 484**		1 381
Attributable to:			
Equity holders of the Company	**1 221**		1 177
Non-controlling interests	**263**		204
	1 484		1 381
Earnings per ordinary share – cents			
– Basic	**194.7**	0%	195.3
– Diluted	**187.3**		186.9
Headline earnings per ordinary share – cents			
– Basic	**194.9**	6%	184.2
– Diluted	**187.5**		176.3
Normalised headline earnings per ordinary share – cents			
– Basic	**193.0**	7%	179.6
– Diluted	**185.7**		171.9
EBITDA RECONCILIATION:			
Operating profit before depreciation (EBITDA)	**4 669**		4 186
Adjusted for:			
Past service cost	**(14)**		(33)
Impairment of property and equipment	**4**		34
Insurance proceeds	**-**		(84)
Normalised EBITDA	**4 659**	14%	4 103
EARNINGS RECONCILIATION:			
Profit attributable to shareholders	**1 221**		1 177
Re-measurements for headline earnings	**1**		(77)
Profit on sale of property, equipment and vehicles	**(1)**		(4)
Gain on rights sold	**-**		(2)
Gain on purchase of business acquisition	**-**		(21)
Impairment of property and equipment	**2**		34
Insurance proceeds	**-**		(84)
Income tax effects	**-**		10
Headline earnings	**1 222**	10%	1 110
Re-measurements for normalised headline earnings			
Past service cost	**(14)**		(33)
Income tax effects	**3**		5
Normalised headline earnings	**1 211**	12%	1 082

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March	2012 R'm	2011 R'm
Profit for the year	**1 484**	1 381
Other comprehensive income		
Currency translation differences	**1 405**	488
Fair value adjustment to cash flow hedges (net of tax)	**(1 126)**	246
Actuarial gains and losses (net of tax)	**(403)**	(73)
Other comprehensive income/(loss), net of tax	**(124)**	661
Total comprehensive income for the year	**1 360**	2 042
Attributable to:		
Equity holders of the Company	**1 035**	1 877
Non-controlling interests	**325**	165
	1 360	2 042

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March	2012 R'm	2011 R'm
Cash flow from operating activities	**2 216**	2 316
Cash generated from operations	**4 266**	4 179
Net finance cost	**(1 525)**	(1 368)
Taxation paid	**(525)**	(495)
Cash flow from investment activities	**(1 055)**	(2 563)
Investment to maintain operations	**(731)**	(645)
Investment to expand operations	**(742)**	(778)
Proceeds on disposal of property, equipment and vehicles	**23**	24
Proceeds from derivative financial instruments	**24**	–
Insurance proceeds	**27**	57
Proceeds from other investments and loans	**5**	120
Purchases of FVTPL financial assets	**(144)**	(688)
Proceeds from FVTPL financial assets	**134**	–
Proceeds from money market funds	**823**	–
Purchases of money market funds	**(507)**	(672)
Interest received	**33**	19
Cash flow from financing activities	**(735)**	688
Distributions to shareholders	**(436)**	(398)
Distributions to non-controlling interests	**(111)**	(59)
Proceeds from shares issued	**-**	1 364
Share issue costs	**-**	(33)
Movement in borrowings	**(214)**	(208)
Proceeds from disposal of treasury shares	**28**	23
Treasury shares purchased	**(9)**	–
Contributions by non-controlling interests	**7**	–
Acquisition of non-controlling interests	**-**	(1)
Net movement in cash, cash equivalents and bank overdrafts	**426**	441
Opening balance of cash, cash equivalents and bank overdrafts	**1 447**	967
Exchange rate fluctuations on foreign cash	**108**	39
Closing balance of cash, cash equivalents and bank overdrafts	**1 981**	1 447
Cash and cash equivalents	**2 099**	1 567
Bank overdrafts	**(118)**	(120)
	1 981	1 447

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March	2012 R'm	2011 R'm
Opening balance	**10 560**	7 616
Shares issued	**-**	6
Premium on shares issued	**-**	1 358
Share issue costs	**-**	(33)
Movement in shares held in treasury	**19**	23
Movement in share-based payment reserve	**6**	6
Capital contributed by non-controlling interests	**3**	–
Non-controlling interests acquired by the Group	**-**	(1)
Total comprehensive income for the year	**1 360**	2 042
Transactions with non-controlling shareholders	**3**	–
Distributed to shareholders	**(436)**	(398)
Distributed to non-controlling interests	**(111)**	(59)
Closing balance	**11 404**	10 560
Comprising		
Share capital	**65**	65
Share premium	**6 066**	6 066
Treasury shares	**(269)**	(288)
Share-based payment reserve	**135**	129
Foreign currency translation reserve	**3 171**	1 828
Hedge reserve	**(3 223)**	(2 097)
Retained earnings	**4 171**	3 786
Shareholders' equity	**10 116**	9 489
Non-controlling interests	**1 288**	1 071
Total equity	**11 404**	10 560

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March	2012 R'm	2011 R'm
ASSETS		
Non-current assets	**42 033**	36 929
Property, equipment and vehicles	**34 808**	30 409
Intangible assets	**6 350**	5 565
Investments in associates	**1**	4
Other investments and loans	**662**	708
Derivative financial instruments	**-**	33
Deferred income tax assets	**212**	210
Current assets	**8 162**	6 608
Inventories	**582**	522
Trade and other receivables	**4 815**	3 796
Current income tax assets	**4**	–
Derivative financial instruments	**24**	–
Other investments and loans	**128**	–
Investment in money market funds	**510**	723
Cash and cash equivalents	**2 099**	1 567
Total assets	**50 195**	43 537
EQUITY AND LIABILITIES		
Total equity	**11 404**	10 560
Share capital and reserves	**10 116**	9 489
Non-controlling interests	**1 288**	1 071
LIABILITIES		
Non-current liabilities	**32 969**	27 922
Borrowings	**22 864**	20 414
Deferred income tax liabilities	**5 303**	4 773
Retirement benefit obligations	**823**	383
Provisions	**240**	182
Derivative financial instruments	**3 739**	2 170
Current liabilities	**5 822**	5 055
Trade and other payables	**3 460**	2 938
Borrowings	**1 930**	1 834
Provisions	**121**	89
Derivative financial instruments	**-**	48
Current income tax liabilities	**311**	146
Total liabilities	**38 791**	32 977
Total equity and liabilities	**50 195**	43 537
Net asset value per ordinary share cents	**1 609.4**	1 516.7

SEGMENTAL REPORT

for the year ended 31 March	Hospital Services 2012 R'm	Hospital Properties 2012 R'm	Adjustments and eliminations 2012 R'm	Total 2012 R'm
Revenue				
Southern Africa	**9 423**	**826**	**(826)**	**9 423**
Middle East	**1 831**	**59**	**(59)**	**1 831**
Switzerland	**10 732**	**1 596**	**(1 596)**	**10 732**
EBITDA				
Southern Africa	**1 156**	**801**		**1 957**
Middle East	**289**	**59**		**348**
Switzerland	**887**	**1 477**		**2 364**
Operating profit				
Southern Africa	**900**	**801**		**1 701**
Middle East	**191**	**59**		**250**
Switzerland	**488**	**1 320**		**1 808**
Assets				
Southern Africa	**5 266**	**7 468**	**(6 118)**	**6 616**
Middle East	**1 322**	**817**		**2 139**
Switzerland	**11 538**	**28 231**		**39 769**
Corporate				**1 671**
Liabilities				
Southern Africa	**2 358**	**4 062**	**(1 100)**	**5 320**
Middle East	**613**	**267**		**880**
Switzerland	**3 846**	**28 929**		**32 775**
Corporate				**-**
Intersegmental liabilities				**(184)**

for the year ended 31 March	Hospital Services 2011 R'm	Hospital Properties 2011 R'm	Adjustments and eliminations 2011 R'm	Total 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

	2012 R'm	2011 R'm
Capital commitments		
Southern Africa	**1 427**	1 490
Middle East	**31**	9
Switzerland	**703**	894
Exchange rates	**R**	R
Average Swiss franc (ZAR/CHF)	**8.45**	7.11
Closing Swiss franc (ZAR/CHF)	**8.50**	7.42
Average UAE dirham (ZAR/AED)	**2.03**	1.96
Closing UAE dirham (ZAR/AED)	**2.09**	1.85
Shares	**Number '000**	Number '000
Number of ordinary shares in issue	**652 315**	652 315
Number of ordinary shares held in treasury	**(23 758)**	(26 664)
Number of ordinary shares in issue net of treasury shares	**628 557**	625 651
Weighted average number of ordinary shares in issue	**627 280**	602 467
Diluted weighted average number of ordinary shares in issue	**651 921**	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.

MEDICLINIC INTERNATIONAL

- STRONG PERFORMANCE IN SOUTHERN AFRICA AND AN EXCELLENT PERFORMANCE IN THE UAE
- SOLID PERFORMANCE BY MOST OF THE SWISS HOSPITALS OFFSET BY CHALLENGES IN THE BERNE HOSPITALS
- NORMALISED HEADLINE EARNINGS INCREASED BY **12%**
- NORMALISED HEADLINE EARNINGS PER SHARE INCREASED BY **7%**
- STRONG CASH GENERATION
- FINAL DIVIDEND PER ORDINARY SHARE INCREASED TO **55.0 CENTS** (2011: 50.0 CENTS)

COMMENTARY

We are pleased to report that the Mediclinic Group ("the Group") has maintained its consistent growth pattern.

GROUP OVERVIEW

Group financial performance

The Group uses normalised EBITDA, normalised headline earnings and normalised headline earnings per share as non-IFRS measures in evaluating performance and as a method to provide shareholders with clear and consistent reporting. These non-IFRS measures are defined as reportable EBITDA, headline earnings and headline earnings per share in terms of accounting standards, excluding one-off items. The term 'normalised' used herein has replaced the term 'core' used in previous reports.

Trading results

Group revenue increased by 18% to R21 986m (2011: R18 625m) for the year under review. Normalised operating income before interest, tax, depreciation and amortisation ("normalised EBITDA") was 14% higher at R4 659m (2011: R4 103m). Normalised headline earnings rose by 12% to R1 211m (2011: R1 082m). Normalised headline earnings per ordinary share increased by 7% to 193.0 cents (2011: 179.6 cents).

These results were achieved despite the continuing tough global economic conditions. The lower normalised headline earnings per share growth of 7% compared to the normalised headline earnings growth of 12% was due to the increased weighted average number of ordinary shares in issue which resulted from the rights offer during the previous reporting period.

The average rand/Swiss franc (CHF) exchange rate was R8.45 compared to R7.11 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 R81m (2011: R78m), 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 92% (2011: 102%) of normalised EBITDA into cash generated from operations. Cash and cash equivalents increased from R1 567m at 31 March 2011 to R2 099m at year end.

Interest-bearing borrowings

Interest-bearing borrowings ("debt") increased from R22 248m at 31 March 2011 to R24 794m at year end, mainly as a result of the change in the closing rand/CHF exchange rate. The closing rand/CHF exchange rate moved from R7.42 at 31 March 2011 to R8.50 at year end. It is important to note that the foreign debt of the Group's Swiss and Middle Eastern operations, amounting to R21 162m, 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 R34 808m at year end and intangible assets increased from R5 565m at 31 March 2011 to R6 350m at year end. These increases are mainly 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. The final dividend per share is 55.0 cents (2011: 50.0 cents). The total dividend per share for the period under review is 78.0 cents (2011: 73.0 cents).

OPERATIONS IN SOUTHERN AFRICA

MEDICLINIC SOUTHERN AFRICA

Financial performance

The Southern African group revenue increased by 9% to R9 423m (2011: R8 632m) for the year under review. Normalised EBITDA was 7% higher at R1 957m (2011: R1 837m).

After incurring depreciation charges of R256m (2011: R229m), net finance charges of R328m (2011: R348m), taxation of R434m (2011: R388m) and deducting the interest of minority shareholders in the attributable income of the Southern African group amounting to R152m (2011: R141m), the Southern African operations contributed R787m (2011: R731m) to the normalised attributable income of the Group.

Business performance

The 9% revenue growth was achieved through a 3.3% increase in bed-days sold, a 5.1% increase in the average income per bed-day and 0.6% increase in other revenue. Medical cases increased at a higher rate than surgical cases. The number of patients admitted increased by 2.4%, while the average length of stay increased by 0.9%.

The Southern African operations' EBITDA margin decreased slightly from 21.3% to 20.8%. The margin was negatively affected by 0.2% because of the straight-lining of a major lease renewal; furthermore, the margin was negatively affected by a non-recurring 0.3% which resulted from the launch of the new Mediclinic brand.

The Southern African operations' cash flow continued to be strong despite some major medical schemes payments being received a few days after the financial year end, since 31 March 2012 was not a business day (Saturday). The Southern African operations converted 97% (2011: 111%) of EBITDA into cash generated from operations.

Cash and cash equivalents increased from R755m at 31 March 2011 to R821m at year end.

Interest-bearing borrowings decreased from R3 757m at 31 March 2011 to R3 631m at year end.

Projects and capital expenditure

During the reporting period the Southern African operations spent R293m (2011: R222m) on capital projects and new equipment to enhance its business, as well as R230m (2011: R224m) on the replacement of existing equipment. In addition, R274m (2011: R236m) was spent on the repair and maintenance of property and equipment, charged through the income statement. For the next financial year, R727m is budgeted for capital projects and new equipment to enhance its business, R250m for the replacement of existing equipment and R274m for repairs and maintenance. Incremental EBITDA resulting from capital projects in progress or approved is budgeted to amount to R64m and R65m in 2013 and 2014 respectively.

The number of licensed hospital beds increased from 7 103 to 7 378 during the year under review.

During the past year building projects were completed at:

- Mediclinic Stellenbosch (10 additional beds),
- Mediclinic Paarl (2 additional beds and 1 theatre),
- Mediclinic Cape Town (new doctors consulting block),
- Mediclinic Kimberley (12 additional beds),
- Mediclinic Kloof (32 additional beds),
- Mediclinic Welkom (36 additional beds and upgrade),
- Mediclinic Potchefstroom (13 additional beds),
- Mediclinic Highveld (27 additional beds),
- Mediclinic George (7 additional beds),
- Mediclinic Bloemfontein (6 additional beds), and
- Wits Donald Gordon Medical Centre (7 additional beds).

In addition, building projects at Mediclinic Nelspruit (78 additional beds) and Mediclinic Limpopo (45 additional beds) were partially completed.

The following building projects in progress should be completed during the next financial year:

- Mediclinic Limpopo (15 additional beds and upgrade),
- Mediclinic Nelspruit (2 theatres and upgrade),
- Mediclinic Cottage (upgrade and 14 additional beds),
- Mediclinic Louis Leipoldt (upgrade),
- Mediclinic Hoogland (4 additional beds, new doctors consulting block and upgrade),
- Mediclinic Otjiwarongo (2 additional beds), and
- Mediclinic Muelmed (30 additional beds).

The following building projects in progress should be completed during the 2014 financial year:

- Mediclinic Pietermaritzburg (new cardiology unit, 80 additional beds, consulting rooms and upgrade),
- Mediclinic Windhoek (27 additional beds and consulting rooms),
- Mediclinic Stellenbosch (upgrade),
- Mediclinic Milnerton (10 additional beds),
- Mediclinic Legae (new emergency centre), and
- Wits Donald Gordon Medical Centre (upgrade).

Furthermore, projects were also approved for:

- A new hospital in Centurion (174 beds),
- Mediclinic Howick (22 additional beds and upgrade),
- Mediclinic Kloof (additional consulting rooms),
- Marapong Private Hospital (relocating hospital),
- Mediclinic Newcastle (10 additional beds), and
- Mediclinic Victoria (14 additional beds and consulting rooms).

These projects will start during the next 12 months.

The number of licensed beds is expected to increase from 7 378 to 7 483 during the next financial year.

Regulatory environment

The Department of Health remains committed to achieving universal coverage through the proposed National Health Insurance (NHI) scheme. Mediclinic and HASA (Hospital Association of South Africa) have submitted comprehensive comments on the NHI Green Paper by the end of December 2011 and continue with their efforts to engage with the Government and various stakeholders on the most appropriate mechanisms for achieving universal coverage and promoting access to affordable high-quality healthcare. We expect a White Paper on NHI to be released in the near future.

In the meantime, the Minister of Health has started to implement some of the pillars that would be needed for the implementation of the NHI scheme, such as introducing a Bill in Parliament to establish the Office of Health Standards Compliance, and announcing the first 10 NHI pilot sites for the Primary Health Care project. The Department of Health also plans to address the severe shortage of all professional categories of staff, the lack of sufficient management capacity in public hospitals and the lack of capacity to train much needed human resources.

Adequate access to quality healthcare in the public sector to achieve universal healthcare through the NHI requires addressing the major systemic issues in the public sector and a significant increase in human resource capacity. These factors can be properly addressed only over the longer term. The Minister of Health acknowledges these constraints and has identified them as critical challenges that have to be addressed as a priority in order for the NHI to be successful. Initiatives such as reopening nursing colleges, increasing the capacity of medical schools and better management of hospitals are planned by the Department of Health.

Mediclinic is of the opinion that the NHI and indeed these initial activities to institute an NHI will not have any significant effect on the medical schemes market or the private sector industry in the immediate future. In addition, the Minister of Finance recently changed the tax-subsidy system to a tax credit system, which will make private healthcare more affordable for lower-income members. This creates a more enabling environment for an increase in the number of medical scheme members in the future.

We do not expect any significant impact on our financial or business performance due to the proposed amendments to Labour Legislation. Our remuneration policies are already in line with the proposed amendments. However, 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.

OPERATIONS IN SWITZERLAND

HIRSLANDEN

Financial performance

Hirslanden's revenue increased by 24% (4% at constant foreign exchange rates) to R10 732m (CHF1 270m) (2011: R8 659m (CHF1 218m)) for the year under review. Normalised EBITDA was 16% higher (2% lower at constant foreign exchange rates) at R2 350m (CHF278m) (2011: R2 026m (CHF285m)).

After incurring depreciation charges of R556m (CHF66m) (2011: R433m (CHF61m)), net finance charges of R1 239m (CHF147m) (2011: R1 060m (CHF149m)) and tax of R260m (CHF31m) (2011: R251m (CHF35m)), and income from associates of R1m (CHF0.1m) (2011: R4m (CHF1m)), Hirslanden contributed R296m (CHF34m) (2011: R286m (CHF41m)) to the attributable income of the Group.

Business performance

Inpatient admissions increased by 4% during the reporting period, while the average length of stay decreased slightly and the average income per bed-day increased by 2%.

The normalised EBITDA margin of the group decreased from 23.4% to 21.9%.

The margin was affected by the following factors:

- The implementation of a revised labour law during the year and the additional staff required in the fields of medical coding and controlling as a result of the introduction of the new Swiss Diagnosis Related Grouping (DRG) added R46m (CHF5.5m) to personnel expenses. Management is focusing on overall personnel costs to mitigate the impact of these developments.
- The trend of a gradually increasing percentage of generally insured patients is continuing. The fact that private and semi-private insurance premiums have not increased in 2012 is a positive development to counter this trend.
- The Berne hospitals faced a number of challenges:
  - Administrative challenges in first implementing the All Patient DRG (APDRG) system in 2010 and then the Swiss DRG system in 2012 were substantial. This lead to increases in staff costs and trade debtors.
  - Cost structures were furthermore increased as a result of the capacity creation at Klinik Beau Site without achieving the budgeted initial revenue increases.
  - Moderate tariff declines have been experienced since the implementation of APDRGs in 2010 and Swiss DRGs in 2012.
  - Berne is a competitive market where the numerous uncertainties regarding the hospital list status created general recruitment and retention challenges with doctors.

These challenges have become a top priority for management. Along with greater clarity regarding the new regulatory dispensation, this should lead to a more normalised situation in the next financial year.

Hirslanden converted 84% (2011: 94%) of normalised EBITDA into cash generated from operations. An expected temporary increase in trade debtors as a result of the implementation of the new DRG system had a negative effect on the cash conversion. Furthermore, an IAS 19 pension fund adjustment of R114m (CHF13.5m) (2011: R102m (CHF14.3m)), which is the employer's contribution exceeding the current service cost, was credited to the consolidated income statement. If the IAS 19 non-cash-flow pension fund credit is excluded, the Hirslanden group would have converted 88% EBITDA into cash from operations.

Cash and cash equivalents decreased from R699m (CHF94m) at 31 March 2011 to R588m (CHF69m) at year end.

Interest-bearing borrowings increased from R18 083m (CHF2 437m) at 31 March 2011 to R20 722m (CHF2 438m) at year end, mainly because of the increase in the closing rate of the rand/CHF exchange rate.

Projects and capital expenditure

During the reporting period Hirslanden spent R456m (CHF54m) (2011: R312m (CHF44m)) on capital projects and new equipment to enhance its business, as well as R413m (CHF49m) (2011: R323m (CHF45m)) on the replacement of existing equipment. In addition, R292m (CHF35m) (2011: R232m (CHF33m)) was spent on the repair and maintenance of property and equipment, charged through the income statement. For the next financial year CHF73m is budgeted for capital projects and new equipment, CHF52m for the replacement of existing equipment and CHF34m for repairs and maintenance. Incremental EBITDA resulting from capital projects in progress or approved is budgeted to amount to CHF6m and CHF12m in 2013 and 2014 respectively.

The number of fully operational inpatient beds increased from 1 457 to 1 479 during the period under review.

The major new building at Klinik Hirslanden has been under construction in Zurich since November 2010. During the reporting period the building project was running according to plan and without incident. It is expected that the commissioning of the new building (with an additional 72 inpatient beds and 8 ICU beds) will take place in 2013 during the European Spring.

Regulatory environment

As of 1 January 2012 the following major elements of the revised Swiss Health Insurance Act (KVG) were implemented in Switzerland: (i) the introduction of fixed fees for inpatient services based on DRGs; (ii) a new hospital financing system which redefines the funding proportions of the cantons versus the health insurance companies; and (iii) the revision of the hospital planning that led to new hospital lists, defining those hospitals that are eligible to treat generally insured patients.

The introduction of this new planning and financing system was certainly the major challenge in this financial year. These changes go along with increased regulatory constraints that will affect future business development to a certain extent.

Hirslanden's strategy is to obtain listing status for all its hospitals in Switzerland, since management believes that in the long term this can ensure the required number of patients. All hospitals with the exception of Klinik Im Park in Zurich (subject to a legal appeal) and the Lausanne hospitals (only limited service mandates with fixed amount of general insured cases) are on the hospital lists. In some hospitals there are certain exceptions regarding the service mandates (e.g. limitation on highly specialised treatments) that are currently being debated and also legally challenged.

With the introduction of DRGs new insurance contracts had to be negotiated, the whole invoicing process remodelled, and new documentation and coding processes installed. Ongoing discussions with insurance companies and cantons had to be undertaken and, based on these, short notice system adjustments made. Hirslanden's hospitals were the first in Switzerland to invoice under the Swiss DRGs. Nevertheless, there was still an invoicing backlog as at financial year end. On the revenue side the change meant that the revenue allocation and in-house calculation had to be adjusted and, for example, new revenue splits between the hospital and the doctors were implemented. In addition, the hospitals had to fulfil the requirements of the cantons as an important new debtor in the financing system.

The current price level (base rate in the DRG system) is as expected in most cantons, but these prices are provisional and therefore can be subject to review. Taking into account all these significant and complex changes in the last couple of months, the current situation is in line with expectations except for Berne as described above.

Despite the fact that the new system is operational, there are still a number of areas that have not been finalised and remain uncertain:

- the applicable base rate per canton of the DRG pricing;
- hospital lists in some cantons are still under debate or legally challenged;
- restrictions in cantonal legislation could impact on the business;
- highly specialised medicine developments can impact on the future patient profile of some hospitals; and
- cantons subsidising public hospitals.

OPERATIONS IN UNITED ARAB EMIRATES

EMIRATES HEALTHCARE

Financial performance

Revenue increased by 37% (32% at constant foreign exchange rates) to R1 831m (AED902m) (2011: R1 334m (AED681m)) for the year under review. Normalised EBITDA increased by 47% (43% at constant exchange rates) to R352m (AED174m) (2011: R240m (AED122m)) and the EBITDA margin increased from 18.0% to 19.2%.

After incurring depreciation charges of R98m (AED48m) (2011: R76m (AED38m)), net finance charges of R27m (AED14m) (2011: R38m (AED19m)) and the sharing of minority shareholders in the attributable income of Emirates Healthcare amounting to R113m (AED56m) (2011: R63m (AED32m)), Emirates Healthcare contributed R114m (AED56m) (2011: R63m (AED33m)) to the attributable income of the Group.

Business performance

During the reporting period excellent growth was achieved by all business units. Inpatient hospital admissions increased by 23% (2011: 23%), while hospital outpatient consultations and visits to the emergency units increased by 13% (2011: 10%). Clinic outpatient consultations increased by 65% (2011: 21%) as a result of the acquisition of the Emaar clinics.

The number of licensed hospital beds remained constant at 334 beds during the period under review.

Emirates Healthcare converted 119% (2011: 100%) of EBITDA into cash generated from operations. Cash and cash equivalents increased from R114m (AED61m) at 31 March 2011 to R325m (AED155m) at year end.

Interest-bearing borrowings increased from R408m (AED221m) at 31 March 2011 to R439m (AED210m) at year end mainly as a result of the change in the closing rand/AED exchange rate.

Projects and capital expenditure

During the reporting period Emirates Healthcare spent R26m (AED13m) (2011: R26m (AED13m)) on capital projects and new equipment to enhance its business as well as R25m (AED12m) (2011: R20m (AED10m)) on the replacement of existing equipment. In addition, R35m (AED17m) (2011: R31m (AED16m)) was spent on the repair and maintenance of property and equipment, charged through the income statement. For the next financial year, AED14m is budgeted for capital projects and new equipment to enhance its business, AED33m for the replacement of existing equipment and AED18m for repairs and maintenance.

CHANGES TO THE BOARD OF DIRECTORS

There were no changes to the Board of Mediclinic during the period under review.

Mr Thys Visser, who served as a non-executive director since 2005 representing Remgro Limited, tragically passed away on 26 April 2012. Mr Visser was an exceptional leader and businessman. He will be long remembered, both for his significant contribution to the Group and as a person.

Ms Zodwa Manase and Prof. Wynand van der Merwe (both independent non-executive directors), as well as Dr Mamphela Ramphele (non-executive director) will retire on 26 July 2012. We are thankful to them for the significant contribution they have made over a long period to the Group.

The filling of these vacancies is receiving the attention of the Board.

Dr Edwin Hertzog will retire as an executive director in August 2012, but will remain on the Board as a non-executive chairman. A further announcement will be made in due course confirming the exact date.

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 providing comprehensive high-quality hospital services on a cost effective basis.

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.

On the whole the Group remains positive about its operational prospects for the next year.

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 annual financial statements are available for inspection at the registered office of the Company.

BASIS OF PREPARATION

The accounting policies applied in the preparation of these abridged annual 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 prior year. The abridged annual 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, as amended and the Listings Requirements of the JSE Limited. The preparation of the abridged annual financial statements was supervised by the Chief Financial Officer, Mr CI Tingle (CA(SA)).

DIVIDEND TO SHAREHOLDERS

Notice is hereby given that the directors have declared a final gross cash dividend of 55.0 cents (46.75 cents net of dividend withholding tax) per ordinary share. The dividend has been declared from income reserves and no secondary tax on companies credits have been utilised. A dividend withholding tax of 15% will be applicable to all shareholders who are not exempt therefrom. The issued share capital at the declaration date is 652 315 341 ordinary shares.

The salient dates for the dividend will be as follows:

Last date to trade cum dividend	Friday, 15 June 2012
First date of trading ex dividend	Monday, 18 June 2012
Record date	Friday, 22 June 2012
Payment date	Monday, 25 June 2012

Share certificates may not be dematerialised or rematerialised from Monday, 18 June 2012 to Friday, 22 June 2012, both days inclusive.

Signed on behalf of the board of directors:

E DE LA H HERTZOG
Chairman

D P MEINTJES
Chief Executive Officer

Stellenbosch
22 May 2012

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, Dr TO Wiesinger *(German)*

SECRETARY: GC Hattingh

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