MEDIA STATEMENT

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FINAL RESULTS FOR PERIOD ENDED 31 MARCH 2010

Strong defensive performance from Medi-Clinic

Stellenbosch: Private hospital group Medi-Clinic maintained its consistent growth pattern in the year ended 31 March 2010, with a 37% increase in core headline earnings and a solid performance in its South African and international operations.

Medi-Clinic operates 67 private hospitals (approximately 8 700 beds) in South Africa, Namibia, Switzerland and the United Arab Emirates.

Group revenue increased 5% to R17 141 million (2009: R16 351 million) and core EBITDA was up 9% to R3 736 million (2009: R3 431 million).

Core headline earnings rose by 37% to R852 million (2009: R624 million) and core basic headline earnings per ordinary share increased by 36% to 151.8 cents (2009: 111.5 cents).

"The results are gratifying," says Dr Edwin Hertzog, Medi-Clinic Chairman, "particularly in light of the global recession, economic turmoil and the slow recovery".

Revenue increased in all three areas of operation, with group-wide improvements in bed-days sold and in average income per bed-day.

Medi-Clinic Southern Africa increased revenue by 13% to R7 680 million (2009: R6 792 million). EBITDA was 13% higher at R1 651 million (2009: R1 458 million).

The Hirslanden operations in Switzerland increased revenue by 4% at constant foreign exchange rates to R8 335 million (CHF1 134 million) (2009: R8 737 million (CHF1 091 million)). This is a 5% decrease in rand terms because of the strength of this currency. Core EBITDA was 0.4% lower (9% higher at constant foreign exchange rates) at R1 953 million (CHF266 million) (2009: R1 961 million (CHF245 million)).

Emirates Healthcare in the United Arab Emirates increased revenue by 37% (55% at constant foreign exchange rates) to R1 126 million (AED529 million) (2009: R822 million (AED341 million)). EBITDA increased by 1 000% (1 140% at constant exchange rates) to R132 million (AED62 million) (2009: R12 million (AED5 million)).

The Group results benefited from two one-off adjustments, which are not reflected in the figures for core headline earnings, core EBITDA and core basic headline earnings per share given above. The first was an adjustment to the Hirslanden pension funds' payout ratio, resulting in a credit (calculated in terms of IAS 19) to the income statement of R76 million (CHF10.4 million) after provisioning for tax. The second, a decrease in the tax rates in two cantons in Switzerland, resulting in a release of R100 million (CHF13.6 million) from the deferred tax account as a credit to the taxation charge in the income statement.

If the one-off adjustments are taken into account, Group EBITDA was 12% higher at R3 833 million (2009: R3 431 million), headline earnings rose by 65% to R1 028 million (2009: R624 million) and basic headline earnings per ordinary share increased 64% to 183.1 cents (2009: 111.5 cents).

The total dividend per ordinary share increased by 6.4% to 73 cents (2009: 68.6 cents).

"We informed our shareholders in the 2009 Annual Report that we will in future target a dividend cover of three times based on Group headline earnings," Gerhard Swiegers, Group Chief Financial Officer says. "The Group has successfully leveraged its capital structure, turning a core EBITDA increase of 9% into a core headline earnings increase of 37%.

"The Group's debt decreased from R24 590 million at 31 March 2009 to R21 065 million at year end, mainly because of the strengthening of the rand against the Swiss franc during the reporting period," he added.

"Operating profit margins were maintained across all three growth platforms. We are particularly pleased with the Swiss performance given the trying economic times in Europe and that The City Hospital in Dubai continued to improve its performance month on month," says Dr Hertzog.

Cash and cash equivalents stood at R1.1 billion at year end. Swiegers says the money will be used principally for capital investment, but also to repay debt.

Significant resources continue to be invested across the Group's three operating platforms.

In Switzerland the project at Klinik Im Park (2 ICU beds, 4 intermediate care beds) and the new ward at Klinik Aarau (28 inpatient beds) were successfully commissioned during January 2010 and February 2010 respectively. In addition, the 7 new private rooms at Klinik St. Anna have been commissioned at the beginning of April 2010. Klinik Beau-Site in Berne will be expanded by 23 beds to 116 beds, with 19 beds to be commissioned in 2011 and the balance in 2012. In addition, the hospital will receive an extensive upgrade and consulting rooms will be added. Feasibility studies and approvals, including investigating the most appropriate funding alternatives, on the extensions of Klinik Hirslanden (approximately 71 beds) and Klinik St. Anna (approximately 30 beds) as well as the creation of a skeletal radiology and a radiotherapy centre at Klinik Bois Cerf are far advanced. Once the extensions at Klinik Beau-Site, Klinik Hirslanden and Klinik St. Anna are completed, Hirslanden's total inpatient bed capacity will have increased by 9%.

In South Africa the number of beds is expected to increase from 7 035 to 7 077 during the next financial year. The new 140-bed Cape Gate Medi-Clinic in the Western Cape was successfully commissioned as planned in February 2010. Occupancies are above budget. Extensive upgrade projects are in progress at Panorama Medi-Clinic and Constantiaberg Medi-Clinic, to be completed by November 2010 and May 2010 respectively. The upgrade project at Hermanus Medi-Clinic, which included the addition of 25 beds, was completed during March 2010. Other significant projects that have commenced are the addition of 74 beds at Nelspruit Medi-Clinic, 30 beds at Limpopo Medi-Clinic and 28 beds at Tzaneen Medi-Clinic. The project at Tzaneen Medi-Clinic is to be completed by June 2010, while the projects at Nelspruit Medi-Clinic and Limpopo Medi-Clinic are due for commissioning in the 2012 financial year. A project comprising an additional 57 beds, 12 additional obstetric beds with 3 labour rooms and 4 neonatal ICU beds has been approved for Muelmed Medi-Clinic, expected to be completed in September 2011. Paarl Medi-Clinic has approval for 1 additional theatre and 4 ICU beds and Cottage Medi-Clinic has approval for an upgrade and 14 additional hospital beds. Expected completion dates are November 2010 and July 2011 respectively. Kimberley Medi-Clinic and Stellenbosch Medi-Clinic have approval for 22 and 10 additional beds. Both are also approved for a hospital upgrade and 1 additional theatre, due for completion in December 2011 and December 2010 respectively. Wits Donald Gordon Medical Centre has approval for an upgrade of a 28 bed ward which is expected to be completed in December 2010.

Medi-Clinic plans to invest some R600 million in its Southern African operations in each of the next two years, expanding its capacity by approximately 400 hospital beds between 2010 and 2012.

In Dubai, a project to upgrade the Welcare Hospital started during September. Additional capacity has been created in the day care and neonatal units. The total number of beds in the hospital increased from 120 to 126 beds. The project will also address several other bottlenecks in the hospital.

Medi-Clinic is moving towards its goal of building a global hospital group with cost-effective quality care, Dr Hertzog says. "Our new synergies and convergence division will focus on establishing an integrated international platform for best practices across borders, consolidating our collective intellectual capital and extracting value. We continuously evaluate interesting new opportunities that come our way as well as expansion projects at existing hospitals. However, at the moment, we remain focused on optimising our business across all three platforms," he explained.

In terms of the South African legislative environment, Dr Hertzog confirms that Medi-Clinic supports the Government's policy objectives to increase access to quality healthcare for all citizens.

The process to develop a National Health Insurance system for South Africa is ongoing and Medi-Clinic welcomes the initiative taken by the Minister of Health to establish a multi-stakeholder Ministerial Advisory Committee to assist with the process. The release of an official policy document in this regard is still awaited.

"Regulatory issues are part and parcel of the healthcare environment. The Group, particularly in Switzerland and Southern Africa, continues to conduct in-depth research on regulatory matters and is looking forward to sharing ideas in the development of solutions for South Africa and the potential impact and opportunities that proposed changes present to Hirslanden's business," he added.

"The Group has weathered the global recession so far quite well. Barring unforeseen circumstances, the Group continues to be optimistic about its operational prospects for next year. We will continue to focus on our core business of acute care specialist-oriented hospital services – striving at all times to provide cost-effective quality care that improves the quality of life of patients." Dr Hertzog concludes.

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