



MEDI-CLINIC CORPORATION LIMITED

FINANCIAL RESULTS

AUDITED RESULTS OF MEDI-CLINIC CORPORATION LIMITED AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

| CONSOLIDATED ABRIDGED INCOME STATEMENT | | | |
|--|--------------|---------------|-------------|
| for the year ended 31 March | 2007 R'm | Increase % | 2006 R'm |
| Revenue | 5,364 | 14 | 4,723 |
| Cost of sales | (2,928) | | (2,571) |
| Administration and other operating expenses | (1,285) | | (1,165) |
| Operating profit before depreciation (EBITDA) | 1,151 | 17 | 987 |
| Depreciation | (146) | | (124) |
| BEE share-based payment | - | | (85) |
| Profit on sale of equipment | 1 | | 1 |
| Operating profit | 1,006 | 29 | 779 |
| Income from associates | 1 | | 13 |
| Profit on sale of associate | - | | 43 |
| Finance income | 44 | | 70 |
| Finance cost | (88) | | (45) |
| Profit before taxation | 963 | | 860 |
| Taxation | (270) | | (428) |
| Profit for the year | 693 | | 432 |
| Attributable to: | | | |
| Shareholders of the company | 582 | | 338 |
| Minority interests | 111 | | 94 |
| | 693 | | 432 |
| Earnings per ordinary share - cents | | | |
| - Basic | 162.5 | 67 | 97.1 |
| - Diluted | 147.5 | | 85.9 |
| Headline earnings per ordinary share - cents | | | |
| - Basic | 162.2 | 88 | 86.3 |
| - Diluted | 147.2 | | 76.3 |
| Core earnings per ordinary share - cents | | | |
| - Basic | 162.2 | 2 | 159.3 |
| - Diluted | 147.2 | | 140.9 |
| Earnings reconciliation: | | | |
| Profit attributable to shareholders | 582 | | 338 |
| Profit on sale of equipment | (1) | | (1) |
| After tax profit on sale of associate | - | | (37) |
| Headline earnings | 581 | 94 | 300 |
| Net STC charge on special dividend | - | | 168 |
| BEE share-based payment | - | | 85 |
| Core earnings | 581 | 5 | 553 |

| CONSOLIDATED ABRIDGED BALANCE SHEET | | | |
|--|-------------|--|-------------|
| at 31 March | 2007 R'm | | 2006 R'm |
| Assets | | | |
| Non-current assets | 3,709 | | 2,617 |
| Property, plant and equipment | 3,124 | | 2,327 |
| Intangible assets | 419 | | 48 |
| Investments - unlisted | 46 | | 119 |
| Deferred income tax assets | 120 | | 123 |
| Current assets | 1,780 | | 980 |
| Inventories | 190 | | 153 |
| Trade and other receivables | 874 | | 667 |
| Cash and cash equivalents | 716 | | 160 |
| Total assets | 5,489 | | 3,597 |
| Equity and liabilities | | | |
| Total equity | 2,820 | | 1,931 |
| Share capital and reserves | 2,068 | | 1,641 |
| Minority interests | 752 | | 290 |
| Total liabilities | 2,669 | | 1,666 |
| Long-term interest-bearing borrowings | 996 | | 848 |
| Retirement benefit obligations | 129 | | 102 |
| Deferred income tax liabilities | 5 | | 5 |
| Short-term interest-bearing borrowings | 628 | | 74 |
| Short-term interest-free borrowings | 911 | | 637 |
| Total equity and liabilities | 5,489 | | 3,597 |
| Number of ordinary shares ('000) | 359,369 | | 356,231 |
| Weighted number of ordinary shares ('000) | 357,606 | | 347,140 |
| Diluted number of ordinary shares ('000) | 394,107 | | 392,417 |
| Net asset value per ordinary share - cents | 575 | | 461 |
| Directors' valuation of unlisted investments | 46 | | 119 |

| SEGMENTAL REPORT | | | |
|-----------------------------------|---------------------------|-----------------------|--------------|
| Balance Sheet at 31 March 2007 | Southern Africa R'm | Middle East R'm | Total R'm |
| Goodwill included in total assets | 55 | 364 | 419 |
| Total assets | 3,951 | 1,538 | 5,489 |
| Total liabilities | 2,212 | 457 | 2,669 |
| Capital expenditure | 325 | - | 325 |

| ABRIDGED STATEMENT OF CHANGES IN EQUITY | | |
|---|-------------|-------------|
| for the year ended 31 March | 2007 R'm | 2006 R'm |
| Opening balance | 1,931 | 2,928 |
| Net shares issued | - | 3 |
| Minorities acquired | 391 | - |
| Distributed to shareholders | (178) | (1,493) |
| Distributed to minorities | (40) | (39) |
| Profit for the year | 693 | 432 |
| Movement in shares held in treasury | 13 | 17 |
| Movement in share-based payment reserve | 8 | 90 |
| Movement in foreign currency translations | 4 | - |
| Minority interest acquired by the group | (2) | - |
| Share issue costs | - | (7) |
| | 2,820 | 1,931 |

| CONSOLIDATED ABRIDGED CASH FLOW STATEMENT | | | |
|---|-------------|--|-------------|
| for the year ended 31 March | 2007 R'm | | 2006 R'm |
| Cash flow from operating activities | 837 | | 571 |
| Cash generated from operations | 1,187 | | 994 |
| Net finance (cost) / income | (44) | | 25 |
| Taxation paid | (306) | | (448) |
| Cash flow from investment activities | (672) | | (388) |
| Cash flow from financing activities | 43 | | (830) |
| Distributions to shareholders | (178) | | (1,493) |
| Distributions to minorities | (40) | | (39) |
| Movement in borrowings | 248 | | 689 |
| Other | 13 | | 13 |
| Net movement in cash, cash equivalents and bank overdrafts | 208 | | (647) |
| Opening balance of cash, cash equivalents and bank overdrafts | 149 | | 796 |
| Closing balance of cash, cash equivalents and bank overdrafts | 357 | | 149 |
| Cash and cash equivalents | 716 | | 160 |
| Bank overdrafts | (359) | | (11) |
| | 357 | | 149 |

COMMENTARY

We are pleased to report that the group has maintained its consistent growth pattern. It strengthened its operational performance and continued to implement strategic initiatives and investments aimed at expanding the group's operations in South Africa and other countries.

FINANCIAL PERFORMANCE

The black ownership initiative and the capital restructuring ("the transactions") implemented by Medi-Clinic in December 2005, continue to have an effect on the interpretation of the group's earnings, headline earnings per share ("HEPS") and earnings per share ("EPS").

The non-recurring effect of the transactions manifested in the following two charges to the group's income statement:

- a net STC charge of R168 million ("the STC charge") resulting from the special dividend declared as part of the capital restructuring; and
- a charge of R85 million being the IFRS charge on the share-based portion of the black ownership initiative ("the BEE share-based payment").

These charges were fully reflected in the financial results for the year to 31 March 2006. The resulting low base of the group's earnings, HEPS and EPS in the previous financial year was the main reason for the substantial increases this year in these denominators of 94%, 88% and 67% respectively.

The ongoing effect of the transactions is mainly reflected in:

- higher interest charges ("the higher interest charges") resulting from the capital restructuring implemented in December 2005. The higher interest charges consist of the aggregate of the interest income foregone on the cash balance on hand prior to the capital restructuring and the interest paid on the newly introduced debt of R700 million. Compared with the previous financial year the higher interest charges for the year under review amount to about R122 million (2006: R32 million) before taxation (therefore, representing a net amount of R90 million in higher interest charges before taxation for the year under review); and
- treasury stock: the 28.5 million new shares issued to the strategic black partners in terms of the black ownership initiative are treated as treasury stock and are being released in line with payments made to Medi-Clinic by the strategic black partners relative to the original market value of these shares, being R525 million. To date 10.9 million of these shares have been released from treasury stock (1.3 million during the period under review). This leaves a balance of 17.6 million treasury shares at 31 March 2007 in addition to the existing treasury shares held by the group and the 15.8 million shares issued to the Mpilo Trust. The release of such shares from treasury stock has had and will continue to have a commensurate dilutive effect on the EPS and HEPS of the group.

In the context of the above, the core earnings of the group are emphasised in this report. The core earnings include the headline earnings of the group and the ongoing effect of the transactions, but exclude the non-recurring effect of the STC charge and the BEE share-based payment.

The transactions did not have a significant financial effect on the operational performance of the group.

With the above transactions as background, revenue, which consists mainly of hospital fees, increased by 14% to R5 364 million (2006: R4 723 million) for the year under review. Operating profit before interest, taxation, depreciation and amortisation (EBITDA) was 17% higher at R1 151 million (2006: R987 million). After incurring the higher net interest charges of about R90 million before taxation, core earnings (which exclude the STC charge and the BEE share-based payment) rose by 5% to R581 million (2006: R553 million) resulting in an increase of 2% in core earnings per share ("CEPS") to 162.2 cents (2006: 159.3 cents). The total dividend per share at 54.1 cents for the year (2006: 53.1 cents) is 2% higher.

BUSINESS PERFORMANCE

The group acquired a 49.9% interest in the Wits Donald Gordon Medical Centre ("WDGMC") (190 beds), a 100% interest in the Legae Private Hospital ("Legae") (137 beds) and a 51% interest in the 200-bed Protector Group effective from 1 July 2005, 1 December 2005 and 8 November 2006, respectively. (The acquisition of a controlling stake in Emirates Healthcare Holdings Limited ("Emirates Healthcare") became effective on 27 March 2007 just before year-end. Hence, no operational results for Emirates Healthcare are included in the income statement for the period under review.) The current period's results are therefore, due to the above transactions, not directly comparable with those of the previous period. Excluding the increase in capacity, the group's revenue growth amounted to 11%.

On a comparable basis, the revenue growth of 11% was achieved through a 5% increase in in-patient bed-days, a 5% increase in the average income per bed-day and a 1% change in the case profile of patients treated. The increase in utilisation was evident in both surgical and medical cases. The number of patients admitted to our hospitals increased by 5% while the average length of stay remained fairly stable.

The group's EBITDA margin increased from 20.9% to 21.5%, mainly due to a maintained focus on operational efficiencies, as well as releases from the provision for doubtful debts as a result of improved collections from medical schemes.

THE PROTECTOR GROUP

The integration of the Protector Group consisting of the 155 bed Medivaal MediCentre in Vanderbijlpark, the 25 bed Kathu Private Hospital and the 12 bed Marapong Private Hospital went very smoothly. The staff at the various hospitals were very co-operative and supportive of the new ownership. We welcome them into the Medi-Clinic fold.

EMIRATES HEALTHCARE

The acquisition of a 49.9% interest in Emirates Healthcare, which was announced on 28 April 2006, became unconditional on 27 March 2007. This was communicated to the market in a SENS announcement on 19 April 2007. Ultimately, the group obtained a controlling equity interest of 50% plus one share, with board and management control. Emirates Healthcare owns and operates one of the two biggest private hospitals in Dubai, the 120-bed Welcare Hospital, along with one ambulatory surgery centre and two clinics which are in close proximity. It has also commenced with the construction of the first hospital in Dubai Health Care City ("DHCC"), the City Hospital with 210 beds, which is scheduled for commissioning towards the end of 2007. In addition, Emirates Healthcare has the right to develop a further hospital in DHCC and plans to develop a further three related clinics of which two will open during this year. This will make Emirates Healthcare the largest private healthcare provider in Dubai.

In terms of the transaction Medi-Clinic Middle East, a group subsidiary, subscribed for an equity interest of 50% plus one share in Emirates Healthcare for an amount of US\$53.1 million (R384.2 million), while General Electric Company ("GE") a member of the General Electric Group subscribed for a 6.59% equity interest for an amount of US\$7 million. Mr Sunny Varkey (the founder and chairman of Emirates Healthcare) will retain an equity interest of 43.41%. The parties will endeavour to secure a further strategic equity investor in the subsidiary of Emirates Healthcare which owns the Dubai based operating companies. To facilitate this, Medi-Clinic Middle East also subscribed for cumulative variable rate participating redeemable convertible preference shares in Emirates Healthcare for an amount of US\$21.5 million (R155.2 million) to fund a portion of the equity contribution reserved for the strategic equity investor.

The total equity capital referred to above together with debt funding from local financial institutions in the amount of US\$102 million are adequate to fund all the projects mentioned above. The debt funding is in the process of being finalised.

As mentioned in the SENS announcement of 19 April 2007 the short-term financial effect of the transaction on the group's EPS and HEPS is negligible, mainly due to the green field's nature of the investment. The group is very positive about the market outlook of Dubai and is confident about the long-term prospects of the investment.

This investment in Dubai is an ideal platform to enter health care markets in the rest of the Gulf Coalition Countries and the Middle East.

Due to the fact that the transaction only came into effect on 27 March 2007, only the balance sheet of Emirates Healthcare on 31 March 2007, but no financial results were consolidated into the group's accounts. However, if the acquisition had occurred on 1 April 2006, the group's revenue would have increased by R409 million, EBITDA by R48 million, operating profit by R28 million and profit for the year by R24 million, of which R12 million would have been attributable to shareholders of the group.

SALIENT FEATURES

| | |
|---------------|-------|
| REVENUE | + 14% |
| EBITDA | + 17% |
| CORE EARNINGS | + 5% |

From an operational perspective, two senior managers of the group who were or still are members of the Board hold the positions of Human Resource Director and Chief Financial Officer of Emirates Healthcare. The hospital managers of both the Welcare Hospital and the City Hospital were seconded by the group to Emirates Healthcare in addition to about 16 nurses. Medi-Clinic was also accredited by the DHCC as Emirates Healthcare's international affiliated partner.

Cash flow continued to be strong during the period under review, mainly due to more efficient working capital management. The group converted 103% (2006: 101%) of EBITDA into cash generated from operating activities. The group's strong cash flow continues to underline the quality of its earnings. Cash and cash equivalents increased from R160 million to R716 million (of which R505 million is held by Emirates Healthcare) at 31 March 2007. Interest-bearing debt increased from R922 million to R1 624 million (R307 million at Emirates Healthcare) after financing capital expenditure and acquisitions, mainly the Protector Group and Emirates Healthcare. This resulted in an increase in the debt: equity ratio from 48% to 58%.

Capital expenditure for the period under review was R751 million (2006: R427 million) of which R426 million (2006: R131 million) was for new acquisitions. Capital commitments (including amounts approved but not yet contracted for) amounted to R689 million (2006: R384 million) of which R201 million relates to Emirates Healthcare.

AFFORDABILITY OF HEALTHCARE

Affordability will always remain a critical issue in the healthcare industry internationally, but especially in developing countries.

Throughout the world increased healthcare costs are driven by increased utilisation resulting from factors such as the ageing population, new technology, patient expectations and the increased burden of disease. Locally the position is exacerbated by a shortage of skilled nursing staff, in line with the international shortage. This leads to and will for the foreseeable future continue to lead to sustained pressure for higher nursing salaries. Your group is fortunate to experience good staff retention due to proper retention strategies and also our drive to be the employer of choice. It further mitigates the risk by training nurses at all levels for its needs. Currently about 4% of payroll is spent on staff training. In addition to the above strategies, the group has embarked on a foreign recruitment project and the first 40 Indian nurses are expected to arrive towards the end of the year.

The replacement cost of hospitals, being the cost of land as well as building costs, has risen dramatically in the recent past in line with local and international property trends. Current hospital tariffs do not reflect this trend.

The private hospital industry recognised the need to place private hospital costs in proper perspective and to explain the fundamental cost drivers in a typical private hospital in South Africa. To this end, the Hospital Association of South Africa, of which Medi-Clinic has always been an active member, commissioned independent research into the cost drivers and other variable factors influencing private hospital expenditure. Some of the most significant findings of the first phase of the research were that private healthcare cost inflation reduced significantly in the recent past; that private hospitals did absorb costs and did not pass all their cost increases on to consumers; and that South African private hospital inflation was the third lowest of the nine countries selected for the research. To compare public healthcare costs in South Africa with private healthcare costs is a futile exercise as the real, all inclusive public healthcare costs are just not known. The group is convinced that even medical scheme members in private wings of public hospitals receive substantial subsidisation by taxpayers: just to a lesser extent than the poor who should be receiving all the subsidisation.

The affordability of healthcare should be analysed through the total healthcare supply chain. The group's increase in average income per bed-day of 5% compares favourably with premium increases of medical schemes. It also compares positively with inflation targets set by the South African Reserve Bank.

In order to find a solution to the issue of improved access to private hospitals, the group recently commissioned international consultants with the brief to assist the group in developing an alternative healthcare delivery model suitable for South African circumstances.

CHANGE TO THE BOARD OF DIRECTORS

Mr KHS Pretorius, the Chief Operating Officer of the group, was appointed to the Board with effect from 8 November 2006.

PROSPECTS

The group expects to continue its track record of consistent growth in operating profit based on meeting the needs of the market.

The group has taken the strategic decision to diversify geographically within its core business of acute, specialist oriented hospital care. The Emirates Healthcare opportunity will require time and operational resources, but the group is very confident that it will provide an excellent platform for further growth. Other opportunities are also explored on an ongoing basis.

Phodclinics (Proprietary) Limited, a company owned 51% by Medi-Clinic and 49% by Phodiso, one of the group's black economic empowerment partners, has been awarded a license to build a 140 bed hospital in the northern suburbs of the Cape Town Metropole. The building of this hospital should commence during this calendar year. The group will also, as a 49% shareholder, develop a 70 bed hospital in Scottburgh, KwaZulu-Natal.

An extensive upgrade of Panorama Medi-Clinic has commenced as well as the total reconstruction of the Plettenberg Bay Private Health Centre. The establishment of a new cardiac unit at Windhoek Medi-Clinic has been approved and construction will commence later this year. Major upgrades at Morningside Medi-Clinic and Sandton Medi-Clinic, each involving over R100 million, are nearing completion. Expansions at Durbanville Medi-Clinic and Pietermaritzburg Medi-Clinic, as well as a project at Nelspruit Medi-Clinic consisting of additional consulting rooms and the upgrade of the original hospital are in their final stages. Routine upgrades continue at various other hospitals.

It is projected that the number of beds in the South African operations will increase by about 500 over the next two years resulting from the building of new hospitals and extensions to existing hospitals.

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

REPORTS OF THE INDEPENDENT AUDITORS

The annual financial statements have been audited by PricewaterhouseCoopers Inc. and their unqualified audit reports on the comprehensive annual financial statements and the abridged financial statements are available for inspection at the registered office of the company.

BASIS OF PREPARATION

The financial results have been prepared in accordance with the recognition and measurement requirements of IFRS and the disclosure requirements of IAS 34. Accounting policies are consistent with those adopted in prior years.

FINAL DIVIDEND TO SHAREHOLDERS

The board of directors has declared a final dividend of 37.6 cents per share.

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

| | |
|-----------------------------------|----------------------|
| Last date to trade cum dividend | Friday, 15 June 2007 |
| First date of trading ex dividend | Monday, 18 June 2007 |
| Record date | Friday, 22 June 2007 |
| Payment date | Monday, 25 June 2007 |

Share certificates may not be dematerialised or rematerialised from Monday, 18 June 2007 to Friday, 22 June 2007, both days inclusive.

The total dividend per share (excluding the special dividend paid during the previous reporting period) payable to shareholders in respect of the financial year amounts to 54.1 cents (2006: 53.1 cents) and comprises the following:

| | 2007 (cents) | Increase % | 2006 (cents) |
|------------------|-----------------|---------------|-----------------|
| Interim dividend | 16.5 | | 16.5 |
| Final dividend | 37.6 | | 36.6 |
| | 54.1 | 2 | 53.1 |

Signed on behalf of the board of directors:

| | |
|-------------------------------|----------------------------------|
| E DE LA H HERTZOG Chairman | L J ALBERTS Managing Director |
| Stellenbosch, 9 May 2007 | |

| | |
|------------------------------|--|
| DIRECTORS: | E de la H Hertzog (Chairman), L J Alberts (Managing), S Dakile-Hlongwane, J du T Marais, A R Martin, D P Meintjies, V E Msibi, K H S Pretorius, A A Raath, M A Ramphela, J G Swiegers, W L van der Merwe, M H Visser |
| SECRETARY: | G C Hattingh |
| REGISTERED ADDRESS: | Medi-Clinic Offices, Strand Road, Stellenbosch 7600 PO Box 456, Stellenbosch 7599 Tel 021 809-6500 Fax 021 886-4037 |
| TRANSFER SECRETARIES: | Computershare Investor Services 2004 (Pty) Ltd 70 Marshall Street, Johannesburg 2001 PO Box 61051, Marshalltown 2107 Tel 011 370-7700 Fax 011 688-7716 |
| SPONSOR: | Rand Merchant Bank (A division of FirstRand Bank Limited) |

