MEDI-CLINIC CORPORATION LIMITED

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

MEDI-CLINIC
Private hospital group

UNAUDITED INTERIM GROUP RESULTS

for the six months ended 30 September 2009

- STRONG DEFENSIVE PERFORMANCE BY THE GROUP
- ALL THREE OPERATING PLATFORMS PERFORMED SOLIDLY
- THE CITY HOSPITAL IN DUBAI EXCEEDED EXPECTATIONS
- BASIC HEADLINE EARNINGS PER SHARE INCREASED BY 15%
- INCREASE IN THE INTERIM DIVIDEND PER ORDINARY SHARE BY 6.5% TO 23.0 CENTS

Consolidated abridged
INCOME STATEMENT

	Unaudited 6 months to 30/09/09 R'm	Increase %	Unaudited 6 months to 30/09/08 R'm	Audited Year to 31/03/09 R'm
Revenue	**8 363**	12	7 496	16 351
Cost of sales	**(4 831)**		(4 236)	(9 262)
Administration and other operating expenses	**(1 793)**		(1 705)	(3 658)
Operating profit before depreciation (EBITDA)	**1 739**	12	1 555	3 431
Depreciation	**(353)**		(300)	(684)
Operating profit	**1 386**	10	1 255	2 747
Income from associates	**–**		–	2
Finance income	**28**		33	67
Finance cost	**(779)**		(724)	(1 602)
Profit before taxation	**635**		564	1 214
Taxation	**(258)**		(230)	(502)
Profit for the period	**377**		334	712
Attributable to:				
Equity holders of the Company	**331**		288	636
Minority interest	**46**		46	76
	377		334	712
Earnings per ordinary share – cents				
– Basic	**59.0**	15	51.5	113.7
– Diluted	**56.0**		48.6	107.6
Headline earnings per ordinary share – cents				
– Basic	**59.0**	15	51.2	111.5
– Diluted	**56.0**		48.4	105.6
Earnings reconciliation:				
Profit attributable to shareholders	**331**		288	636
Profit on sale of property, equipment and vehicles	**–**		(1)	(12)
Headline earnings	**331**	15	287	624

Consolidated abridged
STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months to 30/09/09 R'm	Unaudited 6 months to 30/09/08 R'm	Audited Year to 31/03/09 R'm
Profit for the period	**377**	334	712
Other comprehensive expense			
Currency translation differences	**(1 124)**	(668)	339
Fair value adjustment to cash flow hedges (net of tax)	**1**	(132)	(1 766)
Actuarial gains and losses	**341**	–	(245)
Other comprehensive expense, net of tax	**(782)**	(800)	(1 672)
Total comprehensive expense for the period	**(405)**	(466)	(960)
Attributable to:			
Equity holders of the Company	**(353)**	(520)	(1 108)
Minority interest	**(52)**	54	148
	(405)	(466)	(960)

Consolidated abridged
STATEMENT OF FINANCIAL POSITION

	Unaudited 30/09/09 R'm	Unaudited 30/09/08 R'm	Audited 31/03/09 R'm
ASSETS			
Non-current assets	**34 425**	35 112	38 982
Property, equipment and vehicles	**28 759**	29 265	32 479
Intangible assets	**5 440**	5 674	6 293
Investments – unlisted	**23**	31	32
Deferred income tax assets	**203**	142	178
Current assets	**4 345**	4 036	4 892
Inventories	**484**	452	496
Trade and other receivables	**2 775**	2 689	3 371
Cash and cash equivalents	**1 086**	895	994
Current income tax assets	**–**	–	31
Total assets	**38 770**	39 148	43 874
EQUITY AND LIABILITIES			
Total equity	**7 333**	8 595	7 989
Share capital and reserves	**6 497**	7 773	7 091
Minority interest	**836**	822	898
Total liabilities	**31 437**	30 553	35 885
Long-term interest-bearing borrowings	**21 391**	21 847	24 349
Retirement benefit obligations	**456**	662	997
Provisions	**186**	189	229
Derivative financial instruments	**2 209**	655	2 512
Deferred income tax liabilities	**4 586**	4 673	5 162
Short-term interest-bearing borrowings	**364**	280	241
Short-term interest-free borrowings	**2 245**	2 247	2 395
Total equity and liabilities	**38 770**	39 148	43 874
Number of ordinary shares ('000)	**561 878**	558 695	560 316
Weighted number of ordinary shares ('000)	**560 996**	559 408	559 336
Diluted number of ordinary shares ('000)	**591 185**	591 944	590 999
Net asset value per ordinary share – cents	**1 156**	1 391	1 266
Directors' valuation of unlisted investments (R'm)	**23**	31	32

Consolidated abridged
STATEMENT OF CASH FLOW

	Unaudited 6 months to 30/09/09 R'm	Unaudited 6 months to 30/09/08 R'm	Audited Year to 31/03/09 R'm
Cash flow from operating activities	**1 078**	906	1 386
Cash generated from operations	**1 947**	1 815	3 346
Net finance cost	**(707)**	(665)	(1 438)
Taxation paid	**(162)**	(244)	(522)
Cash flow from investment activities	**(578)**	(687)	(1 380)
Cash flow from financing activities	**(468)**	(167)	125
Distributions to shareholders	**(251)**	(224)	(339)
Distributions to minorities	**(39)**	(38)	(54)
Movement in borrowings	**(212)**	142	547
Treasury shares purchased	**–**	(55)	(29)
Contributions by minority shareholders	**26**	–	–
Other	**8**	8	–
Net movement in cash, cash equivalents and bank overdrafts	**32**	52	131
Opening balance of cash, cash equivalents and bank overdrafts	**941**	787	787
Exchange rate fluctuations on foreign cash	**(95)**	(30)	23
Closing balance of cash, cash equivalents and bank overdrafts	**878**	809	941
Cash and cash equivalents	**1 086**	895	994
Bank overdrafts	**(208)**	(86)	(53)
	878	809	941

Consolidated abridged
STATEMENT OF CHANGES IN EQUITY

	Unaudited 30/09/09 R'm	Unaudited 30/09/08 R'm	Audited 31/03/09 R'm
Opening balance	**7 989**	9 367	9 367
Movement in shares held in treasury	**8**	(47)	(29)
Movement in share-based payment reserve	**3**	4	7
Minority interest acquired by the group	**2**	(1)	(3)
Total comprehensive expense for the period	**(405)**	(466)	(960)
Distributed to shareholders	**(251)**	(224)	(339)
Change in shareholding of subsidiaries	**27**	–	–
Cost of subsidiary rights issue	**(1)**	–	–
Distributed to minorities	**(39)**	(38)	(54)
Closing balance	**7 333**	8 595	7 989
Comprising			
Share capital	**59**	59	59
Share premium	**4 741**	4 741	4 741
Treasury shares	**(318)**	(344)	(326)
Share-based payment reserve	**119**	113	116
Foreign currency translation reserve	**1 569**	1 652	2 595
Hedge reserve	**(2 159)**	(526)	(2 160)
Retained earnings	**2 486**	2 078	2 066
Shareholders' equity	**6 497**	7 773	7 091
Minority interest	**836**	822	898
Total equity	**7 333**	8 595	7 989

Consolidated abridged
SEGMENTAL REPORT

	Unaudited 6 months to 30/09/09 R'm	Unaudited 6 months to 30/09/09 R'm	R'm	Unaudited 6 months to 30/09/09 R'm
	Hospital Services	**Hospital Properties**	**Adjustments and eliminations**	**Total**
Revenue				
Southern Africa	**3 802**	**340**	**(340)**	**3 802**
Middle East	**524**	**32**	**(32)**	**524**
Switzerland	**4 037**	**670**	**(670)**	**4 037**
EBITDA				
Southern Africa	**484**	**329**		**813**
Middle East	**(2)**	**32**		**30**
Switzerland	**240**	**656**		**896**
Operating profit				
Southern Africa	**386**	**329**		**715**
Middle East	**(41)**	**32**		**(9)**
Switzerland	**90**	**590**		**680**
Assets				
Southern Africa*	**4 167**	**5 831**	**(4 567)**	**5 431**
Middle East	**911**	**793**		**1 704**
Switzerland	**8 369**	**23 431**		**31 800**
Liabilities				
Southern Africa	**2 036**	**3 912**	**(770)**	**5 178**
Middle East**	**626**	**322**		**948**
Switzerland	**2 264**	**23 216**		**25 480**

* *Includes intersegmental assets of R165m which eliminate on group consolidation*

** *Includes intersegmental liabilities of R169m which eliminate on group consolidation*

	Unaudited 6 months to 30/09/08 R'm	Unaudited 6 months to 30/09/08 R'm	R'm	Unaudited 6 months to 30/09/08 R'm
Revenue				
Southern Africa	3 357	301	(301)	3 357
Middle East	312			312
Switzerland	3 827	646	(646)	3 827
EBITDA				
Southern Africa	423	292		715
Middle East	–			–
Switzerland	229	611		840
Operating profit				
Southern Africa	339	292		631
Middle East	(16)			(16)
Switzerland	92	548		640
Assets				
Southern Africa*	3 806	5 474	(4 446)	4 834
Middle East	945	876		1 821
Switzerland	8 530	24 147		32 677
Liabilities				
Southern Africa	1 969	3 513	(700)	4 782
Middle East**	622	329		951
Switzerland	2 396	22 613		25 009

* *Includes intersegmental assets of R184m which eliminate on group consolidation*

** *Includes intersegmental liabilities of R189m which eliminate on group consolidation*

Consolidated abridged SEGMENTAL REPORT

	Audited Year to 31/03/09 R'm	Audited Year to 31/03/09 R'm	R'm	Audited Year to 31/03/09 R'm
	Hospital Services	**Hospital Properties**	**Adjustments and eliminations**	**Total**
Revenue				
Southern Africa	6 792	611	(611)	6 792
Middle East	822	29	(29)	822
Switzerland	8 737	1 408	(1 408)	8 737
EBITDA				
Southern Africa	865	593		1 458
Middle East	(17)	29		12
Switzerland	646	1 315		1 961
Operating profit				
Southern Africa	688	593		1 281
Middle East	(70)	29		(41)
Switzerland	333	1 174		1 507
Assets				
Southern Africa*	4 150	5 484	(4 328)	5 306
Middle East	1 217	1 013		2 230
Switzerland	9 720	26 835		36 555
Liabilities				
Southern Africa	2 366	3 463	(700)	5 129
Middle East**	827	457		1 284
Switzerland	2 747	26 936		29 683

* *Includes intersegmental assets of R217m which eliminate on group consolidation*

** *Includes intersegmental liabilities of R211m which eliminate on group consolidation*

OTHER FINANCIAL INFORMATION

	Unaudited 30/09/09 R'm	Unaudited 30/09/08 R'm	Audited 31/03/09 R'm
Capital commitments			
Southern Africa	**645**	606	786
Middle East	**21**	32	14
Switzerland	**134**	235	226
Exchange rates	**R**	R	R
Average Swiss franc (ZAR/CHF)	**7.48**	7.40	8.01
Closing Swiss franc (ZAR/CHF)	**7.23**	7.50	8.32
Average UAE dirham (ZAR/AED)	**2.21**	2.12	2.41
Closing UAE dirham (ZAR/AED)	**2.02**	2.25	2.58

COMMENTARY

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

GROUP OVERVIEW

Group financial performance

Trading results

Group revenue increased by 12% to R8 363 million (2008: R7 496 million) for the six months under review. Operating income before interest, taxation, depreciation and amortisation ("EBITDA") was 12% higher at R1 739 million (2008: R1 555 million). Headline earnings rose by 15% to R331 million (2008: R287 million). Basic headline earnings per ordinary share increased by 15% to 59.0 cents (2008: 51.2 cents).

As indicated in the 2009 Annual Report, the Group will in future target a dividend cover of 3 times based on Group headline earnings. Therefore, the dividend per share at 23.0 cents (2008: 21.6 cents) reflects a 6.5% increase which is lower than the increase in basic headline earnings per share.

The strong Group results were achieved despite the global recession and tough economic conditions. Furthermore, the negative impact of a number of issues on the current reporting period makes the results all the more gratifying. This year the Easter holiday period occurred during April while last year it occurred in March. This resulted in a material reduction in the number of business days in this reporting period relative to the previous one which impacted on the results of both the Swiss and Southern African operations. The Swiss interest charge is also approximately R21.7 million (CHF2.9 million) higher on a comparable basis because of the fact that Barclays Capital last year finally settled their margin which led to an increase of the interest rate on the Group's Swiss debt from 5.27% to 5.62% effective from 1 August 2008. In addition, the start-up losses of The City Hospital, which opened in October 2008, continued throughout this reporting period, as anticipated, with a relatively much smaller impact in the comparative reporting period.

Fluctuations in exchange rates had a relatively small positive effect on the trading results on a comparative basis, as discussed below.

Finance cost

Included in the finance cost is an amount of R38 million (2008: R30 million), being 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 mainly due to efficient working capital management. The Group converted 112% (2008: 117%) of EBITDA into cash generated from operations. Cash and cash equivalents increased from R994 million at 31 March 2009 to R1 086 million at 30 September 2009.

Interest-bearing borrowings

Interest-bearing borrowings ("debt") decreased from R24 590 million at 31 March 2009 to R21 755 million, mainly due to the strengthening of the Rand against the Swiss Franc during the reporting period, as alluded to above. It is important to note that the foreign debt in Switzerland and the Middle East, amounting to R17 933 million, 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.

Foreign exchange rates

The Rand displayed some volatility during the reporting period against the Swiss Franc and the United States Dollar (against which the UAE Dirham is pegged at AED3.675 to the US Dollar). The spot rate of the CHF moved from R8.32 at 31 March 2009 to R7.23 at 30 September 2009, with an average rate of R7.48 for the reporting period (2008: R7.40). The spot rate of the AED moved from R2.58 at 31 March 2009 to R2.02 at 30 September 2009, with an average rate of R2.21 (2008: R2.12) for the reporting period. In terms of accounting convention, the offshore balance sheets are converted at spot rate, while the trading results in the offshore income statements are converted at the average

rate. The difference between the spot rate and the average foreign exchange rate results in a distortion when ratios between the balance sheet and the income statement are calculated in Rand. Therefore, the spot rate should also be used for translating EBITDA to achieve the actual ratio.

Compared with the previous reporting period the average exchange rates had a relatively small impact on the Group trading results, but had a significant impact on the Group balance sheet because of the strong movement (relative Rand strength) of the spot rate referred to above.

The resulting currency translation difference, being the amount by which the Group's interest in the equity of the two foreign platforms decreased as a result of the movement in the spot rate, amounted to R1 124 million (2008: R668 million) and was debited to the statement of comprehensive income.

IFRS and technical matters

Adjustment to the 30 September 2008 balance sheet

As previously reported, the finalisation of the provisional purchase price allocation in respect of the Hirslanden acquisition resulted in adjustments to the prior year balance sheet. These adjustments had the following effect on the balance sheet as at 30 September 2008:

	As previously reported	Adjustments	As adjusted
Intangible assets	R5 652m	R22m	R5 674m
Share capital and reserves	R8 093m	(R320m)	R7 773m
Deferred income tax liabilities	R4 772m	(R99m)	R4 673m
Retirement benefit obligations	R200m	R462m	R662m
Short-term interest-free borrowings	R2 268m	(R21m)	R2 247m

Fair value of Swiss liabilities

The Group manages its exposure to interest rates by entering into fixed interest rate hedges from time to time. The base interest rate in respect of the Barclays Bank plc facility of CHF2 450 million which was utilised in the acquisition of Hirslanden was fixed for ten years at the time of the transaction. The facility has a fixed term of 7 years with a fixed interest rate of 5.62% for the balance of the entire period.

IAS 39 requires derivative financial instruments to be measured at fair value, which was determined by the Group through discounted cash flow analyses, using prevailing and expected interest rates. On the other hand, borrowings are also required to be recognised at fair value, being at amortised cost which is effectively at face value.

The global financial crisis had, *inter alia*, two distinct consequences to the cost of third party funding. Firstly, short term and long term interest rates declined significantly because of the easing of monetary policies by central banks. Secondly, the credit spreads of funding (or margins charged by third party funders) increased dramatically due to the lack of liquidity and risk averseness by third party funders.

Due to lower interest rates the Swiss interest rate hedge is recognised at its fair value being a liability of R288 million included under "Derivative financial instruments" in the Group's balance sheet. However, the Barclays facility is recognised at its amortised cost, being its face value, which does not recognise the low total cost of funding of 5.62% available until October 2014. Current market rates, if funding is available at all, would range at much higher interest rates. Consequently, the Group's borrowings in respect of the Barclays facility are overstated at amortised cost compared to had the loan been properly valued. By only valuing the hedge, only one portion of the Group's borrowings is valued at fair value, hence the Group's total borrowings is overstated. This situation is further exacerbated by the fact that the fair value liability recognised in respect of the hedge is not a real liability for the Group being a going concern, a fundamental premise on which the interim financial statements are compiled. The liability associated with the hedge will disappear with the passage of time. In the interim, the fair value will be influenced by relative interest rates which are not in the Group's control, precisely the reason why the hedge was taken out.

This obviously also applies to the Southern African borrowings of which interest rates are hedged, but with a much less material impact.

Swiss pension liability

Hirslanden provides defined contribution pension plans in terms of Swiss law to employees, the assets of which are held in separate trustee administered funds. These plans are funded by payments from employees and Hirslanden, taking into account the recommendations of independent qualified actuaries. Due to the strict definition of defined contribution plans in IAS 19, these plans are classified as defined benefit plans for IFRS purposes, since the funds are obliged to take some investment and longevity risk in terms of Swiss law.

In terms of IAS 34, the IAS 19 pension liability was remeasured for the interim period and amounted to R198 million (CHF27 million) (31 March 2009: R765 million (CHF92 million)) included under "Retirement benefit obligations" in the Group's balance sheet. However, the pension funds were, for Swiss statutory purposes, 101% funded at 30 September 2009. Therefore, from an economic and legal point of view this amount as calculated in terms of IAS 19, does not lead to a liability for Hirslanden at 30 September 2009. In this respect, the Group's liabilities are overstated by a further amount of R198 million.

The lower remeasured pension liability resulted in an amount of R341 million (CHF47 million) being credited to the consolidated statement of comprehensive income for the current reporting period. In addition, an amount of R28 million (CHF3.7 million) representing the employer contributions exceeding the current service cost was credited to the consolidated income statement.

OPERATIONS IN SOUTHERN AFRICA

MEDI-CLINIC SOUTHERN AFRICA

Financial performance

The Southern African group revenue increased by 13% to R3 802 million (2008: R3 357 million) for the six months under review. EBITDA was 14% higher at R813 million (2008: R715 million).

After incurring depreciation charges of R98 million (2008: R85 million), net finance charges of R163 million (2008: R161 million), taxation of R165 million (2008: R144 million) and deducting the interest of minority shareholders in the attributable income of the Southern African group amounting to R66 million (2008: R57 million), the Southern African operations contributed R321 million (2008: R268 million) to the attributable income of the Group.

These results were achieved despite expected lower volumes during April 2009 because of the Easter holidays and the national election, neither of which occurred in the comparative period, which had an estimated negative effect of R16 million at EBITDA level.

Business performance

The 13% revenue growth was achieved through a 2.4% increase in bed-days sold and a 12.4% increase in the average income per bed-day. The increase in utilisation was more evident in medical than surgical cases. The increase in the average income per bed-day was driven by strong increases in the prices of prostheses as well as medicines and scheduled drugs (the Department of Health's Pricing Committee approved a maximum increase of 13.2% on the single exit price of these drugs at the beginning of the year). The change in the profile of patients treated was responsible for a decrease of 1.8% in revenue in this reporting period. The decline was because of once off events in the cardiac disciplines where some senior cardiac specialists retired and others, at the Medi-Clinic Heart Hospital in Pretoria, moved to a competitor hospital when the group did not see its way open to meet their financial demands. The practices of the doctors that replaced them are growing steadily. The number of patients admitted increased by 1.3%, while the average length of stay increased by 1.0%.

The Southern African group operations increased its EBITDA margin to 21.4% from 21.3%, despite the increase in the prices of prostheses and medicines and scheduled drugs.

During the reporting period the Southern African operations spent R147 million (2008: R150 million) on capital projects and new equipment to enhance its business as well as R111 million (2008: R101 million) on the replacement of existing equipment. In addition, R107 million (2008: R109 million) was spent on the repair and maintenance of property and equipment, charged through the income statement. For the current financial year, R308 million

is budgeted for capital projects and new equipment to enhance its business, R197 million for the replacement of existing equipment and R223 million for repairs and maintenance. Incremental EBITDA resulting from capital projects in progress or approved should amount to R8 million and R47 million in 2010 and 2011, respectively.

The number of hospital beds increased from 6 855 to 6 859 during the six months under review.

The commissioning of the new 140 bed Cape Gate Medi-Clinic in the Western Cape is expected as planned in February 2010. 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 includes the addition of 25 beds, is expected to be completed during March 2010. Other significant projects that are planned to commence towards the end of the calendar year 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.

The number of beds is expected to increase from 6 859 to 7 028 during the next six months.

The Southern African operations' cash flow continued to be strong during the period under review. It converted 111% (2008: 117%) of EBITDA into cash generated from operations. Cash and cash equivalents increased from R368 million at 31 March 2009 to R392 million at 30 September 2009.

Debt decreased from R3 867 million at 31 March 2009 to R3 821 million at 30 September 2009.

Medi-Clinic is supportive of 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 we welcome 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 being awaited. In the meantime, Medi-Clinic is conducting in depth research on the matter and is looking forward to sharing ideas in the development of a solution for South Africa.

As previously reported, the Reference Price List ("RPL") process, by which a methodology and framework to calculate benchmark tariffs will be established, is ongoing. The private hospital industry and the National Department of Health ("the Department") have been unsuccessful in reaching agreement on the methodology. This has given rise to a legal dispute between the Hospital Association of South Africa and the Department. The matter has been set down for hearing in court in February 2010. In the interim, the Department is prohibited from publishing the RPL for 2010.

OPERATIONS IN SWITZERLAND

HIRSLANDEN

Financial performance

Hirslanden's revenue increased by 5% (4% at constant foreign exchange rates) to R4 037 million (CHF540 million) (2008: R3 827 (CHF517 million)) for the six months under review. EBITDA was 7% (6% at constant foreign exchange rates) higher at R896 million (CHF120 million) (2008: R840 million (CHF114 million)).

After incurring depreciation charges of R217 million (CHF29 million) (2008: R200 million (CHF27 million)), net finance charges of R558 million (CHF75 million) (2008: R523 million (CHF71 million)) and taxation of R92 million (CHF12 million) (2008: R87 million (CHF12 million)), Hirslanden contributed R29 million (CHF3.9 million) (2008: R31 million (CHF4.2 million)) to the attributable income of the Group.

Lower volumes during April 2009, which were expected because of the Easter holidays and which did not occur in the comparative period, had an estimated negative effect of R22 million (CHF3 million) at EBITDA level. The Swiss interest charge is approximately R21.7 million (CHF2.9 million) higher on a comparable basis because of the fact that Barclays Capital last year finally settled their margin increasing the interest rate on the Group's Swiss debt from 5.27% to 5.62% effective from 1 August 2008.

Business performance

Inpatient admissions decreased slightly by 1.8% during the reporting period. The average length of stay remained fairly constant. The trend experienced in admissions was that lower acuity cases declined, while higher acuity cases increased. This led to an increase in the average revenue per admission. The conclusion drawn is that Swiss patients deferred smaller elective surgery in the uncertain economic times. It should also be noted that the current reporting period reflects the lower seasonal flow of patients being the European summer compared to the winter from November to January which has a stronger patient flow.

The EBITDA margin of the group increased from 21.9% to 22.2%.

During the reporting period, Hirslanden spent R124 million (CHF17 million) (2008: R108 million (CHF15 million)) on capital projects and new equipment to enhance its business as well as R186 million (CHF25 million) (2008: R133 million (CHF18 million)) on the replacement of existing equipment. In addition, R111 million (CHF15 million) (2008: R99 million (CHF13 million)) was spent on the repair and maintenance of property and equipment, charged through the income statement. For the current financial year, CHF42 million is budgeted for capital projects and new equipment to enhance its business, CHF58 million for the replacement of existing equipment and CHF31 million for repairs and maintenance. Incremental EBITDA resulting from capital projects in progress or approved should amount to CHF11 million and CHF21 million in 2010 and 2011, respectively.

The expanded urology centre at Klinik Hirslanden was commissioned on 1 November 2009. A neurology centre and a vascular centre will be established at Klinik Hirslanden with effect from April 2010 and June 2010 respectively. Planned investment in new technology, which provides for new treatment options and increased case load, includes a 3.0 tesla MR machine at Klinik Im Park as well as a dual source CT scanner and a catheterisation laboratory at Klinik Beau-Site.

The number of fully operational beds increased from 1 334 to 1 337 with 3 beds added at Klinik St. Anna during the six months under review.

In addition, projects for the increase of capacity at Klinik Aarau (28 inpatient beds), Klinik Im Park (2 ICU beds, 4 intermediate care beds and an operating theatre) and Klinik St. Anna (7 new private rooms) have been approved to be commissioned early in 2010 and late in 2010 in the case of the operating theatre at Klinik Im Park. 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. During the current financial year the total average number of beds is expected to increase slightly to 1 345 (Klinik St. Anna 3; Klinik Aarau 5; Klinik Cecil 3). Feasibility studies are being performed on the extensions of Klinik Hirslanden (approximately 50 beds) and Klinik St. Anna (approximately 30 beds) as well as the creation of a skeletal radiology and radiotherapy centre at Klinik Bois-Cerf.

Hirslanden produced strong cash flow during the period under review. It converted 117% (2008: 122%) of EBITDA into cash generated from operations. Cash and cash equivalents increased from R504 million (CHF61 million) at 31 March 2009 to R625 million (CHF86 million) at 30 September 2009.

Interest bearing debt decreased from R19 949 million (CHF2 398 million) at 31 March 2009 to R17 367 million (CHF2 402 million) at 30 September 2009 net of capitalised debt transaction fees in Rand terms because of the decrease in the spot rate of the Rand/Swiss Franc exchange rate.

The Swiss Federal Government approved a partial revision of the mandatory health insurance relating to hospital planning and financing, effective from 1 January 2009. The new legislation will have to be implemented by each canton commencing on 1 January 2012 with all elements aimed to be in place by 1 January 2015. Due to the complexity and diversity of the implementation at cantonal level, management, in consultation with an expert panel, is in the process of an in-depth analysis of the potential impact and opportunities the proposed changes present to Hirslanden's business.

OPERATIONS IN UNITED ARAB EMIRATES

EMIRATES HEALTHCARE

Financial performance

Revenue increased by 68% (62% at constant foreign exchange rates) to R524 million (AED237 million) (2008: R312 million (AED147 million)) for the six months under review. EBITDA increased to R30 million (AED14 million) (2008: RNil (AEDNil)) despite start-up losses at The City Hospital continuing as expected during this reporting period and as indicated in earlier reports.

As a result, the EBITDA margin increased from a break even position to 5.7%.

After incurring depreciation charges of R39 million (AED18 million) (2008: R15 million (AED7 million)), net finance charges of R30 million (AED13 million) (2008: R6 million (AED3 million)) and the sharing of minority shareholders in the attributable loss of Emirates Healthcare amounting to R20 million (AED9 million) (2008: sharing in the attributable loss of R10 million (AED5 million)), Emirates Healthcare made a negative contribution of R19 million (AED9 million) (2008: a negative contribution of R11 million (AED5 million)) to the attributable income of the Group.

Business performance

Revenue of the units in full operation, being the Welcare Hospital, the Emirates Diagnostic Clinic, the Welcare Ambulatory Care Centre, Welcare Qusais Clinic and Welcare Mirdiff Clinic, increased by 16% (12% at constant foreign exchange rates) to R362 million (AED164 million) (2008: R312 million (AED147 million)). EBITDA increased by 11% (6% at constant foreign exchange rates) to R40 million (AED18 million) (2008: R36 million (AED17 million)).

The start-up operations, namely The City Hospital and EHL Management Services, generated revenue of R163 million (AED74 million) (2008: RNil (AEDNil)), but also generated start-up operating losses at EBITDA level of R10 million (AED4 million) (2008: R36 million (AED17 million)) as expected.

The City Hospital was successfully commissioned on 15 October 2008. Since then, it is pleasing to report that every month's patient attendance and revenue have exceeded the previous months'. The patient attendance after the summer holidays and Ramadan were particularly gratifying. The hospital reached break even at EBITDA level during September 2009, earlier than expected.

A project to upgrade the Welcare Hospital started during September. Additional capacity will be created in the day care and neonatal units. The total number of beds in the hospital will increase from 120 to 130 beds. The project will also address several other bottlenecks in the hospital. Incremental EBITDA resulting from this project should amount to AED5 million per year.

During the reporting period Emirates Healthcare spent R6 million (AED3 million) (2008: R187 million (AED88 million)) on capital projects and new equipment to enhance its business as well as R5 million (AED2 million) (2008: R7 million (AED3 million)) on the replacement of existing equipment. In addition, R6 million (AED3 million) (2008: R6 million (AED3 million)) was spent on the repair and maintenance of property and equipment, charged through the income statement.

In line with the start-up losses referred to above, Emirates Healthcare generated cash flow from operating activities before working capital changes of R30 million (AED14 million), while the investment in working capital (mainly working capital for The City Hospital) required a further R46 million (AED21 million). This resulted in a cash outflow from operations of R16 million (AED7 million). Cash and cash equivalents decreased from R122 million (AED47 million) at 31 March 2009 to R68 million (AED34 million) at 30 September 2009.

Emirates Healthcare recently completed a rights issue of AED31 million to fund the additional capital requirements.

Debt decreased from R774 million (AED300 million) at 31 March 2009 to R566 million (AED280 million) at 30 September 2009.

PROSPECTS

The Group is uniquely positioned across three diverse global operating platforms. It focuses on its core business of acute care, specialist orientated hospital services to fulfil its vision of being regarded as the most trusted and respected provider of such services by patients, doctors and funders of healthcare. The Group is consolidating its collective intellectual capital and strengths with the goal to establish a global hospital group where verifiable cost effective quality care will distinguish itself from its competitors.

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

Regulatory issues are part and parcel of the healthcare environment. The Group, particularly in Switzerland and Southern Africa, is constantly monitoring the regulatory environment with a view to pro-actively play a role in decision making or adjusting to a potential new environment. Health policy monitoring units have been established at the platforms with this purpose in mind.

So far, the Group weathered the global recession quite well. Although it seems that the worst is over, it still remains to be seen how the economic recovery, especially unemployment, will play out. Without the benefit of clear foresight, the Group continues to be optimistic about its operational prospects for the next six months.

CHANGES TO THE BOARD OF DIRECTORS

Mr Louis Alberts will retire as the Group's Chief Executive Officer during the first quarter of 2010, as previously reported. He will be succeeded by Mr Danie Meintjes who has been with the Group since 1985 and is the current Chief Executive Officer of Emirates Healthcare, the Group's operations in the United Arab Emirates.

BASIS OF PREPARATION

These interim financial statements have been prepared in accordance with the recognition and measurement requirements of IFRS and the disclosure requirements of IAS 34. The interim financial statements incorporate accounting policies that are consistent with those adopted in prior years, with the exception of the revised IAS 1 Presentation of Financial Statements, which became effective for the first time on 1 April 2009. The application of this amendment to IFRS did not impact the Group's financial results but has introduced some changes to the presentation of the financial statements.

The Group reclassified expenses amounting to R131 million previously included in "Cost of sales" as "Administration and other operation expenses". The reclassification had no impact on earnings or EBITDA.

DIVIDEND TO SHAREHOLDERS

The board of directors declared an interim 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, 4 December 2009
First date of trading ex dividend	Monday, 7 December 2009
Record date	Friday, 11 December 2009
Payment date	Monday, 14 December 2009

Share certificates may not be dematerialised/rematerialised from Monday, 7 December 2009 to Friday, 11 December 2009, both days inclusive.

Signed on behalf of the board of directors:

E DE LA H HERTZOG
Chairman

LJ ALBERTS
Chief Executive Officer

Stellenbosch
10 November 2009

DIRECTORS: E de la H Hertzog (Chairman), L J Alberts (Chief Executive Officer), J C Cohen*, M K Makaba, Z P Manase, A R Martin, D P Meintjes, K H S Pretorius, A A Raath, M A Ramphele, D K Smith, J G Swiegers, W L van der Merwe, M H Visser, T O Wiesinger[Δ]
* British [Δ] German

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

SPONSOR: Rand Merchant Bank (A division of FirstRand Bank Limited)

TRANSFER SECRETARIES: Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg 2001
PO Box 61051, Marshalltown 2107 Tel 011 370 7700 Fax 011 688 7716

www.mediclinic.co.za

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