



Committed to Quality Care

MEDI-CLINIC CORPORATION LIMITED

Reg. No. 1983/010725/06

Share code: MDC

ISIN-code: ZAE000004370

("Medi-Clinic" – Incorporated in the Republic of South Africa)

PROFIT ANNOUNCEMENT

Audited results of Medi-Clinic Corporation Limited and its subsidiaries for the financial year ended 31 March 2004

HIGHLIGHTS

- Growth in hospital turnover: **25%**
- Headline earnings per share growth: **21%**
- Distribution per share up: **21%**

CONSOLIDATED INCOME STATEMENT

	Year to 31/03/04 R'000	Increase %	Year to 31/03/03 R'000
Revenue	3 642 763	25	2 924 229
Cost of sales	(2 046 544)		(1 694 980)
Administration and other operating expenses	(873 791)		(658 744)
Operating income	722 428	27	570 505
Interest received	45 618		42 650
Income from associates	17 331		18 678
Profit on sale of equipment	514		314
Amortisation of goodwill	(2 969)		(1 997)
Depreciation	(101 018)		(74 180)
Finance cost	(31 349)		(16 034)
Net income before taxation	650 555		539 936
Taxation	174 008		145 102
Net income after taxation	476 547		394 834
Minority interests	37 507		30 963
Attributable earnings	439 040		363 871
Headline earnings reconciliation:			
Attributable earnings	439 040		363 871
Amortisation of goodwill	2 969		1 997
Profit on sale of equipment	(514)		(314)
Attributable headline earnings	441 495	21	365 554
Headline earnings per ordinary share – cents	129,5	21	107,0
Earnings per ordinary share – cents	128,8		106,5
Capital distribution per ordinary share – cents			
Interim	11,9		9,7
Final	28,1		23,3
	40,0	21	33,0

CONSOLIDATED BALANCE SHEET

	31/03/04 R'000	31/03/03 R'000
Assets		
Non-current assets	2 078 923	1 805 067
Property, plant and equipment	1 846 126	1 610 597
Intangible assets	47 874	35 964
Investments – unlisted	102 631	92 505
Deferred taxation	82 292	66 001
Current assets	1 134 151	890 735
Inventories	137 846	139 462
Receivables and prepayments	545 237	524 143
Cash and cash equivalents	451 068	227 130
Total assets	3 213 074	2 695 802
Equity and liabilities		
Share capital and reserves	2 242 033	1 917 276
Minority interests	199 522	172 010
Long-term interest-bearing debt	167 803	112 083
Short-term interest-bearing debt	74 317	66 618
Interest-free debt and provisions	529 399	427 815
Total equity and liabilities	3 213 074	2 695 802
Number of ordinary shares ('000)	341 715	340 719
Weighted number of ordinary shares ('000)	340 840	341 627
Net asset value per ordinary share – cents	656	563
Directors' valuation of unlisted investments	144 844	127 043

STATEMENT OF CHANGES IN EQUITY

	31/03/04 R'000	31/03/03 R'000
Opening balance	1 917 276	1 660 270
Distributed to shareholders	(119 841)	(99 731)
Net income for the year	439 040	363 871
Movement in shares held in treasury	5 558	(7 134)
	2 242 033	1 917 276

CONSOLIDATED CASH FLOW STATEMENT

	31/03/04 R'000	31/03/03 R'000
Cash flow from operating activities	484 802	284 759
Cash generated from operations activities	818 903	519 633
Net finance income	14 269	26 616
Taxation paid	(196 543)	(143 109)
Cash distributions to minorities	(31 986)	(18 650)
Capital distributions to shareholders	(119 841)	(99 731)
Cash flow from investment activities	(324 943)	(275 676)
Cash flow from financing activities	64 079	9 600
Net movement in cash and cash equivalents	223 938	18 683
Opening balance of cash and cash equivalents	227 130	208 447
Closing balance of cash and cash equivalents	451 068	227 130

COMMENTARY

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

Financial Performance

Turnover, which consists entirely of hospital fees levied, increased by 25% to R3 643 million (2003: R2 924 million) for the year under review. Operating income before interest, taxation, depreciation and amortisation (EBITDA) was 27% higher at R722 million (2003: R571 million). The group's EBITDA margin increased from 19,5% to 19,8%. Headline earnings rose by 21% to R441 million (2003: R366 million) resulting in an increase of 21% in headline earnings per ordinary share to 129,5 cents (2003: 107,0 cents). The total capital distribution per ordinary share at 40,0 cents (2003: 33,0 cents) is 21% higher.

Business Performance

Bed capacity increased to about 6 200 beds during the year mainly as a result of the acquisition on 1 December 2002 of the Curamed Group comprising about 550 beds. A number of other smaller but significant acquisitions were also made. These include the merger of Drakenstein day clinic with Paarl Medi-Clinic on 1 July 2003 as well as the acquisitions of a one third interest in the Victoria hospital (120 beds) in Tongaat, KwaZulu-Natal on 1 December 2003 and of the Secunda Hospital (43 beds) on 1 January 2004. In addition, the Curamed Kloof Hospital (142 beds), Howick Private Hospital (26 beds) and Tzaneen Private Hospital (100 beds) were successfully commissioned in June, August and September 2003 respectively. The current year's results are therefore not directly comparable with those of the previous year. Excluding the increase in capacity, the group's turnover growth amounted to 13,2%.

The Curamed integration is complete and benefits are already being realised. The new Curamed Kloof Hospital is exceeding expectations with occupancies well above the initial budget. As envisaged and alluded to in the Interim Report, some of the established hospitals in the Curamed Group have capacity to increase their activity levels. We are pleased to report that efforts aimed at achieving this are showing success and a number of new doctors have established their practices at these hospitals.

The expansion at Nelspruit Medi-Clinic which includes a cardiac unit, has been commissioned while expansions at Durbanville Medi-Clinic and Pietermaritzburg Medi-Clinic are in progress. The extensive upgrade of George Medi-Clinic (previously named Lamprecht Clinic) has been successfully completed. The upgrade of Potchefstroom Medi-Clinic is nearing completion while major upgrades at Morningside Medi-Clinic and Sandton Medi-Clinic have commenced.

The trading environment remained tight as the country as a whole experienced limited economic growth and the medical scheme membership remained virtually unchanged. The staff of the group deserve special mention for their dedicated and energetic efforts which enabled the group to achieve the published results. These results would also not have been possible without the loyal and competent support of the doctors utilising the group's facilities. Sincere thanks have to be expressed to these vital role players.

Cash Flow

Cash flow continued to be strong during the period under review. Due to strong working capital management, the group converted 113% (2003: 91%) of EBITDA into cash generated from operating activities. Cash and cash equivalents increased to R451 million from R227 million after financing activities. Investment activities of R325 million (2003: R276 million). Interest-bearing debt increased from R179 million to R242 million mainly as a result of debt incurred by the Curamed Group in completing the Curamed Kloof Hospital which resulted in a weakening of the debt:equity ratio from 9% to 10%. The group's strong cash flow continues to underline the quality of its earnings.

Capital Expenditure and Capital Commitments

Capital expenditure for the period under review was R341 million (2003: R236 million). Capital commitments (including amounts approved but not yet contracted for) amount to R399 million (2003: R510 million).

Black Economic Empowerment

As stated all along, the group wholeheartedly supports the need for economic transformation in South Africa. To this end the group introduced meaningful and real Black Economic Empowerment to the industry in November 2003 through the facilitation of Bidco's R3,1 bn acquisition of Afrox Healthcare. Bidco is controlled by a BEE consortium led by Brimstone and Mvelaphanda Strategic Investments. It furthermore includes broad-based national and regional doctor and empowerment groupings. Collectively they own 75% of Bidco with Medi-Clinic's 25% share of Bidco being passive and non-controlling.

The Competition Commission has recommended the conditional approval of the transaction to the Competition Tribunal. The ruling of the Tribunal is expected towards the end of July 2004.

Corporate Sustainability

Medi-Clinic believes in providing cost-effective quality healthcare on a sustainable basis. Key to achieving this objective are the following business practices and policies:

The group's efforts to attract and retain competent employees to satisfy the staffing needs of the company are supported by comprehensive training programmes. As a result Medi-Clinic has for instance become much more self-reliant regarding all its nursing requirements.

Medi-Clinic provides and maintains high quality and convenient facilities for doctors and patients. It honours the professional autonomy and independence of clinical decision making by the doctors supporting its hospitals. In terms of innovative, affordable fee structures it can be regarded as the market leader.

The group continually strives to be a responsible corporate citizen by inter alia supporting broad-based economic transformation, managing the environmental impact of operations and contributing to the general well-being of the community. The group is committed to ethical business practices and efficient risk management.

Affordability of Healthcare

Affordability remains a critical issue in the healthcare industry.

In an attempt to address ever increasing pharmaceutical prices, the group negotiated a unique alternative reimbursement tariff with Discovery Health during 2002. A structure was implemented in January 2003 which moved the trade discount received from pharmaceutical suppliers to theatre and ward tariffs. Discovery is charged the net acquisition price for all pharmaceutical products (both ethical drugs and surgical consumables). This structure created a transparent pricing system and lessened the inflationary effect experienced on pharmaceutical products.

The structure furthermore enabled Medi-Clinic to enter into positive dialogue with our supporting doctors with a view to use the most affordable pharmaceutical product in the appropriate circumstances while still respecting the doctor's professional clinical decision. The benefit to Discovery and its members was significant considering that some 50% of a typical private hospital bill consists of pharmaceutical items.

The group is currently engaging with other medical schemes to make use of similar structures.

Further enhancements to this structure led to a new product launched by Discovery in January 2004, the Medi-Clinic Priority Plus option. This quality product is expected to contribute to revenue growth for the group.

The group participates in a research project for the new Single Restricted Membership Scheme for Public Service Employees which will, if implemented, enable an additional 400 000 public services employees (who currently do not belong to a medical scheme) to belong to this fund. The research entails, inter alia, the affordability of such a scheme.

Regulation

The Regulations to the Medicines and Related Substances Act were recently promulgated. The group supports the transparent pricing of medicines and drugs. Though the final impact and effects of the Regulations are still unclear, it is expected to affect the whole supply chain in healthcare delivery. It is regrettable that the Government did not acknowledge the group's submission that the act of dispensing in a private hospital is vastly different from that of a retail pharmacy. The State also remained excluded from these Regulations creating uneven playing fields in the competitive environment.

PROSPECTS

Medi-Clinic expects to continue its consistent growth pattern.

The group's focus will remain on meeting the needs of the market, thereby increasing the utilisation of facilities. The expansion of facilities and services in the group's core competencies, and in particular acute care, are constantly evaluated.

Medi-Clinic remains committed to exploring attractive overseas growth opportunities in addition to pursuing opportunities in the local market.

The group has, with effect from 1 April 2004, acquired the Cottage Private Hospital (70 beds) in Swakopmund, Namibia.

Initiatives by government aimed at broadening the membership base of medical aid funds are followed with interest, and should have a positive impact on growth in the industry.

Recent downward pressure on the inflation of pharmaceutical prices is expected to continue. However, the group remains optimistic about its prospects for the next year, given that current trading conditions continue to prevail.

ACCOUNTING POLICIES

The financial results comply with South African Statements of Generally Accepted Accounting Practice. The accounting policies, with the exception of the implementation of AC 133: Financial Instruments - Recognition and Measurement, are consistent with those of the previous year. The change in the accounting policy had no material effect on the results.

PricewaterhouseCoopers Inc. has audited the results. A copy of their unqualified report is available for inspection at the company's registered office.

CAPITAL DISTRIBUTION TO SHAREHOLDERS

The Board of directors has declared a capital distribution of 28,1 cents per ordinary share, which will be paid out of share premium.

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

Last date to trade cum capital distribution	Friday, 18 June 2004
First date of trading ex capital distribution	Monday, 21 June 2004
Record date	Friday, 25 June 2004
Payment date	Monday, 28 June 2004

Share certificates may not be dematerialised/rematerialised from Monday, 21 June 2004 to Friday, 25 June 2004, both days inclusive.

Signed on behalf of the board of directors:

E DE LA H HERTZOG
Chairman
Stellenbosch, 12 May 2004

LJ ALBERTS
Managing Director

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