

Demand for private healthcare drives growth within Netcare

Monday 18 May 2009 – Netcare Limited, South Africa's foremost private hospital and healthcare services company, today announced its interim financial results for the six-month period ended 31 March 2009.

Group Financial Highlights

- 12% increase in group revenue
- 15% increase in operating profit
- 41% increase in basic headline earnings per share
- Completed sale of 50% interest in Ampath Holdings Trust
- Repurchased and cancelled 436 million treasury shares
- Interim capital reduction up 14% to 16 cents per share

Group Business Highlights

- Solid operating performance in both SA and UK
- Community Hospital Group acquisition cleared by Competition Appeal Court
- Port Alfred Hospital PPP opened in February 2009
- Commenced construction of Lesotho Hospital PPP in March 2009
- Further enhanced GHG footprint in London and across key geographies in the UK
- Rated the most empowered firm in JSE healthcare sector

Commenting on the results, Netcare chief executive officer (CEO) Dr Richard Friedland said that despite a tough financial climate, operations in both South Africa (SA) and the United Kingdom (UK) reflected solid growth.

"The continued demand for private healthcare services within SA, coupled with extensive changes in the hospital division's business model, has resulted in strong organic growth of 6.3% in patient days. The sound revenue growth of 14.4% in SA operations was mainly a result of excellent organic growth from increased patient-day growth. In addition, the completion of the integration of the Community hospitals and the maturing of the Alberlito and Blaauwberg hospitals have had a most positive impact on the overall operating performance of the SA operations."

"In the UK, higher National Health Service (NHS) volumes and the inclusion of the Nuffield hospitals improved revenue, thereby offsetting the anticipated decline in the self-pay market. In the past six months General Healthcare Group (GHG) expanded its geographic footprint with the inclusion of the Woodlands Hospital in Darlington as well as a new day-care clinic in London," added Friedland.

Basic headline earnings per share increased by 40.5% on the 23.7 cents achieved a year before. The group results were also positively impacted by the sale of Netcare's 50% interest in Ampath following Competition Approval of the transaction on 24 February 2009. The sale realised gross aggregate proceeds of R1 027 million.

South African operations

In the past six months, Netcare's SA operations contributed 48% of total revenue, 41% of operating profit and 89% of headline earnings per share.

The SA balance sheet strengthened with a 29.7% year-on-year reduction in net debt to R4 255 million.

Considerable strides were also made with several well-placed Public Private Partnerships (PPPs). Friedland outlines the achievements in this arena: "In the past six months we continued to work closely and to foster strong relationships with government through PPPs. The 91-bed Port Alfred Hospital PPP, with 60 public and 31 private beds, was opened in February 2009 and the 249-bed Grahamstown Hospital is scheduled for completion in July 2009. In the Free State the 214-bed Universitas/Pelononi Hospital PPP is showing sound growth and improved operational performance. Financing for the construction of the Lesotho Hospital PPP has been finalised, and construction of this 425-bed referral hospital and the refurbishment of four primary care clinics commenced in March 2009."

He added that Netcare was particularly proud earlier this year on being independently rated as the most empowered firm in the JSE's healthcare sector. It was at the same time listed as the eleventh most empowered listed company in SA in the Financial Mail Top Empowerment Companies Survey for 2009. The company was rated third overall in skills development and training in SA.

"Netcare continues to maintain the highest standards of patient care and safety. We are therefore pleased to highlight the fact that an additional six hospitals received international ISO 9001: 2000 accreditation through the UK-based CHKS Healthcare Accreditation and Quality Unit (HAQU). This brings the total number of accredited Netcare hospitals to 16."

During the period under review Netcare's Emergency services division reflected a sound growth in managed lives. On the primary healthcare side, revenue growth was driven by an impressive 15.6% growth in managed care lives, mostly within the lower income market, while patient visits grew by 5.4% to 1.7 million.

"However," says Friedland, "EBITDA within the primary healthcare division was negatively impacted by increased underwriting and restructuring costs as well as by considerable debtor write-offs due to the poor economic climate. Revised accounting reports and standards have been put in place and management is confident that accurate reporting and assessment of insurance risk are being appropriately monitored. Netcare remains fully committed to the delivery of this essential service," he added.

United Kingdom operations

In the past six months, Netcare's UK operations contributed 52% of total revenue, 59% of operating profit and 11% of headline earnings per share.

The overall caseload in the UK grew by 14.9% year-on-year in the past six-month period. Continued decline in self-pay patients was experienced, largely offset by a significant increase in NHS cases. The NHS is seen as a key partner for delivering future caseloads and effective negotiations will ensure that this work remains sufficiently profitable.

Netcare UK successfully continued to service independent Sector Treatment Centre (ISTC) contracts such as the Greater Manchester Surgical Centre, the Commuter Walk-in centre in Leeds and the Surgical Initiative in the Scottish NHS in Stracathro. The five-year mobile ophthalmic contract to provide cataract operations was successfully completed in April 2009.

Friedland says the independent healthcare sector in the UK remains an attractive proposition with compelling long-term drivers in terms of the demand for acute care delivery. The population is rapidly aging, ongoing advances in the research and treatment of disease has meant that many more conditions can now be treated, and changing lifestyles have led to the increasing prevalence of certain long-term conditions, e.g. diabetes and obesity.

General overview and outlook

Commenting on the future, Friedland says that it remains difficult to predict the impact of various factors in the current volatile global economic environment. "However, as our half-year results show, the demand for healthcare does not necessarily abate during an economic downturn. We therefore remain confident that the demand for private healthcare will be sustained in SA, supported by a financially sound and growing medical scheme market."

The appointment of Dr Aaron Motsoaledi as SA's new minister of health is welcomed. The launch of the Department's strategic plan to 2012 is another positive indicator of the progress made to date and we are hopeful that the positive approach by government, as outlined therein, will result in greater collaboration between the private and public sectors.

"In the UK, the recessionary environment is expected to continue to impact out-of-pocket spending on private healthcare. However, we expect this to be largely offset by growth in NHS activity through the Free Choice Network (FCN) Programme and purchasing of services by NHS Primary Care Trusts," concludes Friedland.

NOTES FOR JOURNALISTS

More about Netcare Limited (Netcare)

Netcare Limited, an investment holding company listed in 1996 on the JSE Limited, SA, through its subsidiaries operates the largest private hospital network in SA and the UK.

Among its many comprehensive healthcare services, Netcare owns and operates:

- 53 private hospitals, comprising 8 713 registered beds in SA;
- 56 acute care private hospitals, comprising 2 907 beds, through GHG in the UK;
- 108 medical centres, providing primary healthcare through Medicross Family Medical and Dental Centres and Prime Cure Medicentres, with a compliant network of 590 healthcare practitioners;
- Netcare 911, the largest private emergency service with 7.8 million managed lives;
- Pharmacy services, rendered at 86 retail pharmacies throughout SA;
- Netcare (JSE code NTC) has a market capitalisation of R10 billion as at 31 March, 2009. The company is included in the JSE's mid cap and Socially Responsible Investment (SRI) indices.

Netcare entered the UK market in 2001 to provide specialised healthcare services on contract to the NHS. In May 2006 Netcare acquired a controlling 50.1% interest in GHG, which owns BMI Healthcare, the largest private acute care hospital provider in the UK. The other equity partners in GHG are Apax Partners Worldwide LLP (31.7%), London and Regional Properties Limited (7.4%), Brockton Capital LLP (3.0%) and GHG local management (7.8%).

In August 2006 Netcare UK merged with GHG's NHS service provider business, Amicus, to operate as a single service provider under GHG.

Netcare's core value is care. We care about the dignity of our patients and all members of the Netcare family. We care about the participation of our people and our partners in everything we do. We care about truth in all our actions. We are passionate about quality care and professional service.

Netcare remains committed to making healthcare more accessible, affordable and sustainable for more people. In doing so it has committed itself to partnering with the SA Department of Health, the National Health Service in the UK and other stakeholders.

Issued on behalf Netcare Limited by Martina Nicholson Associates (MNA). Please contact Martina Nicholson on (011) 469-3016 for further information.