

Network Healthcare Holdings Limited

Group Annual Results

for the year ended 30 September 2007





Outline

Group CEO, Dr Richard Friedland

- **Highlights**
- **Strategic review**
- **Business review**



Group CFO, Peter Nelson

- **Financial review**
- **Guidance**





Group highlights

- **Significant capital invested in SA**

- R821m capital expenditure
- R100m in skills development
- Commissioned two new hospitals
- Acquired remaining interest in Community Hospital Group

- **Strong volume growth in SA**

- 4,5% growth in patient days
- 9,5% growth in primary care visits

- **Successful integration of GHG**

- Transferred Netcare's SA DNA
- Transforming business platform
- Geared for future growth

27%

growth in adjusted
headline earnings
per share

20%

growth in final
reduction of
capital per share

15%

growth in SA
revenue

14%

growth in SA
operating profit

Strong SA organic growth and increased UK business efficiencies





Strategic review

South Africa





Investing for increased demand

- **Medical aid membership market growing**
 - 4,3% growth in medical aid membership to 7,1m lives
 - More than 500,000 GEMS lives
 - Medical aid inflation at its lowest level in 27 years
- **Self pay market expanding**
 - Accessing selected services such as maternity and casualty
 - Accessing primary care services
- **Increased utilisation supporting growth**
 - Growth in admissions and longer average length of stays for people over the age of 60 Increase in lifestyle diseases
 - New technologies driving earlier diagnosis and treatment

R821m capital invested in South Africa





Addressing healthcare access

- 15 300 patients treated by Netcare 911 at a cost of R18m
- More than 5 000 patients treated through various accessibility initiatives at a cost of R11m, including
 - Sight for Life programme
 - Cleft Lip and Palate programme
 - Walter Sisulu Paediatric Cardiac Surgery Centre for Africa
 - Netcare's Sexual Assault Centres
 - Hospital community projects
- Nearly 400 patients assisted during public sector strike



A real commitment to PPPs and PPIs to address access





Addressing affordability of healthcare

- Maintained annual price increases within or below inflation, despite pressures on nursing salaries
- Removal of surgical rebates to ensure transparency of pricing
- Working with sector to develop an appropriate National Health Reference Price List (NHRPL) for hospitals

Annual effective price increases (%)

	2007
Netcare's hospital weighted effective price increase	5,7
Netcare's primary care weighted effective price increase	2,6
CPIX	5,7
CPI	6,3
Medical inflation	5,7

A need to create an enabling regulatory environment



Investing in quality care

Infection rates

Per 1000 patient days	Netcare	International Benchmark
Hospital acquired infection	2,6	9,3

Mortality rates

% of admissions	Netcare	International Benchmark
Mortality rate	1,1%	1,0-3,0%
Neonatal ICU mortality rate	3,4%	4,31%

- ±200 research publications by Netcare doctors
- International accreditation of our facilities by HQS
- Trauma and Neonatal clinical governance systems implemented

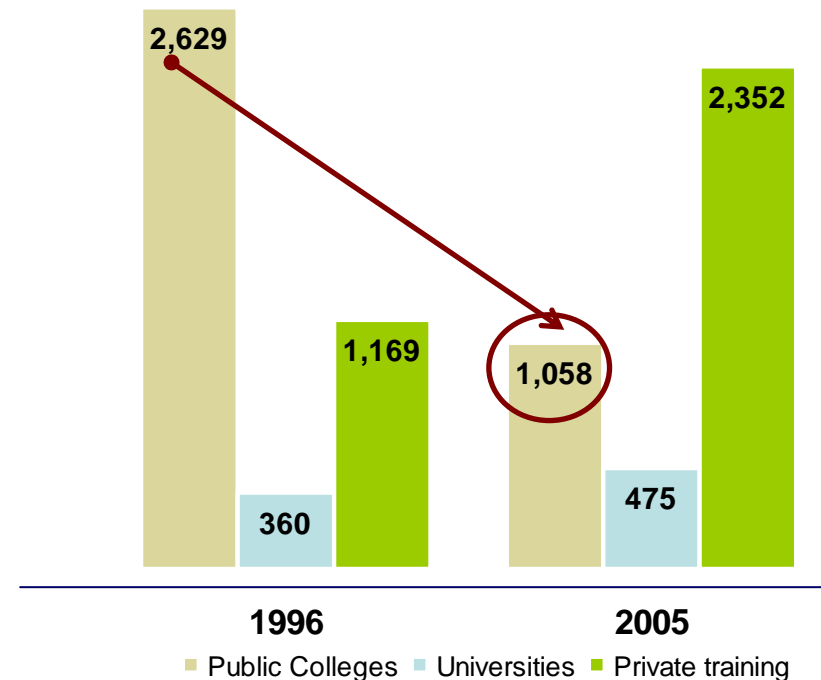
Quality Assurance Board Committee to be a full Board Committee



Investing to eliminate the skills shortage

- R100m training cost in Netcare South Africa
- 3 200 nurses and 500 paramedics in Netcare's training academies
- Recruitment of South Africans from abroad
- Recruitment of foreign nurses
- Employing new models of care
- Investing in knowledge management
 - 182 integrated nursing research projects
 - Netcare's Wikipedia

Output of professional nurses



Source: Nursing Council of South Africa

Promoting a learning organisation



Accelerating normalisation

- Empowerdex rated Netcare a level 5 (BBB) and Prime Cure a level 4 (A) contributor in August 2007
- Netcare is targeting a Level 4 contributor status in 2008
- Netcare has elevated the Transformation and BEE Committee to a Board Committee
- Rollout of Cultural Diversity programme across Netcare
- Netcare committed to Health Sector Charter finalisation

Element	Weight	Empowerdex score
Ownership	20	13.6
Management control	10	5.1
Employment equity	15	4.4
Skills development	15	11.8
Preferential procurement	20	1.1
Enterprise development	15	15.0
Socio-economic development	5	5.0
	100	55.0

Embracing cultural diversity





Business review

South Africa





Strong results from South Africa

- **Revenue growth of 14,9%**
 - Volumes accelerated in last quarter
 - Increased contribution from Prime Cure
 - Inclusion of two new hospitals
- **Operating profit growth of 13,6%**
 - Start-up operating losses of R16 million for the two new hospitals, excluding new hospitals operating profit grew by 14,9%
- **Operating profit margin relatively flat at 15,9%**
 - Increased contribution from primary care, a lower margin business

	30 Sep	30 Sep	%
R million	2007	2006	
Revenue	8 869	7 720	15
EBITDA	1 685	1 494	13
EBITDA margin (%)	19,0	19,4	
Operating profit	1 406	1 238	14
EBIT margin (%)	15,9	16,0	
Capex	821	781	5
Employees	18 877	17 718	7

Demand for private healthcare care strong across all our businesses



Demand driving hospital and trauma growth

- **Revenue growth of 12,7%**
 - 5,9% growth in total admissions
 - 4,5% growth in patient days
 - 5,2% growth in pharmacy scripts
 - 5,1% growth in 911 patients
- **Operating leverage gained**
 - Excluding new hospitals, revenue increased 11,9% and operating profit increased 14,8%
 - 7,8% increase in headcount to address vacancies and growth, excluding new hospitals 4,5% increase in employees

R million	30 Sep 2007	30 Sep 2006	%
Revenue	7 782	6 907	13
EBITDA	1 584	1 403	13
EBITDA margin (%)	20,4	20,3	
Operating profit	1 328	1 171	13
EBIT margin (%)	17,1	17,0	
Employees	16 743	15 532	8

Excluding the new hospitals, the operating margin expanded to 17,4%



Primary care growth accelerated

- **Revenue growth of 33,7%**
 - Inclusion of Prime Cure for full year compared to 8 months in prior year
 - 9,5% growth in visits
 - 36,5% growth in managed care lives
- **Operating profit growth of 16,4%**
 - Closure costs of R8m for non-viable Prime Cure facilities
- **Achieved integration savings**
 - Centralised credit control, finance and human resources
 - 2,4% reduction in headcount

	30 Sep	30 Sep	%
R million	2007	2006	
Revenue	1087	813	34
EBITDA	101	91	11
EBITDA margin (%)	9,3	11,2	
Operating profit	78	67	16
EBIT margin (%)	7,2	8,2	
Employees	2 134	2 186	(2)

Successfully growing lower income healthcare model



Management priorities for South Africa

Performance against 2007 priorities

Commission two Greenfield hospitals	✓ ✓
SAP rollout	✓
Review of central costs	✓ ✓
Develop high-volume, lower cost model	✓
Integrate Prime Cure	✓ ✓

2008 Priorities

Integrate Community Hospital Group
Continue SAP rollout
Implement risk sharing pricing models with funders
Partnership with government to address accessibility issues
Investing in cultural diversity

✓ Progress made ✓ ✓ Complete





Strategic review

United Kingdom





An increasingly competitive market

- **New acquisitions setting new valuation watermarks**
 - BUPA and Capio Hospitals
- **Consolidation of market gaining momentum**
- **Demographics for long-term growth remain favourable**
- **NHS procurement – a shift from central to local**
 - Cancellation of “Phase 2” ISTC projects (C&L, NEYNL, Manchester A)
 - ECN rollout in preparation of Patient Choice
 - Spot purchasing increasing



Business review

United Kingdom





Strong profitability growth in UK

- **Underlying revenue growth of ~6%**

- 1,7% growth in overall cases
- 3,1% growth in self pay cases
- 3,1% growth in outpatient cases

- **Underlying core EBITDA growth of ~14%**

- Before non-recurring charges of £5,6m relating to restructuring, transaction and bid costs

- **Operating profit margin expanded to 16,9%**

- Operating profit margin before non-recurring charges of 17,7%, up from 15,6% in 2006

	30 Sep 2007 Rm	30 Sep 2007 £m
Revenue	9 738	689
EBITDA	2 411	171
EBITDA margin (%)	24,8	24,8
Operating profit	1 646	116
EBIT margin (%)	16,9	16,9
Capex	624	44
Employees	8 078	

Successfully transforming the business, growing core EBITDA by 14%



Management priorities for United Kingdom

Performance against 2007 priorities

Continue integration of GHG	✓ ✓
Doctor engagement	✓
Diagnostic service review	✓
Rollout of Extended Choice Network systems	✓ ✓
Mobilise new NHS contracts	✓ ✓

2008 Priorities

Further organisational efficiencies
Doctor engagement
Increase referral activity to BMI hospitals
Capturing business from new NHS activities
Building on our leading customer satisfaction

✓ Progress made ✓ ✓ Complete





Group financial review





Group financial highlights

- Refinancing of SA debt through the issue of the convertible bond
- Repayment of Netpartner debt and unwinding of zero cost collar
- Finalised GHG PropCo and Opco structures and debt
- R1.1bn hedge profit recognised directly in equity²
- Restructuring
- Governance and risk

11%
growth in SA
basic adjusted¹
HEPS

16%
group
operating profit
margin

R4,0bn
cash generated
from operations

R1.1bn
group profit for
the year

1. Before HPFL BEE share based expense and GHG financing related costs
2. Statement of Recognised Income and Expense (R600m net of minorities)





Restatement 2006 HEPS

	Cents
Basic HEPS	
Previously reported	56.2
Adjustment	(11.9)
Restated basic HEPS	44.3
Relates to costs incurred to implement debt financing structure at GHG	
Diluted HEPS	
Previously reported	53.9
Adjustment 1	(11.4)
Adjustment 2	1.2
Restated diluted HEPS	43.7
Relates to the Netcare share incentive scheme and the HPFL Trusts	

Restated for Circular 8/2007 issued by SAICA on 31 July 2007

New actuarial models applied in 2007 and applied retrospectively 2006 (Trinomial)



Reclassification of 2006 comparatives

	Previous	Ampath	Reclassified	New
Operating profit	1 568	(104)	114	1 578
Net financial expense	(824)	11	(114)	(927)
Financial income	700		(137)	563
Financial expenses	(1 524)	11	23	(1 490)
Attributable earnings of associates	28			28
Profit before taxation	772	(93)		679
Taxation	(235)	6		(229)
Profit after tax from continuing operations	537	(87)		450
Profit from discontinued operation		87		87
Profit for the year	537			537

Fair value adjustments – investments (R16m)
 Profit on disposal of subsidiaries (R111m)
 Profit on disposal of investments (R10m)

Impairment of goodwill R2m
 Impairment of investments R21m

Summarised group income statement

R million	30 Sep 2007	30 Sep 2006	%
Revenue	18 607	11 152	67
Operating profit	2 990	1 578	90
Net financial expense	2 135	927	
Attributable earnings of associates	32	28	
Profit before taxation	887	679	31
Taxation	99	(229)	
Profit for the period	986	450	119
Profit from discontinued operation	109	87	
Profit for the period	1 095	537	104

Taxation impact by credit of R372m from reduction in UK corporate tax rate from 30% to 28%



GHG impact on earnings per share

Cents per share	30 Sep 2007	30 Sep 2006	%
South African basic adjusted ¹ headline earnings per share	77,1	69,7	11
Abnormal items (HPFL BEE share expense)	-	(4,5)	
South African basic ² headline earnings per share	77,1	65,2	18
GHG dilution to headline earnings	(15,3)	(20,9)	
GHG tax credit	15,8	-	
Basic headline earnings per share	77,6	44,3	75
<i>Weighted average number of shares (m)</i>	1 230	1 448	(15)

- 1. Before abnormal item (HPFL BEE share expense) and GHG financing related costs
- 2. Before GHG financing related costs

Financing costs for GHG and
GHG loss before tax

Benefit of Netpartner
repurchase of shares

Value created through the Netpartner unwind



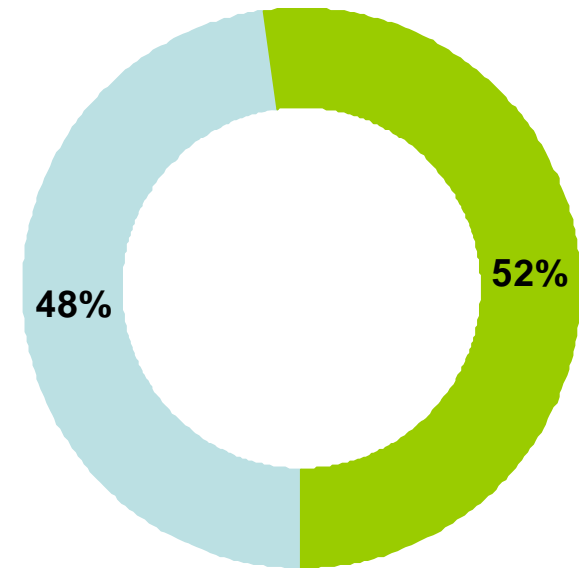
Strong organic and acquisitive revenue growth

Group revenue

R million	30 Sep 2007	30 Sep 2006	%
Revenue from continuing operations	18 607	11 152	67
South Africa	8 869	7 720	15
United Kingdom	9 738	3 432	184
Revenue from discontinued operation*	507	465	9
	19 114	11 617	65

* Ampath

Group revenue contribution



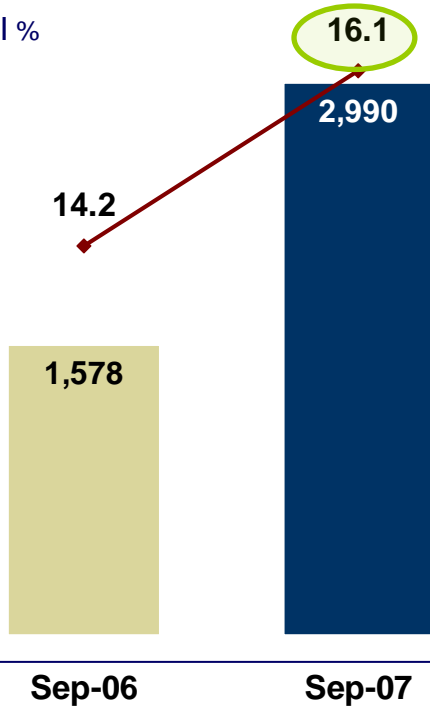
■ South Africa ■ United Kingdom



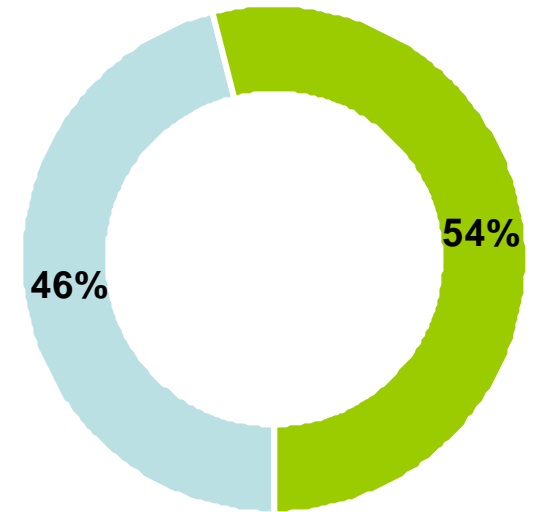
GHG acquisition enhances margins

Group operating margin

R million | %



Group operating profit contribution



■ South Africa ■ United Kingdom

■ Operating profit (Rm) ◆ Operating profit margin (%)



Operating profit impacted by capital items

R million	30 Sep 2007	30 Sep 2006	%
Operating profit from continued operations	2 990	1 578	90
South Africa	1 406	1 238	14
United Kingdom	1 646	218	655
Items of a capital nature	(62)	122	
Operating profit from discontinued operations	127	104	22
	3 117	1 682	85

Operating profit impacted by R280m debt restructuring costs

Impairment of goodwill and investments (R22m)
 Impairment of NHS contracts (R40m)

Impairment of goodwill and investments (R12m)
 HPFL share based payment (R65m)
 Reversal of deferred lease provision R88m
 Profit on sale of subsidiaries R111m

Strong underlying growth in core operating profit in both countries





Group balance sheet - assets

R million			30 Sep 2007	30 Sep 2006	Restatement impact	Currency impact
	SAP	R94m				
	UK management contracts	R85m				
	UK software	R107m				
	UK development	R3m				
	Non-current assets		45 328	45 747		(1 449)
	Property, plant and equipment		26 683	27 246		(813)
	Goodwill		16 091	16 745	(162)	(567)
	Intangible assets		289	271		(8)
	Associated companies, investments and loans		298	255		
	Financial asset – derivate financial instruments		1 453	834		(44)
	Deferred taxation		514	396	200	(17)
	Current assets		5 211	4 791	(1)	(88)
	Total assets		50 539	50 538		(1 537)
	Interest rate swaps	R1 265m				
	Forex hedge	R188m				

SA CFROI increased from 13,1% to 14,8%



Group balance sheet – equity and liabilities

R million	30 Sep 2007	30 Sep 2006	Restatement impact	Currency impact
Total shareholders equity	8 582	6 236		(226)
Non-current liabilities	36 351	38 133		(1 236)
Long term debt	28 944	29 224		(983)
Financial liability-Derivative financial liability	1 156	2 152		(41)
Post retirement benefit obligation	115	294		
Deferred lease liability	63	64		
Deferred taxation	6 073	6 399		(212)
Current liabilities	5 606	6 169	37	(75)
Total equity and liabilities	50 539	50 538		(1 537)

£27m (R372m) release of deferred tax due to rate change

£8m paid in for pension fund liability

Return on shareholders' equity increased from 19,9% to 26,6%



Lowering the cost of the SA debt

	30 Sep 2007		30 Sep 2006	
	Rm	Cost of debt	Rm	Cost of debt
Convertible bond ¹	1 446	6,0	-	-
DMTN	1 550	9,3	1 550	8,6
Netpartner	-	-	511	8,4
Other debt	2 059	10,6	3 383	10,5
Total debt	5 055	8,9	5 616	9,5
Bank overdraft/(cash)	191		(172)	
Net debt	5 246		5 444	

1. Convertible bond cash interest paid at 6%, income statement IFRS interest charged at 9%

Against a backdrop of increasing interest rates



UK debt financing in place for 6 to 8 years

	30 Sep 2007		Cost of debt* (%)	30 Sep 2006	
	£m	Rm		£m	Rm
Propco debt	1 644	23 067	6,3	1 650	23 968
Opco debt	214	2 995	7,7	214	3 101
Other debt	7	92	5,2	3	45
Total debt	1 865	26 154	6,4	1 867	27 114
Cash	(78)	(1 089)		(58)	(836)
	1 787	25 065		1 809	26 278
Prepaid costs and accrued interest (net)	(13)	(181)		(38)	(554)
Net debt	1 774	24 884		1 771	25 724

* Fixed rate per hedging instruments

Including the amortisation of debt raising fees (non-cash), weighted average cost of debt increases to 6,9%

Successfully structured debt to lower cost

Net interest expense

R million	30 Sep 2007	30 Sep 2006
SA net interest expense	456	152
<i>SA interest cover (times)</i>	<i>3,1</i>	<i>8,1</i>
UK net interest expense	1 734	679
<i>UK interest cover (times)</i>	<i>0.9</i>	<i>0,3</i>
Group net interest	2 190	831
<i>Group interest cover (times)</i>	<i>1,4</i>	<i>1,9</i>
(times)	30 Sep 2007	30 Sep 2006
SA net debt to EBITDA	3,1	3,6
UK net debt to EBITDA	10,3	12,7*

*Adjusted based on annualised EBITDA before abnormal items

Favourable movement in derivative instruments

- Netpartner zero cost collars unwound
- UK 10 year swap rates increased from 4,89% to 5,40%
 - R65m fair value gain recognised in income
 - R1 112m fair value gain, R600m accounted for directly to equity, R512m in minorities
- Reduction in cross currency swap asset
 - Rand strengthened from 14.53:£1 to 14.03 : £1
 - Swaps at R12,17: £1

Net derivative instruments

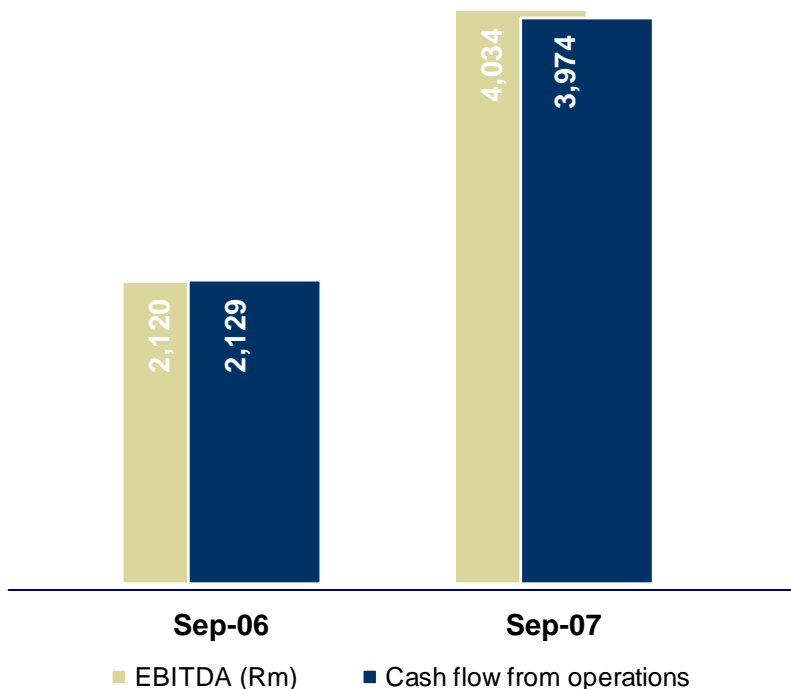
R million	30 Sep 2007	30 Sep 2006
Zero cost collar	-	(288)
Net interest rate swaps	109	(1 452)
Cross currency swaps	188	422
	297	(1 318)



Strong cash flow generation

Group cash generated from operations

R million



Net working capital for the group

R million	30 Sep 2007	30 Sep 2006
Inventory	600	571
Accounts receivable	2 875	2 706
Accounts payable	(2 570)	(2 624)
Taxation	(410)	(138)
	495	515

Working capital impacted by the acceleration of SA creditor payments by one day ±R300m

Excluding change SA payment practice, 106% of EBITDA converted into cash



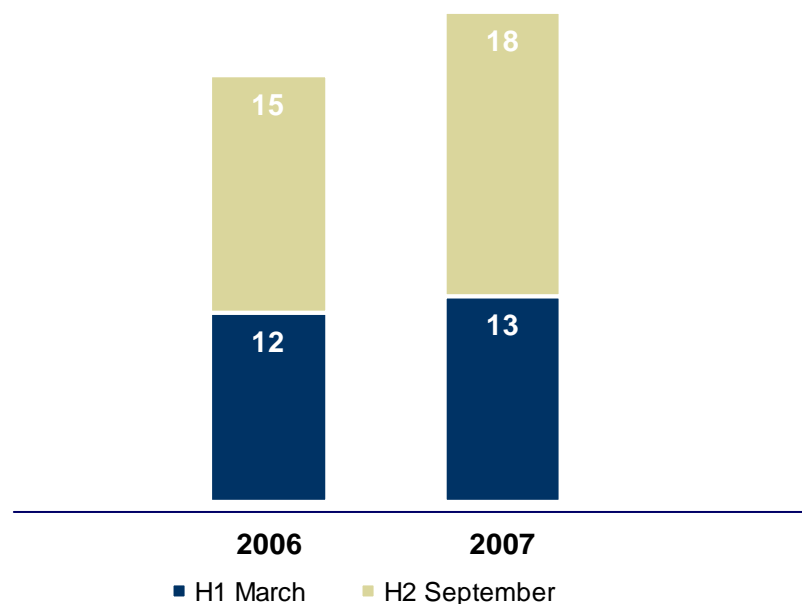


Growth in capital distributions

- 20% increase in the final reduction of capital of 18 cents
- Distribution cover of 2 times
- Capital distributions determined after having regard for
 - Degearing benefits
 - SA Leverage ratios
 - Investment opportunities
 - HPFL BEE shareholder requirements

Distribution per share

Cents per share



15% growth in total reduction of capital to 31 cents per share





Guidance for 2008

① Revenue growth

Estimated SA revenue growth of between 12% and 14%

Estimated UK revenue growth of between 6% and 8%

② Operating efficiencies

Expect margins to remain relatively flat as operating leverage gained will be offset by wage pressure

Expect to drive further operating efficiencies but some pressure from increased competition

③ Capital expenditure

Estimated SA capital expenditure of between R700 and R800 million
(depending on new investment opportunities, including R100m for CHG)

Estimated UK capital expenditure of between £50 and £60 million
(depending on new investment opportunities, excluding financial leases)





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