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Netcare Limited Annual Results 2009 Presentation

Jerry Vilakazi - Chairman

Ladies and gentlemen, good morning, let me introduce myself. I'm Jerry Vilakazi, the Chairman of Netcare Ltd. May I take this opportunity to welcome all of you to this very important day for us this morning, the release of our results for 2009. I'm not going to make any speech this morning, but rather I would like to proceed and call the man that I would like to as he comes forward congratulate for his leadership, together with the team. I think for any CEO one thing that you always fear the most is to present results in the middle of a recession, Richard, over to you.

Richard Friedland - CEO

Thanks so much. Thank you very much, Jerry. Good morning ladies and gentlemen, and thank you for attending here this morning. Also to welcome our colleagues in the United Kingdom and elsewhere in Netcare that are listening to this live webcast. I think at the outset we've become a very large organisation in Netcare. We have almost 30,000 full-time employees. And these results are testimony and tribute to the efforts of every single one of them. So my sincere thanks go to our directors, our leadership teams, our management staff not only here in South Africa but also in the United Kingdom. I also want to pay tribute to Vaughan Firman. This is his first year as Chief Financial Officer. And I can assure shareholders that you will be delighted, as we are, with the incredible leadership that he has shown. His hands-on, focussed and positive approach is refreshing. Vaughan, thank you for what has been an outstanding year in terms of your leadership. I'm going to be taking you through the group highlights, a review of South Africa and the United Kingdom, and then Vaughan will take you through a detailed look at our numbers and then our guidance for 2010.

I think if you look at South Africa there are a number of features, and in fact if you look at the results generally in the United Kingdom and South Africa, that characterise our set of results. Firstly, a resilient performance in both South Africa and the United Kingdom, really demonstrating the very defensive nature of healthcare and of the sector, that despite the recessionary environment and the underlying economic trends there is still an enormous demand for healthcare that has come through in our numbers. These results have been impacted by the appreciation, the very strong appreciation of the Rand against a very weakened Pound. Vaughan will take us through a slide demonstrating to you the impact both on our balance sheet as well as the income statement. We continue as we always have to reinvest heavily in maintenance, in new facilities and in new equipment, both here in South Africa and in the United Kingdom. In fact, if you look at Netcare's history over the last 12 to 13 years approximately 78% of our profits after tax are ploughed into maintaining our facilities, investing in new facilities and new equipment and the same is indeed the case this year.

What is pleasing about the United Kingdom is it's demonstrating a very strong profit after tax, some 44% up. And this year based essentially on operational performance. Remember last year we were flattered somewhat by the tax credit in the United Kingdom as a result of the reduction in corporate tax. We've continued to degear the South African balance sheet, mainly as a result of the proceeds from Ampath, but also some very tight working capital. As everyone knows we have quite a significant amount of debt in the United Kingdom, but I'm pleased to say that we've met all of those debt covenants quite comfortably. We've also cleaned up those treasury shares in terms of repurchasing them and cancelling them. And as a result of all of this our chairman and board felt comfortable to declare a final capital reduction for the past six months, up 22%, of 22cents.

If we look at this very briefly again – Vaughan will unpack these numbers – strong revenue growth is coming through as a result of organic growth in South Africa and as a result of some of the acquisitions in the United Kingdom, impacted also by the currency. Debt coming down very nicely by

18.8%, again currency related in the United Kingdom, but also due to Ampath and working capital here. And probably the most pleasing result for us here is that headline earnings per share from continuing operations if we strip out the impact of Ampath this year and last year was up at some 40%, allowing us – as I mentioned earlier – overall compared to last year to declare an 18.8% increase in the capital reduction.

Just having a look at this graph, and for those of you who will have seen the relative contributions of South Africa and the United Kingdom since we acquired GHG some three and a half years ago, given the strength of the Rand, South Africa is now some 51% of revenue, 41% of EBITDA, and obviously given the significant amount of gearing in the United Kingdom it's taking up most of the interest paid. And ultimately on headline earnings per share South Africa is still contributing some 87%. The United Kingdom from operations alone now is contributing a very healthy 13% of our headline earnings per share, and as we begin to degear the United Kingdom, hopefully a greater contribution into the future.

So let's unpack the South African operations and see some of the features that characterised this year. It was generally a stable year for us in the hospitals and in emergency services. We've had ongoing issues within primary healthcare. I think we warned the market in November last year that this was an 18 month to two year turnaround. I'm confident we're through most of that, and we should break even next year, and I'll talk to that. Significantly we opened up Port Alfred Public Private Partnership, and also our new hospital in Settlers in Grahamstown. It's a key feature of where we would like to be involved in partnering and walking together with government and the Department of Health. We commenced construction on what is the largest Public Private Partnership in healthcare in Africa, and indeed one of the largest in the world, in Lesotho, and I'll talk to that a bit later. We are seeing a changing regulatory environment as the entire globe comes to grips with healthcare reform and how we best deliver affordable healthcare. And in our own country as we deal with the inequity between the haves and have-nots, clearly regulation is going to be with us for some time to come.

I'm pleased to say given the size of our company here in South Africa and the number of employees, this is our sixth year of competing in Deloitte's Best Company to Work For, and this year we came fifth in the top large companies to work for. In April we were voted the most empowered firm on the JSE in the healthcare sector, and we were rated 11th overall for all listed entities. I'm pleased to say we've retained our accreditation for this year at the same level and improved on it. We have now begun to focus on the impact that Netcare has not only here in South Africa but on our continent and globally in terms of the environment, and we were placed 14th in the carbon leadership index. There is a lot of work still to be done in that environment. This is our scorecard in terms of transformation, to demonstrate that we remain absolutely committed not only to normalising the environment within Netcare but indeed within our own country as we build a healthy environment and a stable, sustainable environment. And here you can see that our score for this year has gone up slightly, 77.75 versus 75.34. We are a level three in terms of the DTI codes. I think what is very pleasing is that we now have some 80.73% of all our spend with BEE accredited companies. I think if you looked at our results in 2005 it was single digits. And that's 80% of some R7.3 billion of recognised spend. Another area we are exceptionally proud of is that we're ranked number three in South Africa in terms of the amount of training and skills transfer. We're the largest trainer of nurses, of pharmacists, and of a whole range of paramedic personnel as well. And that's something that we believe is absolutely critical as we build sustainable healthcare delivery in South Africa.

Looking at South Africa in some more detail, we had very good revenue growth, mainly organic. This is a year where we have no new hospitals in here, no acquisitions. Essentially you're looking at organic growth. I think what's very pleasing here is the turnaround of attributable earnings of associates, largely our PPPs. You will remember that we struggled to turn around our Bloemfontein and Pelonomi hospitals. Those have turned around and are doing very well. And it's obviously the addition of the two new PPPs that have contributed at this line our nett debt coming down, as we've spoken about before. And we continue to be very cash generative, something Vaughan will touch on a

bit later, when you look at our cash conversion of close on 113%, a nice improvement overall in line with guidance for South Africa of 17.1% as well.

Just unpacking the hospitals and emergency services, and then I'll go on to Primary Care. We've added 137 beds to our existing facilities in 2009. We've shown record growth in patient days. I can't remember a year in our history in Netcare that we've been able to demonstrate this level of organic growth in patient days. It has taken our occupancies up to 67%. In fact, weekday occupancies – that includes weekends – are closer to 72%. I've mentioned the working capital. We continue to attract a lot of doctors into the Netcare fold. And as I mentioned earlier we have an enormous commitment to training, some five training campuses, plus Netcare 911, across the country. We will be adding 204 beds planned for 2010. And in Netcare 911 we've continued to see good growth, seeing lives under management increasing by some 15.1%.

I put this slide up, ladies and gentlemen, and forgive me, the reference isn't on this slide but it will be in your books. This is very interesting research that has been published now by the Council of Medical Schemes in their latest annual report for 2008 and 2009. And I think it demonstrates how sound the healthcare sector really is when you look at it and unpack it. Firstly, we've seen very strong membership growth since 2000, with beneficiaries rising to 870,000 and members increasing by 685,000. In 2008 alone, which demonstrates some of the resilience to the recession, there was a 3.5% growth in beneficiaries. Schemes continue to have a very strong level of reserves, above the 25% required by law. They're at 36%. And I think what's very pleasing to see from this Council of Medical Schemes graph is that there has been very limited real hospital inflation since 2004.

And I put this slide up because it's a very important aspect to look at because earlier this year the board of healthcare funders applied for an exemption from the competition commission in terms of the Act, claiming that the industry was failing, the sector was failing, and as a result wanted to introduce collective bargaining or collective tariff negotiations. The commission rejected that, and they rejected it on the basis that there was very little evidence that demonstrated that that was the case. In fact, on the contrary, what they said was the information reflects an industry which is relatively healthy. I think as we debate healthcare reform and embrace the need to provide accessible and affordable healthcare, and whilst we make no excuses that there are issues within the private sector to tackle, we must also be cognisant of some of the underlying issues here, which are certainly healthy and important.

So looking at the numbers in South Africa and emergency services, the revenue growth is up there and revenue per patient day of some 10.5%. I've mentioned Netcare 911, a nice strong improvement on the EBITDA recovery on that EBITDA margin and operating margin. And I've just highlighted some of the new facilities that we've invested in during the year and that we've opened, just to give you an idea and a flavour of the enormous amount of capital investment that goes into maintaining a network of the size and scale that we have here in South Africa.

Here is a slide really demonstrating our portfolio of Public Private Partnerships. I'm not going to go through all of them. But what is important to see is when you tally all of these up and Lesotho opens, we will have nearly 1,000 beds under management in terms of Public Private Partnerships. It's a clear strategic intent by Netcare. We do want to partner government, not only here but also in the United Kingdom. We think this is a way of creating affordable and sustainable healthcare, of building infrastructure and a way to finance it, as well as to empower local partners in driving this. And in all of these projects that we have here, the ones that we've opened recently we have those features embodied within it.

Looking at the Primary Care division we've continued to grow the top line. We've had very good revenue growth. We've treated 3.7 million patients in our 101 Primary Care centres. We've seen a

growth of managed lives of 256,000. But we are still beset by some legacy issues of the prior year, particularly under pricing of our products, issues around IBNR (incurred but not reported), and also issues around debtors. I believe we have now cleared the debts as it were, and our management team has done an outstanding job in preparing the platform for what we hope will be a break-even year in 2010. But a year that still demonstrates losses. You can see the loss here in primary care of some R24 million at the EBITDA line. If we had to normalise that and remove our shortfall on IBNR and the debtor write-offs on an adjusted basis we would have turned a small profit.

Just having a look at the lives, you will see that we're projecting our lives to decrease under management. You can see them rising here and then decreasing in 2010 really as a result of the end of the GEMS contract. We've also terminated some loss-making schemes, and both of those have been offset by growth from some new schemes coming in. But importantly as you look at this graph how our risk profile changed of taking full risk versus just purely primary and secondary risk. You'll see that in the new year our full risk reduces to some 30% and primary and secondary risk some 70%. So overall the business will be smaller, our network is intact, but I believe from a risk mitigation perspective we'll be able to better price this and better manage that risk going forward. A vitally important network, as we said in our release on SENS, much of the issues that beset South Africa can be dealt with at a primary care level. Most of the millennium development goals, the healthcare related ones, can be dealt with at a primary care level. And we stand ready to support government in assisting in that process, whether it's the rollout of ARVs, whether it's assistance with TB and the 10 Point Plan programme and a whole range of others from a very compliant primary care network.

Moving across to the United Kingdom, just having a look at our geographical coverage there, despite a very tough economic and recessionary environment in the United Kingdom our team has done a superb job there. We managed to add five new sites and in all of these recessionary times opportunities arise to pick up assets at very favourable terms, and particularly the OpCos. You can see we've added these five new sites to our overall portfolio, these red dots. In the United Kingdom Kingston is a PPU or NHS private patient unit that we'll be running, and I think we've made announcements on all of the others in the past to you.

Looking at it in terms of our market share you can see that General Healthcare is the leader within the United Kingdom, some 28% of market share in terms of beds and in fact by most other criteria as well. Importantly, if you had to strip out those private patient units, the equivalent of a PPP in South Africa, but the NHS private patient units out of that, GHG's market share would probably increase to about 31%. Just having a look at the business overview, it remains UK's number one independent healthcare provider. We've seen revenue growth in line with guidance and slightly higher at 7.6%. We predicted some 5% to 7%. And in the kind of environment that our team has had to manage, that's an outstanding result. And an EBITDA growth should good leverage of some 8.9%. Our efficiency programme, which has been the bedrock of improving margins over the last three years, remains intact, and I'll show it to you later. We have seen a structural change in the UK where we have seen self-pay come off quite significantly. We saw a reduction in self-pay close to 20%. It has stabilised. At the same time we've seen a huge demand of choose and book through the NHS of patients electing to go to the private sector if their waiting lists have been breached by 18 weeks. And now coming in to us, and slowly we're seeing that rise. We've added those new sites as we've said, and importantly – a question you always ask us – we met those debt covenants comfortably.

How does it translate into the numbers? Again, a stable PMI base – that's medical aid or private medical insurance – and strong NHS growth which has offset the loss in self-pay this year. We have had a lot of retrenchments and other restructuring within the United Kingdom. So at a reported EBITDA one strips that out and one comes down to these numbers here. But still an outstanding result here in terms of that. And I think what's pleasing for us is that we've managed to maintain and in fact slightly improve on the EBITDA margin due to the efficiencies being extracted out of the business, despite the dilution from the lower contribution or margins achieved on NHS work. And importantly,

profit before tax rose quite significantly. Here you can see the impact of that tax benefit in the UK last year when corporate rates were reduced by a percent in the UK. And a very healthy 44% increase in profits after tax to some £16 million versus £11.1 million, essentially operational in nature.

The next two slides I really want to show you the kind of compound annual growth since acquisition in the United Kingdom and demonstrate the kind of financial leverage we've been able to achieve in the structure of OpCo and PropCo. On the first slide here it really looks at WholeCo, the whole of GHG, showing a compound annual growth of some 10% in revenue, EBITDA growing at a very nice 13%, and the margin continuing to improve some 24% on acquisition up to some 26.4%. But this really demonstrates the financial leverage. You can see the PropCo really has a fixed rental that escalates at 2.5% per annum. And clearly if we're able to grow EBITDA more than that, you can see the enormous leverage coming through. Compound annual growth here on the OpCo side here is now at 25%, and that's at the revenue line of some 8%.

Just looking at our caseload, because it's something that is always of particular interest, you can see that we grew the in-patient growth by some 6%, of which 1% was organic. The remainder came from our new sites. NHS increasing really offsetting the loss or the reduction in self-pay or cash paying out of pocket patients, with PMI really remaining stable and holding its own as the NHS really begins to grow there. If we look at it over the next 18 months, looking at it backwards and looking at it forwards, taking today where we are, you can see in the previous 12 months the insured base has been pretty stable. We did see self-pay come off during this recessionary period quite significantly. It has stabilised, and we have begun to see NHS increasing. If you look at it for the next 18 months there may well be some pressure on PMI due to levels of employment within the United Kingdom and as the United Kingdom has a slow recovery. But we believe that given the demographics of this market and the huge demand for healthcare, plus the lack of funding or the diminished funding within the NHS, this is set to rise thereafter. We see a similar trend in self-pay. And certainly on the NHS we see rises occurring in the NHS due to their budgetary constraints. I think when you look at NHS numbers here we still lag our competitors in terms of the amount of NHS work that we do.

I put this slide up here on the contribution of Netcare UK. These are our five year contracts with the NHS, and many of them are now coming to an end. As we announced earlier this year our cataract project which was to deliver 36,000 cataracts, ended in April. And we're running a surgical centre in Manchester, the Greater Manchester Surgical Centre, where we were contracted to do some 44,000 orthopaedic ENT general surgery cases that comes to an end in May next year. And that will impact on our numbers when you look at the guidance for next year in terms of not really having much of Netcare UK contributing. At the moment it's some 4% of revenue and 5% of EBITDA. This has been the bedrock of improving the efficiencies and improving the margin. And really allowing us to leverage off the revenue in the United Kingdom is our operational efficiencies. You can see that we're really complete on ward labour and still have a number of these some way to go on them. This year we announced the outsource of pathology services in the United Kingdom. We think there is huge opportunity to achieve operational efficiencies there, and you can see that there's a long way to go on that. But this is clearly underpinning a large part of us maintaining and hopefully improving on our margins as we take GHG prior to acquisition as a disparate group of 48 odd hospitals into a far more aligned, efficient and standardised organisation.

And last slide on the UK before I hand over to Vaughan is that our focus in the United Kingdom is not purely only on finances and on efficiencies. And I want to show you some of the other achievements during the year that I think are equally important. 12 of our hospital were voted and listed in the Nursing Times' top 100 hospitals. Independent rating of patient satisfaction by Howard Walker gave us a 99% rating, good, very good or excellent. We've opened up a dedicated contact centre to improve patient care. We've put a special team in to look after GPs and to get feedback as to their referrals and to their issues with our hospitals. We continue to beef up training in the United Kingdom in alignment with what we do in South Africa. And also in alignment with what we do in South Africa is a

focus on the environment for 2010, hopefully aimed at reducing our carbon footprint. I'm going to end there, ladies and gentlemen, and hand over to Vaughan. Thank you very much.

Vaughan Firman - CFO

Right, Good morning ladies and gentlemen, and thank you, Richard. It's my pleasure to take you through the results, looking it at more from a financial viewpoint. I will be covering the following five factors. The structural factors that have impacted our results, I'll be looking at the summary financials, I'll be covering the group debt, the cash generation during the year, and finally I'll be looking at the capital reduction. After that I will give some consensus on where we see 2010. I put the following three factors, which I believe are the main factors that have impacted us during the year, the structural factors that have impacted our results.

The first one has been the Ampath sale. During the year we sold Ampath, and we received our final payment at the end of March. During the period of payment we received gross proceeds of just over R1 billion. In terms of the IFRS rules we've consolidated Ampath up to the end of February, so there has been no change since the interim results announcements except for a couple of legal fees that have come through, and we've realised capital profits of R678 million. We've incurred CGT in the amount of approximately R90 million, and that has been paid over to SARS. So it gives us nett proceeds of R678 million, cash proceeds of R852 million. So a marginal impact on our results if you look at the profits that we would have earned and compared that to the interest that we did earn.

We also go into some detail on interest rate swaps. Our UK interest rate swaps have dropped to record lows during the year, and we've got a slide on that, which has resulted in a significant mark to market impact on our balance sheet. There has been no cash impact, but we've had a significant mark to market impact of over R2 billion. It's been a very minor income statement impact, so our swaps have held. We've achieved hedge effectiveness by and large. I do wish to caution though that there could be volatility going forward, depending on how the swaps play out and whether we will reach hedge effectiveness or not. We've also had a large movement in the exchange rate, and Richard alluded to that. I've put a slide together to show you the movement in the Rand since the inception of acquiring GHG. We acquired GHG at a price of R11.73. We're now at R11.95. So over the three and a half years that we've held this acquisition the Rand has only weakened by approximately 2%. But the issue has been this part, and we'll get into that in some detail going forward. You'll be able to see the impact that the Rand has had on our results during the period.

The next slide that I put in was just to show you that impact. If we strip out the impact and take the reported figures of 2008 and compare that to a constant currency in 2009, in other words taking out the exchange rate impact, we end up with the following figures. A 10.6% increase in revenue, a 16.5% increase in operating profit and a 32.5% increase in HEPS, which is at 81.5c. Also the balance sheet no longer shows significant changes where we would have had R54 billion of assets under management it would have stayed the same at R54.7 billion, but our debt would have reduced at approximately just under R1 billion compared to these figures, where there is quite a large amount of volatility.

If we look at the summarised group income statement – and that is using the correct exchange rates – Richard has gone into some detail on the revenue and operating profit, so I won't cover those. But our nett financial expenses have shown a decrease. That's primarily due to the proceeds of the Ampath sale as well as working capital control in South Africa, which has resulted in about a R50 million reduction in interest during the course of the year. And the UK has had stable interest rates in Pound terms. Richard alluded to attributable earnings of associates where the PPPs have started to kick in, as well as the Lesedi hospital. Our tax rate last year is an anomaly. We had a prior year tax credit of £11 million. Our tax rate in South Africa equates to the statutory tax rate, but the UK is still low. The

UK tax rate is at 14.7%, and that is because of tax losses that we are still utilising. We have £118 million of tax losses still to utilise in the UK, so we expect the tax rate in the UK to remain at low levels until 2012. Profit after tax is at over R1 billion. That's a record for Netcare. We've achieved for the first time ever profits after tax of R1 billion, which is a highlight for Netcare. And in fact – I haven't put this on the slide – if you look at the EBITDA including the Ampath profits that we had for the five months, it's over R5 billion. That is also a highlight and a record for the Netcare group, and then the discontinued operations, which is the profits for the five months that we had and then the capital profit of R588 million nett of the tax of R90 million.

So if we drill that down and cascade that down into the basic headline earnings per share, 78.2c, which is 27.2% up on last year, and at diluted HEPS level 77.5c, which is 28.1% up year on year. The UK now contributes just under 13% to our operations, and South Africa has shown a 29.7% increase in HEPS. Richard did allude to it, but the United Kingdom last year had that very large tax credit, so if we had stripped that out we actually would have shown a far higher increase in headline earnings per share. This slide show you that we have arrested the operating margin drop in South Africa, and the UK continue to show increases in operating profits.

If we now turn to what I used to call the balance sheet, but is now called the summarised statement of financial position – quite a mouthful – you strip out the foreign exchange effect that we've put in this column here, you end up with movements which are far more readily explainable. PPE – that's property, plant and equipment – we spent capex of around R1.3 billion, but we've obviously incurred depreciation so there has been a small increase in PPE during the year. Goodwill and intangibles is capitalisation of some software in both the UK and in South Africa. And associate companies and loans has shown an increase of R34 million. We've injected R60 million into PPPs during the year, but we've also exited a number of non-core investments. So that gives us a nett R34 million. These two large movements are totally driven by the swaps and the reduction in interest rates in the UK. The other side of the summarised statement of financial position, long-term debt if you strip out the currency impact dropped by R840 million during the course of the year. And that's due to debt repayments. Together with R139m debt repayments on short-term debt means we paid just under R1 billion in debt during the course of the year. And this is the swaps, which we'll get into in another slide going forward.

I've put a couple of slides together on the group debt. We've got total debt in the UK of £1.9 billion. If you translate that into Rands it's at R23 billion and then the South African debt of R4.1 billion. That means that South African debt is 15% of total debt and the UK is 85%. These are the interest rates. Because UK interest rates are fixed they haven't moved, but with the drop in prime over the course of the year our local interest rates have dropped. This is the mix of the South African debt. We've still got the convertible bond. We purchased approximately R95 million of convertible bonds during the course of the year. We made use of the fact that they were at very low levels. They're basically trading at par now, but we purchased them at a lower level than that and we made some profits out of them. So we purchased R95 million worth of convertible bonds. We've also repaid quite a lot of the bank debt, and we haven't renewed some of our domestic medium-term note programme. So overall we really fund Netcare locally through domestic medium-term note programmes as well as the convertible bond. The convertible bond is converted at the end of September 2011, and that will be in place. The domestic medium-term note programme is a variety of instruments we use there to lock into what we believe are effective interest rates. So this gives us our debt of R4.1 billion less cash. That means that we've reduced debt by just under R1 billion during the course of the year. We do have a GCR rating which is set at A minus and A1 in the short term.

This slide goes into some detail of what we've got in the UK. We've got OpCo debt, PropCo debt and PropCo2 debt. That's original hospitals that we've acquired and these are the Nuffield hospitals. We've got £223 million of debt in the OpCo, fixed at a rate of 7.7%. We've got £1.6 billion of PropCo debt fixed at a rate of 6.3% and then the PropCo2 debt, which is the Nuffield debt, fixed at a rate of

6.9%. 97% of GHG bank debt is fixed until at least 2013. For those of you who analyse the results just bear in mind when you add this together it doesn't equal the front page because we have a little bit of other debt. So if you add those three figures together you won't get to the debt on the other page.

We put this slide in just to show you the UK debt covenants. The UK debt covenants are always an issue that we get questioned on, so we've gone into some detail on it. We've got two PropCo debts. We've got a primary PropCo covenant. We've got a PropCo primary covenant and a PropCo secondary covenant. Because these two figures here, the rental and interest, are basically fixed there is no risk of covenant breach. But the PropCo secondary covenant, which is the loan to value ratio, is breached if rental cover falls below 1.4 times. So it has to get below that 1.4 times. At the moment it's 1.8 times, so we've got current headroom of £49 million. The OpCo primary covenant is the cash cover. There are four covenants there. But we've got forecast headroom of £36 million, so we believe we're adequately covered on all our covenants on the offshore.

Just to show you that our repayment in the next four years is a minor amount, £20 million next year rising to £43 million. But we will have a large refinancing project on the go in October 2013. So that's just the repayments schedule of the UK debt. There is four years to go before we look at refinancing the debt. This is the one slide that I've alluded to quite a bit in my presentation because interest rates in the UK have dropped from 6.3% to 0.7%. So they've actually come down a substantial amount during the course of the 2009 year, which has resulted in a very large mark-to-market change in our interest rate swaps. It was always our concern that we wouldn't reach hedge effectiveness, which means we would have had to book some of this amount through to the income statement. But our models held and we managed to ensure that we maintained hedge effectiveness.

This is one of the key things that we focus on in management through our working capital committees. There is a cash generation from operations. We have an internal covenant of 90% and in South Africa we made it 112%. But in the UK due to the mix and increase in NHS debt, which takes longer to pay, it came in at 81.7%. One of the highlights of the year has been the working capital improvement in South Africa. We managed to reduce working capital by R161 million. And in a recessionary environment that is actually something to be very proud of. Our inventory has only grown by R33 million, our accounts receivable only by R83 million. We've had record hospital debtors' levels at 34 days, and we've also had a successful integration of the centralised creditors division during the course of the year. So effectively all our shared services in South Africa, be it payroll, stock, debtors or creditors or tax, are functioning adequately. Our tax is slightly higher than last year, but we paid R200 million more in tax this year as opposed to last year because of the change in the way that provisional tax is calculated or imposed upon us by SARS. We have to pay more upfront. The UK working capital has grown by £24 million due to the impact of the business mix arising from increased NHS debt. Richard alluded to this. We've increased our dividend during the period from 18c to 22c. That's our final. And interim is 14c to 16c, showing an 18.8% increase. And the board took into account all these factors before we declared the dividend of 22c.

Finally I'll get onto guidance. Before I get onto guidance I'd just like to pay tribute to the finance staff. Without you I would never have been able to do this. All the many weekends and long hours and time spent away from the family. I can't thank all of you because there are so many to thank, both in the UK and in South Africa, but without you we wouldn't have been able to put these results together, so well done from my side then just moving on to the guidance for 2010. We're expecting in South Africa some revenue growth of between 7-10%. In South Africa we expect an EBITDA margin improvement between 17% and 18%, and we're expecting capex of around about R800 million. In the UK we're expecting flat revenue growth, but one of the reasons is because the NHS contracts have been successfully concluded and they will no longer be continued in the new year. We're expecting to maintain EBITDA margins and we're expecting capex of around about £55 million. So those are the results for the year, and I'm going to hand back to Richard. Thank you.



You're in safe hands

Richard Friedland - CEO

Thank you, ladies and gentlemen. We're open for questions if there are any. I won't be repeating myself, so if there are no questions I'd like to say two things if I may. Firstly to our chairman, Jerry, thank you for your leadership and guidance, not only at a board level but in so many other spheres. You've added an enormous amount of value and understanding to Netcare and we're incredibly appreciative. Thank you very much. I think also to bid farewell to two stalwarts within Netcare. One is Joel Wolpert and the other is Ingrid Davis. Joel Wolpert retires as company secretary after a lifetime of service to his profession. And we wish you well, Joel, and thank you for your enormous contribution both to the teaching and also here within Netcare. And to Ingrid, who leaves Netcare at the end of the year, thank you for your incredible role here at Netcare and the enormous contribution that you've made to the success of our group. Ladies and gentlemen on that note if you'd like to join us for some refreshments outside, thank you very much.

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