

VETCARE

Network Healthcare Holdings Limited

(Registration number: 1996/008242/06) (Incorporated in the Republic of South Africa)
(JSE share code: NTC) (ISIN code: ZAE000011953) ("Netcare", "the Company" or "the Group")



Netcare Limited
Unaudited group interim results
6 months ended 31 March 2008
19 May 2008



You're in safe hands

Michael Sacks

Good morning everyone. Let me commence by welcoming you all to the interim results presentation of Netcare Ltd for the six months ended 31st March 2008. I would like to particularly welcome my colleagues, my non-executive colleagues on the board. I saw Norman Weltman earlier, and I do officially welcome Mr. Jerry Vilakazi, who I will talk about momentarily, the newly-appointed Chairman of Netcare. You may be surprised or disappointed, but it is still the old firm in control this morning, even though I think I have broken a record for the longest chairman retirement process for listed companies on the JSE. I know that my term of office would have been curtailed some time ago had the doctors on the Netcare board diagnosed as they do for doctors in our hospitals as well as executives a condition not known as IFRS, but IRBS, which is Inevitable Retirement Behaviour Syndrome. That's when you start to forget names. Then you forget faces. Then you forget to zip up your fly. And then you forget to unzip your fly.

I do, however, have the honour and pleasure today of introducing to you the newly-appointed Non-executive Chairman of Netcare, Mr. Jerry Vilakazi, whose appointment will be effective from the 1st June of 2008. Jerry Vilakazi holds an MBA, two Masters Degrees and a Bachelor of Arts degree. He is presently the CEO of Business Unity South Africa. He has previously served as the Managing Director of the Black Management Forum, and as Public Service Commissioner and an Executive Director of the South African institute of Chartered Accountants. In the late 1990s he served as Chief Director for Strategic Planning at the Department of Home Affairs, and as a Deputy Director in the Department of Public Service and Administration. Jerry is married with three sons. He is a published poet and enjoys reading.

Heading back, however, to the purpose of this morning's convention, I would like to take this opportunity to congratulate the management and staff of Netcare, both in South Africa and in the United Kingdom, for delivering an outstanding result during this reporting period in a difficult economic cycle, an awkward political climate and generally under very challenging circumstances, particularly in South Africa. All of you will be aware that Netcare was a target for criticism on a number of industry matters during the course of last year. Many of these were typically misguided, and I wish to thank Dr. Richard Friedland, our Chief Executive, and his team, for defending Netcare's position in every case with great honour, integrity and true professionalism. I think these events, including certain changes in senior management during the year and a virtual reconfiguration of Netcare's hospital business model during the period did have an effect on our performance. But a far more stable and secure platform has now been established, and we can look forward to the future with great confidence.

I would also like to pay tribute to Richard Friedland again and congratulate his UK management team for their excellent results during the subject reporting period. The presentation, you will find, will reveal that this division has now posted a profit after interest and taxation for the first time, much earlier than initial expectations when we launched that ambitious R30 billion acquisition of GHG in the second half of 2006. Richard and his team have done an extraordinary job in the UK, and the results and the trend speak for themselves. Before I call upon Richard and Peter to conduct the presentation, I want to record my sincere thanks to everyone for their friendship and their support over the last 12 years. And I take some pride in being able to quote Shakespeare – perhaps a good introduction to the poetic talent of our incoming Chairman – when I quote what he wrote: *All's well that ends well*. My time here now ends extremely well. Thank you very much. I call upon Richard to commence proceedings.

Richard Friedland

Good morning ladies and gentlemen, and in welcoming our new Non-executive Chairman, Jerry Vilakazi, I would like to stop for a moment and pay tribute to our outgoing Chairman Motty Sacks. I want to thank you for your leadership and stewardship of Netcare in the past 12 years since inception, since listing as a very small company on the Securities Exchange. You have guided this company over the past 12 years, and all of our managers and staff throughout the company are appreciative of the enormous contribution that you have made. There isn't a sphere of the business, Motty, that you have not been involved in. You have been part and parcel of the growth and success of Netcare, and we remain incredibly grateful. We're also grateful that you're remaining on as a Non-executive Director, and we can still glean from the enormous wisdom that you have demonstrated over the years. So thank you very much. We will be hearing from our new Chairman at the end of proceedings as well.

What I'd like to do at the outset is just take you through some of the highlights of the past six months and some of the issues that really characterised our results to the end of March, before delving into the South African operation and then the UK operation. I think when you look at the results of the last six months the most significant element of it is the incredibly strong growth that we've shown in both markets. And it's important to note that that growth has essentially been organic in nature. We have had acquisitions. We've bought nine hospitals, the Nuffield hospitals in the UK, and we've also acquired Community Hospital Group in the period. But the outstanding feature of these results is probably the strongest organic growth we've had for many years here in South Africa and also in the United Kingdom.

The second aspect of this is that if you look at these highlights, we've also been able to penetrate the lower income market. This has been a market that has eluded many of the private operators in South Africa, and I'll talk to this later in some detail. I've put up there awarded Africa's largest healthcare PPP in Lesotho, because for us strategically that represents a milestone as we begin to partner governments in Africa. We've been awarded a Public Private Partnership backed by the World Bank and the IFC by the government of Lesotho to build a 390 bed hospital in Maseru, to refurbish three primary care clinics, and importantly run the primary and tertiary services. We believe this is the model for cooperation and development with governments in Africa as we extend services there. All of this has really resulted in an 11% increase in basic earnings per share, a 3% increase in headline earnings per share and obviously an 11% increase in profit before tax.

Before delving into the two divisions of the United Kingdom and South Africa I thought it would be important to show you the revenue split and contribution at group operating profit between South Africa and the United Kingdom. And as you can see, South Africa now contributed 47% versus 53% of the UK at a revenue line. And at a group operating profit line the UK is now responsible for some 59% of group operating profit versus 41% from South Africa. Let's have a look in South Africa in detail. First at the highlights, and then let's look at each of the divisions as we go through it.

As our Chairman alluded, I think the last six months have been a particularly challenging and difficult six months in Netcare. Firstly, we have fundamentally changed the way we bill in our hospitals. We no longer cross-subsidise wards and theatres with any rebate or any discount obtained from surgical consumables. All those are now billed out at absolute cost. We've also changed the way we bill for volatile anaesthetic gasses, and as you may recall in January we honoured a call from our Minister of Health to reduce our tariff to what was then the CPIX figure for November 2007 of 7.9%. All of this has really resulted in an average price per admission increase of only 6.2%. That is, I need not tell you, some 3.5% below current CPIX in South Africa. We were significantly affected by the power outages at a cost of some R5 million and some substantial inconvenience. We are managing that very effectively. We will be spending some R60 million more on generators this year, and I believe we're on top of that. We have had an environment of escalating costs, but I think we've spent the last six months focussing on what our core businesses are and selling off our non-core assets.

This is a market that continues to grow, and in the past six months we've invested some R314 million on expansionary capex, and I'll talk to that a bit later. A key tenant of Netcare's philosophy is that of Public Private Partnerships, is of developing a relationship with government where the public and private sector have an almost seamless relationships. We've demonstrated the success of that in the United Kingdom and we're now demonstrating that in Public Private Partnerships in South Africa. We're on track to deliver on our latest Public Private Partnership at Settlers in Port Alfred. We open up

the first phase at Settlers in July, we were approached by the Department of Health in Egypt to review their emergency services in Cairo, and as I mentioned, we've been appointed preferred bidder for a milestone Public Private Partnership in Africa, here in Lesotho.

The other feature, as I mentioned, was the fact that we've been able to penetrate the low income market, and I'll talk to that a bit later, and the probably one of the most important strategic imperatives for us as Netcare, and indeed the entire private sector. I think one of the criticisms of the private sector is we have often only looked after the affluent few, those 8-10 million South Africans that can afford private healthcare. And the challenge for us is to broaden that access and improve affordability of healthcare. And we've been hard at work. We believe it's a strategic imperative for the private sector to develop a low-income product that can service the 9-13 million South African formally and informally employed in South Africa. Importantly over the period, and Peter will talk to it, we successfully raised some R710 million in a bond. This was not to increase our debt but rather to replace existing debt that was more expensive. And importantly, 98% of our debt in South Africa is currently fixed at some 10.2%.

We've strengthened the South African management team. As you know, last year we said we were moving away from the 20 division in Netcare to divide it into three broad divisions: a hospital and trauma division, a primary care division and emergency services. I'm delighted to announce that Jacques du Plessis has been appointed as the Managing Director of the hospital division. He was formally the MD of our primary care division. He joined us as Financial Director of Medicross, become the Chief Operating Officer, and the CEO of the primary care division. And he brings an extensive amount of hands-on experience to the hospital division. I'm also delighted to announce the appointment of Dr. Charmaine Pailman as head of primary care. Charmaine is a medical doctor with a Masters in public health. She has some 26 years of healthcare experience, both in the private sector and in the public sector, working for government and at a municipal level. She's current the hospital manager at Kingsway Hospital in Amanzimtoti in KwaZulu Natal. And I can tell you for the record that she was our top-performing hospital manager against balanced scorecard parameters for the 2007 year. And then Thumi Nkosi's appointment as head of Netcare 911 was made some months ago. Thumi joined us from MX Health, has an extensive background in marketing and brand management, and holds a MBA and various marketing degrees. And he's moved on from being our Marketing Director into the role of CEO or MD of Netcare 911.

I think if we look at the South African highlights, financial highlights, you can see a significant growth in revenue. And I want to point out that 13% of this was organic, so only some 4% is a result of the acquisition of Linkwood – this is a 33 bed maternity unit situated on Linksfield Clinic's premises – and also Community Hospital Group, which was effective on the 2nd October. I think significantly our

margin has been somewhat squeezed over this last six months, and I've already alluded to some of the issues. But if you look at it as a group, we've had an increased contribution from primary care at a much lower margin. We've had lower tariff increases, and some of the cost pressures that I spoke about earlier. I think the other significant feature here is that it would appear that our net debt position has increased by some 18.3%. But if you exclude the impact of the weakening currency on the DRKW debt, the net increase is really closer to some 12%. And I'm pleased to report that after the Easter impact, if you look at April, we've managed to reduce that debt to R5.5 billion by the end of April.

So let's have a look at the hospitals. In the hospitals and trauma division we grew revenue by some 15.3%. We've seen some of the strongest patient day growth in our network for many years at some 4.7%. If you actually include the acquisitions we brought on, that growth was closer to 13% in patient days. But we have been somewhat squeezed at the EBITDA margin and operating profit margins here, and I've already listed some of those issues. I think we've also taken some higher provisions on bad debt in this period as well. Moving on to primary care, we've had some fantastic growth at the primary care level, a 32% growth in primary care, driven by a 35% growth in managed care lives to well over 200,000, a growth in the number of doctors wanting to join our network and a growth in the number of patient visits to 1.8 million. It has resulted in a 23% growth in operating profit for Primecure, but there has been a 0.5% decline here at the operating profit margin, again due the many factors I've mentioned. But significantly, a sub-optimal tariff increase for GPs of some 5.4%.

Despite the regulatory concerns in our market, South Africa is set for significant growth. We saw medical aids growing by 4.9%. The demand for private healthcare continues, and we need to continue to invest to meet that demand. And so you will have seen in this period we spent some R314 million investing in capital expenditure. We increased the number of beds by 767. Almost 100 of those were coming out of our existing network. And we've revised our forecast on our capex down from some R800 million to R700 million, R300 million of which is for expansionary spend and some R65 million on generators throughout our group. One of the priorities for South Africa looking forward to September 30th, we've been very hard at work at submitting our proposals on the National Hospital Reference Price Listing. We've employed the likes of Deloitte and PWC to assist the hospitals sector, and that submission will be made on 17th June for the entire sector. On Friday we submitted our comments and objections to the draft amendments of the National Hospital Act. As you know, this is one piece of legislation, or the proposed piece of legislation, that has united the entire private sector, from specialist groups to GP groups to the South African Medical Association through to funders, medical scheme administrators and indeed all of the hospital operators in opposition to some of the draft amendments. And these were all submitted on Friday.

We will continue to work on developing a low-income model for South Africa. Our target is the calendar year end of 2008. We're working in conjunction with some of the major funders in trying to form a scheme which is affordable to those who are employed but at the moment uninsured or have no healthcare cover. We continue to focus on cost efficiencies, and particularly working capital. Our working capital did go out in terms of out debtors days due to the Easter effect, and we continue with the sale of some of our surplus assets. I'm pleased to say that we've almost completed the pilot on SAP at our institutions, and we are ready to push the button on that rollout. We have been somewhat delayed, but I think we have refined all of the nitty gritty there and we're ready to roll out to our primary care hospital divisions. It generally takes us about a year to fully consolidate and bring on board acquisitions, and it will take us the remaining few months to fully integrate both Community and Linkwood. I'm also pleased to announce we've reached agreement on the sale of Ampath, pending some conditions precedent and Competition Commission approval.

I think if we move on to the United Kingdom, as our Chairman alluded to, probably the most significant element of these results is that the United Kingdom has produced a profit for the first six months and its first time since acquisition, and this after servicing its debt burden. Importantly, we acquired some nine Nuffield Hospitals in December of 2007. We have subsequently sold two hospitals in order to be compliant with their equivalent of the competition authorities, the Office of Fair Trading. And our net purchase consideration was some £109 million. We've had very solid growth in the United Kingdom at the top line, primarily driven by almost 180% increase in NHS admissions. We haven't stopped there. We believe that we have to grow the private market, and we've initiated and brought on board a very extensive sales and marketing team to go and do direct marketing to GPs and specialists. And I'm pleased to say that Netcare UK contracts are fully operational, and our revenue there has doubled from some £10 million to £21 million.

We continue to see margin expansion as we suck out the efficiencies in that business. We are moving very fast to the formation of shared services and restructuring of our financial department within the organisation. And we've also moved Netcare UK's head office and amalgamated that with GHG. I think our debt position is solid and secure in the United Kingdom in these circumstances. We have long-term debt in place at fixed rates. If you have a look at this slide here, I think that the significant element is that revenue growth was some 11.6%, but organic growth was some 8.6%. If you look at our core operating profit margin, it's expanding if you strip out the once-off costs that we incurred during the year. And I'll just talk to those for a second. We had once-off costs of some £4.1 million. Some of them were transaction costs due to Nuffield, and the others were restructuring costs as we moved towards a shared service and amalgamated Netcare UK with the GHG head office infrastructure.

You can see that the profit for the period was some £200,000. That was after servicing our debt and after our once-off items. If you exclude those once-off items the UK would have recorded some £4.2 million of profit for the period, a very significant development. The debt has increased somewhat, and that was really as a result of the Nuffield transaction. We will only be paid after March for the two hospitals that will be sold off, and that will obviously have a cash flow impact. We continue to invest in the United Kingdom to meet this increased demand in growth, and we have increased our capex year on year. You can see that the revenue growth of 11.6% has been as a result of a 3% growth in total admissions. And I'll talk about total admissions really being as a result of a growth in day cases and outpatient visits. Our inpatient growth was only 1%. It was largely impacted by Easter, and when we look at the seven months till April our growth and admissions was closer to 3%. I mentioned earlier that we've had a very large rise in NHS cases. That has increased by 181% over the six months period, albeit it off a low base last year.

Just to kind of show you in this GAP analysis the growth in our core EBITDA of some 13% and how we got to it. If you take the base of 2007 of some £88 million, we had strong revenue growth of some £6 million. We also had some efficiency savings of some £5 million. This was offset by the costs incurred of bringing on this marketing force to drive private healthcare referrals through our network, giving us another £2 million upside on the contribution from the nine Nuffield hospitals, really giving us the core EBITDA of some £99 million. And then the £4.1 million of restructuring costs and transaction costs, giving us the reported EBITDA of some £95 million. We continue to invest. Our capex has gone up slightly as you can see. Some of it has been around our maintenance capex going from £8 million to £9 million. We are on a project to refurbish some reception areas of some 20 of our hospitals, but we do have a pipeline of revenue-generating capex that will be coming through this year in imaging, in theatre capacity and in new services throughout the group.

So what are the priorities for management in the year? It really is around our top line growth. We continue to drive our consultant programmes, relationship directors and doctor liaison managers. We are looking to promote private healthcare in the United Kingdom and at the same time promote what we have now, which is known as full patient choice where patients can now choose on a national basis if the 18 weeks has been breached for their time period to have elective surgery. We have repositioned our group into ten regions in alignment with primary care trusts, and we continue to focus on revenue growth supporting capital expenditure. We believe there is still much to achieve on the operational efficiencies, and we are still restructuring the business in terms of shared services for finance and other support services. And we're also looking to centralise some of our IT support services. It will take us a full year to integrate Nuffield and derive the same kind of labour efficiencies that we've had in GHG, and obviously to deliver the procurement efficiencies that we have within GHG. So I'm going to hand over to Peter to take us through the financials. Thank you.

Peter Nelson

Good morning everybody and thank you Richard. Good morning to our colleagues and investors that are going to be logging in from abroad or from other locations this morning. I think I'd like at the outset to deal with some of the overall factors that are impacting on our results and try and simplify them. These are complicated sets of results, but if we can deal with them at the outset we can make the understanding of the results a lot simpler.

Firstly to deal with the acquisition of Community, it's an acquisition of 682 licensed beds. We acquired that effective 2nd October, and we issued 14.2 million Netcare shares at R11.89 a share, giving rise to goodwill of R101 million included in this set of results. We assumed R171 million of debt, and Community were in the progress of quite a large capital expansion. We took on R53 million of obligations around that. In this set of results we've made provision at acquisition for R8 million of potential fair value adjustments. It is impacting our income from associates in this set of financials, and as you know we have 12 months in which to finalise our initial accounting. This was our view taken at this point in time. We acquired Linkwood, 33 beds. It was acquired and accounted for from November. It was a nominal sum of money, but we did settle creditors on some R22 million and we took on R5 million of working capital obligations. The big acquisition of course was Nuffield. That was effectively acquired 2nd February. We acquire nine hospitals for a total consideration of £140 million. We purchased property and fixed assets and the likes. We didn't take on any creditors or liabilities. There was goodwill which arose of £18 million, and subsequently we've sold two hospitals for £31 million, and the proceeds will come in after half year. So some of the debt numbers we're looking at, there will really be a big credit as we get through March.

Just to cover, we did restate the comparative earnings per share by a small amount. We did this in September already, and for the same reasons that existing in September we're now obligated to make the same restatement to our March numbers. If we look at the exchange rates and interest rates, these of course have enormous impact on Netcare. At the outset we say that to date the profit from rate of exchange benefiting from the weakening Rand on the equity portion of our GHG investment is already R1.8 billion. Leaving that aside for the moment, if we look at what the impact was on our derivatives in this period and we look at the swaps, interest rates in the UK declined from 5.75% to 5.25% the long-term interest rate. And given that we have swaps, interest rate swaps for 25 years that costs money. And our interest rate swaps basically turned from an asset value of R109 billion at September to a liability value of R921 million at March – in other a billion Rand turnaround. How do we account for that? R16 million of that loss is recognised in the income statement. It's a portion of one of

our swaps which is ineffective for accounting purposes and has to be expensed. The biggest portion of that is account for directly to equity in terms of our hedge accounting. Let's also have a look what's happened on the cross-currency race. When we acquired GHG the rate of exchange was R11.73. We borrowed money to finance our equity portion. We covered that money out at a rate of R12.17 to the Pound. Since then we've gone to a rate of R16.08, and that swap is significantly in the money. At September our swap was worth R188 million in the money, and at March that same swap was worth as an asset R388 million, so an increase of R200 million. That swap was closed out in April, and the cash was received for that swap in April as we settled our offshore debt in totality in April.

If we look at our summarised income statement, I'm going to comment on two items in there. If we look at the income from associates you would have seen that last year in March we reported a R15 million profit and this year a R3 million loss. It sort of stands out and begs the question why. First of all there was the R8 million adjustment which I spoke about in Community which we provided on acquisition. Secondly, we must remember that last year Community was an associate and its share of profits was accounted on the slide. This year Community is a subsidiary and the profits are accounted for above the line. Also we disposed of Healthshare. Last year we made a small profit on Healthshare and this year we've disposed of that. So the numbers come out of the calculations.

If we look at the tax rate we do need to make some comment on that. The effective rate in South Africa seems to be low, but let's look at a couple of issues. We've got an STC credit which is giving us a one-off impact of some R6 million there. Tax rates in South Africa have reduced. And when the tax rate is in decline your deferred tax liabilities get reduced. And that adjustment takes place through your income statement. And we've had an adjustment this year on the South African side and that's given rise to a R10 million credit to that line. Also in the UK we are recognising more deferred tax assets. We've been cautious about recognising deferred tax assets, but as you utilise assessed losses and you constantly refresh you view as to the utilisation of these assessed losses in the UK going forward, so you've got to review your deferred tax assets. So you're getting quite a lot of change and impact from tax, and tax rates appear to be fairly low. I have been asked going forward what you should be using in your models and my suggestion is to stick to the South African rate of 28% which is also the same rate in the UK and apply that to all of your thinking.

Just to point out that when we'd done all of that the profit for the period was an increase of 20%. Profit before tax was only 11%. Core headline earnings per share, let's have a look at that. It's a growth of some 12%. The numbers are as published. Basic earnings per share for March were 25.3c, which was an 11% increase. We have made headline adjustments, primarily around profits from sales of properties. When you reverse these out basic headline earnings per share decreases to 23.7c, which

is flat year on year. But there's a lot of non-recurring items in there. We've gone to some length to try and strip them out. And if you add those back core headlines earnings per share about some 27.1c or 12% up year on year. We have increased the weighted number of shares in issue. We issued shares for the acquisition of Community and there are some share options and the like which are coming into play there now.

Let's have a look at the balance sheet. The exchange rate has affected our balance sheet enormously, as has the impact of the acquisitions we've made. And one needs to strip those two significant items out and then look at the balance to understand the balance sheet. First of all, on the asset side of our balance sheet you can see the size of our acquisitions here. And this is property, plant and equipment primarily coming in from the acquisition of Nuffield and the acquisition of Community affecting that line there. Then you see the massive impact of exchange rate. Moving from a balance sheet that has been converted at R16.08 you can see the massive impact that takes place on our property, plant and equipment. It's an uplift of some R3.5 billion. The goodwill is an uplift of some R2.3 billion. And so you can see the other items that are coming through on the currency side. But let's have a look at what's left over. Basically you can see we have a negative adjustment on property, plant and equipment, and part of that is moving the Nottingham hospitals and the Gerrards Cross hospitals out of property, plant and equipment and into current assets. And you can see the impact on the goodwill arising from the acquisition of Community and the acquisition of Nuffield. And Community you can see investments in associates get a decline of R181 million as we strip out our investment in Community and we consolidate it as a subsidiary going forward.

On the financial assets we've got an increase in the value of our own swap on the foreign currency swap which we've taken out. But our interest rate swaps which I spoke about earlier in the UK, there are two of them. There is one for years one to ten, and one for years 11 to 25. The one in the years one to ten is an asset, but the asset value on that has declined very significantly in the period and it more than offsets the gain that we've made on our foreign currency swaps. If we look at the equity side of the balance sheet and strip out the acquisitions, they seem to be fairly small because mainly our acquisition of Nuffield was an asset-based acquisition. The debt that we've incurred to acquire Nuffield was some £140 million. You can see it sitting in the increase in long-term debt on the balance sheet. Plus the currency impact increased our debt by R4.3 billion coming through on the balance sheet, giving rise to a big increase in long-term debt on our balance sheet going forward.

If we then move to our group debt, we have facilities in place of R41.5 billion, and we're only using some R36.8 billion at March. You can see what's happened in here. We've had quite a big utilisation on the UK side. There's our prop co debt sitting in there. So that's fully utilised. And in total the UK

debt facilities are pretty well utilised. We've got some space on the South African side. The cost of debt has moved up. In the UK you're seeing a small increase from 6.42% to 6.45%. This is the marginal influence of the Nuffield debt we've taken on, which is 0.25% more expensive, very marginally more expensive than the existing debt. And the South African debt, the cost of that has moved up from 8.9% to 10.2%. Gross debt then averages out at about 7.04%. And as Richard mentioned earlier we have significantly hedged on our debt. We take a lot of comfort in these difficult times in the financial markets from having fixed arrangements with regarding to our debt and hedges in place which secure our interest rates. We are assuming in this 98% that the proceeds from the sale of Ampath come in by the 15th September. And if that comes in and repays debt then we would be at 98% hedged as we stand today.

Let's have a look at the South African debt position. I've covered the proceeds and sale of Ampath. At March our debt was impacted by debtor payments as Richard has alluded to. But also we're not receiving the management fees from Ampath because we've by and large agreed with them a standstill of the management fees pending the unravelling of that transaction. Net debt at the end of April was down to R5.4 billion, so we've had significant inflows on that side. Just to point out that our GSR ratings are A1 long-term and A1 short-term. They've been that for a while and they seem to be pretty steady. We still have our convertible bond in play. It's costing us 6% as a coupon rate. But as an income statement charge when you do your IFRS accounting it comes in at about 9% as a cost. If we look at the UK debt position the big change there you can see is the Nuffield debt. We took on £93 million long-term debt at Nuffield at a cost of 6.9%. You can see the make up of the other debt giving us a gross cost of 6.5% on debt levels of £1.971 billion. We can see our cash. We had £78 million of cash in GHG at the end of last year. We utilised £40 million of our own cash in the acquisition of Nuffield. So you see this decline in the cash taking place there. Just to point out again this debt is totally ring fenced to the UK. There's no recourse on South Africa, and it is fully hedged for 25 years.

The cash flow from operations viz a viz the EBITDA, we've still got pretty good conversion rates, although they have come down. Our conversion rates last year were 77%. This year they're down to some 72%. But I think it's heavily impacted by the Easter collections of debtors both here and in the UK. We lost about £10 million on debtors' collections because of the Easter period and slightly slower payments. You can see that coming up in the working capital if you look at the summary here. Accounts receivable at the end of September was some R2.8 billion and it went up to R3.8 billion at March. The capital distribution, we did debate this long and hard. We contemplated potentially keeping this dividend at 13c. At the end we concluded to increase the dividend by 1c. We do think that the de-gearing is on track. We know what's happened in April with the repayment of working capital. We don't have to take the snapshot at March and let that rule our thinking. Our leverage ratios by the end of the

year in South Africa, particularly if the Ampath proceeds come in, I expect those to be at acceptable levels.

We have got a number of investment opportunities, but we're limiting those and setting very much higher hurdle rates. We always have regard for the Health Partners for Life Trust. They do need a certain amount of dividend to repay the financing that Netcare and financial institutions have provided. We can't ignore that and we wouldn't want ever to cut a dividend or something like that, having regard for the impact on that. And then we must bear in mind that there were a lot of one-off items that affects this half year result, and we think it's unfair to let those affect dividends if we believe they're one-off. And then a final note on dividends, just to say this is probably the last capital reduction that Netcare will pay. Shareholders today have to pay CGT on all of these amounts. It's very complicated in their lives. We have to pay CGT on our treasury shares, and I think in future you should expect Netcare will be declaring dividends and reverting to that type of cycle.

Our guidance, I think we're pushing up our guidance on turnover. We previously said 12% to 14%. If you look at where we are with our acquisitions, we six months to benefit that benefit we haven't seen in this half year's results. We would expect to see that more fully in the second half and next year. But I think we are clearly expecting to see SA revenue growth some 15% to 16%, given where we were at March. We're calling EBITDA to be pretty much the same as we were forecasting in Rand terms. Our margins are coming down. Our tariff increase has been sub-optimum. We are dealing with some cost pressures and we have to work on those. But a lot of our turnover growth is coming from lower-margin type business, and whilst the turnover is up we're calling EBITDA to be pretty much the same. And then our capex, we are basically pushing up our capex forecast. Richard has alluded to the generator spend, that we have to spend, and the fact that we're spending some R300 million on expansion-type capex.

If we look at the UK, we previously said 6% to 8% revenue growth on the UK excluding Nuffield. I think you've seen we're quite clearly in that bracket towards the higher end. And I think if we include Nuffield that 6-8% would become 10-12% for the GHG group as a whole in this financial year, having regard for the Nuffield turnover. We're still seeing there are some more one-off costs to come through in the UK, the rationalisation on redundancies in particular. This is a type of ongoing programme, and you can only book those when you have entered into dialogue with staff and the provisions basically do start then to have some legal obligations. We do have in mind that probably there's another £3 million to £4 million of one-off costs in GHG in the second half of the year. But some of it might also flow into 2009. And then the capital expenditure, we're keeping that constant at some £50 million to £60 million. And with that, back to you Richard.

Richard Friedland

I wonder if we can open up the floor to any questions, if you have, before we call upon Jerry Vilakazi to say a few words. Okay, no further questions. Thank you very much. I'm going to call upon Jerry Vilakazi to say a few words. Thank you.

Jerry Vilakazi

Thanks Richard. Ladies and gentlemen, good afternoon. Let me take this opportunity to thank the Netcare family and Netcare board for the confidence that they have bestowed on me by entrusting me with this role of being part of the team. I come in as the Chairman very humbled to take over from a man of the calibre of Motty, with his track record and achievement over the past few years, actually not just the past few years, the past decade, having taken Netcare and made it to be the company that it is, not only in South Africa but in the global arena in terms of private healthcare provision. I'm very confident that not only will we draw from his expertise and experience but that where he will be sitting he will also be very proud that he has handed over a solid company to good hands.

I'm very confident that in the midst of the challenges that confront private healthcare in the country that most of you are aware of, that Netcare will be able to continue to play its positive part in terms of achieving shareholder value and return in a socially relevant and a socially responsible way as part of a good corporate citizen in this country. Without saying much today, I do want to say to the Netcare team, both executives and non-executives, that I am looking forward to working with them and if anything I'm very excited that even the challenges that do exist are challenges that I'm confident that we have the capacity to respond to because we are South Africans, and one of the things that differentiates us from many nationalities is that we have the capacity when we confront challenges to rise up and to respond appropriately.

And having acquainted myself with the history of Netcare, but also with some of the innovative ideas that are coming from the leadership team, especially under the guidance and leadership of the Chief Executive Officer, Richard, I think what I've seen gives me confidence that we will actually be steering a ship that will be able to rise across the waves, and not only do that for the benefit of shareholders, but that we will lead a company that will become an institutions that South Africans will be very proud of. An institution that in a creative and innovative way will be part of the solution to come of the challenges that government is trying to address, that the policy of the ruling party seeks to address.

And we will do so as responsible citizens, as entrepreneurs, business leaders that are conscious of the fact that this is a company that is not only growing in South Africa but as you have seen from the results is a company that have risen above the rest, even globally, and will continue to be very competitive even in the global space.

And in concluding, Richard, as you come over to conclude on the session, I think I'm very excited and looking forward to working with my colleagues in the board, both executives and non-executives, and see a very bright future ahead for private healthcare. The waves that we see are waves that we believe we're going to actually use to sail above the rest and take the company forward. Thank you.

Richard Friedland

Ladies and gentlemen, that concludes the proceedings for today. Please join us for some refreshments in the hall outside. Thank you very, very much.

ENDS

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