

CHAIRMAN'S REPORT



Edwin Hertzog
Non-executive Chairman

OUR RELENTLESS FOCUS ON PATIENT NEEDS SHOULD CONTINUE TO CREATE LONG-TERM SHAREHOLDER VALUE AND ENTRENCH MEDICLINIC INTERNATIONAL AS A LEADER IN THE GLOBAL HEALTHCARE INDUSTRY

HIGHLIGHTS

24.3%

CAGR OF GROUP'S
REVENUE
SINCE 1987

28.3%

CAGR OF GROUP'S
EBITDA SINCE 1987

119.1%

CAGR OF GROUP'S
HEADLINE EARNINGS
SINCE 1987

GROUP PERFORMANCE

As chairman of Mediclinic International it is indeed my privilege to oversee a leading international healthcare company that has grown from infancy in 1983 to the Group we know today, with 70 hospitals and 10 clinics employing nearly 28 000 staff members across Southern Africa, Switzerland and the United Arab Emirates.

During this time our Group revenue increased from R100m for the year ended 31 March 1987 to R35.2bn for the year under review, equating to a compounded annual growth rate (CAGR) of 24.3% since 1987. Similarly, our normalised earnings before interest, tax, depreciation and amortisation (EBITDA) delivered a CAGR of 28.3%, and normalised headline earnings delivered a CAGR of 119.1% since 1987. This compares favourably to the performance of the FTSE JSE Top 40 Index, of which we are a constituent today.

The Company's market capitalisation has increased from R170m at listing on the JSE in 1986 to R105.9bn at year end.

As we continue our pattern of consistent growth we remain firmly committed to our vision to be respected internationally and preferred locally. Our relentless focus on patient needs should continue to create long-term shareholder value and entrench Mediclinic International as a leader in the global healthcare industry.

OUTLOOK AND PROSPECTS

Healthcare remains a growth industry globally supported by an ageing population with greater burdens of disease, better diagnostic methods, improved clinical outcomes, new technologies and better informed patients. Our Group has been successful in utilising attractive growth and development opportunities across our businesses in Southern Africa, Switzerland and the United Arab Emirates. Notwithstanding our encouraging growth outlook, we are always aware that many challenges remain when we look towards the future.

In Southern Africa, accessibility to healthcare for a larger portion of the population remains a priority, while the South African Competition Commission's market inquiry into the industry may have significant consequences.

During the year under review, Mediclinic Southern Africa once again delivered a substantial increase in patient bed days sold, which is most encouraging, but this cannot be expected to continue on a regular basis. The South African Competition Commission's market inquiry may hopefully also provide interesting

perspective on healthcare market issues, such as cost comparisons between the public and private sectors and the tariff-setting powers of the few big medical scheme administrators.

In Mediclinic Middle East, the Dubai facilities virtually all performed to budget or better. However, with such a supportive environment, heightened competition is sure to follow. In Switzerland, Hirslanden also delivered a solid performance, notwithstanding many ongoing regulatory uncertainties, such as the exact tariffs for hospitals in certain cantons as well as the patient case loads that will be allowed for different specialities in specific hospitals.

Our two most important responses to all these challenges are firstly our managerial skills and secondly the attractiveness of the Group's facilities for especially doctors, but also nurses and other staff.

I am comfortable that in both these areas our Group will be able to maintain or improve its competitive position. Furthermore, the Group has always had a long-term outlook for its business in an industry it knows well, enjoys participating in and where good opportunities for sensible growth have been found over many years. We therefore believe that the Group will be able to continue with its consistent growth pattern.

DIRECTORATE MATTERS

There were no changes to the Board of Mediclinic during the period under review.

APPRECIATION

I wish to express my sincere thanks to every person in the Mediclinic team who has contributed to the ongoing success of the Group during the last year. They include our directors, management, doctors, nurses and other hospital as well as office staff.

The support of patients and doctors who prefer our services and facilities is much appreciated and of course essential for the sustainability of our business. Lastly, a sincere word of thanks must be expressed to all our shareholders for the confidence they bestowed in us.



Edwin Hertzog
Non-executive Chairman