

# Audited Group results for the year ended 30 September 2009

Richard Friedland | Group CEO

Vaughan Firman | Group CFO



You're in safe hands





## Netcare Limited

committed to our values

### Note regarding forward-looking statements

The Company advises investors that any forward-looking statements or projections made by the Company, including those made in these presentations, are subject to risk and uncertainties that may cause actual results to differ materially from those projected

Factors that may affect the Group's operations are described under 'Risk Factors' on the investor relations website: [www.netcareinvestor.co.za](http://www.netcareinvestor.co.za)



## Presentation outline

Group  
highlights

South Africa  
(SA)

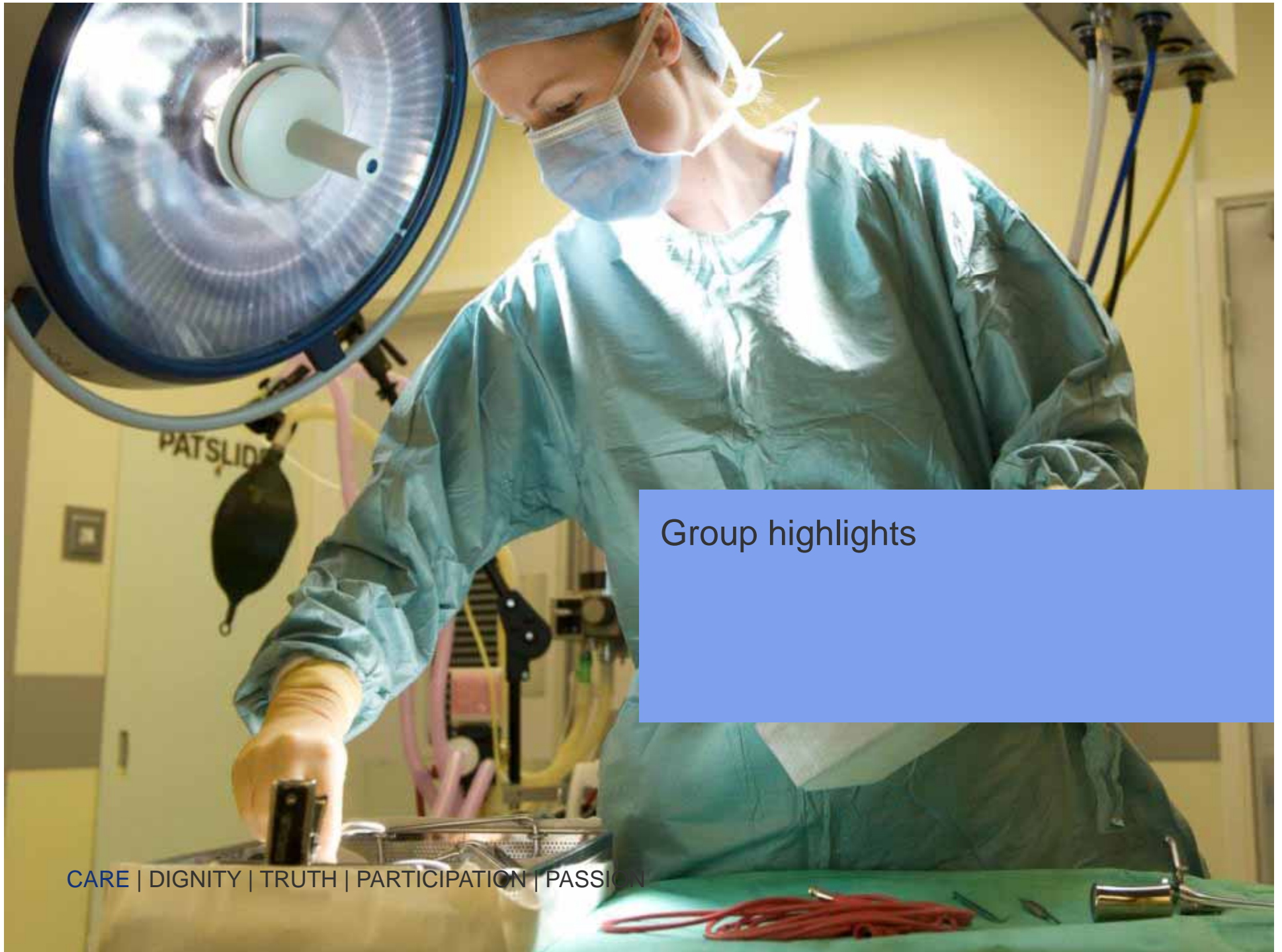
United  
Kingdom  
(UK)

Financial  
review

Guidance

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## Group highlights

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## Group overview

Resilient operational performance in both SA and UK

Currency impact reduced headline earnings per share by 3,3 cents

Continued investment in SA and UK footprint

UK profit after tax increased 44,1% to £16m

Significantly de-gearred SA with the proceeds from the sale of Ampath

All UK debt covenants met with sufficient headroom

436m treasury shares (23% of shares in issue) repurchased and cancelled

Final (H2) capital reduction of 22 cents (up 22%)

## Group financial highlights

Rm	30 Sep 2008	30 Sep 2009	%
Revenue	21 735	<b>23 232</b>	6,9
EBITDA	4 614	<b>4 927</b>	6,8
Operating profit	3 370	<b>3 700</b>	9,8
Cash generated from operations	4 663	<b>4 640</b>	
Net debt	32 589	<b>26 454</b>	18,8
HEPS (cents)	61,5	<b>78,2</b>	27,2
HEPS from continuing operations (cents)	53,3	<b>74,6</b>	40,0
Capital reduction (cents)	32,0	<b>38,0</b>	18,8

Revenue growth driven by:

- Strong organic growth in SA
- UK acquisitions

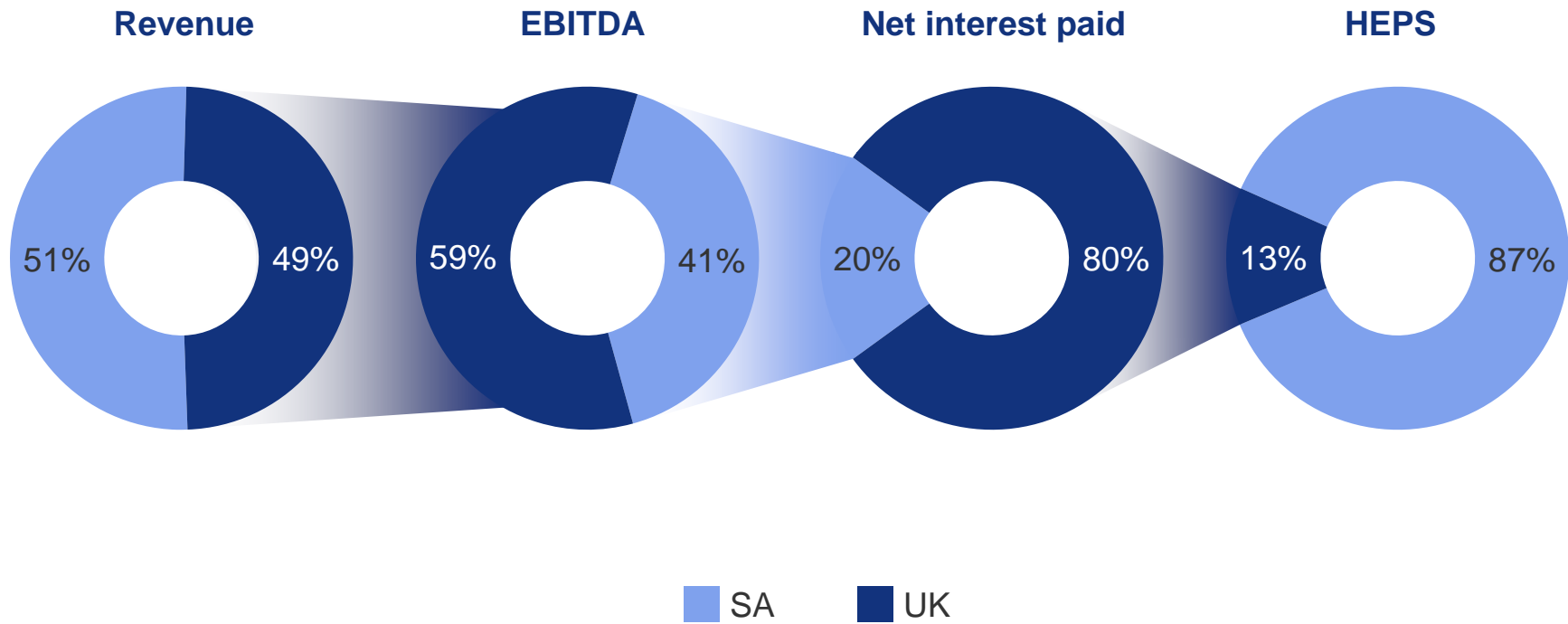
Negatively impacted by currency movements

Driven by operational efficiencies in SA and UK

Debt reduced by:

- Ampath sale proceeds
- Stringent working capital management in SA
- Rand appreciation

# Geographic contributions



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## South Africa (SA)

Financial and operating review

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## Business overview

Stable operating environment in 2009 for hospitals and emergency services

Ongoing challenges in Primary Care operating environment

Opened Port Alfred and Grahamstown PPPs

Commenced construction of Lesotho PPP

Changing regulatory environment

Voted 5<sup>th</sup> in the "Top large companies to work for"<sup>1</sup>

Most empowered firm in JSE health sector for 2009 and 11<sup>th</sup> overall for all companies<sup>2</sup>

14<sup>th</sup> place in SA on the CDP Carbon Leadership Index

1. Deloitte Best Company to Work For Survey
2. Top Empowerment Companies 2009 Survey - Financial Mail, 3 April 2009

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## Continued progress on transformation

Element	Weight	Empowerdex rating 2008	Empowerdex rating 2009
Ownership	20	17,04	16,81
Management control	10	6,24	6,25
Employment equity	15	6,47	7,43
Skills development	15	12,01	12,06
Preferential procurement	20	13,76	15,20
Enterprise development	15	14,82	15,00
Socio-economic development	5	5,00	5,00
<b>Total</b>	<b>100</b>	<b>75,34</b>	<b>77,75</b>

Ranked number 3 in SA for skills development\*

Increased spend with BEE accredited suppliers

- Level 3 rating (dti codes for B-BBEE)
- AA Empowerdex rating
- 110% spend recognition level

\* Source: Top Empowerment Companies 2009 Survey - Financial Mail, 3 April 2009

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## South Africa

Rm	30 Sep 2008	30 Sep 2009	%	
Revenue	10 385	<b>11 832</b>	13,9	Organic growth driven by high demand for private healthcare services
EBITDA	1 739	<b>2 018</b>	16,0	Improved financial performance of existing PPPs and contributions from new PPPs
Operating profit	1 401	<b>1 662</b>	18,6	
Attributable earnings of associates	(8)	<b>17</b>		
Capital expenditure	687	<b>747</b>		Reduction in debt due to Ampath sale proceeds of R852m (net)
Net debt	4 837	<b>3 903</b>	19,3	
Cash generated from operations	1 974	<b>2 270</b>	15,0	EBITDA cash conversion of 112,5%
EBITDA margin (%)	16,7	<b>17,1</b>		Margin improvement in hospitals tempered by losses in Primary Care
Operating margin (%)	13,5	<b>14,0</b>		

## SA Hospitals and Emergency services

137 beds added  
to our existing  
facilities in 2009

Record  
patient day  
growth  
of 4,9%

Increase in  
average  
occupancy  
to 67%  
(weekday 72%)

Strong  
working capital  
management

131 new  
physicians  
entered the  
Netcare fold  
in 2009

Netcare trained  
more than 3 800  
learners

204 additional  
beds planned  
for 2010

Netcare 911  
lives under  
management  
increased  
by 15,1%

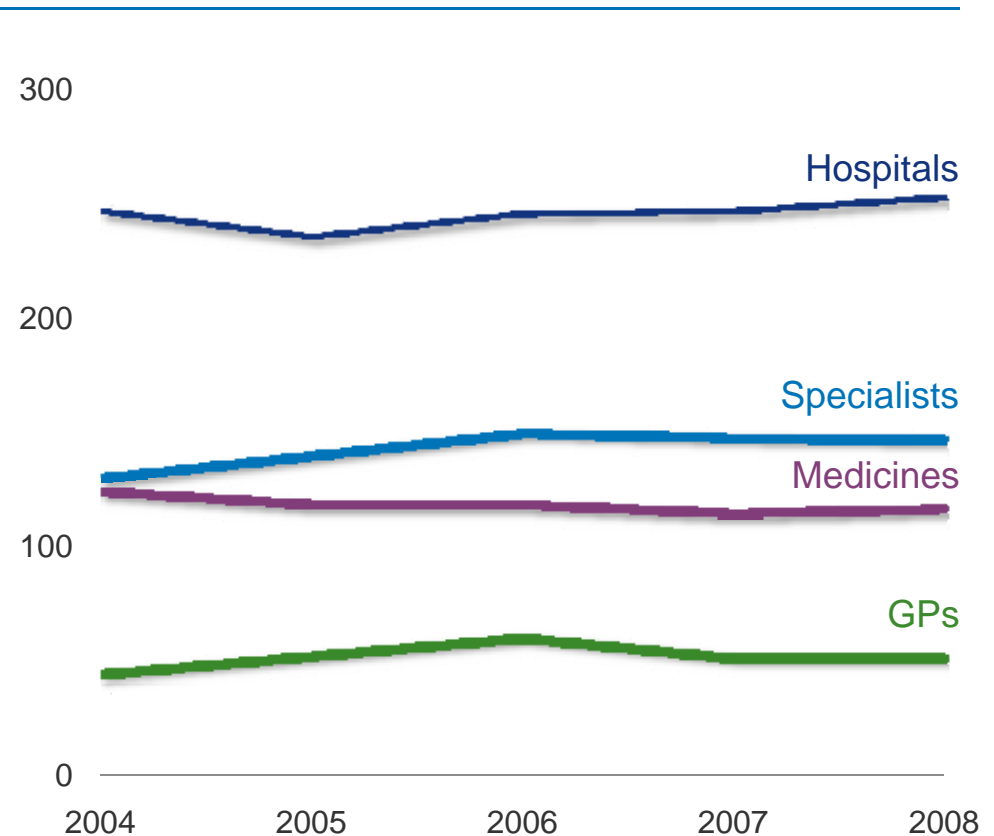
# Private healthcare benefits from a sound medical scheme environment

The medical scheme environment is financially sound due to:

- Strong membership growth since 2000 (685 000 members and 870 000 beneficiaries)
- 3,5% growth in beneficiaries in 2008
- Strong reserves (average 36% solvency)
- Very limited real hospital inflation since 2004

*“Information largely reflects an industry which is relatively healthy”*  
- Competition Commission

Total benefits paid per beneficiary per month (R)\*



Source: Council for Medical Schemes, Annual Report 2008/09  
\* Inflation adjusted



## SA Hospitals and Emergency services

Rm	30 Sep 2008	30 Sep 2009	%
Revenue	9 020	<b>10 319</b>	14,4
EBITDA	1 735	<b>2 042</b>	17,7
Operating profit	1 414	<b>1 703</b>	20,4
EBITDA margin (%)	19,2	<b>19,8</b>	
Operating margin (%)	15,7	<b>16,5</b>	
Capital expenditure	687	<b>747</b>	8,7

- Patient day growth of 4,9%
- Revenue per patient day of 10,5%
- 15,1% increase in Netcare 911 lives under management

Capital investment includes:

- 16 general ward beds at Akasia
- 10 high-care beds at Kuilsrivier
- 6 trauma ICU beds at Sunninghill
- An oncology and day ward at Kingsway
- Trauma, ICU, high-care and pharmacy at Greenacres
- Cardiac catheterisation lab at Linksfield
- Electrophysiology lab at Milpark

## Hospital Private Public Partnerships

Universitas and Pelonomi	Port Alfred	Grahamstown	Lesotho	UCT (University of Cape Town) Academic	Bronkhorstspuit
<ul style="list-style-type: none"> <li>• Co-location</li> <li>• 214 beds</li> </ul>	<ul style="list-style-type: none"> <li>• Co-location</li> <li>• 90 beds (32 private)</li> <li>• Provide facility management</li> </ul>	<ul style="list-style-type: none"> <li>• Co-location</li> <li>• 251 beds (32 private)</li> <li>• Provide facility management</li> </ul>	<ul style="list-style-type: none"> <li>• 425 beds (35 private)</li> <li>• 4 primary care clinics</li> <li>• Construction started in March 2009</li> </ul>	<ul style="list-style-type: none"> <li>• Co-location</li> <li>• 124 beds</li> </ul>	<ul style="list-style-type: none"> <li>• 14 public beds within Netcare hospital</li> </ul>
<ul style="list-style-type: none"> <li>• Opened in 2003</li> </ul>	<ul style="list-style-type: none"> <li>• Opened in March 2009</li> </ul>	<ul style="list-style-type: none"> <li>• Opened in August 2009</li> </ul>	<ul style="list-style-type: none"> <li>• Operations to begin in 2011</li> </ul>	<ul style="list-style-type: none"> <li>• Opened in 2002*</li> </ul>	<ul style="list-style-type: none"> <li>• Opened in 1997</li> </ul>
<ul style="list-style-type: none"> <li>• 21,5 year contract</li> </ul>	<ul style="list-style-type: none"> <li>• 17 year contract</li> </ul>	<ul style="list-style-type: none"> <li>• 17 year contract</li> </ul>	<ul style="list-style-type: none"> <li>• 18 year contract</li> </ul>		

Netcare partnering to improve public healthcare access and skills transfer

\* Managed by Community Hospital Group from 2002

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## Primary Care Division

Treated 3,7 million patients in 107 medical and dental centres

- Administered 42 scheme options
- 9,0% growth in managed care lives to 256 243

As reported in H1, Primary Care results below expectation:

- Underpricing
- Normalising debtors provisions
- Additional R11m IBNR\*

The division is expected to break-even in 2010

\* Incurred But Not Reported

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## Primary Care

Rm	30 Sep 2008	30 Sep 2009	%
Revenue	1 365	<b>1 513</b>	10,8
EBITDA	4	<b>(24)</b>	
IBNR shortfall	28	<b>11</b>	
Debtor write-offs		<b>34</b>	
Adjusted EBITDA	32	<b>21</b>	

Revenue growth driven by:

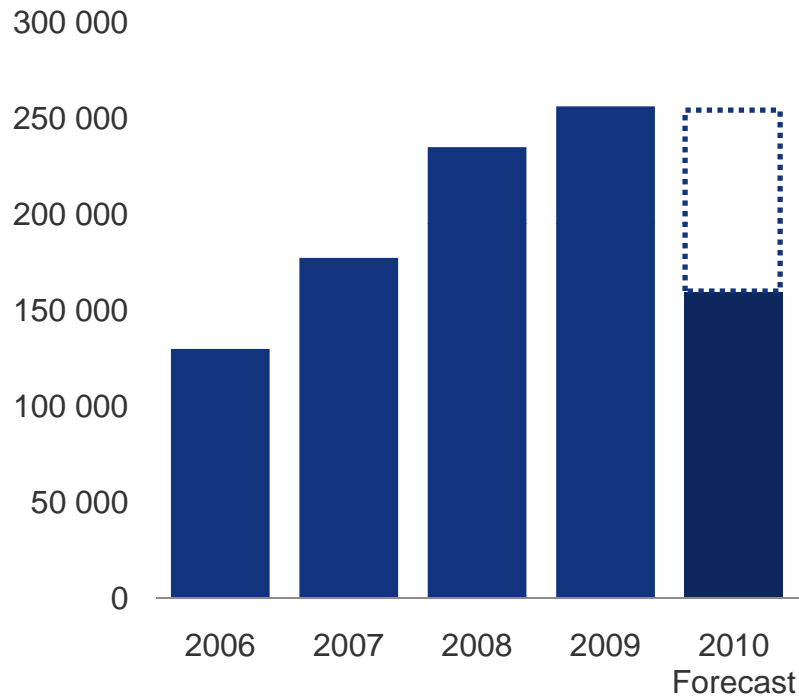
- RPL increase of 10,7%
- 9,0% growth managed lives

EBITDA impacted by:

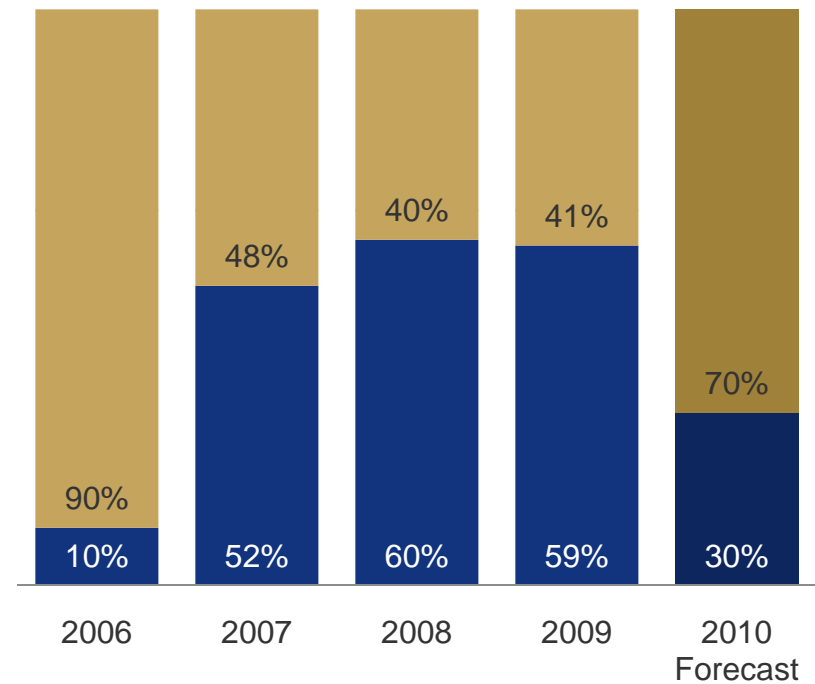
- Increased underwriting costs
- Debtor write-offs
- Restructuring costs


# Primary Care operating environment 2010

## Growth in managed care lives



## Change in risk profile



 Net reduction in managed lives due to end of GEMS contract and termination of loss-making schemes, offset by growth from new schemes

 Full risk     Primary and secondary risk

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# United Kingdom (UK)

Geographical coverage

Financial and operating review



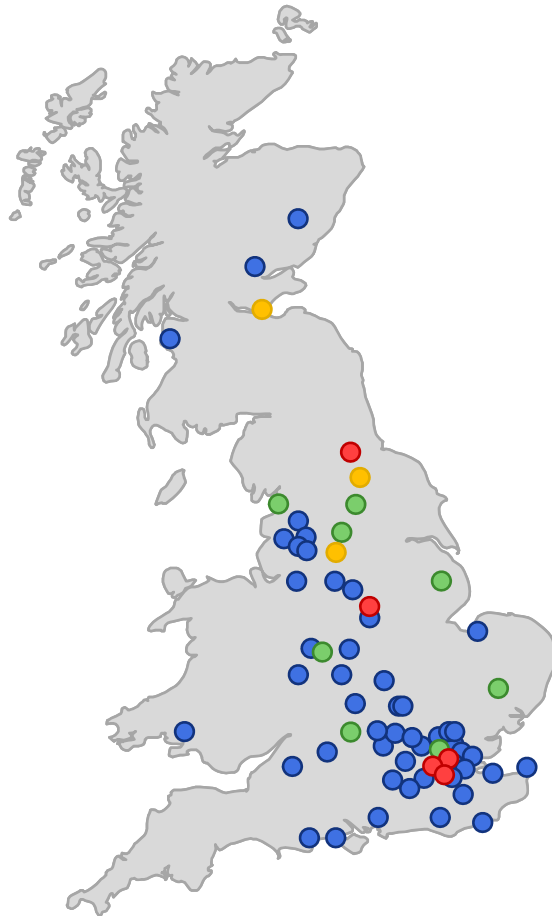
THE CONSULTANTS' CHOICE



General Healthcare Group

# Geographical coverage

5 new sites added to portfolio (total 64), increasing GHG's national coverage



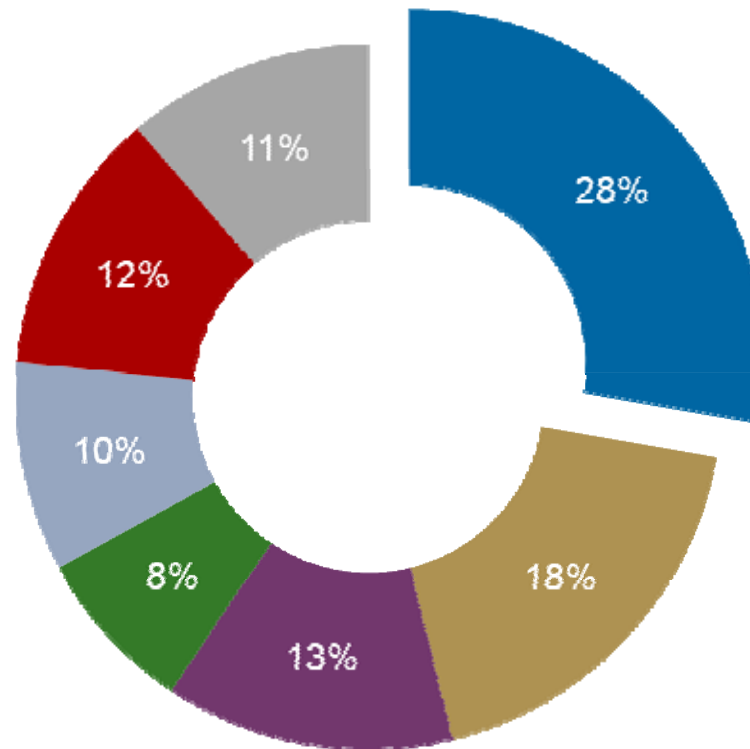
General Healthcare Group

<b>2006/07</b>	48 existing BMI hospitals
<b>2006/07</b>	3 Netcare UK NHS sites
<b>2007/08</b>	8 sites added - 7 Nuffield + Oxford Clinic
<b>2008/09</b>	5 sites added: <ul style="list-style-type: none"><li>• Woodlands Private Hospital</li><li>• Nottingham Primary Care Centre</li><li>• London consulting rooms (City Medical)</li><li>• BMI Fitzroy Square</li><li>• Kingston (NHS Private Patient Unit)</li></ul>

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## UK independent hospital sector - market share (beds)



- BMI Healthcare
- Spire Healthcare
- Nuffield Hospitals
- HCA Healthcare
- Ramsay Health Care UK
- NHS Private Patient Units
- Other

Source: Laing & Buisson, April 2009

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## Business overview

The UK's  
number 1  
independent  
healthcare  
provider

Revenue  
growth of 7,6%  
of which  
4,1% is organic,  
EBITDA growth  
of 8,9%

The efficiency  
program remains  
on track

Increased  
NHS volumes  
offset self pay  
volume decline

Five new sites  
added and  
significant  
investment in  
existing portfolio

All debt  
covenants met  
with sufficient  
headroom

## UK income statement

£m	30 Sep 2008	30 Sep 2009	%
Revenue	772,6	<b>831,5</b>	7,6
EBITDA before items below	202,3	<b>219,8</b>	8,7
Non-recurring items	(6,6)	<b>(6,7)</b>	
Reported EBITDA	195,7	<b>213,1</b>	8,9
<i>EBITDA margin</i>	25,3	<b>25,6</b>	
Profit before tax	2,6	<b>18,7</b>	
Tax	8,5	<b>(2,7)</b>	
Profit after tax	11,1	<b>16,0</b>	44,1

- Stable PMI
- Strong NHS growth more than offsetting self pay decline

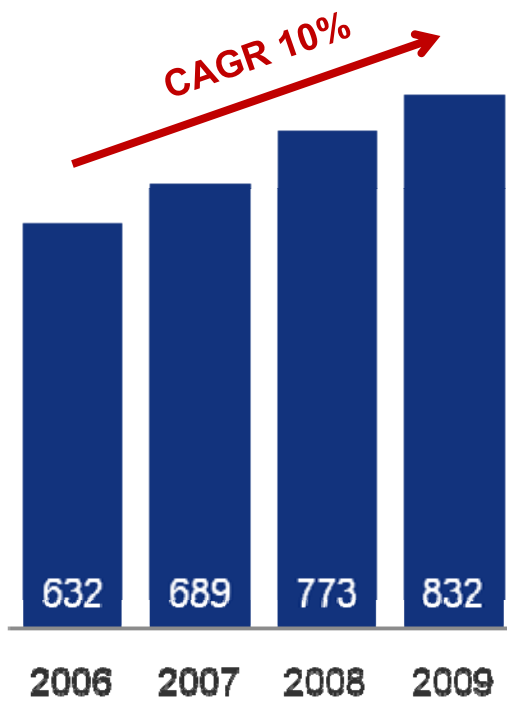
Significant growth in PBT due to strong EBITDA growth and fixed nature of depreciation and interest

Margin expanded as efficiencies exceeded NHS mix dilution

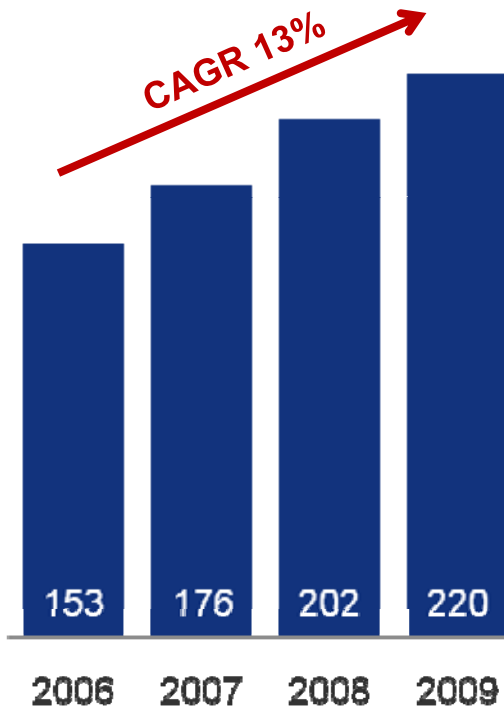
- Increase due to operational performance
- Prior year benefited from tax credits

# Growth trajectory – GHG

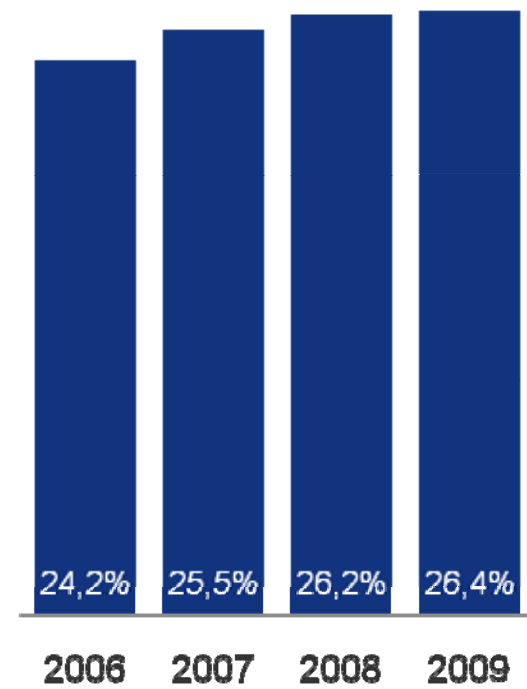
Revenue (£m)



EBITDA (£m)



EBITDA margin (%)

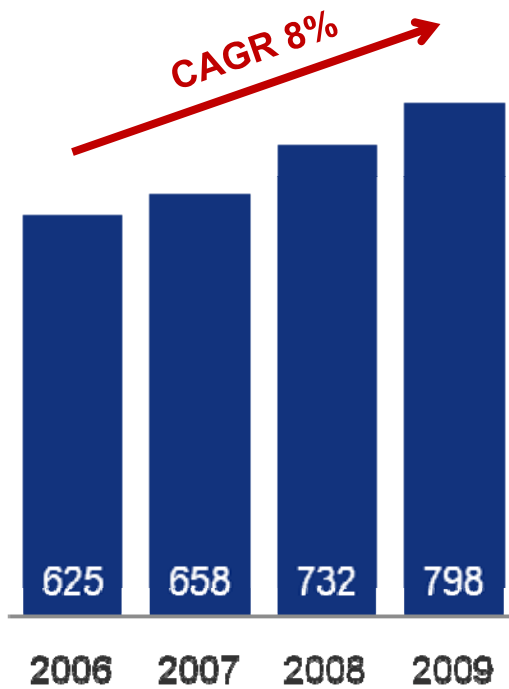


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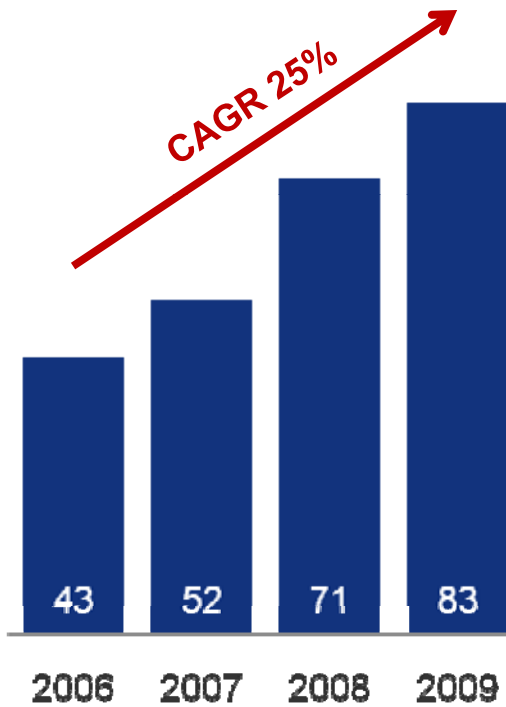


# Growth trajectory – OpCo continues to grow strongly

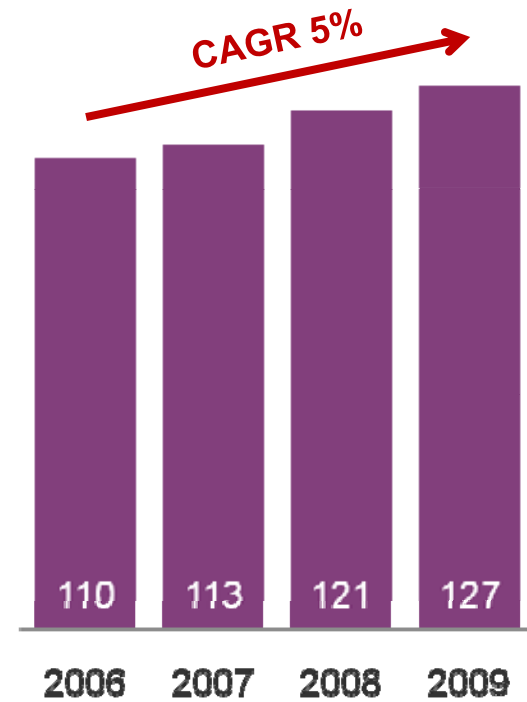
BMI OpCo revenue (£m)



BMI OpCo EBITDA (£m)



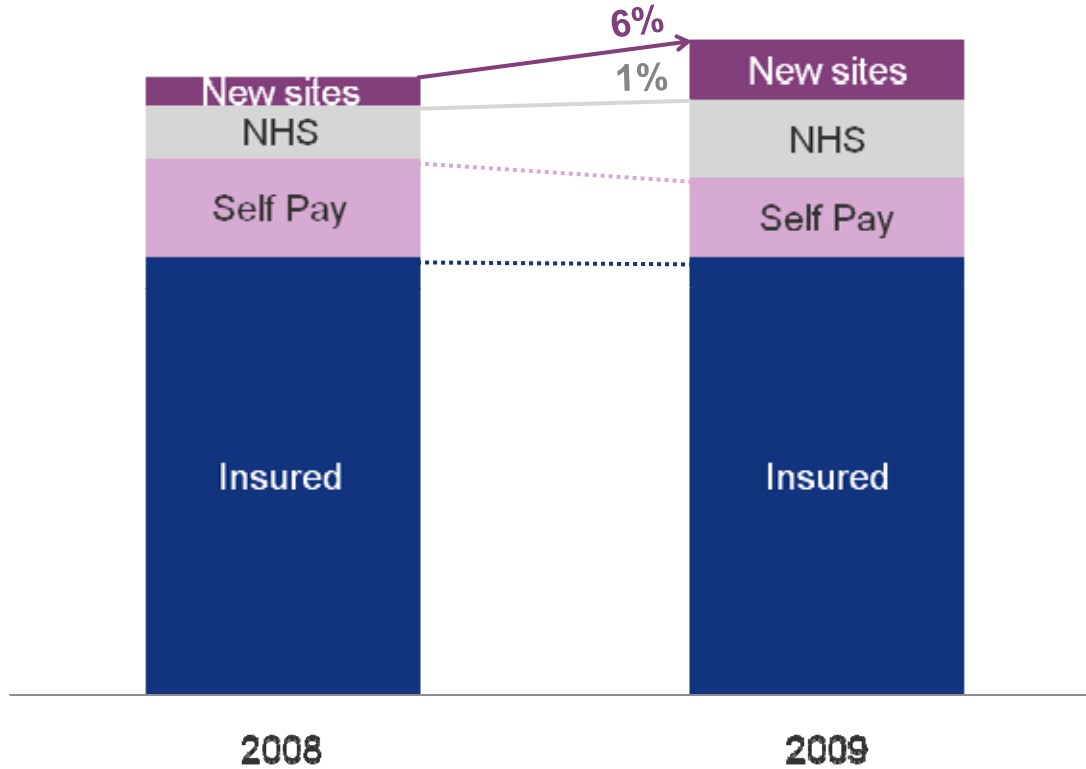
BMI PropCo rent (£m)



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# Analysis of caseload



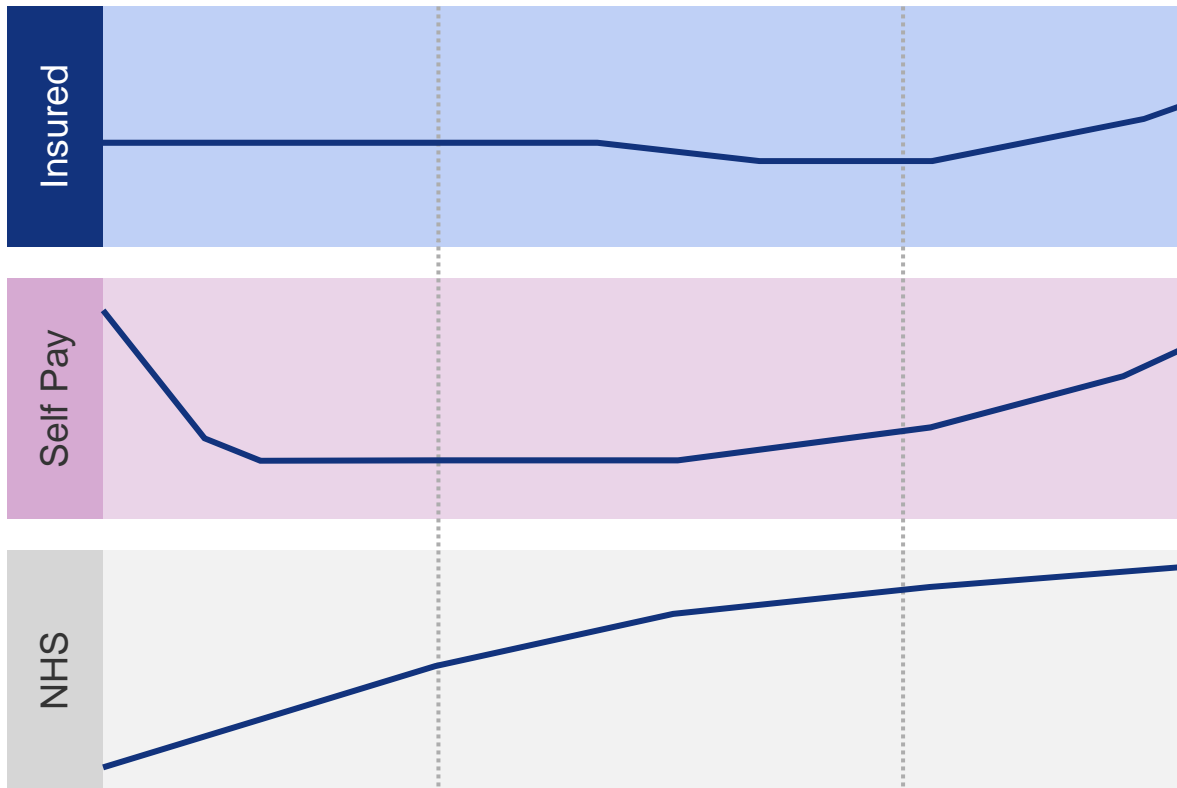
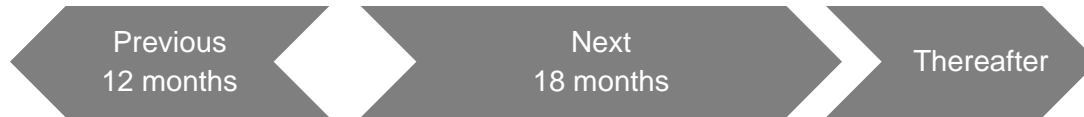
Inpatient growth of 6%

Within this:

- Organic growth of 1%
- Insured volumes stable
- NHS Choose and Book growing steadily

Looking ahead PMI is holding up, self pay now stable and NHS continues to grow

# Outlook for caseload



November 2009

- Short term pressure due to level of UK unemployment
- Demographics of UK and lack of funding for the NHS expected to drive future PMI growth

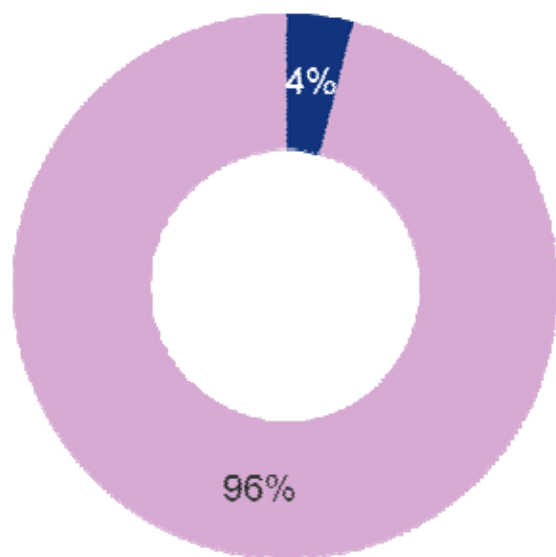
- Decline has bottomed out
- NHS funding pressure is likely to increase waiting times, growing the Self Pay segment

- Choose & Book will continue to deliver NHS volume growth



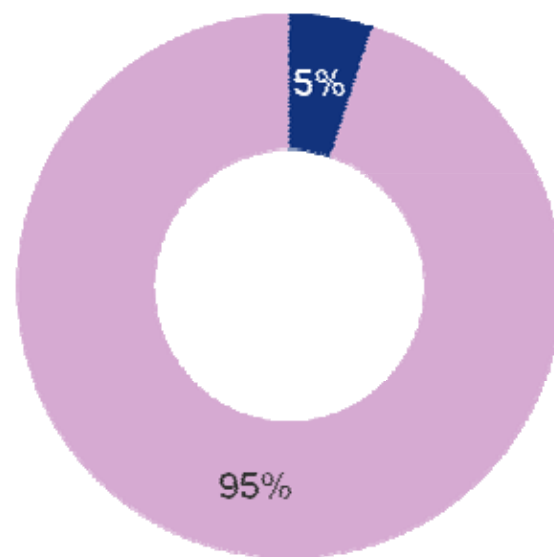
# UK segmental analysis 2009

## Revenue



■ Netcare UK ■ GHG

## EBITDA



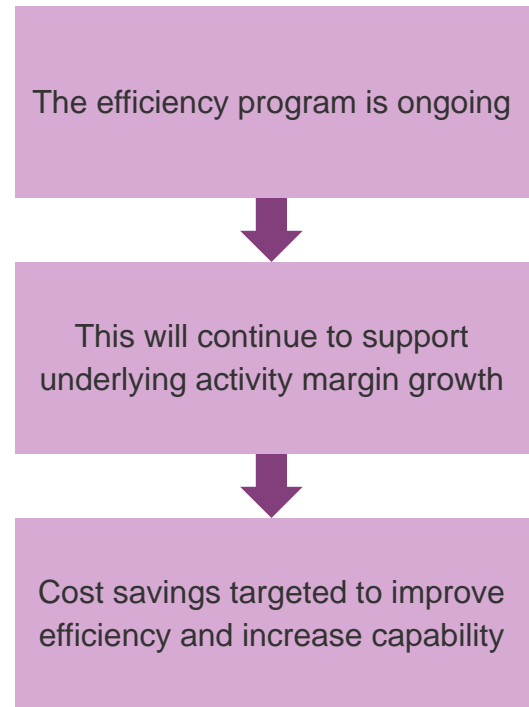
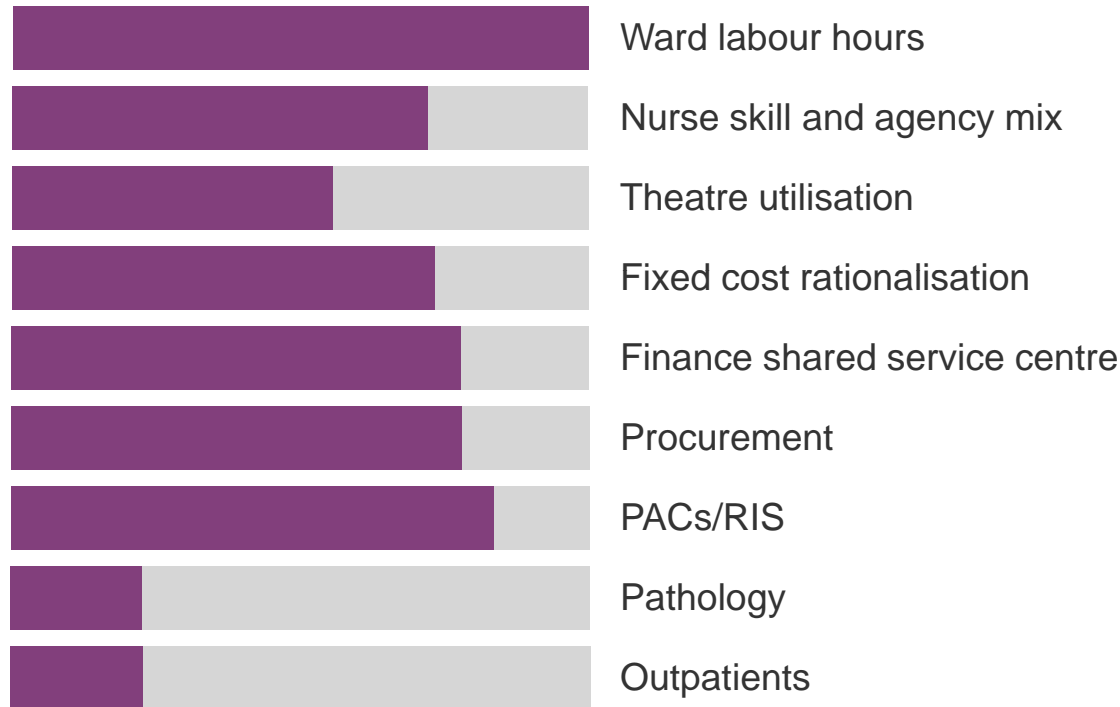
■ Netcare UK ■ GHG

Netcare UK's ophthalmic contract completed April 2009 and Netcare UK's GMSC contract will end in May 2010

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# Operational efficiencies



## Other achievements during the year

### **Staff:**

12 BMI hospitals  
were listed in the  
Nursing Times  
Top 100

### **Patient**

**satisfaction:**  
99% rating of  
good, very good  
or excellent\*

### **Patient contact:**

dedicated  
contact centre  
established to  
improve service

### **Primary care:**

dedicated team  
and GP hot-line  
established

### **Staff training:**

3 000 additional  
hours of staff  
training

### **Environment:**

“big turn off”  
launched to  
reduce carbon  
footprint

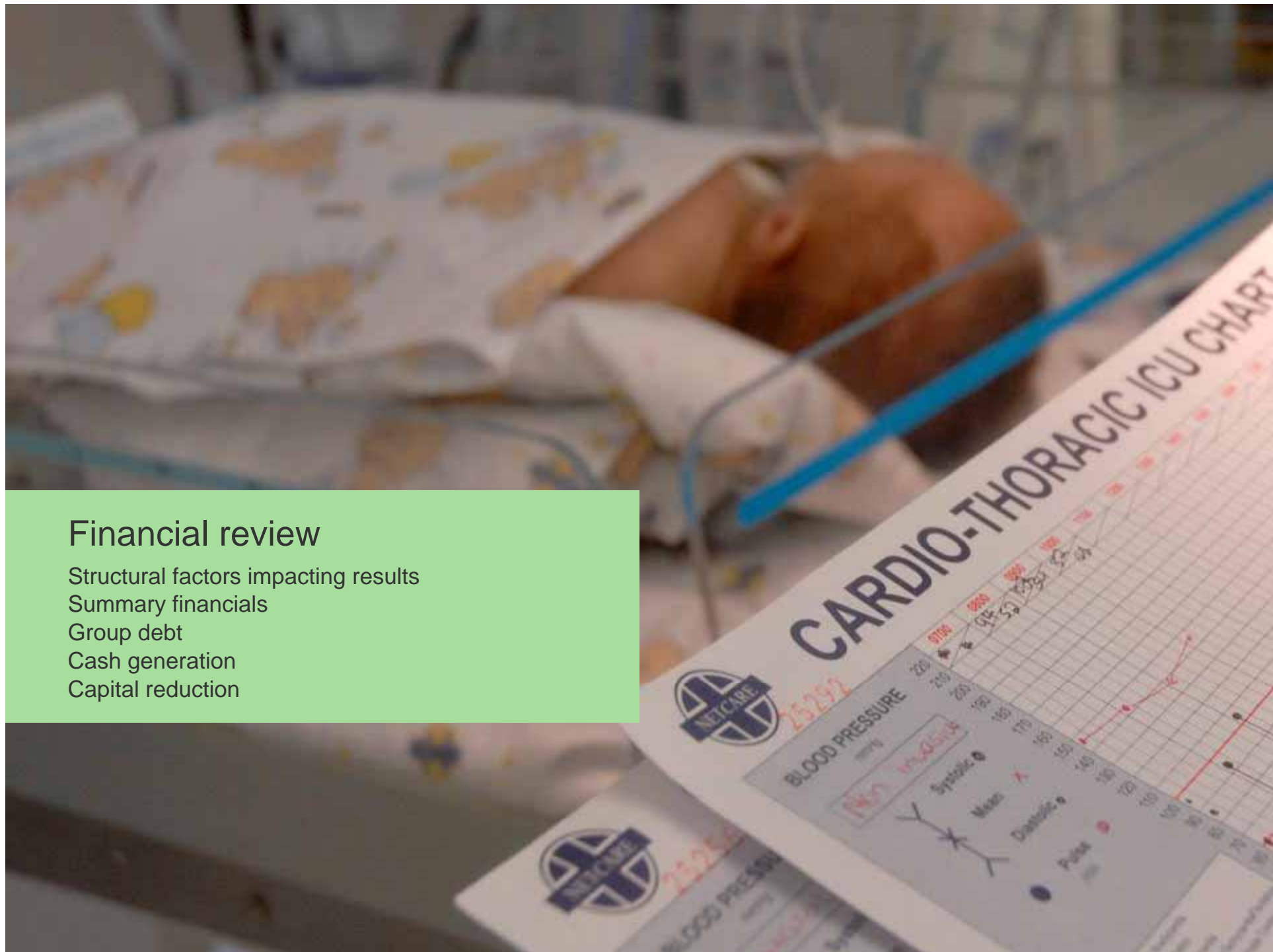
\* Howard Warwick & Associates, Jan – Sep 2009

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## Financial review

- Structural factors impacting results
- Summary financials
- Group debt
- Cash generation
- Capital reduction



## Structural factors impacting results

### Sale of Ampath

- Gross proceeds of R1 027m
- Proportionately consolidated until 28 Feb 2009
- Capital profit of R678m and cash proceeds on disposal amounting to R852m
- Marginally negative impact on earnings of R7m

### Interest rate swaps

- UK interest rates dropped to record lows
- Significant mark-to-market impact (no cash impact)
- Minor income statement effect but large balance sheet impact of R2 086m
- Potential income statement volatility in future periods – no cash impact

### Exchange rate impact

- Closing exchange rate improved from R14,76 to R11,95
- Strength of Rand decreased HEPS by 3,3 cents

# Exchange rate impact – no currency hedging

Strengthened R/£ exchange rate



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## Exchange rate impact

Rm	Reported 2008	Reported 2009	Constant currency 2009	Prior year change %
Revenue	21 735	23 232	<b>24 046</b>	10,6
Operating profit	3 370	3 700	<b>3 926</b>	16,5
HEPS	61,5	78,2	<b>81,5</b>	32,5
Total assets	54 182	45 937	<b>54 705</b>	1,0
Net debt	32 589	26 454	<b>31 751</b>	2,6

## Summarised group income statement

Rm	30 Sep 2008	30 Sep 2009	%
Revenue	21 735	23 232	6,9
<b>Operating profit</b>	3 370	3 700	9,8
Net financial expenses	(2 427)	(2 260)	6,9
Attributable earnings of associates	2	27	
<b>Profit before taxation</b>	945	1 467	55,2
Taxation	(68)	(350)	
<b>Profit from continuing operations</b>	877	1 117	27,4
Discontinued operation (Ampath)	105	634	
<b>Profit for the year</b>	982	1 751	78,3

- Both geographies delivered improved margins
- 16,5% increase in constant currency

- Prior year UK tax credit of £11,0m
- Current year tax rate still low due to UK tax losses

- Profit from operations for 5 months of R46m
- Capital profit of R588m (net of tax of R90m)

## Headline earnings per share

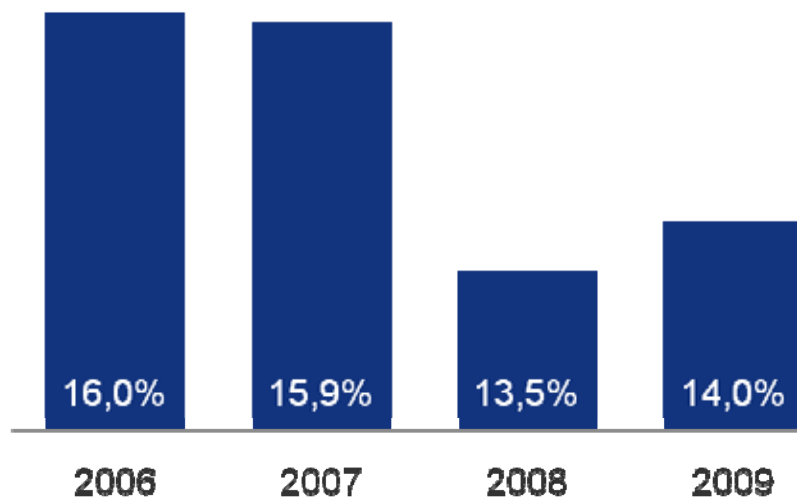
Cents	30 Sep 2008	30 Sep 2009	%
<b>Basic HEPS</b>	61,5	<b>78,2</b>	27,2
From continuing operations	53,3	<b>74,6</b>	40,0
From discontinued operation	8,2	<b>3,6</b>	(56,1)
South Africa	52,5	<b>68,1</b>	29,7
United Kingdom	9,0	<b>10,1</b>	12,2
<b>Diluted HEPS</b>	60,5	<b>77,5</b>	28,1

Increase of 32,5% in headline earnings per share excluding exchange rate fluctuations

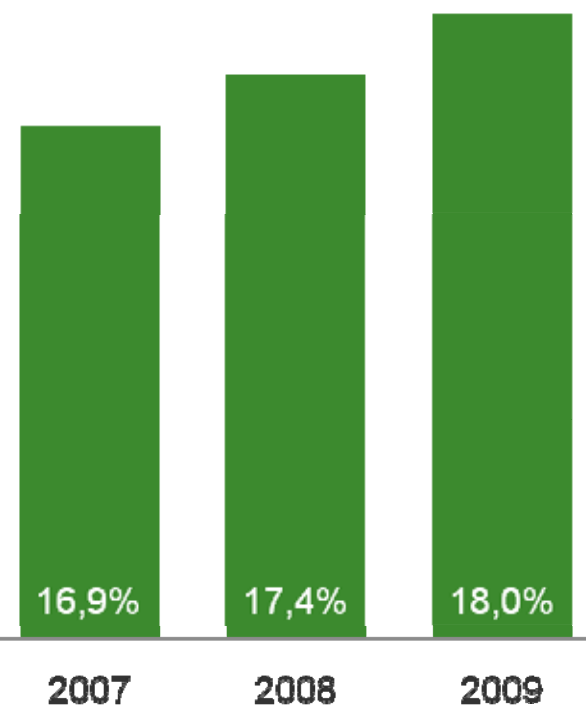
UK generated 12,9% of headline earnings per share

# Operating profit margin analysis

SA



UK



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## Summarised statement of financial position | assets

Rm	30 Sep 2008	30 Sep 2009	Forex effect	Movement
<b>Non-current assets</b>	48 993	<b>41 043</b>	(8 218)	268
PPE	29 732	<b>25 097</b>	(4 703)	68
Goodwill and intangible assets	17 910	<b>14 669</b>	(3 327)	86
Associated companies and loans	104	<b>130</b>	(8)	34
Financial assets - derivative financial instruments	558			(558)
Deferred taxation	689	<b>1 147</b>	(180)	638
<b>Current assets</b>	5 493	<b>4 898</b>	(559)	(36)
<b>Total assets</b>	54 486	<b>45 941</b>	(8 777)	232

Capex of R747m in SA and R525m in UK, offset by depreciation

Continued investment in PPPs of R60m in current year

Decrease in fair value of UK swaps due to reduction of UK interest rates

## Summarised statement of financial position | equity and liabilities

Rm	30 Sep 2008	30 Sep 2009	Forex effect	Movement
<b>Total shareholders' equity</b>	8 851	<b>7 133</b>	(1 208)	(510)
<b>Non-current liabilities</b>	39 920	<b>33 720</b>	(7 154)	954
Long term debt	31 530	<b>25 423</b>	(5 267)	(840)
Financial liability - derivative financial instruments	1 654	<b>2 797</b>	(651)	1 794
Other long-term liabilities	273	<b>459</b>		186
Deferred taxation	6 463	<b>5 041</b>	(1 236)	(186)
<b>Current liabilities</b>	5 715	<b>5 088</b>	(415)	(212)
<b>Total equity and liabilities</b>	54 486	<b>45 941</b>	(8 777)	232
<b>Net debt</b>	32 589	<b>26 454</b>	(5 301)	834

R840m debt repayment during the year

Decrease in fair value of UK swaps due to reduction of UK interest rates

R139m debt repayment during the year

## Group debt

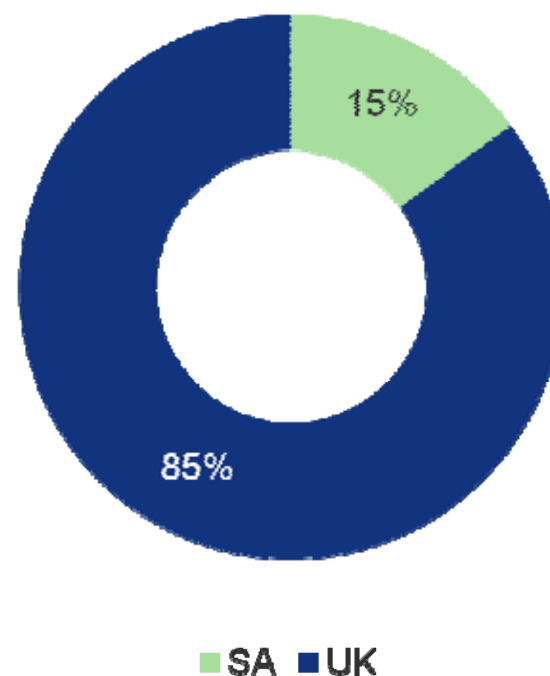
### Net debt at 30 Sep 2009

	Facilities	Utilised
UK debt (£m)	2 001	<b>1 927</b>
UK debt (Rm)	23 915	<b>23 035</b>
SA debt (Rm)	7 904	<b>4 133</b>
Net debt (Rm)	31 819	<b>26 454</b>

### Cost of debt (%)

	30 Sep 2008	<b>30 Sep 2009</b>
UK debt	6,5	<b>6,5</b>
SA debt	10,1	<b>8,1</b>
Gross debt	7,0	<b>6,7</b>

### Geographic split of net debt at 30 Sep 2009



## South African debt position

SA debt at 30 Sep 2009

	Rm	Cost %
Convertible bonds <sup>1</sup>	1 480	6,0
DMTN	1 910	9,4
Pref shares	466	6,9
Other debt	277	9,1
Total debt	4 133	8,1
Cash	(230)	
Net debt	3 903	

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

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Proceeds from Ampath sale reduced debt:

- R95m of convertible bonds repurchased
- Most expensive bank debt repaid
- Roll-overs not renewed
- Invested in capex

Improved debt collections resulted in record working capital levels

- Working capital dropped from R339m to R178m

Cost of debt decreased from 10,1% to 8,1% due to decrease in interest rates

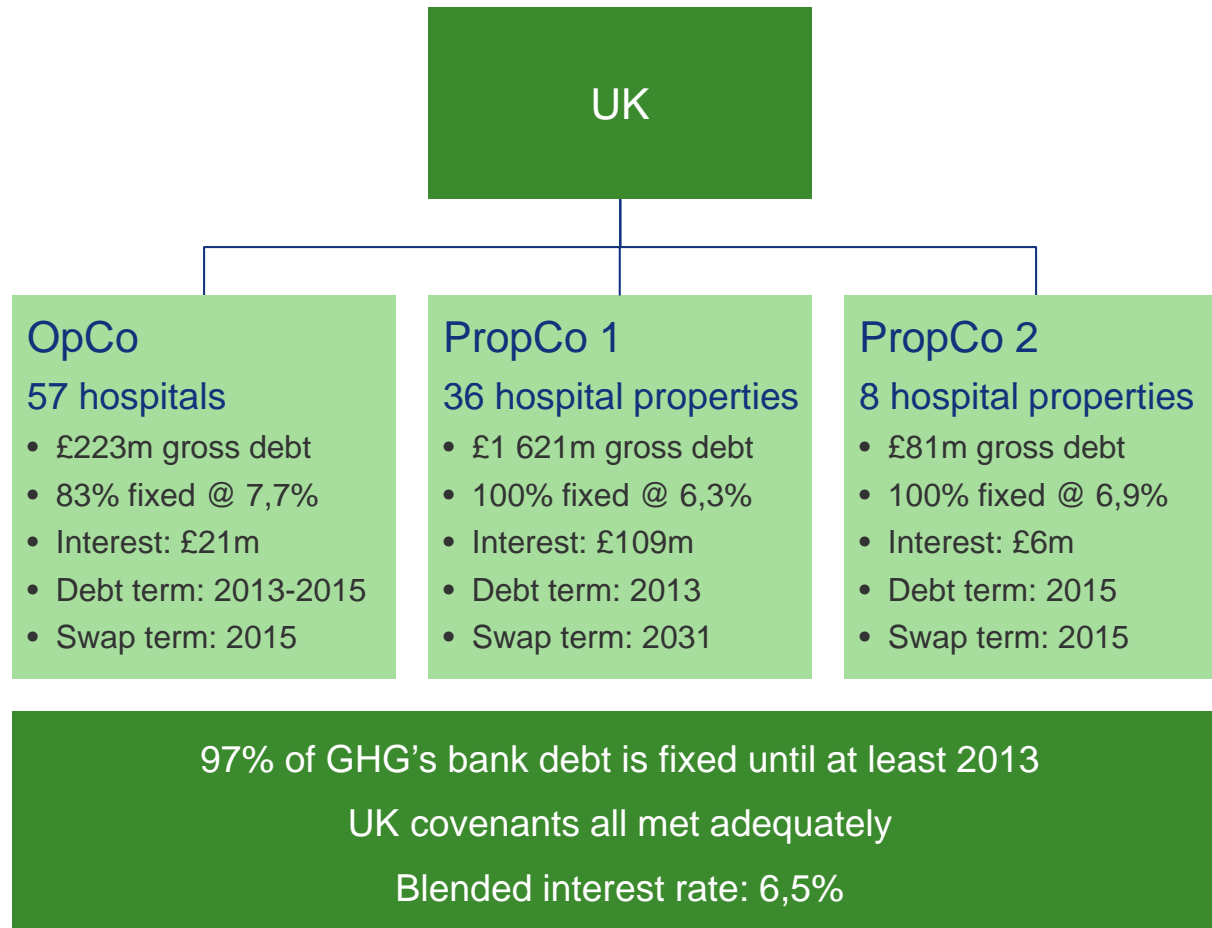
- 56% of debt hedged at year end

GCR rating in Feb 2009:

- A- long term
- A1 short term

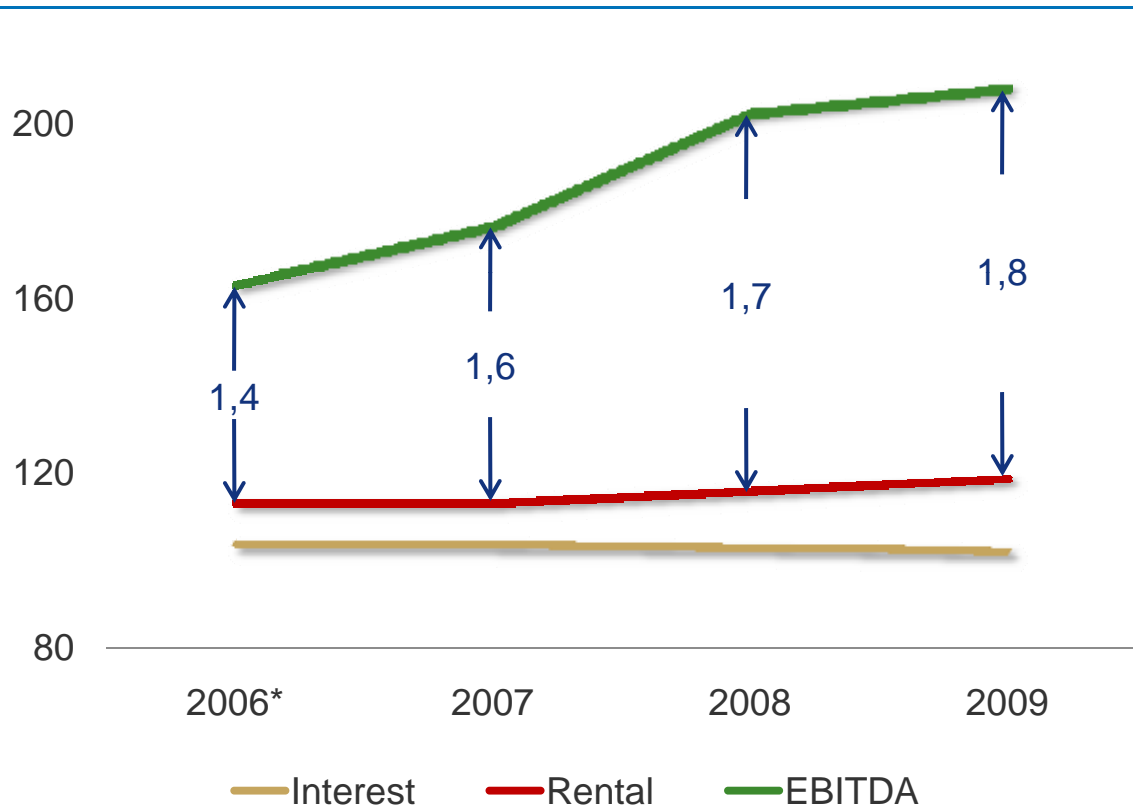


## UK debt position



# UK debt covenants

PropCo (£m)



PropCo primary covenant is the interest cover ratio. No risk of covenant breach

PropCo secondary covenant is loan to value ratio triggered if rental cover < 1:4. Current headroom of £49m

OpCo primary covenant is cash cover. Forecast headroom of £36m

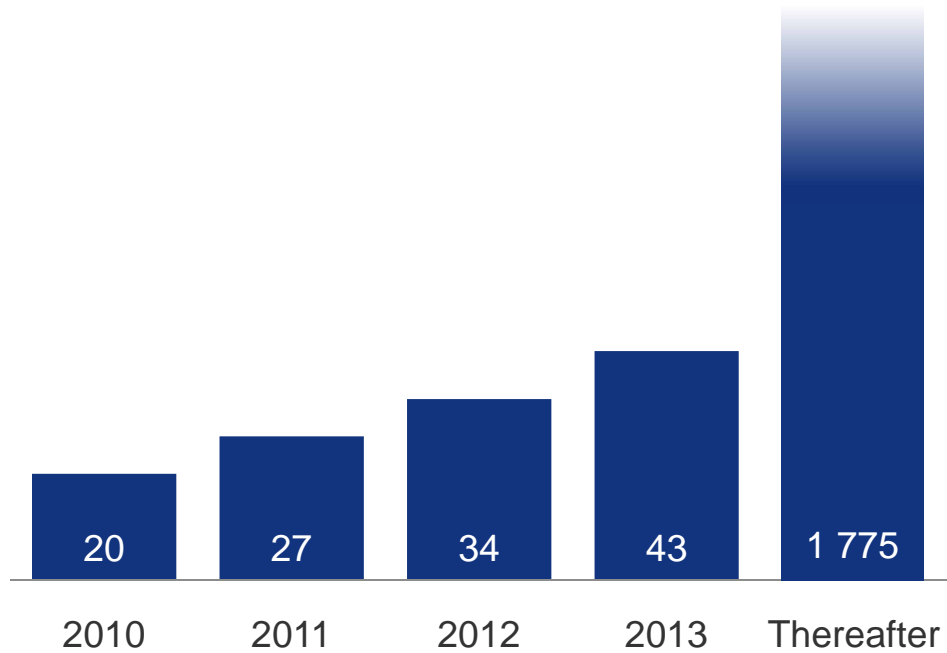
\* Notional as only acquired in May 2006

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# Repayment of UK debt

UK (£m)



- PropCo 1 - Oct 2013      £1 535m
- PropCo 2 - Feb 2015      £70m
- OpCo Facility A - Oct 2013      £7m
- OpCo Facility B - Oct 2014      £80m
- OpCo Facility C - Oct 2015      £80m

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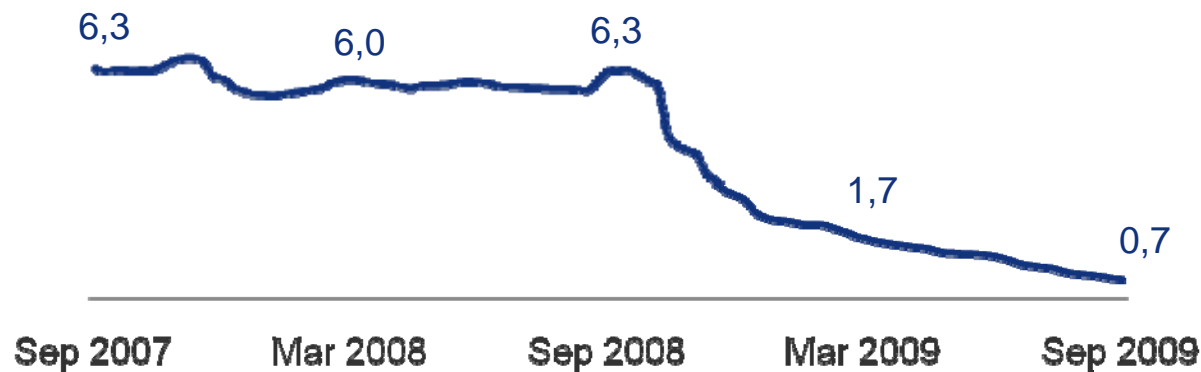
## Interest rate swaps

### Net derivative instruments - liability

Rm	30 Sep 2008	30 Sep 2009	Change
Net interest rate swaps (UK)	(1 108)	(2 771)	(1 663)
Net interest rate swaps (SA)	12	(26)	(38)
Total	(1 096)	(2 797)	(1 701)

Represents mark-to-market valuation on four interest rate swaps

### Movement in UK swap rates 1 year (%)



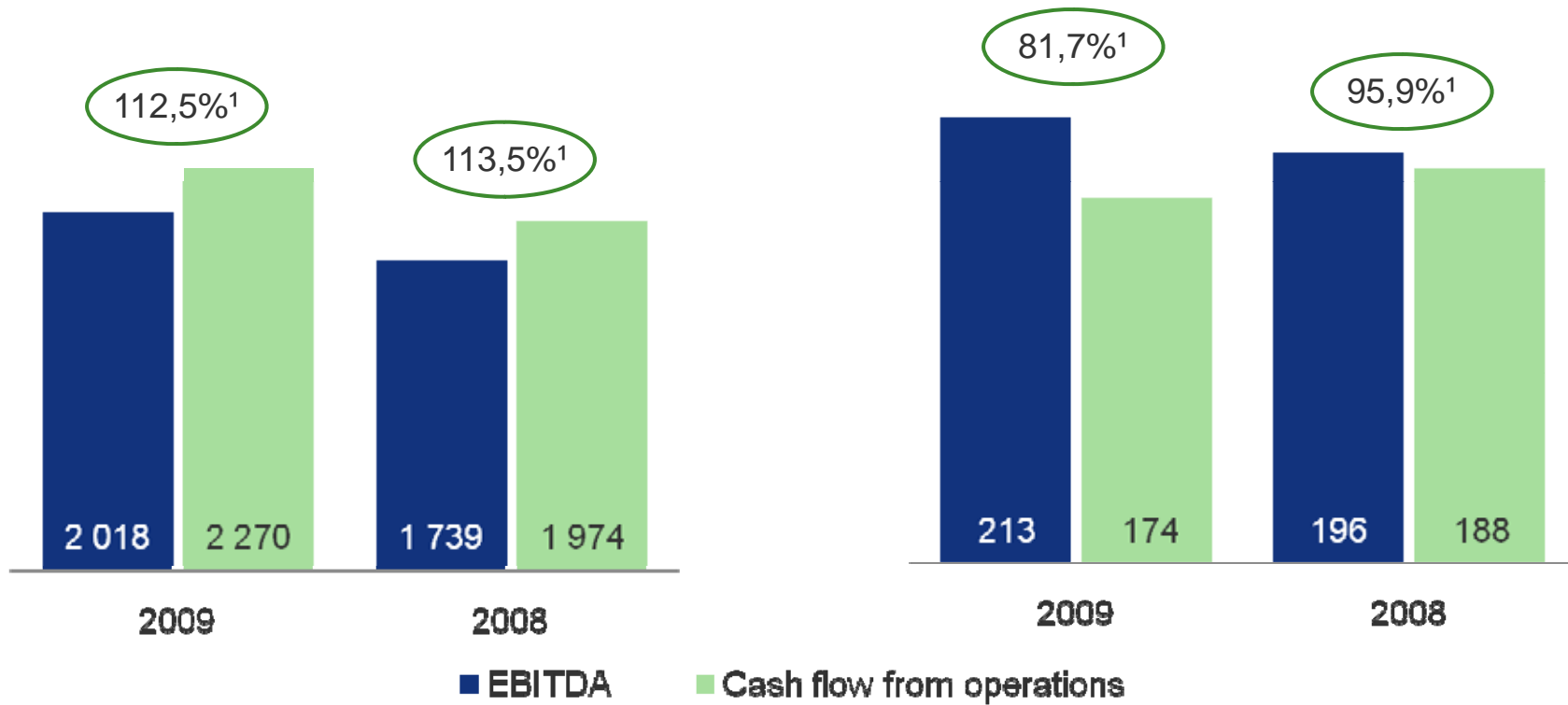
CARE | DIGNITY | TRUTH | PARTICIPATION | PASSION



# Cash generated from operations

SA (Rm)

UK (£m)



1. Cash conversion ratio

CARE | DIGNITY | TRUTH | PARTICIPATION | PASSION



## Working capital

	30 Sep 2008	30 Sep 2009	Movement
<b>SA (Rm)</b>			
Inventory	328	<b>361</b>	(33)
Accounts receivable	1 711	<b>1 794</b>	(83)
Accounts payable	(1 453)	<b>(1 675)</b>	222
Taxation	(247)	<b>(302)</b>	55
	339	<b>178</b>	161
<b>UK (£)</b>			
Net working capital	10	<b>34</b>	(24)

Record levels of debtors' days with Hospital Division at 34 days

Successful integration of Centralised Creditors Division

Impact of business mix change arising from increased NHS activity

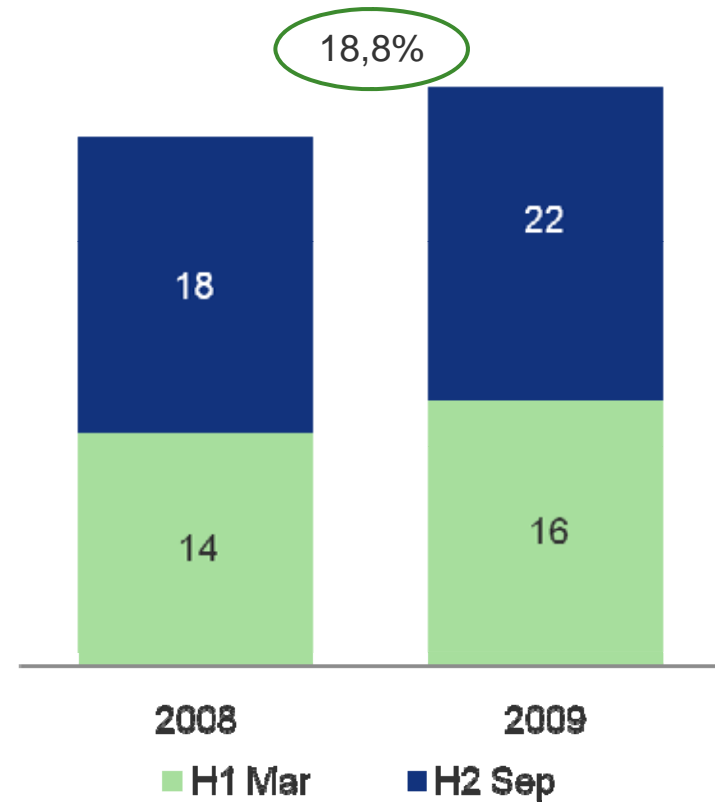
## Growth in capital reductions

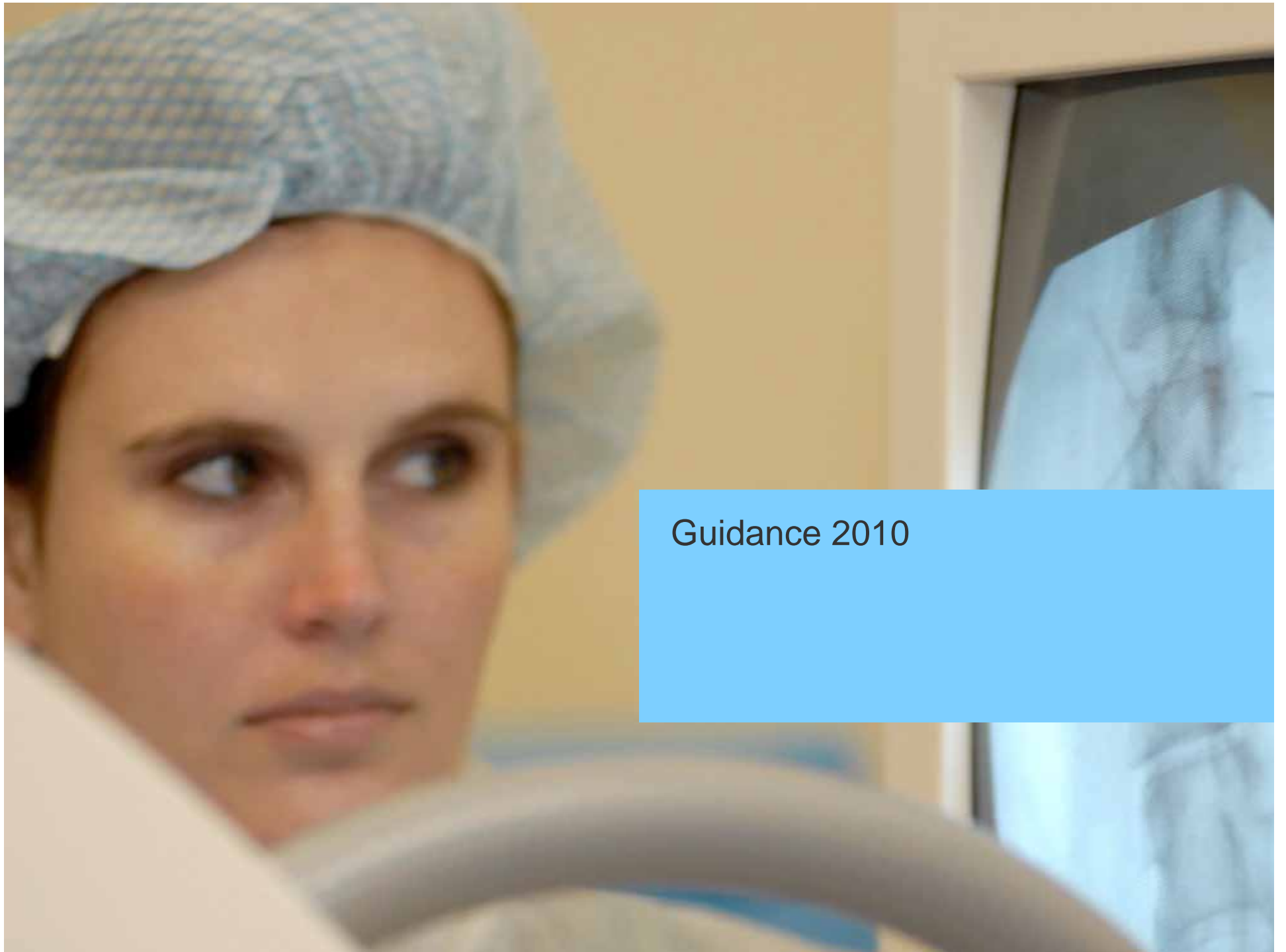
- Distribution cover of 2,1 times

Capital reductions determined after having regard for

- Degearing benefits
- SA leverage ratios
- Investment opportunities
- HPFL BEE shareholder requirements
- Non-recurring items affecting SA results
- Global credit/financial markets

Capital reductions (cents per share)





Guidance 2010

# Guidance 2010

	SA	UK
Revenue growth	Estimating revenue growth between 7% and 10%	Estimating flat revenue growth*
Operating efficiencies	Expecting improvement in EBITDA margins 17% to 18%	Expecting to maintain EBITDA margins
Capital expenditure	Estimating R800m	Estimating £55m

\* Impacted by the successful completion of Netcare UK contracts





# Audited Group results for the year ended 30 September 2009

Richard Friedland | Group CEO

Vaughan Firman | Group CFO



You're in safe hands

