



I have great pleasure in presenting my Chairman's Review for 2007, a year appropriately described as one of significant achievement and a year inspired by great commitment, enthusiasm and enterprise.

Michael Sacks *Non-Executive Chairman*

A handwritten signature in black ink, appearing to read 'Michael Sacks', with a small flourish below it.

At the outset I wish to pay tribute to the people of Netcare, who in their respective roles, have worked extremely hard during the year in delivering the Group's broad range of products and services. Today there are more than 27,000 loyal Netcare group team members who provide this support and serve to promote the Group's reputation and credibility in the eyes of the medical profession, the general public and the investor community.

When one considers that our network of hospitals, clinics and trauma centres are open for business 24 hours a day, 365 days a year, every year, it is gratifying that patients who are in need of healthcare services can, at any time, rely on a Netcare facility for specialised medical care and a quality of treatment and clinical outcomes that rank among the best in the world.

Our doctors, specialists, nurses, pharmacists and paramedics are the visible members of the Netcare family, but our administration, technical and support staff play an equally important role behind the scenes facilitating seamless access to the Group's centres of excellence and its broad range of healthcare services. These services were provided to more than five million patients during the year, not only to the affluent or medically insured but, in South Africa to thousands of indigent patients from all communities. For example, services to the indigent included the treatment by Netcare 911 paramedics and trauma personnel of 15,300 roadside emergency patients with no formal medical aid.

Performance

The acquisition of the General Healthcare Group (GHG) in the United Kingdom during May 2006 transformed the Netcare Group into one of the largest doctor and hospital networks in the world. The financial information contained in this annual report includes the first full year of trading of our United Kingdom subsidiary and for some perspective of size of the Group in both geographies, at year end, the Group enjoys an asset base in excess of R50 billion.

The disciplined management and the resultant operational efficiencies once again positioned the Group to deliver strong organic and acquisitive growth. In the year under review, total revenue from the South African and United Kingdom operations rose 66,8% to R18,6 billion yielding an EBITDA contribution of R4,0 billion. Core headline earnings per share increased by a more than satisfactory 27% to 61,8 cents.

Overall revenue growth in South Africa was 14,9% to R8,9 billion, with operating profit up 13,6% amounting to R1,4 billion. This arose substantially through a 4,5% increase in patient days in the hospital division and a 9,5% growth in our primary care visits, indicating an escalating demand for private healthcare in general and a growing preference for Netcare health services. This preference is specially revealed in the growth in self-pay revenues.

In the United Kingdom, the evolving introduction and application of Netcare's business models have proved to be highly effective and further efficiency gains are expected in the coming year. Revenue in the United Kingdom for the year was R9,7 billion resulting in a R1,6 billion contribution to group operating profit.

In addition to the improving operating performance in the United Kingdom and its capacity and potential for significant growth, the GHG owns a high-quality portfolio of hospital and related properties, an asset base already highly rated by the market and which ownership is expected to ensure significant advantage to the Group. The South African property portfolio is no less impressive and was recently valued at R9,6 billion. Given the balance sheet value of these properties at 30 September 2007 of R2,8 billion, Netcare's strategic choice of property ownership rather than rental has proved to be of immense value and these assets will likewise provide substantial benefit to the Group in due course.

Sector issues

This past year presented a number of challenges for hospital service providers and I am pleased to report that Netcare management dealt with each in an orderly, systematic and professional way. Healthcare issues are always controversial and given the enduring and perhaps logical non-alignment of interests between health funders and providers, this discord does erupt from time to time.

Allegations of impropriety were levelled at the hospital sector in regard to certain of its pricing structures, these allegations substantially borne out of a misguided belief and frustration that the traditional sector-pricing models are in some way prejudicial to the interests of their members. In addition and notwithstanding factual statistics, there is a reluctance by funders to accept and appreciate the real reasons for greater utilisation of hospital services and consequently the increasing spend on hospital expenditure.

While it took some time for the market to understand the issues, the candour and integrity of Netcare's billing models were finally understood and accepted. Notwithstanding this, Netcare had been debating the construction of its pricing policies since late 2006 and had been in the process of changing such models.

The economics of the private hospital industry and the enormous capital investment required for such enterprise makes "size and scale" a crucial feature for appropriate feasibility. Scale provides private hospital groups with the ability to optimise efficiencies, rationalise costs and standardise and maintain the highest quality of care. This must be of immense advantage to medical schemes and their membership, yet the private hospital sector continually faces ambiguous and emotional objection when there is rational opportunity for expansion.

More regular and direct engagement with medical scheme trustees should take place for a better appreciation of fundamental healthcare economics which would be in the reciprocal interests of both medical scheme members and healthcare providers.

Another area of concern that requires clarification is the misleading assertion, regularly promoted by funders and associated organisations, that the disproportionate aggregate annual cost of private healthcare at R75 billion for a mere 7 million members, compared to the public sector spend of R59 billion for 38 million people, reveals an abuse and exploitation by private hospital and healthcare providers of the reimbursive resources available. Without expanding on the detail, when one eliminates from the spend on private healthcare, value-added taxation at 14%, the cost of capital, the cost of infrastructure, the massive private sector cross-subsidy of drugs and pharmaceuticals, the distorting hospital cost of trauma and accident, the variances in labour costs, the sustainable capacity in the private sector for any and all services, the quality of outcomes and many other costs, features, advantages and benefits which should be eliminated for appropriate comparison, one must conclude that the real comparison of public/private spend is reasonable, that private healthcare in South Africa provides good value for money and is a national asset to be intentionally preserved.

Sustainability

In 2007, Netcare achieved a BEE rating of level five for Netcare and level four for Prime Cure, putting us in the top 10% of the top 200 listed companies in South Africa. Our transformation committee has recently been elevated to a main board committee and our continuing transformation processes will now carry the endorsement of the board as opposed to policy interpretation of individual managers. The board is confident that Netcare will achieve a level four BEE accreditation in the coming year.

The annual report contains comprehensive details of the Group's commitment, its support for and its diverse activities related to black economic empowerment, matters of sustainability, corporate governance and community and social investment. For a greater appreciation and understanding, I would respectively refer readers to those sections specifically dealing with these matters. What I will record, however, is that Netcare management has never needed to be prompted by charters or other such regulations to meet the imperatives of these corporate characteristics and the progress and initiatives in each case have always been unanimously supported and endorsed by the Group's board of directors.

Corporate Governance

During the year the Public Investment Corporation (PIC) published a framework for corporate governance and proxy voting policy. In September 2007, we met with the PIC to discuss the framework and to ensure that Netcare satisfactorily meets all their requirements.

We have worked hard to improve both our sustainability measures and the reporting thereof and this year we have taken cognisance of the Global Reporting Initiative (GRI) guidelines and have aimed to meet the requirements of a Level C reporter. In November 2007, the JSE announced that Netcare had met the requirements to be included in the 2007 JSE SRI Index.

Reduction of capital

Given the Group's solid performance, the board of directors declared a final reduction of capital (number 17) out of share premium of 18 cents per share, payable on 21 January 2007 to shareholders recorded in the register on 18 January 2007. This, together with the interim reduction of capital of 13 cents per share, reflects an increase in the annual distribution by 15,0% to 31 cents per share.

Prospects

The prevalent drivers of demand for private healthcare worldwide include the growing demands of an ageing population compounded by new technology which is designed to support longer life expectancy. Demand in South Africa will also likely be driven by an increased incidence of lifestyle diseases, underpinned by increasing affluence as South Africa's

economy continues to develop, improving the prospects of growth in both the medically insured and self-pay markets. This is already evident in the increase in medical aid membership in 2007 and this growth will continue to be strengthened by the expansion of the Government Employees Medical Aid Scheme (GEMS).

In the United Kingdom, our primary challenge for 2008 is revenue growth. A strong platform for growth has been established and the board is confident that with the new energy and experience of our management team, they will achieve their top-line growth objectives and further efficiency gains. On balance, prospects in the UK private healthcare are healthy, with differentiated private healthcare being relatively underdeveloped. The same demand drivers being experienced globally are also present in the UK and GHG is well positioned to capture its share of that market. Furthermore GHG, has a significant geographic presence in the UK which dovetails well with the British Government's Extended Choice programme.

Appreciation

Netcare is a unique South African institution. There is no other South African healthcare company that I know that has so enthusiastically embraced the tenets, the vision and the principles of South Africa's transformation and its approach to normalising South African society. It is a privilege for me to serve as Chairman of such an organisation and in that capacity I wish to pay tribute to the doctors and nurses and our entire management and staff – both in South Africa and the United Kingdom – for their loyalty and dedication to the Netcare Group in general and their respective subsidiary enterprises in particular. All of your efforts are recognised with extreme gratitude.

Under the leadership of our Chief Executive Officer, Dr Richard Friedland, our senior management conducted themselves with true professionalism, great insight and integrity, continuing to position the Group for its new era of growth and progress.

I would also like to thank the Chairman of our UK subsidiary Sir Peter Gershon, for his contribution to the developing success of General Healthcare Group and for the wisdom and direction he provides to the board and management of that company.

Norman Weltman's status as an executive director changed to non-executive director from 1 September 2007 and Dr Ryan Noach resigned as an executive director in December 2007. I thank them for their contribution and dedication to Netcare over the years.

Finally, I would like to extend appreciation and thanks to the members of the board of Netcare, particularly our respected non-executive directors, for always formally and informally being available and for their resourceful, enterprising and accomplished guidance and advice provided during the past year.