



Spire Healthcare - Half Year Statement

For the 6 months ended 30 June 2008

Laying solid foundations for Spire's growth through investment and strong trading



Spire Healthcare

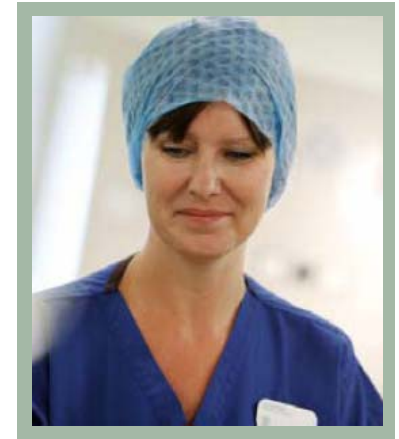
Looking after you.

I am pleased to report that Spire Healthcare has made good progress since it was formed a year ago, both in terms of the implementation of our new strategy and at a trading level.

Strategy Implementation

Spire Healthcare's mission is to be the UK's leading private provider of quality healthcare. We are achieving this by investing in quality and growth.

This year's acquisition of the Classic Hospitals group and Thames Valley Hospital (formerly BMI Gerrards Cross) has increased the Spire portfolio from 25 to 36 hospitals and made Spire the UK's second largest private hospital group. We received OFT clearance for the acquisition in June and are now completing the integration of the businesses to enable us to release synergies and focus on improving performance.



Spire Leeds Hospital

Investment in the Spire hospital portfolio is laying a solid foundation for our future growth. Already this year we have completed a new theatre and ward development at Washington, and the installation of a CT scanner at Norwich and combined CT and MRI scanning facilities at both Portsmouth and Southampton. Seven more static scanners and one new theatre are due to open in 2008 and we continue to roll-out the PACS radiology system across the hospital network. We also began work on site for the new £25m hospital at Shawfair in Edinburgh and our major £10m expansion at Bristol. So far this year we have invested capital expenditure of £19m across the 36 hospital network.

Spire's new strategy of focussing on local delegation and working with consultants as partners to grow our private revenues continues to be well-received. For the first time, we have begun a bottom-up planning exercise with consultants and hospital management teams to produce three year development plans for individual hospitals. This process is helping to increase both engagement and alignment with all key stakeholders in our business.



Imagery of new Spire hospital at Shawfair, Edinburgh



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Trading Performance

At the half-year point, trading performance of the newly integrated businesses is on plan. Like-for-like revenue for the original Spire Healthcare and Classic hospitals is up 9% on prior year.

Private Medical Insurance-funded business remains around two-thirds of total income. Despite a more challenging economic climate, insurers are reporting continued growth in subscribers. However, the self pay market has come under pressure as some consumers choose to delay the decision to cash-fund private hospital treatment. Against this trend we have seen significant growth in demand for self-funded weight loss surgery.

Spire supplements hospital activity by offering capacity to treat NHS patients where it is viable to do so without undermining our premium private proposition. Our "phase two" contract activity with the NHS in the north east and north west has grown strongly in the first half. We have also seen an increase in choose and book patients throughout England since the introduction of the free choice policy from April this year. This is in addition to our established local contracting relationships with PCTs and NHS Trust Hospitals.



Secure Bank Funding in Place

As reported in our Annual Review, the acquisition of 25 hospitals from Bupa in 2007 was partly financed by a bridging facility which was put in place in August 2007 with an expiry date of end May 2009. This bridging facility was originally negotiated as part of a wider financing arrangement, under which it was to be replaced by a facility with a seven year term commencing on the date on which the bridging facility was first made available.

During the first half of the year and over the summer of 2008, discussions with our lenders have continued and these were concluded on 25 September 2008. Therefore, as at the date of this report, the bridging debt has been fully repaid and the seven year loan facility is now in place.



Spire Bristol Hospital

Outlook

The Spire Healthcare Board is optimistic about the prospects for our business. The underlying fundamentals of the health care market are attractive and we are now clearly established as a leading provider. We are providing an injection of management energy and investment to the business which has stimulated a very encouraging response from our consultants, staff and other stakeholders.

Clearly we cannot be immune to the wider economic circumstances affecting the UK and global market. We expect to see some slow-down in demand in the coming months, particularly in the self-pay segment. With this in mind we are focussed on growing stronger relationships with our referring doctors and working even harder to promote existing and new services through delivery of a superior quality service to patients. At the same time we continue to seek greater operational efficiencies while improving the quality of care we provide.



I took over as Chairman of the Spire Healthcare Board in July of this year. I have been impressed by the people I have met across Spire Healthcare, and believe in the strong future of the business.

On behalf of my fellow directors, I would like to acknowledge the commitment and support of the staff and consultants during the establishment of a new era for Spire Healthcare. The board looks forward to continuing the development of the business and its people during the coming months and years.

Robert Cooke Chairman

September 2008

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Robert Cooke, Chairman