# AUDITED RESULTS OF

# MEDICLINIC INTERNATIONAL LIMITED

## AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 AND DECLARATION OF CASH DIVIDEND

Incorporated in the Republic of South Africa Reg. No. 1983/010725/06 Share code: MDC ISIN code: ZAE000074142 Income tax no: 9950122714 ("Mediclinic" or "the Company")

### CONSOLIDATED INCOME STATEMENT

| for the year ended 31 March | Notes | 2013 R'm | Change % | 2012 R'm |
|---|---|---|---|---|
| **Revenue** | 1 | **24 562** | 12% | 21 986 |
| Cost of sales | | **(13 845)** | | (12 314) |
| Administration and other operating expenses | | **(5 454)** | | (5 003) |
| **Operating profit before depreciation (EBITDA)** | 2 | **5 263** | 13% | 4 669 |
| Depreciation and amortisation | | **(999)** | | (910) |
| **Operating profit** | | **4 264** | | 3 759 |
| Other gains and losses | 3 | **531** | | (26) |
| Income from associates | | **2** | | 1 |
| Finance income | | **68** | | 85 |
| Finance cost | 4 | **(5 166)** | | (1 642) |
| **(Loss)/profit before tax** | | **(301)** | | 2 177 |
| Income tax expense | | **(442)** | | (693) |
| **(Loss)/profit for the year** | | **(743)** | | 1 484 |
| **Attributable to:** | | | | |
| Equity holders of the Company | | **(1 002)** | | 1 221 |
| Non-controlling interests | | **259** | | 263 |
| | | **(743)** | | 1 484 |
| | | **No. ('000)** | | No. ('000) |
| **PER SHARE PERFORMANCE** | | | | |
| **Weighted average number of shares** | | | | |
| Before rights offer | | **714 856** | | 627 280 |
| Adjustment for rights offer (IAS 33 para 26) | | **27 002** | | 51 872 |
| Weighted average number of ordinary shares in issue | | **741 858** | | 679 152 |
| **Diluted weighted average number of shares** | | | | |
| Before rights offer | | **735 860** | | 651 779 |
| Adjustment for rights offer (IAS 33 para 26) | | **27 002** | | 51 872 |
| Diluted weighted average number of ordinary shares in issue | | **762 862** | | 703 651 |
| | | **cents** | | cents |
| **Earnings per ordinary share** | | | | |
| – Basic (loss)/earnings basis | | **(135.0)** | (175%) | 179.8 |
| – Diluted (loss)/earnings basis | | **(131.3)** | | 173.5 |
| – Basic headline (loss)/earnings basis | | **(135.6)** | (175%) | 179.9 |
| – Diluted headline (loss)/earnings basis | | **(131.9)** | | 173.7 |
| – Basic normalised headline earnings basis | | **273.2** | 53% | 178.3 |
| – Normalised diluted headline earnings basis | | **265.7** | | 172.1 |
| **Dividends per ordinary share** | | | | |
| – interim | | **25.3** | | 23.0 |
| – final | | **60.5** | | 55.0 |
| | | **85.8** | | 78.0 |
| | | **2013 R'm** | | 2012 R'm |
| **EARNINGS RECONCILIATION:** | | | | |
| (Loss)/profit attributable to shareholders | | **(1 002)** | | 1 221 |
| Re-measurements for headline earnings | | **(6)** | | 1 |
| Profit on sale of property, equipment and vehicles | | **(6)** | | (1) |
| Impairment of property and equipment | | **-** | | 2 |
| Income tax effects | | **1** | | – |
| **Headline (loss)/earnings** | | **(1 007)** | (182%) | 1 222 |
| Re-measurements for normalised headline earnings | | **3 331** | | (14) |
| Group one-off refinancing charges | | **3 215** | | – |
| Pre-acquisition tariff provision | | **151** | | – |
| Past service cost | | **(35)** | | (14) |
| Income tax effects | | **(297)** | | 3 |
| **Normalised headline earnings** | | **2 027** | 67% | 1 211 |

### NOTES TO THE SUMMARISED FINANCIAL STATEMENTS

| | 2013 R'm | Change % | 2012 R'm |
|---|---|---|---|
| **1. REVENUE RECONCILIATION** | | | |
| Revenue | **24 562** | | 21 986 |
| *Adjusted for:* | | | |
| Pre-acquisition tariff provision | **151** | | – |
| **Normalised revenue** | **24 713** | 12% | 21 986 |
| **2. EBITDA RECONCILIATION** | | | |
| Operating profit before depreciation (EBITDA) | **5 263** | | 4 669 |
| *Adjusted for:* | | | |
| Past service cost | **(35)** | | (14) |
| Impairment of property and equipment | **-** | | 4 |
| Pre-acquisition tariff provision | **151** | | – |
| **Normalised EBITDA** | **5 379** | 15% | 4 659 |
| **3. OTHER GAINS AND LOSSES** | | | |
| Realised gains on forward contracts | **574** | | 24 |
| Stamp duty | **(41)** | | – |
| Other | **(2)** | | (50) |
| | **531** | | (26) |
| **4. FINANCE COST** | | | |
| Interest | **1 301** | (18%) | 1 579 |
| Amortisation of capitalised financing fees | **89** | | 81 |
| Loan breakage charges | **54** | | – |
| Preference share dividend | **59** | | – |
| Accelerated recognition of capitalised financing fees | **163** | | – |
| Derecognition of Swiss interest rate swap | **3 531** | | – |
| Less: amounts included in the cost of qualifying assets | **(31)** | | (18) |
| | **5 166** | | 1 642 |
| **5. COMMITMENTS** | | | |
| Capital commitments | **2 766** | | 2 161 |
| Southern Africa | **2 050** | | 1 427 |
| Middle East | **27** | | 31 |
| Switzerland | **689** | | 703 |
| | **R** | | R |
| **6. EXCHANGE RATES** | | | |
| Average Swiss franc (ZAR/CHF) | **9.05** | | 8.45 |
| Closing Swiss franc (ZAR/CHF) | **9.69** | | 8.50 |
| Average UAE dirham (ZAR/AED) | **2.32** | | 2.03 |
| Closing UAE dirham (ZAR/AED) | **2.51** | | 2.09 |
| | **No. ('000)** | | No. ('000) |
| **7. NUMBER OF SHARES ISSUED** | | | |
| Number of ordinary shares in issue | **826 957** | | 652 315 |
| Number of ordinary shares held in treasury | **(21 281)** | | (23 758) |
| Number of ordinary shares in issue net of treasury shares | **805 676** | | 628 557 |

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| for the year ended 31 March | 2013 R'm | 2012 R'm |
|---|---|---|
| (Loss)/profit for the year | **(743)** | 1 484 |
| **Other comprehensive income** | | |
| **Items that may be reclassified to the income statement** | | |
| Currency translation differences | **1 705** | 1 405 |
| Fair value adjustment to cash flow hedges (net of tax) | **3 203** | (1 126) |
| **Items that may not be reclassified to the income statement** | | |
| Actuarial gains and losses (net of tax) | **201** | (403) |
| Other comprehensive income/(loss), net of tax | **5 109** | (124) |
| **Total comprehensive income for the year** | **4 366** | 1 360 |
| **Attributable to:** | | |
| Equity holders of the Company | **4 064** | 1 035 |
| Non-controlling interests | **302** | 325 |
| | **4 366** | 1 360 |

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| as at 31 March | 2013 R'm | 2012 R'm |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | **47 875** | 42 033 |
| Property, equipment and vehicles | **40 233** | 34 808 |
| Intangible assets | **7 279** | 6 350 |
| Investments in associates | **2** | 1 |
| Other investments and loans | **17** | 662 |
| Derivative financial instruments | **100** | – |
| Deferred income tax assets | **244** | 212 |
| **Current assets** | **8 899** | 8 162 |
| Inventories | **684** | 582 |
| Trade and other receivables | **5 466** | 4 815 |
| Current income tax assets | **44** | 4 |
| Derivative financial instruments | **-** | 24 |
| Other investments and loans | **-** | 128 |
| Investment in money market funds | **-** | 510 |
| Cash and cash equivalents | **2 705** | 2 099 |
| **Total assets** | **56 774** | 50 195 |
| **EQUITY AND LIABILITIES** | | |
| **Total equity** | **18 175** | 11 404 |
| Share capital and reserves | **17 379** | 10 116 |
| Non-controlling interests | **796** | 1 288 |
| **LIABILITIES** | | |
| **Non-current liabilities** | **32 537** | 32 969 |
| Borrowings | **25 359** | 22 864 |
| Deferred income tax liabilities | **6 227** | 5 303 |
| Retirement benefit obligations | **501** | 823 |
| Provisions | **365** | 240 |
| Derivative financial instruments | **85** | 3 739 |
| **Current liabilities** | **6 062** | 5 822 |
| Trade and other payables | **4 135** | 3 460 |
| Borrowings | **1 011** | 1 930 |
| Provisions | **322** | 121 |
| Derivative financial instruments | **65** | – |
| Current income tax liabilities | **529** | 311 |
| **Total liabilities** | **38 599** | 38 791 |
| **Total equity and liabilities** | **56 774** | 50 195 |
| Net asset value per ordinary share cents | **2 157.1** | 1 609.4 |

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| for the year ended 31 March | 2013 R'm | 2012 R'm |
|---|---|---|
| **Opening balance** | **11 404** | 10 560 |
| Shares issued | **5 000** | – |
| Share issue costs | **(104)** | – |
| Movement in shares held in treasury | **13** | 19 |
| Movement in share-based payment reserve | **5** | 6 |
| Capital contributed by non-controlling interests | **-** | 3 |
| Non-controlling interests acquired by the Group | **(588)** | – |
| Total comprehensive income for the period | **4 366** | 1 360 |
| Transactions with non-controlling shareholders | **(1 268)** | 3 |
| Gain on sale of nil-paid letters of allocation | **41** | – |
| Distributed to shareholders | **(488)** | (436) |
| Distributed to non-controlling interests | **(206)** | (111) |
| **Closing balance** | **18 175** | 11 404 |
| **Comprising** | | |
| Share capital | **11 027** | 65 |
| Share premium* | **-** | 6 066 |
| Treasury shares | **(256)** | (269) |
| Share-based payment reserve | **140** | 135 |
| Foreign currency translation reserve | **4 833** | 3 171 |
| Hedge reserve | **(20)** | (3 223) |
| Retained earnings | **1 655** | 4 171 |
| **Shareholders' equity** | **17 379** | 10 116 |
| Non-controlling interests | **796** | 1 288 |
| **Total equity** | **18 175** | 11 404 |

**During the year the par value ordinary shares were converted into no par value ordinary shares and consequently the share premium balance was transferred to the ordinary share account as stated capital.*

### CONSOLIDATED STATEMENT OF CASH FLOWS

| for the year ended 31 March | 2013 R'm | 2012 R'm |
|---|---|---|
| Cash flow from operating activities | **3 554** | 2 216 |
| Cash generated from operations | **5 577** | 4 266 |
| Net finance cost | **(1 509)** | (1 525) |
| Taxation paid | **(514)** | (525) |
| Cash flow from investment activities | **(537)** | (1 055) |
| Investment to maintain operations | **(792)** | (731) |
| Investment to expand operations | **(1 249)** | (742) |
| Proceeds on disposal of property, equipment and vehicles | **52** | 23 |
| Proceeds from derivative financial instruments | **25** | 24 |
| Insurance proceeds | **-** | 27 |
| Proceeds from other investments and loans | **4** | 5 |
| Purchases of FVTPL financial assets | **-** | (144) |
| Proceeds from FVTPL financial assets | **868** | 134 |
| Proceeds from money market funds | **1 200** | 823 |
| Purchases of money market funds | **(657)** | (507) |
| Interest received | **12** | 33 |
| Cash flow from financing activities | **(2 839)** | (735) |
| Proceeds from shares issued | **5 000** | – |
| Share issue costs | **(104)** | – |
| Distributions to shareholders | **(488)** | (436) |
| Distributions to non-controlling interests | **(206)** | (111) |
| Proceeds from borrowings | **21 996** | (214) |
| Repayment of borrowings | **(24 941)** | – |
| Settlement of interest rate swap | **(1 633)** | – |
| Proceeds from disposal of treasury shares | **27** | 28 |
| Treasury shares purchased | **(16)** | (9) |
| Contributions by non-controlling interests | **-** | 7 |
| Acquisition of non-controlling interests | **(1 971)** | – |
| Refinancing transaction costs | **(615)** | – |
| Proceeds on disposal of nil-paid letters of allocation | **41** | – |
| Proceeds on disposal of non-contolling interest | **71** | – |
| Net movement in cash, cash equivalents and bank overdrafts | **178** | 426 |
| Opening balance of cash, cash equivalents and bank overdrafts | **1 981** | 1 447 |
| Exchange rate fluctuations on foreign cash | **541** | 108 |
| Closing balance of cash, cash equivalents and bank overdrafts | **2 700** | 1 981 |
| Cash and cash equivalents | **2 705** | 2 099 |
| Bank overdrafts | **(5)** | (118) |
| | **2 700** | 1 981 |

### SEGMENTAL REPORT

| for the year ended 31 March | 2013 R'm | 2012 R'm |
|---|---|---|
| **Revenue** | | |
| Southern Africa | **10 185** | 9 423 |
| Middle East | **2 485** | 1 831 |
| Switzerland | **11 892** | 10 732 |
| | **24 562** | 21 986 |
| **EBITDA** | | |
| Southern Africa | **2 169** | 1 957 |
| Middle East | **495** | 348 |
| Switzerland | **2 599** | 2 364 |
| | **5 263** | 4 669 |
| **Operating profit** | | |
| Southern Africa | **1 887** | 1 701 |
| Middle East | **382** | 250 |
| Switzerland | **1 995** | 1 808 |
| | **4 264** | 3 759 |

*The consolidation of the governance functions within the Group has resulted in a change in the composition of the reportable segments. The prior year has been restated accordingly.*

**Danie Meintjes, CEO of Mediclinic International commented:**

> *"We are delighted to report that all our operations delivered thoroughly satisfactory performances. This was supported by increased patient admissions and bed-days sold combined with an increased average income per stay.*
>
> *The positive leveraging impact of the Group's capital structure and the buy-out of minorities in Emirates Healthcare contributed to our strong financial performance judged on a normalised basis after one-off items.*
>
> *Meeting the needs of our patients in the most cost-effective way remains a key priority for us and we will continue to invest in better facilities and processes to improve the patient experience across our Group. Despite regulatory uncertainties, we remain optimistic about our role in delivering quality care in the markets we serve, as confirmed by the substantial capital investments we are making in Southern Africa, Switzerland and the United Arab Emirates."*

### TRADING RESULTS

We are pleased to report that the Mediclinic Group has maintained its consistent growth pattern.

Group normalised revenue increased by 12% to R24 713m (2012: R21 986m) for the year under review. Normalised operating profit before interest, tax, depreciation and amortisation ("normalised EBITDA") was 15% higher at R5 379m (2012: R4 659m). The leveraging effect of the capital structure of the Group enhanced financial performance and resulted in basic normalised headline earnings per share growth of 53% to 273.2 cents (2012: 178.3 cents) compared to the normalised EBITDA growth of 15%. The Group's normalised EBITDA margin increased from 21.2% to 21.8% at year end. An adjustment was made to the prior year's earnings per share in terms of IFRS (International Financial Reporting Standards) as detailed in the paragraph 'Weighted average number of shares adjustment'.

As reported in the interim results announcement on 6 November 2012, a number of one-off items relating to the refinancing of the Group's debt occurred. Details of a number of corporate activities were released on SENS during the year and a summarised SENS announcement was released on 17 October 2012. The announcements reported on the successful elective refinancing of the Group's debt and the successful conclusion of a R5 billion rights offer, as well as the conclusion of the buy-out of the minority interest in Emirates Healthcare (which has subsequently been rebranded to Mediclinic and is referred to as Mediclinic Middle East hereinafter). The one-off charges amount to R3 215m (R2 946m after tax) and comprise of the following:

- the derecognition of the mark-to-market liability relating to the Mediclinic Switzerland interest rate swap of R3 531m (R3 311m after tax);
- accelerated amortisation charges of capitalised financing expenses of R163m (R129m after tax);
- loan breakage charges of R54m (R39m after tax) relating to existing South African debt;
- Swiss stamp duty of R41m (R41m after tax), partially offset by a realised gain of R574m (R574m after tax) on foreign exchange forward contracts.

In addition, the Group results also include the following one-off items:

- a pre-acquisition Swiss tariff provision charge of R151m (R115m after tax); and
- a past service cost credit of R35m (R27m after tax) due at one of the Group's pension funds.

Including the one-off items, headline earnings declined by 182% to a loss of R1 007m (2012: profit of R1 222m) and basic headline earnings per ordinary share decreased by 175% to a loss of 135.6 cents (2012: profit of 179.9 cents).

The average ZAR/Swiss franc (CHF) exchange rate was R9.05 compared to R8.45 for the comparative period and the average UAE dirham (AED) was R2.32 compared to R2.03 for the comparative period. These movements in the exchange rates had a positive effect on the reported results, as detailed under Hirslanden's and Mediclinic Middle East's financial performance sections.

#### BEE structure enhancement

An agreement was reached with one of our empowerment partners, Phodiso, to extend their lock-in period by two years to the end of 2018. The transaction involved the refinancing of existing third party bank facilities and a cash distribution to Phodiso arising from the sale of rights offer entitlements on the October 2012 rights issue. The transaction was supported by the substantial value that exists in the applicable BEE structure.

#### Finance cost

Finance cost includes the following items:

- R3 531m (2012: Rnil) derecognition of the Swiss interest rate swap;
- R163m (2012: Rnil) accelerated recognition of capitalised financing expenses; and
- R89m (2012: R81m) amortisation of capitalised financing expenses.

The capitalised financing expenses are amortised over the terms of the relevant loans in line with future cash payments as prescribed in IAS 39 Financial Instruments.

#### Cash flow

The Group's cash flow continued to be strong. The Group converted 104% (2012: 92%) of normalised EBITDA into cash generated from operations. Cash and cash equivalents increased from R2 099m at 31 March 2012 to R2 705m at year end.

#### Interest-bearing borrowings

Interest-bearing borrowings increased from R24 794m at 31 March 2012 to R26 370m at year end, mainly as a result of the change in the closing ZAR/CHF exchange rate. The closing ZAR/CHF exchange rate moved from R8.50 at 31 March 2012 to R9.69 at year end. It is important to note that the foreign debt of the Group's Swiss and Middle Eastern operations, amounting to R20 553m, is matched with foreign assets in the same currencies. The foreign debt has no recourse to the Southern African operations' assets.

#### Assets

Property, equipment and vehicles increased from R34 808m at 31 March 2012 to R40 233m at year end and intangible assets increased from R6 350m at 31 March 2012 to R7 279m at year end. These increases are mainly as a result of the change in the closing ZAR/CHF and the ZAR/AED exchange rate, as mentioned above.

Other investments and loans decreased from R790m at 31 March 2012 to R17m at year end, mainly due to the sale of most of the investment grade bond portfolio. The investment in money market funds was converted to cash.

#### Dividend

The final dividend per share is 60.5 cents (2012: 55.0 cents). The total dividend per share for the period under review is 85.8 cents (2012: 78.0 cents).

#### Weighted average number of shares adjustment

In terms with IAS 33 paragraph 26, an adjustment to the weighted average number of shares in issue for the period under review and the prior year is required, since the rights offer share price of R28.63 per share was less than the market value on the last day to trade in shares in order to participate in the rights offer. Consequently, the basic headline earnings per share for the prior year decreased by 15.0 cents and basic normalised headline earnings per share for prior year decreased by 14.7 cents.

- STRONG PERFORMANCE BY ALL THREE OPERATING PLATFORMS
- GROUP REFINANCING AND R5 BILLION RIGHTS OFFER SUCCESSFULLY CONCLUDED
- BUY-OUT OF EMIRATES HEALTHCARE MINORITIES
- NORMALISED GROUP EBITDA MARGIN INCREASED FROM **21.2%** TO **21.8%**
- BASIC NORMALISED HEADLINE EARNINGS PER SHARE INCREASED BY **53%** TO **273.2** CENTS
- FINAL DIVIDEND PER ORDINARY SHARE INCREASED TO **60.5** CENTS (2012: 55.0 CENTS)

MEDICLINIC INTERNATIONAL

**Normalised non-IFRS financial measures**

The Group uses normalised revenue, normalised EBITDA, normalised headline earnings and normalised basic headline earnings per share as non-IFRS measures in evaluating performance and as a method to provide shareholders with clear and consistent reporting. These non-IFRS measures are defined as reportable EBITDA, headline earnings and basic headline earnings per share in terms of accounting standards, excluding one-off items, as detailed above.

## OPERATIONS IN SOUTHERN AFRICA

MEDICLINIC SOUTHERN AFRICA

Financial performance

Mediclinic Southern Africa's normalised revenue increased by 8% to R10 185m (2012: R9 423m) for the year under review. Normalised EBITDA was 11% higher at R2 169m (2012: R1 957m).

After incurring depreciation charges of R282m (2012: R256m), net finance charges of R369m (2012: R328m), taxation of R442m (2012: R434m) and deducting the interest of minority shareholders in the attributable income of the Southern African group amounting to R170m (2012: R152m), the Southern African operations contributed R906m (2012: R787m) to the normalised attributable income of the Group.

Business performance

The 8% revenue growth was achieved through a 3.5% increase in bed-days sold and a 4.6% increase in the average income per bed-day. Medical cases continued increasing at a higher rate than surgical cases. The number of patients admitted increased by 2.4%, while the average length of stay increased by 1.1%.

The normalised EBITDA margin of the Southern African operations increased from 20.8% to 21.3%.

Mediclinic Southern Africa's cash flow continued to be strong as it converted 113% (2012: 97%) of normalised EBITDA into cash generated from operations.

Cash and cash equivalents increased from R821m at 31 March 2012 to R1 305m at year end.

Interest-bearing borrowings increased from R3 631m at 31 March 2012 to R5 817m at year end as part of the refinancing of the Group's debt.

Projects and capital expenditure

During the reporting period the Southern African operations spent R445m (2012: R293m) on capital projects and new equipment to enhance its business, as well as R249m (2012: R230m) on the replacement of existing equipment. In addition, R282m (2012: R274m) was spent on the repair and maintenance of property and equipment, charged through the income statement. For the next financial year, R765m is budgeted for capital projects and new equipment to enhance its business, R276m for the replacement of existing equipment and R279m for repairs and maintenance. Incremental EBITDA resulting from capital projects in progress or approved is budgeted to amount to R42m and R83m in 2014 and 2015 respectively.

The number of licensed hospital beds increased from 7 378 to 7 436 during the year under review.

During the past year a number of building projects were completed at various hospitals, creating 58 additional beds as well as new consulting rooms and involving a number of facility upgrades.

Building projects in progress which should be completed during the next financial year will add 139 additional beds as well as new consulting rooms, a cardiology unit and a number of facility upgrades.

The number of licensed beds is expected to increase from 7 436 to 7 575 during the next financial year.

Several building projects in progress should be completed during the 2015 financial year, of which the establishment of the new Mediclinic Centurion (174 beds) is the most significant development.

Regulatory environment

Within the broader health sector context, the government maintains its commitment to achieve universal coverage through a National Health Insurance (NHI) system. A White Paper on the NHI is expected to be published during the year ahead and Mediclinic will continue to engage with both government and other relevant stakeholders on the most appropriate design and mechanisms to pursue universal coverage within the South African context.

The Competition Commission is set to initiate an inquiry into the private healthcare sector within the year. Mediclinic is engaging with the Commission's representatives and the draft Terms of Reference and the envisaged process have been discussed. The Commission stated that it wishes to finalise the inquiry by December 2014.

## OPERATIONS IN SWITZERLAND

HIRSLANDEN

Financial performance

Hirslanden's normalised revenue increased by 12% (5% at constant foreign exchange rates) to R12 043m (CHF1 330m) (2012: R10 732m (CHF1 270m)) for the year under review. Normalised EBITDA was 16% higher (8% higher at constant foreign exchange rates) at R2 716m (CHF300m) (2012: R2 350m (CHF278m)).

After incurring depreciation charges of R604m (CHF67m) (2012: R556m (CHF66m)), net finance charges of R1 014m (CHF112m) (2012: R1 239m (CHF147m)), tax of R297m (CHF33m) (2012: R260m (CHF31m)) and income from associate of R2m (CHF0.2m) (2012: R1m (CHF0.1m), Hirslanden contributed R803m (CHF88m) (2012: R296m (CHF34m)) to the attributable income of the Group.

Business performance

The 5% normalised revenue growth was achieved through inpatient admissions increasing by 2.6% during the reporting period, while the average length of stay decreased slightly and the average revenue per case increased by 2.0%, due to higher acuity levels.

The normalised EBITDA margin of Hirslanden increased from 21.9% to 22.6%.

Hirslanden converted 93% (2012: 84%) of normalised EBITDA into cash generated from operations.

Cash and cash equivalents decreased from R588m (CHF69m) at 31 March 2012 to R536m (CHF55m) at year end.

Interest-bearing borrowings decreased from R20 723m (CHF2 438m) at 31 March 2012 to R18 997m (CHF1 960m) at year end, mainly due to the refinancing of Swiss debt, counteracted by the increase in the closing ZAR/CHF exchange rate.

Projects and capital expenditure

During the reporting period Hirslanden invested R741m (CHF82m) (2012: R456m (CHF54m)) in capital projects and new equipment to enhance its business, as well as R498m (CHF55m) (2012: R413m (CHF49m)) in the replacement of existing equipment. In addition, R317m (CHF35m) (2012: R292m (CHF35m)) was spent on the repair and maintenance of property and equipment, charged through the income statement. For the current financial year CHF58m is budgeted for capital projects and new equipment, CHF52m for the replacement of existing equipment and CHF34m for repairs and maintenance. Incremental EBITDA resulting from capital projects in progress or approved is budgeted to amount to CHF6m and CHF13m in 2014 and 2015 respectively.

The number of fully operational inpatient beds increased to 1 487 (2012: 1 479) during the period under review, mainly due to an additional 8 inpatient beds that were opened at Klinik St. Anna in early 2013.

Building projects completed during the period under review were:

- The Group's largest construction project, the new wing (Enzenbühl Trakt) at Klinik Hirslanden in Zurich, was substantially completed during the period under review, and formally opened during May 2013. With a total area of around 16 710 square metres, the wing will house doctors' practices, specialised centres of medical competence, a modern intensive care unit, operating theatres and an additional 72 inpatient beds and 8 ICU beds. A whole floor will be dedicated to Hirslanden Privé (the private insurance service offering). The new wing is state-of-the-art in terms of comfort and care, and also, with the integration of a whole range of centres of medical competence and inter-disciplinary teams, well positions Klinik Hirslanden towards becoming even more of a private hospital with the character of a traditional Swiss university hospital.
- At Klinik Stephanshorn, the health centre was opened as planned in September 2012. The centre consists of five doctor practices and a walk-in emergency centre.

The major ongoing expansion projects are as follows:

- Klinik Stephanshorn will open its new intensive care unit (ICU) during July 2013. The creation of an ICU is especially important for the hospital to obtain the inclusion of certain medical services on the canton of St. Gallen's hospital list, expected to become effective at the beginning of 2014.
- A new centre at Berne main station, offering basic medical care, specialist and emergency consultation and other services, will be opened in August 2013.

Hirslanden is also investing in structural maintenance and innovative medical technology:

- At Klinik St. Anna in Lucerne, around 70 rooms have been renovated in the last three years. All of the hospital's wards will have been brought up to the newest standards by 2015.
- For the treatment of tumours, TrueBeam linear accelerators were installed at the radiotherapy unit at Klinik Hirslanden in Zurich, and the radio-oncology unit at Clinique Bois-Cerf in Lausanne. This cutting-edge technology device enables both conventional radiation and stereotactical radiotherapy, with a precision of less than one millimetre.
- A Da-Vinci robot, a system for minimally invasive surgical treatment, was brought into service at Klinik Beau-Site in Berne in February 2013. It is now the third unit of this type in the Hirslanden group.

The number of licensed beds is expected to increase from 1 487 to 1 561 during the next financial year.

Regulatory environment

The year under review was the first full 12 months regulated by the revised Swiss Health Insurance Act (KVG) introducing fundamental changes in the Swiss health sector not seen since the KVG's establishment in 1996, and presenting numerous legal and political uncertainties. As reported before, the changes involved: (i) the introduction of fixed fees for inpatient services based on the new Swiss Diagnosis Related Grouping (DRG); (ii) a new hospital financing system which redefines the funding ratios of the cantons versus the health insurance companies; and (iii) the revision of the hospital planning that led to new hospital lists, defining those hospitals that are eligible to treat generally insured patients. Many rules were introduced provisionally or at very short notice, some even with backdated effect. Hirslanden succeeded in meeting the challenge of interpreting these rules appropriate from both a strategic and operational point of view, while simultaneously contributing to the group's growth strategy.

As previously reported, despite the fact that the new system is operational a number of areas that have not been finalised and remain uncertain including:

- the applicable base rate per canton of the DRG pricing;
- hospital lists in some cantons are still under debate or being legally challenged;
- restrictions in cantonal legislation could impact on the business;
- highly specialised medicine (HSM) developments can have an impact on the future patient profile of some hospitals; and
- cantons subsidising public hospitals.

## OPERATIONS IN UNITED ARAB EMIRATES

MEDICLINIC MIDDLE EAST

Financial performance

Mediclinic Middle East's normalised revenue increased by 36% (19% at constant foreign exchange rates) to R2 485m (AED1 072m) (2012: R1 831m (AED902m)) for the year under review. Normalised EBITDA increased by 41% (23% at constant exchange rates) to R495m (AED214m) (2012: R352m (AED174m)).

After incurring depreciation charges of R113m (AED49m) (2012: R98m (AED48m)), net finance charges of R63m (AED27m) (2012: R27m (AED14m)) and the sharing of minority shareholders in the attributable income of Mediclinic Middle East amounting to R87m (AED38m) (2012: R113m (AED56m)), Mediclinic Middle East contributed R232m (AED100m) (2012: R114m (AED56m)) to the attributable income of the Group.

Business performance

The 19% revenue growth was achieved through inpatient hospital admissions increasing by 13%, while hospital outpatient consultations and visits to the emergency units increased by 8%. Clinic outpatient consultations increased by 14%.

The normalised EBITDA margin of Mediclinic Middle East increased from 19.2% to 19.9%.

Mediclinic Middle East converted 125% (2012: 119%) of normalised EBITDA into cash generated from operations.

Cash and cash equivalents increased from R325m (AED155m) at 31 March 2012 to R629m (AED250m) at year end. Interest-bearing borrowings increased from R440m (AED210m) at 31 March 2012 to R1 556m (AED619m) at year end, mainly because of the refinancing and the buy-out of Mediclinic Middle East's minority interests.

Projects and capital expenditure

During the reporting period Mediclinic Middle East invested R62m (AED27m) (2012: R26m (AED13m)) in capital projects and new equipment to enhance its business as well as R45m (AED19m) (2012: R25m (AED12m)) in the replacement of existing equipment. In addition, R43m (AED19m) (2012: R35m (AED17m)) was spent on the repair and maintenance of property and equipment, charged through the income statement. For the next financial year, AED88m is budgeted for capital projects and new equipment to enhance its business in the longer term, AED8m for the replacement of existing equipment and AED17m for repairs and maintenance.

The number of licensed beds is 382, which includes 27 day beds available at the clinics.

Building projects completed during the period under review:

- Following the closure of Emirates Diagnostic Clinic, Mediclinic Middle East launched a new clinic, Mediclinic Beach Road. The new clinic significantly expands the primary healthcare offering of the group. Mediclinic Beach Road opened in December 2012.
- Mediclinic City Hospital opened its second floor as a dedicated outpatient department and the remaining corporate staff members were relocated from the 7th floor of Mediclinic City Hospital to Mediclinic Dubai Mall, allowing for 30 additional beds, increasing the operational bed capacity of the hospital by 15%.

Ongoing capital projects:

- The land exchange of the Creek plot for the vacant plot adjacent to Mediclinic City Hospital was approved by Dubai Healthcare City. It is planned to develop the adjacent plot as an extension to the hospital at an estimated cost of AED213m, which will include a state-of-the-art oncology unit developed in association with Hirslanden, an expanded reference laboratory servicing the entire Mediclinic Middle East, a day surgery unit, a rehabilitation centre and Mediclinic Middle East's corporate offices, which will relocate from Mediclinic Dubai Mall, freeing up additional clinical space there. The expected completion date of the project is in the second quarter of 2015 (calendar year).
- The development of Mediclinic Middle East's first clinic in Abu Dhabi, Mediclinic Corniche, is ongoing and should open in the last quarter of 2013 (calendar year), providing a platform for future growth in this emirate.

## CHANGES TO THE BOARD OF DIRECTORS

During the period under review, the following changes to the Board were approved, as previously announced.

Following the tragic passing away of Mr Thys Visser on 26 April 2012, Mr Jannie Durand, Chief Executive Officer of Remgro, was appointed as a non-executive director of the Company with effect from 7 June 2012.

Mr Joseph Cohen, Ms Zodwa Manase, Dr Mamphela Ramphele and Prof Wynand van der Merwe retired as directors of the Company at the annual general meeting on 26 July 2012. Mr Chris van den Heever also resigned as a director on 1 February 2013. The Board is thankful to them for the significant contribution they have made over a long period to the Group.

Dr Edwin Hertzog retired from his executive role with effect from 31 August 2012, but remains on the Board as a non-executive chairman.

Mr Alan Grieve, Ms Nandi Mandela and Mr Trevor Petersen were appointed as independent non-executive directors of the Company with effect from 13 September 2012. Subsequent to year end, Mr Pieter Uys, an Investment Manager at Remgro, was appointed as a non-executive director of the Company with effect from 1 April 2013.

## PROSPECTS

Affordability of healthcare remains a global concern and we can expect continuous focus from regulatory authorities to ensure access to healthcare by the broader population. The private healthcare industry has a key role to play in the delivery of healthcare, supplementary to that provided by governments.

Despite regulatory uncertainties, we are optimistic about our future role in delivering cost effective quality care in the markets that we serve, as confirmed by the substantial new capital investments we are making in Southern Africa, Switzerland and the United Arab Emirates.

Meeting the needs of our patients in the most cost-effective way remains a key priority for Mediclinic and the Group will continue investing in better facilities and processes to improve the patient experience across the Group.

## REPORTS OF THE INDEPENDENT AUDITOR

The annual financial statements have been audited by PricewaterhouseCoopers Inc. and their unqualified audit reports on the comprehensive annual financial statements and the abridged annual financial statements are available for inspection at the registered office of the Company.

The auditor's report does not necessarily cover all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's work they should obtain a copy of that report together with the accompanying financial information from the registered office of the company after they have been released on or before 30 June 2013.

## BASIS OF PREPARATION

The accounting policies applied in the preparation of these summarised group annual financial statements, which are based on reasonable judgements and estimates, are in accordance with International Financial Reporting Standards (IFRS) and are consistent with those applied in the prior year with the exception of the change in segmental reporting. The segmental report was changed after the composition of the Group's reportable segments was reconsidered. The summarised group annual financial statements have been prepared in terms of IAS 34 Interim Financial Reporting as well as in compliance with the Companies Act 71 of 2008, as amended, and the Listings Requirements of the JSE Limited. The preparation of the condensed group interim financial statements was supervised by the Chief Financial Officer, Mr CI Tingle (CA(SA)).

## DIVIDEND TO SHAREHOLDERS

Notice is hereby given that the directors have declared a final gross cash dividend in respect of the year under review of 60.5 cents (2012: 55.0 cents) (51.4250 cents (2012: 46.7500 cents) net of dividend withholding tax) per ordinary share. The dividend declared increased by 10% compared to the comparative period. The dividend has been declared from income reserves and no secondary tax on companies credits have been utilised. A dividend withholding tax of 15% will be applicable to all shareholders who are not exempt therefrom. The Company's issued share capital at the declaration date is 826 957 325 ordinary shares.

The salient dates for the dividend will be as follows:

| | |
|---|---|
| Last date to trade cum dividend | Thursday, 13 June 2013 |
| First date of trading ex dividend | Friday, 14 June 2013 |
| Record date | Friday, 21 June 2013 |
| Payment date | Monday, 24 June 2013 |

Share certificates may not be dematerialised or rematerialised from Friday, 14 June 2013 to Friday, 21 June 2013, both days inclusive.

Signed on behalf of the board of directors:

| | |
|---|---|
| **E DE LA H HERTZOG** | **D P MEINTJES** |
| ***Chairman*** | ***Chief Executive Officer*** |

Stellenbosch, 22 May 2013


**DIRECTORS:**
Dr E de la H Hertzog (*Chairman*), DP Meintjes (*Chief Executive Officer*), CI Tingle (*Chief Financial Officer*), JJ Durand, JA Grieve (*Scottish*), Prof Dr RE Leu (*Swiss*), Dr MK Makaba, N Mandela, TD Petersen, KHS Pretorius, AA Raath, DK Smith, PJ Uys, Dr CA van der Merwe, Dr TO Wiesinger (*German*)

**SECRETARY:** GC Hattingh

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