MEDICLINIC INTERNATIONAL

# UNAUDITED INTERIM GROUP RESULTS

OF MEDICLINIC INTERNATIONAL LIMITED
AND ITS SUBSIDIARIES FOR THE SIX MONTHS ENDED **30 SEPTEMBER 2015**
AND DECLARATION OF CASH DIVIDEND

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

## STRONG HALF-YEAR RESULTS WITH GOOD GROWTH IN ALL REGIONS

## FINANCIAL HIGHLIGHTS

- NORMALISED REVENUE INCREASED BY **16%** TO **R19 565M** (2014: R16 828M)
- NORMALISED EBITDA INCREASED BY **16%** TO **R3 850M** (2014: R3 329M)
- ADJUSTED* BASIC NORMALISED HEADLINE EARNINGS PER SHARE INCREASED BY **19%** TO **214.1 CENTS**
- MARGINS STABLE AT **19.7%**
- CASH AND CASH EQUIVALENTS AT PERIOD END WERE **R5 733M**, AN INCREASE OF **20%** (31 MARCH 2015: R4 779M)
- INTERIM DIVIDEND PER ORDINARY SHARE INCREASED BY **16%** TO **36.0 CENTS** (2014: 31.0 CENTS)

### OPERATIONAL AND CORPORATE HIGHLIGHTS

- Total investment in capital projects and new equipment of R1 484m, across all three operating platforms
- Successful R10bn rights issue and acquisition of 29.9% in Spire Healthcare Group plc, a leading provider of private healthcare, with 39 private hospitals throughout the UK
- On 14 October 2015, the proposed combination of Mediclinic and Al Noor Hospitals Group plc, a private healthcare provider primarily in the emirate of Abu Dhabi and listed on the London Stock Exchange, was announced. The proposed combination remains subject to various conditions, including Mediclinic and Al Noor shareholder approval
- Implemented restructuring of Mpilo 1 Investment Holdings ("BEE empowerment transaction") with lock-in period extended to December 2019

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

***"We are pleased to announce a strong set of interim results, with revenue and profits demonstrating the success of our strategy.***

***The Group continues to deliver against its key performance indicators with high levels of cash generation, growth in patient activity, stable margins and effective cost control. This is against a market backdrop of increasing demand for our services providing geographic expansion opportunities. With both a strengthened balance sheet via a successful rights issue, and capital investments made during the period, Mediclinic remains well positioned for future growth."***

## CONSOLIDATED SUMMARISED STATEMENT OF FINANCIAL POSITION

| | Unaudited as at 30/9/2015 R'm | Unaudited as at 30/9/2014 R'm | Audited as at 31/3/2015 R'm |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | **83 656** | 60 836 | 65 813 |
| Property, equipment and vehicles | **60 750** | 49 620 | 53 776 |
| Intangible assets | **13 050** | 10 787 | 11 565 |
| Investments in associates | **9 377** | 3 | 2 |
| Investment in joint venture | **63** | 65 | 65 |
| Other investments and loans | **76** | 67 | 93 |
| Derivative financial instruments | **9** | 16 | 10 |
| Deferred income tax assets | **331** | 278 | 302 |
| **Current assets** | **15 639** | 12 307 | 13 366 |
| Inventories | **1 170** | 972 | 1 074 |
| Trade and other receivables | **8 682** | 6 521 | 7 479 |
| Current income tax assets | **54** | 66 | 34 |
| Cash and cash equivalents | **5 733** | 4 748 | 4 779 |
| **Total assets** | **99 295** | 73 143 | 79 179 |
| **EQUITY AND LIABILITIES** | | | |
| **Total equity** | **48 994** | 29 335 | 33 162 |
| Share capital and reserves | **47 902** | 28 374 | 32 064 |
| Non-controlling interests | **1 092** | 961 | 1 098 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | **42 154** | 35 707 | 38 078 |
| Borrowings | **30 273** | 27 202 | 27 927 |
| Deferred income tax liabilities | **8 810** | 7 312 | 7 729 |
| Retirement benefit obligations | **1 823** | 523 | 1 292 |
| Provisions | **788** | 544 | 665 |
| Derivative financial instruments | **460** | 126 | 465 |
| **Current liabilities** | **8 147** | 8 101 | 7 939 |
| Trade and other payables | **6 248** | 4 957 | 6 032 |
| Borrowings | **1 136** | 1 705 | 1 229 |
| Provisions | **533** | 465 | 429 |
| Derivative financial instruments | **7** | – | 21 |
| Current income tax liabilities | **223** | 974 | 228 |
| **Total liabilities** | **50 301** | 43 808 | 46 017 |
| **Total equity and liabilities** | **99 295** | 73 143 | 79 179 |
| Net asset value per ordinary share – cents | **4 961.1** | 3 321.4 | 3 752.5 |

## CONSOLIDATED SUMMARISED INCOME STATEMENT

| | Notes | Unaudited 6 months to 30/9/2015 R'm | Increase % | Unaudited 6 months to 30/9/2014 R'm | Audited year to 31/3/2015 R'm |
|---|---|---|---|---|---|
| **Revenue** | | **19 565** | 16% | 16 828 | 35 238 |
| Cost of sales | | **(11 224)** | | (9 742) | (19 887) |
| Administration and other operating expenses | | **(4 488)** | | (3 784) | (8 116) |
| **Operating profit before depreciation (EBITDA)** | 1 | **3 853** | 17% | 3 302 | 7 235 |
| Depreciation and amortisation | | **(860)** | | (723) | (1 512) |
| **Operating profit** | | **2 993** | | 2 579 | 5 723 |
| Other gains and losses | 2 | **57** | | 190 | 93 |
| Income from associates | | **–** | | – | 2 |
| Income from joint venture | | **(2)** | | (2) | (1) |
| Finance income | | **75** | | 52 | 103 |
| Finance cost | 3 | **(616)** | | (602) | (1 179) |
| **Profit before tax** | | **2 507** | | 2 217 | 4 741 |
| Income tax expense | | **(498)** | | (428) | (206) |
| **Profit for the period** | | **2 009** | | 1 789 | 4 535 |
| **Attributable to:** | | | | | |
| Equity holders of the Company | | **1 868** | | 1 668 | 4 297 |
| Non-controlling interests | | **141** | | 121 | 238 |
| | | **2 009** | | 1 789 | 4 535 |
| **PER SHARE PERFORMANCE** | | **Number '000** | | Number '000 | Number '000 |
| **Weighted average number of shares** | | | | | |
| Number of shares net of treasury shares | | **852 892** | | 810 384 | 810 878 |
| Rights issue | | **11 263** | | – | – |
| Accelerated bookbuild offering | | **–** | | 11 458 | 31 901 |
| Adjustment for Right Offer (IAS 33 para 26) | | **8 407** | | 21 017 | 21 017 |
| Adjustment for accelerated bookbuild offering (IAS 33 para 26) | | **–** | | 606 | 606 |
| Weighted average number of ordinary shares in issue | | **872 562** | | 843 465 | 864 402 |
| **Diluted weighted average number of shares** | | | | | |
| Weighted average number of shares. | | **872 562** | | 843 465 | 864 402 |
| Adjustment for dilutive treasury shares | | **14 888** | | 16 561 | 15 932 |
| Diluted weighted average number of ordinary shares in issue | | **887 449** | | 860 026 | 880 334 |
| **Earnings per ordinary share** | | **cents** | | cents | cents |
| – Basic earnings basis | | **214.1** | 8% | 197.8 | 497.1 |
| – Diluted earnings basis | | **210.5** | | 193.9 | 488.1 |
| – Basic headline earnings basis | | **213.8** | 16% | 184.4 | 472.1 |
| – Diluted headline earnings basis | | **210.2** | | 180.8 | 463.6 |
| – Adjusted basic normalised headline earnings basis | | **214.1** | 19% | 180.6 | 398.3 |
| – Adjusted diluted normalised headline earnings basis | | **210.5** | | 177.1 | 391.1 |
| **Dividends per ordinary share** | | | | | |
| – interim | | **36.0** | | 31.0 | 31.0 |
| – final | | **n/a** | | n/a | 75.5 |
| **EARNINGS RECONCILIATION** | | **R'm** | | R'm | R'm |
| Profit attributable to shareholders | | **1 868** | 12% | 1 668 | 4 297 |
| Re-measurements for headline earnings | | **(3)** | | (131) | (248) |
| Profit on sale of property, equipment and vehicles | | **(3)** | | (4) | (87) |
| Impairment of property | | **–** | | 31 | 31 |
| Insurance proceeds | | **–** | | (158) | (158) |
| Gain on disposal of subsidiary | | **–** | | – | (34) |
| Income tax effects | | **–** | | 18 | 32 |
| **Headline earnings** | | **1 865** | 20% | 1 555 | 4 081 |
| Re-measurements for normalised headline earnings | | **(57)** | | (32) | (613) |
| Realised gain on foreign currency forward contracts | | **–** | | (32) | (32) |
| Ineffective cash flow hedges | | **(57)** | | – | 342 |
| Swiss tax charges relating to prior years | | **–** | | – | (712) |
| Discount on repayment of loan | | **–** | | – | (211) |
| Income tax effects | | **12** | | – | (25) |
| **Normalised headline earnings** | | **1 820** | 20% | 1 523 | 3 443 |

## CONSOLIDATED SUMMARISED STATEMENT OF COMPREHENSIVE INCOME

| | Unaudited 6 months to 30/9/2015 R'm | Increase % | Unaudited 6 months to 30/9/2014 R'm | Audited year to 31/3/2015 R'm |
|---|---|---|---|---|
| **Profit for the period** | **2 009** | 12% | 1 789 | 4 535 |
| **Other comprehensive income** | | | | |
| **Items that may be reclassified to the income statement** | | | | |
| Currency translation differences | **4 933** | | (204) | 1 643 |
| Fair value adjustment to cash flow hedges (net of tax) | **23** | | (102) | (94) |
| **Items that may not be reclassified to the income statement** | | | | |
| Actuarial gains and losses | **(280)** | | 2 | (561) |
| Other comprehensive income, net of tax | **4 676** | | (304) | 988 |
| **Total comprehensive income for the period** | **6 685** | | 1 485 | 5 523 |
| **Attributable to:** | | | | |
| Equity holders of the Company | **6 543** | | 1 364 | 5 287 |
| Non-controlling interests | **142** | | 121 | 236 |
| | **6 685** | | 1 485 | 5 523 |

## CONSOLIDATED SUMMARISED STATEMENT OF CHANGES IN EQUITY

| | Unaudited 6 months to 30/9/2015 R'm | Unaudited 6 months to 30/9/2014 R'm | Audited year to 31/3/2015 R'm |
|---|---|---|---|
| **Opening balance** | **33 162** | 25 391 | 25 391 |
| Shares issued | **10 000** | 3 178 | 3 178 |
| Share issue costs | **(90)** | (64) | (64) |
| Movement in shares held in treasury | **(17)** | (20) | (16) |
| Movement in share-based payment reserve | **12** | 11 | 24 |
| Increase in non-controlling interests | **(30)** | 12 | 62 |
| Total comprehensive income for the period | **6 685** | 1 485 | 5 523 |
| Transactions with non-controlling shareholders | **(5)** | 1 | 9 |
| Distributed to shareholders | **(605)** | (564) | (822) |
| Distributed to non-controlling interests | **(118)** | (95) | (123) |
| **Closing balance** | **48 994** | 29 335 | 33 162 |
| **Comprising** | | | |
| Share capital | **24 051** | 14 141 | 14 141 |
| Treasury shares | **(282)** | (269) | (265) |
| Share-based payment reserve | **195** | 170 | 183 |
| Foreign currency translation reserve | **15 772** | 8 994 | 10 840 |
| Hedge reserve | **(62)** | (93) | (85) |
| Retained earnings | **8 228** | 5 431 | 7 250 |
| **Shareholders' equity** | **47 902** | 28 374 | 32 064 |
| Non-controlling interests | **1 092** | 961 | 1 098 |
| **Total equity** | **48 994** | 29 335 | 33 162 |

## CONSOLIDATED SUMMARISED STATEMENT OF CASH FLOWS

| | Notes | **Unaudited 6 months to 30/9/2015 R'm** | Unaudited 6 months to 30/9/2014 R'm | Audited year to 31/3/2015 R'm |
|---|---|---|---|---|
| Cash flow from operating activities | | **2 383** | 2 726 | 6 008 |
| Cash generated from operations | | **3 259** | 3 692 | 7 848 |
| Net finance cost | | **(439)** | (455) | (916) |
| Taxation paid | | **(437)** | (511) | (924) |
| Cash flow from investment activities | | **(10 131)** | (2 386) | (4 594) |
| Investment to maintain operations | | **(483)** | (377) | (1 215) |
| Investment to expand operations | | **(1 001)** | (711) | (2 214) |
| Business combinations | 8 | **–** | (1 440) | (1 446) |
| Proceeds on disposal of property, equipment and vehicles | | **11** | 7 | 98 |
| Disposal of subsidiary | | **–** | – | 45 |
| Insurance proceeds | | **–** | 134 | 158 |
| Loan repaid/(advanced) | | **20** | – | (25) |
| Proceeds from other investments and loans | | **–** | 1 | 5 |
| Investment in associate | 9 | **(8 678)** | – | – |
| Cash flow from financing activities | | **8 287** | 876 | (361) |
| Proceeds from shares issued | | **10 000** | 3 178 | 3 178 |
| Share issue costs | | **(89)** | (64) | (64) |
| Distributions to shareholders | | **(605)** | (564) | (822) |
| Distributions to non-controlling interests | | **(118)** | (95) | (123) |
| Proceeds from borrowings | | **–** | 5 | 4 982 |
| Repayment of borrowings | | **(835)** | (1 577) | (7 443) |
| Proceeds from disposal of treasury shares | | **4** | 2 | 5 |
| Treasury shares purchased | | **(22)** | (22) | (22) |
| Acquisition of non-controlling interests | | **(34)** | – | – |
| Proceeds on disposal of non-controlling interests | | **–** | – | – |
| Refinancing transaction costs | | **(14)** | – | (125) |
| Proceeds on disposal of non-controlling interest | | **–** | 13 | 73 |
| Net movement in cash and cash equivalents | | **539** | 1 216 | 1 053 |
| Opening balance of cash and cash equivalents | | **4 779** | 3 485 | 3 485 |
| Exchange rate fluctuations on foreign cash | | **415** | 47 | 241 |
| Closing balance of cash and cash equivalents | | **5 733** | 4 748 | 4 779 |

## SUMMARISED SEGMENTAL REPORT

| | Unaudited 6 months to 30/9/2015 R'm | Unaudited 6 months to 30/9/2014 R'm | Audited year to 31/3/2015 R'm |
|---|---|---|---|
| **Revenue** | | | |
| Southern Africa | **6 759** | 6 206 | 12 323 |
| Middle East | **2 496** | 1 976 | 4 305 |
| Switzerland | **10 310** | 8 646 | 18 610 |
| | **19 565** | 16 828 | 35 238 |
| **EBITDA** | | | |
| Southern Africa | **1 460** | 1 303 | 2 676 |
| Middle East | **522** | 390 | 940 |
| Switzerland | **1 871** | 1 609 | 3 619 |
| | **3 853** | 3 302 | 7 235 |
| **Operating profit** | | | |
| Southern Africa | **1 247** | 1 120 | 2 282 |
| Middle East | **449** | 319 | 805 |
| Switzerland | **1 297** | 1 140 | 2 636 |
| | **2 993** | 2 579 | 5 723 |

## NOTES TO THE SUMMARISED FINANCIAL STATEMENTS

| | | Unaudited 6 months to 30/9/2015 R'm | Increase % | Unaudited 6 months to 30/9/2014 R'm | Audited year to 31/3/2015 R'm |
|---|---|---|---|---|---|
| 1 | **EBITDA RECONCILIATION** | | | | |
| | Operating profit before depreciation (EBITDA) | **3 853** | | 3 302 | 7 235 |
| | *Adjusted for:* | | | | |
| | Impairment of property and equipment | **–** | | 31 | 31 |
| | Profit on sale of property, equipment and vehicles | **(3)** | | (4) | (87) |
| | **Normalised EBITDA** | **3 850** | 16% | 3 329 | 7 179 |
| 2 | **OTHER GAINS AND LOSSES** | | | | |
| | Realised gain on foreign currency forward contracts | **–** | | 32 | 32 |
| | Gain on disposal of subsidiary | **–** | | – | 34 |
| | Movement in ineffective cash flow hedges | **57** | | – | (342) |
| | Discount on loan repayment | **–** | | – | 211 |
| | Insurance proceeds | **–** | | 158 | 158 |
| | | **57** | | 190 | 93 |
| 3 | **FINANCE COST** | | | | |
| | Interest | **496** | | 465 | 933 |
| | Amortisation of capitalised financing costs | **56** | | 73 | 147 |
| | Preference share dividend | **65** | | 64 | 128 |
| | Less: amounts included in the cost of qualifying assets | **(1)** | | – | (29) |
| | | **616** | | 602 | 1 179 |
| 4 | **COMMITMENTS** | | | | |
| | **Capital commitments** | **3 698** | | 3 450 | 3 779 |
| | Southern Africa | **2 202** | | 1 897 | 2 325 |
| | Middle East | **981** | | 626 | 782 |
| | Switzerland | **515** | | 927 | 672 |
| 5 | **EXCHANGE RATES** | **R** | | R | R |
| | Average Swiss franc (ZAR/CHF) | **13.17** | | 11.82 | 11.91 |
| | Closing Swiss franc (ZAR/CHF) | **14.20** | | 11.82 | 12.55 |
| | Average UAE dirham (ZAR/AED) | **3.42** | | 2.90 | 3.01 |
| | Closing UAE dirham (ZAR/AED) | **3.77** | | 3.09 | 3.32 |
| | Average GBP (ZAR/GBP) (24 August 2015 to 30 Sep 2015) | **20.84** | | n/a | n/a |
| | Closing GBP (ZAR/GBP) | **20.99** | | n/a | n/a |
| 6 | **NUMBER OF SHARES ISSUED** | **Number '000** | | Number '000 | Number '000 |
| | Ordinary shares in issue | **979 068** | | 867 957 | 867 957 |
| | Ordinary shares held in treasury | **(13 524)** | | (13 674) | (13 483) |
| | Ordinary shares in issue net of treasury shares | **965 544** | | 854 283 | 854 474 |

**7 FAIR VALUE MEASUREMENT**

Derivative financial instruments comprise interest rate swaps and are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates. Based on the degree to which the fair values are observable, the interest rate swaps are grouped as Level 2. Level 2 means that inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), whereas Level 1 refers to quoted prices (unadjusted) in active markets for identical assets or liabilities.

| | Unaudited 6 months to 30/9/2015 R'm | Unaudited 6 months to 30/9/2014 R'm | Audited year to 31/3/2015 R'm |
|---|---|---|---|
| **8 BUSINESS COMBINATIONS** | | | |
| Cash flow on business combinations | | | |
| Hirslanden Clinique La Colline SA | **-** | 1 333 | 1 333 |
| Swissana Clinic AG | **-** | 107 | 107 |
| IMRAD SA | **-** | – | 6 |
| | **-** | 1 440 | 1 446 |

On 25 June 2014, Hirslanden AG acquired a 100% interest in the operating company of Hirslanden Clinique La Colline SA. Hirslanden Clinique La Colline SA is a private hospital based in Geneva, Switzerland.

| | | | |
|---|---|---|---|
| **9 INVESTMENT IN ASSOCIATE** | | | |
| Spire Healthcare Group plc | **(8 678)** | – | – |

On 24 August 2015, the Group acquired a 29.9% shareholding in Spire Healthcare Group plc ("Spire"), a leading private healthcare group in the UK with a national network of 39 hospitals across the United Kingdom. The investment in Spire provides Mediclinic with a further opportunity to diversify into an attractive new geography with a strong currency. The group and Spire will benefit from collaboration, with the potential to unlock procurement benefits and knowledge transfer. On 15 July 2015, Remgro Limited, through its wholly-owned subsidiary, Remgro Jersey Ltd (subsequently renamed to Mediclinic Jersey Ltd), acquired 119 923 335 Spire shares equivalent to a 29.9% shareholding. The purchase of the equity investment were negotiated jointly by Mediclinic and Remgro with the seller. Mediclinic acquired Remgro's indirect shareholding in Spire for an amount equal to the aggregate of the purchase price paid by Remgro Jersey Ltd, transaction costs and funding costs, totalling approximately R8.7 billion. The Spire acquisition was effected through a series of transactions which ultimately resulted in Mediclinic Investments (Pty) Ltd, through a wholly-owned subsidiary, Business Venture Investments No 1871 (Pty) Ltd, owning 100% of the shares in Mediclinic Jersey Ltd, which is company directly holds the 29.9% interest in Spire.

## OVERVIEW AND OUTLOOK

Notwithstanding the ongoing changes in the global and regional economies and the regulatory changes that continue to impact healthcare and its affordability, we are continuing to see a strong demand for quality private healthcare services in our three operating platforms. The trend is also prevalent in the UK, where during the period we acquired a 29.9% stake in Spire Healthcare Group plc, a leading provider of private healthcare, with 39 private hospitals.

Mediclinic International has continued to deliver strong revenue and profit growth. Our three operating platforms in Southern Africa, the Middle East and Switzerland have all achieved good growth in patient numbers and we continue to invest in buildings, technology and people to ensure we offer high quality private healthcare services to both in and outpatients.

The Group's earnings which are reported in South African rand, were again positively impacted by currency movements Our Swiss, Middle East and UK platforms contributed 66% of adjusted normalised headline earnings.

Our focus is to ensure that our patients come first, that we continuously improve our value proposition in terms of technology, care and the latest improvements in medicine and surgery. With three operating platforms and a significant investment in the UK, we can leverage best practice in terms of experience, knowledge and skills. Mediclinic remains well positioned for future growth.

## TRADING RESULTS

The Group has maintained its consistent growth pattern.

Group normalised revenue increased by 16% to R19 565m (2014: R16 828m) for the period under review. Normalised operating profit before interest, tax, depreciation and amortisation ("normalised EBITDA") was 16% higher at R3 850m (2014: R3 329m) and adjusted basic normalised headline earnings per share was 19% higher at 214.1 cents (2014: 180.6 cents) with margins stable at 19.7%.

The current Group results included the following adjustment to determine normalised headline earnings:

- An exceptional item of R57m (R45m after tax) to account for the six-month (1 April 2015 to 30 September 2015) mark-to-market fair value adjustment relating to the Swiss interest rate swaps, which became ineffective during the prior financial year ended 31 March 2015 with the introduction of negative Swiss interest rates.

The comparative results include a one-off item of R32m (R32m after tax) relating to a realised gain on foreign currency forward contracts.

* Effective from 24 August 2015, the Group acquired a 29.9% shareholding in Spire Healthcare Group plc. As Spire's accounting period ends on 31 December and the investment was made after 30 June 2015, no income from associate was included for the period under review. An adjustment to normalised headline earnings of R48m (R48m after tax) has been made to account for income from the associate for the period 24 August 2015 to 30 September 2015.

Excluding the adjustment and including the exceptional item, headline earnings for the period under review increased by 20% to R1 865m (2014: R1 555m) and basic headline earnings per ordinary share increased by 16% to 213.8 cents (2014: 184.4 cents).

Movements in the exchange rates had a positive impact on the reported results. The average ZAR/Swiss franc ("CHF") exchange rate was R13.17 compared to R11.82 for the comparative period and the average ZAR/UAE dirham ("AED") exchange rate was R3.42 compared to R2.90 for the comparative period.

### Finance cost

Finance cost includes amortisation of capitalised financing costs of R56m (2014: R73m). The capitalised financing costs are amortised over the term of the relevant loans in accordance with IAS 39 Financial Instruments.

### Cash flow

The Group continued to deliver strong cash flow. The Group converted 85% (2014: 111%) of normalised EBITDA into cash generated from operations. Cash and cash equivalents increased from R4 779m at 31 March 2015 to R5 733m at 30 September 2015.

### Interest-bearing borrowings

Interest-bearing borrowings increased from R29 156m at 31 March 2015 to R31 409m at 30 September 2015. The increase is mainly as a result of change in the closing ZAR/CHF and the ZAR/AED exchange rates. Foreign debt of the Group's Swiss and Middle Eastern operations, amounting to R25 912m, 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 R53 776m at 31 March 2015 to R60 750m at 30 September 2015, and intangible assets increased from R11 565m at 31 March 2015 to R13 050m at 30 September 2015. These increases are mainly as a result of additions as well as the change in the closing ZAR/CHF and the ZAR/AED exchange rates.

### 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. Consequently, the basic headline earnings per share for the prior year was adjusted and decreased by 4.6 cents from 189.0 to 184.4 cents and basic normalised headline earnings per share for the prior year decreased by 4.6 cents from 185.2 to 180.6 cents.

### 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 and exceptional items.

## CORPORATE ACTIVITY

As previously released on the JSE Stock Exchange News Service ("SENS"), the Group successfully executed the following corporate actions during the period under review:

- the Group raised R10bn through a rights issue that closed on 21 August 2015;
- funded by the rights issue referred to above, the Group acquired a 29.9% shareholding in Spire Healthcare Group plc, a leading private healthcare group led by a strong and highly experienced management team with a national network of 39 hospitals across the United Kingdom, for R8.7bn with effect from 24 August 2015; and
- restructuring of the Mpilo Investments Holdings 1 (RF) (Pty) Ltd black economic empowerment transaction established in 2005, with the benefit to Mediclinic of extending the lock-in period by an additional three years to 31 December 2019.

## OPERATIONS IN SOUTHERN AFRICA

MEDICLINIC SOUTHERN AFRICA

### Financial and business performance

Mediclinic Southern Africa's normalised revenue increased by 9% to R6 759m (2014: R6 206m) for the period under review. Normalised EBITDA was 9% higher at R1 457m (2014: R1 332m). The revenue growth was driven by a 3.2% increase in bed days sold and a 6.1% increase in the average income per bed-day. The number of patients admitted increased by 1.2%, while the average length of stay increased by 2.1%.

The Southern African operations contributed R626m (2014: R571m) to the normalised headline earnings of the Group.

### Projects and capital expenditure

During the period under review, the Southern African operations spent R376m (2014: R364m) on expansion capital projects and new equipment and R112m (2014: R89m) on the replacement of existing equipment. In addition, R151m (2014: R174m) was spent on the repair and maintenance of property and equipment, charged through the income statement.

For the current financial year, R813m is budgeted for expansion capital projects and new equipment, R333m for the replacement of existing equipment and R316m for repairs and maintenance. Incremental EBITDA resulting from capital projects in progress or approved is budgeted to amount to R56m and R55m in 2016 and 2017 respectively.

The number of beds increased from 7 885 to 7 983 during the period under review of which the most significant were the Mediclinic Limpopo Day Clinic and Mediclinic Durbanville Day Clinic.

The number of beds is expected to increase from 7 983 to 8 070 during the next six months.

### Regulatory environment

The Competition Commission is still in the process of undertaking a market inquiry into the private healthcare sector in South Africa. In line with the Commission's published Terms of Reference and Administrative Guidelines, Mediclinic prepared and delivered a comprehensive submission and has submitted further information and data as requested by the Commission. Mediclinic has the assistance of expert legal and economic advisors and we believe that we are well prepared to participate fully in the inquiry. In terms of the Commission's latest timetable, the inquiry should be completed by December 2016.

Mediclinic awaits the final norms and standards as set by the Minister of Health in terms of the tasks of the Office of Health Standards Compliance. We support this initiative and believe this to be a positive development that should enhance the quality of care in both the public and private healthcare sectors once it has been implemented comprehensively.

## OPERATIONS IN SWITZERLAND

HIRSLANDEN

### Financial and business performance

Hirslanden's normalised revenue increased by 19% to R10 310m (2014: R8 646m) for the period under review. Normalised EBITDA was 16% higher at R1 871m (2014: R1 607m). In Swiss francs, normalised revenue increased by 7% to CHF783m (2014: CHF732m) and normalised EBITDA increased by 4% to CHF142m (2014: CHF136m). The normalised revenue growth is a result of a 6.5% increase in inpatient admissions and increased revenue per case due to increased numbers of complex cases.

Hirslanden contributed R763m (2014: R657m) to the normalised headline earnings of the Group. In Swiss francs, Hirslanden contributed CHF58m (2014: CHF55m) to the normalised headline earnings of the Group.

### Projects and capital expenditure

During the period under review, Hirslanden invested R289m (CHF22m) (2014: R289m (CHF24m)) in expansion capital projects and new equipment and R329m (CHF21m) (2014: R274m (CHF23m)) on the replacement of existing equipment. In addition, R248m (CHF18m) (2014: R217m (CHF18m)) was spent on the repair and maintenance of property and equipment, charged through the income statement.

For the current financial year CHF70m is budgeted for expansion capital projects and new equipment, CHF80m for the replacement of existing equipment and CHF39m for repairs and maintenance. Incremental EBITDA resulting from capital projects in progress or approved is budgeted to amount to CHF8m and CHF6m in 2016 and 2017 respectively.

The number of inpatient beds increased from 1 655 to 1 677 during the period under review. The number of inpatient beds is expected to remain stable during the next six months.

### Regulatory environment

*Outpatient management initiatives*

Recently there have been discussions regarding the revision of the Health Care Insurance Act and the management of the outpatient sector. Furthermore the moratorium on new doctors' practices initially adopted in 2002 and extended several times is now due to become a permanent law. The revision of the outpatient tariff ("TARMED") is also being considered and expected to be implemented in 2017 or 2018.

*Highly specialised medicine*

Over the last few months there have been no relevant decisions made regarding highly specialised medicine.

## OPERATIONS IN UNITED ARAB EMIRATES

MEDICLINIC MIDDLE EAST

### Financial and business performance

Mediclinic Middle East's normalised revenue increased by 26% to R2 496m (2014: R1 976m) for the period under review. Normalised EBITDA increased by 34% to R522m (2014: R390m). In UAE dirhams, normalised revenue increased by 7% to AED730m (2014: AED681m) and normalised EBITDA increased by 13% to AED153m (2014: AED135m). The revenue growth was driven by bed days sold increasing by 1%, hospital outpatient consultations and visits to the emergency units increasing by 1% and clinic outpatient consultations increasing by 4%.

Mediclinic Middle East contributed R431m (2014: R295m) to the normalised headline earnings of the Group. In UAE dirhams, Mediclinic Middle East contributed AED126m (2014: AED102m) to the normalised headline earnings of the Group.

### Projects and capital expenditure

During the period under review, Mediclinic Middle East invested R335m (AED98m) (2014: R57m (AED20m)) in expansion capital projects and new equipment, apart from R43m (AED12m) (2014: R14m (AED5m)) on the replacement of existing equipment. In addition, R35m (AED10m) (2014: R26m (AED9m)) was spent on repairs and maintenance of property and equipment as accounted for in the income statement.

For the current financial year, AED133m is budgeted for expansion capital projects and new equipment to enhance the business in the longer term and AED145m is budgeted for the construction of the Mediclinic Parkview Hospital, AED32m for the replacement of existing equipment and AED20m for repairs and maintenance. EBITDA resulting from capital projects in progress or approved is budgeted to amount to AED18m in 2017.

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

During the period under review, Mediclinic City Hospital continued construction on the north wing extension, due to open in mid-2016. Furthermore, land was recently acquired in the fast-growing southern side of Dubai for the construction of the 188-bed Mediclinic Parkview Hospital.

### Regulatory environment

The Dubai Health Authority ("DHA") is now in the final phase of introducing mandatory health insurance, intended to ensure that all individuals have a health insurance plan. The introduction of mandatory health insurance in Dubai is not expected to have a significant impact on the results of the Group, since our target market already had high levels of health insurance prior to mandatory insurance. The DHA also commenced with a process of price reform, which will be gradually implemented over a number of years. The DHA has indicated that prices will not be set and the principle of price negotiations between providers and funders will be maintained within this new pricing framework.

## EVENTS AFTER THE REPORTING PERIOD

A significant event occurred between 30 September 2015 and 12 November 2015 which is not reflected in the interim summarised financial statements.

The possible combination of Mediclinic and Al Noor Hospitals Group plc, a private healthcare provider primarily based in the emirate of Abu Dhabi and listed on the London Stock Exchange, was released on SENS on 14 October 2015. The proposed combination remains subject to various suspensive conditions, including Mediclinic and Al Noor shareholder approval.

## CHANGES TO THE BOARD OF DIRECTORS

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

## BASIS OF PREPARATION

The accounting policies applied in the preparation of these summarised Group interim 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 during the year ended 31 March 2015. The summarised Group interim financial statements have been prepared in accordance with the Financial Reporting Guides issued by the Accounting Practices Committee of the South African Institute of Chartered Accountants and 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 summarised Group interim financial statements was supervised by the Chief Financial Officer, Mr CI Tingle, CA(SA).

## CASH DIVIDEND TO SHAREHOLDERS

Notice is hereby given that the directors have declared an interim gross cash dividend in respect of the period under review of 36.0 cents (2014: 31.0 cents) (30.60 cents (2014: 26.35 cents) net of dividend withholding tax) per ordinary share. The dividend declared increased by 16% compared to the comparative period.

The dividend has been declared from income reserves. 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 979 068 436 ordinary shares.

The salient dates for the dividend will be as follows:

| | |
|---|---|
| Last date to trade *cum* dividend | Friday, 27 November 2015 |
| First date of trading *ex* dividend | Monday, 30 November 2015 |
| Record date | Friday, 4 December 2015 |
| Payment date | Monday, 7 December 2015 |

Share certificates may not be dematerialised or rematerialised from Monday, 30 November 2015 to Friday, 4 December 2015, both days inclusive.

Signed on behalf of the Board of Directors:

**E DE LA H HERTZOG**
*Chairman*

**DP MEINTJES**
*Chief Executive Officer*

Stellenbosch
12 November 2015

## EXPERTISE YOU CAN TRUST.


**DIRECTORS:**
Dr E de la H Hertzog *(Chairman)*, DP Meintjes *(Chief Executive Officer)*, CI Tingle *(Chief Financial Officer)*, JJ Durand, JA Grieve *(British)*, 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)*

**COMPANY SECRETARY:**
GC Hattingh

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**SPONSOR:**
**South Africa:** Rand Merchant Bank (a division of FirstRand Bank Limited)
**Namibia:** Simonis Storm Securities (Pty) Ltd