MEDICLINIC
INTERNATIONAL

UNAUDITED INTERIM GROUP RESULTS

OF MEDICLINIC INTERNATIONAL LIMITED
AND ITS SUBSIDIARIES FOR THE SIX MONTHS ENDED **30 SEPTEMBER 2014**
AND DECLARATION OF CASH DIVIDEND

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

SALIENT FEATURES

- CONTINUED STRONG GROWTH IN PATIENT NUMBERS
- SUCCESSFUL CAPITAL RAISE TO FUND GROWTH OPPORTUNITIES
- ACQUISITION OF CLINIQUE LA COLLINE IN GENEVA AND SWISSANA CLINIC MEGGEN IN LUCERNE
- POSITIVE IMPACT OF CURRENCY MOVEMENTS
- BASIC NORMALISED HEADLINE EARNINGS PER SHARE INCREASED BY **22%** TO **185.2 CENTS**
- INTERIM DIVIDEND PER ORDINARY SHARE INCREASED BY **11%** TO **31.0 CENTS**

CONSOLIDATED ABRIDGED STATEMENT OF FINANCIAL POSITION

	Unaudited as at 30/9/2014 R'm	Unaudited as at 30/9/2013 R'm	Audited as at 31/3/2014 R'm
ASSETS			
Non-current assets	**60 836**	54 876	59 308
Property, equipment and vehicles	**49 620**	45 941	49 597
Intangible assets	**10 787**	8 307	9 210
Investments in associates	**3**	3	4
Investments in joint venture	**65**	67	67
Retirement benefit assets	**–**	25	–
Other investments and loans	**67**	65	68
Derivative financial instruments	**16**	235	60
Deferred income tax assets	**278**	233	302
Current assets	**12 307**	9 142	11 226
Inventories	**972**	803	904
Trade and other receivables	**6 521**	5 670	6 768
Current income tax assets	**66**	36	33
Cash and cash equivalents	**4 748**	2 633	3 521
Total assets	**73 143**	64 018	70 534
EQUITY AND LIABILITIES			
Total equity	**29 335**	22 026	25 391
Share capital and reserves	**28 374**	21 208	24 468
Non-controlling interests	**961**	818	923
LIABILITIES			
Non-current liabilities	**35 707**	35 239	36 899
Borrowings	**27 202**	27 135	28 704
Deferred income tax liabilities	**7 312**	7 233	7 251
Retirement benefit obligations	**523**	329	414
Provisions	**544**	479	492
Derivative financial instruments	**126**	63	38
Current liabilities	**8 101**	6 753	8 244
Trade and other payables	**4 957**	4 370	5 048
Borrowings	**1 705**	1 540	1 666
Provisions	**465**	288	376
Derivative financial instruments	**–**	16	–
Current income tax liabilities	**974**	539	1 154
Total liabilities	**43 808**	41 992	45 143
Total equity and liabilities	**73 143**	64 018	70 534
Net asset value per ordinary share – cents	**3 330.4**	2 619.9	3 020.3

CONSOLIDATED ABRIDGED INCOME STATEMENT

	Notes	**Unaudited 6 months to 30/9/2014 R'm**	Increase %	Unaudited 6 months to 30/9/2013 R'm	Audited year to 31/3/2014 R'm
Revenue		**16 828**	19%	14 128	30 495
Cost of sales		**(9 742)**		(8 050)	(17 189)
Administration and other operating expenses		**(3 626)**		(3 034)	(6 562)
Operating profit before depreciation (EBITDA)	1	**3 460**	14%	3 044	6 744
Depreciation and amortisation		**(723)**		(574)	(1 239)
Operating profit		**2 737**		2 470	5 505
Other gains and losses	2	**32**		–	2
Income from associates		**–**		–	3
Income from joint venture		**(2)**		–	–
Finance income		**52**		38	73
Finance cost	3	**(602)**		(610)	(1 221)
Profit before tax		**2 217**		1 898	4 362
Income tax expense		**(428)**		(393)	(776)
Profit for the period		**1 789**		1 505	3 586
Attributable to:					
Equity holders of the Company		**1 668**		1 404	3 385
Non-controlling interests		**121**		101	201
		1 789		1 505	3 586

PER SHARE PERFORMANCE	**Number '000**		Number '000	Number '000
Weighted average number of shares				
Before equity raising	**821 842**		808 868	809 319
Adjustment for equity raising (IAS 33 para 26)	**606**		2 764	2 764
Weighted average number of ordinary shares in issue	**822 448**		811 632	812 083
Diluted weighted average number of shares				
Before equity raising	**838 403**		826 957	826 956
Adjustment for equity raising (IAS 33 para 26)	**606**		2 764	2 764
Diluted weighted average number of ordinary shares in issue	**839 009**		829 721	829 720
Earnings per ordinary share	**cents**		cents	cents
– Basic earnings basis	**202.8**	17%	173.0	416.8
– Diluted earnings basis	**198.8**		169.2	408.0
– Basic headline earnings basis	**189.0**	9%	172.6	413.1
– Diluted headline earnings basis	**185.3**		168.9	404.4
– Basic normalised headline earnings basis	**185.2**	22%	151.4	375.8
– Normalised diluted headline earnings basis	**181.5**		148.1	367.8
Dividends per ordinary share				
– interim	**31.0**		28.0	28.0
– final	**n/a**		n/a	68.0
				96.0

EARNINGS RECONCILIATION	**R'm**		R'm	R'm
Profit attributable to shareholders	**1 668**	19%	1 404	3 385
Re-measurements for headline earnings	**(131)**		(4)	(38)
Profit on sale of property, equipment and vehicles	**(4)**		(4)	(4)
Impairment of property and equipment	**31**		–	8
Insurance proceeds	**(158)**		–	(40)
Gain from a bargain purchase	**–**		–	(2)
Income tax effects	**18**		1	8
Headline earnings	**1 555**	11%	1 401	3 355
Re-measurements for normalised headline earnings	**(32)**		(215)	(352)
Realised gain on forward contracts	**(32)**		–	–
Swiss tax charges relating to prior years	**–**		–	(111)
Past service cost	**–**		(215)	(241)
Income tax effects	**–**		43	49
Normalised headline earnings	**1 523**	24%	1 229	3 052

CONSOLIDATED ABRIDGED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months to 30/9/2014 R'm	Increase %	Unaudited 6 months to 30/9/2013 R'm	Audited year to 31/3/2014 R'm
Profit for the period	**1 789**	19%	1 505	3 586
Other comprehensive income				
Items that may be reclassified to the income statement				
Currency translation differences	**(204)**		2 712	4 371
Fair value adjustment to cash flow hedges (net of tax)	**(102)**		139	29
Items that may not be reclassified to the income statement				
Actuarial gains and losses (net of tax)	**2**		201	138
Other comprehensive income, net of tax	**(304)**		3 052	4 538
Total comprehensive income for the period	**1 485**		4 557	8 124
Attributable to:				
Equity holders of the Company	**1 364**		4 455	7 922
Non-controlling interests	**121**		102	202
	1 485		4 557	8 124

CONSOLIDATED ABRIDGED STATEMENT OF CHANGES IN EQUITY

	Unaudited 6 months to 30/9/2014 R'm	Unaudited 6 months to 30/9/2013 R'm	Audited year to 31/3/2014 R'm
Opening balance	**25 391**	18 002	18 002
Shares issued	**3 178**	–	–
Share issue costs	**(64)**	–	–
Movement in shares held in treasury	**(20)**	3	7
Movement in share-based payment reserve	**11**	10	19
Increase in non-controlling interests	**12**	–	24
Total comprehensive income for the period	**1 485**	4 557	8 124
Transactions with non-controlling shareholders	**1**	–	2
Distributed to shareholders	**(564)**	(467)	(688)
Distributed to non-controlling interests	**(95)**	(79)	(99)
Closing balance	**29 335**	22 026	25 391
Comprising			
Share capital	**14 141**	11 027	11 027
Treasury shares	**(269)**	(253)	(249)
Share-based payment reserve	**170**	150	159
Foreign currency translation reserve	**8 994**	7 539	9 197
Hedge reserve	**(93)**	119	9
Retained earnings	**5 431**	2 626	4 325
Shareholders' equity	**28 374**	21 208	24 468
Non-controlling interests	**961**	818	923
Total equity	**29 335**	22 026	25 391

CONSOLIDATED ABRIDGED STATEMENT OF CASH FLOWS

	Notes	**Unaudited 6 months to 30/9/2014 R'm**	Unaudited 6 months to 30/9/2013 R'm	Audited year to 31/3/2014 R'm
Cash flow from operating activities		**2 726**	2 134	4 615
Cash generated from operations		**3 692**	3 024	6 340
Net finance cost		**(455)**	(494)	(982)
Taxation paid		**(511)**	(396)	(743)
Cash flow from investment activities		**(2 386)**	(1 148)	(2 539)
Investment to maintain operations		**(377)**	(426)	(926)
Investment to expand operations	8	**(2 151)**	(737)	(1 684)
Proceeds on disposal of property, equipment and vehicles		**7**	17	32
Insurance proceeds		**134**	–	40
Proceeds from other investments and loans		**1**	–	1
Investment in joint venture		**–**	(2)	(2)
Cash flow from financing activities		**876**	(1 225)	(1 605)
Proceeds from shares issued		**3 178**	–	–
Share issue costs		**(64)**	–	–
Distributions to shareholders		**(564)**	(467)	(688)
Distributions to non-controlling interests		**(95)**	(79)	(99)
Proceeds from borrowings		**5**	206	223
Repayment of borrowings		**(1 577)**	(888)	(1 074)
Proceeds from disposal of treasury shares		**2**	3	7
Treasury shares purchased		**(22)**	–	–
Proceeds on disposal of non-controlling interest		**13**	–	26
Net movement in cash, cash equivalents and bank overdrafts		**1 216**	(239)	471
Opening balance of cash, cash equivalents and bank overdrafts		**3 485**	2 705	2 705
Exchange rate fluctuations on foreign cash		**47**	167	309
Closing balance of cash, cash equivalents and bank overdrafts		**4 748**	2 633	3 485
Cash and cash equivalents		**4 748**	2 633	3 521
Bank overdrafts		**–**	–	(36)
		4 748	2 633	3 485

ABRIDGED SEGMENTAL REPORT

	Unaudited 6 months to 30/9/2014 R'm	Unaudited 6 months to 30/9/2013 R'm	Audited year to 31/3/2014 R'm
Revenue			
Southern Africa	**6 206**	5 638	11 205
Switzerland	**8 646**	7 025	15 874
Middle East	**1 976**	1 465	3 416
	16 828	14 128	30 495
EBITDA			
Southern Africa	**1 461**	1 214	2 453
Switzerland	**1 609**	1 575	3 539
Middle East	**390**	255	752
	3 460	3 044	6 744
Operating profit			
Southern Africa	**1 278**	1 063	2 151
Switzerland	**1 140**	1 219	2 738
Middle East	**319**	188	616
	2 737	2 470	5 505

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS

		Unaudited 6 months to 30/9/2014 R'm	Increase %	Unaudited 6 months to 30/9/2013 R'm	Audited year to 31/3/2014 R'm
1	**EBITDA RECONCILIATION**				
	Operating profit before depreciation (EBITDA)	**3 460**		3 044	6 744
	Adjusted for:				
	Past service cost	**–**		(215)	(241)
	Impairment of property and equipment	**31**		–	8
	Insurance proceeds	**(158)**		–	(40)
	Profit on sale of property, equipment and vehicles	**(4)**		–	(4)
	Normalised EBITDA	**3 329**	18%	2 829	6 467
2	**OTHER GAINS AND LOSSES**				
	Realised gain on forward contracts	**32**		–	–
	Gain on a bargain purchase	**–**		–	2
		32		–	2
3	**FINANCE COST**				
	Interest	**465**		496	990
	Amortisation of capitalised financing fees	**73**		63	133
	Preference share dividend	**64**		62	125
	Less: amounts included in the cost of qualifying assets	**–**		(11)	(27)
		602		610	1 221
4	**COMMITMENTS**				
	Capital commitments	**3 450**		2 067	3 233
	Southern Africa	**1 897**		1 640	1 717
	Switzerland	**927**		410	833
	Middle East	**626**		17	683
5	**EXCHANGE RATES**	**R**		R	R
	Average Swiss franc (ZAR/CHF)	**11.82**		10.40	11.05
	Closing Swiss franc (ZAR/CHF)	**11.82**		11.12	11.96
	Average UAE dirham (ZAR/AED)	**2.90**		2.65	2.76
	Closing UAE dirham (ZAR/AED)	**3.09**		2.74	2.88
6	**NUMBER OF SHARES ISSUED**	**Number '000**		Number '000	Number '000
	Ordinary shares in issue	**867 957**		826 957	826 957
	Ordinary shares held in treasury	**(15 984)**		(17 474)	(16 832)
	Ordinary shares in issue net of treasury shares	**851 973**		809 483	810 125

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 input other than quoted prices included within level 1 that is 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 30/9/2014 R'm	Unaudited 6 months to 30/9/2013 R'm	Audited year to 31/3/2014 R'm
8	**INVESTMENTS TO EXPAND OPERATIONS**			
	Property, equipment and vehicles purchased	**711**	737	1 679
	Business combinations	**1 440**	–	5
		2 151	737	1 684
	Cash flow on business combinations			
	Clinique La Colline	**1 333**	–	–
	Swissana Clinic Meggen	**107**	–	–
	Radiotherapie Hirslanden	**–**	–	5
		1 440	–	5

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

The goodwill of R1 136m arising from the acquisition is attributable to the earnings potential of the business. None of the goodwill recognised is expected to be deductible for income tax purposes.

Cash consideration for Clinique La Colline	**1 361**
Assets	
Property, equipment and vehicles	**123**
Intangible assets	**322**
Inventories	**23**
Trade and other receivables	**179**
Cash and cash equivalents	**28**
Total assets	**675**
Liabilities	
Borrowings	**185**
Derivative financial instrument	**3**
Other liabilities	**3**
Provisions	**15**
Pension liability	**68**
Deferred tax liabilities	**81**
Income tax payable	**3**
Trade and other payables	**92**
Total liabilities	**450**
Total identifiable net assets at fair value	**225**
Goodwill	**1 136**
Total	**1 361**
Analysis of cash flow on acquisition	
Total consideration transferred	**1 361**
Net cash acquired with the subsidiary	**(28)**
Net cash flow on acquisition	**1 333**

Acquisition-related costs of R6m have been charged to administrative expenses in the consolidated income statement.

From the date of acquisition, Clinique La Colline has contributed R161m of revenue and R28m to the net profit before tax of the Group. If the business combination had taken place at the beginning of the financial year, revenue from continuing operations would have been R340m and the profit before tax for the Group would have been R55m.

	Unaudited 6 months to 30/9/2014 R'm	Unaudited 6 months to 30/9/2013 R'm	Audited year to 31/3/2014 R'm

8 INVESTMENTS TO EXPAND OPERATIONS (continued)

On 8 August 2014, Hirslanden AG acquired a 100% interest in the operating company of Swissana Clinic Meggen. Swissana Clinic Meggen is a private hospital based in Meggen, Switzerland.

The goodwill of R103m arising from the acquisition is attributable to the earnings potential of the business. None of the goodwill recognised is expected to be deductible for income tax purposes.

	Unaudited 6 months to 30/9/2014 R'm	Unaudited 6 months to 30/9/2013 R'm	Audited year to 31/3/2014 R'm
Cash consideration for Swissana Clinic Meggen	**108**		
Total assets	**59**		
Total liabilities	**(54)**		
Total identifiable net assets at fair value	**5**		
Goodwill	**103**		
Total	**108**		
Analysis of cash flow on acquisition			
Total consideration transferred	**108**		
Net cash acquired with the subsidiary	**(1)**		
Net cash flow on acquisition	**107**		

Acquisition-related costs of R1m have been charged to administrative expenses in the consolidated income statement.

From the date of acquisition, Swissana Clinic Meggen has contributed R15m of revenue and R1m to the net loss before tax of the Group. If the combination had taken place at the beginning of the financial year, revenue from continuing operations would have been R48m and the loss before tax for the Group would have been R8m.

Danie Meintjes, CEO of Mediclinic International commented:

"We are pleased to report the continued increase in patient numbers at all three platforms. Our results have benefited from this diverse geographic presence and we continue to invest to extend and further improve our service offering."

TRADING RESULTS

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

Group revenue increased by 19% to R16 828m (2013: R14 128m) for the period under review. Normalised operating profit before interest, tax, depreciation and amortisation ("**normalised EBITDA**") was 18% higher at R3 329m (2013: R2 829m). Basic normalised headline earnings per share increased by 22% to 185.2 cents (2013: 151.4 cents).

The Group's normalised EBITDA margin decreased slightly from 20.0% to 19.8% for the period under review.

The Group results include a one-off realised gain on forward contracts of R32m, which is excluded in determining normalised headline earnings. In the comparative period, the Group results include a one-off past-service cost credit of R215m (R172m after tax).

Including the one-off item, headline earnings increased by 11% to R1 555m (2013: R1 401m) and basic headline earnings per ordinary share increased by 9% to 189.0 cents (2013: 172.6 cents).

Movements in the exchange rates had a material effect on the reported results. The average ZAR/Swiss franc (CHF) exchange rate was R11.82 compared to R10.40 for the comparative period and the average ZAR/UAE dirham (AED) exchange rate was R2.90 compared to R2.65 for the comparative period.

Finance cost

Finance cost includes amortisation of capitalised financing expenses of R73m (2013: R63m).

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 111% (2013: 107%) of normalised EBITDA into cash generated from operations. Cash and cash equivalents increased from R3 521m at 31 March 2014 to R4 748m at 30 September 2014.

Interest-bearing borrowings

Interest-bearing borrowings decreased from R30 370m at 31 March 2014 to R28 907m at 30 September 2014, mainly as a result of the change in the closing ZAR/CHF exchange rate and loan repayments. The closing ZAR/CHF exchange rate moved from R11.96 at 31 March 2014 to R11.82 at 30 September 2014. It is important to note that the foreign debt of the Group's Swiss and Middle Eastern operations, amounting to R23 308m, is matched with foreign assets in the same currencies. The foreign debt has no recourse to the Southern African operations' assets.

Assets

Intangible assets increased from R9 210m at 31 March 2014 to R10 787m at 30 September 2014 mainly as a result of the acquisition of Clinique La Colline in Geneva, Switzerland in June 2014.

Equity capital raising

The Group successfully raised R3 114m after expenses through an accelerated bookbuild offering to fund acquisitions. Details of the equity capital raising were released on SENS on 11 June 2014 and 12 June 2014.

Weighted average number of shares adjustment

The weighted average number of shares was adjusted in accordance with IAS 33 paragraph 26 as a result of the equity capital raising completed in June 2014.

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 revenue increased by 10% to R6 206m (2013: R5 638m) for the period under review. Normalised EBITDA was 10% higher at R1 332m (2013: R1 214m).

The Southern African operations contributed R571m (2013: R490m) to the normalised attributable income of the Group after:

- depreciation charges of R183m (2013: R151m);
- net finance charges of R173m (2013: R219m);
- loss from joint venture of R2m (2013: Rnil);
- taxation of R282m (2013: R253m); and
- minority interest amounting to R121m (2013: R101m).

Business performance

The 10% revenue growth was driven by a 4.8% increase in bed-days sold and a 5.7% increase in the average income per bed-day. The number of patients admitted increased by 1.7%, while the average length of stay increased by 3.0%.

The normalised EBITDA margin of the Southern African operations was maintained at 21.5%.

Mediclinic Southern Africa's cash flow continued to be strong as it converted 88% (2013: 109%) of normalised EBITDA into cash generated from operations.

Cash and cash equivalents increased from R1 359m at 31 March 2014 to R1 431m at 30 September 2014.

Interest-bearing borrowings decreased from R5 842m at 31 March 2014 to R5 598m at 30 September 2014.

Projects and capital expenditure

During the period under review, the Southern African operations invested the following amounts:

- R364m (2013: R326m) in capital projects and new equipment to enhance its business;
- R89m (2013: R117m) to replace existing equipment; and
- R158m (2013: R149m) to repair and maintain property and equipment, which was charged through the income statement.

For the current financial year, R937m is budgeted for capital projects and new equipment to enhance its business, R302m for the replacement of existing equipment and R303m for repairs and maintenance. Incremental EBITDA resulting from capital projects in progress or approved is budgeted to amount to R52m and R58m in 2015 and 2016, respectively.

The number of beds increased from 7 614 to 7 636 during the period under review.

During the past six months, a number of building projects were completed at various hospitals that created 22 additional beds as well as a number of facility upgrades.

Building projects in progress, which should be completed during the next six months, will add 206 additional beds. The establishment of the new Mediclinic Midstream (176 beds) is the most significant development.

Several building projects in progress should be completed during the 2016 financial year, which will create 101 additional beds.

Regulatory environment

Within the broader health sector context, the government maintains its commitment to achieve universal coverage through a National Health Insurance (NHI) system. Mediclinic Southern Africa continues to support the underlying principle of universal coverage. A White Paper on the NHI is still awaited. Mediclinic Southern Africa 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's market inquiry into private healthcare has commenced, and stakeholders had to make comprehensive written submissions by the end of October 2014. Mediclinic Southern Africa has a dedicated team working on the matter and comprehensive submissions dealing with the nature and challenges of private healthcare were addressed therein.

OPERATIONS IN SWITZERLAND

HIRSLANDEN

Financial performance

Hirslanden's revenue increased by 23% to R8 646m (2013: R7 025m) for the period under review. Normalised EBITDA was 18% higher at R1 607m (2013: R1 360m). In Swiss francs, revenue increased by 8% to CHF732m (2013: CHF675m) and normalised EBITDA increased by 4% to CHF136m (2013: CHF131m).

Hirslanden contributed R537m (2013: R509m) to the attributable income of the Group after:

- depreciation charges of R468m (2013: R357m);
- net finance charges of R473m (2013: R397m); and
- normalised tax of R129m (2013: R97m).

In Swiss francs, Hirslanden contributed CHF45m (2013: CHF50m) to the attributable income of the Group after:

- depreciation charges of CHF40m (2013: CHF34m);
- net finance charges of CHF40m (2013: CHF38m); and
- normalised tax of CHF11m (2013: CHF9m).

Business performance

The 8% revenue growth was driven by inpatient admissions increasing by 6.5%, at a constant average length of stay and the average revenue per case increased by 2.7%, mainly due to higher acuity levels.

The normalised EBITDA margin of Hirslanden decreased from 19.4% to 18.6% in line with expectations.

Hirslanden converted 134% (2013: 115%) of normalised EBITDA into cash generated from operations.

Cash and cash equivalents decreased from R1 138m (CHF95m) at 31 March 2014 to R1 115m (CHF94m) at 30 September 2014.

Interest-bearing borrowings reported in ZAR decreased from R23 040m (CHF1 926m) at 31 March 2014 to R21 870m (CHF1 850m) at 30 September 2014, mainly due to the change in the closing ZAR/CHF exchange rate and loan repayments.

Projects and capital expenditure

During the period under review, Hirslanden invested the following amounts:

- R289m (CHF24m) (2013: R397m (CHF38m)) in capital projects and new equipment to enhance its business;
- R274m (CHF23m) (2013: R283m (CHF27m)) to replace existing equipment; and
- R217m (CHF18m) (2013: R184m (CHF18m)) to repair and maintain property and equipment, which was charged through the income statement.

For the current financial year, CHF65m is budgeted for capital projects and new equipment to enhance its business, CHF75m for the replacement of existing equipment and CHF37m for repairs and maintenance. Incremental EBITDA resulting from capital projects in progress or approved is budgeted to amount to CHF6m and CHF8m in 2015 and 2016, respectively.

The number of inpatient beds increased from 1 567 to 1 650 during the period under review, mainly as a result of the acquisition of Clinique La Colline (62 inpatient beds) and Swissana Clinic Meggen (22 inpatient beds).

The major building project completed during the period under review was the Klinik Hirslanden radiotherapy department within the Männedorf public hospital, which was commissioned in April 2014.

Building projects in process, which should be completed during the next six months, will add 24 additional beds at Klinik Stephanshorn and upgrade a number of facilities. Investments in technology will also be made at a number of hospitals.

Regulatory environment

The consulting body of the cantonal authorities of the highly specialised medicine initiative has expanded and finally includes two representatives from private medicine. Developments are expected to move at a slower tempo in the near future to avoid the risk of new objections by service providers.

In June 2014, the Federal Council addressed the implementation of the mass immigration initiative adopted on 9 February 2014 and approved an implementation concept. The concept outlines how the Federal Council will set the quantitative limits and quotas for controlling migration to Switzerland from February 2017. Swiss hospitals will focus on the issue of the implementation of the immigration initiative in view of the potential impact on staffing.

The vote on the initiative for a public statutory health insurer held on 28 September 2014 was rejected by the Swiss population.

Acquisition of Clinique La Colline and Swissana Clinic Meggen

Hirslanden acquired a 100% interest in the operating business of Clinique La Colline, a private hospital based in Geneva. Clinique La Colline is a multi-disciplinary medical and surgical private hospital with 95 beds (including 62 inpatient and 33 outpatient and specialised beds) and six operating theatres equipped for general, endoscopic, and navigation-assisted surgery. The acquisition significantly strengthens Hirslanden's position in Western Switzerland by providing a footprint in the important market of Geneva.

The financial results of Clinique La Colline have been included in the Group financial results with effect from 25 June 2014.

Hirslanden also acquired a 100% interest in the operating business of Swissana Clinic Meggen, a private hospital based in the region of Lucerne. Swissana Clinic Meggen has 22 inpatient beds, 11 day surgery beds and 3 operating theatres.

The financial results of Swissana Clinic Meggen have been included in the Group financial results with effect from 8 August 2014.

OPERATIONS IN UNITED ARAB EMIRATES

MEDICLINIC MIDDLE EAST

Financial performance

Mediclinic Middle East's revenue increased by 35% to R1 976m (2013: R1 465m) for the period under review. Normalised EBITDA increased by 53% to R390m (2013: R255m). In UAE dirhams, revenue increased by 23% to AED681m (2013: AED553m) and normalised EBITDA increased by 41% to AED135m (2013: AED96m).

Mediclinic Middle East contributed R295m (2013: R140m) to the attributable income of the Group after:

- depreciation charges of R71m (2013: R67m); and
- net finance charges of R24m (2013: R48m).

In UAE dirhams, Mediclinic Middle East contributed AED102m (2013: AED53m) to the attributable income of the Group after:

- depreciation charges of AED25m (2013: AED25m); and
- net finance charges of AED8m (2013: AED18m).

Business performance

The 23% revenue growth was driven by inpatient hospital admissions increasing by 11%, while hospital outpatient consultations and visits to the emergency units increased by 12%. Clinic outpatient consultations increased by 19%.

The normalised EBITDA margin of Mediclinic Middle East increased from 17.4% to 19.7%.

Mediclinic Middle East converted 93% (2013: 50%) of normalised EBITDA into cash generated from operations.

Cash and cash equivalents increased from R724m (AED251m) at 31 March 2014 to R889m (AED288m) at 30 September 2014. Interest-bearing borrowings decreased from R1 488m (AED517m) at 31 March 2014 to R1 438m (AED465m) at 30 September 2014, mainly because of loan repayments.

Projects and capital expenditure

During the period under review, Mediclinic Middle East invested the following amounts:

- R57m (AED20m) (2013: R14m (AED5m)) in capital projects and new equipment to enhance its business;
- R14m (AED5m) (2013: R27m (AED10m)) to replace existing equipment; and
- R26m (AED9m) (2013: R21m (AED8m)) to repair and maintain property and equipment, which was charged through the income statement.

For the current financial year, AED177m is budgeted for capital projects and new equipment to enhance the business in the longer term, AED15m 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 AED4m and AED5m in 2015 and 2016, respectively.

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

The construction of the North Wing at Mediclinic City Hospital is under way and due to open at the end of 2015 at a total estimated cost of AED265m.

Regulatory environment

Regulatory activity has increased steadily over the past few years with a number of changes implemented. These include the introduction of the mandatory health insurance law and a number of e-initiatives. An electronic submission and publication of quality outcomes is currently in the pilot phase for introduction in 2015.

PROSPECTS

We continue to invest in growth and development across our platforms in the delivery of cost-effective quality healthcare.

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 in the audited financial statements for the year ended 31 March 2014.

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 31.0 cents (2013: 28.0 cents) (26.35 cents (2013: 23.80 cents) net of dividend withholding tax) per ordinary share, an increase of 11%.

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 there from. The Company's issued share capital at the declaration date is 867 957 325 ordinary shares.

The salient dates for the dividend will be as follows:

Last date to trade cum dividend	Friday, 28 November 2014
First date of trading ex dividend	Monday, 1 December 2014
Record date	Friday, 5 December 2014
Payment date	Monday, 8 December 2014

Share certificates may not be dematerialised or rematerialised from Monday, 1 December 2014 to Friday, 5 December 2014, both days inclusive.

For and on behalf of the board of directors:

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

Stellenbosch

5 November 2014

EXPERTISE YOU CAN TRUST.

REGISTERED ADDRESS:
Mediclinic Offices, Strand Road, Stellenbosch 7600, South Africa
PO Box 456, Stellenbosch 7599, South Africa
Tel +27 21 809 6500 • Fax +27 21 886 4037
Ethics line: 0800 005 316
Website: www.mediclinic.com

TRANSFER SECRETARIES:
Computershare Investor Services (Pty) Ltd
70 Marshall Street, Johannesburg 2001, South Africa
PO Box 61051, Marshalltown 2107, South Africa
Tel +27 11 370 5000 • Fax +27 11 688 7716

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