MEDICLINIC
INTERNATIONAL

UNAUDITED INTERIM GROUP RESULTS

OF MEDICLINIC INTERNATIONAL LIMITED
AND ITS SUBSIDIARIES FOR THE SIX MONTHS ENDED **30 SEPTEMBER 2013**

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

SALIENT FEATURES

- STRONG GROWTH IN PATIENT ADMISSIONS AND BED-DAYS SOLD
- POSITIVE EFFECTS OF GROUP REFINANCING AS WELL AS ACQUISITION OF MINORITY INTERESTS IN MEDICLINIC MIDDLE EAST COMPLETED IN OCTOBER 2012
- BASIC NORMALISED HEADLINE EARNINGS PER SHARE INCREASED BY **58%** TO **152.0 CENTS**
- INTERIM DIVIDEND PER ORDINARY SHARE INCREASED TO **28.0 CENTS** (2012: 25.3 CENTS)

CONSOLIDATED ABRIDGED STATEMENT OF FINANCIAL POSITION

	Unaudited as at 30/9/2013 R'm	Unaudited as at 30/9/2012 (restated) R'm	Audited as at 31/3/2013 (restated) R'm
ASSETS			
Non-current assets	**54 876**	43 367	47 885
Property, equipment and vehicles	**45 941**	36 400	40 137
Intangible assets	**8 307**	6 613	7 279
Investments in associates	**3**	–	2
Investments in joint venture	**67**	59	65
Retirement benefit assets	**25**	–	–
Other investments and loans	**65**	61	63
Derivative financial instruments	**235**	–	100
Deferred income tax assets	**233**	234	239
Current assets	**9 142**	9 150	8 857
Inventories	**803**	608	681
Trade and other receivables	**5 670**	5 130	5 427
Current income tax assets	**36**	15	44
Derivative financial instruments	**–**	185	–
Other investments and loans	**–**	28	–
Cash and cash equivalents	**2 633**	3 184	2 705
Total assets	**64 018**	52 517	56 742
EQUITY AND LIABILITIES			
Total equity	**22 026**	12 372	18 002
Share capital and reserves	**21 208**	11 060	17 206
Non-controlling interests	**818**	1 312	796
LIABILITIES			
Non-current liabilities	**35 239**	33 814	32 692
Borrowings	**27 135**	23 231	25 351
Deferred income tax liabilities	**7 233**	5 523	6 182
Retirement benefit obligations	**329**	981	709
Provisions	**479**	265	365
Derivative financial instruments	**63**	3 814	85
Current liabilities	**6 753**	6 331	6 048
Trade and other payables	**4 370**	3 789	4 121
Borrowings	**1 540**	1 911	1 011
Provisions	**288**	170	322
Derivative financial instruments	**16**	66	65
Current income tax liabilities	**539**	395	529
Total liabilities	**41 992**	40 145	38 740
Total equity and liabilities	**64 018**	52 517	56 742
Net asset value per ordinary share – cents	**2 619.9**	1 754.7	2 129.8

CONSOLIDATED ABRIDGED INCOME STATEMENT

	Notes	**Unaudited 6 months to 30/9/2013 R'm**	Change %	Unaudited 6 months to 30/9/2012 (restated) R'm	Audited Year to 31/3/2013 (restated) R'm
Revenue	1	**14 128**	21%	11 672	24 436
Cost of sales		**(8 050)**		(6 742)	(13 881)
Administration and other operating expenses		**(3 034)**		(2 512)	(5 428)
Operating profit before depreciation (EBITDA)	2	**3 044**	26%	2 418	5 127
Depreciation and amortisation		**(574)**		(465)	(994)
Operating profit		**2 470**		1 953	4 133
Other gains and losses	3	**–**		183	531
Income from associates		**–**		–	2
Income from joint venture		**–**		–	3
Finance income	4	**38**		42	69
Finance cost		**(610)**		(820)	(5 166)
Profit before tax		**1 898**		1 358	(428)
Income tax expense		**(393)**		(345)	(418)
Profit/(loss) for the period		**1 505**		1 013	(846)
Attributable to:					
Equity holders of the Company		**1 404**		843	(1 105)
Non-controlling interests		**101**		170	259
		1 505		1 013	(846)
PER SHARE PERFORMANCE		**Number '000**		Number '000	Number '000
Weighted average number of shares					
Before rights offer		**n/a**		629 296	714 856
Adjustment for rights offer (IAS 33 para 26)		**n/a**		51 872	27 002
Weighted average number of ordinary shares in issue		**808 868**		681 168	741 858
Diluted weighted average number of shares					
Before rights offer		**n/a**		651 986	735 860
Adjustment for rights offer (IAS 33 para 26)		**n/a**		51 872	27 002
Diluted weighted average number of ordinary shares in issue		**826 957**		703 858	762 862
Earnings per ordinary share		**cents**		cents	cents
– Basic earnings/(loss) basis		**173.5**	40%	123.7	(148.9)
– Diluted earnings/(loss) basis		**169.7**		119.8	(144.8)
– Basic headline earnings/(loss) basis		**173.2**	40%	123.3	(149.5)
– Diluted headline earnings/(loss) basis		**169.4**		119.3	(145.4)
– Basic normalised headline earnings basis		**152.0**	58%	96.1	259.3
– Normalised diluted headline earnings basis		**148.6**		93.0	252.2
Dividends per ordinary share					
– interim		**28.0**		25.3	25.3
– final		**n/a**		n/a	60.5
					85.8
EARNINGS RECONCILIATION		**R'm**		R'm	R'm
Profit attributable to shareholders		**1 404**		843	(1 105)
Re-measurements for headline earnings		**(4)**		(4)	(6)
Profit on sale of property, equipment and vehicles		**(4)**		(4)	(6)
Income tax effects		**1**		1	1
Headline earnings/(loss)		**1 401**	67%	840	(1 110)
Re-measurements for normalised headline earnings		**(215)**		(185)	3 331
Group one-off refinancing charges		**–**		(185)	3 215
Pre-acquisition tariff provision		**–**		–	151
Past service cost		**(215)**		–	(35)
Income tax effects		**43**		–	(297)
Normalised headline earnings		**1 229**	88%	655	1 924

CONSOLIDATED ABRIDGED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months to 30/9/2013 R'm	Change %	Unaudited 6 months to 30/9/2012 (restated) R'm	Audited Year to 31/3/2013 (restated) R'm
Profit/(loss) for the period	**1 505**	49%	1 013	(846)
Other comprehensive income				
Items that may be reclassified to the income statement				
Currency translation differences	**2 712**		469	1 699
Fair value adjustment to cash flow hedges (net of tax)	**139**		12	3 203
Items that may not be reclassified to the income statement				
Actuarial gains and losses (net of tax)	**201**		(170)	54
Other comprehensive income, net of tax	**3 052**		311	4 956
Total comprehensive income for the period	**4 557**		1 324	4 110
Attributable to:				
Equity holders of the Company	**4 455**		1 112	3 808
Non-controlling interests	**102**		212	302
	4 557		1 324	4 110

CONSOLIDATED ABRIDGED STATEMENT OF CHANGES IN EQUITY

	Unaudited 6 months to 30/9/2013 R'm	Unaudited 6 months to 30/9/2012 (restated) R'm	Audited Year to 31/3/2013 (restated) R'm
Opening balance	**18 002**	11 487	11 487
Shares issued	**–**	–	5 000
Share issue costs	**–**	–	(104)
Movement in shares held in treasury	**3**	9	13
Movement in share-based payment reserve	**10**	3	5
Non-controlling interests acquired by the Group	**–**	(9)	(588)
Total comprehensive income for the period	**4 557**	1 324	4 110
Transactions with non-controlling shareholders	**–**	(16)	(1 268)
Gain on sale of nil-paid letters of allocation	**–**	42	41
Distributed to shareholders	**(467)**	(288)	(488)
Distributed to non-controlling interests	**(79)**	(180)	(206)
Closing balance	**22 026**	12 372	18 002
Comprising			
Share capital	**11 027**	65	11 027
Share premium	**–**	6 066	–
Treasury shares	**(253)**	(261)	(256)
Share-based payment reserve	**150**	138	140
Foreign currency translation reserve	**7 539**	3 598	4 827
Hedge reserve	**119**	(3 211)	(20)
Retained earnings	**2 626**	4 665	1 488
Shareholders' equity	**21 208**	11 060	17 206
Non-controlling interests	**818**	1 312	796
Total equity	**22 026**	12 372	18 002

CONSOLIDATED ABRIDGED STATEMENT OF CASH FLOWS

	Unaudited 6 months to 30/9/2013 R'm	Unaudited 6 months to 30/9/2012 (restated) R'm	Audited Year to 31/3/2013 (restated) R'm
Cash flow from operating activities	**2 134**	1 501	3 549
Cash generated from operations	**3 024**	2 536	5 571
Net finance cost	**(494)**	(757)	(1 508)
Taxation paid	**(396)**	(278)	(514)
Cash flow from investment activities	**(1 148)**	554	(527)
Investment to maintain operations	**(426)**	(299)	(792)
Investment to expand operations	**(737)**	(508)	(1 230)
Proceeds on disposal of property, equipment and vehicles	**17**	8	52
Proceeds from derivative financial instruments	**–**	24	25
Proceeds from other investments and loans	**–**	4	4
Investment in joint venture	**(2)**	(6)	(8)
Amounts advanced to joint venture	**–**	–	(1)
Proceeds from FVTPL financial assets	**–**	802	868
Proceeds from money market funds	**–**	1 144	1 200
Purchases of money market funds	**–**	(627)	(657)
Interest received	**–**	12	12
Cash flow from financing activities	**(1 225)**	(983)	(2 837)
Proceeds from shares issued	**–**	–	5 000
Share issue costs	**–**	–	(104)
Distributions to shareholders	**(467)**	(288)	(488)
Distributions to non-controlling interests	**(79)**	(180)	(206)
Proceeds from borrowings	**206**	–	21 996
Repayment of borrowings	**(888)**	(540)	(24 939)
Settlement of interest rate swap	**–**	–	(1 633)
Proceeds from disposal of treasury shares	**3**	65	27
Treasury shares purchased	**–**	(14)	(16)
Acquisition of non-controlling interests	**–**	(26)	(1 971)
Refinancing transaction costs	**–**	–	(615)
Proceeds on disposal of nil-paid letters of allocation	**–**	–	41
Proceeds on disposal of non-controlling interest	**–**	–	71
Net movement in cash, cash equivalents and bank overdrafts	**(239)**	1 072	185
Opening balance of cash, cash equivalents and bank overdrafts	**2 705**	1 979	1 979
Exchange rate fluctuations on foreign cash	**167**	46	541
Closing balance of cash, cash equivalents and bank overdrafts	**2 633**	3 097	2 705
Cash and cash equivalents	**2 633**	3 184	2 705
Bank overdrafts	**–**	(87)	–
	2 633	3 097	2 705

ABRIDGED SEGMENTAL REPORT

	Unaudited 6 months to 30/9/2013 R'm	Unaudited 6 months to 30/9/2012 (restated) R'm	Audited Year to 31/3/2013 (restated) R'm
Revenue			
Southern Africa	**5 638**	5 068	10 059
Middle East	**1 465**	1 158	2 485
Switzerland	**7 025**	5 446	11 892
	14 128	11 672	24 436
EBITDA			
Southern Africa	**1 214**	1 085	2 163
Middle East	**255**	245	495
Switzerland	**1 575**	1 088	2 469
	3 044	2 418	5 127
Operating profit			
Southern Africa	**1 063**	957	1 886
Middle East	**188**	193	382
Switzerland	**1 219**	803	1 865
	2 470	1 953	4 133

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS

		Unaudited 6 months to 30/9/2013 R'm	Change %	Unaudited 6 months to 30/9/2012 (restated) R'm	Audited Year to 31/3/2013 (restated) R'm
1	**REVENUE RECONCILIATION**				
	Revenue	**14 128**		11 672	24 436
	Adjusted for:				
	Pre-acquisition tariff provision	**-**		–	151
	Normalised revenue	**14 128**	21%	11 672	24 587
2	**EBITDA RECONCILIATION**				
	Operating profit before depreciation (EBITDA)	**3 044**		2 418	5 127
	Adjusted for:				
	Past service cost	**(215)**		–	(40)
	Pre-acquisition tariff provision	**-**			173
	Normalised EBITDA	**2 829**	17%	2 418	5 260
3	**OTHER GAINS AND LOSSES**				
	Realised gains on forward contracts	**-**		–	574
	Unrealised gains on forward contracts	**-**		185	–
	Stamp duty	**-**		–	(41)
	Other	**-**		(2)	(2)
		-		183	531
4	**FINANCE COST**				
	Interest	**496**	(38%)	803	1 301
	Amortisation of capitalised financing fees	**63**		32	89
	Loan breakage charges	**-**		–	54
	Preference share dividend	**62**		–	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	**(11)**		(15)	(31)
		610		820	5 166
5	**COMMITMENTS**				
	Capital commitments	**2 067**		1 698	2 766
	Southern Africa	**1 640**		1 086	2 050
	Middle East	**17**		31	27
	Switzerland	**410**		581	689
6	**EXCHANGE RATES**	**R**		R	R
	Average Swiss franc (ZAR/CHF)	**10.40**		8.63	9.05
	Closing Swiss franc (ZAR/CHF)	**11.12**		8.85	9.69
	Average UAE dirham (ZAR/AED)	**2.65**		2.23	2.32
	Closing UAE dirham (ZAR/AED)	**2.74**		2.26	2.51
7	**NUMBER OF SHARES ISSUED**	**Number '000**		Number '000	Number '000
	Ordinary shares in issue	**826 957**		652 315	826 957
	Ordinary shares held in treasury	**(17 474)**		(22 023)	(19 078)
	Ordinary shares in issue net of treasury shares	**809 483**		630 292	807 879

CHANGES IN ACCOUNTING POLICY

Impact on profit/(loss) for the period of the application of new and revised standards

	For the period ended 30/9/2012 as previously reported R'm	IFRS 11 adjustments R'm	IAS 19 adjustments R'm	For the period ended 30/9/2012 (restated) R'm
Revenue	11 734	(62)	–	11 672
Cost of sales	(6 724)	30	(48)	(6 742)
Administration and other operating expenses	(2 524)	28	(16)	(2 512)
Depreciation and amortisation	(468)	3	–	(465)
Income from joint venture	–	–	–	–
Finance income	41	1	–	42
Income tax expense	(358)	–	13	(345)
Profit for the year	1 064	–	(51)	1 013
Decrease in profit for the year attributable to:				
Equity holders of the Company	894	–	(51)	843
Impact on other comprehensive income for the period of the application of the new and revised standards				
Actuarial gains and losses	(255)	–	85	(170)
Currency translation differences	465	–	4	469
Other comprehensive income for the year, net of tax	222	–	89	311
Decrease in total comprehensive income for the year attributable to:				
Equity holders of the Company	1 074	–	38	1 112

	For the year ended 31/3/2013 as previously reported R'm	IFRS 11 adjustments R'm	IAS 19 adjustments R'm	For the year ended 31/3/2013 (restated) R'm
Revenue	24 562	(126)	–	24 436
Cost of sales	(13 845)	59	(95)	(13 881)
Administration and other operating expenses	(5 454)	61	(35)	(5 428)
Depreciation and amortisation	(999)	5	–	(994)
Income from joint venture	–	3	–	3
Finance income	68	1	–	69
Income tax expense	(442)	(3)	27	(418)
Loss for the year	(743)	–	(103)	(846)
Increase in loss for the year attributable to:				
Equity holders of the Company	(1 002)	–	(103)	(1 105)
Impact on other comprehensive income for the year of the application of the new and revised standards				
Actuarial gains and losses	201	–	(147)	54
Currency translation differences	1 705	–	(6)	1 699
Other comprehensive income for the year, net of tax	5 109	–	(153)	4 956
Decrease in total comprehensive income for the year attributable to:				
Equity holders of the Company	4 064	–	(256)	3 808

Impact on assets, liabilities and equity on the application of the new and revised standards	As at 30/9/2012 as previously reported R'm	IFRS 11 adjustments R'm	IAS 19 adjustments R'm	As at 30/9/2012 (restated) R'm
Property, equipment and vehicles	36 484	(84)	–	36 400
Intangible assets	6 614	(1)	–	6 613
Investment in joint venture	–	59	–	59
Other investments and loans	15	46	–	61
Deferred income tax assets	236	(2)	–	234
Inventories	611	(3)	–	608
Trade and other receivables	5 166	(36)	–	5 130
Cash and cash equivalents	3 191	(7)	–	3 184
Borrowings (non-current)	(23 235)	4	–	(23 231)
Deferred income tax liabilities	(5 492)	–	(31)	(5 523)
Retirement benefit obligations	(1 143)	10	152	(981)
Trade and other payables	(3 803)	14	–	(3 789)
Total effect on net assets	18 644	–	121	18 765
Retained earnings	(4 548)			(4 548)
Opening balance adjustments			(83)	(83)
Adjustments for the period			(34)	(34)
				(4 665)
Other reserves (Foreign currency translation reserve)	(3 594)	–	(4)	(3 598)
Total effect on equity	(8 142)	–	(121)	(8 263)

Impact on assets, liabilities and equity as at 31 March 2013 of the application of the new and revised standards	As at 31/3/2013 as previously reported R'm	IFRS 11 adjustments R'm	IAS 19 adjustments R'm	As at 31/3/2013 (restated) R'm
Property, equipment and vehicles	40 233	(96)	–	40 137
Intangible assets	7 279	–	–	7 279
Investment in joint venture	–	65	–	65
Other investments and loans	17	46	–	63
Deferred income tax assets	244	(5)	–	239
Inventories	684	(3)	–	681
Trade and other receivables	5 466	(39)	–	5 427
Borrowings (non-current)	(25 359)	8	–	(25 351)
Deferred income tax liabilities	(6 227)	–	45	(6 182)
Retirement benefit obligations	(501)	10	(218)	(709)
Trade and other payables	(4 135)	14	–	(4 121)
Total effect on net assets	17 701	–	(173)	17 528
Retained earnings	(1 655)			(1 655)
Opening balance adjustments			(83)	(83)
Adjustments for the period			250	250
				(1 488)
Other reserves (Foreign currency translation reserve)	(4 833)	–	6	(4 827)
Total effect on equity	(6 488)	–	173	(6 315)

Danie Meintjes, CEO of Mediclinic International commented:

"We note continued positive contributions from all our operating platforms during the six months under review. Our steady earnings momentum is supported by general increases in bed-days sold, average income per bed-day, number of patients admitted and the average length of stay, as acuity levels continue to rise.

We have benefited from our refinanced capital structure and the acquisition of minorities in Mediclinic Middle East, as we continue to grow our business. Hirslanden has made a particularly pleasing contribution in this period and provides further testimony to the resilience of our revenue and earnings streams across our diverse platforms in Southern Africa, Switzerland and the United Arab Emirates."

TRADING RESULTS

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

Group normalised revenue increased by 21% to R14 128m (2012: R11 672m) for the period under review. Normalised operating profit before interest, tax, depreciation and amortisation ("**normalised EBITDA**") is 17% higher at R2 829m (2012: R2 418m). The leveraging effect of the Group's capital structure, together with the positive effects of the Group refinancing and acquisition of the minority interests in Mediclinic Middle East completed in October 2012, augmented the Group's financial performance and resulted in basic normalised headline earnings per share growth of 58% to 152.0 cents (2012: 96.1 cents).

The Group's normalised EBITDA margin decreased from 20.7% to 20.0% for the period under review.

The current Group results include a one-off past-service cost credit of R215m (R172m after tax) arising in the main Hirslanden pension fund. The comparative results included a one-off net unrealised gain of R185m on foreign exchange forward contracts reported under *'Other gains and losses'* in the consolidated income statement.

Including these one-off items, headline earnings increased by 67% to R1 401m (2012: R840m) and basic headline earnings per ordinary share increased by 40% to 173.2 cents (2012: 123.3 cents).

The average ZAR/Swiss franc (CHF) exchange rate was R10.40 compared to R8.63 for the comparative period and the average ZAR/UAE dirham (AED) exchange rate was R2.65 compared to R2.23 for the comparative period. These movements in the exchange rates had a significant positive effect on the reported results, as detailed under Hirslanden's and Mediclinic Middle East's financial performance sections.

Finance cost

Finance cost includes amortisation of capitalised financing expenses of R63m (2012: R32m).

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 107% (2012: 105%) of normalised EBITDA into cash generated from operations. Cash and cash equivalents decreased from R2 705m at 31 March 2013 to R2 633m at 30 September 2013.

Interest-bearing borrowings

Interest-bearing borrowings increased from R26 362m at 31 March 2013 to R28 675m at 30 September 2013, mainly as a result of the change in the closing ZAR/CHF exchange rate. The closing ZAR/CHF exchange rate moved from R9.69 at 31 March 2013 to R11.12 at 30 September 2013. It is important to note that the foreign debt of the Group's Swiss and Middle Eastern operations, amounting to R22 887m, 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 R40 137m at 31 March 2013 to R45 941m at 30 September 2013 and intangible assets increased from R7 279m at 31 March 2013 to R8 307m at 30 September 2013. These increases are mainly as a result of the change in the closing ZAR/CHF and the ZAR/AED exchange rates, as mentioned above.

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 rights issue completed in October 2012.

Restatement of comparative numbers

The impacts of the application of the revised IAS 19 standard and the new IFRS 11 standard are as follows:

- The revised IAS 19 standard deals with the accounting for defined benefit obligations and plan assets. Previously the net interest income on Hirslanden's plan assets was recognised in profit or loss based on the expected return on plan assets. The net interest rate on plan assets is no longer calculated based on expected return but rather equal to the discount rate used for determining retirement benefit obligations.
- The new IFRS 11 standard deals with the accounting of joint ventures. Previously Wits University Donald Gordon Medical Centre (Pty) Ltd was proportionately consolidated whereas, under IFRS 11, the company is now equity accounted.

Refer to '*Changes to accounting policy*' note for details of the restated comparative numbers.

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 11% to R5 638m (2012: R5 068m) for the period under review. Normalised EBITDA was 12% higher at R1 214m (2012: R1 085m).

After incurring depreciation charges of R151m (2012: R128m), net finance charges of R219m (2012: R151m), taxation of R253m (2012: R222m) and deducting the interest of minority shareholders in the attributable income of the Southern African group amounting to R101m (2012: R82m), the Southern African operations contributed R490m (2012: R502m) to the normalised attributable income of the Group.

Business performance

The 11% revenue growth was driven by a 5.8% increase in bed-days sold and a 5.1% increase in the average income per bed-day. The number of patients admitted increased by 4.3%, while the average length of stay increased by 1.4%.

The normalised EBITDA margin of the Southern African operations increased from 21.4% to 21.5%.

Mediclinic Southern Africa's cash flow continued to be strong as it converted 109% (2012: 112%) of normalised EBITDA into cash generated from operations.

Cash and cash equivalents decreased from R1 305m at 31 March 2013 to R1 159m at 30 September 2013.

Interest-bearing borrowings decreased from R5 809m at 31 March 2013 to R5 789m at 30 September 2013.

Projects and capital expenditure

During the reporting period the Southern African operations spent R326m (2012: R242m) on capital projects and new equipment to enhance its business and R117m (2012: R124m) on the replacement of existing equipment. In addition, R149m (2012: R134m) was spent on the repair and maintenance of property and equipment, charged through the income statement. For the current 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 7 436 to 7 493 during the period under review.

During the past six months a number of building projects were completed at various hospitals, creating 57 additional beds as well as new consulting rooms, a cardiology unit and involving a number of facility upgrades.

Building projects in progress, which should be completed during the next six months, will add 107 additional beds as well as new consulting rooms and a number of facility upgrades.

The number of licensed beds is expected to increase from 7 493 to 7 600 during the next six months.

Several building projects in progress should be completed during the 2015 financial year of which the establishment of the new Mediclinic Centurion (176 beds) is the most significant development.

Regulatory environment

Within the broader health sector context, the government remains committed to achieving universal coverage through a National Health Insurance (NHI) system. Mediclinic will engage with both government and other stakeholders on the most appropriate mechanisms to pursue universal coverage in the South African context, once the White Paper on the NHI is published by government.

The Competition Commission is set to initiate an inquiry into the private healthcare sector within the next few months. Mediclinic has met with the Commission's representatives and provided input on the draft Terms of Reference. We await the final terms.

OPERATIONS IN SWITZERLAND

HIRSLANDEN

Financial performance

Hirslanden's normalised revenue increased by 29% (7% at constant foreign exchange rates) to R7 025m (CHF675m) (2012: R5 446m (CHF631m)) for the period under review. Normalised EBITDA was 25% higher (4% higher at constant foreign exchange rates) at R1 360m (CHF131m) (2012: R1 088m (CHF126m)).

After incurring depreciation charges of R357m (CHF34m) (2012: R285m (CHF33m)), net finance charges of R397m (CHF38m) (2012: R625m (CHF72m)) and tax of R97m (CHF9m) (2012: R122m (CHF14m)), Hirslanden contributed R509m (CHF50m) (2012: R56m (CHF7m)) to the attributable income of the Group.

Business performance

The 7% normalised revenue growth was driven by inpatient admissions increasing by 5.4%, while the average length of stay increased slightly and the average revenue per case increased by 2.0%, mainly due to higher acuity levels.

The normalised EBITDA margin of Hirslanden decreased from 20.0% to 19.4%.

Hirslanden converted 115% (2012: 99%) of normalised EBITDA into cash generated from operations.

Cash and cash equivalents increased from R536m (CHF55m) at 31 March 2013 to R611m (CHF55m) at 30 September 2013, due to the increase in the closing ZAR/CHF exchange rate.

Interest-bearing borrowings reported in ZAR increased from R18 997m (CHF1 960m) at 31 March 2013 to R21 330m (CHF1 918m) at 30 September 2013, due to the increase in the closing ZAR/CHF exchange rate.

Projects and capital expenditure

During the reporting period Hirslanden invested R397m (CHF38m) (2012: R243m (CHF28m)) in capital projects and new equipment to enhance its business and R283m (CHF27m) (2012: R160m (CHF19m)) on the replacement of existing equipment. In addition, R184m (CHF18m) (2012: R138m (CHF16m)) 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 from 1 487 to 1 509 during the period under review, mainly as a result of the partial opening of the new wing at Klinik Hirslanden.

Building projects completed during the period under review were:

- The new wing at Klinik Hirslanden in Zurich formally opened during May 2013. The additional beds will be commissioned in a phased approach in order to balance supply and demand over time. It is planned that all additional beds will be in operation at financial year end.
- In August 2013 Klinik Stephanshorn completed the expansion of the intensive care unit (ICU) and Klinik Beau-Site opened its health centre at the train station in Berne.

Investments in medical technology during the period under review were:

- In July 2013 a cardiac centre, together with a hybrid operating theatre, was commissioned at Klinik Hirslanden.
- At Salem Spital, Clinique Cecil, Klinik Im Park and Klinik Stephanshorn new MRI machines were installed.
- At Klinik Aarau and Klinik Im Park new CT scanners were installed.

The major ongoing expansion projects are as follows:

- The radiotherapy department at Spital Männedorf is expected to be commissioned in early 2014.
- An additional cardiac catheterisation laboratory will be operational in November 2014 at Klinik Beau Site.

The number of operational beds is expected to increase from 1 509 to 1 536 during the next six months.

Regulatory environment

From 1 July 2013 the cantons have the discretion to reintroduce the moratorium on the licensing of doctors in the outpatient sector. This moratorium will apply to 30 June 2016 and is not expected to have a major impact on Hirslanden.

Developments in regulations pertaining to the provision of highly specialised medicine are carefully monitored and appropriate steps will be taken to protect our position.

OPERATIONS IN UNITED ARAB EMIRATES

MEDICLINIC MIDDLE EAST

Financial performance

Mediclinic Middle East's normalised revenue increased by 27% (6% at constant foreign exchange rates) to R1 465m (AED553m) (2012: R1 158m (AED519m)) for the period under review. Normalised EBITDA increased by 4% (decreased by 13% at constant exchange rates) to R255m (AED96m) (2012: R245m (AED110m)).

After incurring depreciation charges of R67m (AED25m) (2012: R52m (AED23m)), net finance charges of R48m (AED18m) (2012: R17m (AED7m)) and the sharing of minority shareholders in the attributable income of Mediclinic Middle East in the comparative period of R87m (AED39m), Mediclinic Middle East contributed R140m (AED53m) (2012: R89m (AED41m)) to the attributable income of the Group.

Business performance

The 6% revenue growth was driven by inpatient hospital admissions increasing by 1%, while hospital outpatient consultations and visits to the emergency units increased by 1%. Clinic outpatient consultations increased by 3%.

The normalised EBITDA margin of Mediclinic Middle East decreased from 21.2% to 17.4%, mainly due to the temporary revenue impact of doctor turnover at Mediclinic Welcare Hospital and the start-up costs of the new clinic.

Mediclinic Middle East converted 50% (2012: 99%) of normalised EBITDA into cash generated from operations, impacted by teething problems with the recent introduction of the national e-claims system.

Cash and cash equivalents decreased from R629m (AED250m) at 31 March 2013 to R586m (AED214m) at 30 September 2013. Compared to 31 March 2013, the reported interest-bearing borrowings balance of R1 556m (AED568m) (2012: AED 619m) remained consistent, mainly because of the increase in the closing ZAR/AED exchange rate.

Projects and capital expenditure

During the reporting period Mediclinic Middle East invested R14m (AED5m) (2012: R21m (AED9m)) in capital projects and new equipment to enhance its business, apart from R27m (AED10m) (2012: R15m (AED7m)) on the replacement of existing equipment. In addition, R21m (AED8m) (2012: R17m (AED8m)) was spent on the repair and maintenance of property and equipment, charged through the income statement. For the current 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 remained at 382, which includes 27 day beds available at the clinics.

Ongoing capital projects:

- The expected completion date of the North Wing expansion project of Mediclinic City Hospital is in the second quarter of 2015. As previously reported, this project will include a state-of-the-art oncology unit developed in association with Hirslanden and create capacity for the extension of Mediclinic City Hospital facilities.
- Mediclinic Middle East's first clinic in Abu Dhabi, Mediclinic Corniche, is expected to open in February 2014.

CHANGES TO THE BOARD OF DIRECTORS

During the period under review, Mr Pieter Uys, an Investment Manager at Remgro, was appointed as a non-executive director of the Company with effect from 1 April 2013, as previously reported.

PROSPECTS

We continue to invest for growth in anticipation of the continuing increase in demand for 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 2013, except for the adoption of the new and revised standards. The adoption of the IFRS 11 *Joint Arrangements* and the revised IAS 19 *Employee Benefits* required a restatement of the comparative figures. Refer to the section '*Restatement of comparative numbers*' and the '*Changes in accounting policy*' note for further detail. The summarised Group interim 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 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 28.0 cents (2012: 25.3 cents) (23.80 cents (2012: 21.5050 cents) net of dividend withholding tax) per ordinary share. The dividend declared increased by 11% 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	Friday, 29 November 2013
First date of trading ex dividend	Monday, 2 December 2013
Record date	Friday, 6 December 2013
Payment date	Monday, 9 December 2013

Share certificates may not be dematerialised or rematerialised from Monday, 2 December 2013 to Friday, 6 December 2013, both days inclusive.

Signed on behalf of the board of directors:

E DE LA H HERTZOG
Chairman

DP MEINTJES
Chief Executive Officer

Stellenbosch

6 November 2013

EXPERTISE YOU CAN TRUST.

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