

Mediclinic International plc  
(Incorporated in England and Wales)  
Company Number: 08338604  
LSE Share Code: MDC  
JSE Share Code: MEI  
NSX Share Code: MEP  
ISIN: GB00B8HX8Z88  
LEI: 2138002S5BSBIZTD5I60  
South African income tax number: 9432434182  
(“**Mediclinic**”, the “**Company**” or the “**Group**”)

16 November 2017

## **MEDICLINIC INTERNATIONAL PLC – 2017/18 INTERIM RESULTS AND DECLARATION OF INTERIM CASH DIVIDEND**

**Abu Dhabi turnaround underway; continued strong performance in Dubai  
Underlying EBITDA margin improvement in Southern Africa  
Hirslanden successfully completed Linde acquisition and refinancing of debt facilities  
Interim dividend maintained at 3.20 pence per share**

Mediclinic announces its results for the six months ended 30 September 2017 (the “**reporting period**” or “**1H18**”). Please refer to the separate announcement providing an update on the status of Mediclinic’s proposal to acquire all of the issued and to be issued share capital of Spire.

### **GROUP FINANCIAL RESULTS**

- Revenue up 10% to GBP1 405m; flat in constant currency terms
- Underlying EBITDA up 5% to GBP232m; decreased by 5% in constant currency terms
- Underlying operating profit up 3% to GBP161m; reported operating profit down 21% at GBP133m, impacted by exceptional items
- Underlying earnings down 11% to GBP84m reflecting lower income from associates
- Reported loss of GBP50m as result of Spire equity investment impairment charge and other exceptional items
- Underlying earnings per share down 12% to 11.3 pence; excluding the impact of Spire’s exceptional provision, underlying earnings per share was down 5% to 12.2 pence
- Cash conversion at 91% of underlying EBITDA (1H17: 104%)
- Interim dividend maintained at 3.20 pence per share

### **OPERATIONAL HIGHLIGHTS**

- Hirslanden revenue stable at CHF820m; underlying EBITDA down 6% to CHF143m; underlying EBITDA margin of 17.4%
- Southern Africa revenue up 4% to ZAR7 581m; underlying EBITDA up 6% to ZAR1 590m; underlying EBITDA margin of 21.0%
- Middle East revenue down 5% to AED1 475m; underlying EBITDA down 26% to AED125m; underlying EBITDA margin of 8.5%
- Guidance for all operating divisions remains unchanged with current 2H18 trading in line with management expectations

#### **Danie Meintjes, CEO of Mediclinic, today commented:**

*“Given the variability of last year, we have been encouraged by the positive operational trends in our Abu Dhabi business as we progressed through the first six months. Along with the strong performance from our established Dubai operations, I am confident that Mediclinic Middle East is on track to deliver a strong second half performance resulting in revenue growth and underlying EBITDA margin expansion for the year.*”

*“In Switzerland and Southern Africa, patient volumes in the first half of the year were down on the prior year period, impacted by the timing of the Easter holiday. The management teams in both operating divisions have implemented the appropriate cost-saving programmes and productivity initiatives that should help margins during the second half of the year.*

*“We have had a good start to the second half of the financial year, with current trading across all our operating divisions in line with our expectations.*

*“As a leading global healthcare provider, Mediclinic continues to focus on its core strategy of putting “Patients First”. We achieve this by seeking to offer a value proposition to our patients through improving quality, safety and efficiency. The ongoing, long-term investments we make and experienced leadership across the Group support the delivery of sustainable growth in the future whilst ensuring we continue to improve the services we offer our patients, funders and clinicians.”*

## GROUP FINANCIAL SUMMARY

	1H18 GBPm	1H17 GBPm	Variance %
Revenue	1 405	1 283	10%
EBITDA <sup>1</sup>	232	232	0%
Underlying EBITDA <sup>1</sup>	232	220	5%
Operating profit	133	169	(21%)
Earnings <sup>2</sup>	(50)	110	(145%)
Underlying earnings <sup>1</sup>	84	94	(11%)
(Loss)/earnings per share (pence)	(6.8)	14.9	(146%)
Underlying earnings per share (pence) <sup>1</sup>	11.3 <sup>3</sup>	12.8	(12%)
Interim dividend per share (pence)	3.20	3.20	0%
Net debt <sup>4</sup>	1 687	1 669	1%

1 The Group uses underlying income statement reporting as non-IFRS measures in evaluating performance and as a method to provide shareholders with clear and consistent reporting. The reconciliations between the statutory and the non-IFRS measures are included in the ‘Financial Review’ section below.

2 Earnings refer to (loss)/profit attributable to equity holders.

3 Excluding the impact of Spire’s exceptional provision for the potential cost of a settlement relating to civil litigation against a consultant who previously had practicing privileges at Spire Healthcare, underlying earnings per share for the period was down 5% at 12.2 pence. The 0.9 pence impact on underlying earnings per share is calculated by taking Mediclinic’s 29.9% share of the GBP27.6m provision booked by Spire, adjusting for tax and applying this amount against the Group’s weighted average number of shares in issue.

4 The comparative for net debt reflects the balance as at 31 March 2017.

### Underlying results

The Group’s 1H18 revenue was GBP1 405m (1H17: GBP1 283m) and underlying EBITDA was GBP232m (1H17: GBP220m), up 10% and 5% respectively. In constant currency terms, 1H18 revenue was flat and underlying EBITDA was down 5%, with the Group’s underlying EBITDA margin decreasing to 16.5% (1H17: 17.1%). These results were as a result of modest revenue growth in Southern Africa and a stable underlying EBITDA margin, flat Hirslanden revenue and a lower underlying EBITDA margin and Middle East revenue and underlying EBITDA margin declines compared to the comparative period.

Underlying depreciation and amortisation was in line with expectations up 13% to GBP71m (1H17: GBP63m) associated with the continued investment programme expanding the asset base to support growth and enhancing patient experience and clinical quality. Underlying operating profit was up 3% to GBP161m (1H17: GBP156m). Underlying net finance costs remained flat at GBP39m (1H17: GBP39m) and underlying taxation was up 12% to GBP29m (1H17: GBP26m) with a normalised effective tax rate for the period of 24.0% (1H17: 21.0%).

Mediclinic's investment in Spire Healthcare Group plc ("**Spire**") is accounted for on an equity basis recognising their reported profit of GBP8.9m for the six months ended 30 June 2017 (2016: GBP35.7m). Spire's adjusted profit in the period was GBP34.7m (2016: GBP38.2m). The difference between Spire's reported profit and adjusted profit in the period principally resulted from a provision amounting to GBP27.6m for the potential cost of a settlement relating to civil litigation against a consultant who previously had practicing privileges at Spire Healthcare. This is before taking account of any potential insurance recoveries. The provision materially impacted Mediclinic's 1H18 equity accounted share of profit from Spire at GBP1.1m (1H17: GBP10m), which also includes the amortisation of intangible assets recognised in the notional purchase price allocation for the Group's acquisition of its equity investment.

Mediclinic's underlying earnings were down 11% at GBP84m (1H17: GBP94m) resulting in underlying earnings per share down 12% to 11.3 pence (1H17: 12.8 pence), largely impacted by the performance of the Hirslanden and Middle East operating divisions and the decline in contribution from Spire. Excluding the impact of Spire's exceptional provision for the potential cost of a settlement relating to civil litigation against a consultant who previously had practicing privileges at Spire Healthcare, underlying earnings per share for the period was down 5% at 12.2 pence. The interim dividend per share is maintained at 3.20 pence (1H17: 3.20 pence), representing a 28% pay-out ratio to underlying earnings, in line with the Group's policy of 25% to 30%.

## Reported results

On a Group reported basis, the results were impacted by the following exceptional items:

- recognition of an impairment charge on the equity investment in Spire of GBP109m;
- accelerated amortisation of the Al Noor trade name of GBP23m related to the rebranding;
- loss on disposal of certain non-core businesses in Mediclinic Middle East of GBP5m; and
- fair value gains on ineffective cash flow hedges of GBP4m.

Due largely to the impact of the exceptional items, depreciation and amortisation increased by 49% to GBP94m (1H17: GBP63m), while other gains and losses reported a GBP5m loss (1H17: nil) related to the disposal of non-core businesses in Mediclinic Middle East. Therefore, operating profit was down 21% at GBP133m (1H17: GBP169m).

Finance costs increased by 17% to GBP41m (1H17: GBP35m), impacted by a reduced gain from the non-cash fair value adjustment on the ineffective Swiss interest rate swap of GBP4m (1H17: GBP8m).

The market value of the investment in Spire was GBP270m at 30 September 2017, which is below the carrying value at 31 March 2017. An impairment test was performed at 30 September 2017 by updating the key assumptions applied in the value in use calculation performed at 31 March 2017. As a result, an impairment charge of GBP109m was recorded against the carrying value of the equity accounted investment. This resulted in a loss before tax of GBP10m (1H17: GBP148m).

The Group's reported effective tax rate is materially skewed by the exceptional non-deductible expenses which include the accelerated amortisation, the equity investment impairment charge and the loss on disposal.

As a result, the reported earnings were a loss of GBP50m (1H17: profit of GBP110m).

*Group results are subject to movements in foreign currency exchange rates. Refer to the 'Financial Review' section below for exchange rates used to convert the operating divisions' results and financial position to British pounds.*

Details of the 1H18 results analyst presentation in London, in addition to the webcast and conference call registration information, are available at the end of this report or visit the Group's website at [www.mediclinic.com](http://www.mediclinic.com).

## OPERATIONAL REVIEW

The Group's strategic focus is to ensure it delivers high-quality healthcare and optimal patient experience across the operating divisions in Switzerland, Southern Africa and the Middle East. To this end, Mediclinic continued to invest in its people, clinical facilities and technology across the operating divisions. The Group's growing international scale enables it to unlock further value through promoting collaboration and best practice between its operating divisions and to extract further synergies and cost-efficiencies.

Long-term demand for Mediclinic's services, across its operating divisions, remains robust, underpinned by an ageing population, growing disease burden and technological innovation. However, the increase in demand across the operating divisions is juxtaposed by lower economic growth in some regions and greater competition. In addition, there is an increased focus on the affordability of delivering healthcare which is resulting in changing care delivery models and greater regulatory oversight.

The Group is well positioned to deliver long-term value to its shareholders with a well-balanced portfolio of global operations, a leading position across all four attractive healthcare markets and a platform for future growth.

## HIRSLANDEN

	1H18	1H17	Variance %
Movement in bed days sold	<b>(1.9%)</b>	(0.1%)	
Movement in revenue per bed day sold	<b>(0.1%)</b>	3.3%	
Inpatients (000's)	<b>47.6</b>	48.2	(1.3%)
Revenue (CHFm)	<b>820</b>	819	0.1%
Underlying EBITDA (CHFm)	<b>143</b>	152	(6%)
Underlying EBITDA margin	<b>17.4%</b>	18.6%	
Expansion capex (CHFm)	<b>15</b>	11	36%
Maintenance capex (CHFm)	<b>26</b>	19	37%
Underlying EBITDA converted to cash	<b>91%</b>	113%	
Average GBP/CHF exchange rate	<b>1.26</b>	1.34	(6%)
Revenue (GBPm)	<b>651</b>	613	6%
Underlying EBITDA (GBPm)	<b>113</b>	114	(1%)

## Financial review

Hirslanden accounted for 46% of the Group's revenues (1H17: 48%) and 49% of its underlying EBITDA (1H17: 52%).

As at the end of the reporting period, Hirslanden operated 17 hospitals and 4 outpatient clinics with a total of 1 792 inpatient beds and 9 881 employees (7 033 full-time equivalents). It is the largest private

acute care hospital group in Switzerland servicing approximately one third of inpatients treated in Swiss private hospitals.

During the reporting period, patient volumes were impacted by the timing of the Easter holiday period and a subdued market during the summer months with bed days sold and inpatient admissions down 1.9% and 1.3% respectively. Revenue in 1H18 was flat at CHF820m (1H17: CHF819m) as a result of a 1% decline in inpatient revenues offset by a 6% increase in outpatient revenues. The gradual insurance mix change continued, with a 4% increase in general insured patients and a 5% decline in supplementary insured patients.

Underlying EBITDA in 1H18 decreased by 6% to CHF143m (1H17: CHF152m) with the underlying EBITDA margin decreasing to 17.4% from 18.6%. This reflects the impact of lower patient volumes, insurance mix change and investment costs associated with the Hirslanden 2020 strategic programme partially offset by cost-management programmes and efficiency savings. Operating profit decreased by 26% to CHF90m (1H17: CHF122m). Hirslanden contributed GBP43m to the Group's underlying earnings (representing 51%) compared to GBP48m (representing 51%) in the comparative period. Hirslanden converted 91% (1H17: 113%) of underlying EBITDA into cash generated from operations.

In October 2017, the Group completed the refinancing of Hirslanden's secured long-term bank loans. The new facilities can be increased by up to CHF0.45bn to a total of CHF2.0bn, with a 25bps reduction in the cost of debt on a like for like basis and an extended maturity profile to at least 2023.

### **Driving efficiencies and investing for the future**

The growing outmigration of care trend in Switzerland is being addressed as part of the Hirslanden 2020 strategic programme. This programme has two main goals: to increase the efficiency of the existing business by implementing standardised systems and processes; and to develop new areas of business, such as outpatient facilities to efficiently service day case patients. Hirslanden is assessing the most appropriate outpatient solution to implement for each hospital, including the reconfiguration of existing hospital surgery units and the establishment of specialised outpatient and medical centres moving towards a more integrated medical network that facilitates the access to healthcare for patients. New medical centres where doctors' practices will be located are planned to open in Zurich, Cham and St. Gallen during the financial years ending 31 March 2018 ("**FY18**") and 31 March 2019 ("**FY19**").

In 1H18, Hirslanden invested CHF15m in expansion capital projects and new equipment and CHF26m on the replacement of existing equipment and upgrade projects as well as investments in Hirslanden 2020. Hirslanden Klinik Im Park in Zurich opened its new Bellaria outpatient surgery centre in April 2017, which includes a ward for procedures requiring short inpatient stays. Building work continues on an expanded emergency department for Klinik Hirslanden in Zurich and a new ward at Hirslanden Klinik St. Anna in Lucerne which are both expected to be completed in FY19.

Effective 1 July 2017, Hirslanden acquired Linde Holding Biel / Bienne AG ("**Linde**") for a total consideration of CHF107m. Linde is a leading private hospital in the Biel region of Switzerland offering a wide range of medical services with 115 beds, an outpatient clinic facility, emergency unit, six operating theatres, physiotherapy, radiology and an ophthalmology centre. In March 2017, the hospital's main building was expanded with a new wing which provides the opportunity for future growth. During Linde's 12-month reporting period for 2016, the hospital treated 6 043 inpatients and generated revenue of CHF70m (CHF91m gross revenue as per local statutory reporting including doctors' fees) and EBITDA of CHF9m. Linde was consolidated into the Hirslanden 1H18 results for the second quarter of the period and contributed CHF16m to revenue and around 1 300 to inpatient admissions. To date, Hirslanden has acquired 99.6% of the issued share capital of Linde.

### **Regulatory update**

Earlier in the year, the Swiss Federal Government released proposed adjustments to the national outpatient tariff ("**TARMED**") as a transitional solution whilst healthcare providers and funders continue to negotiate and agree a revised tariff structure. Based on analysis of the complex proposal, the previously announced annualised impact on Hirslanden outpatient revenues was estimated at around CHF30m. After mitigating actions, including improved utilisation and increased efficiencies, Hirslanden

expects the annualised impact on underlying EBITDA to be around CHF25m. The implementation date for the revised TARMED tariff is 1 January 2018, impacting revenue and EBITDA for one quarter in FY18 and a full year in FY19. The Federal Government has also been preparing a national framework for the outmigration of basic medical treatments taking certain interventions from an inpatient to an outpatient tariff, which is expected to be implemented from 1 January 2019. The final list of interventions will be agreed following the conclusion of a recent working group review. In the Canton of Lucerne, similar measures were implemented on 1 July 2017 with the Cantons of Zurich, Zug and Aargau expected to follow from 1 January 2018.

## MEDICLINIC SOUTHERN AFRICA

	1H18	1H17	Variance %
Movement in bed days sold	<b>(3.3%)</b>	2.6%	
Movement in revenue per bed day sold	<b>7.7%</b>	5.5%	
Admissions (000's)	<b>289</b>	299	(3%)
Revenue (ZARm)	<b>7 581</b>	7 283	4%
Underlying EBITDA (ZARm)	<b>1 590</b>	1 506	6%
Underlying EBITDA margin	<b>21.0%</b>	20.7%	
Expansion capex (ZARm)	<b>228</b>	383	(40%)
Maintenance capex (ZARm)	<b>232</b>	301	(23%)
Underlying EBITDA converted to cash	<b>90%</b>	94%	
Average GBP/ZAR exchange rate	<b>17.08</b>	20.00	(15%)
Revenue (GBPm)	<b>444</b>	364	22%
Underlying EBITDA (GBPm)	<b>93</b>	75	24%

### Financial review

Mediclinic Southern Africa accounted for 32% of the Group's revenues (1H17: 28%) and 40% of its underlying EBITDA (1H17: 34%).

In Southern Africa (including South Africa and Namibia), as at the end of the reporting period, Mediclinic operated 52 hospitals and 2 day clinics with a total of 8 095 beds and 16 366 employees. Mediclinic Southern Africa is the third largest private healthcare provider in Southern Africa.

During the first half of the year, patient volumes in Southern Africa were impacted by the timing of the Easter holiday period, other public and school holidays and the number of weekend days resulting in nine fewer ordinary working days compared to the comparative period. In addition, the results were delivered against a continued weak macro-economic environment and funder interventions. Revenue in Southern Africa increased by 4% to ZAR7 581m (1H17: ZAR7 283m). Bed days sold decreased by 3.3% and average revenue per bed day increased by 7.7%. Admissions decreased by 3.3% with the greatest decline in surgical day cases as the outmigration trend continues. The average length of stay remained stable.

Underlying EBITDA increased by 6% to ZAR1 590m (1H17: ZAR1 506m) resulting in the underlying EBITDA margin increasing to 21.0% from 20.7% as the ongoing shift in case mix towards medical versus surgical cases and lower patient volumes were more than offset by cost-management and efficiency initiatives. Operating profit increased by 4% to ZAR1 338m (1H17: ZAR1 287m). Mediclinic

Southern Africa contributed GBP34m to the Group's underlying earnings (representing 40%) compared to GBP30m (representing 32%) in the comparative period.

### **Investing to support long-term growth**

Mediclinic Southern Africa invested ZAR228m on expansion capital projects and new equipment and ZAR232m on the replacement of existing equipment and upgrade projects. Total capex spend in 1H18 represents some 40% of the platform's FY18 budget and below the 1H17 spend due to the timing of projects and a disciplined approach to capital expenditure. The total number of licenced beds remained flat compared to the year ended 31 March 2017 ("**FY17**") at 8 095. The key project completed during the first half of the year was the expansion of Mediclinic Bloemfontein. The building projects in progress at Mediclinic Thabazimbi and Mediclinic Newcastle are expected to add some 42 additional licensed beds by the end of FY18, taking the total number for Mediclinic Southern Africa to 8 137. Several additional building projects are due for completion in FY19 and FY20, which are expected to add some 330 additional operational beds in both existing facilities and new day clinics. Mediclinic's day clinic roll-out is unique and premised on co-locating the facilities with the main hospitals at Mediclinic Newcastle, Nelspruit, Stellenbosch, Bloemfontein and Cape Gate which will provide an additional 12 theatres to the Southern African operations.

In August 2017, Mediclinic announced it had agreed to an investment in the Intercare group of companies ("**Intercare**"). The Intercare group was founded in 2000 and currently manages 18 multi-disciplinary primary care medical and dental centres, as well as 4 day hospitals and 3 sub-acute and rehabilitation hospitals in South Africa, servicing over 1 million patients per annum. The investment in Intercare comprises of a minority shareholding in the multi-disciplinary medical and dental centres and a controlling shareholding in the day hospitals and sub-acute and rehabilitation hospitals. Intercare will continue to manage all of its facilities under the Intercare brand. Both transactions were subject to a number of conditions, including Competition Commission approval of the Mediclinic acquisition of the controlling shareholding in the day hospital and sub-acute and rehabilitation hospitals. In October 2017, the last condition precedent for the primary care transaction was fulfilled and this transaction is ready to proceed to completion.

Mediclinic's proposed acquisition of a controlling share in Matlosana Medical Health Services Proprietary Limited ("**MMHS**"), based in Klerksdorp in the North-West Province of South Africa, has been referred to the Competition Tribunal by the Competition Commission with the case expected to be heard in the first quarter of FY19. In January 2017, Mediclinic Southern Africa also announced the proposed acquisition of a 50% + 1 share interest in the mental health provider, Life Path Health. Mediclinic has decided not to pursue this transaction further.

### **Regulatory update**

The Competition Commission is currently undertaking a market inquiry into the private healthcare sector in South Africa to understand both whether there are features of the sector that prevent, distort or restrict competition and how competition in the sector can be promoted. The inquiry is due to publish its provisional recommendations in November 2017, but has not advised when the final report is expected. Mediclinic has submitted documentation to the inquiry and will continue to engage with all stakeholders as draft documents are published to achieve an agreeable outcome.

The South African Government is seeking to address the shortcomings of the public health system through the phased introduction of a National Health Insurance system over a 14-year period. The latest White Paper was released in June 2017 for consultation. Mediclinic has engaged with the Department of Health with regards to the functioning of the proposed seven institutions, bodies and commissions, submitting comments on the draft guidelines and making nominations to the committees. Mediclinic will continue to closely monitor the process and seeks further clarity on a large number of matters that still need to be addressed.

## MEDICLINIC MIDDLE EAST

	1H18	1H17	Variance %
Inpatients ('000s)	33	34	(2.2%)
Outpatients ('000s)	1 356	1 591	(14.8%)
Movement in bed days sold	(7.8%)	3.1%	
Revenue (AEDm)	1 475	1 547	(5%)
Underlying EBITDA (AEDm)	125	170	(26%)
Underlying EBITDA margin	8.5%	11.0%	
Expansion capex (AEDm)	105	99	6%
Maintenance capex (AEDm)	28	18	57%
Underlying EBITDA converted to cash	91%	100%	
Average GBP/AED exchange rate	4.75	5.05	(6%)
Revenue (GBPm)	310	306	1%
Underlying EBITDA (GBPm)	27	34	(21%)

### Financial review

Mediclinic Middle East accounted for 22% of the Group's revenues (1H17: 24%) and 12% of its underlying EBITDA (1H17: 15%).

Mediclinic Middle East, as at the end of the reporting period, operated 6 hospitals and 24 clinics with a total of 714 beds and 5 884 employees. It is one of the largest private healthcare providers in the UAE with the majority of its operations in Dubai and Abu Dhabi (including Al Ain).

The Middle East remains a growth market for healthcare. The combination of Mediclinic and Al Noor has created one of the leading private healthcare providers in the region. Recent operational and regulatory changes are providing support for the recovery in performance of the Abu Dhabi business and future investment decisions. Opportunities in the region include the provision of services for a growing expatriate market and ageing local population, which is facing an increased incidence of lifestyle-related medical conditions. Mediclinic has confidence in its long-term Middle East growth strategy and continues to focus on building a high quality, multi-disciplinary clinical service offering in Abu Dhabi for the enhanced and Thiqa insurance market that emulates the Group's market leading Dubai business.

In line with guidance, revenue in 1H18 decreased by 5% to AED1 475m (1H17: AED1 547m). After adjusting for the sale of non-core assets, revenue was down 1%. The established Dubai business performed strongly with revenue increasing 7%, reflecting the ramp-up benefit from the new North Wing opened in September 2016 at Mediclinic City Hospital. The Middle East operations' inpatient and outpatient volumes were down 2.2% and 14.8% respectively in 1H18, impacted by the business and operational alignment initiatives, changes in regulation and non-core asset disposals in Abu Dhabi during the prior financial year. The business and operational alignment initiatives include strategies to actively migrate away from Basic to Thiqa and Enhanced insured patients and to invest in higher acuity inpatient services, generating higher quality revenue and margin improvement.

Due to the impact of the changes in the Abu Dhabi business, Mediclinic Middle East's 1H18 underlying EBITDA decreased by 26% to AED125m (1H17: AED170m) and the underlying EBITDA margin decreased to 8.5% from 11.0%. Resulting from the integration of the Dubai and Abu Dhabi businesses



last year were some 1 000 staff retrenchments. In addition, other efficiency and cost-management initiatives were implemented that will support underlying EBITDA margin enhancement in the Middle East operating division as revenues increase.

An impairment of AED46m (1H17: AED46m) was charged to the income statement in respect of trade receivables balance. The charge for the full year is expected to be around AED90m (FY17: AED113m).

Depreciation and amortisation increased by 121% to AED181m (1H17: AED82m). The increase was partially associated with the opening of the new North Wing at Mediclinic City Hospital in Dubai and the Mediclinic Al Jowhara Hospital in Abu Dhabi. However, the main increase was in amortisation due to the accelerated charge of AED107m in relation to the Al Noor trade name, resulting from the rebranding exercise which commenced in February 2017, which is an exceptional item and excluded from underlying earnings. This asset has now been fully amortised. Mediclinic Middle East incurred an operating loss of AED218m (1H17: profit of AED91m).

In early June 2016, Mediclinic Middle East amended and increased the existing debt facilities to AED567m (of which AED220m remains undrawn) from AED282m in the comparative period to refinance the Group bridge loan facility, as well as to continue to fund existing expansion projects across the UAE. Net finance costs therefore increased by 27% to AED17m (1H17: AED13m).

### **Investing in a dynamic and growing market**

Actions taken in Abu Dhabi are already having a positive effect on the business and are laying the foundation for sustainable growth. The important strategic decision to rebrand to Mediclinic was taken in February 2017. All hospitals have successfully been rebranded with the final clinics expected to be completed by the end of the year. Doctor vacancies have normalised and the focus has shifted to supporting doctors to grow their patient activity. This includes the roll-out of a new remuneration policy, similar to that established in Dubai, that is fundamentally based on doctors' professional services and the quality of care provided. Since the Thiqa (health insurance for UAE nationals) co-payment requirement in Abu Dhabi was removed in April 2017, the business continues to see an improving trend in Thiqa patient activity. 1H18 Thiqa inpatient and outpatient volumes in Abu Dhabi increased by 40% and 15% respectively compared to the comparative period. The removal of the Thiqa co-payment has enabled the business to accelerate its strategy of migrating activity away from Basic, towards Enhanced and Thiqa insured patients. The Abu Dhabi business also targets having a higher ratio of inpatient volumes, similar to that in Dubai, through the continued investment in doctors, services and facilities. Mediclinic Middle East expects the positive momentum in higher tariff patient volumes to continue to grow in the second half of the year, supported by the seasonality benefit in the UAE following the end of the quieter summer period.

Mediclinic Middle East invested AED105m on expansion capital projects and new equipment and AED28m on the replacement of existing equipment and upgrade projects. The major component of the expansion capital expenditure was the Mediclinic Parkview Hospital project in Dubai. Construction of the new 188-bed Mediclinic Parkview Hospital, the seventh hospital in the Middle East operations, is progressing well and is on track to be completed in the fourth quarter of FY19. In addition to the ramp-up in capital expenditure on Mediclinic Parkview Hospital in the second half of the year, other expansion capex is allocated for projects at Mediclinic Airport Road Hospital and Mediclinic Al Noor Hospital and for the creation of an Electronic Healthcare Record system across Mediclinic Middle East that will enable the business over the coming years to deliver improved service quality and seamless care for patients. The project to construct a new hospital in the Western Region of Abu Dhabi, which was postponed, has been reinitiated with project planning currently underway.

### **Regulatory update**

Preparations are ongoing for the implementation of Diagnosis Related Groups in Dubai which is now expected to be implemented in July 2018 with Mediclinic planning to implement shadow billing from February 2018. The Gulf Corporation Council Value-Added Tax ("VAT") framework agreement was published in April 2017 and subsequently in August 2017 healthcare was confirmed as a zero-rated service. Mediclinic has recently completed its VAT registration ahead of the planned implementation of VAT on 1 January 2018.

## SPIRE HEALTHCARE GROUP

Mediclinic has a 29.9% investment in Spire.

Spire's underlying performance for the six months to 30 June 2017 was in line with expectations. Underlying revenue increased by 3.8%, underlying EBITDA increased by 1.3% and the underlying EBITDA margin increased to 18.1%. Adjusted EPS (excluding exceptional and tax one-off items) decreased by 9.4%. Total inpatient/day case admissions grew 0.3% driven by self-pay and NHS volume growth. Spire provided updated guidance for the remainder of the year in September 2017.

Mediclinic's investment in Spire is accounted for on an equity basis recognising the reported profit of GBP8.9m for the six months ended 30 June 2017 (2016: GBP35.7m). Spire's adjusted profit in the period was GBP34.7m (2016: GBP38.2m). The difference between Spire's reported profit and adjusted profit in the period principally resulted from a provision amounting to GBP27.6m for the potential cost of a settlement relating to civil litigation against a consultant who previously had practicing privileges at Spire Healthcare. This is before taking account of any potential insurance recoveries. The provision materially impacted Mediclinic's 1H18 equity accounted share of profit from Spire at GBP1.1m (1H17: GBP10m), which also includes the adjustment for the amortisation of intangible assets recognised in the notional purchase price allocation for the Group's acquisition of its equity investment.

## BOARD CHANGES

Mediclinic announced that on 24 July 2017 Mr Danie Meintjes informed the Board of his intention to retire from his position as Chief Executive Officer and a director of the Company by 31 July 2018. The Nomination Committee commenced a search to identify a successor which is progressing well. Further updates on this process will be announced when appropriate.

Two new independent non-executive director appointments were made by the Board since year end. Dr Felicity Harvey joined the Board (also serving as a member of the Clinical Performance and Sustainability Committee) from 3 October 2017 and Dr Muhadditha Al Hashimi joined the Board from 1 November 2017.

## OUTLOOK

The Group maintains the following guidance, for the financial year ending 31 March 2018 ("FY18"), unless otherwise stated:

- Hirslanden: Modest revenue growth is expected. The underlying EBITDA margin in the second half of the year will typically reflect the seasonal benefit of the winter period including higher occupancy and improved insurance mix. The full year margin will be impacted by the TARMED outpatient tariff reductions from 1 January 2018, outmigration of care, two Easter holiday periods, costs relating to the Hirslanden 2020 strategic programme and the Linde acquisition, partially offset by ongoing efficiency gains.
- Mediclinic Southern Africa: The Group expects revenue growth to be around 4% due to the challenging macro-economic environment, greater competition, timing of two Easter holiday periods and funder interventions. Despite cost inflation running above tariff increases, the underlying EBITDA margin is expected to remain broadly stable at 21% due to increased efficiencies.
- Mediclinic Middle East: The established Dubai business is expected to perform well despite the competitive landscape. A gradual improvement is expected in the Abu Dhabi business over the next couple of years. Premised on strong revenue and underlying EBITDA growth in the second half of the financial year, the Group expects a marginal improvement in Middle East revenues for the full year and a gradual improvement in underlying EBITDA margins over time, including the impact associated with the opening of new facilities.
- The Group's revised capital expenditure budget for the year is 12% lower at GBP247m in constant currency (by using average FY17 exchange rates). This comprises GBP114m in Hirslanden, GBP64m in Mediclinic Southern Africa and GBP69m in Mediclinic Middle East.

## FINANCIAL REVIEW

### GROUP FINANCIAL PERFORMANCE

Group revenue increased by 10% to GBP1 405m (1H17: GBP1 283m) for the reporting period.

On a Group reported basis, the results were impacted by the following exceptional items:

- recognition of an impairment charge on the equity investment in Spire of GBP109m;
- accelerated amortisation of the Al Noor trade name of GBP23m related to the rebranding;
- loss on disposal of certain non-core businesses in Mediclinic Middle East of GBP5m; and
- fair value gains on ineffective cash flow hedges of GBP4m.

Due largely to the impact of the exceptional items, depreciation and amortisation increased by 49% to GBP94m (1H17: GBP63m), while other gains and losses reported a GBP5m loss (1H17: nil) related to the disposal of non-core businesses in Mediclinic Middle East. Therefore, operating profit was down 21% at GBP133m (1H17: GBP169m).

Finance costs increased by 17% to GBP41m (1H17: GBP35m), impacted by a reduced gain from the non-cash fair value adjustment on the ineffective Swiss interest rate swap of GBP4m (1H17: GBP8m).

The market value of the investment in Spire was GBP270m at 30 September 2017, which is below the carrying value at 31 March 2017. An impairment test was performed at 30 September 2017 by updating the key assumptions applied in the value in use calculation performed at 31 March 2017. As a result, an impairment charge of GBP109m was recorded against the carrying value of the equity accounted investment. This resulted in a loss before tax of GBP10m (1H17: GBP148m).

The Group's reported effective tax rate is materially skewed by the exceptional non-deductible expenses which include the accelerated amortisation, the equity investment impairment charge and the loss on disposal.

As a result, the reported earnings were a loss of GBP50m (1H17: profit of GBP110m).

## EARNINGS RECONCILIATIONS

30 SEPTEMBER 2017 INTERIM RESULTS	Total GBP'm	Switzerland GBP'm	Southern Africa GBP'm	Middle East GBP'm	United Kingdom GBP'm	Corporate GBP'm
Revenue	1 405	651	444	310	–	–
Operating profit/(loss)	133	72	78	(16)	–	(1)
(Loss)/profit attributable to equity holders*	(50)	46	34	(21)	(108)	(1)
<b>RECONCILIATIONS</b>						
Operating profit/(loss)	133	72	78	(16)	–	(1)
Add back:						
– Other gains and losses	5	–	–	5	–	–
– Depreciation and amortisation	94	41	15	38	–	–
<b>EBITDA</b>	<b>232</b>	<b>113</b>	<b>93</b>	<b>27</b>	<b>–</b>	<b>(1)</b>
<b>Underlying EBITDA</b>	<b>232</b>	<b>113</b>	<b>93</b>	<b>27</b>	<b>–</b>	<b>(1)</b>
Operating profit/(loss)	133	72	78	(16)	–	(1)
<b>Exceptional items</b>						
Other gains and losses	5	–	–	5	–	–
Accelerated amortisation	23	–	–	23	–	–
<b>Underlying operating profit/(loss)</b>	<b>161</b>	<b>72</b>	<b>78</b>	<b>12</b>	<b>–</b>	<b>(1)</b>
(Loss)/profit attributable to equity holders*	(50)	46	34	(21)	(108)	(1)
<b>Exceptional items:</b>						
Loss on disposal of businesses	5	–	–	5	–	–
Impairment of associate	109	–	–	–	109	–
Fair value gains on ineffective cash flow hedges	(4)	(4)	–	–	–	–
Accelerated amortisation	23	–	–	23	–	–
Tax on exceptional items	1	1	–	–	–	–
<b>Underlying earnings</b>	<b>84</b>	<b>43</b>	<b>34</b>	<b>7</b>	<b>1</b>	<b>(1)</b>
Weighted average number of shares (millions)	737.1					
<b>Underlying earnings per share (pence)</b>	<b>11.3</b>					

\*Profit attributable to equity holders in Switzerland is shown after the elimination of intercompany loan interest of GBP8m.

30 SEPTEMBER 2016 INTERIM RESULTS	Total GBP'm	Switzerland GBP'm	Southern Africa GBP'm	Middle East GBP'm	United Kingdom GBP'm	Corporate GBP'm
Revenue	1 283	613	364	306	–	–
Operating profit/(loss)	169	91	64	18	–	(4)
Profit/(loss) attributable to equity holders*	110	64	30	14	10	(8)
<b>RECONCILIATIONS</b>						
Operating profit/(loss)	169	91	64	18	–	(4)
Add back:						
– Other gains and losses	–	–	–	(1)	–	1
– Depreciation and amortisation	63	36	11	16	–	–
<b>EBITDA</b>	<b>232</b>	<b>127</b>	<b>75</b>	<b>33</b>	<b>–</b>	<b>(3)</b>
<b>Exceptional items:</b>						
Past service cost credit	(13)	(13)	–	–	–	–
Restructuring costs	1	–	–	1	–	–
<b>Underlying EBITDA</b>	<b>220</b>	<b>114</b>	<b>75</b>	<b>34</b>	<b>–</b>	<b>(3)</b>
Operating profit/(loss)	169	91	64	18	–	(4)
<b>Exceptional items</b>						
Past service cost credit	(13)	(13)	–	–	–	–
Restructuring costs	1	–	–	1	–	–
Other gains and losses	(1)	–	–	(1)	–	–
<b>Underlying operating profit/(loss)</b>	<b>156</b>	<b>78</b>	<b>64</b>	<b>18</b>	<b>–</b>	<b>(4)</b>
Profit/(loss) attributable to equity holders*	110	64	30	14	10	(8)
<b>Exceptional items:</b>						
Past service cost credit	(13)	(13)	–	–	–	–
Restructuring costs	1	–	–	1	–	–
Fair value gains on ineffective cash flow hedges	(8)	(8)	–	–	–	–
Other gains and losses	(1)	–	–	(1)	–	–
Tax on exceptional items	5	5	–	–	–	–
<b>Underlying earnings</b>	<b>94</b>	<b>48</b>	<b>30</b>	<b>14</b>	<b>10</b>	<b>(8)</b>
Weighted average number of shares (millions)	736.9					
<b>Underlying earnings per share (pence)</b>	<b>12.8</b>					

\*Profit attributable to equity holders in Switzerland is shown after the elimination of intercompany loan interest of GBP8m.

## UNDERLYING NON-IFRS FINANCIAL MEASURES

The Group uses underlying income statement reporting as non-IFRS measures in evaluating performance and as a method to provide shareholders with clear and consistent reporting. The underlying measures are intended to remove volatility associated with certain types of exceptional income and charges from reported earnings. Historically EBITDA and underlying EBITDA were disclosed as supplemental non-IFRS financial performance measures because they are regarded as useful metrics to analyse the performance of the business from period to period. Measures like underlying EBITDA are used by analysts and investors in assessing performance.

The rationale for using non-IFRS measures:

- it tracks the underlying operational performance of the Group and its operating segments by separating out exceptional items;
- non-IFRS measures are used by management for budgeting, planning and monthly financial reporting; and
- non-IFRS measures are used by management in presentations and discussions with investment analysts.

The Group's policy is to adjust, *inter alia*, the following types of income and charges from the reported IFRS measures to present underlying results:

- significant restructuring costs;
- profit/loss on sale of significant assets;
- past service cost charges / credits in relation to pension fund conversion rate changes;
- significant prior year tax and deferred tax adjustments;
- accelerated IFRS 2 charges;
- accelerated amortisation charges;
- mark-to-market fair value gains / losses, relating to ineffective interest rate swaps;
- significant impairment charges;
- significant insurance proceeds; and
- significant transaction costs incurred during acquisitions.

EBITDA is defined as operating profit before depreciation and amortisation, excluding other gains and losses.

Non-IFRS financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with IFRS. The underlying measures used by the Group are not necessarily comparable with those used by other entities.

The Group has consistently applied this definition of underlying measures as it has reported on its financial performance in the past as the directors believe this additional information is important to allow shareholders to better understand the Group's trading performance for the reporting period. It is the Group's intention to continue to consistently apply this definition in the future.

## FOREIGN EXCHANGE RATES

Although the Group reports its results in British pound, the operating segments profits are generated in Swiss franc, UAE dirham and South African rand. Consequently, movements in exchange rates affected the reported earnings and reported balances in the statement of financial position.

Foreign exchange rate sensitivity:

- The impact of a 10% change in the GBP/CHF exchange rate for a sustained period of six months is that profit for the period would increase/decrease by GBP5m (1H17: increase/decrease by GBP6m) due to exposure to the GBP/CHF exchange rate.
- The impact of a 10% change in the GBP/ZAR exchange rate for a sustained period of six months is that profit for the period would increase/decrease by GBP5m (1H17: increase/decrease by GBP4m) due to exposure to the GBP/ZAR exchange rate.
- The impact of a 10% change in the GBP/AED exchange rate for a sustained period of six months is that profit for the period would increase/decrease by GBP2m (1H17: increase/decrease by GBP1m) due to exposure to the GBP/AED exchange rate.

During the reporting period, the average and closing exchange rates were the following:

	1H18	1H17	Variance %
<b>Average rates:</b>			
GBP/CHF	1.26	1.34	(6%)
GBP/ZAR	17.08	20.00	(15%)
GBP/AED	4.75	5.05	(6%)
	1H18	FY17	Variance %
<b>Period end rates:</b>			
GBP/CHF	1.30	1.25	4%
GBP/ZAR	18.08	16.74	8%
GBP/AED	4.92	4.59	7%

## CASH FLOW

The Group continued to deliver strong cash flow and converted 91% (1H17: 104%) of underlying EBITDA into cash generated from operations. Cash conversion in 1H17 has been adjusted because of a reclassification between cash flow categories with no impact on net cash. Refer to the basis of preparation in note 2 to the condensed consolidated financial information for an explanation of this reclassification.

	1H18 GBPm	1H17 GBPm
Cash from operations (a)	210	229
Underlying EBITDA (b)	232	220
Cash conversion ((a)/(b) x 100)	91%	104%

## INTEREST-BEARING BORROWINGS

Interest-bearing borrowings decreased from GBP2 030m at 31 March 2017 to GBP1 949m at 30 September 2017. This decrease is mainly because of the change in the closing exchange rate.

	<b>1H18 GBPm</b>	<b>FY17 GBPm</b>
Interest-bearing	<b>1 949</b>	2 030
Less: cash and cash equivalents	<b>(262)</b>	(361)
Net debt	<b>1 687</b>	1 669
Total equity	<b>3 922</b>	4 164
Debt-to-equity capital ratio	<b>0.4</b>	0.4

## ASSETS

Property, equipment and vehicles decreased from GBP3 703m at 31 March 2017 to GBP3 661m at 30 September 2017. The closing balance increased as a result of the Linde acquisition and was reduced with the translation to pounds.

Intangible assets decreased from GBP2 156m at 31 March 2017 to GBP2 036m at 30 September 2017 due to accelerated amortisation of the Al Noor tradename as well as the change in the closing exchange rate.

An impairment charge of GBP109m was recognised for the Spire equity investment, reducing the carrying value to GBP348m. The impairment charge was excluded from the underlying earnings calculation.

## INCOME TAX

The Group's effective tax rate changed significantly for the period under review to (300%) (1H17: 21.0%), mainly due to exceptional non-deductible expenses which include the accelerated amortisation, the equity investment impairment charge and the loss on disposals. Excluding these exceptional non-deductible charges, the effective tax rate would be 24.0% (1H17: 21.0%) for the period ended 30 September 2017. The higher proportional contribution to profits from the Mediclinic Southern Africa operations, coupled with a lower proportional contribution towards profits from the Mediclinic Middle East operations, increased the effective tax rate for the six months ended 30 September 2017 from the prior period.

## REFINANCE OF SWISS DEBT

At the end of October 2017, the elective refinancing of the Group's Swiss debt was successfully completed. The refinanced Swiss debt funding comprises up to CHF2bn of property-backed facilities:

- CHF1.5bn senior term loan facility with a partially amortising repayment profile over six years and priced at Swiss Libor plus a margin of 1.25%;
- CHF0.4bn capex facility, priced at Swiss Libor plus a margin of 1.25%, but which could increase funding costs up to a maximum of Swiss Libor plus a margin of 1.65% at the time of drawing, depending on the loan-to-value at that time;
- CHF0.1bn revolving facility, priced at Swiss Libor plus a margin of 1.25%;
- the new financing results in future finance cost savings; and
- the existing ineffective interest rate swap was settled at CHF5m and no new hedging was entered into for the time being.



## DIVIDEND POLICY AND DIVIDEND DECLARATION

The Group's dividend policy is to target a pay-out ratio of between 25% and 30% of underlying earnings. The Board may revise the policy at its discretion.

The Board declared an interim dividend from retained earnings of 3.20 pence per ordinary share for the six months ended 30 September 2017. Shareholders on the South African register will be paid the ZAR cash equivalent of 59.87200 cents (47.89760 cents net of dividend withholding tax) per share. A dividend withholding tax of 20% will be applicable to all shareholders on the South African register who are not exempt therefrom. The ZAR cash equivalent has been calculated using the following exchange rate: GBP1: ZAR18.71, being the 5-day average ZAR/GBP exchange rate (Bloomberg) on Friday, 10 November 2017 at 3:00pm GMT.

The interim dividend will be paid on Monday, 18 December 2017 to all ordinary shareholders who are on the register of members at the close of business on the record date of Friday, 8 December 2017.

The salient dates for the dividend will be as follows:

Dividend announcement date	Thursday, 16 November 2017
Last date to trade cum dividend (SA register)	Tuesday, 5 December 2017
First date of trading ex-dividend (SA register)	Wednesday, 6 December 2017
First date of trading ex-dividend (UK register)	Thursday, 7 December 2017
Record date	Friday, 8 December 2017
Payment date	Monday, 18 December 2017

Share certificates may not be dematerialised or rematerialised within Strate from Wednesday, 6 December 2017 to Friday, 8 December 2017, both dates inclusive. No transfers between the UK and SA registers may take place from Thursday, 16 November 2017 to Friday, 8 December 2017, both days inclusive.

### **Tax treatment for shareholders on the South African register**

#### *South African tax resident shareholders on the South African register:*

In terms of the Company's Dividend Access Trust structure, the following South African tax resident shareholders on the South African register will receive a component of the dividend from the Dividend Access Trust and therefore regarded as a local South African dividend, with the remaining component from the Company and therefore regarded as a foreign non-South African dividend. For purposes of South African dividend withholding tax, the entire dividend of 59.87200 cents per share is taxable at a rate of 20%, unless an applicable exemption applies:

1. in the case of shares held in certificated form, who are registered on the South African register with an address in South Africa (other than PLC Nominees Proprietary Limited (or any successor entity through which shares held in dematerialised form are held)); and
2. in the case of shares held in dematerialised form, in respect of whom the South African transfer secretaries of the Company have determined, in good faith and by reference to the information provided to them by the eligible shareholders and/or their brokers and/or central securities depository participants, that such eligible shareholders are either (i) tax resident in South Africa or (ii) have an address in South Africa and have not expressly indicated that they are not tax resident in South Africa as at the dividend record date.

The component of the dividend payable by the Dividend Access Trust and by the Company will be announced on the JSE's Stock Exchange News Service and on the LSE's Regulatory News Service as soon as possible after the record date, 8 December 2017, of the dividend.

#### *Non-South African tax resident shareholders on the South African register:*

Non-South African tax resident shareholders on the South African register will be paid the dividend by the Company in the usual way and not through the Dividend Access Trust. The entire dividend of 59.87200 cents per share payable to such shareholders will therefore be regarded as a foreign dividend and exempt from South African dividend withholding tax, provided that the relevant exemption forms have been completed and submitted as prescribed.

## PRINCIPAL RISKS

The Board is ultimately accountable for the Group's risk management process and system of internal control. The principal risks and mitigating factors remained the same as described on pages 30 to 36 of the Group's Annual Report and Financial Statements for the year ended 31 March 2017 (a copy of which is available on the Group's website at [www.mediclinic.com](http://www.mediclinic.com)).

## DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors confirm that to the best of their knowledge the unaudited condensed financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that this announcement includes a fair review of the information required by the Disclosure Guidance and Transparency Rules 4.2.4, 4.2.7 and 4.2.8.

After making enquiries, the Directors considered it appropriate to adopt the going concern basis in preparing the financial statements.

The names and functions of the Company's directors are listed on the Company's website.

By order of the Board.

**Danie Meintjes**  
Chief Executive Officer

**Jurgens Myburgh**  
Chief Financial Officer

15 November 2017

## CAUTIONARY STATEMENT

*This announcement contains certain forward-looking statements relating to the business of the Company and its subsidiaries (collectively, the "Group"), including with respect to the progress, timing and completion of the Group's development, the Group's ability to treat, attract, and retain patients and customers, its ability to engage consultants and general practitioners and to operate its business and increase referrals, the integration of prior acquisitions, the Group's estimates for future performance and its estimates regarding anticipated operating results, future revenue, capital requirements, shareholder structure and financing. In addition, even if the Group's actual results or development are consistent with the forward-looking statements contained in this announcement, those results or developments may not be indicative of the Group's results or developments in the future. In some cases, you can identify forward-looking statements by words such as "could," "should," "may," "expects," "aims," "targets," "anticipates," "believes," "intends," "estimates," or similar words. These forward-looking statements are based largely on the Group's current expectations as of the date of this announcement and are subject to a number of known and unknown risks and uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievement expressed or implied by these forward-looking statements. In particular, the Group's expectations could be affected by, among other things, uncertainties involved in the integration of acquisitions or new developments, changes in legislation or the regulatory regime governing healthcare in Switzerland, South Africa, Namibia and the UAE and poor performance by healthcare practitioners who practice at our facilities, unexpected regulatory actions or suspensions, competition in general, the impact of global economic changes, and the Group's ability to obtain or maintain accreditation or approval for its facilities or service lines. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements made in this announcement will in fact be realised and no representation or warranty is given as to the completeness or accuracy of the forward-looking statements contained in this announcement.*

*The Group is providing the information in this announcement as of this date, and we disclaim any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.*

# INDEPENDENT REVIEW REPORT TO MEDICLINIC INTERNATIONAL PLC

## Report on the condensed consolidated financial information

### Our conclusion

We have reviewed Mediclinic International plc's condensed consolidated financial information (the "**interim financial statements**") in the half-yearly report of Mediclinic International plc for the six month period ended 30 September 2017. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

### What we have reviewed

The interim financial statements comprise:

- the condensed consolidated statement of financial position at 30 September 2017;
- the condensed consolidated income statement and consolidated statement of comprehensive income for the period then ended;
- the condensed consolidated statement of cash flows for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the half-yearly report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

### Responsibilities for the interim financial statements and the review

#### Our responsibilities and those of the directors

The half-yearly report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the half-yearly report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP  
Chartered Accountants  
London  
15 November 2017

- a) *The maintenance and integrity of the Mediclinic International plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim financial statements since they were initially presented on the website.*
- b) *Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.*

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
at 30 September 2017

	Notes	30 Sep 2017 (Unaudited) GBP'm	31 Mar 2017 (Audited) GBP'm
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>6 080</b>	<b>6 353</b>
Property, equipment and vehicles		3 661	3 703
Intangible assets		2 036	2 156
Equity accounted investments	4	354	465
Other investments and loans		7	8
Deferred income tax assets		22	21
<b>Current assets</b>		<b>899</b>	<b>1 069</b>
Inventories		87	90
Trade and other receivables		544	591
Other investments and loans		–	16
Current income tax assets		2	2
Derivative financial instruments		1	–
Cash and cash equivalents		262	361
Assets classified as held for sale	6	3	9
<b>Total assets</b>		<b>6 979</b>	<b>7 422</b>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital		74	74
Share premium reserve		690	690
Treasury shares		(1)	(2)
Retained earnings		5 494	5 525
Other reserves		(2 408)	(2 201)
<b>Attributable to equity holders of the Company</b>		<b>3 849</b>	<b>4 086</b>
Non-controlling interests		73	78
<b>Total equity</b>		<b>3 922</b>	<b>4 164</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	5	1 857	1 961
Deferred income tax liabilities		538	527
Retirement benefit obligations		121	154
Provisions		22	23
Derivative financial instruments		6	2
Cash-settled share-based payment liability		1	1
<b>Current liabilities</b>		<b>512</b>	<b>590</b>
Trade and other payables		379	472
Borrowings	5	92	69
Provisions		21	22
Retirement benefit obligations		10	10
Derivative financial instruments		–	7
Current income tax liabilities		9	8
Liabilities classified as held for sale	6	1	2
<b>Total liabilities</b>		<b>3 057</b>	<b>3 258</b>
<b>Total equity and liabilities</b>		<b>6 979</b>	<b>7 422</b>

**CONDENSED CONSOLIDATED INCOME STATEMENT**  
for the six months ended 30 September 2017

	Notes	30 Sep 2017 (Unaudited) GBP'm	30 Sep 2016 (Unaudited) GBP'm
<b>Revenue</b>		<b>1 405</b>	1 283
Cost of sales		<b>(885)</b>	(784)
Administration and other operating expenses		<b>(382)</b>	(330)
Other gains and losses	7	<b>(5)</b>	–
<b>Operating profit</b>		<b>133</b>	169
Finance income		<b>6</b>	4
Finance cost	8	<b>(41)</b>	(35)
Share of net profit of equity accounted investments	4	<b>1</b>	10
Impairment of equity accounted investment	4	<b>(109)</b>	–
<b>(Loss)/profit before tax</b>		<b>(10)</b>	148
Income tax expense	9	<b>(30)</b>	(31)
<b>(Loss)/profit for the period</b>		<b>(40)</b>	117
<b>Attributable to:</b>			
Equity holders of the Company		<b>(50)</b>	110
Non-controlling interests		<b>10</b>	7
		<b>(40)</b>	117
<b>(Loss)/earnings per ordinary share attributable to the equity holders of the Company – pence</b>			
Basic	10	<b>(6.8)</b>	14.9
Diluted	10	<b>(6.8)</b>	14.9

**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**  
for the six months ended 30 September 2017

	<b>30 Sep 2017</b> <b>(Unaudited)</b> <b>GBP'm</b>	30 Sep 2016 (Unaudited) GBP'm
<b>(Loss)/profit for the year</b>	<b>(40)</b>	117
<b>Other comprehensive income</b>		
<b>Items that may be reclassified to the income statement</b>		
Currency translation differences	<b>(189)</b>	311
	<b>(189)</b>	311
<b>Items that may not be reclassified to the income statement</b>		
Remeasurements of retirement benefit obligations	<b>31</b>	5
<b>Other comprehensive (loss)/income, net of tax</b>	<b>(158)</b>	316
<b>Total comprehensive (loss)/income for the period</b>	<b>(198)</b>	433
<b>Attributable to:</b>		
Equity holders of the Company	<b>(202)</b>	416
Non-controlling interests	<b>4</b>	17
	<b>(198)</b>	433

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2017

	Share capital GBP'm	Capital redemption reserve GBP'm	Share premium reserve GBP'm	Reverse acquisition reserve GBP'm	Treasury shares GBP'm	Share-based payment reserve GBP'm	Foreign currency translation reserve GBP'm	Hedging reserve GBP'm	Retained earnings GBP'm	Attributable to equity holders of the Company GBP'm	Non-controlling interests GBP'm	Total equity GBP'm
<b>Balance at 1 April 2017 (audited)</b>	<b>74</b>	<b>6</b>	<b>690</b>	<b>(3 014)</b>	<b>(2)</b>	<b>24</b>	<b>779</b>	<b>4</b>	<b>5 525</b>	<b>4 086</b>	<b>78</b>	<b>4 164</b>
(Loss)/profit for the period	-	-	-	-	-	-	-	-	(50)	(50)	10	(40)
Other comprehensive (loss)/income for the period	-	-	-	-	-	-	(183)	-	31	(152)	(6)	(158)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(183)	-	(19)	(202)	4	(198)
Treasury shares released (Forfeitable Share Plan)	-	-	-	-	1	-	-	-	-	1	-	1
Transfer to retained earnings	-	-	-	-	-	(24)	-	-	24	-	-	-
Transactions with non-controlling shareholders	-	-	-	-	-	-	-	-	(1)	(1)	(1)	(2)
Dividends paid	-	-	-	-	-	-	-	-	(35)	(35)	(8)	(43)
<b>Balance at 30 September 2017 (unaudited)</b>	<b>74</b>	<b>6</b>	<b>690</b>	<b>(3 014)</b>	<b>(1)</b>	<b>-</b>	<b>596</b>	<b>4</b>	<b>5 494</b>	<b>3 849</b>	<b>73</b>	<b>3 922</b>



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY** (continued)

for the six months ended 30 September 2016

	Share capital GBP'm	Capital redemption reserve GBP'm	Share premium reserve GBP'm	Reverse acquisition reserve GBP'm	Treasury shares GBP'm	Share-based payment reserve GBP'm	Foreign currency translation reserve GBP'm	Hedging reserve GBP'm	Retained earnings GBP'm	Attributable to equity holders of the Company GBP'm	Non-controlling interests GBP'm	Total equity GBP'm
<b>Balance at 1 April 2016 (audited)</b>	74	6	690	(3 014)	(2)	24	407	4	5 320	3 509	61	3 570
Profit for the period	–	–	–	–	–	–	–	–	110	110	7	117
Other comprehensive income for the period	–	–	–	–	–	–	301	–	5	306	10	316
Total comprehensive income for the period	–	–	–	–	–	–	301	–	115	416	17	433
Transactions with non-controlling shareholders	–	–	–	–	–	–	–	–	3	3	(6)	(3)
Dividends paid	–	–	–	–	–	–	–	–	(45)	(45)	(7)	(52)
<b>Balance at 30 September 2016 (unaudited)</b>	<b>74</b>	<b>6</b>	<b>690</b>	<b>(3 014)</b>	<b>(2)</b>	<b>24</b>	<b>708</b>	<b>4</b>	<b>5 393</b>	<b>3 883</b>	<b>65</b>	<b>3 948</b>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
for the six months ended 30 September 2017

Notes	<b>30 Sep 2017</b> <b>(Unaudited)</b> <b>GBP'm</b> <b>Inflow/</b> <b>(outflow)</b>	(Re-presented)* 30 Sep 2016 (Unaudited) GBP'm Inflow/ (outflow)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
	1 477	1 302
	<b>(1 267)</b>	<b>(1 073)</b>
	<b>210</b>	229
	<b>6</b>	4
	<b>(41)</b>	<b>(37)</b>
	<b>(26)</b>	<b>(20)</b>
	<b>149</b>	176
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>		
	<b>(182)</b>	<b>(104)</b>
	<b>(62)</b>	<b>(45)</b>
	<b>(57)</b>	<b>(53)</b>
11	<b>(83)</b>	—
12	<b>3</b>	13
	<b>3</b>	3
	—	<b>(2)</b>
	<b>14</b>	<b>(20)</b>
	<b>(30)</b>	72
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
	<b>(48)</b>	<b>(124)</b>
	<b>(8)</b>	<b>(7)</b>
15	<b>(35)</b>	<b>(45)</b>
	<b>3</b>	—
	<b>2</b>	247
	<b>(10)</b>	<b>(317)</b>
	—	<b>(2)</b>
	<b>(81)</b>	<b>(52)</b>
	<b>361</b>	305
	<b>(18)</b>	9
	<b>262</b>	262

\* refer to note 2.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 1. GENERAL INFORMATION

Mediclinic is an international private healthcare group with operations in Southern Africa (South Africa and Namibia), Switzerland and the United Arab Emirates. Its core purpose is to enhance the quality of life of patients by providing acute care, specialist-orientated, multi-disciplinary healthcare services. Mediclinic also holds a 29.9% interest in Spire Healthcare Group plc, a LSE listed and UK-based private healthcare group.

The Company is a public limited company, with a primary listing on the London Stock Exchange and secondary listings on the Johannesburg Stock Exchange and the Namibian Stock Exchange and incorporated and domiciled in the UK (registered number: 08338604). The address of its registered office is 6<sup>th</sup> Floor, 65 Gresham Street, London, EC2V 7NQ, United Kingdom.

The condensed consolidated interim financial information for the six months ended 30 September 2017 was approved by the Board on 15 November 2017.

### 2. BASIS OF PREPARATION

The condensed consolidated interim financial information is prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU'), the Companies Act 2006 and Article 4 of the EU IAS Regulations.

This results announcement has been prepared applying consistent accounting policies to those applied by the Group in the 31 March 2017 financial year. The Group has prepared the condensed consolidated interim financial information on a going concern basis. The condensed consolidated interim financial information has been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and with IAS 34 Interim Financial Reporting, as adopted by the EU. They do not include all the information required for full annual financial statements and should be read in conjunction with information contained in the Group's Annual Report and Financial Statements for the year ended 31 March 2017. The condensed consolidated interim financial information has been reviewed, not audited.

This results announcement does not constitute statutory accounts of the Group within the meaning of sections 434(3) and 435(3) of the Companies Act 2006. Statutory accounts for the year ended 31 March 2017 were approved by the Board of Directors on 23 May 2017 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under section s498 (2) or (3) of the Companies Act 2006.

IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers will be effective for the Group for the year ending 31 March 2019. Based on assessments performed, management expects the new standards to mainly affect presentation and disclosure. While the adoption of these standards is not expected to have a material impact on the consolidated results, our impact assessment is ongoing and we intend to provide an update at year-end.

#### **Functional and presentation currency**

The condensed consolidated financial statements are presented in pounds, rounded to the nearest million. The functional currency of the majority of the Group's entities, and the currencies of the primary economic environments in which they operate, is the Swiss franc, South African rand and United Arab Emirates dirham. The United Arab Emirates dirham is pegged against the United States dollar at a rate of 3.6725 per US Dollar.

#### **Cash flow statement reclassification**

The cash flow statement for the period ended 30 September 2016 has been re-presented to reclassify certain capital expenditure cash flows from cash generated from operations to cash flows from investment activities. The impact of this reclassification was to increase cash inflows from operations from GBP210m to GBP229m and to increase cash outflows from investment activities from GBP85m to GBP104m. This reclassification had no impact on reported cash, profits or net assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

3. SEGMENTAL REPORT

The reportable operating segments are identified as follows: Mediclinic Switzerland, Mediclinic Southern Africa, Mediclinic Middle East and additional segments are shown for the United Kingdom and Corporate.

PERIOD ENDED 30 SEPTEMBER 2017	Reportable operating segments			Other		
	Total GBP'm	Switzerland GBP'm	Southern Africa GBP'm	Middle East GBP'm	United Kingdom GBP'm	Corporate GBP'm
Revenue	1 405	651	444	310	-	-
EBITDA	232	113	93	27	-	(1)
EBITDA before management fee	232	115	95	29	-	(7)
Management fees included in EBITDA	-	(2)	(2)	(2)	-	6
Other gains and losses	(5)	-	-	(5)	-	-
Depreciation and amortisation	(94)	(41)	(15)	(38)	-	-
Operating profit/(loss)	133	72	78	(16)	-	(1)
Income from associate	1	-	-	-	1	-
Impairment of associate	(109)	-	-	-	(109)	-
Finance income	6	1	4	1	-	-
Finance cost (excluding intersegment loan interest)	(41)	(17)	(20)	(4)	-	-
Total finance cost	(41)	(25)	(20)	(4)	-	8
Elimination of intersegment loan interest	-	8	-	-	-	(8)
Taxation	(30)	(10)	(19)	-	-	(1)
<b>Segment result</b>	<b>(40)</b>	<b>46</b>	<b>43</b>	<b>(19)</b>	<b>(108)</b>	<b>(2)</b>
<b>At 30 September 2017</b>						
Investments in associates	350	2	-	-	348	-
Investments in joint venture	4	-	4	-	-	-
Capital expenditure	88	32	27	28	-	1
<b>Total segment assets</b>	<b>6 979</b>	<b>4 138</b>	<b>636</b>	<b>1 810</b>	<b>348</b>	<b>47</b>
<b>Total segment liabilities (excluding intersegment loan)</b>	<b>3 057</b>	<b>2 123</b>	<b>603</b>	<b>328</b>	<b>-</b>	<b>3</b>
Total liabilities from reportable segment	3 935	3 001	603	328	-	3
Elimination of intersegment loan	(878)	(878)	-	-	-	-

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

3. SEGMENTAL REPORT (continued)

PERIOD ENDED 30 SEPTEMBER 2016	Reportable operating segments			Other		
	Total GBP'm	Switzerland GBP'm	Southern Africa GBP'm	Middle East GBP'm	United Kingdom GBP'm	Corporate GBP'm
Revenue	1 283	613	364	306	–	–
EBITDA	232	127	75	33	–	(3)
EBITDA before management fee	232	128	77	35	–	(8)
Management fees included in EBITDA	–	(1)	(2)	(2)	–	5
Other gains and losses	–	–	–	1	–	(1)
Depreciation and amortisation	(63)	(36)	(11)	(16)	–	–
Operating profit/(loss)	169	91	64	18	–	(4)
Income from associate	10	–	–	–	10	–
Finance income	4	–	4	–	–	–
Finance cost (excluding intersegment loan interest)	(35)	(12)	(15)	(4)	–	(4)
Total finance cost	(35)	(20)	(15)	(4)	–	4
Elimination of intersegment loan interest	–	8	–	–	–	(8)
Taxation	(31)	(15)	(16)	–	–	–
<b>Segment result</b>	<b>117</b>	<b>64</b>	<b>37</b>	<b>14</b>	<b>10</b>	<b>(8)</b>
<b>At 31 March 2017</b>						
Investments in associates	461	2	–	–	459	–
Investments in joint venture	4	–	4	–	–	–
Capital expenditure	249	127	71	51	–	–
<b>Total segment assets</b>	<b>7 422</b>	<b>4 258</b>	<b>676</b>	<b>1 987</b>	<b>459</b>	<b>42</b>
<b>Total segment liabilities (excluding intersegment loan)</b>	<b>3 258</b>	<b>2 235</b>	<b>650</b>	<b>372</b>	<b>–</b>	<b>1</b>
Total liabilities from reportable segment	4 163	3 140	650	372	–	1
Elimination of intersegment loan	(905)	(905)	–	–	–	–

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

### 4. EQUITY ACCOUNTED INVESTMENTS

	30 Sep 2017 GBP'm	31 Mar 2017 GBP'm
Investment in associates	350	461
Investment in joint venture	4	4
	<b>354</b>	<b>465</b>

#### 4.1 Investment in associates

	30 Sep 2017 GBP'm	31 Mar 2017 GBP'm
Listed investments	348	459
Unlisted investments	2	2
	<b>350</b>	<b>461</b>

#### Reconciliation of carrying value at the beginning and end of the period

Opening balance	461	452
Additional investment in unlisted associate	–	1
Share of net profit of associated companies	1	12
Dividends received from associated companies	(3)	(4)
Impairment of listed associate	(109)	–
	<b>350</b>	<b>461</b>

Set out below are details of the associate which is material to the Group:

	Country of incorporation and place of business	% ownership
Spire Healthcare Group plc	United Kingdom	29.9%

Spire Healthcare Group plc is listed on the London Stock Exchange. It does not issue publicly available quarterly financial information and has a December year-end. The investment in associate was equity accounted for the 6 months to 30 June 2017 (31 March 2017: 12 months to 31 December 2016). Spire reported its half year results to 30 June 2017 in September 2017 when it provided an update to its earnings guidance on financial performance for the remainder of the financial year.

The market value of the investment in Spire was GBP270m at 30 September 2017, which is below the carrying value at 31 March 2017. An impairment test was performed at 30 September 2017 by updating the key assumptions applied in the value in use calculation performed at 31 March 2017. In particular, the Group adjusted the value in use calculation for the guidance announced by Spire in September 2017 about current financial performance and about the related impact on short- and medium-term growth rates and we revisited the other key assumptions in this context. As a result, an impairment charge of GBP109m was recorded against the carrying value.

At Spire's current market capitalisation on 14 November 2017, the value of the equity investment is GBP359m.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

5. BORROWINGS

	30 Sep 2017 GBP'm	31 March 2017 GBP'm
Bank loans	1 582	1 642
Preference shares	184	199
Listed bonds	181	189
Other liabilities	2	–
	<b>1 949</b>	<b>2 030</b>
Non-current borrowings	1 857	1 961
Current borrowings	92	69
<b>Total borrowings</b>	<b>1 949</b>	<b>2 030</b>

	30 Sep 2017 GBP'm Non- current	30 Sep 2017 GBP'm Current	31 March 2017 GBP'm Non- current	31 March 2017 GBP'm Current
<b>Southern African operations (denominated in South African rand)</b>				
Secured bank loan one				
The loan bears interest at the 3-month JIBAR variable rate plus a margin of 1.51% compounded quarterly and is repayable on 3 June 2019.	163	1	176	1
Secured bank loan two				
The loan bears interest at the 3-month JIBAR variable rate plus a margin of 1.69% and is repayable on 3 June 2019.	66	–	72	–
Secured bank loan three				
The loan bears interest at the 3-month JIBAR variable rate plus a margin of 1.06% compounded quarterly. The remaining amount will be repaid on 9 October 2017.	–	6	–	7
Secured bank loan four				
The loan bears interest at the 3-month JIBAR variable rate plus a margin of 1.51% compounded quarterly and is repayable on 3 June 2019.	28	–	30	–
Secured bank loan five				
These loans bear interest at variable rates linked to the prime overdraft rate and are repayable in periods ranging between one and 12 years.	4	1	4	1
Preference shares				
Dividends are payable monthly at a rate of 69% of prime interest rate (10.25%) (31 March 2017: 10.5%). The remaining shares will be redeemed on 3 June 2019.	100	1	108	1
Preference shares				
Dividends are payable semi-annually at a rate of 73% of the prime interest rate (10.25%) (31 March 2017: 10.5%). The amount is repayable on 29 June 2020.	83	–	90	–
<b>Middle East operations (denominated in UAE dirham)</b>				
Secured bank loan one				
The loan bears interest at variable rates linked to the 3M LIBOR and a margin of 2.75% with respective four-year and five-year amortising terms, expiring in June 2020 and May 2021.	126	27	154	19

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

### 5. BORROWINGS (continued)

#### Swiss operations (denominated in Swiss franc)

Secured bank loan one	These loans bear interest at variable rates linked to the 3M LIBOR plus 1.5% and 2.85% and are repayable by 31 July 2020. The non-current portion includes capitalised financing costs of GBP19m (31 March 2017: GBP22m).	1 105	55	1 138	40
Listed bonds	The listed bonds consist of CHF145m 1.625% and CHF90m 2% Swiss franc bonds. The bonds are repayable on 25 February 2021 and 25 February 2025 respectively.	181	–	189	–
Secured long term finance	These liabilities bear interest ranging between 1.26% and 12% and are repayable in equal monthly payments for periods ranging from one to seven years.	1	1	–	–
		<b>1 857</b>	<b>92</b>	<b>1 961</b>	<b>69</b>

### 6. DISPOSAL GROUPS HELD FOR SALE

During the 2017 financial year, management decided to sell the following clinics within the Mediclinic Middle East segment: Mediclinic Beach Road Clinic, Mediclinic Corniche Medical Centre, Lookwow Oneday Surgery and Pharmacy, Al Noor Sanaiya Clinic and Pharmacy, Al Noor ICAD Clinic and Pharmacy, Al Noor International Medical Centre (Sharjah), Al Noor Hamdan Street Pharmacy, Al Madar Ajman Clinic and Pharmacy and Al Madar Diagnostic Centre-AI Ain.

At 30 September 2017, all the clinics have been disposed of except for the following: Mediclinic Beach Road Clinic, Mediclinic Corniche Medical Centre and Al Madar Diagnostic Centre-AI Ain. Accordingly, the assets and liabilities of these clinics are still disclosed as held for sale.

	30 Sep 2017 GBP'm	31 March 2017 GBP'm
<b>Analysis of assets and liabilities held for sale</b>		
<b>Assets</b>		
Property, equipment and vehicles	3	8
Inventories	–	1
<b>Total assets</b>	<b>3</b>	<b>9</b>
<b>Liabilities</b>		
Retirement benefit obligations	1	1
Trade and other payables	–	1
<b>Total liabilities</b>	<b>1</b>	<b>2</b>



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

### 7. OTHER GAINS AND LOSSES

	30 Sep 2017 GBP'm	30 Sep 2016 GBP'm
Loss on disposal of subsidiaries	(5)	–
	<u>(5)</u>	<u>–</u>

### 8. FINANCE COSTS

	30 Sep 2017 GBP'm	30 Sep 2016 GBP'm
Interest expense	30	31
Interest rate swaps	5	5
Amortisation of capitalised financing costs	4	4
Fair value gains on ineffective cash flow hedges	(4)	(8)
Preference share dividend	7	3
Less: amounts included in the cost of qualifying assets	(1)	–
	<u>41</u>	<u>35</u>

### 9. INCOME TAX EXPENSE

	30 Sep 2017 GBP'm	30 Sep 2016 GBP'm
Current tax		
Current year	27	21
Previous year	–	–
Deferred tax	3	10
Taxation per income statement	<u>30</u>	<u>31</u>
<b>Composition</b>		
UK tax	–	–
Foreign tax	30	31
	<u>30</u>	<u>31</u>

The tax charge for the period has been calculated using an estimate of the effective annual rate of tax for the full year. This rate has been applied to the pre-tax profits for the six months ended 30 September 2017, with adjustments made for non-recurring items in the period. The effective tax rate on profit before tax was (300)% (1H17 21.0%).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

### 9. INCOME TAX EXPENSE (continued)

The following significant items affecting the effective tax rate for the period were identified (no significant items in the prior period):

- Impairment of the listed associate of GBP109m was not deductible for tax purposes. The tax effect amounted to GBP21m (decrease of 207% in effective tax rate).
- Loss on disposal of subsidiaries of GBP5m was not deductible for tax purposes. The tax effect amounted to GBP1m (decrease of 10% in effective tax rate).
- Accelerated amortisation of GBP23m was recognised on the Al Noor trade names during the period. The profits earned in the UAE are not subject to income tax. The tax effect amounted to GBP4m (decrease of 44% in effective tax rate).

If the abovementioned significant items are excluded from the effective tax rate calculation, the effective tax rate would be 24.0% for the period ended 30 September 2017. The higher proportional contribution to profits from the Southern Africa segment, coupled with a lower proportional contribution towards profits from the Middle East segment, increased the effective tax rate (excluding significant items) for the six months ended 30 September 2017 compared to the prior period. The estimated effective tax rate for the full year (excluding the abovementioned significant items) is expected to be around 21% reflecting expected profit mix from the Group's segments in the second half.

### 10. LOSS/EARNINGS PER ORDINARY SHARE

	30 Sep 2017 GBP'm	30 Sep 2016 GBP'm
<b>(Loss)/earnings per ordinary share (pence)</b>		
Basic (pence)	<b>(6.8)</b>	14.9
Diluted (pence)	<b>(6.8)</b>	14.9
<b>Number of shares reconciliation</b>		
<b>Weighted average number of ordinary shares in issue for basic (loss)/earnings per share</b>		
Number of ordinary shares in issue at the beginning of the period	<b>737 243 810</b>	737 243 810
Weighted average number of treasury shares	<b>(181 162)</b>	(365 801)
BEE shareholder	-	(96 586)
Mpilo Trusts	<b>(32 330)</b>	(29 925)
Forfeitable Share Plan	<b>(148 832)</b>	(239 290)
	<b>737 062 648</b>	736 878 009
<b>Weighted average number of ordinary shares in issue for diluted (loss)/earnings per share</b>		
Weighted average number of ordinary shares in issue	<b>737 062 648</b>	736 878 009
Weighted average number of treasury shares held not yet released from treasury stock	<b>181 162</b>	365 801
BEE shareholder	-	96 586
Mpilo Trusts	<b>32 330</b>	29 925
Forfeitable Share Plan	<b>148 832</b>	239 290
	<b>737 243 810</b>	737 243 810

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

### 10. LOSS/EARNINGS PER ORDINARY SHARE (continued)

#### Headline earnings per ordinary share

The Group is required to calculate headline earnings per share (“HEPS”) in accordance with the JSE Limited Listings Requirements, determined by reference to the South African Institute of Chartered Accountants’ circular 02/2015 (Revised) ‘Headline Earnings’. The table below sets out a reconciliation of basic EPS and HEPS in accordance with that circular. Disclosure of HEPS is not a requirement of IFRS, but it is a commonly used measure of earnings in South Africa. The table below reconciles the loss/profit for the financial year attributable to equity holders of the parent to headline earnings and summarises the calculation of basic HEPS:

	30 Sep 2017 GBP’m	30 Sep 2016 GBP’m
(Loss)/profit for the financial period attributable to equity holders of the parent	(50)	110
<i>Adjustments</i>		
Impairment of associate (refer to note 4)	109	–
Loss on disposal of subsidiaries	5	–
Headline earnings	<u>64</u>	<u>110</u>
Headline earnings per share (pence)	8.7	14.9
Diluted headline earnings per share (pence)	8.7	14.9

### 11. BUSINESS COMBINATIONS

	30 Sep 2017 GBP’m
<b>Cash flow on acquisition</b>	
Linde Holding Biel/Bienne AG	(74)
Röntgeninstitut Cham AG	(9)
	<u>(83)</u>

#### Linde Holding Biel/Bienne AG

With a public takeover offer on 30 June 2017, Hirslanden AG acquired within four closings a total of 99.62% of the share capital of Linde Holding Biel/Bienne AG for GBP86m (CHF107m) and obtained control over the company. Lindenpark Immobilien AG and Privatklinik Linde AG are both 100% subsidiaries of Linde Holding Biel/Bienne AG (Linde Group).

Linde Group is a leading private hospital in the Biel-Seeland-Bernese Jura region offering a wide range of medical care, focusing on movement and sports medicine, interdisciplinary cancer treatment, breast cancer center, obstetrics, urology and radiology. Adherence to high quality standards is illustrated by numerous certifications. It provides the Group with the opportunity to enter the hospital market of the Biel-region, including improved access to the private- and semi-private patient market in the region. Furthermore, Linde Group will serve as an important referring hospital (“portal hospital”) to Hirslanden Bern AG and Hirslanden Klinik Aarau AG, facilitating recruitment of highly-specialized medicine patients (heart surgery, thoracic surgery) from the growing area of the Espace Mittelland.

The goodwill of GBP1m (CHF1.4m) arising from the acquisition is attributable to the acquired workforce and economies of scale expected from combining the operations of Hirslanden and the Linde Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid for the Linde Group, the fair value of assets acquired and liabilities assumed at the acquisition date.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

### 11. BUSINESS COMBINATIONS (continued)

30 Sep 2017 GBP'm
----------------------

#### Recognised amounts of identifiable assets acquired and liabilities assumed

##### Assets

Property, equipment and vehicles	110
Intangible assets	18
Inventories	1
Trade and other receivables	9
Cash and cash equivalents	12

<b>Total assets</b>	<b>150</b>
---------------------	------------

##### Liabilities

Borrowings	25
Provisions	2
Retirement benefit obligations	10
Deferred tax liabilities	20
Trade and other payables	8

<b>Total liabilities</b>	<b>65</b>
--------------------------	-----------

<b>Total identifiable net assets at fair value</b>	<b>85</b>
--	-----------

Non-controlling interest at fair value	–
--	---

Goodwill	1
----------	---

<b>Consideration transferred for the business</b>	<b>86</b>
---	-----------

##### Cash flow on acquisition

Net cash acquired with subsidiary	12
Cash paid	(86)

<b>Net cash flow on acquisition</b>	<b>(74)</b>
-------------------------------------	-------------

The fair value of trade and other receivables is GBP9m. The best estimate at acquisition date of the contractual cash flows not expected to be collected are GBP0.1m.

From the date of acquisition, Linde Group has contributed GBP12m of revenue and GBP0.6m to the net profit before tax of the Group. If the combination had taken place at the beginning of the financial year, revenue from the Linde Group would have been GBP29m and the net profit before tax contribution would have been GBP2m.

The fair value of the acquired identifiable assets and liabilities has been provisionally determined. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, then the accounting for the acquisition will be revised.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

### 11. BUSINESS COMBINATIONS (continued)

#### Röntgeninstitut Cham AG

On 30 August 2017, Hirslanden AG acquired 85% of the share capital of Röntgeninstitut Cham AG for GBP9m (CHF11.5m). As a result, the Group's equity interest in Röntgeninstitut Cham AG increased from 15% to 100%, obtaining control of the company.

Radiology is an integral part of a hospital and therefore, almost every one of the Group's hospitals has its own radiology unit. Röntgeninstitut Cham AG will provide radiology services for the patients of AndreasKlink AG Cham. The goodwill of GBP9m (CHF11.5m) arising from the acquisition is attributable to the relationship between Röntgeninstitut Cham AG and AndreasKlink AG Cham. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid for Röntgeninstitut Cham AG, the fair value of assets acquired and liabilities assumed at the acquisition date.

	30 Sep 2017 GBP'm
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
<b>Assets</b>	
Property, equipment and vehicles	2
Trade and other receivables	1
<b>Total assets</b>	<b>3</b>
<b>Liabilities</b>	
Trade and other payables	1
<b>Total liabilities</b>	<b>1</b>
<b>Total identifiable net assets at fair value</b>	<b>2</b>
Goodwill	9
<b>Total consideration transferred for the business</b>	<b>11</b>
Fair value of the Group's existing 15% portion	(2)
Cash flow on acquisition	9
<b>Cash flow on acquisition</b>	
Net cash acquired with subsidiary	–
Cash paid	(9)
<b>Net cash flow on acquisition</b>	<b>(9)</b>

The fair value of the acquired identifiable assets and liabilities has been provisionally determined. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, then the accounting for the acquisition will be revised.

Due to materiality reasons, the profit and loss of Röntgeninstitut Cham AG for the month of September 2017 has not been included in the profit and loss statement of the Group as it was less than GBP1m.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

### 12. CASH FLOW ON DISPOSAL OF SUBSIDIARY

The Group disposed of the following companies that were part of the Middle East segment during the interim period ended 30 September 2017: Lookwow One Day Surgery LLC and the following branches of Mediclinic Hospitals LLC: Mirfa, Ajman, Hamdan Pharmacy, Sanaya and ICAD. During the interim period ended 30 September 2016, Rochester Wellness LLC and National Medical Services LLC were disposed of.

	30 Sep 2017 GBP'm	30 Sep 2016 GBP'm
<b>Analysis of assets and liabilities over which control was lost:</b>		
Property, equipment and vehicles	7	1
Goodwill	3	12
Trade and other receivables	–	5
Trade and other payables	(1)	(1)
Non-controlling interest derecognised	(1)	–
<b>Net assets and liabilities</b>	<b>8</b>	<b>17</b>
Consideration received in cash	3	13
Consideration receivable	–	1
Other non-cash items	–	3
<b>Total consideration</b>	<b>3</b>	<b>17</b>
Net (loss)/gain	(5)	–
Net cash inflow	3	13

### 13. RETIREMENT BENEFIT OBLIGATIONS

The assumptions underlying the valuation of the Swiss pension benefit obligation were reassessed during the period and as a result of the reassessment the discount rate was adjusted to 0.65% (FY17: 0.55%). The fair value of the plan assets also increased during the period. These two factors resulted in a decrease of GBP31m in the net liability of the Swiss pension benefit obligation after taking into account the additional defined benefit liability of GBP10m acquired through the acquisition of the Linde group (refer to note 11).

### 14. COMMITMENTS

	30 Sep 2017 GBP'm	31 March 2017 GBP'm
<b>Capital commitments</b>		
Switzerland	31	32
Southern Africa	202	214
Middle East	161	151
	<b>394</b>	<b>397</b>

These commitments will be financed from Group and borrowed funds.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

### 15. DIVIDENDS

	Date paid/ payable	Dividend per share (pence)	30 Sep 2017 GBP'm	30 Sep 2016 GBP'm
<b>Dividends declared</b>				
<b>Period ended 30 September 2017</b>				
Interim dividend	18 December 2017	3.20	24	
<b>Period ended 30 September 2016</b>				
Interim dividend	12 December 2016	3.20		23
<b>Dividends paid</b>				
Dividends paid during the period			35	45

Under IFRS, dividends are only recognised in the financial statements when authorised by the Board of Directors (for interim dividends) or when authorised by the shareholders (for final dividends). The aggregate amount of the proposed dividend expected to be paid on 18 December 2017 from retained earnings has not been recognised as a liability at 30 September 2017.

### 16. FINANCIAL INSTRUMENTS

Financial instruments that are measured at fair value in the statement of financial position, are classified using a fair value hierarchy that reflects the significance of the inputs used in the valuation. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2 – Input (other than quoted prices included within Level 1) that is observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3 – Input for the asset or liability that is not based on observable market data (unobservable input).

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.

The fair value for available-for-sale assets (part of other investments and loans) is based on appropriate valuation methodologies being discounted cash flow or actual net asset value of the investment. These assets are grouped as Level 2.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

### 17. RELATED PARTIES

There are no significant changes to the related party transactions for the six months ended 30 September 2017.

### 18. SHARE-BASED PAYMENTS

During the six months ended 30 September 2017, the Group made further grants under its existing long-term incentive plan awards (“**LTIP**”) as follows:

On 1 June 2017, the Group granted DP Meintjes and PJ Myburgh 129 626 and 65 263 phantom shares respectively. On the same date, 398 603 phantom shares were granted to other senior management. The vesting of these shares is subject to continued employment and is conditional upon achievement of performance targets, measured over a three-year period. The performance conditions for the year under review constitute a combination of: absolute total shareholder return (“**TSR**”) (40% weighting) and underlying earnings per share (60% weighting).

For the six months ended 30 September 2017, the total cost recognised in the income statement for the LTIP awards was GBP0.4m (1H17: GBP0.1m).

### 19. EVENTS AFTER THE REPORTING DATE

On 16 October 2017, Hirslanden signed a new facility agreement for the secured bank loans (refer to note 5). The new financing amounts to GBP1.5bn (CHF2bn), including a GBP1.2bn (CHF1.5bn) term loan, GBP308m (CHF400m) capex facility and GBP77m (CHF100m) revolving facility. The effective date for funding and closing is 31 October 2017.



## ABOUT MEDICLINIC INTERNATIONAL PLC

Mediclinic is an international private healthcare group with operating platforms in Southern Africa (South Africa and Namibia), Switzerland and the United Arab Emirates. Its core purpose is to enhance the quality of life of patients by providing acute care, specialist-orientated, multi-disciplinary healthcare services. Mediclinic also holds a 29.9% interest in Spire Healthcare Group plc, a LSE listed and UK-based private healthcare group.

As at the date of this announcement, Mediclinic comprises 75 hospitals and 29 clinics. Mediclinic Southern Africa operates 49 hospitals and 2 day clinics throughout South Africa and 3 hospitals in Namibia with more than 8 000 inpatient beds in total; Hirslanden operates 17 private acute care facilities and 4 clinics in Switzerland with more than 1 700 inpatient beds; and Mediclinic Middle East operates 6 hospitals and 23 clinics with more than 700 inpatient beds in the United Arab Emirates.

During February 2016, the combination of the Company (previously named Al Noor Hospitals Group plc), with operations mainly in Abu Dhabi in the United Arab Emirates, and Mediclinic International Limited was completed. Mediclinic International Limited was a South African based international private healthcare group founded in 1983 and listed on the JSE, the South African stock exchange, since 1986, with operations in South Africa, Namibia, Switzerland and the United Arab Emirates (mainly in Dubai). The combination resulted in the renaming of the enlarged group to Mediclinic International plc.

Mediclinic has a primary listing on the Main Market of the LSE, with secondary listings on the JSE in South Africa and the NSX in Namibia.

## PRESENTATION WEBCAST AND CONFERENCE CALL DETAILS

In conjunction with these results Mediclinic is conducting a London investor and analyst presentation at The Lincoln Centre, 18 Lincoln's Inn Fields, London, WC2A 3ED.

09:00 GMT /11:00 SAST – Webcast and conference call

To join the live video webcast, or view the replay, please use the following link:

<https://edge.media-server.com/m6/p/cgoz6cv5>

To access the call please dial the appropriate number below 5-10 minutes before the start of the event using the conference confirmation code below. A replay facility will be available on the website shortly after the presentation. The telephone numbers are:

United Kingdom: +44 (0)20 3427 1904  
South Africa: +27 (0)11 019 7015  
Switzerland: +41 (0)22 567 5432  
UAE toll-free: 800 035 702592

Confirmation code: 6916253

For further information, please contact:

### Investor queries

James Arnold, Head of Investor Relations, Mediclinic International plc  
+44 (0)20 3786 8181  
[ir@mediclinic.com](mailto:ir@mediclinic.com)

### Media queries

FTI Consulting  
Deborah Scott/Brett Pollard - UK  
+44 (0)20 3727 1000  
Frank Ford - SA  
+27 (0)21 487 9000

**Registered address:** 6<sup>th</sup> Floor, 65 Gresham Street, London, EC2V 7NQ, United Kingdom

**Website:** [www.mediclinic.com](http://www.mediclinic.com)

**Corporate broker:** Morgan Stanley & Co International plc

**JSE sponsor (South Africa):** Rand Merchant Bank (A division of FirstRand Bank Limited)

**NSX sponsor (Namibia):** Simonis Storm Securities (Pty) Ltd