



2018/19 Interim Results Presentation

Thursday, 15th November 2018

Welcoming Remarks

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Welcome

Good morning and thank you very much for joining Mediclinic International's 2019 Interim Results audio webcast. I'm James Arnold, Head of Investor Relations. Today, joining me is Ronnie van der Merwe, CEO and Jurgens Myburgh, CFO. We'll start the webcast with prepared remarks and then proceed to the Q&A. For the Q&A, please limit your questions to one or two so that we enable other participants to also ask questions and as many as possible.

As always, before we begin, I would like to remind you of the forward-looking statement and disclaimer on page two of the presentation. With that, I will hand over to Ronnie. Thank you.

Introduction

Dr Ronnie van der Merwe

CEO, Mediclinic International

Opening Remarks

Thank you, James. Welcome everybody. Good morning and thank you very much for joining us on this results presentation this morning. Thank you for your interest in Mediclinic. We really appreciate your attention. With me today, as James said, Jurgens Myburgh, our Group CFO. Jurgens will take you through the numbers a little bit later, after I've done my overview.

Operational Summary

In terms of my overview – and I'm on slide five – I would like to make a couple of comments as introduction while we are here today to report on the financial performance of the Group and this is my first since becoming CEO in June.

Swiss division

We clearly need to focus on our Swiss division, given the disappointing performance that we experienced at Hirslanden, which we reported on at the time of the trading update, and which is evidently reflected in our first-half numbers. I'm going to take some time to discuss the significant impact of those regulatory changes on the whole Swiss market, the uncertainty this created, as well as the actions we are taking.

I'm acutely aware of our shareholders and that – how they have suffered through this period of regulatory change. That's why it's been my number one priority since taking over my role. I'm working together with a new management team in Switzerland, and we are taking action to adjust Hirslanden to the changing Swiss healthcare landscape as it evolves.

However, we should also not lose sight of the fact that around 65% of our Group earnings were generated from our other two operating divisions.

South Africa

In Southern Africa, excellent operational performance was delivered across our portfolio of 51 hospitals. We've also continued to make progress on our strategy to expand across the continuum of care, where we see growing opportunities in primary care as well as in the day clinic setting.

Middle East

In the Middle East, which is a growth engine for the Group, we continued the growing momentum in the first half of the year. Sustained growth over the coming years is supported by selected expansion projects across the region. We achieved a key milestone in this regard in September when we successfully opened our 182-bed Mediclinic Parkview Hospital on the south side of Dubai, both on time and within budget.

Financial Summary

Onto the financial summary slide, I'm going to turn briefly to the Group financial summary for the first half. Jurgens will obviously deal with this in much more detail shortly. Despite local currency revenue growth and margin expansion in Southern Africa and the Middle East, you can clearly see reflected across the numbers the significant impact that the regulatory changes in Switzerland have had through the recent tariff reductions and the less favourable patient insurance mix as a result of that.

Specific results

As a result, the EBITDA margin of the Group fell by 110 basis points to 15.4%. Below the operating profit line, we've seen the benefits of lower net finance costs related to our recently refinanced debt facilities. Our earnings per share declined 9% compared to previous year. We've, today, announced that the interim dividend will be maintained at 3.20 pence per share.

Looking ahead, we still expect the customary seasonal benefits in Switzerland and the Middle East to deliver strong Group performance in the second half. Guidance for the full year 2019 remains unchanged.

Swiss Regulatory Environment

Hirslanden operating update

Now, on to my operational review and specifically Switzerland, starting with what has happened. I'm going to take you through the Swiss regulatory changes that led to our disappointing performance at Hirslanden and impacted in the shortest space of time possible.

Since the first half of 2017, we've been reporting on the Swiss government's plans to implement regulatory changes in the healthcare market. Two of them - TARMED reduction of tariffs and outmigration. These changes which applied to all providers in the Swiss healthcare sector are all about reducing tariffs, either directly through existing outpatient clinical codes or through lower reimbursement for procedures that were previously billed on a higher inpatient tariff.

Hirslanden major investment programme

In anticipation of this kind of development, Hirslanden embarked on a major investment programme, called Hirslanden 2020, in 2014. The programme consists of three components. The first component, called HIT2020, aims to improve the Hirslanden corporate model and

cost base through standardising, centralising and simplifying all back-office processes and IT systems.

The second component was focused on evolving the outpatient and day-care surgery delivery model to deal with the growing requirement for outpatient activities and procedures in a cost-efficient manner. Here we are opening outpatient surgery units (OSUs), outpatient medical centres or consultation centres, as well as doctor's consulting rooms. It also focuses on reconfiguring theatres, recovery areas, improving patient flows in existing hospitals to treat the growing volume of surgical day cases in a cost-efficient way.

The third component of this big project is called WE2020. It's focused on the cultural and leadership changes necessary to ready the organisation for these anticipated changes.

Speed of change faster than expected

However, despite all the work already done and awareness in the market of these impending regulatory changes on the way, what has really surprised us in the first half of the year was the speed of change caused by this outmigration. Primarily, there were three factors that proved more challenging to predict:

- Firstly, insurance have pre-applied these regulatory tariff changes across cantons ahead of the planned federal rollout that was scheduled for 1 January 2019.
- Secondly, the exclusion criteria we expected to be applied has been changing and getting stricter. The final list was published three weeks ago. This means volumes we expected would remain as inpatients due to age and comorbidity related matters were no longer eligible and instead moved to the reduced outpatient tariff.
- And thirdly, while we were able to attract volumes to fill the inpatient capacity created by the forced outmigration of these treatments, that came with a less favourable insurance mix, with a larger than expected component of lower tariff general insurance patients.

So, in effect, while we've maintained inpatient activity, it has become at the expense of margin.

Because of these factors and the speed of change, Hirlanden has not been able to implement the cost-saving programmes and outpatient delivery models fast enough across the business to mitigate the impact of these regulatory changes.

Significant Tariff Reductions

TARMED

Onto the next slide, just quickly summarising tariffs – the TARMED aspect of this regulatory change. This is the easy one to explain. The national outpatient tariff framework of around 4,000 clinical treatment codes. The provisional tariff reductions for this list came into effect from 1 January 2018. And by the end of this calendar year, the guided CHF25 million impact on the Hirlanden's EBITDA will be in the base.

That's a simple one to explain. But, nonetheless, still had a material impact on our financial performance, despite mitigating actions taken by the business around staffing levels and other inefficiencies.

Outmigration

The next slide is the one on outmigration. This is a little bit more complicated and this had the biggest impact on our business. Put simply, from 1 January 2019, the federal government in Switzerland has identified six clinical procedures, which we've listed there on the slide, that will be transferred from an inpatient tariff to a significantly lower outpatient tariff. However, as we have communicated, certain cantons like Zurich, Lucerne and others have already been gradually adopting more extensive lists of up to 16 procedures since July 2017. So, they have to have the six, but they added more.

But, as I've mentioned, what has caught us by surprise is the degree to which the insurers have been pre-applying outmigration across cantons ahead of the planned 2019 implementation. This, along with evolving exclusion criteria is creating a degree of uncertainty and impacting the performance of the business more than what we anticipated.

Impacting Inpatient Insurance Mix

The next slide shows the impact on the insurance mix. This is slide number 11. On the one hand, we are now receiving lower tariffs for certain procedures, but in addition, while we've been able to broadly maintain inpatient volumes during this period despite a reduction of cases due to forced outmigration, this has come at a less favourable mix as we pointed out and also as we expected. As you can clearly in the middle of our chart, an increase in the lower tariff general insurance patients' subsidy with the loss of the supplementary insured patients. And this is which significantly impacted on our EBITDA margin in the first half.

Hirslanden Operating Update

Equipped to make necessary changes

So, how do we deal with this? This is probably the more important part of this presentation. And now that we've explained all the changes that have happened what's important for you to take away today is that we are taking action to adapt Hirslanden, and we are actually well equipped to make these necessary changes. This will take time, though.

Some actions are being implemented today to improve the financial performance through securing additional revenue growth, reducing costs and driving efficiency savings. At the same time, we are making the necessary fundamental medium-term changes to the business, while leveraging the Group's vast experience and expertise gained over the last 35 years.

Near-Term Actions

Near term actions – slide 13.

Secure revenue growth

We continue to remain focused on securing revenue growth through – across the whole business. Doctors are obviously key to this, and we've been actively recruiting more than ever before in recent months. This clearly helped to drive patient admissions in the first half, but as we enter the strong seasonal second half of the year, we will also continue to focus on the efficient management of patients through optimising the lengths of stays, particularly given we operate in a Swiss DRG environment.

We will leverage further on our destination-of-choice status amongst supplementary insured patients. We will bolt-on the Hirslanden Privé and the Préférence services to further differentiate the experience our supplementary patients expect when they visit our facilities.

Reduce budgeted costs and drive efficiency savings

Clearly, an increased focus on cost is key to supporting our near-term performance of the business. While we're able to come in below budget on the first half of the year by around CHF9 million, we will do more in this area. We will reduce general personnel and marketing costs versus budget in the second half of the year, similar to the first half. In addition, we expect to take out CHF5 million through supply cost savings. This will result in a reduction to budgeted costs of around CHF24 million for this year.

On a like-for-like basis, excluding Grangettes, we expect overall operating costs to remain broadly flat on the prior year, despite the increased level of patient activity.

Reduce CAPEX

And then finally, on the near-term actions, we've identified reductions in capital expenditures. While this doesn't help margins, it's important to remember that we remain focused on cash flow delivery in all our divisions. We have identified cuts to this year's CAPEX budget totalling CHF21 million, which means the full-year CAPEX is now expected to be 15% lower than the prior year, and 53% lower than the financial year 2017.

Invoice backlog

One last point on cash flow management, and Jurgens will also talk about this in more detail. We've been working hard in October to address the backlog of invoices which resulted from the first half HIT2020 implementation in Zurich. By year end, we expect cash conversion to be more in-line with prior years.

Medium-Term Actions

Then, talking about medium-term actions – still in Switzerland. We are taking medium-term actions to adapt the Swiss business to the changing regulatory environment over the medium term which will support the long-term value of the business as we drive towards appropriate returns. Here, we take a longer-term view.

Improve service differentiation

Starting with service differentiation. Clearly, the insurance mix change that we are seeing, we need to be more cognisant, and we are more cognisant of the different degrees of patient services that we provide. We will never jeopardise clinical quality, and neither will we jeopardise safety of our patients. But, consumers with different healthcare requirements and insurance products must receive an optimal level of service. That's not always easy to do. But this is the focus now, and specifically in the new Swiss healthcare environment. Working with insurance, for instance, to create new and innovative insurance products will also be an avenue we will investigate.

Maintain doctor recruitment initiatives

While I've mentioned that we've already started to attract more doctors, we are also focusing on marketing our specialists in the best possible way and building up our GP referral networks. We will be supporting all our new and existing doctors to ensure patients know where to find the best available care for their specific healthcare needs.

Advance outpatient delivery model

I've already outlined that our changing outpatient delivery model is in motion. Many of you visited earlier this year the Bellaria outpatient surgery unit in Zurich, and also the one being

built on the train station in Lucerne. But we are advancing this all to ensure that we have more of the appropriate cost-efficient solutions in place across Switzerland to capture the growing requirement for these outpatient procedures.

Hirslanden 2020 strategic programme

Then, we have the Hirslanden 2020 strategic programme that I referred to earlier. This will deliver necessary efficiency benefits to the business and improve the operating model once fully rolled out in the next few years. The new management team in Switzerland is full aligned with the principles of this programme. Further, while we are currently investing around CHF20 million in OPEX and CAPEX this year, we will start to see that investment cost decline going forward, benefiting margin and cash flow in future years.

Hirslanden's Unique Market Position

Slide 15, finally, it's the last slide on Switzerland. What gives me confidence in our ability to deliver the necessary changes and to adapt Hirslanden into the evolving healthcare environment?

Leading private health care provider

For one, it's our unique position as a leading private healthcare provider in Switzerland, and our hospitals really do appeal to and attract doctors and supplementary patients alike. We will not be complacent here, but we will use this position of strength to continue working hard to attract supplementary insured patients that see Hirslanden as their destination of choice.

Experience with different insurance mixes

We also have experience of managing hospitals across Switzerland with a broad range of insurance mixes. This benefits us as we look at adapting our operating model at certain hospitals to better reflect the trends we are seeing in the market caused by these recent regulatory changes.

Leverage Group expertise

Then, when it comes to adapting our outpatient delivery model, we are fortunate to be able to lean on the vast experience that we have across the Group. We already service large numbers of outpatients and day case procedures in the UAE. In Southern Africa, as part of our strategy to expand across the continuum of care, we are building and acquiring day clinics as well. We demonstrated at the Capital Market's Day that with the right volumes and efficient operating models in place, we can generate margins in line with traditional hospital businesses in South Africa.

Knowledge from prior Swiss deployments

Finally, as you know, we already have momentum and experience in Switzerland of running various outpatient models. By this time next year, we will have about seven OSUs operational and more to come. Plus, we have initiated a project across all of our hospitals to optimise outpatient processes and costs during this outpatient surgery unit (OSU) rollout phase.

So, I hope this gives you a clearer picture of the actions we are taking in Switzerland as we navigate our way through this transition period.

Having spent the first 15 minutes rightly focused – or more towards 20 minutes – focusing on Switzerland, it's important that I remind you of how our operations are performing across the

other two divisions, which makes up the bulk of our business. And here, I'm pleased to report a more positive story.

Southern Africa Operations

Going to Southern Africa – slide 16 – where we continue to have a strong market position, I was very pleased with the performance. We maintain a healthy relationship with all key insurers, and we leverage the strength of our brand to continue to attract doctors and patients alike to our 51 hospitals across all our provinces. While economy remains weak, medical insurance membership has been stable around 9 million insured lives.

Volume growth

Our volume growth in this flat market has been driven in part by the ageing population, as well as the increase in chronic diseases and other disease burdens. We started the period off strongly in the first quarter. However, paid patient days growth was tapered back by fewer pneumonia and bronchitis related cases during the winter period in the second quarter. As such, our overall PPD growth for the period was a total of 5%, but we expect to recover in the second half of the year and aim to achieve towards the lower end of our 1%-2% PPD growth guidance for financial year 2019.

EBITDA growth

What really pleased me, though, was the team's excellent operational performance, delivering EBITDA margin growth despite the weaker than expected volumes and the continued investment in clinical services.

Reviews

For many years now, you will have been reading about the Health Market Inquiry and the National Health Insurance reviews. These are both ongoing. We submitted our responses and now wait to hear back when the final reports are going to be published. Mediclinic fully supports these processes, and the principle of universal health coverage in South Africa. We will continue to contribute constructively towards achieving satisfactory outcomes and playing a meaningful role in the health sector of Southern Africa.

Southern Africa Continuum of Care Expansion

Another slide on South Africa – slide 17. You'll recognise this slide from the Capital Markets Day. But, I just want to highlight that during the period, we successfully opened our third day clinic at Mediclinic Newcastle and will open five more during the next financial year. In addition, we made two small investments in Intercare, as well as the Welkom Day Clinic (Afrikaans' term) as we deliver on this leg of our growth strategy. We look forward to working with the new teams at both these two companies.

Middle East Operations

Then on to the Middle East, our final division for today. The growth engine of our Group. We continue to make steady progress and gain momentum with revenue growth and margin expansion compared to the prior year period. This is just the start as we embark on a period of sustained growth with a strong second-half performance expected.

Abu Dhabi

Since the transaction in Abu Dhabi in 2016, we've made lots of changes and investments in that business which underpins the medium-term improvements we expect to deliver on. You

can see from the chart on the right that the insurance mix strategy we implemented in Abu Dhabi continues to deliver an enhanced quality of revenue. This, with the appropriate cost base now in place, gives us operating leverage as volumes grow.

Management in the UAE has been supporting the new doctors to ramp-up their activity levels for the ongoing investment in facilities, technology and rebranding in Abu Dhabi that will help to build the brand and the reputation of Mediclinic in that region.

Middle East Growth Drivers

More on Middle East – slide 19. The sustainable growth in the UAE is also supported by the CAPEX expansion opportunities we have in Dubai and Abu Dhabi. Here, you can see the projects that we've completed so far this year, and we have more to come over the next few years at Mediclinic Airport Road specifically, as well as the Mediclinic Al Noor Hospital.

Mediclinic Parkview Hospital

Clearly, the highlight of the first half for us in the Middle East was the successful opening of the 182-bed Mediclinic Parkview Hospital in the southside of Dubai, which was completed six months ahead of original schedule and within budget. I can also say that now, having been open for around one and a half months, it is performing to budget and we are excited to see how the coming months develop as the hospital gradually ramps up its activities.

I know our Middle East team is looking forward to hosting a number of you at site visits in the next few weeks, in the beginning of December so that you can see this and other facilities. We're excited to receive you there.

On that positive note, I'd like to hand over now to Jurgens, who will take you through the numbers in more detail before I round off, and then we can take questions after that.

Financial Review

Jurgens Myburgh

CFO, Mediclinic International

Thank you very much, Ronnie, and good morning to everyone from my side.

Income Statement

On page 21, starting with the Group income statement. As Ronnie's already indicated, Group revenue was down 1% year-on-year and up 2% in constant currency. Adjusting for the IFRS-15 offset to revenue in the Middle East, constant currency revenue is up 3% at the Group level. The reasonable growth in the Southern Africa and Middle East Divisions was offset by the weakness in Switzerland affected by the evolving changes in the market and the regulatory environment.

EBIDTA was down 8%, and adjusted operating profit was down 15% to £137 million as the regulatory changes in Switzerland, which manifested as a reduction in the revenue per case impacted profitability. Depreciation and amortisation was up 7% to £76 million, in line with the continued investment across all three divisions.

Net finance costs benefited from the refinancing of the Swiss debt in 2017, as well as the capitalisation of borrowing costs on Parkview and other capital projects, providing positive

leverage down the bottom half of the income statement. Excluding exceptional non-deductible charges, the normalised effective tax rate was 23.4%, which is in line with the prior year.

Income from associates, which is largely Spire, increased to £2 million. And, with all that, adjusted earnings were down 9% to £76 million compared to the £84 million last year this time, with adjusted earnings per share down 9% to 10.3 pence.

As Ronnie indicated earlier, we are announcing today the dividend per share is maintained at 3.20 pence.

Reported Currency

Over the page, the reported currency was a headwind across all three divisions in the first half of this financial year. In looking at revenue for Hirslanden, in the first half, revenue increased 1% in Swiss franc terms, but was down 3% in pound terms. Despite a continued weak macroeconomic environment, ongoing admission management and intensifying competition, revenue in Southern Africa increased by 5% in rand terms and up 1% in pound terms. In the Middle East, we continued to gain momentum with revenue up 5% in local currency after adjusting for the impact of IFRS-15.

Adjusted EBITDA

Over the page, on EBITDA, Group EBITDA, as I indicated earlier, was down 8% in pound terms, and down 5% in constant currency. For Hirslanden, despite the cost savings and efficiency gains, the significant effect of the tariff reductions and declining insurance mix resulted in a greater than expected impact on EBITDA. Southern Africa's adjusted EBITDA increased by 6% in rand terms and is now contributing 44% to the Group's earnings. Including the costs associated with the start-up of the new Mediclinic Parkview Hospital, adjusted EBITDA increased by 12% in the Middle East.

Balance Sheet

Turning then to the balance sheet, and here currency largely increased the reported numbers relative to local currency. The fixed asset base includes an increase of over £100 million on capital projects and fixed asset additions. In line with the requirements of IFRS, non-financial assets are considered for impairment when impairment indicators are identified at a cash generating unit level.

Impairment charges

In Switzerland, the changes in the market and regulatory environment continued to affect key inputs to the review and gave rise to impairment charges recorded against properties and trade names of £43 million and £55 million respectively. The impairment charges are non-cash and excluded from the adjusted earnings metrics. The market value of our investment in Spire was £169 million at the period end, compared to a carrying value of £348 million at the end of March. An impairment test was performed updating key assumptions applied in the value and use calculation done in March, and as a result, an impairment charge £164 million was recorded against the carrying value of the equity accounted investment.

Borrowings

During the first half, the Group completed the refinancing of borrowing facilities in Southern Africa and the Middle East, with facility extensions of at least four years. On leverage, the

Group continued to follow strategy of responsible leverage and using our asset base to secure borrowings, reducing the cost thereof. Borrowings are incurred in the same currency as the underlying cash flows to avoid F/X fluctuation risks, and debt is ring-fenced with no cross guarantees or cross defaults from one division to another.

As Hirslanden has the highest value of fixed assets and lowest cost of borrowings, we have a deliberate strategy of having the majority of our funding in Switzerland. On a Group basis, our leverage ratio is at 3.6x and we remain sufficient funding capacity and optionality across the entire Group to fund operational expansion and manage the headroom to our covenants.

Cash Flow Summary

Over the page on cash flow, the cash flow conversion at 69% was materially below the Group's expectations as a result of timing differences in receivables in Southern Africa and Middle East at the end of the reporting period. In addition, as Ronnie alluded to earlier, the new HIT2020 billing system implementation in Zurich caused in a delay in invoicing. By October, invoicing had improved remarkably, and by year end, it is anticipated that Hirslanden receivables will have normalised. We expect the full-year cash conversion to be more in line with prior years.

Capital Expenditure

Over on capital expenditure, the increase in our Group capital expenditure budget is largely driven by expansion in the Middle East and upgrades in Southern Africa. In Hirslanden, we've reduced the capital investment plans for this year by around 15%, taking forecast CAPEX down by CHF21 million to CHF111 million.

Southern Africa continues to expand across the continuum of care with several existing hospital and day clinic projects scheduled for completion this year and next year. During the period under review, in the Middle East, we spent about AED200 million on the new Mediclinic Parkview Hospital, which, as Ronnie indicated, came in ahead of schedule and under budget.

Hirslanden Financial Overview

Then, looking at each division in turn, and starting with Hirslanden – I'm on page 27.

Revenue

As discussed earlier, including the contribution from the Linde acquisition in July 2017, first half revenue increased 1%. Inpatient revenue was up 1%, and outpatient revenue was 2%, reflecting additional cases from the outmigration of certain treatments to an outpatient tariff, offset by the TARMED tariff reduction.

Looking at the inpatient activity, admissions were up 3.6%, but revenue per admission was down 2.8% reflecting the less favourable insurance mix. The proportion of generally insured patients was at 49.4%, compared to 46.9% in the prior period. This change was accelerated by the effects of outmigration and also the higher generally insured contribution from Linde.

EBITDA

As mentioned previously, the significant effect of the tariff transactions and declining insurance mix combined with a cost base that reflected the increased activity resulted in a greater than expected impact on EBITDA, which declined by 17% to a disappointing CHF118 million. The adjusted EBITDA margin was lower at 14.3%. Operating expenses

continued to absorb the ongoing costs of rolling out Hirslanden 2020 and other corporate initiatives. The estimated full-year cost of HIT2020 is around CHF12 million in the P&L.

Other

Depreciation and amortisation was up 16% to CHF61 million. The acquisition of the Linde hospital, capitalised HIT2020 project costs and the amortisation of trade names contributed to this charge.

The refinance of the debt facilities reduced the annual finance charge by approximately CHF20 million. This debt remains unhedged, a position that is monitored on a weekly basis.

As I mentioned earlier, cash conversion was impacted by a build-up in receivables due to HIT2020. Normalised for this build-up, the conversion was at 84%, and we expect the full-year number to be more in line with prior years.

Forecast

For the rest of the financial year, Hirslanden expects modest revenue growth, including the contribution from Les Grangettes in the second half. Our cost savings initiatives from FY18 remain in place, and as articulated by Ronnie earlier, will increase in the second half to deliver a forecast flat cost base, despite the increase in activity on a like-for-like basis. The outmigration of care continues to unfold with the federal lists and its exclusion criteria being implemented from 1 January 2019. This creates uncertainty with respect to the forecast for the business, which will be mitigated by the actions being taken by management to accelerate the changes required to adapt the business to the new operating environment. As a result of the regulatory market trends more than offsetting the benefit of cost savings and efficiency initiatives, the FY19 EBITDA margin is expected to be around 16%.

Southern Africa Financial Overview

Revenue

Turning now then to Southern Africa. Revenue increased by 5% to about ZAR8 billion, driven by strong bed day growth in the first quarter, offset by fewer pneumonia and bronchitis related cases during the winter. Bed days sold increased by 0.5%, and average revenue per bed day increased by 4.4%.

EBITDA

Local management delivered an excellent operating performance with adjusted EBITDA up by 6% to ZAR1.7 billion, resulting in an adjusted EBITDA margin increasing to 21.2% from 21.0% prior year. In line with our commitment to quality care, we expect to continue to invest in resources and R&M and thus deliver over the medium-term an EBITDA margin broadly in line with previous years.

Other

Depreciation and amortisation increased by 4%, mainly due to increased spend on medical equipment. Net finance costs reduced by 5%, with lower interest rates supported by interest received on cash bonuses. Cash conversion at 79% was below our expectation, and influenced by period end falling on a weekend.

Forecast

For FY19, revenue growth will be driven by an expected increase in bed days sold at the bottom end of our guided 1%-2% range, due to the weaker first half growth combined with the tariff increase broadly in line with inflation. As mentioned, the medium-term EBITDA margin for Southern Africa is expected to remain broadly in line with previous years.

Middle East Financial Overview*Revenue*

Then, finally, before I hand back to Ronnie, on page 29, in the Middle East division, first half revenue is up 5% to AED1.5 billion after adjusting for the impact of IFRS-15. Inpatient admissions were up 3.1%, whilst outpatient volumes were down 0.8% reflecting the divestment of non-core facilities and the ongoing insurance mix strategy in Abu Dhabi. Parkview Hospital only opened towards the end of the period, and therefore, revenue contribution from this unit was minimal.

EBITDA

Including the costs associated with the start-up of the Mediclinic Parkview Hospital, adjusted EBITDA increased by 13% to AED141 million, with the adjusted EBITDA margin increasing to 9.4%. Excluding the start-up losses for Parkview, the adjusted EBITDA margin for the underlying business was 10.7%.

Other

Depreciation and amortisation increased by a percent benefiting from the divestment of non-core assets. This charge will increase as Parkview Hospital, the EHR implementation and other expansion projects come online in the second half.

Net finance costs were AED9 million, mainly due to the capitalisation of borrowing costs on capital projects. A run-rate annual net finance cost for the division is around AED45 million, compared to AED34 million last year, with the increase ascribed to increased borrowings to fund expansion.

Trade receivables continue to increase; however, this allowance provision has reduced year-on-year. The increase in revenue and consequently trade receivables does lead to a declining cash conversion, which is exacerbated by seasonality. This is a continued area of focus for us.

Forecast

For the full year, the Middle East division is expected to deliver revenue growth in the high single digit percentage range reflecting the underlying operating performance in the business and additional bed capacity coming online in the second half of the year. This includes the adjustments for the adoption of IFRS-15.

On a like-for-like basis in FY18, that offset to gross revenue was approximately AED84 million. In the first half, this number was AED46 million and for the prior period AED39 million in the current period. The operating leverage in the underlying business, offset to some extent by the start-up losses associated with the expansion projects, is expected to deliver a slightly improved EBITDA margin compared to the prior year, which adjusted for IFRS-15 was 13%.

With that, I'll hand over to Ronnie to go through the Group summary.

Group Summary

Ronnie van der Merwe

CEO, Mediclinic International

Thank you, Jurgens. Now, just to finish off with a brief Group perspective summary before we go into Q&A.

Unique Healthcare Provider

Diversified international service offering

Mediclinic is a diversified organisation. Firstly, with regard to geographic footprint and secondly, with regard to revenue streams. Our geographic footprint enabled us to accumulate deep understanding of industry affects and delivery models in the markets in which we are. That positions us for the future. Our diversified revenue streams in terms of care settings position us well for outmigration of care. Or, I should say migrations – not only out, it's also in. And, providing better value to our patients.

Centrally coordinated functions enhance performance

To ensure we extract maximum value from this unique position we also follow a unified approach, as we said at the Capital Market's Day. Our centrally coordinated functions are aligned to improve our business and to save costs, and we will continue to build on these capacities.

Focusing on Clinical Quality

On page 32, highlights our focus on clinical quality. Every day, we are enhancing the quality of life of thousands of patients, of which we are very proud.

Our journey of putting patients first in everything we do will continue relentlessly. A tremendous amount of hard work has been done behind the scenes to deliver superior clinical performance to our patients. We are working hard to move from a fragmented to a core coordinated care setting, and to transform into a truly coordinated systems provider offering. Our focus on highly specialised medicine enables us to offer new and advanced service solutions to patients.

We will also continue to invest in technology and analytics to improve our patient care. We believe that these focus areas position us well in this fast-changing, challenging, but also exciting landscape.

Our Approach to Value Creation

Then, our last slide, which is number 33. I'm very confident in our people. I'm confident in our values and, I'm confident in the purpose of Mediclinic. Healthcare is a complex and fast-changing environment. However, demand for healthcare services will continue to increase, which in itself presents many opportunities.

I'm confident that Mediclinic will continue to play an important part and role in providing a quality healthcare in a cost-effective way in the markets that it serves. And in time, we will bring new solutions to these markets, of that I'm convinced.

Our investment case has the objective of delivering profitable growth, generating strong cash flows and following a disciplined capital allocation approach to create long-term shareholder value.

Thank you very much for your time and attendance. It's highly appreciated from our side. We can now go into Q&A.

Q&A

Operator: Thank you. If you would like to ask a question, please signal by pressing star one on your telephone keypad. If you are using a speakerphone, please make sure your mute function is turned off to allow the signal to reach our equipment. Again, please press star one for questions. We'll just pause for a moment to allow everyone an opportunity to signal for questions. At the moment, we have a few people that is already queued. Ken Luskin from UBS, your line is open. Please go ahead.

Ken Luskin (UBS): Okay, thanks. Good morning, guys. Just on the UAE, I mean, patient mix is obviously going the right way, and [inaudible] is obviously quite expensive for the government. Do you view any risk to that patient mix, if at all? Are you sort of confident that regulatory authorities are going to be a lot more measured than they were perhaps in 2016 with that - when they implemented a subsequently reversed the 20% co-pay?

And then, just on Switzerland, you guys were quite adamant in June at the Capital Markets Day that capex couldn't go lower. And obviously, as per your update last month, you have sort of lowered that quite meaningfully. So, I guess it just begs the question, I guess probably everyone would like to know, how low could it potentially go? Is this the sort of the limit for you guys? Thanks.

Ronnie van der Merwe: Thank you, Ken. Firstly, on the mix strategy in the Middle East and specifically in Abu Dhabi, we are confident that we are on the right path there, and we don't foresee any risks. Definitely not in the immediate term. We have fostered very strong relations with the regulators and the government institutions over there in Abu Dhabi, and we are confident.

Then the second one is on CAPEX, I will give a view, and I would also like Jurgens to make a comment there. We are dealing with a fast-changing and evolving landscape in Switzerland and as in many other markets all over the world in healthcare, we have to adapt our models - our delivery models, our key processes and so forth. And we need to be innovative and that informs our CAPEX. So, this is the evolving environment and we need to obviously be prudent in how we spend our CAPEX, but we also need to think laterally about it.

Jurgens Myburgh: I think that's [inaudible], really. I think, again it's - what we spoke about at Capital Markets is maintaining a balance. But at the same time, as Ronnie said, this is an unfolding situation for us, and we have to adapt to that. And I think we are doing so responsibly.

Ken Luskin: All right, thanks guys. Maybe just very briefly, just any comments on Spire? I mean, the current structure you have obviously is not optimal earning 30%. I'm just wondering do you plan at some stage to make a decision either way on this - not sure if you can answer anything, but...

Ronnie van der Merwe: Ken, as you can imagine, we have our hands full.

Ken Luskin: Yeah.

Ronnie van der Merwe: We have a very strong focus at the moment on our Swiss business. And secondly, we also want to make sure that we maintain the growth trajectory in Middle East. So, at the moment, that consumes a lot of our time.

Ken Luskin: Okay. Thanks.

Operator: Thank you. We'll take our next question from Alex Comer from JP Morgan. Please go ahead.

Alex Comer (JP Morgan): Yeah. Hi, guys. A couple of things. I mean, if I look at the Swiss business again, your biggest cost is labour. I'm just wondering what can you do with regard to your labour costs? And maybe you could just enlighten us in terms of your employee numbers, how many are in acute and how many are in non-acute roles? And how has that changed over the last few years? I understand that from the – when the new rules came in, you had to employ a number of people for coding, et cetera. I'm just wondering what you can do on that front going forward.

And then, just maybe one other thing on the UK situation – Spire. What has to change for you to get more confident one way or other with regard to your stake there? I mean, is this about waiting until Brexit is over? Or is it about repairing the rest of the business before you feel confident about taking something else on?

Ronnie van der Merwe: Thank you, Alex. If we can quickly talk about the labour cost situation in Switzerland, we don't provide a breakdown of patient-facing versus admin costs at this stage. What we do not want to do is to cut labour costs on the patient-facing side. We are not going to do anything to impair our ability to create high-quality, cost-effective and safe care. We also don't want to lay off staff. That's not the idea. It's about efficiencies. It's about how we deploy our staff in the most efficient way possible. You do mention the lifting requirements of a few years ago, which over time, put us in a position that we had to have more staff to do more things. What we are critically looking at at the moment is how to be as efficient as we possibly can, and in terms also of how we deploy our staff. We have – part from the Hirslanden 2020 project, there are other projects, and some of those projects might be put on hold. In that way, we can also be more efficient in the short term. That's the part with regard to the labour costs in Switzerland.

On Spire, at the moment, we as we said before, we have our hands full. We are focusing on Switzerland and also the Middle East. We are not going to drop the ball there. And that's all I can say now.

Alex Comer: Just, can I just come back to the point on the labour issue? I mean, I've tracked your – at least what you quoted your employee numbers and the patient days, and over the last sort of four or five years, your employee numbers have gone up much faster than people have been walking through the door. So, your efficiency, unless you reverse that, I don't see how your efficiency is going to improve.

Ronnie van der Merwe: Yes. We are aware of the analyses that you have done. And, we are looking at that. We are focusing on that. Obviously, the Hirslanden 2020 project has an

impact on us, also as other projects. But, we've got quite clear and crisp plans in terms of how we would like to address that.

Alex Comer: Okay. Thanks.

Jurgens Myburgh: Perhaps from my side, one or two small things. Firstly, over the period, obviously we've added more infrastructure. We've added hospitals, so we've added activity to the number. And so, if you look at this year in particular, as I indicated as part of the narrative is that what we saw was activity levels generally up. But, clearly we were impacted by the adjustments in the tariffs. And that's what caused the impact on the EBITDA line. But, also, just to go back to the point, if you look at some of the changes that we're looking to make, some of the more material changes in the short-term is actually on supply costs and backup for some admin. So, although I completely understand the focus on personnel costs, for us, it's about delivering the broader efficiency that the Group can and bring that to bear on the business. And also, just to remind you that in the period under review that you're analysing and looking at, of course, our outpatient activities have grown quite a bit. And so, that activity also has to be staffed. And so, you just need to bring that into the analysis as well.

Alex Comer: Okay. Thanks, guys.

Operator: Thank you, Alex. And the next question comes from Hassan Al-Wakeel from Barclays. Please go ahead.

Hassan Al-Wakeel (Barclays): Thank you for taking my questions. I have a couple. So, firstly, your UAE guidance implies a significant swing in the business in H2 by my calculation to the tune of at least 600 basis points. Whilst we saw this last year and it was driven by the recovery in Abu Dhabi, could you help me understand what really happened in H1 from a margin standpoint? The Parkview impact I understand to be approximately 150 basis points, and even excluding this, margins would have been around 11% which is not fully explained by seasonality. Has anything changed to the Dubai business in terms of growth or margin? Or is this entirely explained by your strategy to move away from basic patients?

Secondly, could you please disclose your platform covenants and provide your views here around your current headroom. I believe net-debt-to-EBITDA is around 3.6x currently. And relating to this, do you have an impact assessment for IFRS-16? Thank you.

Ronnie van der Merwe: I'm going to ask Jurgens to address these questions. Thank you.

Jurgens Myburgh: Thank you Hassan, and good morning. I think I'll start on the second question first – just on the leverage. As I indicated in the presentation, firstly, just going back to the philosophy of property ownership which we have across the Group, and we do so deliberately, because we think it provides us with the operational flexibility that we think is necessary in this day and age in healthcare services. So, we have a rich property portfolio and a well-maintained property portfolio, and we have that across all three of our divisions. And then, we use that property portfolio as security to then borrow against. And, we have a deliberate strategy in Switzerland where we have the highest asset value and the lowest cost of debt to then deliberately have the highest leverage as well.

We don't breakout individual covenant calculations. These are complex and difficult to get to, using publicly available information. But if you look across the Group at 3.6x, I'm comfortable that we have the financial flexibility to be able to manage the headroom to our covenants.

On IFRS-16, we, as many people, are doing the analysis to determine exactly what the like-for-like change is going to look like. But going back to my point, is that we own the vast majority of our properties and so, the expectation would be perhaps for a less material adjustment on our side. I would say that if you look at our numbers on a lease-adjusted basis, I would say that we, from a leverage perspective compare well, if not better, than some of our peers. And so, we're comfortable that we have the flexibility across the Group to manage our headroom to covenants.

On your first question on the UAE, I think as you pointed out yourself, we do have material seasonality H1 to H2. And last year, we saw a similar basis point, I think H1 to H2 comparison. And so, I think we've always spoken about a gradual recovery in the Middle East and the drivers of that being both volume as well as the deliberate insurance mix strategy. And I think that we're on course to deliver that. I think we're gradually improving the business in line with the drivers that we had articulated. And of course, in the second half, we expect Parkview and the Parkview ramp-up to deliver into that as well.

Hassan Al-Wakeel: And, maybe just a follow-up on that. Historically, I mean, we've seen seasonality for your Dubai business at around 100 to 200 basis points, and it just seems to be a bit larger this year. I understand the ramp in H2 last year that I interpret to be largely due to some of the recovery that we saw in Abu Dhabi. I just wonder if anything other than what we've already discussed hampered the H1 margin. And to reiterate, did anything change to the Dubai business?

Jurgens Myburgh: No. I mean, Hassan, to come back to the point is that we have seen the seasonality before. We had, if anything, a slightly longer summer period in Dubai and Abu Dhabi. Slightly changed holiday periods that impacted on those numbers a bit. But this is – the seasonality is not uncommon to us. And we have spoken about a gradual improvement in this business, and we continue to see that.

Hassan Al-Wakeel: Thank you.

Operator: Thank you, Hassan. And we'll take the next question from Sean Angril from Arcom. Your line is open. Please go ahead.

Sean Angril (Arcom): Good morning, guys. Thanks for the time. Yeah, a couple of questions if you don't mind. In terms of, I guess sort of linked to outmigration and SA and your comment on slide 15 about margins being similar to hospitals. Maybe you could just give us a bit more commentary around that and maybe the learnings that could be transferred to the Swiss business? And then going to slide 13 in terms of the cost savings on Hirslanden, I know you've given us three categories there, but I would appreciate it if you could give us maybe a bit more detail in terms of refining the more tangible examples.

And then, going back to slide 15, you guys mentioned appropriate margins at the OSUs after ramping up. Could you maybe just elaborate on what you mean by appropriate margins there?

And then, going back to the debt side, I think you – obviously you mentioned the – well, there's no information to get the covenants by platform. But from an outside point of view looking at a Group level, what is the main covenant that all – how should we be thinking about that borrowing hearing commentary that there is sufficient flexibility in the business? Thanks.

Ronnie van der Merwe: Thank you Sean. The first question is about day case surgery in South Africa, the margins there and what we've learned. We've got two scenarios in South Africa. We do a lot of day cases in our current facilities - in the inpatient facilities in a less efficient way, and that we are working quite hard on to make that most efficient. But, what we referred to in our slide, is our long-standing day case surgery centres, and you need to compare the markets. If you compare markets, you also need to take into consideration the price point at which the services are delivered. And in South Africa, what we've learned is it's a high-volume business and it's extremely efficient. It's standard work, so there's very little variation in terms of how operations are done.

If you stick to those principles of standard work, little as possible variation, very efficient, patients being very well prepared when they come in, mobilising them very quickly post operatively, then you can get the necessary volumes through on a day-by-day basis in order to make a reasonably good margin on it, and in effect, then also a reasonable return.

That's what we've learned in South Africa, and we've been going the same in the Middle East in the north wing of City Hospital is an outpatient surgery clinic there, as well. And the principles are similar in Switzerland. So, we are confident that we will be able to get to the point where we have outpatient surgery units that are running efficiently and making margins that puts us in a position where we can generate a reasonable return.

This will take time. It's not going to happen overnight, because it takes a lot of change management, but we are confident with regards to that.

I missed your second question, and while you – before you ask that question again or we give you a chance to remind us what that was, the fourth question was about covenants. I'm going to ask Jurgens to answer that one.

Jurgens Myburgh: So, Sean, yeah. Just again, the point is that if you look at it on a Group basis, the number that I quoted earlier, the 3.6x – and if you consider the fact that we have rich property ownership across the Group and then the fact that on a lease-adjusted basis, we're probably in line with and better than some of our peers. And if you wanted to you, you could look at interest cover as well. Where we're many multiple times covered. That gives me the comfort that we have the financial flexibility across the Group to manage the headroom to our covenants. So, if you look at SA and the Middle East, I think it's 2x levered, if not Middle East slightly lower than that. So, we have flexibility across the Group to be able to manage what we have to.

Your second question on Swiss cost savings. I think we've begun to be quite articulate about the specific areas that we are looking to address, whether it be personnel costs. Whether it be in procurement, which is in the bar chart, you can see procurement and if you cast your mind back to Capital Markets Day, we spoke quite a lot about procurement and this is and will continue to be a key focus area for us. Then, also looking at our back-office efficiencies and

savings around repairs and maintenance, marketing. Those sort of cost areas that we're just tightening up.

And then, just to add to Ronnie's point on OSUs and talking about – I think you said, 'appropriate margins.' I think if you cast your mind back to Capital Markets Day, what we indicated is that our Margins in the SA business, depending on volumes, our margins in our day clinics were in line with the rest of the business. And we'd look for something similar over time in the Swiss market as well, to be in line with the rest of the business.

Sean Angril: Okay. Awesome. Thanks, guys.

Operator: Thank you, Sean. We'll take the next question from Matthew Menezes. Your line is open. Please go ahead.

Matthew Menezes: Thank you. Good morning, everybody. So, I wanted to kind of tackle the Swiss debt question from a different angle. Is all that Swiss debt ring-fenced to Switzerland and to the Swiss assets? And I guess, kind of related to that, in the past, you've raised capital in other geographies, done rand issues in the SA to allocate capital to Switzerland. I guess with the Swiss margin uncertainty and all the regulatory question marks, does Switzerland have to be totally self-sufficient, self-funding? Or would you consider allocating more capital that you that you raise elsewhere to the Swiss assets going forward?

Ronnie van der Merwe: Thank you, Matt. This will be Jurgens, obviously.

Jurgens Myburgh: Thank you, Matthew. So, just to reiterate the point, our leverage across the Group is such that it's incurred in the same currency as the underlying cash flow, and it's ring-fenced with no cross guarantees and no cross defaults. I think the point that I'll make about the financial flexibility across the Group is that we have sufficient capacity to, if required, mobilise across the Group and fund across the Group to manage either operational growth or covenants or whatever the case may be. And I think that's the important point is to look at it on a Group basis and that's where I draw the comfort of the flexibility that we have as a Group.

Matthew Menezes: All right. Okay. Thanks. If I could just do a follow-up, related. So, you've got now the outmigration kind of list of procedures. Are you able to tell us what revenue percentage comes from those assets or for those procedures, as well as the relative price difference and try and give us some guidance? And I guess if not, what do you need information is outstanding that you need to get before you can give us guidance on the negative impact of that?

Ronnie van der Merwe: Matthew, we do these calculations. We do the analysis all the time. It's of very little relevance, because we backfill. As we move those out of the inpatient facilities, we backfill with other inpatient cases, and we see this outmigration as a potential for us to grow the day case surgery setting. And that's how we see it. We see it as an opportunity in a positive light. We've been able to backfill, and we are confident that we will continue to be able to backfill. We would like to get the backfill mix up in terms of supplementary insurance cases as well. And that's something that we're working hard on. So, that's the position we have, and this is how we see it.

Matthew Menezes: All right. Thank you very much.

Operator: Thank you, Matthew. And we'll take the last question from Hans Boström from Credit Suisse. Go ahead.

Hans Boström (Credit Suisse): Yeah. Good morning. Actually, following up on Matt's question, obviously from your guidance of the revenue being flat-ish in Switzerland despite the acquisition of Les Grangettes, it would suggest that you have a pretty conservative view on what the revenue impact will be from the reform. I mean is that a figure that from your budgets you would be able to share with us? Obviously, it is associated with uncertainty. We appreciate that. Alternatively, if you can't give that estimate in public, is there anything in the underlying business in terms of growth that you expect to change in the second half of the year relative to what we've seen in the first half of the year such that we can do our own calculations taking into account the acquisitions you made also in the first of October?

Secondly, you mentioned, interestingly, a strategy to increase service differentiation for different insurance categories in Switzerland. So, do you mind elaborating what it is you're planning to do that you haven't done so far. I'm struggling to understand that myself or imagine it, but it would be helpful to understand.

And thirdly in South Africa, as regards the day clinics business, and you have five more coming upstream, as I understand it in FY20. Could you give us a sense of what the incremental revenue contribution, netting that from any type of cannibalisation in your inpatient facilities might be for each of these units? That would be helpful. Thank you.

Ronnie van der Merwe: Okay, Jurgens, will you deal with the first question? And when we get to the third one, we'd just like Hans to elaborate a bit further. I'm not entire sure what I need to answer there.

Jurgens Myburgh: Thank you, Ronnie. Thank you, Hans. So, just on Swiss guidance, I think second half is informed by seasonality as you would have become used to in our Swiss business. We do generally see a stronger second half. As I articulated in talking about Switzerland, what we saw in the first half was activity levels up and revenue per case was down due to the changes in the regulatory environment. And so, this is what informed our thinking into the second half.

But to be fair, the regulatory changes and the rapid implementation of that continues to unfold, as we said. And, on the 1 January 2019, the federal lists will go out with their exclusion criteria, and I think we've taken into account the volumes that we've seen, the tariff adjustments that we've seen, the seasonality to inform our second half. And then, I think as we head to the end of FY19, we'll be better informed to then start talking to you about FY20 as well.

On the SA business and day surgery business, your third question, it's - as I said, the anticipation given a certain volume assumption would be for us that we expect over time for those businesses to deliver the same margins as we see in the rest of the business. But, I think it's very early to at this stage give an indication of what that would look like, both in a day surgery environment as well as in an inpatient environment.

I think just to - qualitatively to say, though, that as we've indicated before, that these facilities follow a deliberate strategy of co-location to our very busy hospitals. And so, the anticipation would be that the lower acuity work will go into these facilities within a filling of

the hospitals – these busy hospitals – with higher acuity work. And so, that's the very deliberate strategy that we're following in that roll out.

Ronnie van der Merwe: Hans, on service differentiation in Switzerland, first the principle is that service differentiation only exists with regard to services, but not with regard to the healthcare processes. The underlying healthcare processes are the same for everybody. But, it's the experience that the patients have in terms of service delivery that differentiates us. We prefer not to make available all the details of our plans that we are busy working on, but we've got some good ideas. Not only ideas, good plans.

Hans Boström: But I mean, I suppose I'll come back to Alex's point earlier about labour costs being the key issue here. Are we talking about somehow making the offering, the service experience from the basic insured patients less costly at key Mediclinic? Am I going in the right direction in thinking that's what you're looking at?

Ronnie van der Merwe: What we are doing is we are transforming the business to be more profitable on general insured inpatients. To attract more supplementary insured cases in the inpatient side, secondly. Thirdly, to create the capacity and the ability for us to do outpatient surgeries profitably. And fourthly, to create an environment – a corporate structure that is more efficient and more cost-effective to fund what we currently have. And that is my broad summary of what we are busy working on.

Hans Boström: Okay. We'll go, maybe, back to the first point, although I appreciate it is very, very difficult. But clearly, there will only be one quarter when we have formally the new outmigration schedule, if you put it that way. I mean, how significant – or how much of this has already taken place, in your assessment? Are we 60% down the line, or 30% down the line, whatever the numbers are? I just want to get a sense of how much of a risk there is to our assessment of full-year 2020 revenues and such.

Jurgens Myburgh: We've taken into account the – everything that we know and that we see happening in the second half to guide to where we think the outturn is. I think the point is that as we get into the first quarter of the next calendar year, we will see not only the federal list being implemented, but also alongside its exclusion criteria. And I think it's important for us to unpack and understand how that aligns to our business and then that will inform how we think about FY20 and which we'll communicate at the appropriate time. But, we've taken into account what we can see, and what we've seen happening. I think, just to go back to the point, this is, as Ronnie indicated, this was flagged but implemented quite rapidly. And I think that's the point for us in the first half is the speed at which the implementation happened. And now, as Ronnie very clearly articulated, we have taken actions both in the near term and in the medium term to look to support the business and the value of the business going forward.

Hans Boström: Okay. Well, thank you very much for those answers.

Ronnie van der Merwe: Thank you very much, everybody, for your attention and for the time you spent with us in the last hour or so. We highly appreciate your interest in our business and we hope that this clarified quite a few uncertainties or issues that you wanted more clarity on. Thank you very much for participating.

[END OF TRANSCRIPT]