

Mediclinic International plc  
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("Mediclinic", the "Company" or the "Group")



24 May 2018

## MEDICLINIC INTERNATIONAL PLC – 2018 FULL YEAR RESULTS AND PROPOSED FINAL CASH DIVIDEND

**Group operational results marginally ahead of expectations**  
**Strong second half performance in Abu Dhabi**  
**Continued strong performance in Southern Africa and Dubai**  
**Hirslanden adapting to changing regulatory environment**  
**Proposed final dividend maintained at 4.70 pence per share**  
**Current trading in line with management expectations; guidance remains unchanged**

Mediclinic announces its results for the year ended 31 March 2018 (the "reporting period" or "FY18").

### GROUP FINANCIAL RESULTS

- Revenue up 4% to GBP2 870m; up 3% in constant currency terms
- Adjusted EBITDA up 3% to GBP515m; flat in constant currency terms
- Operating loss of GBP288m, impacted by non-cash Hirslanden impairment charges and other exceptional items; adjusted operating profit up 3% to GBP370m
- Reported loss of GBP492m, impacted by non-cash Spire impairment charge and other exceptional items
- Adjusted earnings per share up 1% to 30.0 pence; reflecting lower income from associates
- Cash conversion at 90% of adjusted EBITDA (FY17: 98%)
- Proposed final dividend maintained at 4.70 pence per share; total dividend for the year 7.90 pence per share

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

*"We were pleased with the Group's performance this year given the various market and regulatory trends in each division. A key achievement was the strong second half performance in Abu Dhabi which, combined with the continued strong delivery in Dubai and the exciting expansion opportunities ahead, is laying the foundations for further growth across the Middle East division."*

*"The Southern Africa division delivered second half revenue growth and EBITDA margin improvement ahead of expectations for the year. In Switzerland, Hirslanden is adapting to the changing market and regulatory environment, absorbing the initial impact of these changes. Both divisions benefited from cost saving programmes and productivity initiatives implemented during the year."*

*"Current trading is in line with our expectations and the guidance for FY19 remains unchanged."*

*"As I approach my retirement as CEO of the Group, I would like to wish my successor, Dr Ronnie van der Merwe, and the team well. Having worked with Ronnie for many years, I firmly believe that he is the right person to lead Mediclinic through its next stage of growth and deliver on the many opportunities ahead. I look forward to continuing to support the Group as a non-executive director."*

## GROUP STRATEGIC OVERVIEW

The Group's strategic focus is to deliver high-quality healthcare services and provide an 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 during the year. 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 *inter alia* 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 continue to drive long-term value for its shareholders with a well-balanced portfolio of global operations in all three attractive healthcare markets. Together with an equity investment, this portfolio provides the Group with a sound platform for sustainable long-term performance.

## GROUP FINANCIAL SUMMARY

	2018 GBP'm	2017 GBP'm	Variance %
Revenue	<b>2 870</b>	2 749	4%
EBITDA	<b>522</b>	509	3%
Adjusted EBITDA <sup>1</sup>	<b>515</b>	501	3%
Operating (loss)/profit	<b>(288)</b>	362	(180%)
(Loss)/Earnings <sup>2</sup>	<b>(492)</b>	229	(315%)
Adjusted earnings <sup>1</sup>	<b>221</b>	220	1%
(Loss)/earnings per share (pence)	<b>(66.7)</b>	31.0	(315%)
Adjusted earnings per share (pence) <sup>1 and 3</sup>	<b>30.0</b>	29.8	1%
Total dividend per share (pence)	<b>7.90</b>	7.90	0%
Net debt	<b>1 676</b>	1 669	0%
Cash conversion	<b>90%</b>	98%	

1 The Group uses adjusted 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 and a charge relating to a decision to cease the provision of radiotherapy services at the Spire Specialist Cancer Care Centre in Baddow (Essex), Mediclinic's adjusted earnings per share for the period was up 5% at 31.3 pence. The 1.3 pence impact on adjusted earnings per share is calculated by taking Mediclinic's 29.9% share of the GBP43.1m booked by Spire, adjusting for tax and applying this amount against the Group's weighted average number of shares in issue.

## Adjusted results

The Group's FY18 revenue was GBP2 870m (FY17: GBP2 749m) and adjusted EBITDA was GBP515m (FY17: GBP501m), up 4% and 3% respectively. In constant currency terms, FY18 revenue was up 3% and adjusted EBITDA was flat, with the Group's adjusted EBITDA margin decreasing to 17.9% (FY17: 18.2%). This was as a result of a good performance, especially in the second half of the financial year, from Southern Africa and the Middle East and a lower contribution from Hirslanden.

Adjusted depreciation and amortisation was up 5% to GBP145m (FY17: GBP138m) in line with the continued investment programme expanding the asset base to support growth and enhancing patient experience and clinical quality.

Adjusted operating profit was up 3% to GBP370m (FY17: GBP360m).

Adjusted net finance costs benefited from the refinance in Switzerland and was down 13% at GBP70m (FY17: GBP80m) and adjusted taxation was GBP64m (FY17: GBP58m) with an adjusted effective tax rate for the period of 20.8% (FY17: 20.4%).

Mediclinic's investment in Spire Healthcare Group plc ("**Spire**") is equity accounted. For the year ended 31 December 2017, Spire reported a profit after tax of GBP16.8m (31 December 2016: GBP53.6m). Spire's adjusted profit after tax for the year was GBP57.9m (31 December 2016: GBP76.6m). The principal differences related to a GBP28.7m provision for the potential cost of a civil litigation settlement against a consultant who previously had practicing privileges at Spire and a charge relating to a decision to cease the provision of radiotherapy services at the Spire Specialist Cancer Care Centre in Baddow (Essex). The exceptional items materially impacted the FY18 equity accounted share of reported profit after tax from Spire. After adjusting for the amortisation of intangible assets recognised in the notional purchase price allocation of the equity investment, FY18 income from associates was GBP2.8m (FY17: GBP12.4m).

Adjusted earnings were up 1% to GBP221m (FY17: GBP220m) with adjusted earnings per share up 1% to 30.0 pence (FY17: 29.8 pence). Excluding the impact of Spire's exceptional charges mentioned above, adjusted earnings per share for the period was up 5% at 31.3 pence. The proposed final dividend per share is 4.70 pence (FY17: 4.70 pence), resulting in a total dividend for the year of 7.90 pence (FY17: 7.90 pence) representing a 26% pay-out ratio to adjusted earnings, in line with the Group's policy of 25% to 30%.

## Reported results

Reported revenue was up 4% to GBP2 870m (FY17: GBP2 749m) and EBITDA was up 3% to GBP522m (FY17: 509m).

EBITDA was impacted by the following exceptional items:

- recognition of a past service cost credit of GBP4m in Swiss pension plans; and
- a favourable pre-acquisition fair value adjustment to debtors of GBP3m in Mediclinic Middle East.

Depreciation and amortisation increased by 16% to GBP168m (FY17: GBP145m), largely due to the accelerated amortisation of GBP23m relating to the rebranding of the Al Noor hospitals to Mediclinic.

Operating loss was impacted by the following exceptional items:

- recognition of impairment charges on Hirslanden properties of GBP84m and intangible assets of GBP560m;
- accelerated amortisation of GBP23m relating to the rebranding of the Al Noor hospitals to Mediclinic;
- loss on disposal of certain non-core businesses in Mediclinic Middle East of GBP7m; and
- release of a pre-acquisition provision of GBP9m in Switzerland.

Changes in the market and regulatory environment in Switzerland affected key inputs to impairment reviews that gave rise to impairment charges recorded against properties and intangible assets of GBP84m and GBP560m, respectively.

The exceptional charges listed above gave rise to an operating loss in FY18 of GBP288m (FY17: operating profit GBP362m).

Finance costs increased by 27% to GBP94m (FY17: GBP74m), impacted by a reduced gain from the non-cash fair value adjustment on the ineffective Swiss interest rate swap of GBP4m (FY17: GBP13m) as well as the derecognition of unamortised finance expenses of GBP19m in the current year due to the extinguishment of the original liability following the refinancing of Hirslanden's debt.

The Group's reported effective tax rate is significantly skewed by exceptional non-deductible expenses which include impairment of goodwill, impairment of the equity investment and accelerated amortisation. The rate is also affected by unrelievable losses on disposals of non-core businesses.

The market value of the investment in Spire was GBP270m at 30 September 2017, which was below the carrying value at 31 March 2017. An impairment test was performed at 30 September 2017 considering Spire's half year results announcement including guidance. As a result, an impairment charge of GBP109m was recorded against the carrying value of the equity accounted investment. An updated test was performed at 31 March 2018 following release of revised guidance by Spire but no further impairment charge was required.

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

- fair value gains on ineffective cash flow hedges of GBP4m in Switzerland;
- derecognition of unamortised finance expenses of GBP19m in Switzerland; and
- recognition of an impairment charge on the equity investment in Spire of GBP109m.

The reported earnings were a loss of GBP492m (FY17: profit of GBP229m).

*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 pounds sterling.*

*Details of the FY18 results investor and analyst audio webcast and conference call are available at the end of this report or visit the Group's website at [www.mediclinic.com](http://www.mediclinic.com).*

## OPERATIONAL RESULTS

- Hirslanden revenue up 2% to CHF1 735m; adjusted EBITDA down 7% to CHF318m; adjusted EBITDA margin of 18.3%
- Southern Africa revenue up 5% to ZAR15 106m; adjusted EBITDA up 6% to ZAR3 245m; adjusted EBITDA margin of 21.5%
- Middle East revenue up 1% to AED3 134m; adjusted EBITDA up 9% to AED397m; adjusted EBITDA margin of 12.7%

## HIRSLANDEN

	2018	2017	Variance %
Movement in bed days sold	1.6%	(0.7%)	
Movement in revenue per bed day sold	(1.5%)	3.0%	
Inpatients (000's)	103	100	2.6%
Revenue (CHF'm)	1 735	1 704	2%
Adjusted EBITDA (CHF'm)	318	340	(7%)
Adjusted EBITDA margin	18.3%	20.0%	
Expansion capex (CHF'm)	47	74	(36%)
Maintenance capex (CHF'm)	82	89	(8%)
Adjusted EBITDA converted to cash	81%	96%	
Average GBP/CHF exchange rate	1.29	1.29	
Revenue (GBP'm)	1 349	1 321	2%
Adjusted EBITDA (GBP'm)	247	264	(7%)

### Financial review

As at the end of the reporting period, Hirslanden operated 17 hospitals and 4 outpatient clinics with a total of 1 805 inpatient beds and 9 635 employees (7 633 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. Hirslanden accounted for 47% of the Group's revenues (FY17: 48%) and 48% of its adjusted EBITDA (FY17: 53%).

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. Linde delivered a good operating performance following its successful integration.

Hirslanden's FY18 revenues were impacted by the timing of the Easter period, a subdued summer market, the continued change in insurance mix and the evolving changes in the regulatory environment. Revenue in FY18 was up 2% to CHF1 735m (FY17: CHF1 704m) as a result of flat inpatient revenues and an 8% increase in outpatient revenues, which contributed around 19% of the division's total revenue. The gradual insurance mix change continued, with a 10% increase in general insured patients and a 3% decline in supplementary insured patients. This, together with the integration of Linde, contributed to the 1.5% decline in revenue per bed day. Bed days sold and inpatient admissions were up 1.6% and 2.6% respectively. Excluding Linde, Hirslanden revenue was down 1% and outpatient revenue was up 3% with bed days sold and inpatient admissions down 2.6% and 2.1% respectively.

Adjusted EBITDA decreased by 7% in FY18 to CHF318m (FY17: CHF340m) with the adjusted EBITDA margin decreasing to 18.3% from 20.0%. This reflects the impact on revenue of current trends in the market and regulatory environment as well as the continued investment costs relating to the Hirslanden 2020 strategic programme offset by the benefits from cost-management programmes and efficiency savings.

Depreciation and amortisation increased by 12% to CHF110m (FY17: CHF98m) reflecting the incorporation of Linde and ongoing fixed asset investments. Adjusted operating profit decreased by 14% to CHF208m (FY17: CHF242m).

Net finance costs increased by 42% to CHF81m (FY17: CHF57m), mainly due to the derecognition of unamortised finance expenses of CHF24m due to the refinance of debt facilities implemented during the year. Hirslanden contributed GBP106m to the Group's adjusted earnings (representing 48%) compared to GBP121m (representing 55%) in the prior year.

Hirslanden converted 81% (FY17: 96%) of adjusted EBITDA into cash generated from operations, down from 96% in FY17 due to an increase in trade receivables largely caused by billing process changes.

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

In line with the requirements of IFRS, the Group performs an annual review of the carrying value for goodwill and other intangible assets. In Switzerland, the changes in the market and regulatory environment affected key inputs to the review that gave rise to impairment charges recorded against properties and intangible assets of GBP84m and GBP560m, respectively. Hirslanden goodwill and indefinite life trade names were carried at GBP307m and GBP341m, respectively, at the previous year end balance sheet date of 31 March 2017. The impairment charges are non-cash and excluded from the adjusted earnings metrics. The remaining trade names will be amortised over their respective estimated useful lives.

## **Regulatory update**

On 1 January 2018, the transitional solution to the national outpatient tariff ("**TARMED**") became effective. After mitigating actions, including improved utilisation and increased efficiencies, Hirslanden expects the annualised impact on adjusted EBITDA to be around CHF25m. The Federal Government has also been preparing a national framework for the outmigration of basic medical treatments transferring 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 and in four further Cantons (Zurich, Zug, Schaffhausen and Aargau) on 1 January 2018. Although the Federal Government is expected to implement a national framework from 1 January 2019, a number of insurance companies in Switzerland are already applying certain elements of the framework in some further cantons.

## **Adapting to the current market and regulatory trends**

Hirslanden continues to adapt its business model to address the trends in inpatient and outpatient activity driven by the evolving regulatory environment in Switzerland and the ongoing insurance mix change whilst maintaining excellent clinical performance. The continued investment in the Hirslanden 2020 strategic programme is a key building block of the long-term strategy to adapt to this changing environment, whilst also delivering cost savings and operational efficiencies for the division over time. The pace of regulatory change and its impact on the business continues to evolve and we are monitoring it closely to adapt accordingly.

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. During the year, a new corporate office was opened in Zurich which will support the drive to deliver efficiencies across the division in addition to the roll out of standardised systems across the Zurich based hospitals in April 2018 that will continue across the rest of the division over the coming three years. 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 year ending 31 March 2019 ("FY19").

## **Investing for future growth**

In FY18, Hirslanden invested CHF47m in expansion capital projects and new equipment and CHF82m on the replacement of existing equipment and upgrade projects. The division continues to invest 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. In FY19, Hirslanden expects to invest CHF55m and CHF77m on expansion and maintenance capex, respectively. 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. Other key projects in the year ahead include Hirslanden 2020, the new Birshof medical centre and intermediate care facility, new emergency units at Klinik Linde and Andreas Klinik as well as an outpatient surgery unit and medical centre at the train station in Lucerne.

## MEDICLINIC SOUTHERN AFRICA

	2018	2017	Variance %
Movement in bed days sold	(1.5%)	0.8%	
Movement in revenue per bed day sold	6.7%	5.8%	
Admissions (000's)	566	579	(2%)
Revenue (ZARm)	15 106	14 367	5%
Adjusted EBITDA (ZARm)	3 245	3 049	6%
Adjusted EBITDA margin	21.5%	21.2%	
Expansion capex (ZARm)	423	790	(46%)
Maintenance capex (ZARm)	634	515	23%
Adjusted EBITDA converted to cash	103%	104%	
Average GBP/ZAR exchange rate	17.22	18.41	
Revenue (GBPm)	877	780	12%
Adjusted EBITDA (GBPm)	189	165	14%

### Financial review

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 8 131 beds and 16 068 employees (19 795 full-time equivalents). Mediclinic Southern Africa is the third largest private healthcare provider in Southern Africa by number of licensed beds. Mediclinic Southern Africa accounted for 31% of the Group's revenues (FY17: 28%) and 37% of its adjusted EBITDA (FY17: 33%).

Following a first half performance where patient volumes were impacted by the timing of Easter and other public holidays, Mediclinic Southern Africa delivered an improved and stronger-than-expected second half performance. Despite a continued weak macro-economic environment, stable medical insurance membership and certain funder interventions, revenue in Southern Africa increased by 5% to ZAR15 106m (FY17: ZAR14 367m). Bed days sold decreased by 1.5% and average revenue per bed day increased by 6.7%. Admissions decreased by 2.2% with the greatest decline in surgical day cases as the outmigration trend continues. The average length of stay increased by 0.8% whilst occupancy rates were 69.7% (FY17: 71.5%).

Adjusted EBITDA increased by 6% to ZAR3 245m (FY17: ZAR3 049m) resulting in the adjusted EBITDA margin increasing to 21.5% from 21.2% 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.

Depreciation and amortisation increased by 7% to ZAR495m (FY17: ZAR465m) mainly because of an increased spend on medical equipment. Operating profit increased by 6% to ZAR2 749m (FY17: ZAR2 584m).

Net finance costs increased by 6% to ZAR526m (FY17: ZAR496m), helped by interest received on cash balances. Mediclinic Southern Africa contributed GBP72m to the Group's adjusted earnings (representing 33%) compared to GBP67m (representing 30%) in the comparative period.

The division converted 103% (FY17: 104%) of adjusted EBITDA into cash generated from operations.



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

Mediclinic Southern Africa invested ZAR423m on expansion capital projects and new equipment and ZAR634m on the replacement of existing equipment and upgrade projects. The total number of licensed beds increased marginally during the year to 8 131 (FY17: 8 095) as existing hospital expansion work in the second half of the year at Mediclinic's Thabazimbi and Newcastle hospitals was completed. In addition to these modest expansion works, other projects during the year included expansion of Mediclinic Bloemfontein and Mediclinic Vergelegen. In FY19, Mediclinic Southern Africa expects to invest ZAR472m and ZAR846m on expansion and maintenance capex respectively. Several existing hospital and day clinic projects are due for completion in FY19 and FY20, which are expected to add some 300 additional operational beds. In line with our commitment to provide quality clinical care, we expect to invest during the year in additional resources to deliver further improvements across the division.

Mediclinic's day clinic roll-out is unique and premised on co-locating the facilities with the main hospitals to adapt to the outmigration of care trend in Southern Africa where admissions across the division have been impacted by declining day cases. The six day clinics Mediclinic now plans to open during FY19 and FY20 are at Mediclinic Newcastle, Nelspruit, Stellenbosch, Bloemfontein, Pietermaritzburg and Cape Gate, which will provide an additional 15 theatres to the Southern African operations. The first of these will be Mediclinic Newcastle Day Clinic which is scheduled to open in September 2018 with Mediclinic Nelspruit Day Clinic to follow next in 1H20.

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 20 multi-disciplinary primary care medical centres (which includes 15 dental centres), as well as 4 day hospitals and 4 sub-acute and rehabilitation hospitals in South Africa, servicing over 1 million patients per annum. The investment in Intercare comprises 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 its facilities under the Intercare brand. Mediclinic's proposed acquisition of the controlling shareholding in the day hospital and sub-acute and rehabilitation hospitals remains subject to Competition Commission approval.

Mediclinic's proposed acquisition of a controlling shareholding in Matlosana Medical Health Services (Pty) Ltd ("**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.

## **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 by the end of May 2018, having been further delayed. The final publication is expected by the end of August 2018. Mediclinic has submitted documentation and participated in numerous seminars and discussions during the inquiry.

The South African Government is seeking a 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

	2018	2017	Variance %
Inpatients ('000s)	72	69	3%
Outpatients ('000s)	2 866	3 173	(10%)
Movement in bed days sold	(3.5%)	(6.2%)	
Revenue (AEDm)	3 134	3 109	1%
Adjusted EBITDA (AEDm)	397	364	9%
Adjusted EBITDA margin	12.7%	11.7%	
Expansion capex (AEDm)	358	213	68%
Maintenance capex (AEDm)	31	32	(3%)
Adjusted EBITDA converted to cash	74%	121%	
Average GBP/AED exchange rate	4.87	4.80	
Revenue (GBPm)	643	648	(1%)
Adjusted EBITDA (GBPm)	82	76	8%

### Financial review

Mediclinic Middle East, as at the end of the reporting period, operated 6 hospitals and 22 clinics with a total of 748 beds and 5 801 employees (5 830 full-time equivalents). Mediclinic Middle East is one of the leading private healthcare providers in the UAE with the majority of its operations in Dubai and Abu Dhabi (including Al Ain). Mediclinic Middle East accounted for 22% of the Group's revenues (FY17: 24%) and 16% of its adjusted EBITDA (FY17: 15%).

The Middle East remains a long-term growth market for the provision of high-quality private healthcare services, driven by a growing expatriate market and ageing local population facing an increased incidence of lifestyle-related medical conditions and a maturing regulatory environment which is increasingly focused on quality and clinical outcomes measures. Mediclinic has confidence in its Middle East growth strategy which includes the opening of new hospitals and clinics in addition to expansion and upgrades to existing facilities.

After reaching an inflection point, second half revenue in the Middle East division increased 6% comparatively and 12% sequentially. Continued strong delivery in Dubai was supported by a significantly improved operating performance in Abu Dhabi with Mediclinic Al Jowhara Hospital and Mediclinic Al Yahar, which opened in Al Ain during the prior year, exceeding expectations. FY18 revenue increased by 1% to AED3 134m (FY17: AED3 109m). Inpatient and outpatient volumes were up 3.3% and down 9.7% respectively in FY18, impacted largely by the business and operational alignment initiatives and non-core asset disposals in Abu Dhabi. The former includes strategies to actively migrate away from Basic to Thiqa (health insurance for UAE nationals) and Enhanced insured patients in Abu Dhabi and to invest in higher acuity inpatient services, generating higher-quality revenue and margin improvement.

Following a strong second half operating performance, FY18 adjusted EBITDA increased by 9% to AED397m (FY17: AED364m). The adjusted EBITDA margin was ahead of expectations increasing to 12.7% (FY17: 11.7%). The ongoing efficiency and cost-management initiatives implemented since the combination in February 2016 is expected to support margin improvement in the Middle East operating division as revenues increase.

In line with guidance, a provision for trade receivables impairment of AED88m (FY17: AED113m) was charged to the income statement. This represents 3% of Middle East revenue where the practice of

disallowances is common. This matter receives ongoing attention as part of the revenue management cycle improvement programme. The Group will adopt the new IFRS 15 accounting standard (*Revenue from Contracts with Customers*) from 1 April 2018. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled to in exchange for transferring goods or services to a customer. Whilst this will not have an impact on the Middle East division's EBITDA, certain operating expenses will be reclassified and set off against revenue in future periods. Further disclosure is contained in the notes to the accounts.

Depreciation and amortisation increased by 22% to AED256m (FY17: AED210m), mainly due to accelerated amortisation of AED107m in relation to the Al Noor trade name resulting from the rebranding exercise that commenced in February 2017. This asset has now been fully amortised and the charge is excluded from adjusted earnings. Depreciation increased due in part to the opening of the new North Wing at Mediclinic City Hospital in Dubai and the Mediclinic Al Jowhara Hospital in Abu Dhabi during FY17. Operating profit was AED122m (FY17: AED134m).

Net finance costs increased by 9% to AED34m (FY17: AED31m) due to the June 2016 increase in debt facilities by AED567m (of which AED220m remains undrawn) to refinance the Group bridge loan facility fund expansion projects. The division contributed GBP44m to the Group's adjusted earnings (representing 20%) compared to GBP33m (representing 15%) in the prior year.

The division converted 74% (FY17: 121%) of adjusted EBITDA into cash generated from operations. The decline was largely due to the significant increase in revenue in the final quarter.

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

Mediclinic Middle East is succeeding with the turnaround of the Abu Dhabi business, laying broader foundations for growth in the region. In February 2017, the important strategic decision was taken to rebrand the Abu Dhabi business to Mediclinic. This exercise was successfully completed at the end of 2017 and has started to deliver the desired effect of enhancing the brand reputation and recognition of the Mediclinic hospitals and clinics in Abu Dhabi. Whilst doctor recruitment continues, supporting the growing business, vacancies have normalised compared to the prior year, and the focus has shifted to supporting doctors to grow their patient activity. This included 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. Aligned with this strategy is the target in Abu Dhabi of increasing the ratio of inpatient volumes, similar to that in Dubai, through the continued investment in doctors, services and facilities. The divestment strategy was concluded during the year, with the successful sale of five clinics and closure of four others that were considered non-core.

Since the Thiqa co-payment requirement in Abu Dhabi was removed in April 2017, the business continues to see an improving trend in Thiqa patient activity. FY18 Thiqa inpatient and outpatient volumes in Abu Dhabi increased by 83% and 38% respectively compared to the prior year. 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. In January 2018, the strategy was fully implemented at Mediclinic Airport Road Hospital, resulting in a revenue uplift for the fourth quarter, despite a drop in volumes. In Abu Dhabi, the business expects the positive momentum in higher tariff patient volumes to continue to grow in FY19, as the recently appointed doctors increase their patient activity.

The Middle East division is now entering an expansionary phase that is expected to drive an increase in revenue and improvement in EBITDA margins over time. In Abu Dhabi, the growth will be driven by an improved operating performance in the existing business and strategic expansion projects at the Mediclinic Airport Road, Mediclinic Al Noor and the new Mediclinic Western Region hospitals. In Dubai, the ongoing performance of the existing business will be supported by significant growth from the new 182-bed Mediclinic Parkview Hospital. Recruitment of doctors and staff for the new hospital is on track to support the 100 beds that will initially be opened before ramping up to full bed capacity over some three years.

During the year, Mediclinic Middle East invested AED358m on expansion capital projects and new equipment and AED31m 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 182-bed Mediclinic Parkview Hospital, the seventh hospital in the Middle East operations, is progressing well and is ahead of schedule, expected to now open in October 2018. Other expansion capex in FY18 included projects at Mediclinic Airport Road Hospital, Mediclinic City Hospital, Mediclinic Al Ain Hospital and Mediclinic Khalifa City. In September 2017 the Electronic Health Record (“EHR”) project, Mediclinic International’s largest ever IT investment, was launched in conjunction with InterSystems. A team of some 200 members of staff, are currently engaged in the project design process. The EHR will be systematically rolled out across the Mediclinic Middle East division during FY19 and FY20. The EHR is expected to deliver seamless care and improved service quality for patients as well improved administration efficiency for the division.

In FY19, Mediclinic Middle East expects to invest AED455m and AED84m on expansion and maintenance capex respectively. During the year, ground floor and mezzanine renovations at the Mediclinic Al Noor Hospital will be carried out with expected completion of the work by the end of 2018. Looking further ahead, as part of the division’s expansionary phase, the Mediclinic Airport Road 100-bed expansion and cancer centre project has been further re-configured with work commencing imminently ahead of an expected opening in 2020. The project to construct a new 40-bed hospital in the Western Region of Abu Dhabi, which was postponed last year, has been re-initiated with project planning currently underway. A review of the long-term options to enhance the Mediclinic Al Noor Hospital is ongoing with the expectation that a decision will be made in the third quarter of 2018.

In May 2018, Mediclinic Middle East completed the acquisition of the Dubai based City Centre Clinics Deira and Me’aisem from Majid Al Futtaim, the leading shopping mall, retail and leisure pioneer across the Middle East and North Africa. Under the terms of the agreement, Mediclinic Middle East will acquire City Centre Clinic Deira, a large outpatient facility which opened in 2013 with two day-care surgery theatres and 18 medical disciplines, and City Centre Clinic Me’aisem, a smaller community clinic focusing on six core disciplines. The clinics serve strategic geographic locations and offer the opportunity to refer higher acuity inpatient cases to existing Mediclinic Middle East hospitals and the forthcoming Mediclinic Parkview Hospital. Significant potential also exists to attract additional doctors and over time to grow patient volumes and revenues as well as allowing Mediclinic Middle East the opportunity to partner with Majid Al Futtaim in the future.

### **Regulatory update**

The division continues to maintain an active dialogue with government authorities on regulatory changes within the UAE healthcare sector. Preparations are ongoing for the implementation of Diagnosis Related Groups (“DRG”) in Dubai which is now expected to be implemented in early 2019 with Mediclinic commencing a shadow billing process in February 2018. The Dubai Health Authority (“DHA”) is following a collaborative approach in the design and implementation of the DRGs and in addition to sharing and discussing the test version of the DRG methodology with the market, they also shared hospital level results and impact studies. Currently it is expected that the DRGs will have a revenue neutral impact on the division, as prescribed by the DHA. At the end of January 2018, the DHA also announced they are in the process of developing a comprehensive Dubai Healthcare Facilities Performance Framework in collaboration with IBM Watson, which will contain clinical and financial key performance indicators.

During the year, Mediclinic was privileged to be invited by the Department of Health in Abu Dhabi to join its healthcare advisory board. There were some significant changes to the regulatory environment in Abu Dhabi at the start of the year. On 26 April 2017, His Highness Sheikh Mohammed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces, ordered the waiving of the 20% Thiqa co-payment when receiving treatment at private healthcare facilities in Abu Dhabi, with immediate effect. This rule had been in place since 1 July 2016, substantially impacting the division. At the same time the 50% co-insurance applicable for the Thiqa plan for the cost if patients sought medical services outside Abu Dhabi (including Dubai and the Northern Emirates) was reduced to 10%. In Dubai, UAE nationals are covered under the ENAYA and SAADA health insurance programmes, under the supervision of the Dubai Health Authority, with a 10% co-payment for inpatient and outpatient services in the public and private sectors.

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 completed its VAT registration ahead of the 1 January 2018 implementation of the tax.

## SPIRE HEALTHCARE GROUP

Mediclinic has a 29.9% investment in Spire.

Spire’s underlying performance for the twelve months to 31 December 2017 resulted in revenue increasing 1.0%, EBITDA decreasing 4.7% and the underlying EBITDA margin decreasing to 17.3%. Adjusted EPS (excluding exceptional and tax one-off items) decreased by 25.0%. Underlying inpatient and day case admissions declined 1.8% driven by PMI and NHS volume declines more than offsetting growth in self-pay.

Mediclinic’s investment in Spire is equity accounted. Spire reported profit after tax of GBP16.8m for Spire’s financial year ended 31 December 2017 (31 December 2016: GBP53.6m). Spire’s adjusted profit after tax for the year was GBP57.9m (31 December 2016: GBP76.6m). The principal differences related to a GBP28.7m provision for the potential cost of a civil litigation settlement against a consultant who previously had practicing privileges at Spire and a charge relating to a decision to cease the provision of radiotherapy services at the Spire Specialist Cancer Care Centre in Baddow (Essex). The exceptional items materially impacted Mediclinic’s FY18 equity accounted share of reported profit after tax from Spire. After adjusting for the amortisation of intangible assets recognised in the notional purchase price allocation of the equity investment, the FY18 income from associate was GBP2.8m (FY17: GBP12.0m). The underlying and adjusted measures referenced above have been extracted from Spire’s results announcement for the year ended 31 December 2017.

As previously disclosed, under the UK Takeover Code, Mediclinic is presumed to be acting in concert with a number of entities in which its major shareholder, investment holding company Remgro Limited (“Remgro”), has a direct interest of 20% or more and/or other entities in which such investee companies (or their investee companies and so on down the chain) have an interest of 20% or more. Some of these entities deal in listed securities during the ordinary course of their businesses.

On 6 November 2017, Mediclinic announced that it had become aware that two such entities (Kagiso Asset Management (Pty) Ltd (“KAM”) and Truffle Asset Management (Pty) Ltd (“Truffle”)) had acquired shares in Spire Healthcare Group plc (“Spire”) which, together with Mediclinic’s 29.9% interest, meant that the presumed concert party group held, in aggregate, shares representing over 30% of the voting rights of Spire. It was also announced that the UK Takeover Panel had ruled that the aggregate presumed concert party holding in Spire must be reduced to below 30%, through a sale of Spire shares by the entities or Mediclinic.

Following further discussions with the Panel, the Panel has agreed that the presumption of concertedness between each of KAM and Truffle, on the one hand, and each of Mediclinic and Remgro, on the other hand, has been rebutted, and consequently no longer requires any Spire shares to be sold in respect of those holdings.

## BOARD CHANGES

Mediclinic announced on 29 March 2018 that Dr Ronnie van der Merwe (Chief Clinical Officer and Chief Executive Officer (“CEO”) Designate) would succeed Danie Meintjes as CEO of the Company on 1 June 2018 and will be appointed as an executive director of the Company with effect from that date. This follows on from the previous announcements made regarding Mr Meintjes’ intention to retire as CEO by 31 July 2018 (published on 25 July 2017) and the subsequent announcement of Dr Van der Merwe being designated as his successor (published on 27 November 2017). Dr Van der Merwe will also become a member of the Clinical Performance and Sustainability and Investment Committees with effect from 1 June 2018.

Subject to Mr Meintjes’ re-election as a director of the Company at the Annual General Meeting (“AGM”) to be held on 25 July 2018, he will continue as an executive director until 31 July 2018 and as a non-executive director with effect from 1 August 2018. The Board recommended his continued involvement in the Company as a non-executive director to be in the best interests of the Company, its shareholders and other stakeholders in view of the wealth of knowledge and experience he has gained in different capacities over 30 years at Mediclinic.

As previously announced on 29 March 2018, effective from 1 April 2018, Dr Felicity Harvey took over from Dr Edwin Hertzog as Chair of the Clinical Performance and Sustainability Committee and Dr Muhadditha Al Hashimi joined the Committee as an additional member. Dr Hertzog remains a member of the Committee. In addition, Ms Nandi Mandela and Prof Dr Robert Leu will retire as non-executive directors of the Company at the conclusion of the 2018 AGM. They will also retire from all relevant Board Committees at that time and further appointments will be made to those committees in due course.

## OUTLOOK

The Group provides the following guidance for FY19:

- Hirslanden: In FY19, Hirslanden expects modest revenue growth supported by an increase in average bed capacity for the year, largely related to Linde. As a result of the regulatory and market trends more than offsetting the benefits of cost savings and efficiency initiatives, the FY19 EBITDA margin is expected to contract by around 100 basis points (“bps”) from the prior year. However, the EBITDA margin is targeted to gradually improve from FY20 onwards.
- Mediclinic Southern Africa: FY19 revenue growth will be driven by an expected increase in bed days sold of 1-2%, largely as a result of an increase in productive days compared to the prior year, combined with tariff increases broadly in line with inflation. The medium-term EBITDA margin is expected to be broadly in line with recent years.
- Mediclinic Middle East: In FY19, the Middle East division is expected to deliver revenue growth (adjusted for the adoption of IFRS15) in the low double-digit percentage range reflecting the underlying operating performance of the business and additional bed capacity coming online in the second half of the year. The EBITDA margin of the existing operations is expected to increase by around 250bps and to continue improving year-on-year to around 20% in FY22. As a result of the early opening of Mediclinic’s Parkview Hospital and the updated schedule for the planned upgrade and expansion projects in Abu Dhabi, the ramp-up costs associated with these projects are expected to offset the margin of the existing business by around 250bps per annum between FY19-FY21, reducing thereafter.
- The Group’s capital expenditure budget, in constant currency, for FY19 is expected to increase by 18% to GBP289m (FY18: GBP245m). This comprises GBP102m in Hirslanden (FY18: GBP101m), GBP76m in Mediclinic Southern Africa (FY18: GBP62m), GBP110m in Mediclinic Middle East (FY18: GBP80m) and GBP1m (FY18: GBP2m) for Corporate. The increase is largely driven by expansion in the Middle East and upgrades in Southern Africa.

## FINANCIAL REVIEW

### ADJUSTED NON-IFRS FINANCIAL MEASURES

The Group uses adjusted income statement reporting as non-IFRS measures in evaluating performance and as a method to provide shareholders with clear and consistent reporting. The adjusted measures are intended to remove volatility associated with certain types of exceptional income and charges from reported earnings. Historically, EBITDA and adjusted 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 adjusted EBITDA are used by analysts and investors in assessing performance.

The rationale for using non-IFRS measures:

- it tracks the adjusted 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 adjusted results:

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

EBITDA is defined as operating profit before depreciation and amortisation and impairments of non-financial assets, 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 adjusted measures used by the Group are not necessarily comparable with those used by other entities.

The Group has consistently applied this definition of adjusted 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.



## GROUP FINANCIAL PERFORMANCE

Group revenue increased by 4% to GBP2 870m (FY17: GBP2 749m) for the reporting period. In constant currency terms, FY18 revenue was up 3%. This was as a result of marginal revenue growth in Hirslanden and the Middle East and modest revenue growth in Southern Africa, compared to the comparative period.

Earnings before interest, tax, depreciation and amortisation (“**EBITDA**”) was 3% higher at GBP522m (FY17: GBP509m). Adjusted EBITDA was also 3% higher at GBP515m (FY17: GBP501m), with adjusted EBITDA margins declining from 18.2% to 17.9%. EBITDA was adjusted for the following exceptional items:

- a past-service cost credit of GBP4m relating to a change in the Swiss pension fund conversion rate advised by an independent professional. The credit is not related to the current year performance of Hirslanden; and
- a release of a pre-acquisition fair value adjustment to debtors of GBP3m in Mediclinic Middle East.

Adjusted depreciation and amortisation was up 5% to GBP145m (FY17: GBP138m) in line with the continued investment programme expanding the asset base to support growth and enhancing patient experience and clinical quality.

The Group recorded an operating loss of GBP288m in FY18 (FY17: operating profit of GBP362m). Adjusted operating profit increased by 3% to GBP370m (FY17: GBP360m). Operating profit was adjusted for the following exceptional items:

- recognition of an impairment charge to Hirslanden properties. Non-financial assets are considered for impairment when impairment indicators are identified at an individual cash-generating unit (“**CGU**”) level. During the year, the CGUs in Hirslanden were tested for impairment. For one CGU in particular, the carrying value was determined to be higher than its recoverable amount and as a result an impairment charge of GBP84m was recognised in the income statement;
- recognition of an impairment charge to Hirslanden intangible assets of GBP560m. In line with the requirements of IFRS, the Group performed an annual review of the carrying value for goodwill and other intangible assets. In Switzerland, the changes in the market and regulatory environment, that became evident during the annual financial planning exercise for 2019 and future years which was completed in the fourth quarter of FY18, affected key inputs to the review that gave rise to impairment charges against goodwill and indefinite life trade names of GBP300m and GBP260m, respectively. Hirslanden goodwill and indefinite life trade names were carried at GBP307m and GBP341m, respectively, at the previous year end balance sheet date of 31 March 2017. The impairment charge is non-cash;
- accelerated amortisation of GBP23m relating to the rebranding of the Al Noor hospitals to Mediclinic;
- release of an unutilised pre-acquisition Swiss provision of GBP9m; and
- a loss on disposal of certain non-core businesses in Mediclinic Middle East of GBP7m.

Adjusted net finance costs benefited from the refinance in Switzerland and were down 13% at GBP70m (FY17: GBP80m). The Group's reported effective tax rate is significantly skewed by exceptional non-deductible expenses which include impairment of goodwill; impairment of the equity investment and accelerated amortisation. The rate is also affected by unrelievable losses on disposals of non-core businesses. Adjusted taxation was GBP64m (FY17: GBP58m) with an adjusted effective tax rate for the period of 20.8% (FY17: 20.4%). After adjusting for the amortisation of intangible assets recognised in the notional purchase price allocation of the equity investment, the FY18 income from associates was GBP2.8m (FY17: GBP12.4m).

The Group recorded an earnings loss of GBP492m in FY18 (FY17: earnings of GBP229m). Adjusted earnings increased by 1% to GBP221m (FY17: 220m). Adjusted earnings per share were 1% higher at 30.0 pence (FY17: 29.8 pence). Earnings were adjusted for the following exceptional items:

- fair value gains on ineffective cash flow hedges of GBP4m (FY17: GBP13m) in Hirslanden;
- derecognition of unamortised finance expenses of GBP19m following the refinance in Switzerland; and
- recognition of an impairment charge on the equity investment in Spire of GBP109m. During the year, the Group performed an impairment test 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 the current financial performance and about the related impact on short- and medium-term growth rates and revisited other key assumptions in this context. As a result, an impairment loss of GBP109m was recorded against the carrying value.



## EARNINGS RECONCILIATIONS

2018 Statutory results	Total GBP'm	Hirslanden GBP'm	Southern Africa GBP'm	Middle East GBP'm	Spire GBP'm	Corporate GBP'm
Revenue	2 870	1 349	877	643	-	1
Operating (loss)/profit	(288)	(470)	160	25	-	(3)
(Loss)/profit attributable to equity holders*	(492)	(471)	72	17	(106)	(4)
<b>Reconciliations</b>						
Operating (loss)/profit	(288)	(470)	160	25	-	(3)
Add back:						
- Other gains and losses	(2)	(9)	-	7	-	-
- Depreciation and amortisation	168	86	29	53	-	-
- Impairment of properties	84	84	-	-	-	-
- Impairment of intangible assets	560	560	-	-	-	-
EBITDA	522	251	189	85	-	(3)
Exceptional items						
- Past service cost credit	(4)	(4)	-	-	-	-
- Pre-acquisition fair value adjustment to debtors	(3)	-	-	(3)	-	-
<b>Adjusted EBITDA</b>	<b>515</b>	<b>247</b>	<b>189</b>	<b>82</b>	<b>-</b>	<b>(3)</b>
Operating (loss)/profit	(288)	(470)	160	25	-	(3)
Exceptional items						
- Past service cost credit	(4)	(4)	-	-	-	-
- Pre-acquisition fair value adjustment to debtors	(3)	-	-	(3)	-	-
- Impairment of properties	84	84	-	-	-	-
- Impairment of intangible assets	560	560	-	-	-	-
- Accelerated amortisation	23	-	-	23	-	-
- Release of pre-acquisition Swiss provision	(9)	(9)	-	-	-	-
- Loss on disposal of businesses	7	-	-	7	-	-
<b>Adjusted operating profit/(loss)</b>	<b>370</b>	<b>161</b>	<b>160</b>	<b>52</b>	<b>-</b>	<b>(3)</b>

EARNINGS RECONCILIATIONS (continued)

2018 Statutory results	Total GBP'm	Hirslanden GBP'm	Southern Africa GBP'm	Middle East GBP'm	Spire GBP'm	Corporate GBP'm
<b>Reconciliations</b>						
<b>(Loss)/profit attributable to equity holders*</b>	<b>(492)</b>	(471)	72	17	(106)	(4)
Exceptional items						
- Past service cost credit	(4)	(4)	-	-	-	-
- Pre-acquisition fair value adjustment to debtors	(3)	-	-	(3)	-	-
- Impairment of properties	84	84	-	-	-	-
- Impairment of intangible assets	560	560	-	-	-	-
- Accelerated amortisation	23	-	-	23	-	-
- Release of pre-acquisition Swiss provision	(9)	(9)	-	-	-	-
- Loss on disposal of businesses	7	-	-	7	-	-
- Fair value gains on ineffective cash flow hedges	(4)	(4)	-	-	-	-
- Derecognition of unamortised finance expenses	19	19	-	-	-	-
- Impairment of associate	109	-	-	-	109	-
- Tax on exceptional items	(69)	(69)	-	-	-	-
<b>Adjusted earnings</b>	<b>221</b>	106	72	44	3	(4)
Weighted average number of shares (millions)	737.1					
Adjusted earnings per share (pence)	30.0					

\* Profit attributable to equity holders in Hirslanden is shown after the elimination of intercompany loan interest of GBP16m.

EARNINGS RECONCILIATIONS (continued)

2017 statutory results	Total GBP'm	Hirslanden GBP'm	Southern Africa GBP'm	Middle East GBP'm	Spire GBP'm	Corporate GBP'm
Revenue	2 749	1 321	780	648	-	-
Operating profit/(loss)	362	201	140	28	-	(7)
Profit attributable to equity holders*	229	141	67	22	12	(13)
<b>Reconciliations</b>						
Operating profit/(loss)	362	201	140	28	-	(7)
Add back:						
- Other gains and losses	2	-	-	(1)	-	3
- Depreciation and amortisation	145	76	25	44	-	-
EBITDA	509	277	165	71	-	(4)
Exceptional items						
- Past service cost credit	(13)	(13)	-	-	-	-
- Restructuring costs	5	-	-	5	-	-
<b>Adjusted EBITDA</b>	<b>501</b>	<b>264</b>	<b>165</b>	<b>76</b>	<b>-</b>	<b>(4)</b>
Operating profit/(loss)	362	201	140	28	-	(7)
Exceptional items						
- Past service cost credit	(13)	(13)	-	-	-	-
- Restructuring costs	5	-	-	5	-	-
- Other gains and losses	(1)	-	-	(1)	-	-
- Accelerated amortisation	7	-	-	7	-	-
<b>Adjusted operating profit/(loss)</b>	<b>360</b>	<b>188</b>	<b>140</b>	<b>39</b>	<b>-</b>	<b>(7)</b>
Profit attributable to equity holders*	229	141	67	22	12	(13)
Exceptional items						
- Past service cost credit	(13)	(13)	-	-	-	-
- Restructuring costs	5	-	-	5	-	-
- Fair value gains on ineffective cash flow hedges	(13)	(13)	-	-	-	-
- Other gains and losses	(1)	-	-	(1)	-	-
- Accelerated amortisation	7	-	-	7	-	-
- Tax on exceptional items	6	6	-	-	-	-
<b>Adjusted earnings</b>	<b>220</b>	<b>121</b>	<b>67</b>	<b>33</b>	<b>12</b>	<b>(13)</b>
Weighted average number of shares (millions)	736.9					
Adjusted earnings per share (pence)	29.8					

\* Profit attributable to equity holders in Hirslanden is shown after the elimination of intercompany loan interest of GBP16m.

## FOREIGN EXCHANGE RATES

Although the Group reports its results in pounds sterling, the divisional 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. Exchange rate movements also had a significant impact on the statement of financial position. The resulting currency translation difference, which is the amount by which the Group's interest in the equity of the operating divisions increased because of spot rate movements, amounted to GBP310m (2017: increase of GBP388m) and was debited (2017: credited) to the statement of comprehensive income. The main reason for the decrease was the weakening of the period end Swiss franc and UAE dirham rates against sterling.

Foreign exchange rate sensitivity:

- The impact of a 10% change in the GBP/CHF exchange rate for a sustained period of one year is that profit for the period would increase/decrease by GBP12m (2017: increase/decrease by GBP14m) 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 one year is that profit for the period would increase/decrease by GBP9m (2017: increase/decrease by GBP8m) 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 one year is that profit for the period would increase/decrease by GBP4m (2017: increase/decrease by GBP2m) due to exposure to the GBP/AED exchange rate.

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

	2018	2017
<b>Average rates</b>		
Swiss franc	<b>1.29</b>	1.29
South African rand	<b>17.22</b>	18.41
UAE dirham	<b>4.87</b>	4.80
<b>Period end rates:</b>		
Swiss franc	<b>1.34</b>	1.25
South African rand	<b>16.57</b>	16.74
UAE dirham	<b>5.15</b>	4.59

## CASH FLOW

The Group continued to deliver strong cash flow and converted 90% (FY17: 98%) of adjusted EBITDA into cash generated from operations, impacted by accounts receivable build ups in Switzerland (billing process changes) and the Middle East (increase in credit sales in the final quarter) towards the end of the financial year. Cash conversion in FY17 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 statements for an explanation of this reclassification.

	2018 GBP'm	2017 GBP'm
Cash from operations (a)	<b>466</b>	492
Adjusted EBITDA (b)	<b>515</b>	501
Cash conversion ((a)/(b) x 100)	<b>90%</b>	98%

## INTEREST-BEARING BORROWINGS

Interest-bearing borrowings decreased from GBP2 030m at 31 March 2017 to GBP1 937m at 31 March 2018, largely due to closing exchange rate differences.

The cash and cash equivalents balance reduced predominantly because of the acquisition of Linde as well as expansion projects in the Middle East.

	<b>2018</b> <b>GBP'm</b>	2017 GBP'm
Borrowings	<b>1 937</b>	2 030
Less: cash and cash equivalents	<b>(261)</b>	(361)
Net debt	<b>1 676</b>	1 669
Total equity	<b>3 373</b>	4 164
Debt-to-equity capital ratio	<b>49.7%</b>	40.1%

## ASSETS

Property, equipment and vehicles decreased from GBP3 703m at 31 March 2017 to GBP3 590m at 31 March 2018. This included an increase of GBP223m on capital projects and fixed asset additions in line with the continued investment programme expanding the asset base to support growth and enhancing patient experience and clinical quality. In addition, the closing balance increased by GBP110m as a result of the Linde acquisition. In addition to the depreciation and amortisation charge, the balance was further reduced by the impairment charge of GBP84m recognised on properties in the Hirslanden division and the change in the closing exchange rate.

Intangible assets decreased from GBP2 156m at 31 March 2017 to GBP1 406m at 31 March 2018 due to the impairment of goodwill (GBP300m) and trade names (GBP260m) in the Hirslanden division. The accelerated amortisation of the Al Noor trade name of GBP23m (FY17: GBP7m), reducing the balance to nil, decreased the closing balance further.

Adjusted depreciation and amortisation was calculated as follows:

	<b>2018</b> <b>GBP'm</b>	2017 GBP'm
Depreciation and amortisation	<b>168</b>	145
Accelerated amortisation	<b>(23)</b>	(7)
Adjusted depreciation and amortisation	<b>145</b>	138

## HIRSLANDEN PENSION PLAN

Hirslanden provides defined contribution pension plans in terms of Swiss law to employees, the assets of which are held in separate trustee-administered funds. These plans are funded by payments from employees and Hirslanden, taking into account the recommendations of independent qualified actuaries. Because of the strict definition of defined contribution plans in IAS 19, in terms of IFRS, these plans are classified as defined benefit plans, since the funds are obliged to take some investment and longevity risk in terms of Swiss law.

The IAS 19 pension liability was valued by the actuaries at the end of the year and amounted to GBP4m (2017: GBP73m), included under "Retirement benefit obligations" in the Group's statement of financial position. The decrease in the pension liability was largely due to the increase of the discount rate from 0.55% to 0.75% as well as changes in actuarial assumptions.

## DEFERRED TAX LIABILITIES

The deferred tax liability balance decreased from GBP527m in the prior year to GBP467m at 31 March 2018. The impairment of the trade names and properties in Hirslanden led to the release of deferred tax liabilities of GBP55m and GBP13m respectively which caused the decrease in the deferred tax liability balance.

## FINANCE COSTS

Adjusted net finance costs benefited from the refinancing in Switzerland and were down 13% at GBP70m (FY17: GBP80m). Adjusted net finance cost was calculated as follows:

	2018 GBP'm	2017 GBP'm
Finance cost	94	74
Finance income	(9)	(7)
Net finance cost	85	67
Derecognition of unamortised financing costs	(19)	-
Fair value gains on ineffective cash flow hedges	4	13
Adjusted finance cost	70	80

## INCOME TAX

The Group's effective tax rate changed significantly for the period under review to 1.1% (FY17: 20.8%), mainly due to exceptional non-deductible expenses which include the impairment of goodwill, impairment of the equity investment and accelerated amortisation. The rate is also affected by unrelievable losses on disposals of non-core businesses. Excluding these exceptional non-deductible charges, the effective tax rate would be 20.8% (FY17: 20.4%) for the year ended 31 March 2018. The higher proportional contribution to profits from the Mediclinic Southern Africa operations increased the effective tax rate.

Adjusted income tax was calculated as follows:

	2018 GBP'm	2017 GBP'm
Income tax (credit)/expense	(5)	64
Tax on exceptional items	69	(6)
- Past service cost credit	(1)	-
- Impairment of properties	13	-
- Impairment of intangible assets	55	-
- Release of unutilised pre-acquisition Swiss provision	(2)	-
- Fair value gains on ineffective cash flow hedges	-	(3)
- Derecognition of unamortised finance expenses	4	(3)
Adjusted income tax expense	64	58

## TAX STRATEGY

The Group is committed to conduct its tax affairs consistent with the following objectives:

- comply with relevant laws, rules, regulations, and reporting and disclosure requirements in whichever jurisdiction it operates; and
- maintain mutual trust and respect in dealings with all tax authorities in the jurisdictions the Group does business.

Whilst the Group aims to maximise the tax efficiency of its business transactions, it does not use structures in its tax planning that are contrary to intentions of relevant legislation. The Group interprets relevant tax laws to ensure that transactions are structured in a way that is consistent with a relationship of co-operative compliance with tax authorities. It also actively considers the implications of any planning for the Group's wider corporate reputation.

In order to meet these objectives, various procedures are implemented. The Audit and Risk Committee has reviewed the Group's tax strategy and related corporate tax matters.

## REFINANCING 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 CHF2.0bn 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 PROPOSED DIVIDEND

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

The Board proposes a final dividend from retained earnings of 4.70 pence per ordinary share for the year ended 31 March 2018 for approval by the Company's shareholders at the annual general meeting on Wednesday, 25 July 2018. Together with the interim dividend of 3.20 pence per ordinary share for the six months ended 30 September 2017 (paid on 18 December 2017), the total final proposed dividend reflects a 26% distribution of adjusted Group earnings attributable to ordinary shareholders.

Shareholders on the South African register will be paid the ZAR cash equivalent of 79.52400 cents (63.61920 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: ZAR16.92, being the 5-day average ZAR/GBP exchange rate (Bloomberg) on Friday, 18 May 2018 at 3:00pm GMT.

The final dividend will be paid on Monday, 30 July 2018 to all ordinary shareholders who are on the register of members at the close of business on the record date of Friday, 15 June 2018.

The salient dates for the dividend will be as follows:

Dividend announcement date	Thursday, 24 May 2018
Last date to trade cum dividend (SA register)	Tuesday, 12 June 2018
First date of trading ex-dividend (SA register)	Wednesday, 13 June 2018
First date of trading ex-dividend (UK register)	Thursday, 14 June 2018
Record date	Friday, 15 June 2018
Payment date	Monday, 30 July 2018

Share certificates may not be dematerialised or rematerialised within Strate from Wednesday, 13 June 2018 to Friday, 15 June 2018, both dates inclusive. No transfers between the UK and SA registers may take place from Thursday, 24 May 2018 to Friday, 15 June 2018, 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 79.52400 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, 15 June 2018, 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 79.52400 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.

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

The Directors confirm that, to the best of their knowledge the preliminary condensed financial statements has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and that this announcement includes a fair summary of the development and performance of the business and the position of the Group.

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

23 May 2018



## 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.*

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 March 2018

	Notes	2018 GBP'm	2017 GBP'm
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>5 382</b>	6 353
Property, equipment and vehicles	4	3 590	3 703
Intangible assets	5	1 406	2 156
Equity accounted investments	6	357	465
Other investments and loans		7	8
Deferred income tax assets		22	21
<b>Current assets</b>		<b>961</b>	1 069
Inventories		90	90
Trade and other receivables		607	591
Other investments and loans		1	16
Current income tax assets		1	2
Cash and cash equivalents		261	361
Assets classified as held for sale	13	1	9
<b>Total assets</b>		<b>6 343</b>	7 422
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital		74	74
Share premium reserve		690	690
Treasury shares		(1)	(2)
Retained earnings		5 057	5 525
Other reserves		(2 534)	(2 201)
<b>Attributable to equity holders of the Company</b>		<b>3 286</b>	4 086
Non-controlling interests		87	78
<b>Total equity</b>		<b>3 373</b>	4 164
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>		<b>2 445</b>	2 668
Borrowings	7	1 866	1 961
Deferred income tax liabilities		467	527
Retirement benefit obligations	8	86	154
Provisions		23	23
Derivative financial instruments		2	2
Cash-settled share-based payment liabilities		1	1
<b>Current liabilities</b>		<b>525</b>	590
Trade and other payables		424	472
Borrowings	7	71	69
Provisions		15	22
Retirement benefit obligations	8	10	10
Derivative financial instruments		-	7
Current income tax liabilities		5	8
Liabilities classified as held for sale	13	-	2
<b>Total liabilities</b>		<b>2 970</b>	3 258
<b>Total equity and liabilities</b>		<b>6 343</b>	7 422

## CONDENSED CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2018

	Notes	2018 GBP'm	2017 GBP'm
Revenue		2 870	2 749
Cost of sales		(1 773)	(1 696)
Administration and other operating expenses		(1 387)	(689)
Impairment of properties	4	(84)	-
Impairment of intangible assets	5	(560)	-
Other administration and operating expenses		(743)	(689)
Other gains and losses	9	2	(2)
<b>Operating (loss)/profit</b>		<b>(288)</b>	362
Finance income		9	7
Finance cost	10	(94)	(74)
Share of net profit of equity accounted investments	6	3	12
Impairment of equity accounted investment	6	(109)	-
<b>(Loss)/profit before tax</b>		<b>(479)</b>	307
Income tax expense	11	5	(64)
<b>(Loss)/profit for the year</b>		<b>(474)</b>	243
<b>Attributable to:</b>			
Equity holders of the Company		(492)	229
Non-controlling interests		18	14
		<b>(474)</b>	243
<b>(Loss)/earnings per ordinary share attributable to the equity holders of the Company - pence</b>			
Basic	12	(66.7)	31.0
Diluted	12	(66.7)	31.0

**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**  
for the year ended 31 March 2018

	<b>2018</b> <b>GBP'm</b>	2017 GBP'm
<b>(Loss)/profit for the year</b>	<b>(474)</b>	243
<b>Other comprehensive (loss)/income</b>		
<b>Items that may be reclassified to the income statement</b>	<b>(309)</b>	388
Currency translation differences	<b>(310)</b>	388
Fair value adjustment - cash flow hedges	1	-
<b>Items that may not be reclassified to the income statement</b>	<b>60</b>	34
Remeasurements of retirement benefit obligations	<b>60</b>	34
<b>Other comprehensive (loss)/income, net of tax</b>	<b>(249)</b>	422
<b>Total comprehensive (loss)/income for the year</b>	<b>(723)</b>	665
<b>Attributable to:</b>		
Equity holders of the Company	<b>(742)</b>	635
Non-controlling interests	<b>19</b>	30
	<b>(723)</b>	665

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2018

	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</b>	74	6	690	(3 014)	(2)	24	407	4	5 320	3 509	61	3 570
Profit for the year	-	-	-	-	-	-	-	-	229	229	14	243
Other comprehensive income for the year	-	-	-	-	-	-	372	-	34	406	16	422
Total comprehensive income for the year	-	-	-	-	-	-	372	-	263	635	30	665
Transactions with non-controlling shareholders	-	-	-	-	-	-	-	-	4	4	(4)	-
Dividends paid	-	-	-	-	-	-	-	-	(62)	(62)	(9)	(71)
<b>Balance at 31 March 2017</b>	74	6	690	(3 014)	(2)	24	779	4	5 525	4 086	78	4 164
Profit for the year	-	-	-	-	-	-	-	-	(492)	(492)	18	(474)
Other comprehensive (loss)/income for the year	-	-	-	-	-	-	(311)	1	60	(250)	1	(249)
Total comprehensive (loss)/income for the year	-	-	-	-	-	-	(311)	1	(432)	(742)	19	(723)
Transfer to retained earnings	-	-	-	-	-	(23)	-	-	23	-	-	-
Non-controlling shareholders derecognised on disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	(1)	(1)
Share-based payment expense	-	-	-	-	-	1	-	-	-	1	-	1
Settlement of Forfeitable Share Plan	-	-	-	-	1	(1)	-	-	-	-	-	-
Transactions with non-controlling shareholders	-	-	-	-	-	-	-	-	(1)	(1)	1	-
Dividends paid	-	-	-	-	-	-	-	-	(58)	(58)	(10)	(68)
<b>Balance at 31 March 2018</b>	<b>74</b>	<b>6</b>	<b>690</b>	<b>(3 014)</b>	<b>(1)</b>	<b>1</b>	<b>468</b>	<b>5</b>	<b>5 057</b>	<b>3 286</b>	<b>87</b>	<b>3 373</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2018

	Notes	2018 GBP'm Inflow/(outflow)	(Re-presented)* 2017 GBP'm Inflow/(outflow)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash received from customers		2 809	2 735
Cash paid to suppliers and employees		(2 343)	(2 243)
<b>Cash generated from operations</b>		<b>466</b>	492
Interest received		9	7
Interest paid		(74)	(77)
Tax paid		(56)	(45)
<b>Net cash generated from operating activities</b>		<b>345</b>	377
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
Investment to maintain operations		(112)	(101)
Investment to expand operations		(142)	(131)
Acquisition of subsidiaries	14	(83)	-
Disposal of subsidiaries	15	2	44
Acquisition of investment in associate	6	(2)	(1)
Dividends received from equity accounted investment		5	4
Proceeds from/(acquisition of) money market funds		13	(16)
<b>Net cash generated before financing activities</b>		<b>26</b>	176
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Distributions to non-controlling interests		(10)	(9)
Distributions to shareholders	17	(58)	(62)
Proceeds from borrowings		6	247
Repayment of borrowings		(30)	(327)
Refinancing transaction costs		(12)	(3)
Settlement of interest rate swap		(4)	-
Acquisition of non-controlling interest		-	(15)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(82)</b>	7
Opening balance of cash and cash equivalents		361	305
Exchange rate fluctuations on foreign cash		(18)	49
<b>Closing balance of cash and cash equivalents</b>		<b>261</b>	361

\* refer to note 2.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

Mediclinic is an international private hospital group with operations in Switzerland, Southern Africa (South Africa and Namibia) and the United Arab Emirates. Its core purpose is to enhance the quality of life of patients by providing value-based healthcare services. Mediclinic also holds a 29.9% interest in Spire Healthcare Group plc, a LSE listed and UK-based private hospital 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 financial statements for the year ended 31 March 2018 was approved by the Board on 23 May 2018.

## 2. BASIS OF PREPARATION

The condensed consolidated financial statements included in the results announcement for the year ended 31 March 2018 have been extracted from the full Annual Report which was approved by the Board of Directors on 23 May 2018. The condensed consolidated financial statements are 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.

The auditor's report on those consolidated financial statements was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report, and did not contain statements under section 498(2) or 498(3) of the Companies Act 2006. 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. The Annual Report for the year ended 31 March 2018 will be delivered to the Registrar of Companies following the Company's annual general meeting to be held on Wednesday, 25 July 2018.

The Group has prepared the condensed consolidated financial statements on a going concern basis. The condensed consolidated financial statements 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 2018.

This results announcement has been prepared applying consistent accounting policies to those applied by the Group in the comparative period. The condensed consolidated financial statements included in this results announcement do not itself contain sufficient information to comply with IFRS. The Company will publish full financial statements that comply with IFRS in June 2018.

The Group will adopt IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from 1 April 2018. IFRS 15 has implications for the Middle East division where we expect certain operating expenses to be reclassified to revenue. Based on current estimates, the Group expects a reclassification from operating expenses (bad debts) to revenue of approximately GBP17m to account for the difference in treatment between the existing standard (IAS 18) and IFRS 15. The change will have no impact on net profit. Refer to a detailed assessment on the implementation of both standards in the Group's Annual Report and Financial Statements for the year ended 31 March 2018.

### **Functional and presentation currency**

The condensed consolidated financial statements are presented in pounds sterling, 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 year ended 31 March 2017 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 a decrease in cash generated from operations from GBP509m to GBP492m and a decrease in cash outflows from investment activities from GBP218m to GBP201m. This reclassification had no impact on reported cash, profits or net assets.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

### 3. SEGMENTAL REPORT

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

	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
<b>Year ended 31 March 2018</b>						
Revenue	2 870	1 349	877	643	-	1
EBITDA	522	251	189	85	-	(3)
EBITDA before management fee	522	254	194	88	-	(14)
Management fees included in EBITDA	-	(3)	(5)	(3)	-	11
Other gains and losses	2	9	-	(7)	-	-
Depreciation and amortisation	(168)	(86)	(29)	(53)	-	-
Impairment of properties	(84)	(84)	-	-	-	-
Impairment of intangible assets	(560)	(560)	-	-	-	-
Operating (loss)/profit	(288)	(470)	160	25	-	(3)
Income from associate	3	-	-	-	3	-
Impairment of associate	(109)	-	-	-	(109)	-
Finance income	9	1	7	1	-	-
Finance cost (excluding intersegment loan interest)	(94)	(48)	(38)	(8)	-	-
Total finance cost	(94)	(64)	(38)	(8)	-	16
Elimination of intersegment loan interest	-	16	-	-	-	(16)
Taxation	5	46	(40)	-	-	(1)
<b>Segment result</b>	<b>(474)</b>	<b>(471)</b>	<b>89</b>	<b>18</b>	<b>(106)</b>	<b>(4)</b>
<b>At 31 March 2018</b>						
Investments in associates	352	2	2	-	348	-
Investments in joint ventures	5	-	5	-	-	-
Capital expenditure	245	101	62	80	-	2
Total segment assets	6 343	3 448	747	1 757	348	43
Total segment liabilities (excluding intersegment loan)	2 970	1 985	672	309	-	4
Total liabilities from reportable segment	3 827	2 842	672	309	-	4
Elimination of intersegment loan	(857)	(857)	-	-	-	-



**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(continued)

**3. SEGMENTAL REPORT** (continued)

Year ended 31 March 2017	Total GBP'm	Reportable operating segments			Other	
		Switzerland GBP'm	Southern Africa GBP'm	Middle East GBP'm	United Kingdom GBP'm	Corporate GBP'm
Revenue	2 749	1 321	780	648	-	-
EBITDA	509	277	165	71	-	(4)
EBITDA before management fee	509	279	170	74	-	(14)
Management fees included in EBITDA	-	(2)	(5)	(3)	-	10
Other gains and losses	(2)	-	-	1	-	(3)
Depreciation and amortisation	(145)	(76)	(25)	(44)	-	-
Operating profit	362	201	140	28	-	(7)
Income from associate	12	-	-	-	12	-
Finance income	7	-	7	-	-	-
Finance cost (excluding intersegment loan interest)	(74)	(28)	(33)	(7)	-	(6)
Total finance cost	(74)	(44)	(33)	(7)	-	10
Elimination of intersegment loan interest	-	16	-	-	-	(16)
Taxation	(64)	(32)	(32)	-	-	-
<b>Segment result</b>	<b>243</b>	<b>141</b>	<b>82</b>	<b>21</b>	<b>12</b>	<b>(13)</b>
<b>At 31 March 2017</b>						
Investments in associates	461	2	-	-	459	-
Investments in joint ventures	4	-	4	-	-	-
Capital expenditure	251	128	70	53	-	-
Total segment assets	7 422	4 258	676	1 987	459	42
Total segment liabilities (excluding intersegment loan)	3 258	2 235	650	372	-	1
Total liabilities from reportable segment	4 163	3 140	650	372	-	1
Elimination of intersegment loan	(905)	(905)	-	-	-	-

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

### 4. PROPERTY, EQUIPMENT AND VEHICLES

	Land and buildings GBP'm	Capital expenditure in progress GBP'm	Equipment GBP'm	Furniture and vehicles GBP'm	Total GBP'm
<b>Net book value at 1 April 2016</b>	2 771	131	251	46	3 199
Additions	57	77	83	22	239
Depreciation	(37)	-	(60)	(22)	(119)
Prior year capital expenditure completed	96	(118)	18	4	-
Disposal of subsidiaries	(5)	-	(5)	-	(10)
Transfer to assets held for sale	(3)	(3)	(2)	-	(8)
Exchange differences	326	26	43	7	402
<b>Net book value at 31 March 2017</b>	<b>3 205</b>	<b>113</b>	<b>328</b>	<b>57</b>	<b>3 703</b>
Additions	39	107	55	22	223
Depreciation	(39)	-	(70)	(23)	(132)
Business combinations	103	-	7	-	110
Prior year capital expenditure completed	28	(32)	3	1	-
Impairment	(84)	-	-	-	(84)
Transfer to assets held for sale	-	-	(1)	-	(1)
Exchange differences	(204)	(7)	(16)	(2)	(229)
<b>Net book value at 31 March 2018</b>	<b>3 048</b>	<b>181</b>	<b>306</b>	<b>55</b>	<b>3 590</b>

#### Cash generating unit (CGU) impairment indicators

Property, equipment and vehicles are considered for impairment if impairment indicators are identified at an individual CGU level. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Group defines CGUs as combined inter-dependent hospitals and/or clinics or as individual hospitals depending on the geographical location or the degree of integration. The impairment assessment is performed at CGU level and any impairment charge that arises would be allocated to the CGU's goodwill first, followed by other assets (such as property, equipment and vehicles and other intangible assets).

#### Impairment of properties in Swiss CGU

During the year, the CGUs in the Switzerland segment were tested for impairment due to changes in the market and regulatory environment in which the CGUs operate (refer to note 5 for further information about these changes). The recoverable amounts of the CGUs were based on their value in use calculations that were determined by discounting the future cash flows that are expected to be generated from continuing use of the CGUs. In determining the value in use for the CGUs, the cash flows were discounted at rates between 4.9% and 5.1%. Beyond five years, the cash flows were extrapolated using a 1.6% (2017: 1.6%) growth rate. The carrying value of a CGU was determined to be higher than its recoverable amount and as a result an impairment charge of GBP84m was recognised in the income statement.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

### 5. INTANGIBLE ASSETS

	Goodwill GBP'm	Trade names GBP'm	Computer software GBP'm	Leases GBP'm	Total GBP'm
<b>Net book value at 1 April 2016</b>	1 532	354	31	24	1 941
Additions	-	-	12	-	12
Amortisation	-	(16)	(9)	(1)	(26)
Disposal of subsidiaries	(33)	-	-	-	(33)
Exchange differences	216	39	4	3	262
<b>Net book value at 31 March 2017</b>	<b>1 715</b>	<b>377</b>	<b>38</b>	<b>26</b>	<b>2 156</b>
Additions	-	-	22	-	22
Amortisation	-	(24)	(11)	(1)	(36)
Business combinations	13	17	-	-	30
Disposal of subsidiaries	(3)	-	-	-	(3)
Impairment	(300)	(260)	-	-	(560)
Exchange differences	(172)	(27)	(1)	(3)	(203)
<b>Net book value at 31 March 2018</b>	<b>1 253</b>	<b>83</b>	<b>48</b>	<b>22</b>	<b>1 406</b>

#### Impairment testing of significant goodwill balances and indefinite useful life trade name

The Group tests goodwill and indefinite useful life trade names for impairment on an annual basis or more frequently if there are indications that these assets may be impaired. The annual impairment assessment is performed at year end when the budget process is finalised. The Group's impairment assessment compares the carrying value of the group of CGUs with its recoverable amount. The group of CGUs for goodwill impairment assessment purposes are identified on a segmental or operating division level in terms of IFRS 8.

The recoverable amount of a group of CGUs is determined by its value in use which is derived from discounted cash flow calculations. The key inputs to its calculations are described below.

#### Forecasts

The Group's operating divisions are required to submit budgets for the next financial year and forecasts for the following four years, which are approved by the Board. Future earnings in the value in use calculation are based on these budgets and forecasts that is calculated on a per hospital basis and considers both internal and external market information. These budgets and forecasts represent management's best view of future revenues and cash flows.

#### Growth rates

Growth rates are determined from budgeted and forecasted revenue. Terminal growth rates are country specific and determined based on the forecast market growth rates and considers long term inflation. A stable regulatory and tariff environment is assumed. Growth rates have been benchmarked against external data for the relevant markets.

#### Discount rates

The weighted average cost of capital (WACC) was determined by considering the respective debt and equity costs and ratios. The discount rate is based on the risk-free rate for government bonds adjusted for a risk premium to reflect the increased risk of investing in equities. Discount rates are lower for the operating divisions which operate in more mature markets with low inflation and higher for those operating in markets with a higher inflation. Discount rates reflect the time value and the risks associated with the segment or operating division cash flows. The assumptions used in the calculation of the discount rate are benchmarked to externally available data.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

### 5. INTANGIBLE ASSETS (continued)

#### Impairment of the Hirslanden goodwill and the Hirslanden indefinite useful life trade name

The recoverable amount of the Hirslanden group of CGUs was based on its value in use and amounted to GBP3 240m. This was determined by discounting the future cash flows to be generated from the continuing use of the Hirslanden group of CGUs. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use.

Regulatory changes implemented on 1 January 2018 (new TARMED tariffs and regulations that require enhanced outmigration of medical treatments) as well as the changing market in Switzerland had a significant impact on the Hirslanden value in use calculation both for the five year forecast period as well as the determination of the terminal value. As a result, the carrying amount of the group of CGUs was determined to be higher than its recoverable amount and an impairment of GBP300m and GBP260m was recognised against goodwill and the trade name, respectively.

#### Impairment testing of Hirslanden goodwill and indefinite useful life trade names

The Hirslanden goodwill of GBPnil (2017: GBP307m) originated mainly from the Hirslanden business combination and other smaller business combinations (refer to note 14). The Hirslanden trade name of GBP37m (2017: GBP319m) originated from the Hirslanden business combination. Key assumptions used for the value in use calculations for the annual impairment testing were as follows:

- *Discount rates* – The discount rate applied to cash flow projections is 5.0% (2017: 4.7%).
- *Growth rates* – The terminal growth rate beyond five years are extrapolated using a 1.6% (2017: 1.6%) growth rate.
- *Forecasts* – In comparison with the prior year, forecasted cash flows have been adjusted downwards as a result of changes in the regulatory and market environment (including new TARMED tariffs and regulations that require enhanced outmigration of medical treatments).

The carrying amount of both the goodwill and Hirslanden indefinite useful life trade name was impaired during the year. The impairment loss recognised in the income statement consisted of GBP300m for the impairment of goodwill and GBP260m for the impairment of the Hirslanden indefinite useful life trade name.

### 6. EQUITY ACCOUNTED INVESTMENTS

	2018 GBP'm	2017 GBP'm
Investment in associates	352	461
Investment in joint venture	5	4
	<b>357</b>	<b>465</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

### 6. EQUITY ACCOUNTED INVESTMENTS (continued)

#### 6.1 Investment in associates

	2018 GBP'm	2017 GBP'm
Listed investment	348	459
Unlisted investments	4	2
	<b>352</b>	<b>461</b>
<b>Reconciliation of carrying value at the beginning and end of the period</b>		
Opening balance	461	452
Total cost of equity investment	-	-
Additional investment in unlisted associate	2	1
Share of net profit of associated companies	3	12
Impairment of listed associate	(109)	-
Dividends received from associated companies	(5)	(4)
	<b>352</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 (Spire)	United Kingdom	29.9%

Spire 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 12 months to 31 December 2017 (2017: 31 December 2016). No significant events occurred since 1 January 2018 to the reporting date.

At 30 September 2017, the market value of the investment in Spire was GBP270m, which was below the carrying value. An impairment test was performed 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 the current financial performance and about the related impact on short- and medium-term growth rates and revisited the other key assumptions in this context. As a result, an impairment loss of GBP109m was recorded against the carrying value.

At year end, another impairment test (updated for latest guidance announced by Spire in March 2018) was performed and indicated no further impairment losses.

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

### 7. BORROWINGS

	2018 GBP'm	2017 GBP'm
Bank loans	1 559	1 642
Preference shares	200	199
Listed bonds	176	189
Other liabilities	2	-
	<b>1 937</b>	<b>2 030</b>
Non-current borrowings	1 866	1 961
Current borrowings	71	69
<b>Total borrowings</b>	<b>1 937</b>	<b>2 030</b>

	2018 GBP'm Non-current	2018 GBP'm Current	2017 GBP'm Non-current	2017 GBP'm Current
<b>Swiss operations (denominated in Swiss franc)</b>				
Secured bank loan one				
	These loans bear interest at variable rates linked to the 3M LIBOR plus 1.25% (2017: 3M LIBOR plus 1.5% and 2.85%) and are repayable by 16 October 2023. The non-current portion includes capitalised financing costs of GBP11m (2017: GBP22m).			
	1 085	26	1 138	40
Secured bank loan two				
	These loans were acquired as part of the Linde acquisition and bear interest linked to the 3M LIBOR plus 0.92% and are repayable during May 2023.			
	13	-	-	-
Secured bank loan three				
	This fixed interest mortgage loan was acquired as part of the Linde acquisition and bears interest at 0.9% compounded quarterly. The loan is repayable by December 2023.			
	7	-	-	-
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.			
	176	-	189	-
Secured long term finance				
	These liabilities bear interest at variable rates ranging between 1% and 12% (2017: 8% and 12%) and are repayable in equal monthly payments in periods ranging from one to five years.			
	1	1	-	-
<b>Balance carried forward</b>	<b>1 282</b>	<b>27</b>	<b>1 327</b>	<b>40</b>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS** (continued)

		2018 GBP'm Non-current	2018 GBP'm Current	2017 GBP'm Non-current	2017 GBP'm Current
<b>Balance carried forward</b>		<b>1 282</b>	<b>27</b>	<b>1 327</b>	<b>40</b>
<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% (2017: 1.51%) compounded quarterly, and is repayable on 3 June 2019.	208	2	206	1
Secured bank loan two	The loan bears interest at the 3 month JIBAR variable rate plus a margin of 1.69% (2017: 1.69%) compounded quarterly and is repayable on 15 December 2020.	73	-	72	-
Secured bank loan three	The loan bears interest at the 3 month JIBAR variable rate plus a margin of 1.06% (2017: 1.06%) compounded quarterly. The remaining amount was repaid on 9 October 2017.	-	-	-	7
Secured bank loan four	These loans bear interest at variable rates linked to the prime overdraft rate and are repayable in periods ranging between one and twelve years.	6	2	4	1
Preference shares	Dividends are payable monthly at a rate of 69% of prime interest rate (10.0%) (2017: 10.5%). The outstanding balance will be redeemed on 3 June 2019.	108	1	108	1
Preference shares	Dividends are payable semi-annually at a rate of 73% of the prime interest rate (10.0%) (2017: 10.5%). The amount is repayable on 29 June 2020.	91	-	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 2.50% (2017: 2.75%) with respective 4-year and 5-year amortising terms, expiring in June 2020 and May 2021.	98	39	154	19
		<b>1 866</b>	<b>71</b>	<b>1 961</b>	<b>69</b>

**8. RETIREMENT BENEFIT OBLIGATIONS**

The net liability relating to the Swiss pension benefit obligation decreased from GBP73m in 2017 to GBP4m at 31 March 2018.

The assumptions underlying the valuation of the Swiss pension obligation were reassessed during the year and as a result the following adjustments were made:

- The discount rate used to value plan obligations has changed from 0.55% to 0.75%.
- The assumed underlying inflation rate was increased from 1.00% to 1.25%, impacting the salary increase rate.
- The future mortality improvement rates have been based on the 2016 CMI mortality improvement rates with a 1.25% long-term trend rate.

The change in the abovementioned assumptions coupled with an increase in the fair value of the plan assets resulted in a decrease of the net liability after taking into account the additional defined benefit liability of GBP11m acquired through business combinations (refer to note 14).

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

### 9. OTHER GAINS AND LOSSES

	2018 GBP'm	2017 GBP'm
Release of pre-acquisition Swiss provision	9	-
Loss on disposal of subsidiaries	(7)	-
Foreign exchange rate losses on corporate transactions	-	(3)
Fair value adjustments on derivative contracts	-	1
	<b>2</b>	<b>(2)</b>

### 10. FINANCE COSTS

	2018 GBP'm	2017 GBP'm
Interest expenses	55	58
Interest rate swaps	6	11
Amortisation of capitalised financing costs	5	7
Derecognition of unamortised financing costs	19	-
Fair value gains on ineffective cash flow hedges	(4)	(13)
Preference share dividend	15	12
Less: amounts included in cost of qualifying assets	(2)	(1)
	<b>94</b>	<b>74</b>

### 11. INCOME TAX EXPENSE

	2018 GBP'm	2017 GBP'm
Current tax		
Current year	56	46
Previous year	(2)	(3)
Deferred tax (credit)/charge	(59)	21
<b>Taxation per income statement</b>	<b>(5)</b>	<b>64</b>
<b>Composition</b>		
UK tax	-	-
Foreign tax	(5)	64
	<b>(5)</b>	<b>64</b>



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

### 11. INCOME TAX EXPENSE

	2018 %	2017 %
<b>Reconciliation of rate of taxation:</b>		
UK statutory rate of taxation	19.0%	20.0%
Adjusted for:		
Benefit of tax incentives	0.1%	(0.2%)
Share of net profit of equity accounted investments	0.1%	(0.8%)
Non-deductible expenses <sup>1</sup>	(18.0%)	1.8%
Non-controlling interests' share of profit before tax	0.2%	(0.3%)
Effect of different tax rates <sup>2</sup>	0.7%	0.7%
Effect of differences between deferred and current tax rates <sup>3</sup>	(0.6%)	-
Non-recognition of tax losses in current year	(0.5%)	0.9%
Recognition/derecognition of tax losses relating to prior years	(0.2%)	(0.5%)
Prior year adjustment	0.3%	(0.8%)
<b>Effective tax rate<sup>4</sup></b>	<b>1.1%</b>	<b>20.8%</b>

- 1 The impact of the following non-deductible expenses on the tax rate was a decrease of 17.3% (GBP83m):
  - Impairment of goodwill of GBP300m was not deductible for tax purposes. The tax effect amounted to GBP61m (decrease of 12.7% in effective tax rate).
  - Impairment of the listed associate of GBP109m was not deductible for tax purposes. The tax effect amounted to GBP21m (decrease of 4.4% in effective tax rate).
  - Loss on disposal of subsidiaries of GBP7m was not deductible for tax purposes. The tax effect amounted to GBP1m (decrease of 0.2% in effective tax rate).
- 2 The effect of different tax rates can be attributed to the following items:
  - Accelerated amortisation of GBP23m (2017: GBP7m) was recognised on the Al Noor trade names during the year. The profits earned in the UAE are not subject to income tax. The tax effect amounted to GBP4m (decrease of 0.8% in effective tax rate) (2017: GBP1m).
  - The effect of different tax rates is mainly because of profit earned from South Africa, which is subject to an income tax rate of 28%, reduced by profit earned from the UAE, which is not subject to income tax.
- 3 The impairment of the trade names (GBP260m) and the impairment of the properties (GBP84m) in Switzerland led to the release of a deferred tax liability of GBP68m. A reconciling item arises because the tax rate applied in calculating the deferred tax liabilities was lower than the current statutory rate of taxation.
- 4 If the impairment charges (and related deferred tax effect) discussed in point 3 above together with the items listed in points 1 and 2 were excluded from the effective tax rate calculation, the adjusted effective tax rate would be 20.8% (2017: 20.4%). The higher proportional contribution towards profits from the Southern Africa segment increased the adjusted effective tax rate. The adjusted effective tax rate also decreased slightly with the higher proportional contribution towards profits from the Middle East segment.

The income tax liability includes an amount of approximately GBP1m (2017: GBP3m) relating to unresolved tax matters. The range of possible outcomes relating to this liability is not considered to be material.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 12. EARNINGS PER ORDINARY SHARE

	2018 GBP'm	2017 GBP'm
<b>(Loss)/earnings per ordinary share (pence)</b>		
Basic (pence)	(66.7)	31.0
Diluted (pence)	(66.7)	31.0
<b>Earnings reconciliation</b>		
(Loss)/profit attributable to equity holders of the Company	(492)	229
Adjusted for:		
No adjustments	-	-
<b>(Loss)/earnings for basic and diluted earnings per share</b>	<b>(492)</b>	<b>229</b>
<b>Number of shares reconciliation</b>		
<b>Weighted average number of ordinary shares in issue for basic earnings per share</b>		
Number of ordinary shares in issue at the beginning of the year	737 243 810	737 243 810
Weighted average number of treasury shares	(133 672)	(303 656)
BEE shareholder	-	(31 238)
Mpilo Trusts	(32 330)	(33 128)
Forfeitable Share Plan	(101 342)	(239 290)
	<b>737 110 138</b>	<b>736 940 154</b>
<b>Weighted average number of ordinary shares in issue for diluted earnings per share</b>		
Weighted average number of ordinary shares in issue	737 110 138	736 940 154
Weighted average number of treasury shares held not yet released from treasury stock	133 672	303 656
BEE shareholder	-	31 238
Mpilo Trusts	32 330	33 128
Forfeitable Share Plan	101 342	239 290
	<b>737 243 810</b>	<b>737 243 810</b>

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

### 12. 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 (JSE) Listings Requirements, determined by reference to the South African Institute of Chartered Accountants' circular 04/2018 (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 profit for the financial year attributable to equity holders of the parent to headline earnings and summarises the calculation of basic HEPS:

	2018 GBP'm	2017 GBP'm
<b>Headline earnings per share</b>		
<b>(Loss)/earnings for basic and diluted earnings per share</b>	<b>(492)</b>	229
Adjustments		
Impairment of equity accounted investment	109	-
Impairment of properties and intangible assets	576	-
Loss on disposal of subsidiaries	7	-
Associate's impairment of property, plant and equipment	3	-
<b>Headline earnings</b>	<b>203</b>	229
Headline earnings per share (pence)	27.6	31.0
Diluted headline earnings per share (pence)	27.6	31.0

### 13. 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 LLC, Mediclinic Corniche Medical Centre LLC, Lookwow One Day Surgery Company LLC, Lookwow One Day Pharmacy LLC, 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-Al Ain.

All the clinics were disposed of during the year with the exception of the following: Mediclinic Beach Road LLC and Mediclinic Corniche Medical Centre LLC were closed and the accordingly the assets of these clinics were written off or transferred to other clinics within the Group where possible. The liabilities classified as held for sale relating to these clinics were settled. The only remaining clinic that is classified as held for sale is Al Madar Diagnostic Centre-Al Ain.

	2018 GBP'm	2017 GBP'm
<b>Analysis of assets and liabilities held for sale</b>		
<b>Assets</b>		
Property, equipment and vehicles	1	8
Inventories	-	1
<b>Total assets</b>	<b>1</b>	<b>9</b>
<b>Liabilities</b>		
Retirement benefit obligations	-	1
Trade and other payables	-	1
<b>Total liabilities</b>	<b>-</b>	<b>2</b>

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

### 14. BUSINESS COMBINATIONS

The following business combinations occurred during the year:

	2018 GBP'm
<b>Cash flow on acquisition:</b>	
Linde Holding Biel/Bienne AG	(74)
Rontgeninstitut Cham AG	(9)
	<b>(83)</b>

#### 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). The revaluation of the trade name and equipment resulted in retrospective adjustments to the provisionally determined PPA values that was disclosed at 30 September 2017.

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 GBP3m (CHF3.6m) 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 STATEMENTS (continued)

### 14. BUSINESS COMBINATIONS (continued)

	2018 GBP'm
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Assets	
Property, equipment and vehicles	109
Intangible assets	17
Inventories	1
Trade and other receivables	9
Cash and cash equivalents	12
Deferred tax assets	2
<b>Total assets</b>	<b>150</b>
Liabilities	
Borrowings	25
Provisions	2
Retirement benefit obligations	10
Deferred tax liabilities	22
Trade and other payables	8
<b>Total liabilities</b>	<b>67</b>
Total identifiable net assets at fair value	83
Non-controlling interest at fair value	-
Goodwill	3
<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 GBP41m to revenue and GBP2m to the 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 GBP58m and the profit before tax contribution would have been GBP3m.

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

### 14. 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 GBP10m (CHF12.6m) arising from the acquisition is attributable to the acquired workforce and economies of scale expected from combining the operations of 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.

	2018 GBP'm
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Assets	
Property, equipment and vehicles	1
Trade and other receivables	1
<b>Total assets</b>	<b>2</b>
Liabilities	
Retirement benefit obligations	1
<b>Total liabilities</b>	<b>1</b>
Total identifiable net assets at fair value	1
Goodwill	10
Consideration transferred for the business	11
Fair value of the Group's existing 15% portion	(2)
<b>Cash flow on acquisition</b>	<b>9</b>
Cash flow on acquisition	
Net cash acquired with subsidiary	-
Cash paid	(9)
<b>Net cash flow on acquisition</b>	<b>(9)</b>

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

### 15. CASH FLOW ON DISPOSAL OF SUBSIDIARY

The Group disposed of the following companies that were part of the Middle East segment during the year: Lookwow One Day Surgery Company LLC and the following branches of Mediclinic Hospitals LLC: Mirfa, Ajman, Hamdan Pharmacy, Sanaya and ICAD. During the prior year, the following companies were disposed of: Rochester Wellness LLC, Emirates American Company for Medical Services LLC, Abu Dhabi Medical Services LLC and National Medical Services LLC.

	2018 GBP'm	2017 GBP'm
<b>Analysis of assets and liabilities over which control was lost</b>		
Property, equipment and vehicles	8	10
Goodwill	3	33
Trade and other receivables	-	10
Cash and cash equivalents	-	3
Retirement benefit obligations	-	(1)
Trade and other payables	(1)	(4)
Non-controlling interest derecognised	(1)	-
<b>Net assets disposed of</b>	<b>9</b>	<b>51</b>
<b>Consideration received</b>		
Cash and cash equivalents	2	47
Consideration receivable	-	1
Other non-cash items	-	3
<b>Total consideration</b>	<b>2</b>	<b>51</b>
(Loss)/gain on disposal	(7)	-
Net cash inflow on disposal	2	44

### 16. COMMITMENTS

	2018 GBP'm	2017 GBP'm
<b>Capital commitments</b>		
Switzerland	29	32
Southern Africa	219	214
Middle East	94	151
	<b>342</b>	<b>397</b>

These commitments will be financed from Group and borrowed funds.

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

### 17. DIVIDENDS

	Date paid/payable	Dividend per share (pence)	2018 GBP'm	2017 GBP'm
<b>Dividends declared</b>				
<b>Year ended 31 March 2018</b>				
Interim dividend	18 December 2017	3.20	24	
Final dividend	30 July 2018	4.70	35	
		<b>7.90</b>		
<b>Year ended 31 March 2017</b>				
Interim dividend	12 December 2016	3.20		23
Final dividend	31 July 2017	4.70		35
		7.90	<b>59</b>	<b>58</b>
<b>Dividends paid</b>				
Dividends paid during the period			<b>58</b>	<b>62</b>

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 30 July 2018 from retained earnings has not been recognised as a liability at 31 March 2018.

### 18. 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 STATEMENTS (continued)

### 19. RELATED PARTIES

There are no significant changes to the related party transactions compared to those disclosed in note 34 of the Group's annual financial statements for the year ended 31 March 2017.

### 20. SHARE-BASED PAYMENTS

During the year ended 31 March 2018, 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 adjusted earnings per share (60% weighting).

For the year ended 31 March 2018, the total cost recognised in the income statement for the LTIP awards was GBP0.1m (2017: GBP0.1m).

### 21. EVENTS AFTER THE REPORTING DATE

The directors are not aware of any matter or circumstance arising since the end of the financial year that would significantly affect the operations of the Group or the results of its operations.

## ABOUT MEDICLINIC INTERNATIONAL PLC

Mediclinic is an international private healthcare services group, established in South Africa in 1983, with current operating divisions 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, an LSE-listed and UK-based private healthcare group.

As at the date of this announcement, Mediclinic comprises 75 hospitals and 28 clinics. Hirslanden operates 17 private hospitals and 4 clinics in Switzerland with more than 1 800 inpatient beds; Mediclinic Southern Africa operates 49 hospitals and 2 day clinics throughout South Africa and 3 hospitals in Namibia with more than 8 100 inpatient beds in total; and Mediclinic Middle East operates 6 hospitals and 22 clinics with more than 700 inpatient beds in the United Arab Emirates.

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

## AUDIO WEBCAST AND CONFERENCE CALL DETAILS

In conjunction with these results Mediclinic is hosting an audio webcast and conference call. A replay facility will be available on the website shortly after the presentation.

09:00 BST /10:00 SAST

Audio webcast: <https://edge.media-server.com/m6/p/csqrif2>

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.

UK: +44 (0)330 336 9105  
SA: +27 (0)11 844 6054  
CH: +41 (0)22 567 5729  
UAE toll-free: 8000 3570 2653  
US: +1 646 828 8156

Confirmation code: 5039307

## CONTACT INFORMATION

### 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 – United Kingdom  
+44 (0)20 3727 1000  
Max Gebhardt – South Africa  
+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)

**Joint corporate brokers:** Morgan Stanley & Co International plc and UBS Investment Bank

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

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