

# STRATEGIC REPORT

## HIGHLIGHTS

**STRONG PATIENT GROWTH** across all the operating platforms

**CONTINUED INVESTMENTS** in patient experience and clinical qualities initiatives

**SUCCESSFUL COMPLETION** of Mediclinic and Al Noor Combination **AND ACQUISITION** of 29.9% stake in Spire Healthcare Group

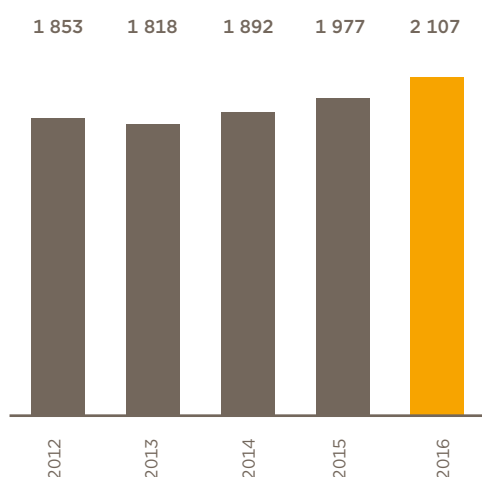
Solid financial performance with **STABLE MARGINS** and good cash generation

**REVENUE GROWTH** of 7% with stable margins at 20.3% driving strong underlying earnings growth

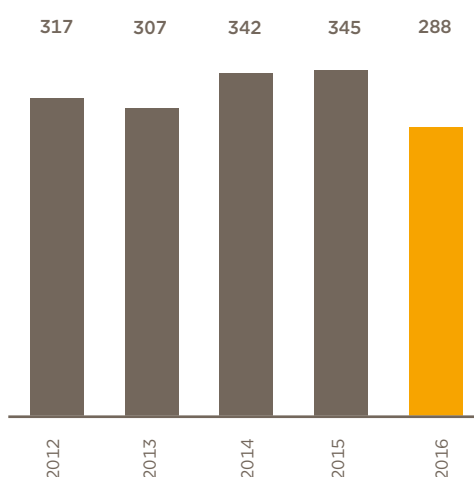
Underlying **BASIC EARNINGS PER SHARE INCREASED** by 3% to 36.7 pence

**PROPOSED FINAL DIVIDEND** per ordinary share of 5.24 pence

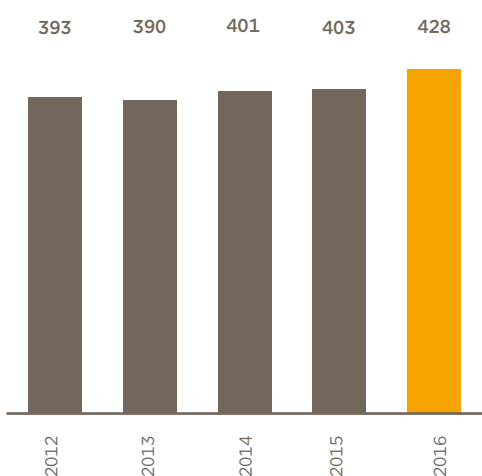
REVENUE (£'m)\*



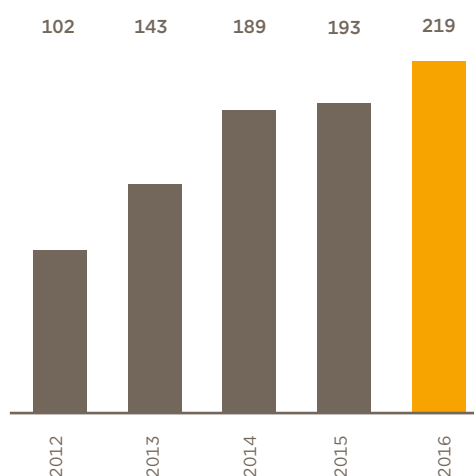
OPERATING PROFIT (£'m)\*



UNDERLYING EBITDA (£'m)\*\*



UNDERLYING EARNINGS (£'m)\*\*



\* IFRS measure

\*\* Non-IFRS measure



See the reconciliations between the statutory and underlying (non-GAAP) measures on pages 55 and 56.

# AT A GLANCE

## WHO WE ARE

Mediclinic is an international private healthcare group founded in 1983, with operations in South Africa, Namibia, Switzerland and the United Arab Emirates. Subsequent to the Combination of Mediclinic International Limited and Al Noor Hospitals Group plc in February 2015, the Company's primary listing is on the London Stock Exchange, with secondary listings on the South African Stock Exchange and the Namibian Stock Exchange. The Group's registered office is based in London, United Kingdom.

## WHAT WE DO

Mediclinic is focused on providing acute care, specialist-orientated, multi-disciplinary healthcare services. Our core purpose is to enhance the quality of life of our patients by providing comprehensive, high-quality healthcare services in such a way that the Group will be regarded as the most respected and trusted provider of healthcare services by patients, doctors and funders of healthcare in each of its markets.

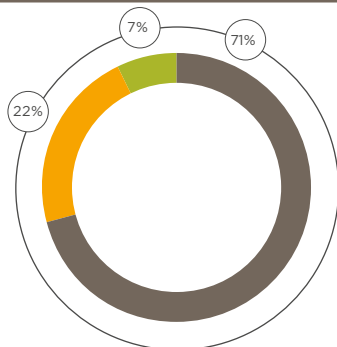
Following the Combination, the enlarged Mediclinic Group now boasts 73 hospitals and 45 clinics: Mediclinic Southern Africa operates 49 hospitals and two day clinics throughout South Africa and three hospitals in Namibia with more than 8 000 inpatient beds in total; Hirslanden operates 16 private acute care facilities and four clinics in Switzerland with more than 1 600 inpatient beds; and Mediclinic Middle East (including the Al Noor facilities) operates five hospitals and 39 clinics with more than 700 inpatient beds in the United Arab Emirates.

Mediclinic also holds a 29.9% interest in Spire Healthcare, a UK-based private healthcare group listed on the London Stock Exchange.

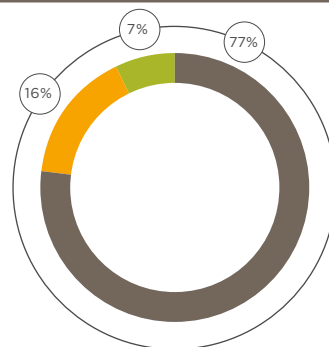
## OUR VISION

To be respected internationally and preferred locally.

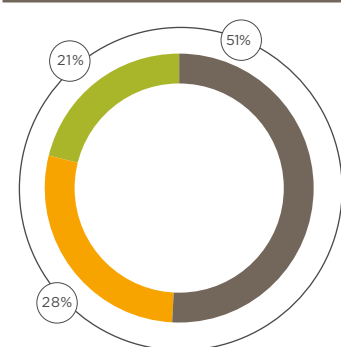
DISTRIBUTION OF THE GROUP'S  
**73 HOSPITALS**



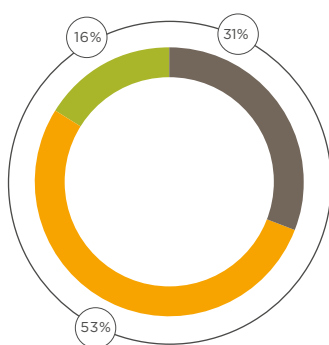
DISTRIBUTION OF THE GROUP'S  
**10 415 BEDS**



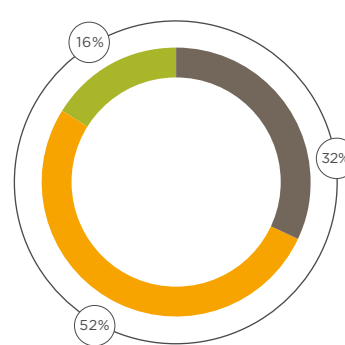
DISTRIBUTION OF THE GROUP'S  
**32 884 EMPLOYEES**



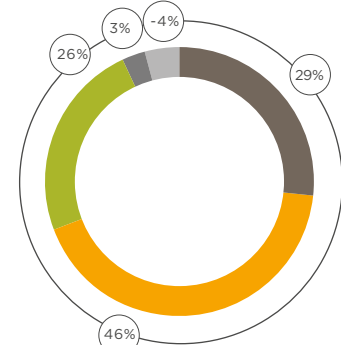
CONTRIBUTION TO GROUP  
UNDERLYING REVENUE (£'m)  
**TOTAL: £2 100m**



CONTRIBUTION TO GROUP  
UNDERLYING EBITDA (£'m)  
**TOTAL: £428m**



CONTRIBUTION TO GROUP  
UNDERLYING EARNINGS (£'m)  
**TOTAL: £219m**



■ Southern Africa    ■ Switzerland    ■ UAE    ■ UK    ■ Corporate

**HOLDING COMPANY: MEDICLINIC INTERNATIONAL PLC**  
(formerly Al Noor Hospitals Group plc)



**OPERATING PLATFORMS**

	MEDICLINIC SOUTHERN AFRICA	HIRSLANDEN	MEDICLINIC MIDDLE EAST
<b>COUNTRY OF OPERATION</b>	South Africa and Namibia	Switzerland	United Arab Emirates
<b>BRANDS</b>			
<b>BUSINESS WEBSITES</b>	<a href="http://www.mediclinic.co.za">www.mediclinic.co.za</a> <a href="http://www.mhr.co.za">www.mhr.co.za</a> <a href="http://www.medicalinnovations.co.za">www.medicalinnovations.co.za</a> <a href="http://www.er24.co.za">www.er24.co.za</a>	<a href="http://www.hirlanden.ch">www.hirlanden.ch</a>	<a href="http://www.mediclinic.ae">www.mediclinic.ae</a> <a href="http://www.alnoorhospital.com">www.alnoorhospital.com</a>
<b>HOSPITALS AND CLINICS IN OPERATION</b>	Operates 49 acute care private hospitals and two day clinics throughout South Africa and three hospitals in Namibia, with 8 017 beds in total. ER24 offers emergency transportation services from their 49 branches throughout South Africa.	Operates 16 acute care private hospitals with 1 677 beds and four clinics in Switzerland.	Mediclinic Middle East operates two acute care private hospitals and eight clinics in Dubai, UAE and two clinics in Abu Dhabi, UAE, with 371 beds in total. Al Noor operates three acute care private hospitals and 29 clinics, mainly in Abu Dhabi, UAE, with 350 beds in total.
<b>NUMBER OF EMPLOYEES</b>	16 832 (20 645 full-time equivalents, which includes 3 813 agency staff) (16 403 permanent and 429 non-permanent)	9 120 (which includes full-time and part-time permanent employees) (6 608 full-time equivalents)	Mediclinic Middle East: 2 507 Al Noor: 4 425
<b>NATURE OF OWNERSHIP</b>	Mediclinic Southern Africa (Pty) Ltd, a company registered in South Africa, is the holding company of the Company's operating platform in Southern Africa. It is 100% owned through wholly-owned subsidiaries (with most group operating companies partly owned and doctor shareholding in hospital investment companies).	Hirlanden AG, a company registered in Switzerland, is the holding company of the Company's operating platform in Switzerland. It is 100% owned through wholly-owned subsidiaries.	The holding company for the Mediclinic Middle East operations is Emirates Healthcare Holdings Ltd, a company registered in the British Virgin Islands, which is 100% owned through wholly-owned subsidiaries. The holding companies for the Al Noor operations are Al Noor Holdings Cayman Limited and ANMC Management Limited, companies registered in the Cayman Islands, which are 100% owned by the Company.

## UNITED KINGDOM

29.9% INVESTMENT IN SPIRE HEALTHCARE

## UNITED ARAB EMIRATES

FIND OUT MORE ABOUT OUR UAE OPERATIONS ON PAGE 42

## SWITZERLAND

FIND OUT MORE ABOUT OUR SWISS OPERATIONS ON PAGE 38

## SOUTHERN AFRICA

FIND OUT MORE ABOUT OUR SOUTHERN AFRICAN OPERATIONS ON PAGE 34



## HOW WE GOVERN OUR BUSINESS

Our governance structures are focused on maintaining and building a sustainable business and support our commitment to be a responsible corporate citizen in every country and community in which the Group does business. The key elements of our governance structures include:

- ensuring good clinical outcomes and quality healthcare (see the Clinical Services Overview in the Annual Report, as well as the **Clinical Services Report** available on the Company's website for more information);
- maintaining strict principles of corporate governance, integrity and ethics (see the Corporate Governance Statement in the Annual Report for more information);
- effective risk management and internal controls (see the Risk Management Report in the Annual Report for more information);
- engaging with our stakeholders and responding to their legitimate expectations (see the stakeholder engagement section in the **Sustainable Development Report** available on the Company's website for more information);
- managing our business in a sustainable manner (see the Sustainable Development Highlights in the Annual Report, as well as the **Sustainable Development Report** available on the Company's website for more information); and
- offering our employees competitive remuneration packages based on the principles of fairness and affordability (see the Remuneration Report in the Annual Report for more information).



# CHAIRMAN'S STATEMENT

## CONTINUING A PATTERN OF CONSISTENT GROWTH

The period under review was a pivotal one for Mediclinic as we made significant progress in expanding our geographical footprint. I am pleased to report that during this eventful year, we also maintained our 30-year track record of consistent growth.

Throughout the Group, we successfully delivered an increase in bed days sold. To me, this is the most important measure of success, as it is indicative of patient choice and shows that we are retaining and attracting sufficient doctors to support our growth. This enables us to deliver operating efficiencies.

Furthermore, we made good progress towards our "One Mediclinic" initiative, through which we are investing in IT, benchmarking our performance, and ensuring that best practices are shared across our operations. This is starting to pay dividends in the form of increasing operational efficiency and helping to unlock the benefits of an integrated, international Group.

Our financial performance also reflects the robust health of the business. It is in line with our budget expectations, supporting continued growth.

## INVESTING IN INTERNATIONAL EXPANSION

Our investments in the Middle East and the UK were the two key highlights of the year.

The strategic rationale for the Mediclinic and Al Noor Combination was compelling. Where possible, our preferred method of growth has always been to add to existing hospitals and expand into neighbouring

territories. As such, the Al Noor Group was a perfect fit. Based on our initial experiences in South Africa and then our experience in Switzerland (which, in relative terms, was a far larger transaction), we also understand what it takes to bring disparate businesses into a single, integrated whole.

An added benefit is the Company's listing as a FTSE 100 company on the London Stock Exchange. This requires us to adapt the manner in which the business is governed. We are well-positioned to respond to this, given our long-standing emphasis on transparency and our strong ethical principles.

The 29.9% investment in Spire Healthcare was a different type of transaction, giving us exposure to the expanding UK market, providing the Group with a further opportunity to diversify into a new geography.

## BOARD CHANGES

The listing of Mediclinic on the London Stock Exchange necessitated the reconstitution of the Board to reflect our increased international presence with effect from the completion date of the Combination of 15 February 2016. Sadly, we had to say farewell to two long-standing members of Mediclinic International Limited Board, Kabs Makaba and Anton Raath, and I would like to thank them for their contribution to the Group over many years. We were delighted that Ian Tyler and Seamus Keating, previously Chairman and Senior Independent Director of Al Noor respectively, agreed to continue on the Board. Ian was appointed as the Senior Independent Director and Seamus remained as an independent non-executive director of the reconstituted Board, bringing considerable insight and experience of the Middle Eastern healthcare market.



**Dr Edwin de la H Hertzog**

*Non-executive Chairman*

The Mediclinic International Limited board also had greater executive director representation. To maintain the right balance of directors on the Board, three of the previous executive directors (Koert Pretorius, CEO of Mediclinic Southern Africa; Dr Ronnie van der Merwe, Chief Clinical Officer; and Dr Ole Wiesinger, CEO of Hirslanden) were also not appointed to the new enlarged Board. The platform CEOs and other executive management attend, but not vote at, Board meetings as necessary. We plan to appoint two additional independent directors in the year ahead.

To ensure that the Group continues to benefit from a strong, stable leadership team, succession planning will be another priority for the 2016/2017 financial year. Following the announcement early this year by our Chief Financial Officer, Craig Tingle, of his intention to retire, the Board appointed Jurgens Myburgh as his successor. He will take over from Craig on 1 August 2016. Craig has played a key role in building the Mediclinic Group and on behalf of the Board, I would like to express my sincere appreciation for all his exceptional contributions.

## OUTLOOK AND PROSPECTS

Whilst we are operating in a growing industry, it is a competitive one both within the private sector and often also with public sector facilities. We are very aware that staying ahead is a continuous challenge.

Having the services available of high-quality doctors, nurses and support staff is critical to the success of our business. The leading independent research company, Gallup, was commissioned during 2015 to undertake an employee engagement survey across all three our platforms for us to understand where there were opportunities to deliver improvements in the workplace. Although the results were good, we would still like to see a more positive trend, so more work will be done in this regard.

The Group has always had a long-term outlook in an industry that it knows well, enjoys participating in and where good opportunities for sensible growth have always been found. We therefore continue to believe that Mediclinic will be able to maintain a consistent growth pattern.

## THANK YOU FOR YOUR CONTINUED SUPPORT

As ever, I want to express my sincere thanks to everyone who contributed to Mediclinic's continued success, including our directors, management, doctors, nurses and support staff.

In particular, the support of patients and medical professionals is absolutely vital to the sustainability of our business, and we deeply appreciate the fact that they have chosen Mediclinic ahead of alternative healthcare providers.

Finally, I would like to extend a special thank you to all our shareholders for the confidence they have placed in us.

**Dr Edwin de la H Hertzog**

*Non-executive Chairman*

# CHIEF EXECUTIVE OFFICER'S REVIEW

The period under review was one of the most significant in Mediclinic's three-decade history. Through the Combination of the businesses of Mediclinic International Limited and Al Noor Hospitals Group plc, we boosted our presence internationally, doubled the size of our UAE business in a fast-growing market, and secured a listing as a FTSE 100 company on the London Stock Exchange. With the investment in Spire Healthcare, we also established a footprint in the dynamic UK private healthcare markets. At the same time, we continued to grow volumes and revenues across all our operating platforms, while maintaining stable margins.

We now enter the 2016/17 financial year in a strong position and eager to take full advantage of our newfound scale. Despite the uncertain economic environment, the healthcare market fundamentals remain sound and we anticipate continued growth across all of our operating platforms.

This is indeed an exciting time for the Group, which promises to bring long-term value to our shareholders – with a well-balanced portfolio of operations, a leading position across a mix of attractive healthcare markets, and a strong management team at the helm.

## IT ALL STARTS WITH THE PATIENTS

The very bedrock of our business is our “patients first” ethos.

Across all our operating platforms, we seek to be the first choice for patient experience, and to provide superior clinical outcomes. Importantly, we also seek to deliver a single, standardised quality of service wherever we operate.

To this end, we continued to invest heavily in our people, their training, the facilities in which they work, and the technology they use.

A particular emphasis at Mediclinic is to really understand and benchmark our performance. We therefore extended our investment in data collection and analytics using Press Ganey, an internationally renowned external research group, to measure patient experience. This has brought new levels of insight into the performance of our South African and Middle Eastern operations, and we are now ready to start a pilot in our Swiss operations.

We continued to pursue a number of projects which enable us to move towards a better integrated healthcare delivery model, with improved collaboration between the various clinical disciplines. For example, using the clinical expertise of the well-established and renowned oncology team at Hirslanden to assist with the establishment of the new oncology centre at the Mediclinic City Hospital's North Wing in Dubai that will open in the second half of 2016.

Our relentless focus on patient care helps us to build productive relationships with all stakeholder groups – where we have built high levels of trust in the quality of our service and our ethical principles over the years.

**Danie Meintjes***Chief Executive Officer*

## BUILDING A LARGE, COHESIVE INTERNATIONAL GROUP

Our growing international scale enables us to unlock further value.

It certainly helps us to share skills and best practice across the Group, thereby contributing to our focus on patients. Scale also brings valuable synergies and cost-efficiencies. For example, since the implementation of a central buying department for the Group, we have already achieved double-digit cost savings on several of our surgical supplies and on the purchase of healthcare equipment for our clinics and hospitals.

Our clear aim is to operate as a well-integrated, networked group. Following the Combination with Al Noor, the smooth alignment of operations has been a priority. By March 2016, we confirmed the new senior management team for the Middle East, and appointed workstream leaders to map-out the detailed changes. As expected, we now face some tough integration challenges, specifically related to Information and Communications Technology and Human Resources. However, I am confident that we have a strong leadership team in our Middle Eastern operations who has a realistic understanding of the related complexities and the expertise to overcome them. We further have a wealth of experience in the broader Group that can assist where and when required.

During the period under review, we further extended our international footprint and geographical diversification with the acquisition of a 29.9% stake of Spire Healthcare, a leading private healthcare provider in the UK. Like others in the industry, we are attracted by the long-term prospects for the UK private healthcare market. We were also impressed by Spire's patient focus, as well as the

quality of its people and infrastructure. By stepping in as a minority investor, with a seat on the Board, we gain valuable first-hand experience of the UK market, building relationships with a strong, stable organisation.

## ACCELERATED PROGRESS TOWARDS OUR STRATEGIC GOALS

Overall, the developments during the period under review enabled us to accelerate progress against our six strategic priorities, as set out in greater detail on pages 18 to 21, in all our key markets.



In our South African operations, we increased our capacity by opening two new day clinics, together adding 52 beds, and added 80 beds to our existing hospitals. Despite the volatility of the economy and the uncertainty of the political environment, we see continued opportunity for growth, albeit at a slightly lower rate.

For our Swiss operations, the 2015/16 financial year was very satisfactory. We added several new facilities to our existing portfolio, including more than 20 new inpatient beds, outpatient facilities and consulting rooms, plus a host of technology investments. With a stable economy, a strong currency, highly trained medical staff and an aging population, Switzerland looks set to deliver stable growth and to remain a source of clinical excellence.

The acquisition of Al Noor, with operations primarily in Abu Dhabi, has accelerated our progress in this attractive Middle Eastern market. We are rapidly extending capability and capacity, with 120 new beds due to be added in 2016/17 and a further 290 beds set to follow by 2018/19.



# CHIEF EXECUTIVE OFFICER'S REVIEW (continued)

## A STRONG FINANCIAL PERFORMANCE

The Group experienced strong patient growth across all the operating platforms leading to revenue growth of 7%, reported in pound sterling, with a stable underlying EBITDA margin at 20.4%.

I should add that our listing on the London Stock Exchange, where we entered the FTSE 100 Index in March 2016, should further strengthen our future financial position. As well as providing a new source of lower cost capital, it leaves us less exposed to the volatility of the South African rand should we raise new capital for international expansion.

## KEY OPPORTUNITIES AND CHALLENGES

Currently we view the fundamentals as remaining positive across all of our markets. With, amongst other factors, an aging population, a growing middle class, and the ongoing emergence of new, quality-of-life-enhancing medical procedures, we continue to anticipate long-term growth.

Nonetheless, we do face a number of pressure points:

- The affordability of healthcare is a matter of pressing public policy concern. This is one reason why it is so important for us to grow our scale, optimise our cost base and ensure that we offer cost-effective quality care to our patients.
- Another challenge is regulatory uncertainty. During our three-decade history, this is something we have learnt to manage. We understand the need to adapt to an ever-changing political climate; building an internationally diverse portfolio strengthens our position.
- The availability of high-quality clinical staff is an issue for the healthcare industry worldwide. We work hard to be an employer of choice and to ensure that our hospitals are regarded as the best facility for independent medical practitioners to treat their patients. We continue to invest in the training and development of our people to ensure that we attract and retain the necessary talent.
- We are aware of a growing move towards consumerism in the healthcare market, with the advent of more demanding, better-informed patients. Our "patients first" ethos is critical to creating the confidence in our patients to believe in our Company slogan of Expertise You Can Trust.

We do not underestimate these challenges, and we work hard in order to ensure that we have the necessary plans and strategies in place to mitigate them.

## OUR PRIORITIES FOR 2016/17 AND BEYOND

The 2016/17 financial year is set to be another exciting year for Mediclinic.

Our number one priority is our continued focus on our patients and to remain their demonstrable first choice. Alongside this, the smooth integration of our Middle Eastern operations is a priority that will continue to receive significant management attention and support. We will furthermore seek new ways to unlock the benefits of an integrated, international healthcare Group, focused around the seamless delivery of services with the patient firmly at the centre.

I would like to thank all of our doctors, nurses, support staff and management for their dedication and commitment during the year. This underpins everything we do and, with this in mind, I am confident that we will continue to build on the significant progress made in 2015/16.



**Danie Meintjes**  
*Chief Executive Officer*

# ABOUT THE AL NOOR COMBINATION

The Combination of Al Noor Hospitals Group plc and Mediclinic International Limited was completed in February 2016 creating the largest private healthcare provider in the United Arab Emirates.

Al Noor provides primary, secondary and tertiary healthcare to over two million outpatients per annum through three hospitals, 29 clinics and an oncology centre, mainly in Abu Dhabi. Al Noor brings more than 4 000 experienced employees into the Mediclinic Group, including 684 physicians.

*"The combined business represents a unique platform from which to pursue numerous expansion opportunities in the high-growth UAE and wider Middle East healthcare market, reinforcing our commitment to drive the delivery of world class healthcare services in the region. The combination also further diversifies Mediclinic's geographic profile internationally, gives us additional exposure to USD-based high-growth earnings, and generates incremental financial and trading benefits through a listing on the LSE."*

**Danie Meintjes**, CEO Mediclinic International

## KEY BENEFITS

### COMPELLING STRATEGIC FIT

The combined organisation is a significant step forward for Mediclinic in the delivery of its strategic objective to create a leading international healthcare Group, underpinned by the complementary geographies of the two businesses and shared commitment to outstanding patient care.

### ATTRACTIVE GROWTH OPPORTUNITIES

There are substantial unmet medical needs in the Middle East, with private healthcare growing fast in response to the needs of a rapidly expanding and ageing population, an increasing incidence of lifestyle-related medical conditions and service gaps in the current healthcare market.

### SIGNIFICANT COST SYNERGIES

The close proximity of Mediclinic's operations in Dubai and the complementary nature of the two operations offer economies of scale through increased purchasing power, combining corporate functions and sharing operation teams, in addition to sharing knowledge and best practice across the Group.

### GEOGRAPHIC DIVERSIFICATION

The Combination enhanced Mediclinic's well-balanced geographic portfolio across Southern Africa, Switzerland and the UAE, with exposure to the UK market through its minority stake in Spire Healthcare Group plc. The enlarged Mediclinic Middle East contributed 26% of the Group's underlying earnings for the period ended 31 March 2016.

### FINANCIAL FLEXIBILITY

The Combination brings a primary listing on the Main Market of the London Stock Exchange and has been followed by inclusion in the FSTE 100 index. This will give Mediclinic access to a broader global investor base and new sources of capital at a lower cost.

# 3

HOSPITALS

# 350

BEDS

# 684

PHYSICIANS

# 29

CLINICS

# 2.0

MILLION  
OUTPATIENTS

# FIVE-YEAR SUMMARY

	2016 £'m	2015 £'m	2014 £'m	2013 £'m	2012 £'m
<b>INCOME STATEMENT</b>					
Revenue	2 107	1 977	1 892	1 818	1 853
Operating profit	288	345	342	307	317
Profit after tax	190	254	223	(63)	125
Underlying revenue	2 100	1 977	1 892	1 829	1 853
Underlying EBITDA	428	403	401	390	393
Underlying earnings	219	193	189	143	102

	2016 pence	2015 pence	2014 pence	2013 pence	2012 pence
<b>EARNINGS PER SHARE</b>					
Basic earnings basis	29.6	44.6	41.4	(17.7)	26.3
Diluted earnings basis	29.5	43.8	40.5	(17.2)	25.3
Basic underlying earnings basis	36.7	35.8	37.3	30.9	26.0
Diluted underlying earnings basis	36.7	35.1	36.5	30.0	25.0
<b>DIVIDENDS DECLARED PER SHARE</b>	<b>7.90</b>	<b>9.33</b>	<b>8.90</b>	<b>9.62</b>	<b>9.64</b>

	2016 £'m	2015 £'m	2014 £'m	2013 £'m	2012 £'m
<b>STATEMENTS OF FINANCIAL POSITION</b>					
<b>ASSETS</b>					
Non-current assets	5 604	3 654	3 369	3 405	3 397
Current assets	945	742	638	630	656
<b>Total assets</b>	<b>6 549</b>	<b>4 396</b>	<b>4 006</b>	<b>4 034</b>	<b>4 054</b>
<b>EQUITY</b>					
Owners of the parent	3 509	1 779	1 390	1 223	824
Non-controlling interest	61	61	52	57	104
<b>Total equity</b>	<b>3 570</b>	<b>1 840</b>	<b>1 442</b>	<b>1 280</b>	<b>928</b>
<b>LIABILITIES</b>					
Non-current liabilities	2 192	2 114	2 096	2 324	2 656
Current liabilities	787	442	468	430	469
<b>Total liabilities</b>	<b>2 979</b>	<b>2 556</b>	<b>2 564</b>	<b>2 754</b>	<b>3 126</b>
<b>Total equity and liabilities</b>	<b>6 549</b>	<b>4 396</b>	<b>4 006</b>	<b>4 034</b>	<b>4 054</b>

The Five-year Summary is presented in pound sterling, rounded to the nearest million. Financial information in the past was reported in South African rand and has been translated to pound sterling using the procedures outlined below:

- Assets and liabilities were translated at the closing sterling rates;
- Income and expenses were translated at average sterling exchange rates; and
- Differences resulting from retranslation have been recognised in the foreign currency translation reserve.

# INVESTMENT CASE

## DEFENSIVE INDUSTRY WITH POTENTIAL FOR LONG-TERM GROWTH

- Operating in a strongly defensive sector with demand relatively unaffected by economic cycles.
- Continued growth expected in demand for healthcare due to population growth, ageing population, consumerism, technological advancement, the burden of disease and government funding limitations.

## STRONG TRACK RECORD

- Led by an experienced and proven Board and Management team with an average corporate level tenure of 20 years.
- Delivered stable and strong operational growth for almost three decades.
- Strong track record in selecting earnings-enhancing capital projects and ability to integrate and extract value from acquisitions.
- Long-term commitment since inception from Remgro, Mediclinic's largest shareholder.

## INTERNATIONAL PRESENCE

- Well positioned as a trusted provider of hospital services in developing and developed markets: Southern Africa, Europe and Middle East.
- Significantly expanded presence in UAE through the Combination with Al Noor, providing leading operations in both Dubai and Abu Dhabi.
- Leading position in all the markets in which it operates (which excludes the UK).
- Geographic diversification mitigates country-specific risk.

## PURE SERVICES PLAYER

- Long-term investor and manager of mostly acute care, specialist-orientated, multi-disciplinary hospitals and related outpatient facilities.
- Extensive property portfolio in prime real estate provides valuable operational flexibility and strong assets to underpin the business.

## FURTHER GROWTH OPPORTUNITIES

- Significant experience in integrating and growing acquired assets.
- Committed to establishing centres of excellence and co-ordinated care initiatives, and expanding capacity via identified Greenfield projects.

## COMMITMENT TO QUALITY CARE

- Sustainable, competitive advantage underpinned by continuous focus on patient safety, excellence in clinical performance and delivery of measurable, cost-effective care.

## SUSTAINABILITY

- Commitment to manage business in a sustainable way, upholding the highest standards of ethics and corporate governance practices; value and respect of employees, communities and the environment.
- Focus on integrity to maintain and improve confidence, trust and respect of all stakeholders.

# BUSINESS MODEL

Our business model has resulted in consistent earnings growth, quality service delivery, manageable risks, and generally a business that sustains growth and value to all our stakeholders.

Our business model varies slightly in the three operating platforms. In Southern Africa our operations are supported by specialists who are not employed by the Group, but operate independently. This is a regulatory limitation in terms of the Health Professions Council of South Africa, which prohibits the employment of doctors by private hospitals, although permission has been obtained to appoint doctors in our emergency units. In Switzerland some of the supporting doctors are employed, while in the UAE the majority of the supporting doctors are employed.

## OUR VISION

In line with our vision to be respected internationally and preferred locally, we are focused on creating long-term value for our stakeholders and establishing Mediclinic as a leader in the international healthcare industry.

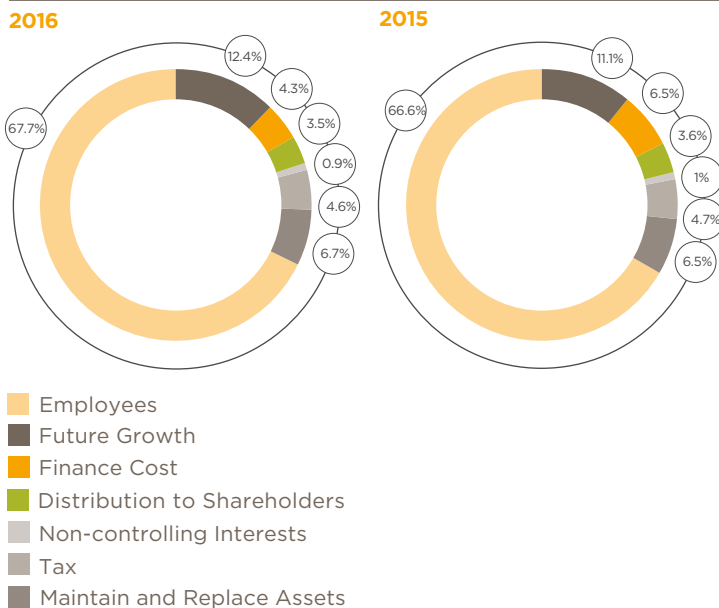
We will be respected internationally for:

- delivering measurable quality clinical outcomes
- continuing to grow as a successful international healthcare Group
- enforcing good corporate governance
- acting as a responsible corporate citizen

We will be preferred locally for:

- delivering excellent patient care
- ensuring aligned relationships with doctor communities
- being an employer of choice, appointing and retaining competent staff
- building constructive relationships with all stakeholders
- being a valued member of the community

## DISTRIBUTION OF VALUE



## BUSINESS INPUTS/RESOURCES



### Financial<sup>5</sup>

Mediclinic has a strong financial profile, underpinned by an extensive property portfolio. The Group has good access to capital and invests for growth, generating positive cash flow and a track record of good returns on its capital investments.

### Manufactured<sup>2</sup>

Mediclinic has a leading position in the key markets in which it operates. The Group owns, develops and operates 73 high-quality hospitals and 45 clinics, providing over 10 400 beds across three regions, utilising technology of an international standard.

### Human<sup>1</sup>

The Group employs over 32 800 permanent staff across its three platforms. During the year, the Group invested 3.6% of Mediclinic Southern Africa's payroll, 5.0% of Hirslanden's payroll and 0.3% of Mediclinic Middle East's payroll in training across all platforms, including extensive formal nurse training in Southern Africa.

### Intellectual<sup>2</sup>

Mediclinic has an experienced Board and management team with deep industry knowledge. The continued growth of Mediclinic is testament to the strong management team and their ability to execute the Group's strategy. The expertise of our clinical staff is a critical element of our business, allowing us to provide quality healthcare services.

### Social and relationships<sup>1</sup>

Mediclinic has excellent relationships with key stakeholders, regularly engaging with employees, funders, patients, supporting doctors, suppliers, governments and communities. It has a proven commitment to ensure a high standard of ethics, social responsibility, accountability, cooperation and transparency.

### Natural<sup>1</sup>

The Group is committed to efficient energy use in all its hospitals and continuously strives to reduce its water consumption and carbon emissions, with an increasing number of its hospitals certified to ISO 14001 standard.

<sup>1</sup> Please see the **Sustainable Development Report** available on the Company's website for further information.

<sup>2</sup> Please see the **Clinical Services Overview** on pages 30 to 33 and the **Clinical Services Report** available on the Company's website for further information.

<sup>3</sup> Please see the **Financial Review** on pages 55 to 59 of the Annual Report for further information.



## HOW WE GENERATE VALUE

### INVESTING IN



#### Growth and expansion of the Group's world class facilities

The Group has a track record of investing in carefully selected capital projects that deliver satisfactory returns and has demonstrated the ability to integrate and extract value from acquisitions and expansions. Mediclinic builds and continuously improves its facilities across its platforms, investing in medical technology of an international standard to offer the best care possible.



#### Highly qualified staff

Continuous investment in the training and development of staff creates a highly trained workforce and talent pipeline. Our Global Reward Centre of Excellence ensures optimal remuneration practices across the Group. Integrated talent strategies are deployed to ensure proactive attraction and retention of scarce skills.



#### Improving efficiencies

A relentless focus on extracting efficiencies from key business processes, using resources as effectively as possible and driving cost savings and synergies across the Group, are critical to ensure that we deliver value for money.

### PROVIDING



#### Care

The Group's main business activity is caring for patients. Deep operational expertise delivers a seamless patient experience, underpinned by high-quality nursing care.

### DELIVERING VALUE TO



#### Patients

Through high-quality clinical outcomes, patient safety and integrated services.



#### Shareholders

Through growth in capitalisation and shareholders returns, with the balance of funds retained for investment in expansion.

## BUSINESS OUTCOMES

### Shareholder value

A focus on disciplined cost management and improving efficiencies has delivered a strong track record of growth in revenue and EBITDA with a final dividend to shareholders of 5.24 pence per share (refer to the Directors' Report on page 121 for a record of dividends for the year by the Company and Mediclinic International Limited prior to the Combination).

### Quality healthcare services

All three platforms have seen an increase in inpatient admissions, benefiting from high quality clinical outcomes through the skill of Mediclinic's staff and supporting doctors and the standard of its facilities, generating high levels of patient satisfaction.

During the year, £264m (2015: £230m) was retained for future growth and to maintain and replace assets.

### Highly skilled workforce

Over £934m (2015: £870m) was paid to employees as remuneration and other benefits, alongside investment in the training and well-being of staff, creating a motivated and engaged workforce, both in clinical and business services.

### Government

The Mediclinic Group contributed over £63m (2015: £61m) in taxes and other state and local authority levies to the economies where it operates during the year.

### Society

Mediclinic makes an economic and social contribution to the communities where it operates with a corporate social investment of R11.8m by Mediclinic Southern Africa, CHF2.5m by Hirslanden and AED0.8m by Mediclinic Middle East during the year. The Company was ranked joint first position in the 2015 Climate Performance Leadership Index, focusing mainly on Mediclinic Southern Africa's environmental management.



# MARKET OVERVIEW

The global healthcare market is facing both challenges and opportunities. Spend is forecast to grow by 5.2% per annum to US\$9.3 trillion by 2018<sup>1</sup>, with growing populations and rising incomes increasing demand for healthcare services, whilst increasing longevity and chronic diseases are creating pressure on funding.

Cost is the biggest healthcare issue facing most countries as they try to align supply to demand. Targeted therapies, personalised medicine, genetic-based medicine, medical devices and other technology advances are delivering significant advances in patient care but driving up costs at the same time.

Healthcare providers are scaling up to address these opportunities and challenges, with consolidation becoming a key feature of the market to ensure access to technology and attract resources in an increasingly competitive market for highly qualified staff – especially doctors and nurses.

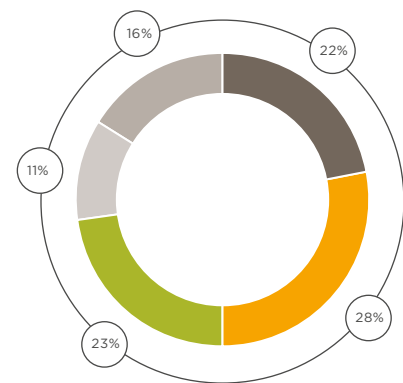
The global healthcare regulatory landscape is complex and evolving. The primary driver is patient health and safety, with government scrutiny varying widely from country to country. Patients are becoming more cost conscious and involved in healthcare decisions, with concerns about data security rising.

## SOUTHERN AFRICA

### MARKET SIZE

There are around 215 private hospitals in South Africa, with three major hospital groups accounting for 63% of private sector beds. The total number of private sector beds has increased steadily from 32 130 in 2010 to approximately 35 217 in 2014, constituting approximately 30% of the total number of beds in the country.

PRIVATE HOSPITAL BED MARKET SHARE (SOUTH AFRICA)



- Mediclinic Southern Africa
- Netcare
- Life Healthcare
- National Hospital Network
- Independent

Source: Econex estimate number of beds in 2014

Private health expenditure covers approximately 16.3% of the national population, representing around 4.2% of GDP. Around 8 785 048 people were insured by medical schemes in 2015<sup>2</sup>.

### MARKET STRUCTURE AND KEY DRIVERS OF GROWTH

Despite strong growth in the middle class, high levels of inequality remain a feature of South African society. Access and affordability of healthcare is the key challenge in a country characterised by slow economic growth, a low tax base, low levels of employment, high levels of poverty, a high burden of disease and an increased prevalence of chronic diseases.

Private healthcare funding in South Africa is principally provided through medical schemes and a consolidation in the medical schemes market over time has led to an increase in their bargaining power. Growth in the medical scheme market has slowed down in recent years with the number of new lives joining medical schemes decreasing from approximately 250 000 in 2010 (growth rate of 3.1%) to approximately 31 000 in 2014 (growth rate of 0.4 %<sup>3</sup>), and based on the latest quarterly report of the South African Council for Medical Schemes the total beneficiaries decreased by 0.3% from 31 December 2014 to 29 000 at 30 September 2015.

Care is fragmented with private hospitals providing patients with facilities such as wards, theatres and nursing care while doctors and allied healthcare professionals provide services to patients within the hospitals but are financially independent, making co-ordination of care sub-optimal.

There is a shortage of skilled resources in South Africa, where there are only 77.6 doctors per 100 000 lives, around half the world average of 152 per 100 000 lives<sup>4</sup> and approximately 403 nurses per 100 000 lives, which is lower than other developing countries. This is exacerbated by the high regard for South African medical professionals internationally; so, in addition to addressing the local skills shortage, South Africa has to compete with global demand for its medical staff.

### REGULATORY ENVIRONMENT

The South African Government is seeking to address the shortcomings of the public health system through the phased introduction of a National Health Insurance system over the next 14 years. A White Paper outlining the financing and design of the envisaged system has been released for consultation and Mediclinic will be submitting comprehensive comments.

The South African Competition Commission is currently undertaking a market inquiry into the private healthcare sector in South Africa to both understand whether there are features of the sector

<sup>1</sup> Source: Deloitte 2015 Global healthcare outlook report

<sup>2</sup> Source: Council for Medical Schemes Quarterly Report for the period ending 30 September 2015

<sup>3</sup> Source: Council for Medical Schemes Annual Reports

<sup>4</sup> Source: Econex calculations 2014

that prevent, distort or restrict competition, and how competition in the sector can be promoted. The enquiry is due to publish its recommendations in December 2016.

## SWITZERLAND

### MARKET SIZE

In 2014 the Swiss healthcare market comprised 289 registered hospitals with about 1.4 million hospital visits and an average length of stay of nine days. About 40% of hospitals are in the private sector, providing about one-fifth of hospital services and employing approximately 20 000 people.

Switzerland spends around 11% of its GDP on healthcare costs, lying at second place in the ranking of OECD countries, with costs of healthcare rising to CHF71 billion in 2014. Approximately 32% of this is funded by the private sector.

### MARKET STRUCTURE AND REGULATORY ENVIRONMENT

Switzerland is characterised by its federal structure with the federal government, the cantons and municipalities having different responsibilities. The healthcare sector is mainly regulated by the 26 cantons. They manage and supervise hospitals and ensure their funding in collaboration with the mandatory health insurance. Several experts criticise the multiple roles of the cantons stating that this makes it impossible for private and public hospitals to have equal opportunities and that private hospitals are at a competitive disadvantage. Hirslanden maintains a good dialogue with all relevant public authorities and is keen on having fair competition in the Swiss healthcare market.

### KEY DRIVERS OF GROWTH

Switzerland has a very high life expectancy of around 83 years. The number of people over 65 years has been increasing in the last decades and will reach approximately 26% of the population by 2045. Parallel to that, the number of births has also shown a constant increase. In 2014 child births increased by 3% compared to 2013.

Diseases of the circulatory system and cancer are the most common causes of death in Switzerland at 33% and 25% respectively. In general, non-transferable chronic diseases, such as high blood pressure, diabetes and arthritis, are becoming more common.

## UAE

### MARKET SIZE

The market for private healthcare in the UAE reached US\$10.7bn in 2015, with predicted growth rates of 12.7% CAGR to 2020 and the number of beds forecast to rise from 12 007 to 13 881 over the same period.

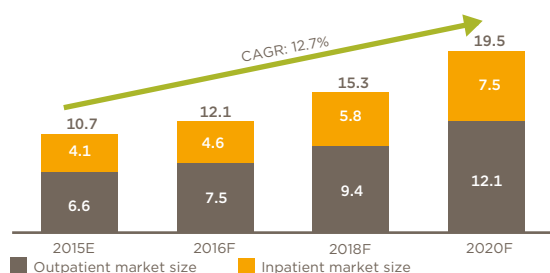
### MARKET DRIVERS

The key drivers of growth are favourable demographic trends such as a continually growing population, with those aged over 65 years projected to increase by a CAGR of 19.6% from 2014–20 (Euromonitor International); a significant incidence of lifestyle diseases such as diabetes and heart disease; heightened levels of government spending on healthcare services; and broad penetration of private healthcare coverage. Although the UAE currently accounts for 26% of government spending on healthcare in the Gulf Cooperation Council (Alpen Capital), investment in healthcare could decline as a result of the lower oil price. However, this could benefit the private healthcare industry in the future as the government increasingly looks to the private sector for assistance to build a world-class healthcare system.

### OPPORTUNITIES FOR MEDICLINIC

Mediclinic is well-positioned to respond to the market opportunities, with a strong presence in Africa and the Middle East – the regions that are expected to experience the highest growth levels of 8.7% over 2014 to 2018. Its reputation for clinical excellence, combined with its size and scale allows the Group to attract and retain the talent that it needs to fuel its growth, to invest in the latest technology and to share best practice across its three platforms. High standards of compliance, ethics and transparency have been cornerstones of the way the Group operates over the last 30 years, underpinning its relationships with regulators, insurers and governments.

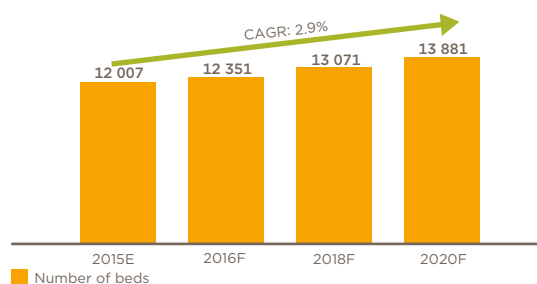
HEALTHCARE MARKET SIZE FORECAST (UAE)



E - Estimated F - Forecasted

Source: Alpen Capital GCC Healthcare Industry Report 2016

FORECAST OF DEMAND FOR HOSPITAL BEDS (UAE)








# OUR STRATEGY, PROGRESS AND AIMS

## OUR OBJECTIVE/GOAL

To provide superior clinical outcomes in a safe clinical environment, while continuously improving the general service experience for patients, in order to help maintain Mediclinic's leading positions in the markets in which it operates.

STRATEGIC PRIORITIES	DESCRIPTION
<p><b>IMPROVE SAFE, QUALITY CLINICAL CARE AND PATIENT EXPERIENCE</b></p> <p>Focus on providing consistently high-quality care and an optimal patient experience across the Group</p> <p>More information on this priority is included in the <b>Sustainable Development Report</b> (material issue 1) available on the Company's website.</p> 	<p>We provide a wide range of hospital-related clinical services throughout our operating platforms, and strive to ensure that the clinical services we provide are efficient, effective, appropriate, evidence-based and in line with modern technological advances. We will continue to focus on various initiatives across all three platforms (as adopted by the Mediclinic Group) with the aim of further improving the patient experience and to deliver integrated and co-ordinated patient-centred care in all facilities.</p>
<p><b>INVEST IN EMPLOYEES</b></p> <p>Invest in Mediclinic's employee base to continue to develop clinical competencies and address scarce skills</p> <p>More information on this priority is included in the <b>Sustainable Development Report</b> (material issue 2) available on the Company's website.</p> 	<p>We continue to focus on identifying, attracting and retaining leading specialists and talented healthcare professionals at our facilities as the market competition for talent increases. We also deploy integrated talent strategies to ensure the proactive attraction of scarce skills in the areas of need as well as the retention of scarce skills in areas that have been identified as higher risk.</p>
<p><b>LEVERAGE INTERNATIONAL GROUP BENEFITS</b></p> <p>Continue to seek opportunities to leverage benefits of an international group</p> <p>More information on this priority is included in the Chief Executive Officer's Report.</p> 	<p>We continuously look for opportunities to leverage our combined international capacity and resources to unlock synergies: namely procurement benefits from greater scale, the creation of a shared operations team in the Middle East and the combination of certain corporate functions. We promote collaboration, shared intellectual capital and resources between our platforms.</p>

PROGRESS 2016

IMPROVE SAFE, QUALITY CLINICAL CARE

- Adopted a centrally integrated clinical management structure thereby improving teamwork, implemented a clinical key performance indicator dashboard to enable improvement and appointed nursing specialists in *Southern Africa*
- Reaffirmed the utilisation of the critical incident reporting system and adherence to policies and progressed with changing the approach from functional nursing to patient-centred nursing in *Switzerland*
- Appointed a group patient safety officer, established a quality department, updated the patient safety strategy and implemented new clinical indicators and created a central repository in *Middle East*

IMPROVE PATIENT EXPERIENCE

- Introduced a standardised Patient Experience Index successfully in *Southern Africa* and *Middle East* and commenced a pilot phase in *Switzerland*

AIMS 2017

IMPROVE SAFE, QUALITY CLINICAL CARE

- Continue to focus on various patient safety and clinical quality initiatives across the *Group*
- Implement standardised clinical performance reports against targets and benchmarks across the *Group*

IMPROVE PATIENT EXPERIENCE

- Implement targeted improvement plans based on the Patient Experience Index in *Southern Africa* and *Middle East*
- Implement the standardised Patient Experience Index in *Switzerland*




- Established a Global Reward Centre of Excellence to optimise reward practices across the *Group*
- Introduced a standardised Employee Engagement Index successfully across the *Group*
- Commenced with doubling training capacity by changing the nurse training funding model and expanding training capacity in *Southern Africa*
- Increased training expenditure, in particular relating to specialist nurses, with approximately 980 apprenticeships and students, 85% of whom work in healthcare professions in *Switzerland*
- Progressed with extensive Continuing Medical Education programme for clinical staff and established a new relationship with Mohamed Bin Rashid University of Medicine and Health Sciences, which will give direct access to a new pool of medical students and newly-qualified doctors in *Middle East*

- Implement targeted improvement plans based on the Employee Engagement Index across the *Group*
- Integrate results of Patient Experience and Employee Engagement surveys to evaluate the impact of employee engagement improvement plans on patient experience across the *Group*

- Shared clinical skills across the *Group*
- Commenced with harmonisation of systems through the introduction of SAP ERP across the *Group*
- Generated savings on the procurement of major capital items and surgical and consumable products across the *Group*
- Implemented initial master data management and international data warehouse projects across the *Group*
- Continued collaboration between *Switzerland* and *Middle East* on centres of excellence such as Oncology and Obesity and with the inter-platform transfer of senior staff members to *Middle East*

- Continue to generate savings on the procurement of major capital items and surgical and consumable products where possible across the *Group*
- Continue to standardise and centralise selective support processes across the *Group*
- Continue with "Hirslanden 2020" project to improve operational efficiency in *Switzerland*

# OUR STRATEGY, PROGRESS AND AIMS (continued)

STRATEGIC PRIORITIES	DESCRIPTION
<p><b>CONTINUE TO GROW</b></p> <p>Grow via capacity and footprint expansion across the portfolio at attractive returns</p> <p>More information on this priority is included in the <b>Sustainable Development Report</b> (material issue 3) available on the Company's website.</p> 	<p>We will continue to evaluate investment opportunities to grow our footprint beyond the existing operating platforms and regions that will add long-term value to shareholders; and will continue to make significant investments to grow capacity at each of the operating platforms. We are also pursuing opportunities and initiatives to improve occupancies of existing premises, expand existing facilities and acquire or create new facilities.</p>
<p><b>IMPROVE EFFICIENCIES</b></p> <p>Improve efficiencies through standardisation, utilisation of group scale and use of data analytics</p> <p>More information on this priority is included in the <b>Sustainable Development Report</b> (material issue 3) available on the Company's website.</p> 	<p>Due to the geographic spread of our operations, the potential of possible cost savings, less administration and improved efficiency, we have initiated international procurement initiatives with the aim of unlocking synergies and implementing standardisation for the greater benefit of the <i>Group</i>.</p>
<p><b>DELIVER INTEGRATED AND CO-ORDINATED CARE</b></p> <p>Further develop structures to encourage integrated and co-ordinated care across the Group</p> <p>More information on this priority is included in the <b>Clinical Services Report</b> available on the Company's website.</p> 	<p>With the aim of ensuring that we deliver consistent cost-effective care and superior clinical outcomes at every facility, we have embarked on a number of projects to gradually move towards a better integrated clinical healthcare delivery model. The key focus area is to put the patient first through improved collaboration and co-ordination between the various clinical care providers in the clinical care process.</p>



PROGRESS 2016

- Acquired a 29.9% interest in UK-based Spire Healthcare in August 2015 – growing the *Group*
- Combined Al Noor Hospitals Group plc and Mediclinic International Limited in February 2016 – growing the *Group*
- Commissioned two new day clinics, obtained six new day clinic licenses, commissioned 132 new beds (including the new day clinics) and acquired a controlling share in three hospitals with 256 beds in Klerksdorp (subject to conditions precedent) in *Southern Africa*
- Commissioned an outpatient clinic with an integrated radiology institute in Düringen in *Switzerland*
- Acquired land to build a 188-bed hospital in Dubai, opened Mediclinic Al Hili in Al Ain and secured additional capacity at Mediclinic City Hospital in Dubai in *Middle East*

- Achieved significant savings on several surgical supplies and capital equipment following implementation of central procurement
- Introduced direct importing and distribution of more cost-effective surgical and consumable products

- Focused on closer collaboration with doctors, transparent sharing of information with funders and doctors and the appointment of Hospital Clinical Managers at a number of larger hospitals as well as collaborative pilot ventures with small groups of orthopaedic surgeons and obstetricians in *Southern Africa*
- Published the conceptual model of a system provider in the national journal of doctors, and received positive feedback in *Switzerland*
- Further developed the Breast and Metabolic Centres at Mediclinic City Hospital to streamline clinical processes and concluded clinical services planning for the new comprehensive Cancer Centre in *Middle East*

AIMS 2017

- Continue with expansion projects which should add 97 additional beds during 2016/17 in *Southern Africa*
- Continue with several expansion projects, including more operating theatre capacity for both Hirslanden Klinik Stephanshorn and Hirslanden Klinik St. Anna, and an expanded emergency department for Hirslanden Klinik Im Park in *Switzerland*
- Continue with several projects, including the opening of the Al Jowhara Hospital, the North Wing extension of Mediclinic City Hospital, plus the opening of the Khalifa A, Al Yaher, Ghayathi and Look Wow clinics in *Middle East*

- Enable growth with select key partners to strengthen our negotiating power
- Identify further saving opportunities with international consolidated data comparisons and spend pattern analysis
- Further integrate services where appropriate in local markets
- Develop a wider range of clinical performance indicators

- Continue to develop structures to encourage integrated, collaborative and co-ordinated care across the *Group*
- Continue with operational initiatives to integrate, collaborate and co-ordinate where possible and continue to pursue a multi-disciplinary approach to treatment across the *Group*



# KEY PERFORMANCE INDICATORS

		2016	2015	% change
<b>FINANCIAL</b>				
<b>Revenue</b>	£'m	<b>2 107</b>	1 977	7%
EBITDA <sup>1</sup>	£'m	<b>382</b>	406	(6%)
Underlying EBITDA <sup>1</sup>	£'m	<b>428</b>	403	6%
Operating profit	£'m	<b>288</b>	345	(17%)
Earnings <sup>2</sup>	£'m	<b>177</b>	241	(27%)
Underlying earnings <sup>1</sup>	£'m	<b>219</b>	193	13%
Basic earnings per share	pence	<b>29.6</b>	44.6	(34%)
Underlying basic earnings per share <sup>1</sup>	pence	<b>36.7</b>	35.8	3%
Dividend per share	pence	<b>7.90</b>	9.33	(15%)
Net debt at the year end	£'m	<b>1 536</b>	1 353	14%
Capital expenditure on projects, new equipment and replacement of equipment	£'m	<b>186</b>	192	(3%)
Southern Africa	£'m	<b>52</b>	80	(35%)
Switzerland	£'m	<b>98</b>	95	3%
United Arab Emirates	£'m	<b>36</b>	17	112%



Notes:

<sup>1</sup> See the reconciliations between the statutory and the non-GAAP earning measures on pages 55 to 56.

<sup>2</sup> Earnings refer to profit attributable to equity holders.

The Al Noor acquisition has been classified as a reverse takeover in terms of IFRS 3. Since Mediclinic International Limited has been identified as the acquirer, the comparative figures are those of Mediclinic International Limited's 2015 Group results excluding Al Noor and are re-presented in pounds sterling. Al Noor's results have been consolidated from the effective date of the acquisition (15 February 2016).



Group results are subject to movements in foreign currency exchange rates. Refer to page 57 for exchange rates used to convert the operating platforms' results to pound sterling.

		2016	2015
<b>OPERATIONAL</b>			
Number of hospitals in operation		<b>73</b>	70
Southern Africa		<b>52</b>	52
Switzerland		<b>16</b>	16
United Arab Emirates		<b>5</b>	2
Number of clinics in operation		<b>45</b>	13
Southern Africa		<b>2</b>	0
Switzerland		<b>4</b>	3
United Arab Emirates (including Al Noor)		<b>39</b>	10
Number of licensed/registered beds (including day facility beds)		<b>10 415</b>	9 922
Southern Africa		<b>8 017</b>	7 885
Switzerland		<b>1 677</b>	1 655
United Arab Emirates (including Al Noor)		<b>721</b>	382
Number of licensed/registered theatres (including day facility theatres)		<b>387</b>	367
Southern Africa		<b>270</b>	269
Switzerland		<b>92</b>	88
United Arab Emirates (including Al Noor)		<b>25</b>	10

		2016	2015
<b>SOCIAL, ENVIRONMENTAL AND OTHER</b>			
Included in RobecoSam Dow Jones Sustainability Index		<b>Yes</b>	Yes
Number of employees		<b>32 884</b>	27 696
Southern Africa		<b>16 832</b>	16 522
Switzerland		<b>9 120</b>	8 749
United Arab Emirates (including Al Noor)		<b>6 932</b>	2 425
Staff turnover rate			
Southern Africa		<b>6.8%</b>	7.2%
Switzerland		<b>5.2%</b>	6.9%
United Arab Emirates		<b>12.4%</b>	11.7%
Training spend as approximate percentage of payroll			
Southern Africa		<b>3.6%</b>	3.0%
Switzerland		<b>5.0%</b>	5.0%
United Arab Emirates		<b>0.3%</b>	0.2%
Spent on corporate social investment			
Southern Africa	R'm	<b>11.8</b>	10.4
Switzerland	CHF'm	<b>2.5</b>	2.1
United Arab Emirates	AED'm	<b>0.8</b>	0.7
Transformation (South Africa only)			
BBBEE scorecard contributor level		<b>4</b>	4
Percentage black employees		<b>70.5%</b>	69.1%
Percentage black management employees		<b>25.7%</b>	25.8%
Ranking in CDP Climate Disclosure Leadership Index		<b>joint 1st</b>	joint 2nd
Total energy usage (gigajoules/bed day)		<b>1.652</b>	1.754
Southern Africa		<b>0.333</b>	0.331
Switzerland (per calendar year)		<b>0.477</b>	0.533
United Arab Emirates (hospitals only)		<b>0.842</b>	0.890

# RISK MANAGEMENT, PRINCIPAL RISKS AND UNCERTAINTIES

The Board is ultimately accountable for the Group's risk management process and system of internal control. In terms of a mandate by the Board, the Audit and Risk Committee monitors the risk management process and systems of internal control of the Group, the Group's internal and external auditors and the Group's risk management function. The Board oversees the activities of the Audit and Risk Committee and receive regular feedback on the responsibilities delegated to the Audit and Risk Committee.

treatment processes and the responsibilities of the various risk management role-players in the Group. The ERM policy is subject to annual review and any amendments are submitted to the Audit and Risk Committee for approval.

The objective of risk management in the Group is to establish an integrated and effective risk management framework where important and emerging risks are identified, quantified and managed. An ERM software application supports the Group's risk management process in all three operating platforms. A robust assessment of the key risks in the Group culminates in the identification of the Group's principal risks, which are presented via the Audit and Risk Committee to the Board for consideration and approval.

The Group's principal risk items (grouped by COSO category and business process), the movement in risk during the financial year, together with key measures taken to mitigate these risks, are listed in the table on pages 24 to 26.



## RISK MANAGEMENT

The Group's Enterprise-wide Risk Management ("ERM") policy follows the international COSO (Committee of Sponsoring Organisations of the Treadway Commission) framework and defines the risk management objectives, methodology, risk appetite, risk identification, assessment and

## KEY

REFERENCE	COSO CATEGORY	BUSINESS PROCESSES
1	Strategic and Market	Strategy Management; Strategic investments
2	Operational effectiveness and quality	Human resources; Information communication and technology; Clinical; Infrastructure; Marketing and corporate communication; Operations
3	Financial and reporting risks	Revenue cycle; Procure to pay cycle; Payroll cycle; Cost control; Assets management; Treasury
4	Compliance risks	Legal and secretarial; Governance risk and compliance; Environmental management
↑	Risk exposure has increased due to change in business environment, increased investments, increased dependency of operations on information technology, information sensitivity and cost involved.	
↓	Proactive and continuous monitoring, favourable results of negotiations, effective treasury and risk management processes have resulted in lowering of risk exposure.	
→	Risk exposure has not changed much as the operating and regulatory environment has more or less remained the same and enhanced risk mitigation measures have kept the risk at same level.	

PRINCIPAL RISK	MOVEMENT IN 2016	DESCRIPTION OF RISK	MITIGATION OF RISK
<b>REGULATORY RISK</b> 1 4	→	<p>Adverse changes in laws and regulations impacting on the Group or the failure to comply with laws and regulations which may result in losses, fines, prosecution or damage to reputation.</p> <p>The risk also includes ethical and governance risks that refer to unexpected negative consequences of unethical actions or the failure of the control and oversight mechanisms which were designed and implemented to uphold the ethical standards and controls of the Group.</p>	<ul style="list-style-type: none"> <li>Proactive engagement strategies with stakeholders</li> <li>Health policy units created to conduct research and provide strategic input into reform processes</li> <li>Active industry participation across all platforms</li> <li>Company secretarial and/or legal departments support operational management, monitor regulatory developments and, where necessary, obtain expert legal advice for the effective implementation of compliance initiatives</li> <li>Compliance risks identified and assessed as part of departmental risk registers</li> <li>Visible ethical leadership</li> <li>Monitoring and investigation of incidents reported on the Ethics Line</li> <li>Board-level oversight</li> </ul>

PRINCIPAL RISK	MOVEMENT IN 2016	DESCRIPTION OF RISK	MITIGATION OF RISK
<b>COMPETITION</b> <b>1</b>	→	The risk relating to the uncertainty created by the existence of competitors or the emergence of new competitors with their own strategies.	<ul style="list-style-type: none"> <li>Proactive monitoring</li> <li>Strategic planning processes</li> <li>Quality and value of care processes</li> </ul>
<b>BUSINESS INVESTMENT AND ACQUISITION RISKS</b> <b>1</b>	↑	The increased financial exposure relating to major strategic business investments and acquisitions. During the last financial year, Mediclinic made strategic investments in Spire Healthcare, as well as acquired the Al Noor Hospitals Group.	<ul style="list-style-type: none"> <li>Strategic planning processes</li> <li>Due diligence processes</li> <li>Investment mandates</li> <li>Board oversight</li> <li>Post-acquisition management processes</li> </ul>
<b>ECONOMIC AND BUSINESS ENVIRONMENT</b> <b>1</b>	→	<p>The downturn in the general economic and business environment, including all those factors that affect a Company's operations, customers, competitors, stakeholders, suppliers and industry trends.</p> <p>The business environment risk includes the power of funders and the potential negative impact on tariffs and fees resulting from the shift of the relative negotiating power towards funders, away from healthcare service providers.</p>	<ul style="list-style-type: none"> <li>Systems to monitor developments in the economic and business environment of trends and early warning indicators</li> <li>Proactive monitoring and negotiation by Group's Funder Relations Departments</li> <li>Focus on quality and continuum of care to reinforce Company position</li> </ul>
<b>OPERATIONAL AND CREDIT RISKS</b> <b>2 3</b>	↓	<p>Operational risk refers to various types of operational events with a potential for financial loss.</p> <p>Credit risk is the risk of loss due to a funder's inability to pay the outstanding balance owing, default by banks and/or other deposit-taking institutions, or the inability to recover outstanding amounts due from the patient.</p>	<ul style="list-style-type: none"> <li>Preservation of a sound internal financial control environment</li> <li>Effective risk management processes</li> <li>Extensive combined assurance processes</li> <li>Monitoring of operations through KPIs</li> <li>Continuous enhancement of operational efficiency and cost reduction</li> <li>Regulated minimum solvency requirements for funders</li> <li>Monitoring of approved funders</li> <li>Treasury policy</li> <li>Board-level oversight</li> </ul>
<b>AVAILABILITY AND COST OF CAPITAL</b> (Including financing and liquidity risk) <b>3</b>	↓	<p>The cost, terms and availability of capital to finance strategic expansion opportunities and/or the refinancing or restructuring of existing debt which has been affected by prevailing capital market conditions.</p> <p>The impact of negative interest rates currently prevalent in Switzerland.</p>	<ul style="list-style-type: none"> <li>Long-term planning of capital requirements and cash-flow forecasting</li> <li>Scrutiny of cash-generating capacity within the Group</li> <li>Proactive and long-term agreements with banks and other funders relating to funding facilities</li> <li>Monitoring of compliance with requirements of debt covenants</li> <li>Further details on capital risk management and the Group's borrowings are contained in the annual financial statements</li> </ul>



# RISK MANAGEMENT, PRINCIPAL RISKS AND UNCERTAINTIES (continued)

PRINCIPAL RISK	MOVEMENT IN 2016	DESCRIPTION OF RISK	MITIGATION OF RISK
<b>CLINICAL RISKS</b> <b>1 2</b>	→	<p>All clinical risks associated with the provision of clinical care resulting in undesirable clinical care or clinical outcomes.</p> <p>The risks include a pandemic and disease outbreak: a pandemic is an epidemic of infectious disease that is spreading through human populations across a large region. Disease outbreak involves highly infectious diseases with a high mortality rate.</p> <p>Such risks may also result in damage to the Mediclinic brand equity. Brand equity refers to the value of the Group's brand names.</p>	<ul style="list-style-type: none"> <li>Refer to the <b>Clinical Services Report</b> for a detailed analysis of the strategies to manage and monitor clinical risks</li> <li>A Group-wide clinical risk register implemented per platform</li> <li>Accreditation processes</li> <li>Clinical governance processes</li> <li>Monitoring of clinical performance indicators</li> <li>Implementation of comprehensive processes for infection control and prevention</li> <li>Marketing and communication strategies</li> <li>Focus on quality management processes</li> <li>Stakeholder engagement and disclosure strategies</li> </ul>
<b>INFORMATION SYSTEMS SECURITY AND AVAILABILITY RISK</b> <b>2</b>	↑	<p>Information systems security risk (including cyber risk) relates to the unauthorised access to information systems, failure of data integrity and confidentiality. Availability risk relates to the instances where systems are not available for use by its intended users.</p> <p>A risk which is closely associated with Information Systems risk is project delivery. Project Delivery risk refers to issues or occurrences that may potentially interfere with successful completion of projects, including its scope, timeliness and appropriateness of delivery.</p>	<ul style="list-style-type: none"> <li>Comprehensive IT logical access, change and physical access controls</li> <li>Disaster recovery planning</li> <li>System design and architecture</li> <li>Group ICT Security Committee</li> <li>Experienced project management team</li> <li>Proactive monitoring and oversight</li> <li>Reallocation of tasks and resources</li> </ul>
<b>QUALITY AND STABILITY OF OPERATIONAL SERVICES</b> <b>2 3</b>	→	<p>The risk refers to the quality of service and the stability of the operations. It includes but is not limited to:</p> <ul style="list-style-type: none"> <li>Incidents of poor service or incidents where operational management fails to respond effectively to complaints.</li> <li>Operational interruptions which refer to any disruption of the facility and may include the threat of disrupted power or water supply.</li> <li>Fire and allied perils causing damage or business interruption.</li> </ul>	<ul style="list-style-type: none"> <li>Patient satisfaction surveys (both internal and external)</li> <li>Complaints monitoring</li> <li>Training programmes</li> <li>Supervision of service levels</li> <li>Emergency backup power generation</li> <li>Emergency planning</li> <li>Plans to deal with disasters</li> <li>Extensive fire-fighting and detection systems, including comprehensive maintenance processes</li> <li>Comprehensive insurance to deal with financial impact of potential disasters</li> </ul>
<b>AVAILABILITY, RECRUITMENT AND RETENTION OF SKILLED RESOURCES AND MEDICAL PRACTITIONERS</b> <b>2 3</b>	→	<p>The availability and support of admitting doctors, whether independent or employed, are critical to the services the Group provides.</p> <p>There is a shortage of skilled labour, particularly a shortage of qualified and experienced nursing staff in Southern Africa.</p>	<ul style="list-style-type: none"> <li>Monitoring of doctor satisfaction, movement and doctors' profiles</li> <li>Details on the relationship with doctors provided in the <b>Sustainable Development Report</b>.</li> <li>The employment, recruitment and retention strategies explained in the <b>Sustainable Development Report</b>.</li> <li>Extensive training and skills development programme, and foreign recruitment programme, further explained in the <b>Sustainable Development Report</b>.</li> </ul>



## INTERNAL CONTROL

The Group upholds an effective control environment, including a comprehensive system of internal controls. These are designed to ensure that risks are mitigated and that the Group's objectives are attained. The system includes monitoring mechanisms and ensures that appropriate actions are taken to correct deficiencies when they are identified. Also included is a comprehensive system of financial reporting and forecasting. The Chief Financial Officer and Group Financial Manager oversee the internal controls relating to financial information and reporting, tax and treasury.

The Al Noor business operated its own system of internal controls which was being monitored for its effectiveness by the previous Al Noor Board's Audit and Risk Committee. Their system of internal control included a risk management function, a set of defined financial controls and an internal audit function. Formal integration projects are underway to fully integrate the Al Noor business with Mediclinic under the guidance of the Mediclinic Middle East leadership. The first phase, which included the implementation of new organisational structures and the implementation of Mediclinic policies, has been successfully completed. The next phases will include the development and integration of IT systems and related processes.

Each operating platform executed its assurance plans. These plans comprise various assurance processes, including internal and external audit processes, which are in place to evaluate the effectiveness of key controls designed to mitigate the principal risks identified in each operating platform.

The Group makes use of an outsourced internal audit function which is closely aligned with the Group Risk Management function and reports independently to the Audit and Risk Committee of the Board. At each operating platform the effectiveness of the system of internal financial control is independently evaluated through the internal and external audit programmes. In addition to these audits, the effectiveness of operational procedures is examined internally through various peer review and control self-assessment processes. The results of these assurance processes are monitored by the Group's risk management function and reported to each operating platform's management teams.

Each of the operating platforms has, in addition to the abovementioned assurance processes, implemented further independent assurance processes with professional organisations which are summarised in the table on page 28.











The Company Secretaries at Group and operating platform level, as well as the internal legal advisors, are responsible for providing guidance in respect of compliance with applicable laws and regulations.

## EFFECTIVENESS OF RISK MANAGEMENT PROCESS AND SYSTEM OF INTERNAL CONTROL

The Board, via the Audit and Risk Committee, regularly receives reports on and considers the activities of the internal and external auditors of Mediclinic Southern Africa, Hirslanden and Mediclinic Middle East and the Group's risk management function. The Board, via the Audit and Risk Committee, is satisfied that there is an effective risk management process in place and that there were no significant failings or weaknesses identified in the system of internal control during the period under review within the Group.



# RISK MANAGEMENT, PRINCIPAL RISKS AND UNCERTAINTIES (continued)

ASSURANCE OUTPUT*		BUSINESS PROCESSES ASSURED	PROVIDER
External calculation of carbon footprint based on carbon emissions data of Mediclinic Southern Africa		Carbon footprint calculation	Carbon Calculated
ISO 14001:2004 certification of 41 of Mediclinic Southern Africa's 52 hospitals		Environmental management system	British Standard Institute, as accredited by UKAS (United Kingdom Accreditation Service)
COHSASA accreditation of 30 of Mediclinic Southern Africa's 36 participating hospitals, with the remaining eight hospitals undergoing the renewal process		Quality standards of healthcare facilities	COHSASA (Council for Health Services Accreditation of Southern Africa), which is accredited by ISQua (the International Society for Quality in Health Care)
BBBEE Level 4 contributor verification		Broad-based black economic empowerment	Empowerdex
ISO 9001:2008 certification of 15 out of 16 Hirlanden hospitals and Hirlanden Corporate Office		Process and Quality management	Swiss Association for Quality and Management Systems (SQS)
Self-assessment against EFQM (European Foundation for Quality Management) Excellence Model by 15 out of 16 Hirlanden hospitals and Hirlanden Corporate Office		Assessment against the EFQM Excellence Model, a framework for organisational management systems aimed at promoting sustainable excellence within organisations	EFQM Excellence Model
ISO 14001:2015 certification of Hirlanden Klinik Belair		Environmental management system	Swiss Association for Quality and Management Systems (SQS)
JCI accreditation of both Mediclinic Middle East hospitals and accreditation of eight clinics in Dubai as well as accreditation of all three Al Noor hospitals		Quality and safety of patient care	Joint Commission International Accreditation (JCIA)
ISO 15189:2009 certification of the pathology laboratories of both Mediclinic Middle East hospitals and all five clinics with in-house laboratories		Pathology laboratories of both Mediclinic Middle East hospitals and five clinics	International Organization for Standardization (ISO)
College of American Pathologists (CAP) re-accreditation of the pathology laboratory of Mediclinic City Hospital		Pathology laboratory of Mediclinic City Hospital	College of American Pathologists

\* The flags indicate the operating platform where the assurance process is in place.

Key:  Mediclinic Southern Africa  Hirlanden  Mediclinic Middle East

## VIABILITY STATEMENT

In accordance with provision C.2.2 of the 2014 revision of the Code, the Board has made an assessment of the prospects of the Group over a period extending beyond the 12 months which is the focus of the 'Going Concern' basis of accounting.

The Board has adopted a three-year time frame for the assessment, as this is in line with the Group's loan facilities' refinancing period and the business planning period, including the financial forecasts. The assessment is consequently based on each of the operating platforms' business plans, which reflect the current Group strategies and their associated risks and the directors' best estimations of their future prospects. The Al Noor business, which is in the process of being integrated into the Mediclinic Middle East platform, was included in the sensitivity analysis and stress tested in the same manner as the other platforms as discussed further in this statement.

The Audit and Risk Committee monitors the Group's risk management process and system of internal control via a mandate from the Board (see page 109). The principal risks, as detailed on pages 24 to 26, were identified by these systems and, for the purposes of the viability assessment, severe but plausible scenarios reflecting these risks were identified for each of the Group's operating platforms to form the basis for stress testing.

The potential impact of each scenario was modelled on each operating platform's EBITDA, profit after tax, net debt and debt covenants over the three-year forecast period.

The key assumptions underlying the operating platforms' business plans that were flexed in the stress testing included:

- reductions in tariffs and fees;
- reductions in number of bed days sold;
- increased competition;
- the macro-economic and business environment;
- the shortage and availability of qualified and experienced nursing staff;
- the investment in Group initiatives not being successfully implemented;
- expansion projects not achieving projections and expectations;
- a larger increase in accounts receivable (debtor days) than expected; and
- a delay in the opening of new branches.

The Board considered the viability of the Group both in the context of the individual risks listed above and in combination.

This analysis showed that the business would be able to withstand any of the severe but plausible scenarios by taking management action in the normal course of business. The Directors therefore have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their detailed assessment, ending on 31 March 2019.

Having considered the principal risks and the viability assessment, the directors also consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.



# CLINICAL SERVICES OVERVIEW

## INTRODUCTION

Mediclinic provides a wide range of hospital-related clinical services throughout its operating platforms. This includes outpatient consultation services and pre-hospital emergency services, hospital-based emergency centres, day case surgery, acute care inpatient services, and highly specialised services. Support services include laboratory, radiology and nuclear medicine.

Mediclinic strives to ensure that the clinical services provided throughout the Group are efficient, effective, appropriate, evidence-based and in line with modern technological advances. To give our stakeholders some insight into our efforts in this regard, we have been publishing this report for many years. To get a better view of more of the information that we have available regarding this topic, we recommend that the full **Clinical Services Report** on our website should also be read. Interpreting and acting on this clinical information are regarded as essential for the Company to live its slogan of "Expertise you can trust." as well as for growing the Company.

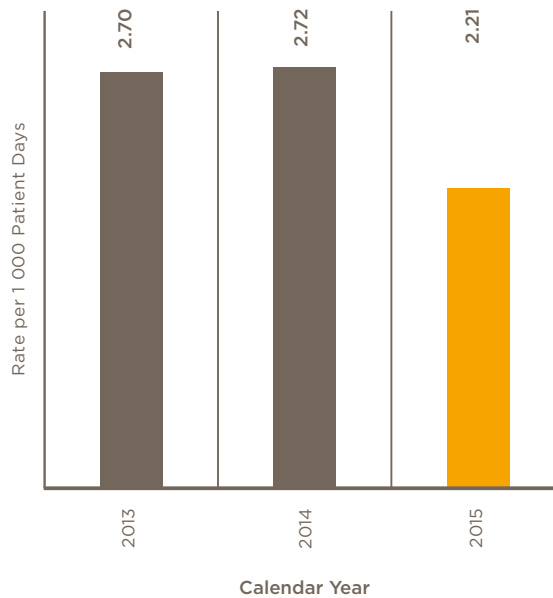
During the year under review, the focus at Mediclinic Clinical Services has mainly been on improving safety and quality of care in support of the Mediclinic goal of "Patients First", and clinical services development in support of the Mediclinic goal of "Transforming from a facility to healthcare systems provider". Satisfactory progress has been made, and many of the initiatives will be continued in the new financial year.

All indicators included in this Clinical Services Overview are reported per calendar year to ensure completeness and consistency, as a significant time lag needs to be provided for in the collection of clinical data.

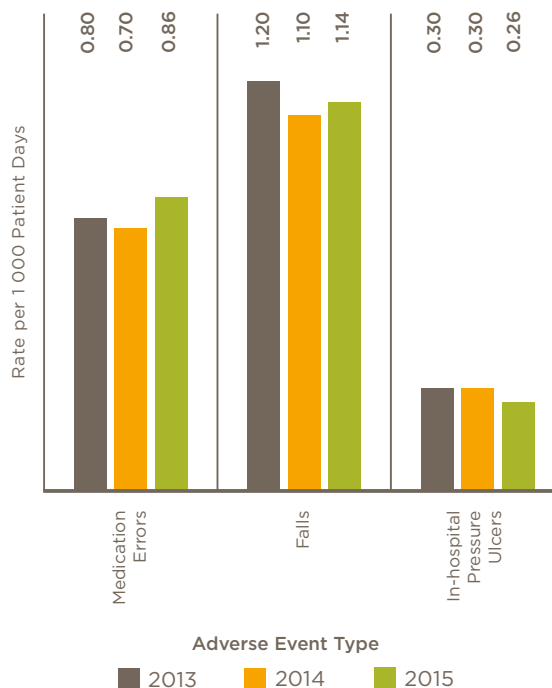
## CLINICAL PERFORMANCE HIGHLIGHTS AND CHALLENGES

- Mediclinic Southern Africa has improved its clinical outcomes in a number of areas. The APACHE®IV mortality index, measuring performance of critical care units, reduced from 1.45 in 2014 to 1.35 in 2015. Healthcare-associated infections ("HAIs") still remain one of the highest risks to patients and the rate of HAI reduced from 2.70 per 1 000 patient days in 2013 to 2.21 per 1 000 patient days in 2015 (**Figure 1**). Hand hygiene compliance is an important measure in the prevention of HAIs and has increased steadily over the last three years from 67% to 76% in 2015.

**FIGURE 1:** HEALTHCARE ASSOCIATED INFECTIONS - MEDICLINIC SOUTHERN AFRICA (2013 - 2015)



**FIGURE 2:** ADVERSE EVENTS - MEDICLINIC SOUTHERN AFRICA (2013 - 2015)



- An increase was seen in the rate of medication errors (0.70 per 1 000 patient days in 2014 to 0.86 per 1 000 patient days in 2015) and falls (1.10 per 1 000 patient days in 2014 to 1.14 per 1 000 patient days in 2015) (Figure 2). These measures are regarded as nursing-sensitive indicators and correlate with the general concerns regarding the number and skill of available nursing staff. The readmission rate and the extended length of stay rate have also shown an increasing trend over the last three years, from 7.3% to 7.7% and 10.28% to 10.81% respectively and are receiving attention.
- Hirslanden has the highest case mix in the Group reflecting the complexity of cases treated. However, clinical outcomes remain excellent as is demonstrated by low infection rates and other outcome measures. The fall rate decreased from 2.5 per 1 000 patient days in 2014 to 2.1 per 1 000 patient days in 2015. Pressure ulcers also decreased from 1.1 per 1 000 patient days to 1.0 per 1 000 patient days. Over the last three years the ventilator-associated pneumonia (“VAP”) decreased from 5.6 per 1 000 device days to 4.3 per 1 000 device days (Figure 3). The Simplified Acute Physiology Score (SAPS) II mortality index remains well below the benchmark of 0.44 at 0.20. The unscheduled readmission rate also decreased from 1.44% in 2014 to 1.28% in 2015.
- The catheter-associated urinary tract infections (“CAUTI”) showed a slight decrease when compared to 2014. Ventilator-associated pneumonias decreased slightly in 2015. However, the central line-associated bloodstream infections (“CLABSI”) increased significantly in 2015. The trend was visible during the first half of the year. Action plans were implemented and the rate decreased in the second half of the year with further improvements expected. The measures that are reported for United Arab Emirates refer to the outcomes of the Dubai operations only. Al Noor indicators are in the process of being re-evaluated as part of a process to standardise all indicators in the combined group. Falls decreased from 0.5 per 1 000 patient days in 2014 to 0.3 per 1 000 patient days in 2015. Pressure ulcers also reduced from 0.6 per 1 000 patient days to 0.5 per 1 000 patient days while medication errors remained the same at 0.6 per 1 000 patient days (Figure 4). The HAI rate increased slightly from 1.5 per 1000 patient days in 2014 to 1.6 per 1 000 patient days in 2015. The rate of catheter-associated urinary tract infections decreased over the last three years from 0.9 per 1 000 device days to 0.3 per 1 000 device days. The rate of CLABSI remained the same as 2014 at 2.4 per 1 000 device days. The overall mortality rate remains low at 0.18%. The APACHE®IV mortality index is 0.42 and well below 1. The VAP rate has increased significantly from 3.8 per 1 000 device days to 7.6 per 1 000 device days. This is due to a marked increase at Mediclinic Welcare Hospital caring for more complex cases.

FIGURE 3: DEVICE-ASSOCIATED AND SURGICAL SITE INFECTIONS - HIRSLANDEN (2013 - 2015)

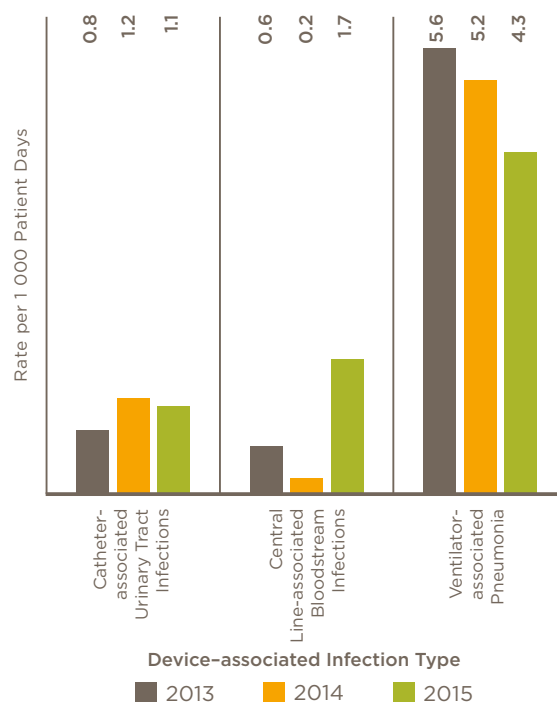
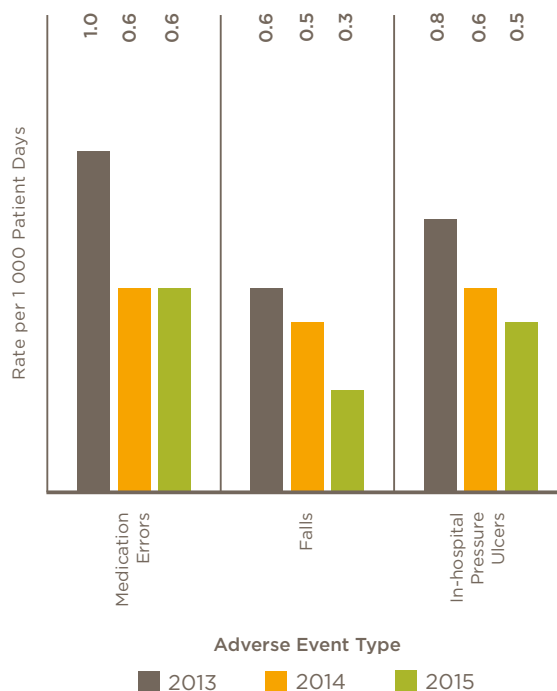


FIGURE 4: ADVERSE EVENTS - MEDICLINIC MIDDLE EAST (2013 - 2015)



# CLINICAL SERVICES OVERVIEW (continued)

## PROGRESS AGAINST CURRENT OBJECTIVES

### “PATIENTS FIRST” AT MEDICLINIC

Mediclinic Southern Africa adopted a centrally integrated clinical management structure which resulted in improving teamwork. A clinical Key Performance Indicator (“KPI”) dashboard, that visually displays statistical information to hospitals to enable management of performance and quality improvement initiatives, was developed and implemented. Nursing specialists have been appointed in critical care, theatre management, obstetrics and neonatology to centrally coordinate a number of projects aimed at improving clinical care in these areas.

Hirslanden reaffirmed the utilisation of its critical incident reporting system and adherence to policies. Audits on a number of indicators showed that data was accurate and appropriate action taken when areas in need of improvement were identified. A change in approach from functional nursing to patient-centred nursing has made good progress, which resulted in a new nursing skill and grade-mix pilot project.

Mediclinic Middle East appointed a group patient safety officer, established a quality department and updated its patient safety strategy. New clinical indicators were implemented, and a central repository created. Standardisation and improvement of clinical information and documentation made good progress, and the development of clinical KPIs for doctors is well underway. The clinical services departments of Mediclinic Middle East and Al Noor have been combined and initial steps were taken to integrate all activities.

## TRANSFORM FROM AN INFRASTRUCTURE PROVIDER TO A HEALTHCARE SYSTEMS PROVIDER

Mediclinic Southern Africa focused on closer collaboration with doctors, transparent sharing of information with funders and doctors, and patient-centred care. Clinical managers were appointed at four larger hospitals, and early indications are that these positions contribute to improved patient safety and quality of care. Collaborative ventures with small groups of orthopaedic surgeons and obstetricians have been launched as pilot projects to improve clinical care and efficiency.

In 2015, Hirslanden published its conceptual model of a system provider in “Schweizerische Ärztezeitung”, the national journal of doctors, and received positive feedback. Based on this model, the existing structures of anaesthesia, general internal medicine and accident & emergency are going to be improved and aligned.

An academic collaboration with Mohamed Bin Rashid University of Health Sciences has been signed to accredit Mediclinic Middle East as an external training facility for medical students. The current Breast and Metabolic centres at Mediclinic City Hospital underwent further development to streamline clinical processes, and clinical services planning for the new comprehensive cancer centre has been concluded.



## CLINICAL INFORMATION SYSTEMS

Mediclinic Southern Africa embarked on a multi-year programme to transform from a paper-based system of clinical documentation to a clinical information system. The strategic objective is to add functionality incrementally, add business value continuously and limit expenses and risk to the business while allowing an agile approach. The first phase, which aims to collate information currently in disparate systems and ultimately deliver an Electronic Medical Record at point of care to view information, has been making satisfactory progress.

Hirslanden has been making good progress with its clinical information system project and maintains an emphasis on the importance of standardised processes in ensuring successful implementation.

Mediclinic Middle East has postponed its selection and implementation process of a new clinical health information system, as Al Noor has a similar need. A new combined process will be followed to select and implement a single solution for both businesses.

## FUTURE OBJECTIVES

### PATIENTS FIRST

Mediclinic Southern Africa will update its patient safety strategy, upscale nursing skills training in the areas of theatre, obstetrics and infection control, revise the current nursing management model, improve the measurement of clinical performance through various initiatives, share clinical information with doctors, and further reduce infection rates through various initiatives.

Hirslanden will review compliance with its patient safety strategy, audit patient safety at all hospitals, implement additional clinical indicators, and develop positive outcomes indicators.

Mediclinic Middle East will focus on the full integration of clinical services of the combined group, formulate a clinical strategy for the combined group, implement clinical KPIs for doctors, implement new clinical indicators, and implement a clinical indicator dashboard.

## TRANSFORM FROM AN INFRASTRUCTURE PROVIDER TO A HEALTHCARE SYSTEMS PROVIDER

Mediclinic Southern Africa will appoint clinical managers at 10 additional hospitals and also implement selective clinical pathways led by doctors, and a new emergency medicine services model.

Hirslanden will start to define and evaluate the quality of treatment plans, develop a process to enable early recovery after orthopaedic surgery, and develop a common structure and model for all highly specialised medicine services.

Mediclinic Middle East will implement the new comprehensive cancer centre services and processes in the Mediclinic City Hospital North Wing, and develop clinical pathways as part of preparing for the implementation of Diagnosis Related Groups.

## CLINICAL INFORMATION SYSTEMS

Mediclinic Southern Africa will conclude Phase 1 of its clinical information system project.

Hirslanden will define electronic documentation in its catheter laboratories and A&E departments, re-evaluate its radiology information system, and introduce medication source data in its clinical information system.

Mediclinic Middle East will follow a combined selection process in identifying an appropriate clinical information system for the combined group.





# DIVISIONAL REVIEW - SOUTHERN AFRICA



**Koert Pretorius**

*Chief Executive Officer: Mediclinic Southern Africa*

## CEO's statement

"We are pleased to report that Mediclinic Southern Africa achieved good operational and financial results for the period under review. We made significant progress towards improving patient safety, the quality of clinical care, and the quality of the patient experience. We further embedded our new operational structure and continued to focus on operational efficiency, whilst, at the same time, growing the business at existing hospitals as well as through an acquisition. The operating platform (the platform) also continued to address a number of matters in the wider business environment. For example, the South African Competition Commission's market inquiry into the private healthcare sector."

**Koert Pretorius**

*Chief Executive Officer, Mediclinic Southern Africa*

### KEY STATISTICS

52

NUMBER OF  
HOSPITALS

2

NUMBER OF  
DAY CLINICS

8 017

NUMBER OF  
LICENSED  
BEDS

270

NUMBER OF  
THEATRES

16 832

NUMBER OF  
EMPLOYEES

## KEY FINANCIAL HIGHLIGHTS

During the period under review, Mediclinic Southern Africa delivered revenue growth of 9%. This was achieved through a 2.9% increase in bed days sold and a 6.3% increase in the average revenue per bed day. The number of patients admitted increased by 1.3%, while the average length of stay increased by 1.6%. Underlying EBITDA margin increased to 21.4%.

Mediclinic Southern Africa continued to invest in the business. During the period under review, the Southern African operations spent R758m (2015: R1 131m) on expansion capital projects and new equipment and R317m (2015: R306m) on the replacement of existing equipment.

## KEY OPERATIONAL HIGHLIGHTS

The number of licensed hospital and day clinic beds increased from 7 885 to 8 017 during the period under review.

## ACQUISITIONS

During the period under review, Mediclinic Southern Africa commenced with the acquisition of a controlling share in Matlosana Medical Health Services Proprietary Limited ("MMHS"), based in Klerksdorp in the North-West Province. Although substantially completed, this transaction remains subject to a number of conditions precedent.

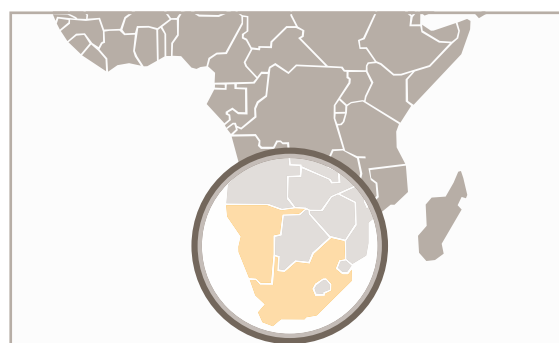
MMHS owns two multi-disciplinary hospitals, Wilmed Park Hospital (144 licensed beds) and Sunningdale Hospital (62 licensed beds), as well as a 51% share in Parkmed Neuro Clinic, a psychiatric hospital with 50 licensed beds. This proposed acquisition, pending final approval by the MMHS shareholders and the Competition Commission, supports Mediclinic's core focus of providing acute care, multi-disciplinary specialist hospital services.

## BUILDING PROJECTS

Other highlights during the year include the completion of building projects at several hospitals and the commissioning of two day clinics in Polokwane and Durbanville. Altogether, this added 132 new beds. A new training centre was also commissioned in Polokwane during January 2016. Other building projects included various expansion and upgrade projects.

Building projects in progress, which should be completed during 2016/17, should add 97 additional beds. The number of licensed beds across the platform is therefore set to increase from 8 017 to 8 114 during the coming financial year.

Finally, several additional building projects are due for completion in 2017/18, which are set to add a further 402 beds.



# R13 450m

## +9%

REVENUE

# R2 877m

## +10%

UNDERLYING EBITDA

# 1 954 365

## +2.9%

BED DAYS SOLD

## +6.3%

AVERAGE REVENUE PER BED DAY

## 81.9%

PATIENT EXPERIENCE INDEX

## 3.67

EMPLOYEE ENGAGEMENT

(grand mean score based on a 1 to 5 rating scale)

# DIVISIONAL REVIEW - SOUTHERN AFRICA (continued)

## EFFICIENCY AND PATIENT CARE DEVELOPMENTS

Mediclinic Southern Africa progressed with several improvements to its core processes during the period under review.

For example, a new SAP solution for financial and central procurement processes was successfully embedded at the corporate offices, and the rollout to all Mediclinic Southern Africa hospitals will commence during 2016/17. In addition, a new Workforce Management solution was rolled out throughout Mediclinic Southern Africa, which is intended to improve employee time and attendance and scheduling processes, and is fully integrated with the platform's payroll and nursing forecasting systems.

The Press Ganey patient experience measurement index was also implemented across the platform, which allows us to objectively survey, evaluate and manage the improvement of the patient experience at all Mediclinic Southern Africa facilities. During the period under review, targeted action plans for improvement, specific to each of the facilities, were successful in improving the patient experience index steadily from 81.1% for 2014/15 to 81.9%.

In addition, the platform commenced with the implementation of the Gallup employee engagement management system. Based on the results of the first survey, Mediclinic Southern Africa is in the process of developing detailed plans to improve employee engagement at all levels throughout the Group.

## MARKET OVERVIEW

The South African private healthcare market is well-established, well-equipped and has been growing steadily, although recently at a declining rate. The market offers incremental growth opportunities to expand existing hospitals, and establish new hospitals and day clinics. Challenges include lowering healthcare costs across the value chain in a fragmented market, whilst at the same time improving outcomes for patients, attracting and retaining qualified staff and investing in infrastructure and medical technology. Furthermore, the government is seeking to address the shortcomings of the public health system through the phased introduction of a National Health Insurance system.

Refer to the Market Overview section on pages 16 to 17 for more details.



## SUSTAINABILITY

### PEOPLE

The attraction and retention of high-quality medical professionals is fundamental to Mediclinic Southern Africa's sustainability. The platform therefore deploys integrated talent strategies to ensure that scarce skills can be attracted and retained, particularly in those areas with the highest demand and/or risk.

Mediclinic Southern Africa and the industry as a whole faces a shortage of trained nurses and, as a short-term measure, has been recruiting nurses from India. The longer-term solution is to increase local training; to this end, the platform plans to significantly increase its training capacity over the coming few years. Related achievements during the year include the relocation to a bigger site for the Learning Centre Limpopo, and the commissioning of a satellite campus in Pietermaritzburg for the Learning Centre Central Region.

Our training and development function is registered as a Private Higher Education Institution. It offers a Diploma in General Nursing Science and a Diploma in Operating Department Assistance (to deliver training of skilled healthcare personnel and sustain quality outcomes), and an Advanced Diploma in Health Services Management and Leadership (to equip managers with the relevant skills). More recently, we have obtained registration to offer a Diploma in Emergency Medical Care (aimed at providing skilled healthcare personnel for Emergency Medical Services), and the first cohort of learners commenced training in January 2016. Mediclinic Southern Africa also provides Enrolled Nursing programmes accredited by the South African Nursing Council.

A total of 776 learners completed undergraduate programmes and 34 learners completed postgraduate programmes during the 2015 academic year. A further 799 learners completed in-house structured training programmes.

We introduced a Mediclinic Leadership Academy in 2013, which focuses on the Group's culture and values to ensure sustainability. During the 2015 academic year, this academy has already been attended by 750 delegates.

Formal succession planning is a well-established process for Mediclinic Southern Africa, and the Talent Review Committee has established talent pools for relevant key positions. This provides an important foundation for development initiatives that will continue during the year ahead to ensure tailored development of our talent pools.

## SOCIETY

To demonstrate its commitment to local society, the platform supports South Africa's National Department of Health with its Public Health Enhancement Fund. This joint initiative between the public and private sectors, aims to increase the availability and the skills of public sector medical personnel for the benefit of the people of South Africa. Mediclinic Southern Africa contributes 0.75% of its net profit after tax to this fund annually, which helps the country's government to expand the intake of medical students, support postgraduate students pursuing health-related studies, build additional capacity in the management of tuberculosis, HIV and AIDS, and provide support to the Leadership and Management Academy for Health.

The significant contribution made to this fund during the year (amounting to £0.5m) has, to a large extent, replaced the platform's funding of other corporate social investment contributions.

## ENVIRONMENT

Mediclinic Southern Africa is committed to minimising its environmental impact and ensuring that its environmental management systems and practices are aligned with international best practice, based on the ISO 14001:2015 Specification for Environmental Management Systems. Its performance is assessed by the British Standards Institute.

As of the end of the period under review, 41 of Mediclinic Southern Africa's 52 hospitals were ISO 14001 certified. At the same time, all 52 hospitals had been ISO 14001-trained to follow consistent environmental management practices and were subject to annual internal audits. The new Mediclinic Midstream will be externally certified during the course of 2016/17.

In 2015, Mediclinic Southern Africa achieved joint first place ranking in the most recent Climate Disclosure Project's Leadership Index of the Top 100 companies on the JSE. This index focuses on climate change governance, risk management, performance, transparency, and data management.

## OUTLOOK

As in the past, there remain many incremental growth opportunities in Southern Africa. Opportunities include the expansion of Mediclinic Southern Africa's existing hospitals, and the establishment of new hospitals and day clinics, as well as potential services relating to mental health.

At the same time, we are continuing to focus strategically on the value that we deliver to patients, by continuing to improve the safety and quality of its clinical care, the quality of the patient experience, and opportunities to improve operational efficiency. The platform will also continue to focus on opportunities to develop an integrated Southern African private healthcare delivery model for the future.

We believe that we are well-positioned to address various other challenges in the business environment, for example those relating to the regulatory environment and the continuing skills shortages.

Overall, the platform remains optimistic about the future of Mediclinic Southern Africa.

# DIVISIONAL REVIEW - SWITZERLAND



**Ole Wiesinger**

*Chief Executive Officer: Hirslanden*

## CEO's statement

"For Hirslanden, the 2015/16 financial year was characterised by further growth of the core business alongside the continued implementation of standardised, platform-wide structures and processes. The opening of our fourth outpatient clinic in Düdingen (in the canton of Fribourg) alongside our new radiology institutes, reinforce Hirslanden's role as the largest medical network in Switzerland. With an unconditional focus on medical quality and patient satisfaction, as well as an improved efficiency through consistent structures and processes, patient benefits are at the core of Hirslanden's approach.

Looking forward, the public policy environment creates a number of uncertainties. For example, any changes to immigration policy could have an impact on our employment practices and we continue to engage with the authorities on matters such as the planning of highly specialised medicine (HSM). We are conscious that the rate of growth in patients with basic insurance has slowed; however, we are confident of achieving stable growth and will remain a source of clinical excellence for the wider Mediclinic Group."

**Dr Ole Wiesinger**

*Chief Executive Officer, Hirslanden*

### KEY STATISTICS

16

NUMBER OF  
HOSPITALS

4

NUMBER OF  
CLINICS

1 677

NUMBER OF  
BEDS

92

NUMBER OF  
THEATRES

9 120

NUMBER OF  
EMPLOYEES

## KEY FINANCIAL HIGHLIGHTS

Hirslanden delivered revenue growth of 6% to CHF1 657m during the period under review. This resulted in an underlying EBITDA of CHF325m compared to CHF303m in the previous year, with the underlying EBITDA margin increasing from 19.4% to 19.7%.

This strong performance was driven by 5.4% growth in inpatient admissions. Although the average length of stay reduced slightly, the average revenue per case nonetheless increased by 0.5%. In addition, a number of productivity measures and cost savings implemented during the year contributed to the improved EBITDA margin.

Importantly, Hirslanden continued to invest in the business. This included CHF68m (2015: CHF72m) on capital projects and new equipment, CHF76m (2015: CHF70m) on replacing existing equipment, and CHF38m (2015: CHF38m) on repairing and maintaining property and equipment, which was accounted for in the financial year.

## KEY OPERATIONAL HIGHLIGHTS

The number of inpatient beds increased from 1 655 to 1 677 during the period under review, mainly due to the opening of new bed wards at Hirslanden Klinik Stephanshorn and Hirslanden Klinik Aarau.

## NEW SITES AND FACILITIES

During the year, Hirslanden did not acquire any new hospitals but did open several significant new sites. In August 2015, for example, Hirslanden Lausanne inaugurated its new 600m<sup>2</sup> radiology institute, the Institut de radiologie de l'ouest lausannois (IROL), enabling patients to benefit from new state-of-the-art medical equipment like a 3T MRI scanner and a 128-layer computed tomography machine. In November 2015, Hirslanden Clinique Cecil in Lausanne opened a new hybrid operating theatre and an outpatient surgery unit. Combined with the January 2016 opening of the new Praxiszentrum Düringen (outpatient clinic) with an integrated radiology institute in the canton of Fribourg, Hirslanden now operates four outpatient clinics and 13 radiology institutes, and is represented in 12 cantons.

Alongside these major new sites, Hirslanden also completed a number of other important development projects, including:

- a new doctors offices' and a new radiology department for Hirslanden Klinik Birshof in June 2015;
- a new ophthalmology operating theatre for Hirslanden Clinique Bois-Cerf in August 2015;
- a new maternity ward for Hirslanden Andreas Klinik in November 2015; and
- an enlarged emergency department, intensive care unit and heart catheter laboratory for Hirslanden Klinik Aarau in January 2016.



# CHF1 657m

## +6%

REVENUE

# CHF325m

## +7%

UNDERLYING EBITDA

# 469 167

## +3.4%

BED DAYS SOLD

## +0.5%

AVERAGE INCOME PER BED DAY

# 94%

PATIENT SATISFACTION

# 3.85

EMPLOYEE ENGAGEMENT

(grand mean score based on a 1 to 5 rating scale)

# DIVISIONAL REVIEW – SWITZERLAND (continued)

Throughout 2015/16, Hirslanden made a number of notable investments in new medical equipment and technology. Highlights include: two new state-of-the-art linear accelerators at Hirslanden Klinik Aarau and Klinik Hirslanden; a new O-arm® Surgical Imaging system at Hirslanden Clinique La Colline; further MRI scanners at Hirslanden Clinique Bois-Cerf and Hirslanden Klinik St. Anna; and an additional CT scanner at Klinik Hirslanden.

Meanwhile, building work commenced on several ongoing expansion projects, including more operating theatre capacity for both Hirslanden Klinik Stephanshorn and Hirslanden Klinik St. Anna, and an expanded emergency department for Hirslanden Klinik Im Park.

## EFFICIENCY IMPROVEMENTS

The ongoing strategic programme, Hirslanden 2020, is intended to increase the efficiency of all Hirslanden hospitals and establish consistent processes throughout the platform. This focuses on various critical paths or journeys, such as patient registration through to payment, or employee recruitment through to resignation, and seeks to introduce related process improvements.

During 2015/16, various IT process improvements were identified, which are due for implementation within the corporate headquarters and at Hirslanden hospitals. The aim is to establish a consistent, group-wide business model with streamlined IT systems and organisational structures.

## MARKET OVERVIEW

The Swiss private healthcare market is one of the best-funded in the developed world and continues to grow steadily. Hirslanden is the largest medical network and the largest private hospital group in Switzerland, and works effectively within a high-quality healthcare system where the population enjoys freedom of choice and high-quality services in both the public and private sector. Challenges include working within an environment regulated by 26 cantons that supervise and manage hospitals and ensure their funding in collaboration with the mandatory health insurance (see the Market Overview section on page 17 for more details).



## SUSTAINABILITY

### QUALITY MANAGEMENT

The quality management system followed at Hirslanden is based on the ISO 9001:2008 standard, against which 15 of the platform's 16 hospitals are certified (the remaining hospital, Hirslanden Clinique La Colline, is due to be certified in 2016). Through this process, all Hirslanden hospitals and operations follow the "Business Excellence" model set out by the European Foundation for Quality Management.

Hirslanden's hospitals are also participating in an international Quality Medicine Initiative (Austria, Germany and Switzerland). Through this initiative, each participating hospital publishes a series of quality performance indicators, which may be supplemented by external peer reviews. Hirslanden also participates in the National Association for Quality Development in Clinics and Hospitals. In combination, these initiatives demonstrate that Hirslanden works to the highest quality standards.

### PEOPLE

The recruitment of nursing staff, especially in specialised nursing, is a major challenge for all Swiss hospitals. For this reason, Hirslanden is committed to the further training and education of specialist nurses, implements professional recruitment practices and offers attractive working conditions and career opportunities.

Hirslanden also provides a range of training programmes for all types and levels of employment. For example: during 2015/16 more than 1 000 apprentices received formal training (federal certificate, higher college, college or graduate students) across 30 professions, mainly as healthcare professionals. Hirslanden's leadership talent management process aims to improve the identification of leadership potential and develop leadership skills; and the platform's in-house leadership and management courses were attended by 385 management employees (up from 326 in 2014/15).

## ENVIRONMENT

The continuous improvement of Hirslanden's environmental performance is evidence of the platform's commitment to responsible and sustainable business. For example, all Hirslanden hospitals have been supplied with 100% sustainable electricity since the start of 2014. And, in order to be even more disciplined in environmental management, the Hirslanden Executive Committee has defined guidelines that cover issues ranging from training and construction measures to the choice of suppliers.

During 2015/16, a structured environmental management pilot project was conducted at Hirslanden Klinik Belair, and has been successfully integrated into the hospital's ISO 14001:2015 quality management certification. Lessons learnt from this initiative will be applied to other Hirslanden hospitals.

## OUTLOOK

One of the most significant trends in the Swiss healthcare market is the ongoing shift of basic medical treatments from the inpatient to the outpatient sector. As a result, total costs in the outpatient sector are seeing a significant increase and currently stand at around CHF24.9 billion. It is important for Hirslanden to continue to respond to this trend, with the opening of new outpatient clinics and the creation of an integrated medical network that facilitates the access to healthcare for patients – especially because outpatient clinics are a well-established route for the subsequent allocation of patients to hospitals and specialists.

In response to this, the establishment of outpatient clinics as well as outpatient surgery units is now part of the Hirslanden 2020 strategic programme. This programme, which came into full force in 2015/16, has two main goals: to increase the efficiency of the existing business by implementing consistent systems and processes, and to develop new areas of business, such as outpatient facilities. In a fast-changing environment it is important for Hirslanden to realise potential synergies by integrating all hospitals and clinics within an overarching system of standardised structures with a consistent business model.

Given the external environment, the investment programme within Hirslanden and the potential for increased synergies, the platform is well-positioned to maintain its status as the largest medical network in Switzerland while continuing to improve patient satisfaction and clinical outcomes.



# DIVISIONAL REVIEW - UAE



**David Hadley**

*Chief Executive Officer, Mediclinic Middle East*

## CEO's statement

“Mediclinic Middle East continued to perform in line with expectations, despite the weaker economic conditions brought about by the continued decline in oil prices. We are satisfied with the performance of the hospitals in particular, which have produced good results irrespective of significant new direct competitive activity and increased regulatory reform. Going forward, the Combination with the Al Noor Hospitals Group offers significant new opportunities. The integration process is well underway, and we look forward to this exciting next phase of development for Mediclinic Middle East.”

**David Hadley**

*Chief Executive Officer, Mediclinic Middle East*

### KEY STATISTICS

#### MCME:

2

NUMBER OF HOSPITALS

10

NUMBER OF CLINICS

371

NUMBER OF INPATIENT BEDS

12

NUMBER OF THEATRES

2 507

NUMBER OF EMPLOYEES

#### AL NOOR:

3

NUMBER OF HOSPITALS

29

NUMBER OF CLINICS

350

NUMBER OF INPATIENT BEDS

13

NUMBER OF THEATRES

4 425

NUMBER OF EMPLOYEES

## KEY FINANCIAL HIGHLIGHTS

Mediclinic Middle East achieved an 8% growth in revenue to AED1 544m in 2015/16 (excluding AED258.7m which was contributed by Al Noor for the 46 trading days since the Combination), compared to AED1 430m in the previous year. This resulted in an 11% increase in EBITDA of AED345m (2015: AED312m) (excluding AED40m which was contributed by Al Noor), and an underlying EBITDA margin of 22.3% (2015: 21.8%).

This strong performance was driven through 6% growth in clinic outpatient attendance and 2% growth in hospital outpatient attendance, backed up by 3% growth in hospital inpatient admissions, and 6% growth in bed days sold. At the same time, the average hospital inpatient revenue per bed day grew by 2.3%. All of this is a direct reflection of the more acute and specialised inpatient procedures being performed across the platform.

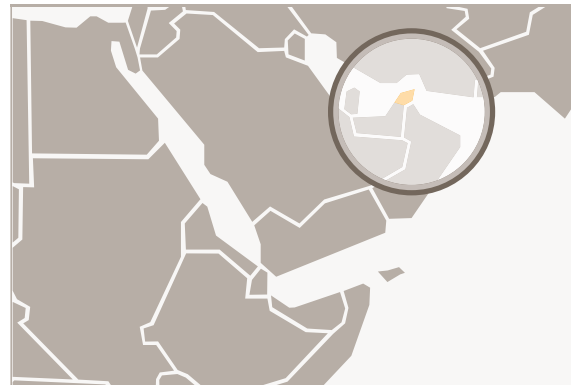
## KEY OPERATIONAL HIGHLIGHTS

The main operational highlight of 2015/16 was the successful Combination of Mediclinic International with the Abu Dhabi-based Al Noor Hospitals Group. This positions Mediclinic as a clear leader in the UAE private healthcare sector with complementary coverage across Dubai and Abu Dhabi, enhancing the platform's geographic presence in this attractive growth market.

Following the completion of the Combination in mid-February 2016, a senior leadership team was selected to take the combined company forward.

Another key highlight was the opening of the new Mediclinic Al Hili facility in Al Ain, as well as progress towards the completion of several new projects scheduled for 2016/17, all of which will further increase Mediclinic's presence in the UAE. These include the opening of the Al Jowhara Hospital, the North Wing extension of Mediclinic City Hospital, plus the opening of the Khalifa A, Al Yaher, Ghayathi and Look Wow clinics. Work is also underway on the second hospital at Airport Road as well as the Mediclinic Parkview Hospital, both of which are due to be completed in 2019.

Efficiency savings were another clear theme. For example, our status as an international Group brought many procurement savings, the planned centralisation of laboratory services will bring further efficiencies and, over time, we believe the integration of Mediclinic and Al Noor will bring considerable synergies.



# AED1 544m

## +8%

REVENUE

# AED345m

## +11%

EBITDA

# 76 021

## +6%

BED DAYS SOLD

## +2.3%

AVERAGE INCOME PER BED DAY

# 80.3%

PATIENT EXPERIENCE INDEX

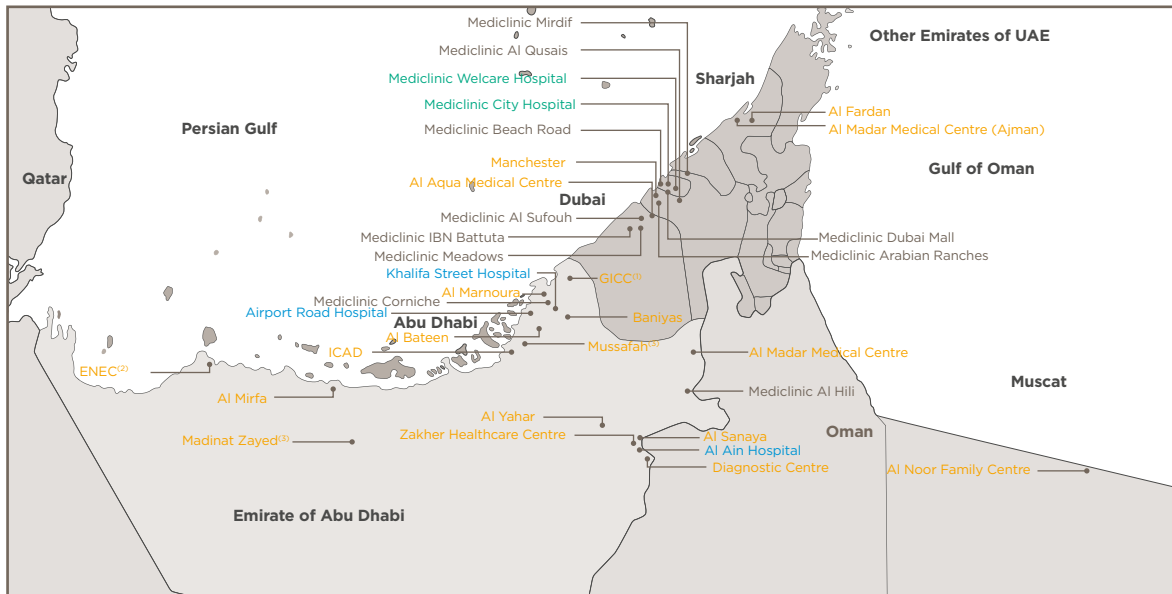
# 3.75

EMPLOYEE ENGAGEMENT

*(grand mean score based on a 1 to 5 rating scale)*

# DIVISIONAL REVIEW - UAE (continued)

COMBINED PLATFORM CREATES A CLEAR LEADER, WITH UNRIVALLED COVERAGE ACROSS THE UAE



Notes:  
 1. Gulf International Cancer Centre  
 2. Emirates Nuclear Energy Corporation  
 3. Mussafah and Madinat Zayed include two clinics each.

**Al Noor Clinics**  
**Al Noor Hospitals**  
**Mediclinic Clinics**  
**Mediclinic Hospitals**

## MARKET OVERVIEW

Although the region faces a low oil price environment and softening of consumer sentiment, the Middle East remains a growth market, where the Combination of Mediclinic International and the Al Noor Hospitals Group has created a clear leader in the UAE private healthcare sector.

Opportunities include the provision of services for a growing and ageing population, which is facing an increased incidence of lifestyle-related medical conditions, in a region where governments are seeking to diversify their economies away from dependence on oil revenues. Meanwhile, key challenges include any further softening of the region's economy, changes to the regulatory environment, the rising cost of healthcare, and increased competition with the arrival of new international entrants (see the Market Overview section on page 17 for more details).



## SUSTAINABILITY

### PATIENT EXPERIENCE

Delivering a seamless, high-quality patient experience is key to the success of Mediclinic Middle East's business. The increase in inpatient admissions and outpatient attendance is an indication that the platform has secured patient trust. Meanwhile, the first full-year results of the Press Ganey patient survey show that Mediclinic Middle East is delivering a good patient experience, with inpatient satisfaction at 80.3% and outpatient satisfaction at 79.9%. Significant opportunities for improvement do exist,

however, and strategies for improvement of the patient experience are a focus for 2016/17. The Press Ganey survey will also be extended to all Al Noor facilities.

The platform seeks to communicate with patients through many channels to ensure that information is relayed quickly, accurately and at the convenience of the patient or prospective patient. These channels include free health checks, seminars and talks, and the positioning of Mediclinic Middle East doctors as figures of authority through media appearances and social media. Mediclinic Middle East's Facebook pages also achieved 86% growth in follower numbers during 2015/16.

### PEOPLE

The UAE remains an attractive employment destination, although high inflation does put pressure on salaries. During 2015/16, Mediclinic Middle East again secured an increase in employee numbers in Dubai, with 3% growth. Meanwhile the Combination with Al Noor brought an additional 4 425 employees to the platform, taking total staff numbers to 6 932. We look to attract and retain the very best professionals with market-related salaries and benefits, including life insurance and permanent disability benefits, comprehensive training, open communication and sound management practices.

Mediclinic Middle East continued to organise medical education sessions, both at an individual facility level and at a corporate level, for its employed and community-based doctors. This scheme is extremely popular with our doctors and is a key component of our retention strategy.

## COMMUNITY

Mediclinic Middle East is involved in various social and charitable community activities, which support healthcare, welfare, education and sport. The platform contributed AED814 000 (AED740 000 in 2014/5) on event sponsorship and charitable activities during 2015/16, including AED427 000 on medical services for the Al Jalila Foundation (an initiative set up by the Ruler of Dubai to support underprivileged children). Corporate social investment initiatives run by the platform included charity campaigns using Facebook, free health screenings, health talks and awareness campaigns on particular health topics.

Whilst individual units work at a local level to support their chosen causes, at a corporate level Mediclinic Middle East takes part in major community events such as World Health Day, World Heart Day and World Diabetes Day, with free health check-ups for the general public at locations across Dubai.

Mediclinic has budgeted AED445 000 for community initiatives in 2016/17, with an additional AED750 000 in services as part of its partnership with the Al Jalila Foundation.

## ENVIRONMENT

Mediclinic Middle East is aware of its environmental responsibilities and undertakes significant efforts to minimise the effects of its operations on the environment. New projects have been designed to incorporate the latest environmental technology, making use of solar panels for the heating of water and electricity generation and sustainable materials, which have minimal impact on the environment, are being used wherever possible.

## OUTLOOK

The economic outlook for the UAE is mixed, with its fortunes linked fundamentally to issues such as the oil price and US economic policy, which affects the strength of the dollar to which the UAE dirham is linked. Despite this, the next financial year for Mediclinic Middle East promises to be both challenging and rewarding as the integration with the Al Noor Hospital Group continues. Key focus areas are the implementation of an inclusive and effective business strategy for the combined group, finalisation of a comprehensive ICT strategy, further improvement of the patient experience, standardisation of doctor remuneration and rewards, identification of further operational efficiencies, the development of a tariff strategy in Abu Dhabi, and the delivery of new projects already underway.

Mediclinic City Hospital's North Wing project is due to open in the second half of 2016/17 and, with it, the comprehensive cancer centre that is being developed in association with Hirslanden. The possibility of expansion in Abu Dhabi's Western region will also be explored.

Meanwhile, preparations will continue for the introduction of DRGs (diagnostic-related groupings), and the platform will maintain dialogue with government authorities on regulatory changes within the UAE healthcare sector.

# SUSTAINABLE DEVELOPMENT HIGHLIGHTS

## INTRODUCTION

Mediclinic takes a sustainable, long-term approach to business, putting patients at the heart of its operations and delivering consistently high-quality healthcare services. In order to deliver on these priorities, we uphold the highest standards of clinical governance and ethical behaviour across our platforms, invest significant time and resources in recruiting and retaining skilled staff, make considerable investment into our facilities and equipment, and respect the communities and environment in the areas in which we operate.

## STAKEHOLDER ENGAGEMENT AND MATERIAL ISSUES

Mediclinic recognises its accountability to its stakeholders and is committed to effective and regular engagement with them, and to publicly report on its sustainability performance. Mediclinic's key stakeholders are those groups that have a material impact on, or are materially impacted by, Mediclinic and our operations.

As a result of its operations, Mediclinic has many economic, social and environmental impacts, including creating employment opportunities, training and developing employees, black economic empowerment in South Africa, investing in local communities, and using natural resources.

In order to focus our reporting on material issues, the Group undertook a materiality assessment in 2014, which is reviewed annually to identify

those sustainable development issues which are most significant for the business, and directly affect the Group's ability to create value for our key stakeholders. The guidance on determining materiality contained in the GRI G4 Sustainability Reporting Guidelines and the International Integrated Reporting Framework was used during the materiality assessment. The process was also informed by the views, concerns and expectations of our key stakeholders: patients, doctors, employees and trade unions, suppliers, healthcare funders, government and authorities, industry associations, investors, community and the media.

We then categorised these issues and the associated performance indicators according to the six capitals (financial, manufactured, intellectual, human, social and relationship, and natural) included in the International Integrated Reporting Framework, as illustrated in **Figure 1**.

Our five material issues, as identified in our materiality assessment process, are:

- Provide quality healthcare services
- Address shortage of healthcare practitioners
- Creating and sustaining shareholder value
- Responsible use of natural resources
- Governance and corporate social responsibility

This report provides an overview of each of the five material issues. More detailed information on our stakeholder engagement, material issues and sustainability performance is included in the **Sustainable Development Report** and the **GRI G4 Disclosure Index** available on the Company's website at [www.mediclinic.com](http://www.mediclinic.com).



**FIGURE 1:** MATERIALITY ASSESSMENT MATRIX



## MATERIAL ISSUE 1: PROVIDE QUALITY HEALTHCARE SERVICES

### KPIs

#### MORTALITY\* (per calendar year)

Southern Africa	<b>1.02</b> inpatient mortality index (2014: 1.04)	↓
Switzerland	<b>1.01%</b> inpatient mortality rate (2014: 0.93%)	↑
UAE	<b>0.18%</b> inpatient mortality rate (2014: 0.16%)	↑

\* Whilst Mediclinic Southern Africa reports a mortality index, Hirslanden and Mediclinic Middle East report on the unadjusted mortality rate and not the standardised mortality Index. Further, the results of the platforms are not directly comparable as the platforms differ significantly on the scope of services provided, burden of disease, units of measurement and definition of indicators.

#### FALL RATE\* (per 1 000 patient days) (per calendar year)

Southern Africa	<b>1.14</b> (2014: 1.10)	↑
Switzerland	<b>2.1</b> (2014: 2.5)	↓
UAE	<b>0.3</b> (2014: 0.5)	↓

\* The results of the platforms are not directly comparable as the platforms differ significantly on the scope of services provided, burden of disease, units of measurement and definition of indicators.

#### RE-ADMISSION RATES\* (per calendar year)

Southern Africa	<b>7.7</b> 30-day re-admission rate (all causes) (2014: 7.5)	↑
Switzerland	<b>1.28</b> 15-day unscheduled re- admission rate (2014: 1.44)	↓
UAE	<b>1.3</b> 30-day related re-admission rate (2014: 1.7)	↓

\* The results of the platforms are not directly comparable as the platforms differ significantly on the scope of services provided, burden of disease, units of measurement and definition of indicators.

### HIGHLIGHTS

- Strong clinical governance programme in place to measure clinical performance
- New Patient Experience Index rolled out to improve the patient experience
- Continued with significant capital investments across all platforms
- Centralised procurement initiatives gaining momentum to achieve cost savings

### PATIENT SAFETY, QUALITY CARE AND CLINICAL OUTCOMES

Across all our operating platforms, we are focused on providing superior clinical outcomes, delivering a standardised quality of service and improving patient safety. To meet these objectives, we have adopted a Group-wide clinical quality programme which focuses on:

- clinical governance to ensure patient safety and quality improvement;
- clinical information management to enable clinical performance measurement and deal with systems to support the clinical care process, including electronic patient records; and
- clinical services development dealing with the development of new coordinated care models, investigating new service lines, and keeping abreast of technological developments.

Key patient safety indicators are monitored across our operations. Patient safety surveys are regularly undertaken to measure and identify areas for improvement. All management members are trained in the basic principles of patient safety and quality improvement. Patient safety officers have been appointed on all platforms to lead the patient safety initiative.

Multi-disciplinary clinical committees at hospital level have been established throughout the Group to drive quality and safety and promote cooperation between doctors, nursing staff and management.

For more information on the Company's approach and clinical performance, please refer to the **Clinical Services Report** available on the Company's website at [www.mediclinic.com](http://www.mediclinic.com).



# SUSTAINABLE DEVELOPMENT HIGHLIGHTS (continued)

## PATIENT SATISFACTION AND EXPERIENCE\*

Southern Africa	<b>82%</b> (2015: 81%)	↑
Switzerland*	<b>94%</b> (2015: 92%)	↓
UAE	<b>80%</b> (2015: 81%)	↓

\* The results of Hirslanden are not comparable with the results of Mediclinic Southern Africa and Mediclinic Middle East as the standardised Patient Experience Index has not been rolled out to Hirslanden. The results of Hirslanden are based on the ANQ (the Swiss National Association for Quality Development satisfaction survey).

## CAPITAL INVESTMENTS ON PROJECTS, NEW EQUIPMENT AND REPLACEMENT OF EQUIPMENT

Southern Africa	<b>R1 075m</b> (2015: R1 437m)	↓
Switzerland*	<b>CHF144m</b> (2015: CHF142m)	↑
UAE	<b>AED203m</b> (2015: AED100m)	↑

## PATIENT SATISFACTION AND EXPERIENCE

In line with our “patients first” ethos, and to ensure operational excellence across all platforms, we monitor our patients’ experience across the Group.

In 2014, the Group created a single, standardised Patient Experience Index (“PEI”) with the objective of achieving incremental and sustainable improvement in patient experience over time. This is managed by Press Ganey, an internationally recognised patient experience measurement and management agency. The index has been implemented in Mediclinic Southern Africa and Mediclinic Middle East since October 2014, and will be rolled out across Hirslanden and Al Noor in the course of the year ahead. Since implementation of the PEI, we have improved our survey response rates and implementation of follow-up actions as follows:

- More than 30 000 surveys received to date
- More than 450 training interventions
- 80% of e-surveys are completed within the first week
- Average e-survey response rate is 21%
- Average e-mail capturing rate on admission is 64%. This has doubled in a year.
- Ten improvement opportunities have been designated for every hospital

Corporate initiatives as a result of feedback from the surveys include: the critical re-evaluation of hospital food services with a strong clinical link, providing all staff within the Group with enhanced skills for dealing with patients, and a focus on patient engagement by involving the patient and family members in the treatment process. Noise reduction and effective medication counselling also remain a focus, with continued reinforcement around the service elements designed to reduce anxiety and instil feelings of safety in all our patients.

Refer to the graph on this page for the patient satisfaction level of Hirslanden based on the ANQ (Swiss National Association for Quality Development), and the Patient Experience Index of Mediclinic Southern Africa and Mediclinic Middle East.



## FACILITIES AND EQUIPMENT

To ensure a safe and user-friendly environment for both our patients and employees, we strive to provide high-quality healthcare facilities and technology, focusing on capital investments, maintenance of facilities, and optimal use of facilities. As a result, the Group continuously invests in capital projects and new equipment to expand and refurbish our facilities and the replacement of existing equipment, as well as on the repair and maintenance of existing property and equipment.

## COST OF HEALTHCARE

The Group contributes in various ways to a sustainable healthcare system by, *inter alia*, focusing on efficiency and cost-effectiveness, conducting tariff negotiations in a fair and transparent manner, expanding facilities based on need, and actively participating in healthcare reform.

## ACCREDITATION

Hospitals are high-risk environments in which complex treatment processes are executed using sophisticated equipment and techniques. The process of external accreditation ensures that international standards are adhered to in all aspects of hospital operations, as also included in the combined assurance table on page 28 of the Annual Report.

For more details on accreditation, please refer to the **Clinical Services Report** available on the Company’s website.



## MATERIAL ISSUE 2: ADDRESS SHORTAGE OF HEALTHCARE PRACTITIONERS

### KPIs

#### STAFF TURNOVER RATE

Southern Africa	<b>6.8%</b> (2015: 7.2%)	↓
Switzerland	<b>5.2%</b> (2015: 6.9%)	↓
UAE	<b>12.4%</b> (2015: 11.7%)	↑

#### PERCENTAGE OF PAYROLL INVESTED IN TRAINING AND SKILLS DEVELOPMENT

Southern Africa	<b>3.6%</b> (2015: 3.0%)	↑
Switzerland	<b>5.0%</b> (2015: 5.0%)	-
UAE	<b>0.3%</b> (2015: 0.2%)	↑

### REMUNERATION AND RECOGNITION OF STAFF

The Group remunerates employees in a manner that supports the achievement of the Group's vision and strategic objectives, while attracting and retaining scarce skills and rewarding high levels of performance. This is achieved through establishing remuneration practices that are fair, reasonable and market-related, while at the same time maintaining an appropriate balance between employee and shareholder interest. To encourage a performance-driven organisation, the Group rewards employees for achieving strategic objectives as well as individual personal performance targets. Benefits for all employees include a retirement fund, medical aid scheme, performance-related incentives and bonuses, and liability insurance for medical staff. Those managers who receive variable remuneration have a combination of short- and long-term incentives. A year ago, the Group introduced a Reward Centre of Expertise, specialising in the design and delivery of global reward initiatives.

### HIGHLIGHTS

- Increased investment in training and skills development by Mediclinic Southern Africa
- Designed and implemented inter-platform development programme to provide cross-platform exposure to high-performing individuals
- Introduced standardised employee engagement survey across the Group

### EMPLOYEE RECRUITMENT AND RETENTION

Recruiting suitably qualified personnel is vital for delivering a high-quality healthcare service. For this reason, we invest significant time and resources in supporting hospitals in recruiting and retaining staff and promoting the Group as an employer of choice. We offer market-related salaries based on the principles of internal equity, external equity and affordability.

We have sound performance management procedures in place to recognise good performance and offer extensive opportunities for career development and training, all of which contribute to a contented and engaged workforce.

Some examples of the Group's initiatives to retain current employees include:

- maintaining a pleasant working environment, with leadership that acts with honesty and integrity;
- providing training and development opportunities for both clinical and non-clinical staff;
- following fair management practices;
- remunerating employees competitively, offering family-friendly benefits and incentivising performance through bonus schemes; and
- communicating with staff and involving them in the day-to-day business decisions.

With the increased shortage of qualified staff, there is increased competition in the market place for quality staff, and as a result, a greater emphasis is being placed on retention and employee training and development. An employee discharge management process is in place to monitor the reasons for staff turnover.



# SUSTAINABLE DEVELOPMENT HIGHLIGHTS (continued)

## TRAINING AND SKILLS DEVELOPMENT

The Group continues to invest significantly in training and skills development to maintain and improve quality service delivery. The percentage of payroll invested in training and skills development by each of the Group's operating platforms is provided on page 23 of the Annual Report.



Our commitment to providing quality care for our patients can only be ensured if our staff has appropriate, evolving skill sets, which is reflected in the number of learning initiatives undertaken each year. A consistent performance management system is applied throughout the Group, which allows us to identify and manage training needs of individual employees, and to discuss career development. Succession planning is standardised on an organisational level in all three operating platforms and a Group Talent Review is performed annually. Critical talent (such as nurses and pharmacists), as well as high-performing individuals with potential, are identified and supported through tailored development initiatives. An inter-platform development programme, which offers a series of secondments across platforms, has been designed to help these individuals excel at Mediclinic.

## SUPPORT OF EXTERNAL TRAINING INSTITUTIONS

The Group is committed to educational development in all three of its operating platforms and provides financial and other support towards healthcare education. Financial support of R8.0m (2015: R4.5m) was provided to academic institutions in Southern Africa, mainly through sponsorships to medical schools and bursaries to external students that applied for financial assistance.

## EMPLOYEE HEALTH AND SAFETY

Health and safety policies and procedures are in place across the Group to ensure a safe working environment for the Group's employees, patients and its visitors. The health and safety of the Group's employees are essential and contribute to the sustainability of quality care to patients. The programmes and procedures implemented by the various business units to mitigate health and safety risks are outlined in the **Sustainable Development Report**.



During the year, there were no incidents of material non-compliance with any laws, regulations, accepted standards or codes applicable to the Group, with no significant fines being imposed, concerning the health and safety impact of the Group's services.

## EMPLOYEE SATISFACTION AND ENGAGEMENT

During the year, Mediclinic, in partnership with Gallup, introduced the Your Voice employee engagement survey across all operating platforms to measure levels of engagement, identify gaps at a departmental level and support line managers to implement action plans to address concerns. Overall, the Group achieved a 65% participation rate in the Your Voice survey and 32% of employees showed high levels of engagement.

Strengths that the survey highlighted include employees knowing what is expected of them, and having the appropriate materials and equipment to perform at work. Areas for improvement that the survey highlighted are recognition or praise for good work, and valuing the opinions of employees.

## MATERIAL ISSUE 3: CREATING AND SUSTAINING SHAREHOLDER VALUE

### KPIs

#### DIVIDEND PER SHARE\* (in pence)

<b>7.90</b> (2015: 9.33)	↓
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\* The total dividend for the year ended 31 March 2016 in pound sterling comprises the proposed final dividend of 5.24 pence per share and the equivalent interim dividend (adjusted for the 0.625 exchange ratio) of 2.66 pence per share, paid in December 2015 by Mediclinic International Limited.

#### REVENUE

<b>£2 107m</b> (2015: £1 977m)	↑
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#### EBITDA

<b>£382m</b> (2015: £406m)	↓
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#### UNDERLYING EBITDA

<b>£428m</b> (2015: £403m)	↑
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#### UNDERLYING EBITDA MARGINS (PLATFORMS)

Group	<b>20.4%</b> (2015: 20.4%)	-
Southern Africa	<b>21.4%</b> (2015: 21.3%)	↑
Hirslanden	<b>19.7%</b> (2015: 19.4%)	↑
UAE* (excluding Al Noor)	<b>22.3%</b> (2015: 21.8%)	↑

\* Following the Al Noor acquisition on 15 February 2016 (46 trading days up to year end), Al Noor contributed AED258.7m to revenue and AED46.1m to EBITDA to MCME, resulting in a margin of 17.8%.

#### INVESTMENT IN CAPITAL PROJECTS AND NEW EQUIPMENT (PLATFORMS)

Southern Africa	<b>R758m</b> (2015: R1 131m)	↓
Hirslanden	<b>CHF68m</b> (2015: CHF72m)	↓
UAE	<b>AED171m</b> (2015: AED75m)	↑

#### INVESTMENT IN REPLACEMENT OF EQUIPMENT (PLATFORMS)

Southern Africa	<b>R317m</b> (2015: R306m)	↑
Hirslanden	<b>CHF76m</b> (2015: CHF70m)	↑
UAE	<b>AED32m</b> (2015: AED25m)	↑

### HIGHLIGHTS

- Successful completion of the combination of Mediclinic International Limited and Al Noor Hospitals Group in February 2016
- Successful rights issue and acquisition of a 29.9% interest in LSE-listed Spire Healthcare Group plc during 2015
- Underlying EBITDA margin stable at 20.4% for the Group

#### EXPENDITURE ON REPAIRS AND MAINTENANCE (PLATFORMS)

Southern Africa	<b>R275m</b> (2015: R305m)	↓
Hirslanden	<b>CHF38m</b> (2015: CHF38m)	-
UAE	<b>AED24m</b> (2015: AED20m)	↑

### ACCEPTABLE SHAREHOLDER RETURNS

The total dividend per share for the period under review is 7.90 pence (2015: 9.33 pence).

The Group's dividend policy is set out in the Financial Review on page 59.

### PROFITABILITY

The Group's strong focus on efficiencies has ensured that the underlying EBITDA margin remained stable at 20.4%.

For more information please refer to the Divisional Reviews and the Financial Review included in the Annual Report.

### GROWING THE BUSINESS

During 2015, Mediclinic acquired a 29.9% stake in Spire Healthcare, our first investment in the UK private healthcare market. We then completed the combination of Mediclinic International Limited and Al Noor Hospitals Group plc in February 2016 to become the largest private healthcare operator in the UAE. This merger will create tangible value for the Group over the longer term. As a healthcare group of this size, quality and reputation, Mediclinic has a significant opportunity to increase revenues and drive profitability in this market. Moreover, our move into the FTSE 100 index on the London Stock Exchange in March 2016 increased our exposure to international investment.

For further details on the Al Noor Combination and the acquisitions and expansions by the Group's operating platforms, please refer to the Chief Executive Officer's Review and the Divisional Reviews included in the Annual Report.

# SUSTAINABLE DEVELOPMENT HIGHLIGHTS (continued)

## MATERIAL ISSUE 4: RESPONSIBLE USE OF NATURAL RESOURCES

### KPIs

#### TOTAL CO<sub>2</sub> EMISSIONS PER BED DAY

Southern Africa	<b>111 kg (per CDP 2015)</b> (CDP 2014: 115 kg)	↓
Switzerland (per calendar year)	<b>13 kg</b> (2014: 14 kg)	↓
UAE*	<b>246 kg (per CDP 2015)</b> (CDP 2014: 239 kg)	↑

#### WATER USAGE (KL/BED DAY)

Southern Africa	<b>0.694 kl</b> (2015: 0.664 kl)	↑
Switzerland (per calendar year)	<b>0.664 kl</b> (2014: 0.664 kl)	-
UAE*	<b>1.125 kl</b> (2015: 1.165 kl)	↓

#### ENERGY CONSUMPTION (GJ/BED DAY)

Southern Africa	<b>0.333 gj</b> (2015: 0.331 gj/bed day)	↑
Switzerland (per calendar year)	<b>0.477 gj</b> (2015 calendar year) (2014: 0.533 gj/bed day)	↓
UAE*	<b>0.842 gj</b> (2015: 0.890 gj/bed day)	↓

#### WASTE RECYCLED

Southern Africa	<b>1 197 tonnes</b> (2015: 800.8 tonnes)	↑
Switzerland (per calendar year)	<b>630 tonnes</b> (2014: 400 tonnes)	↑
UAE	<b>87 tonnes</b> (2015: 86 tonnes)	↑

\* The intensity measures of CO<sub>2</sub> emissions, water usage and energy consumption per day are not appropriate for the UAE, and not comparable with that of Southern Africa and Switzerland, as the total emissions, water usage and energy consumption include only two hospitals, with outpatient consultations, and 10 clinics with only outpatient consultation (i.e. no bed days). During the year ahead a more appropriate intensity measure will be determined for the Group.

## ENVIRONMENTAL MANAGEMENT

The Group Environmental Policy, available on the Company's website, aims to minimise Mediclinic's environmental impacts, and guides the identification and management of all risks and opportunities relating to water use and recycling, energy use and conservation, emissions and climate change, and waste management and recycling.

### HIGHLIGHTS

- Southern Africa was ranked joint 1st in the Climate Disclosure Leadership Index in 2015 for consistent high levels of disclosure on our emissions over the past eight years
- Three Hirslanden hospitals recognised as CO<sub>2</sub>-reduced businesses by the Swiss Energy Agency for the Economy on behalf of the Swiss Federal Office of Energy
- Total energy consumption per bed day have reduced across Hirslanden and Mediclinic Middle East, with Mediclinic Southern Africa's consumption remaining stable

Our main environmental impacts are the utilisation of resources, predominantly energy, through electricity consumption and water, and the disposal of hazardous waste. We are fully aware of the need to use resources responsibly and recognise the risks that regulatory changes, environmental constraints and climate change present to our operations and we are committed to minimising our environmental impacts to the extent possible.

However, we also believe that using resources responsibly can be a source of strategic advantage for the Group, allowing us to manage and contain our operating costs and to ensure ongoing access to water and energy supplies.

## CARBON EMISSIONS

The Group's platforms measure, with the assistance of external consultants, its carbon footprint using the GHG Protocol and includes, still in varying degrees:

- **direct emissions**, which in the healthcare industry will refer mainly to the emissions from anaesthetics gases (scope 1 emissions);
- **indirect emissions from the consumption of electricity** (scope 2 emissions);
- **indirect emissions from suppliers**, which in the healthcare industry will refer mainly to pharmaceutical, bulk oxygen and waste-removal suppliers (scope 3 emissions); and
- **non-Kyoto Protocol greenhouse gas emissions** such as Freon, which is used in air-conditioning and refrigerant equipment. With the assistance of external consultants, these emissions data were converted into a carbon dioxide equivalent ("CO<sub>2</sub>e") using recognised calculation methods, emission factors, and stating assumptions made, where relevant.

The carbon emissions per platform, for the periods as specified therein, are reported in the **Sustainable Development Report**.



## ENERGY EFFICIENCY

Electricity is the main contributor to our carbon footprint and all our platforms are taking steps to reduce their electricity consumption intensity through the adoption of ISO 14001 management standards, leading to improved operational efficiency of technical installations, introduction of various new energy-efficient and renewable technologies, and changes in staff behaviour regarding energy use.

The total energy consumption per bed day has remained stable, with a slight increase in Mediclinic Southern Africa, and has decreased in Hirslanden and Mediclinic Middle East. The direct and indirect energy consumption per platform, for the periods as specified therein, is reported in the **Sustainable Development Report**.



## WATER USAGE

Our platforms in Southern Africa and UAE can suffer from significant water shortages, so it is critical for the Group to monitor water consumption closely.

We also have various measures in place to minimise water consumption, including reclaiming water, monitoring hot water consumption and installing water meters and control sensors.

The total water usage has increased ever so slightly at Mediclinic Southern Africa and Hirslanden, but decreased at Mediclinic East. The total volume of water withdrawn from water utilities throughout the Group, for the periods as specified therein, is reported in the **Sustainable Development Report**.



## WASTE MANAGEMENT

Stringent protocols are followed to ensure that refuse removal within the Group complies with all legislation, regulations and by-laws. The Group regards the handling of waste in an environmentally sound, legal and safe manner as its ethical, moral and professional duty. During the reporting period, there were no incidents at the Group's facilities or offices leading to significant spills.

## MATERIAL ISSUE 5: GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY

### KPIs

#### CALLS TO ETHICS LINES

Southern Africa	<b>104</b> (2015: 148)
Switzerland	<b>17</b> (2015: 8)
UAE	<b>1</b> (2015: 1)

#### NO INCIDENTS OF MATERIAL NON-COMPLIANCE WITH LAWS

#### CONTRIBUTION TO CSI INITIATIVES

Southern Africa	<b>R11.8m</b> (2015: R10.4m)	↑
Switzerland	<b>CHF2.5m</b> (2015: CHF2.1m)	↑
UAE	<b>AED814 000</b> (2015: AED740 000)	↑

### HIGHLIGHTS

- Total complaints to Ethics Line declined
- Mediclinic Southern Africa maintained level 4 BBBEE contributor status
- No incidents of material non-compliance with laws or regulations
- Group-wide Code of Business Ethics has been rolled out to Al Noor's employees
- Contributed R10.5m to the South African Department of Health's Public Health Enhancement Fund

## ETHICS AND GOVERNANCE

Our commitment to ethical standards is set out in the Group's values and is supported by the Group Code of Business Conduct and Ethics, which provides a framework for the standards of business conduct and ethics that are required of all business divisions, directors and employees. The Code is available to all staff and is included in new employee inductions. We have also put in place a range of policies, processes and standards to support the Group's governance and corporate social investment programmes.

Good progress was made to define and integrate relevant laws and potential risks in the risk registers of the various platforms and departments during the year. As in previous years, there were no incidents of material non-compliance with any laws, regulations, accepted standards or codes applicable to the Group or fines against the Group during the period under review.

# SUSTAINABLE DEVELOPMENT HIGHLIGHTS (continued)

## EFFECTIVE RISK MANAGEMENT

The Group's Enterprise-wide Risk Management ("ERM") policy follows the international COSO (Committee of Sponsoring Organisations of the Treadway Commission) framework and defines the risk management objectives, methodology, risk appetite, risk identification, assessment and treatment processes, and the responsibilities of the various risk management role-players in the Group. The ERM policy is subject to annual review and any amendments are submitted to the Audit and Risk Committee for approval.

The objective of risk management in the Group is to establish an integrated and effective risk management framework where important and emerging risks are identified, quantified and managed. An ERM software application supports the Group's risk management process in all three operating platforms.

Further details on the Group's risk management approach, as well as principal risks and uncertainties are included in the report on Risk Management, Principal Risks and Uncertainties in the Annual Report.



## COMPLIANCE WITH LAWS AND REGULATION

Compliance with all relevant laws, regulations, accepted standards or codes is integral to the Group's risk management process and is monitored. Good progress was made to define and integrate relevant laws and potential risks in the risk registers of the various platforms and departments during the year. As in previous years, there were no incidents of material non-compliance with any laws, regulations, accepted standards or codes applicable to the Group or fines against the Group during the period under review.

## BROAD-BASED BLACK ECONOMIC EMPOWERMENT ("BBBEE") (SOUTH AFRICA ONLY)

Mediclinic Southern Africa is assessed annually by an accredited verification agency against the generic scorecard criteria set by the Department of Trade and Industry ("dti"), the latest results of which are available on Mediclinic Southern Africa's website at [www.mediclinic.co.za](http://www.mediclinic.co.za). During the year, the Group maintained its status as a Level 4 contributor status on the generic BBBEE scorecard, reflecting its commitment to promoting BBBEE with regard to procurement, ownership, socio-economic development and enterprise development. The score achieved during the most recent assessment increased from 68.93 to 73.06.

## CORPORATE SOCIAL INVESTMENT ("CSI")

The Group contributes to the well-being of the communities within which it operates by investing in ongoing initiatives that address socio-economic problems or risks, and it has established Mediclinic as an integral member of these communities, enriching the lives of many communities throughout Southern Africa, Switzerland and the UAE.

The Group's corporate social investment activities are structured around the improvement of healthcare through training and education, sponsorships, donations, staff volunteerism, public private initiatives and joint ventures. Many of the Group's initiatives relate to providing training and to financial support of training. Due to the socio-economic conditions in Southern Africa, the majority of our CSI contributions are by Mediclinic Southern Africa.

The CSI spend per platform is provided on page 53.



# FINANCIAL REVIEW

Group revenue increased by 7% to £2 107m (2015: £1 977m) for the period under review.

Underlying operating profit before interest, tax, depreciation and amortisation (“underlying EBITDA”) was 6% higher at £428m (2015: £403m) and basic underlying earnings per share were 3% higher at 36.7 pence (2015: 35.8 pence).

Effective from 24 August 2015, the Group acquired a 29.9% shareholding in Spire. As Spire’s financial year end is 31 December, the income from associate was not recognised for the three months from January 2016 to March 2016. Underlying *pro forma* earnings were adjusted to include the income from associate for that period. Basic underlying *pro forma* earnings per share were 5% higher at 37.5 pence (2015: 35.8 pence).

Underlying margins remained stable at 20.4%.

## EARNINGS RECONCILIATION

	Total £'m	Corporate £'m	Switzerland £'m	Southern Africa £'m	Middle East £'m	United Kingdom £'m
<b>2016 STATUTORY RESULTS</b>						
Revenue	2 107	-	1 130	649	328	-
Operating profit	288	(44)	165	109	58	-
Profit attributable to equity holders	177	(50)	113	53	55	6
<b>RECONCILIATIONS</b>						
Operating profit	288	(44)	165	109	58	-
Add back:						
- Other gains and losses	1	1	-	-	-	-
- Depreciation	93	-	63	20	10	-
<b>EBITDA</b>	<b>382</b>	<b>(43)</b>	<b>228</b>	<b>129</b>	<b>68</b>	<b>-</b>
<b>One-off and exceptional items:</b>						
Transaction cost (Al Noor acquisition)	41	41	-	-	-	-
Accelerated share-based payment charges	10	-	-	10	-	-
Pre-acquisition Swiss tariff provision release	(7)	-	(7)	-	-	-
Restructuring cost	2	-	-	-	2	-
<b>Underlying EBITDA</b>	<b>428</b>	<b>(2)</b>	<b>221</b>	<b>139</b>	<b>70</b>	<b>-</b>
Profit attributable to equity holders	177	(50)	113	53	55	6
<b>One-off and exceptional items:</b>						
Transaction cost (Al Noor acquisition)	41	41	-	-	-	-
Tax	-	-	-	-	-	-
Accelerated share-based payment charges	10	-	-	10	-	-
Tax	-	-	-	-	-	-
Pre-acquisition Swiss tariff provision release	(7)	-	(7)	-	-	-
Tax	2	-	2	-	-	-
Restructuring cost	2	-	-	-	2	-
Tax	-	-	-	-	-	-
Fair value gains on ineffective cash flow hedges	(8)	-	(8)	-	-	-
Tax	1	-	1	-	-	-
Other gains and losses	1	1	-	-	-	-
Tax	-	-	-	-	-	-
<b>Underlying earnings</b>	<b>219</b>	<b>(8)</b>	<b>101</b>	<b>63</b>	<b>57</b>	<b>6</b>
Weighted average number of shares (millions)	598.4					
<b>Underlying earnings per share (pence)</b>	<b>36.7</b>					

## FINANCIAL REVIEW (continued)

	Total £'m	Corporate £'m	Switzerland £'m	Southern Africa £'m	Middle East £'m	United Kingdom £'m
<b>2015 STATUTORY RESULTS</b>						
Revenue	1 977	-	1 044	691	242	-
Operating profit	345	2	161	137	45	-
Profit attributable to equity holders	241	2	124	73	42	-
<b>RECONCILIATIONS</b>						
Operating profit	345	2	161	137	45	-
Add back:						
- Other gains and losses	(24)	(2)	(13)	(9)	-	-
- Depreciation	85	-	55	22	8	-
<b>EBITDA</b>	<b>406</b>	<b>-</b>	<b>203</b>	<b>150</b>	<b>53</b>	<b>-</b>
<b>One-off and exceptional items:</b>						
Impairment of property and equipment	2	-	-	2	-	-
Profit on sale of property, equipment and vehicles	(5)	-	-	(5)	-	-
<b>Underlying EBITDA</b>	<b>403</b>	<b>-</b>	<b>203</b>	<b>147</b>	<b>53</b>	<b>-</b>
Profit attributable to equity holders	241	2	124	73	42	-
<b>One-off and exceptional items:</b>						
Impairment of property	2	-	-	2	-	-
Tax	-	-	-	-	-	-
Insurance proceeds	(9)	-	-	(9)	-	-
Tax	1	-	-	1	-	-
Gain on disposal of subsidiary	(2)	-	(2)	-	-	-
Tax	-	-	-	-	-	-
Profit on disposal of property, equipment and vehicles	(5)	-	-	(5)	-	-
Tax	1	-	-	1	-	-
Realised gain on foreign currency forward contract	(2)	(2)	-	-	-	-
Tax	-	-	-	-	-	-
Ineffective cash flow hedges	19	-	19	-	-	-
Tax	(4)	-	(4)	-	-	-
Swiss tax rate charges relating to prior years	(40)	-	(40)	-	-	-
Tax	-	-	-	-	-	-
Discount on loan repayment	(11)	-	(11)	-	-	-
Tax	2	-	2	-	-	-
<b>Underlying earnings</b>	<b>193</b>	<b>-</b>	<b>88</b>	<b>63</b>	<b>42</b>	<b>-</b>
Weighted average number of shares (millions)	540.3					
<b>Underlying earnings per share (pence)</b>	<b>35.8</b>					

The current Group results include the following exceptional and one-off items which were adjusted to determine underlying earnings:

- One-off transaction costs of £41m (£41m after tax) relating to the Al Noor acquisition. The transaction cost is mainly comprised of advisor fees and South African securities transfer tax.
- A one-off non-cash IFRS 2 accelerated share-based payment charge of £10m (£10m after tax) relating to employee share trusts for Southern African employees.

After the announcement of the proposed Mediclinic/Al Noor Combination, the trustees of the employee trusts and the relevant participating employer companies agreed to accelerate the vesting of the underlying assets of the trusts to the beneficiaries and to close down the trusts. The underlying shares were sold in two book building exercises previously announced in December 2015 and January 2016.

- £7m (£5m after tax) was released in respect of a pre-acquisition Swiss tariff provision. When Mediclinic acquired the Hirslanden business in 2007, a provision relating to a specific tariff dispute was included in the opening accounts. After lengthy judicial processes and a court ruling in the 2013 financial year an increased provision was made which was excluded in the measurement of underlying performance for the year. The dispute has now been finally settled and the balance of the provision released. Given that the exceptional charge was adjusted from underlying earnings in 2013, its release has been treated consistently by being excluded from underlying earnings in 2016.
- £8m (£7m after tax) mark-to-market fair value gain, relating to the ineffective Swiss interest rate swaps. The Group uses floating-to-fixed interest rate swaps on certain loan agreements

to hedge against interest movements which have the economic effect of converting floating rate borrowings to fixed rate borrowings. The Group applies hedge accounting and therefore fair value adjustments are booked to the consolidated statement of comprehensive income.

With the removal of the Swiss franc/euro peg during January 2015 and the introduction of negative interest rates in Switzerland, the Swiss interest rate hedges became ineffective once Libor is below zero as bank funding at Libor plus relevant margins is subject to a zero rate Libor floor. Effective from 1 October 2014, the mark-to-market movements are charged to the income statement. As these are non-cash flow items and to provide balanced operational reporting the Group excluded the charge in the measurement of underlying performance in the 2015 financial year and consistently excludes the gain arising this year. The swaps expire in 2017 and 2018.

- Al Noor post-acquisition restructuring costs of £2m.
- Loss of £1m on foreign currency forward contracts.

## FOREIGN EXCHANGE RATES

Although the Group reports its results in pound sterling, the underlying operation segments earnings are generated in Swiss franc, UAE dirham and the South African rand. Consequently, movement in exchange rates affected the reported earnings and reported balances in the statement of financial position. The impact of a 10% change in the GBP/South African rand exchange rates for a sustained period of one year is: profit for the year would increase/decrease by £7m (2015: increase/decrease by £10m) due to exposure to the GBP/South African rand exchange rate.

The following exchange rates were applicable during the period:

	2016	Variance	2015
<b>Average rates:</b>			
Swiss franc	<b>1.47</b>	(2.0%)	1.50
UAE dirham	<b>5.54</b>	(6.4%)	5.92
South African rand	<b>20.73</b>	16.3%	17.82
<b>Period-end rates:</b>			
Swiss franc	<b>1.38</b>	(4.2%)	1.44
UAE dirham	<b>5.28</b>	(2.8%)	5.43
South African rand	<b>21.21</b>	17.7%	18.02



# FINANCIAL REVIEW (continued)

## MEDICLINIC/AL NOOR COMBINATION

The Combination became effective on 15 February 2016. The results of Al Noor have been consolidated from that date. The integration of Al Noor is ongoing and the performance until now is in line with expectations.

The fair value exercise over the opening balance sheet of Al Noor remains provisional at 31 March 2016 as permitted by IFRS 3. Since the Group is in discussions with UAE medical insurance funders and other third parties about conforming Al Noor's commercial practices with the rest of the Group, there is still a degree of uncertainty about the fair value of certain acquired assets and liabilities. This is expected to be finalised during the next year.

## CASH FLOW

The Group continued to deliver strong cash flow. The Group converted 96% (2015: 109%) of underlying EBITDA into cash generated from operations. Cash and cash equivalents increased from £265m to £305m.

## INTEREST-BEARING BORROWINGS

Interest-bearing borrowings increased from £1 618m to £1 841m. The increase is mainly because of the bridge facility which was utilised to fund the tender offer to Al Noor Hospitals Group plc shareholders. The refinancing of the bridge is underway and details will be provided on conclusion thereof.

	2016 £'m	2015 £'m
Interest-bearing	1 841	1 618
Less: cash and cash equivalents	(305)	(265)
Net debt	1 536	1 353
Total equity	3 570	1 840
Debt-to-equity capital ratio	0.4	0.7

## ASSETS

Intangible assets increased from £642m at 31 March 2015 to £1 927m at 31 March 2016 mainly because of the goodwill recognised in respect of the Al Noor acquisition.

## TAX

The Group's effective tax rate was increased from 4.3% to 22.4%. In the prior year, the tax rate was impacted by the release of £43m Swiss income tax liabilities in relation to historic uncertain tax positions. For the period under review, the transaction cost relating to the Al Noor Combination was non-deductible for tax purposes and this had a tax effect of £10m. Furthermore, the non-deductibility of the accelerated IFRS 2 charges affected the tax charge by £3m.

## WEIGHTED AVERAGE NUMBER OF SHARES ADJUSTMENT

During the period under review, shares were issued at a discount. As required by the accounting standards (IAS 33 paragraph 26), an adjustment was made to the weighted average number of shares in issue for the current and the prior year. Basic earnings per share for the prior year was adjusted and decreased by 1.1 pence from 45.7 pence to 44.6 pence and basic underlying earnings per share for the prior year decreased by 0.8 pence from 36.6 to 35.8 pence.



## UNDERLYING NON-IFRS FINANCIAL MEASURES

The Group uses underlying income statement reporting as non-IFRS measures in evaluating performance and as a method to provide shareholders with clear and consistent reporting.

The Group's non-IFRS measures are intended to remove from reported earnings volatility associated with the following types of one-off income and charges:

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

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

## INVESTMENT IN ASSOCIATE AND CORPORATE EXPENDITURE

On 24 August 2015, the Group acquired a 29.9% shareholding in Spire for £447m. The investment in Spire contributed £6m to the Group's underlying earnings.

In addition, corporate expenditure was incurred amounting to £8m, of which £6m relates to the finance charges in respect of the bridge facility.

## DIVIDEND POLICY AND DIVIDEND

Following the completion of the Combination of Mediclinic International Limited and Al Noor, the Board has reviewed and amended the dividend policy to target a pay-out ratio of between 25% and 30% of underlying earnings. The Board may revise the policy from time to time.

The Board proposes a final dividend of 5.24 pence per ordinary share for the year ended 31 March 2016. Together with the interim dividend of 1.66 pence per share for the six months ended 30 September 2015 (paid on 7 December 2015), the total final proposed dividend reflects a 25% distribution of underlying Group earnings attributable to ordinary shareholders.

Shareholders on the South African register will be paid the ZAR cash equivalent of 119.5244 cents (101.5957 cents net of dividend withholding tax) per share. The ZAR cash equivalent has been calculated using the following exchange rate: £1:ZAR22.81, being the 5 day average ZAR/GBP exchange rate on Friday, 20 May 2016 at 3:00pm GMT Bloomberg.

The Strategic Report, comprising pages 2 to 59, was approved by the Board and signed on its behalf by:



**Edwin Hertzog**  
Non-executive Chairman

