

SOUTHERN AFRICA



Koert Pretorius
*Chief Executive Officer:
Mediclinic Southern Africa*

MANY ATTRACTIVE GROWTH OPPORTUNITIES REMAIN IN SOUTHERN AFRICA, INCLUDING THE EXPANSION OF EXISTING HOSPITALS, THE ESTABLISHMENT OF NEW HOSPITALS AND DAY CLINICS, AND OPPORTUNITIES RELATING TO MENTAL HEALTH

HIGHLIGHTS

+4.4%
BED DAYS SOLD

+5.8%
AVERAGE INCOME
PER BED DAY

+10%
REVENUE

81%
PATIENT
SATISFACTION
LEVEL

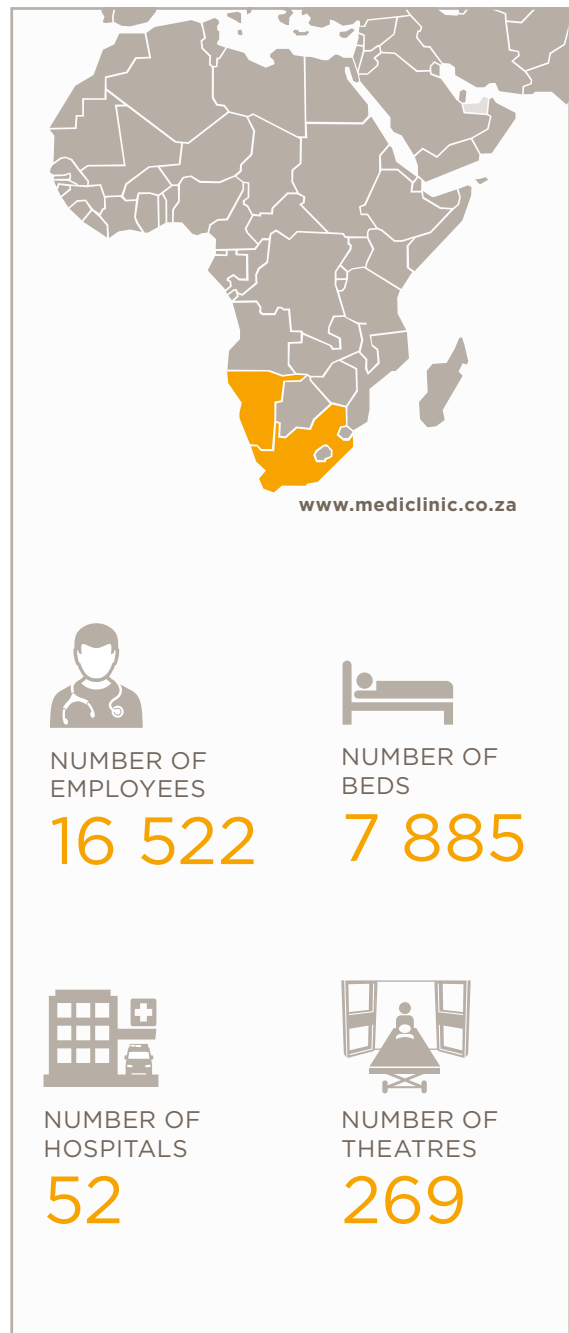
BUSINESS ENVIRONMENT

South Africa's economic performance remained weak in recent years, with the annual gross domestic product growth rate decelerating to 1.5% for 2014 from 2.2% in 2013. In contrast, the South African private healthcare sector has maintained a positive, gradual, long-term growth trajectory.

Private healthcare funding in South Africa and Namibia is principally provided by medical schemes, with approximately 92% of Mediclinic Southern Africa's hospital admissions and revenue funded by medical schemes. The number of beneficiaries insured by the funding market in South Africa was approximately 8.8 million at 30 September 2014, representing a marginal growth of about 31 650 beneficiaries from 30 September 2013. The Council for Medical Schemes ("CMS") also issued statistics detailing "the prevalence of chronic diseases in the population covered by medical schemes in South Africa" in January 2015, wherein it was reported that there was an upward trend in the diagnosis and treatment of many conditions on the prescribed list of chronic diseases (which by law all medical schemes are obliged to fund), for the period 2008 to 2013. This report therefore indicates deterioration in the disease profile of the medical scheme population, and by implication more members require treatment at a greater frequency and intensity of care than before.

Consolidation in the funder market continued in the period under review and it is expected that this will continue for the foreseeable future. The result of the consolidation is further concentration in the funding market whereby the larger medical schemes, and the administrators, continue increasing their proportion of the privately insured beneficiaries. For example, based on the latest (2013) CMS annual report, Discovery Administration and the Government Employee Medical Scheme now represent 32% and 21% of beneficiaries respectively. This has a significant impact in terms of annual tariff negotiations resulting in robust engagement.

The medical scheme industry continues to be financially viable. Solvency ratios, as monitored by the CMS, increased from 32.6% in December 2012 to 33.3% in December 2013. The legal requirement for solvency ratios is 25%. The total accumulated reserves for all medical schemes increased from R38.3bn to R43.2bn over this period.



Mediclinic Southern Africa continues to support the underlying principle of universal coverage through the creation of a National Health Insurance (“NHI”) system in South Africa. Mediclinic Southern Africa continues to monitor all available information pertaining to the planned implementation of NHI closely. The publication of Government’s White Paper on the NHI, a more detailed discussion document including details regarding the financing options, is still expected during the year ahead. Mediclinic Southern Africa will continue to engage with both government and other relevant stakeholders on the most appropriate design and mechanisms to pursue universal coverage within the South African context.

The shortage of human resources in healthcare remains a critical challenge for the sector. This has been acknowledged by the Minister of Health. The Minister has proposed various initiatives to address this problem, such as expanding the capacity of medical schools and the reopening of nursing colleges.

The Competition Commission is currently undertaking a market inquiry into the private healthcare sector in South Africa. In line with the Commission’s published *Terms of Reference and Administrative Guidelines*, Mediclinic Southern Africa prepared and delivered a comprehensive submission. Mediclinic Southern Africa has also submitted comments on the submissions of other stakeholders. Mediclinic Southern Africa has the assistance of expert legal and economic advisers and we believe that we are well prepared to participate fully in the inquiry.

BUSINESS PERFORMANCE

The 10% revenue growth was achieved through a 4.4% increase in bed days sold and a 5.8% increase in the average income per bed day. The number of patients admitted increased by 2.3%, while the average length of stay increased by 2.1%.

The normalised EBITDA margin of the Southern African operations decreased from 21.6% to 21.3%, mainly due to the opening of Mediclinic Midstream.

During the period under review the Southern African operations invested the following amounts:

- R1 131m (2014: R577m) in capital projects and new equipment to enhance its business;
- R306m (2014: R308m) to replace existing equipment; and
- R305m (2014: R289m) to repair and maintain property and equipment, which was charged through the income statement.

For the next financial year the budget is:

- R813m for capital projects and new equipment;
- R333m for replacing existing equipment; and
- R316m for repairs and maintenance.

Incremental EBITDA resulting from capital projects in progress or approved is budgeted to amount to R56m and R55m in 2016 and 2017 respectively.

The number of licensed hospital beds increased from 7 614 to 7 885 during the year under review.

BUILDING PROJECTS

During the past year a number of building projects were completed at various hospitals, creating 271 additional beds. The development of Mediclinic Midstream (176 beds), which opened on 2 March 2015, was the most significant. Other building projects included new consulting rooms, the relocation of a hospital, Mediclinic Gariiep, in Kimberley and a number of facility upgrades.

Building projects in progress, which should be completed during the next financial year, will add 159 additional beds.

The number of licensed beds is expected to increase from 7 885 to 8 044 during the next financial year.

Several building projects in progress should be completed during the 2017 financial year, which will add 308 additional beds.

SYSTEM IMPROVEMENTS

Mediclinic Southern Africa is in the process of improving a number of its core systems.

The SAP implementation was successfully continued during the year, focusing on embedding the financial and central procurement processes at the corporate office. The roll-out to all hospitals will commence during the coming financial year.

The implementation of Kronos Workforce Management Software (“Kronos”) – to improve employee time-and-attendance and scheduling processes – progressed well. Kronos was implemented at the corporate office and successfully piloted at hospital level during the previous financial year. Kronos has since been implemented successfully at more than half of the group’s hospitals during the current financial year, with implementation at the balance of the hospitals planned for the next financial year.

SUSTAINABILITY

People

The attraction and retention of high-quality medical professionals is fundamental to Mediclinic Southern Africa’s sustainability. There remains an ongoing shortage of nurses in South Africa. Integrated talent strategies have been deployed 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.

In the short term, Mediclinic Southern Africa addresses the above by recruiting nurses from India. The longer-term solution is to increase local training. To this end, the group plans to double its training capacity over the next number of years. Correspondingly, to increase training capacity, two of the existing Learning Centres in the Cape Town and Tshwane areas were expanded, a new Learning Centre was commissioned in Kimberley and the Learning Centre Limpopo will relocate into a larger facility during April 2015.

Mediclinic Southern Africa’s training and development function is registered as a Private Higher Education Institution and offers a Diploma in General Nursing Science and a Diploma in Operating Department Assistance to promote training of skilled healthcare personnel and thus sustain quality outcomes in providing healthcare. An Advanced Diploma in Health Services Management and Leadership to equip managers with the relevant skills to manage health facilities and departments is also offered. The first cohort of eleven learners completed the Advanced Diploma in Health Services Management and Leadership at the end of 2014. Mediclinic Southern Africa also provides Enrolled Nursing programmes accredited by the South African Nursing Council.

A total of 572 learners completed undergraduate programmes and 79 learners completed postgraduate programmes during the 2014 academic year. A further 808 learners completed in-house structured programmes.

Mediclinic Southern Africa introduced a Mediclinic Leadership Academy in 2013, which focuses on the organisation’s culture and values to ensure sustainability. This academy has already been attended by about 650 senior management delegates.

The formal succession planning process for key positions is well established in Mediclinic Southern Africa, and the talent review committee has made great progress in establishing talent pools for relevant key positions. This provides an important foundation for development initiatives that will continue during 2015 to ensure tailored development of our talent pools.



Society

As previously reported, a strategic decision was made that Mediclinic Southern Africa would assist the National Department of Health with the Public Health Enhancement Fund (“PHEF”). The PHEF is a joint initiative between the National Department of Health and the private healthcare sector aimed at producing more medical personnel for South Africa and focuses on public sector management training and equipping, so as to strengthen the public sector 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. The funds raised by the PHEF will be used to assist government to:

- expand the intake of medical students;
- support postgraduate students pursuing health related studies;
- build additional capacity in the management of tuberculosis (“TB”), HIV and AIDS; and
- provide support to the Leadership and Management Academy for Health.

The significant contribution of R9.0m (2014: R8.4m) to the fund during the year has to a large extent replaced the group’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 14001:2004 Specification for Environmental Management Systems. Its performance is assessed by National Quality Assurance London.

Forty of Mediclinic Southern Africa’s fifty two hospitals are ISO 14001 certified. Fifty one hospitals have been ISO 14001-trained to follow the same environmental management practices and are also subject to annual internal audits. The new Mediclinic Midstream will be trained in September 2015 and externally certified in the 2017 financial year.

Mediclinic Southern Africa achieved joint second place ranking in the Climate Disclosure Leadership Index of the CDP 2014 for the Top 100 companies on the JSE. The Climate Disclosure Leadership Index focuses on climate change governance, risk management, performance, transparency and data management.



OUTLOOK

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

At the same time, Mediclinic Southern Africa is continuing to focus on the value that it delivers to its patients, by continuing to improve the safety and quality of its clinical care, the quality of patients' experience and opportunities to improve operational efficiency. The group will also focus on opportunities to integrate the Southern African private healthcare delivery model in the future.

Mediclinic Southern Africa further believes that it is well positioned to address various other challenges in the business environment, for example challenges relating to the regulatory environment and the continuing skills shortages.

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

SWITZERLAND



Ole Wiesinger
*Chief Executive Officer:
Hirslanden*

HIRSLANDEN ACQUIRED TWO NEW HOSPITALS IN GENEVA AND MEGGEN, ADDING 87 BEDS TO THE GROUP

HIGHLIGHTS

+7.8%

INPATIENT
ADMISSIONS

+1.7%

AVERAGE INCOME
PER CASE

+8.8%

NORMALISED
REVENUE

92%

PATIENT
SATISFACTION
LEVEL

BUSINESS ENVIRONMENT

During the year, Hirslanden was able to further expand its position as the largest private hospital group in Switzerland. Following the acquisition of two hospitals, the group now consists of 16 hospitals. This is in addition to 3 outpatient clinics, 11 radiology and 4 radiotherapy centres. Hirslanden is the largest private medical network in Switzerland, with its primary competitor being the Swiss public hospital sector.

With a GDP growth of 2.0%, Switzerland experienced much stronger growth than the European Union (1.3%) and even double that of countries in the eurozone (0.9%). Above all, the trade of goods and services abroad (+1.4%) and private consumption (+0.5%) contributed to this growth. The stagnation or even slightly negative development of many prices has continued. The consumer mood was most recently dominated by the decision of the Swiss National Bank on 15 January 2015 to scrap the minimum exchange rate of CHF1.20 per euro. While the consumer confidence index stood at -6 points in January 2015, this still remains above the longstanding average of -9 points. The decision of the Swiss National Bank to scrap the minimum exchange rate does not have any effect on the core business at Hirslanden.

Thanks to its favourable economic situation, Switzerland remains attractive to foreign employees. In 2014, it employed more people from the EU than ever before. As in the previous year, the unemployment rate was 3.2% and thus more than three times below that of the eurozone. However, how immigration - and thus the growth in population - will develop in future is currently unclear and depends on how the Swiss vote of 9 February 2014 in favour of restrictions on foreign immigration will be put into practice. It is expected that the recruitment of foreign staff at Hirslanden will become more difficult.

An initiative to replace the current system of competition among many different health insurers with a system of one single public health insurance was rejected by a large majority in a public vote on 28 September 2014, demonstrating the public's opposition against a further nationalisation of the healthcare system. Despite this, some cantons have started to consider the introduction of a public cantonal health insurance system.



NUMBER OF EMPLOYEES

8 749



NUMBER OF BEDS

1 655



NUMBER OF HOSPITALS

16



NUMBER OF THEATRES

88

A recent study from Credit Suisse (Worry Barometer 2014) demonstrates that health – in contrast to just a few years ago – is no longer one of the most pressing concerns of the Swiss people. This is probably due to the fight against increases in insurance premiums. The health insurance premium index decreased by 0.8% in 2014 compared to the previous year. This is primarily due to the substantial reduction in supplementary insurance premiums in some cases.

Since Hirslanden is included on the hospital lists of all cantons where Hirslanden is present, the proportion of patients with basic insurance has grown continually from 35%, when the system was introduced, to a current level of 43%. However, Hirslanden continues to focus on being a leading provider of services to supplementary insurance clients.

Hirslanden, together with other service providers, forced the termination of the ongoing highly specialised medicine (“HSM”) planning before the courts. The Federal Administrative Court enforced an alteration of the tendering procedure and, at the same time, representatives from the private sector were also included in the specialist committee. The HSM planning process is currently ongoing – the outcome of which is uncertain.

BUSINESS PERFORMANCE

The 8.8% normalised revenue growth was achieved through inpatient admissions increasing by 7.8% during the reporting period, while the average length of stay remained stable and the average revenue per case increased by 1.7% due to higher acuity levels.

The normalised EBITDA margin of Hirslanden decreased from 20.8% to 19.4%.

During the period under review, Hirslanden invested the following amounts:

- R856m (CHF72m) (2014: R769m (CHF70m)) on capital projects and new equipment to enhance its business;
- R835m (CHF70m) (2014: R558m (CHF51m)) on replacing existing equipment; and

- R457m (CHF38m) (2014: R397m (CHF36m)) on repairing and maintaining property and equipment, which was charged through the income statement.

For the next financial year the budget is:

- CHF70m for capital projects and new equipment;
- CHF80m for replacing existing equipment; and
- CHF39m for repairs and maintenance.

Incremental EBITDA resulting from capital projects in progress or approved is budgeted to amount to CHF8m and CHF6m in 2016 and 2017 respectively.

The number of inpatient beds increased to 1 655 (2014: 1 567) during the period under review, mainly as a result of the acquisitions of two new hospitals, Hirslanden Clinique La Colline and Hirslanden Klinik Meggen.

ACQUISITIONS

The group acquired two hospitals in the reporting year. With the acquisition of the 67-bed Hirslanden Clinique La Colline, the group expanded its footprint to Geneva and is now represented in all major cities stretching from Eastern to Western Switzerland. With the newly acquired 20-bed Hirslanden Klinik Meggen in the canton of Lucerne, Hirslanden will also strengthen its business in Central Switzerland. Both facilities are included on the hospital list of their respective cantons. Hirslanden has taken on the existing personnel and continued hospital operations seamlessly at both these hospitals.

Hirslanden Clinique La Colline offers a range of multi-disciplinary medical and surgical services. The facilities include 67 inpatient beds, an emergency centre, six operating theatres and its own polyclinic. The hospital employs 290 people and works with some 150 affiliated doctors.

Hirslanden Klinik Meggen has around 40 affiliated doctors from various specialist fields supporting the hospital. The hospital includes three operating theatres and boasts 20 inpatient beds as well as a day clinic with 11 beds. The hospital employs 70 staff.

BUILDING PROJECTS

Hirslanden invests continually in infrastructural repairs and maintenance, new and replacement equipment incorporating cutting-edge medical technology, plus expansion projects and new buildings. These all have three goals in common:

- Hirslanden remains the preferred employer and partner of choice for leading affiliated doctors and experts;
- delivery of world-class medical and excellent general service; and
- ensuring further growth.

Building projects completed during the period under review include:

- In August 2014, Hirslanden Klinik Am Rosenberg opened its fifth operating theatre.
- In January 2015, the Praxiszentrum am Bahnhof in Schaffhausen opened for business as a general practitioner and walk-in practice. The first floor houses the practices of specialists who are accredited with Hirslanden Klinik Belair as affiliated doctors.
- In March 2015, Hirslanden Klinik Aarau opened its expanded private department. This also includes a lounge area, which acts as a reception and waiting room for private patients and their relatives.
- In March 2015, Hirslanden Klinik Stephanshorn opened an extension with space for 24 additional beds, as well as a new accident and emergency unit with six treatment rooms.
- Investments in medical technology during the period under review include:
 - At Hirslanden Klinik St. Anna a state-of-the-art PET/CT machine was commissioned in September 2014.
 - Hirslanden Klinik Beau-Site obtained a 3 Tesla MRI scanner in October 2014.
 - Hirslanden Klinik Im Park renovated its operating theatres and opened a hybrid operating theatre in November 2014.
 - In January 2015, Hirslanden Klinik St. Anna acquired a state-of-the-art Da Vinci surgical robot.

The major ongoing expansion projects are as follows:

- A fifth operating theatre is currently in development at Hirslanden Klinik Birshof together with new patient rooms and nurses' stations. The accident and emergency unit is also being expanded. Additionally, new doctors' practices and an additional radiology unit will also soon be in operation.
- A new outpatient clinic is currently being built close to the railway station in Düringen in the canton of Fribourg. The clinic will create 17 new jobs and will also include a radiology service.
- Hirslanden Clinique Bois-Cerf and Hirslanden Clinique Cecil in Lausanne are currently building a radiology centre in Malley (the Institut de radiologie de l'ouest lausannois), which will cooperate as a partner with the existing radiology centres of the Radiology Institute Hirslanden Lausanne.

PUBLIC PRIVATE PARTNERSHIPS

Hirslanden started three partnerships with public service providers during the year. This type of partnership holds great potential that should be further developed in the coming years. The three partnerships are:

- Since May 2014, Hirslanden Klinik Aarau has cooperated with the university hospital in Berne in the field of heart surgery. The new Heart Centre at Hirslanden Klinik Aarau is part of a further cooperation with the Aarau Cantonal Hospital, which was launched in September 2014 under the name Heart Centre Aargau. The goal is to offer heart medicine of the very highest standard, with heart surgery being performed at Hirslanden Klinik Aarau.
- Since December 2014, Hirslanden Klinik Aarau has also worked closely with the Aarau Cantonal Hospital in the field of neurosurgery. With this cooperation in one of the fields of first-class medicine, Aargau patients receive the best possible treatment for their needs – regardless of their chosen hospital.
- The Hirslanden Männedorf Institute of Radiotherapy opened in April 2014. The centre is run by specialist personnel and doctors from Klinik Hirslanden and complements Männedorf Hospital's range of services in oncology and surgery.



SUSTAINABILITY

Quality

The quality management system at Hirslanden is based on the regulations of the ISO 9001:2008 standard, according to which all the hospitals are certified. Its process orientation forms the basis for the alignment of the group and hospitals with the Business Excellence model from the European Foundation for Quality Management.

The Hirslanden hospitals are among the first in Switzerland to participate in the Quality Medicine Initiative. In this scheme, each participating hospital is obliged to publish a series of quality performance indicators. External peer review procedures are carried out if necessary. Hirslanden also participates in the National Association for Quality Development in Clinics and Hospitals. The results regularly prove that Hirslanden works to the highest standards.

People

The recruitment of nursing staff, especially in specialised nursing, is a major challenge both for Hirslanden and other hospitals. For this reason, Hirslanden is committed to the further training and education of specialist nurses to provide professional recruitment practices and to offer attractive working conditions and career opportunities. As one of

the largest employers in the Swiss health sector, Hirslanden trains around 980 apprentices and students, of whom around 85% work in healthcare professions. This also includes 145 trainee registrars.

Environment

The continuous improvement of the environmental balance is part of responsible and sustainable practices at Hirslanden. All Hirslanden hospitals have been supplied with 100% sustainable electric power since the start of 2014. In order to be even more systematic in environmental management, the Hirslanden Executive Committee has defined guidelines that cover issues ranging from training and construction measures to the choice of suppliers. A structured environmental management pilot project is also ongoing at Hirslanden Klinik Belair. ISO 14001:2015 certification of this hospital is planned for the end of 2015, with the remaining hospitals in the group to follow in the future.

MANAGEMENT CHANGES

A host of changes in management have been made in the reporting year. COO André Steiner retired after more than 20 years of service and was succeeded by Dr Daniel Liedtke, previously appointed as the Hospital Manager of Klinik Hirslanden in Zurich. In addition and to ensure the optimal implementation



of the organisation's strategy, the Chief Operating Officer ("COO") will be responsible for Marketing and Hirslanden International. The Chief Strategy Officer (formerly Chief Services Officer) will manage the Strategy and People departments, which are now no longer known as Services due to the new division of tasks. With the ongoing development from an infrastructure provider to a system provider in mind, the Chief Clinical Officer, responsible for clinical services, has been appointed to the Executive Committee.

OUTLOOK

The environment in which Hirslanden is active has undergone a fundamental change in recent years: inpatient services are invoiced on a flat-rate basis; the proportion of patients with basic insurance has grown from 35% in the 2011/12 financial year to currently 43% since the inclusion on the hospital lists; increasing regulation and cost pressure; and there is a shift in medical services from the inpatient to the outpatient sector.

For these reasons, the Hirslanden 2020 strategic programme was created. Implementation of the

programme has already started and will place great demands on the group in the years ahead. The programme has two objectives: to make the existing business more efficient and to develop new areas of business. In order to increase profitability, the transformation from a group of hospitals into an integrated hospital group (as initiated in the previous One Hirslanden programme) will be driven further. Business fields, which Hirslanden wants to develop increasingly, include the outpatient sector in particular. This ranges from additional outpatient clinics to outpatient surgery centres and radiology centres.

It is clear that a programme of transformation such as this is associated with additional costs. This also applies to the additional change project that is currently ongoing, the Hirslanden Hospital Information System (HLT) project, which provides a modern, ICT-enhanced basis for medical core business and administrative activities.

UNITED ARAB EMIRATES



David Hadley
*Chief Executive Officer,
Mediclinic Middle East*

MEDICLINIC MIDDLE EAST CONTINUES TO BE WELL PLACED AMONG THE COMPETITION WITH ITS STRATEGIC PLAN TO BRIDGE GAPS IN UNDER-REPRESENTED AREAS

HIGHLIGHTS

+6%

INPATIENT
ADMISSIONS

+14%

CLINIC
OUTPATIENT
CONSULTATIONS

+16%

REVENUE

80.8%

PATIENT
SATISFACTION
LEVEL

BUSINESS ENVIRONMENT

The UAE continues to strengthen its position as a regional business hub and also, increasingly, for developing nations in Africa and Asia thanks to its strategic location and attractive trading environment. The latest published GDP figures for the UAE (December 2014) show growth of 4.3% in 2014.

Although the recent decline in oil prices has caused the IMF to lower its growth projections for the UAE's GDP in 2015 to 3.5% from 4.5%, this largely affects Abu Dhabi. Dubai, with less reliance on oil as a contributor to its GDP, is still forecast to grow at a rate of 4.5% in 2015. This is led by a growing tourism industry, increased trade activity and a strong construction sector. Infrastructure developments and service industries attracted US\$7.8bn of foreign direct investment into Dubai in 2014, demonstrating a high level of confidence in Dubai's economy. There was a slight softening of real estate prices during the second half of 2014, and the strength of the US dollar as well as the weakening euro and Russian ruble is expected to have some negative effect on the tourism industry in 2015, however the overall outlook remains positive.

Development has begun on projects associated with Dubai's hosting of Expo 2020 which is expected to attract 25 million visitors. These include the extension of the Dubai Metro through newer residential areas inland and out to the Expo 2020 site. Dubai World Central, Dubai's new airport, which opened in October 2013 with an initial capacity of up to seven million passengers per year, has also already been earmarked for expansion with approval in September 2014 of a \$32bn plan which will see its capacity increase to 120 million passengers per annum within the next six to eight years.

Inflation continues to run at more than 4% in Dubai with the resulting upward pressure on salaries remaining. Salary levels are also being driven higher by increased competition within the UAE's healthcare sector as entrants are attracted to the market because of an expected population growth of approximately 3% per year, health indicator trends related to the young population (maternity and paediatrics), as well as high mortality rates from lifestyle-related diseases and cancer.



Mediclinic Middle East continues to be well placed amongst the competition with its strategic plan to bridge gaps in under-represented areas, both medical and geographical. During the last reporting period, an opportunity for a new hospital was identified on the southern side of Dubai, in a strategic location close to the burgeoning areas of population growth which currently lack access to such a facility. The hospital, estimated to open at the end of 2018, will have an initial capacity of approximately 150 beds and will house six operating theatres along with a wide range of other in- and outpatient services. The new wing of Mediclinic City Hospital, currently under construction, will house a new oncology unit, developed in conjunction with Hirslanden. New centres of excellence in metabolic surgery, breast surgery and neurosurgery are also under development in association with Hirslanden.

The Dubai Government continues to focus on the regulatory aspects of the healthcare industry, and Mediclinic Middle East is actively engaged with them regarding this.

BUSINESS PERFORMANCE

The 16% revenue growth was achieved through a 6% growth in inpatient hospital admissions, as well as an 8% increase in hospital outpatient consultations and visits to the accident and emergency units. Clinic outpatient consultations increased by 14%.

Mediclinic Middle East's EBITDA margin decreased slightly to 21.8% (2014: 22.0%), due to the start-up costs of the two new clinics in Abu Dhabi. The group is still learning from the challenges posed by this new market and initiatives are underway to successfully establish Mediclinic Al Hili, which opened in Abu Dhabi's second city, Al Ain, in February 2015, and to realise the potential of Mediclinic Corniche which opened in 2014.

During the reporting period, the selection process for a suitable LIS (Laboratory Information System) was initiated. Mediclinic Middle East plans significant investment in new ICT infrastructure in forthcoming years to enhance business performance

During the period under review, Mediclinic Middle East invested the following amounts:

- R227m (AED75m) (2014: R334m (AED121m) which included AED95m on the laboratory acquisition) on capital projects and new equipment to enhance its business, including AED56m on the construction of Mediclinic City Hospital's North Wing;
- R74m (AED25m) (2014: R59m (AED22m)) to replace existing equipment; and
- R60m (AED20m) (2014: R52m (AED19m)) to repair and maintain property and equipment, which was charged through the income statement.

For the next financial year Mediclinic Middle East plans to invest the following:

- AED133m on capital projects and new equipment including AED120m on the North Wing extension of Mediclinic City Hospital, as well as AED145m on the land purchase and construction of the new hospital;
- AED32m for replacing existing equipment; and
- AED20m for repairs and maintenance.

Overall patient satisfaction levels for the period October 2014 to March 2015 under the new Press Ganey system are 80.8% for inpatients and 77.7% for outpatients.

BUILDING PROJECTS

Mediclinic City Hospital's new North Wing extension remained under construction during the reporting period. The completion date is estimated at mid-2016. Mediclinic Middle East also opened its first clinic in Al Ain, Abu Dhabi's thriving second city, in February 2015. A new outpatient centre was opened at Mediclinic Welcare Hospital to create additional space for outpatient services.

The Mediclinic Middle East corporate team also relocated from disparate locations around Dubai to a new central office opposite Mediclinic City Hospital in Dubai Healthcare City. This has streamlined operations, improved communication and also freed up space for the necessary expansion of doctors and services at Mediclinic Dubai Mall.

Mediclinic Middle East's proposed new hospital should break ground in the next reporting period.

SUSTAINABILITY

Patient trust

Winning patient trust is paramount to the success of Mediclinic Middle East's business. The increase in inpatient and outpatient admissions and consultations respectively is a clear indication that the group is achieving this. In October 2014, Mediclinic Middle East, along with Mediclinic Southern Africa, implemented a new patient satisfaction survey programme run by Press Ganey, a global leader in patient satisfaction measurement. This will allow Mediclinic to benchmark itself internationally and ensure that it is delivering a superior level of service to its patients. The group endeavours to communicate with patients through many other 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 have witnessed overall growth in followers of over 130% during the period under review.

During the reporting period, Mediclinic Middle East also established a new Quality department, responsible for all issues relating to clinical quality, patient safety and patient confidentiality.



People

The UAE remains attractive as an employment destination. Mediclinic Middle East has again undergone expansion in terms of employee numbers, with an 8% increase in staff during the period under review. It looks 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 organises continued medical education sessions both at an individual facility level and a corporate level for its employed and community-based doctors.

Community

Mediclinic Middle East is involved in various social and charitable community activities which support healthcare, welfare, education and sport. The group contributed AED740 000 (2014: AED610 000) on event sponsorship and charitable activities during the reporting period which included AED400 000 of 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 group have included charity campaigns using Facebook, free health screenings, health talks and awareness campaigns on particular health topics.

Individual units work at a local level to support causes of their choice, but 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 AED440 000 for community initiatives in the year ahead, with an additional AED500 000 in services as part of its partnership with the Al Jalila Foundation.

Environment

Mediclinic Middle East is aware of its environmental responsibilities and during the year has begun the implementation of an environmental management plan with the intention of receiving ISO 14001 accreditation of all its facilities during the next reporting period.



OUTLOOK

Mediclinic Middle East will continue to engage with the Dubai Government as it retains its focus on regulatory reform within the healthcare sector. These reforms are necessary for the industry and Mediclinic Middle East is positive that this active dialogue will result in a more sustainable market.

Despite increased competition from both the private and public sector with regular announcements of new healthcare projects, Mediclinic Middle East remains confident in its own strategy.

Most importantly, with current hospitals at capacity, Mediclinic Middle East is focused on growth. Completion of the new wing of Mediclinic City Hospital is a priority, as is the rapid start of the new hospital project. As Dubai grows, Mediclinic Middle East will also look to widen its clinic portfolio to service the healthcare needs of its expanding population. Mediclinic Middle East is also conscious of the challenges that have been posed by the market in Abu Dhabi and will be working to address these in order to optimise the performance of the current clinics and pave the way for future expansion there.