CHAIRMAN'S REPORT

Edwin Hertzog
Non-executive Chairman

OUR RELENTLESS FOCUS ON PATIENT NEEDS SHOULD CONTINUE TO CREATE LONG-TERM SHAREHOLDER VALUE AND ENTRENCH MEDICLINIC INTERNATIONAL AS A LEADER IN THE GLOBAL HEALTHCARE INDUSTRY

HIGHLIGHTS

24.3%
CAGR OF GROUP'S REVENUE SINCE 1987

28.3%
CAGR OF GROUP'S EBITDA SINCE 1987

119.1%
CAGR OF GROUP'S HEADLINE EARNINGS SINCE 1987

GROUP PERFORMANCE

As chairman of Mediclinic International it is indeed my privilege to oversee a leading international healthcare company that has grown from infancy in 1983 to the Group we know today, with 70 hospitals and 10 clinics employing nearly 28 000 staff members across Southern Africa, Switzerland and the United Arab Emirates.

During this time our Group revenue increased from R100m for the year ended 31 March 1987 to R35.2bn for the year under review, equating to a compounded annual growth rate (CAGR) of 24.3% since 1987. Similarly, our normalised earnings before interest, tax, depreciation and amortisation (EBITDA) delivered a CAGR of 28.3%, and normalised headline earnings delivered a CAGR of 119.1% since 1987. This compares favourably to the performance of the FTSE JSE Top 40 Index, of which we are a constituent today.

The Company's market capitalisation has increased from R170m at listing on the JSE in 1986 to R105.9bn at year end.

As we continue our pattern of consistent growth we remain firmly committed to our vision to be respected internationally and preferred locally. Our relentless focus on patient needs should continue to create long-term shareholder value and entrench Mediclinic International as a leader in the global healthcare industry.

OUTLOOK AND PROSPECTS

Healthcare remains a growth industry globally supported by an ageing population with greater burdens of disease, better diagnostic methods, improved clinical outcomes, new technologies and better informed patients. Our Group has been successful in utilising attractive growth and development opportunities across our businesses in Southern Africa, Switzerland and the United Arab Emirates. Notwithstanding our encouraging growth outlook, we are always aware that many challenges remain when we look towards the future.

In Southern Africa, accessibility to healthcare for a larger portion of the population remains a priority, while the South African Competition Commission's market inquiry into the industry may have significant consequences.

During the year under review, Mediclinic Southern Africa once again delivered a substantial increase in patient bed days sold, which is most encouraging, but this cannot be expected to continue on a regular basis. The South African Competition Commission's market inquiry may hopefully also provide interesting perspective on healthcare market issues, such as cost comparisons between the public and private sectors and the tariff-setting powers of the few big medical scheme administrators.

In Mediclinic Middle East, the Dubai facilities virtually all performed to budget or better. However, with such a supportive environment, heightened competition is sure to follow. In Switzerland, Hirslanden also delivered a solid performance, notwithstanding many ongoing regulatory uncertainties, such as the exact tariffs for hospitals in certain cantons as well as the patient case loads that will be allowed for different specialities in specific hospitals.

Our two most important responses to all these challenges are firstly our managerial skills and secondly the attractiveness of the Group's facilities for especially doctors, but also nurses and other staff.

I am comfortable that in both these areas our Group will be able to maintain or improve its competitive position. Furthermore, the Group has always had a long-term outlook for its business in an industry it knows well, enjoys participating in and where good opportunities for sensible growth have been found over many years. We therefore believe that the Group will be able to continue with its consistent growth pattern.

DIRECTORATE MATTERS

There were no changes to the Board of Mediclinic during the period under review.

APPRECIATION

I wish to express my sincere thanks to every person in the Mediclinic team who has contributed to the ongoing success of the Group during the last year. They include our directors, management, doctors, nurses and other hospital as well as office staff.

The support of patients and doctors who prefer our services and facilities is much appreciated and of course essential for the sustainability of our business. Lastly, a sincere word of thanks must be expressed to all our shareholders for the confidence they bestowed in us.

Edwin Hertzog
Non-executive Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

Danie Meintjes
Chief Executive Officer

THE GROUP CONTINUES TO EVALUATE INVESTMENT OPPORTUNITIES TO GROW OUR FOOTPRINT BEYOND THE EXISTING OPERATING PLATFORMS AND REGIONS THAT WILL ADD LONG-TERM VALUE TO THE SHAREHOLDERS

PATIENT SATISFACTION

81%	92%	81%
MEDICLINIC SOUTHERN AFRICA	HIRSLANDEN	MEDICLINIC MIDDLE EAST

We are pleased to report that Mediclinic International continued to deliver good revenue growth in business for the financial year under review. Our three operating platforms in Southern Africa, the Middle East and Switzerland have all achieved good growth in patient attendances, which translated into good earnings growth for the Group. The Group's earnings, which are reported in South African rand, were positively impacted by the further depreciation of the South African rand to the Swiss franc and the UAE dirham for the period under review. Our offshore platforms contributed 68% of the Group's earnings in 2015.

BUSINESS AND POLITICAL ENVIRONMENT

According to the World Bank's latest Global Economic Prospects report, issued in January 2015, the growth in the global economy is still struggling to gain momentum. International trade slowed down in recent years. Oil prices fell sharply in the second half of 2014, which had significant macroeconomic implications. If sustained, it will support activity and reduce inflationary and fiscal pressures in oil-importing countries while adversely affecting oil-exporting countries. The world GDP is forecasted to grow by an estimated 3% in 2015.

South Africa is expected to experience slow but steady economic growth of 2.2%[1] for 2015. The persistent high unemployment rates, inadequate infrastructure and electricity generation capacity and the volatility of the rand continue to impact the South African economy. On the regulatory front, the South African Competition Commission has commenced with a market inquiry into the private healthcare sector in South Africa. Mediclinic Southern Africa is actively participating in the market inquiry and has engaged an experienced team of economists and legal experts to guide it through the process. The South African regulatory environment has also seen the publication of new draft legislation relating to the establishment of the Office of Health Standards Compliance and its functions dealing with the norms and standards applicable to health establishments, as well as regulations relating to the licensing of hospital facilities. We continued to experience good growth in the demand for our services within the Mediclinic Southern Africa operations.

Switzerland's economy has performed well in the aftermath of the global financial crisis. Growth reached 2%[2] in 2014, but is expected to slow down to around 0.8%[3] in 2015. The exchange rate appreciation in early 2015, which followed the removal of the peg of 1.20 francs per euro, has weakened the near-term economic outlook, mainly due to weaker exports. The strong franc, together with lower oil prices, is likely to drive inflation down to around -1.5%[3] by late 2015. Notwithstanding a low population growth, the ageing population continues to support growth in the demand for medical services. In Switzerland, 17.5% of the population is older than 65 years compared to the 6.3% in South Africa and 1% in the UAE (Source: *CIA World Factbook*). On the regulatory front, Switzerland implemented changes to the TARMED price catalogue (TARMED is a standardised fee schedule that covers all clinical outpatient clinical services). The changes reduced remuneration for specialist technical services while increasing the amount primary care doctors and paediatricians will receive per visit. The projected impact of these changes, which came into effect on 1 October 2014, on the revenue of Hirslanden is a reduction of approximately CHF5m for the financial year. Since the introduction of the new hospital financing system in Switzerland, Hirslanden continues to experience a shift in the mix of insurance towards general insurance supporting volume growth but at a lower margin.

Despite the continued political instability in some areas in the Middle East, the United Arab Emirates offers a safe haven for many people in the region. There is a noticeable increase in population leading to an increased demand for medical services. In the United Arab Emirates, a real GDP growth of around 3.5%[2] is expected in 2015. The Dubai Health Authority ("DHA") has begun initiating healthcare

[1] *World Bank's Global Economic Prospects report – January 2015*
[2] *International Monetary Fund's World Economic Outlook report – April 2015*
[3] *IMF: Concluding Statement of the 2015 Article IV Mission*

STRATEGIC PRIORITIES

With the objective to create long-term shareholder value, the Group has set the following strategic focus areas for the year under review:

- Patients first
- Integrated healthcare systems provider
- Employee engagement
- Unlocking the benefits of an international group
- Financial performance
- Growth

We are pleased to report the following progress on these focus areas.

reform across Dubai. These changes are intended to ensure that all individuals have a health insurance plan and to change the way healthcare is managed. Dubai's new Health Insurance Law requires employers to provide medical insurance coverage for their staff. The introduction of mandatory health insurance in Dubai is not expected to have a significant impact on the results of the Group.

Notwithstanding the ongoing changes in the world and regional economies and the continued regulatory changes impacting the healthcare environments in which we operate, we continue to see a strong demand for quality private healthcare services in all three operating platforms.

PATIENTS FIRST

The Group continued to focus on various patients first initiatives across all three platforms with the aim of further improving the patient experience. We are re-focusing our efforts to deliver coordinated and integrated patient-centred care in all our facilities. The objective is to provide superior clinical outcomes in a safe clinical environment, while we continuously improve the patient's general service experience.

Ensuring patient safety remains the number one priority for our Group. We successfully launched various initiatives during the year in support of this goal. For comprehensive feedback on patient safety you are referred to the **Clinical Services Report**.

IAR

The Group further embarked on a process to implement a single, standardised patient experience measurement index that would contribute to operational excellence and patient safety across all our platforms. The world-renowned Press Ganey group was engaged to assist Mediclinic, through its surveying approach, to objectively evaluate and analyse the patient experience at our facilities. The first surveys were successfully implemented and the data will provide improved insights to assist management in developing targeted action plans for improvement, specific to each of the facilities.

INTEGRATED HEALTHCARE SYSTEMS PROVIDER

Due to unique country-specific, historical and regulatory circumstances our three operating platforms follow different clinical healthcare delivery models. These vary from a more fragmented model in Mediclinic Southern Africa to a more coordinated healthcare model in Hirslanden and an integrated model at Mediclinic Middle East.

With the aim to ensure that Mediclinic 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 coordination between the various clinical care providers in the clinical care process. We believe that closer alignment and cooperation with our doctors and a redefining of the ownership of the care process will add significant value to our patients, doctors and other stakeholders. Medical specialists, irrespective of the clinical model, represent the core of the Group's clinical delivery capacity. We recognise the importance to identify, attract and retain leading specialists at our facilities. We also realise that the transformation towards becoming a more integrated healthcare provider will need the buy-in and support of our specialists. Effective and open communication with our supporting clinicians will be a key success factor to support this initiative.

During the year we have further invested in the capacity of our clinical structures and clinical information systems across the Group. These initiatives have improved our collaboration on clinical governance processes, sharing of clinical best practices and the measurement of clinical outcomes.

EMPLOYEE ENGAGEMENT

Human capital management across the Group has been strengthened through the establishment of a Global Reward Centre of Excellence to optimise reward practices across the Group. In addition, an international consulting group, Gallup, was appointed to implement a standardised staff engagement management system across all the operating platforms of the Group. Based on the Gallup engagement management system we will conduct annual surveys and implement monitored improvement plans to measure the positive impact of employee engagement. Later iterations of the survey results will be integrated with the Press Ganey patient satisfaction survey, which will enable us to evaluate the impact of our employee engagement improvement plans on service levels and patient satisfaction levels.

Mediclinic Southern Africa launched the Mediclinic Leadership Academy in 2013 with the aim to further strengthen and align leadership behaviour with the Mediclinic values and thereby entrenching a values-based culture. To date, 654 members of management have attended the academy.

UNLOCKING THE BENEFITS OF AN INTERNATIONAL GROUP

We are continuously looking for opportunities to leverage our combined international capacity and resources to unlock synergies and value for our Group. Following the realignment with the Group's organisation structure, Mediclinic Southern Africa successfully implemented its organisational realignment programme in 2014. The Hirslanden 2020 project was initiated to transform the operating model in Hirslanden in order to drive operational efficiency by implementing a number of projects aimed to standardise and centralise business processes, to improve collaboration and to align and reinforce the Group's culture.

Various formal cross-platform workgroups for all the key support functions are in place to promote collaboration, share intellectual capital and resources and to identify opportunities for improved efficiencies through standardisation and centralisation of selective support processes. Significant progress reported from some of the workgroups includes the following:

- Mediclinic Southern Africa and Mediclinic Middle East have both successfully replaced legacy financial and procurement systems in 2014 with SAP as the ERP solution, while Hirslanden is following a phased approach to standardise the existing stand-alone SAP solutions deployed at all its hospitals. The key objectives were to standardise data elements, simplify solutions, reduce cost and share resources in the Group.
- Mediclinic's international procurement office successfully leveraged our scale to unlock value. Encouraging savings have already been realised on the procurement of major capital items as well as surgical and consumable products.
- The Group has successfully implemented master data management and international data warehouse projects during the year. These projects improved the quality of data as well as enhanced our ability to better analyse transactional data across the Group. The insights gained from the data analysis strengthen our ability to better negotiate costs with suppliers and are valuable in tariff negotiations with funders.
- During the year, the Group continued to benefit from the transfer of clinical skills between our platforms. Training of doctors and staff included cross-platform cooperation in the fields of bariatric surgery, oncology and visceral surgery.

FINANCIAL PERFORMANCE

We are pleased with the continued strong growth in patient attendance and revenue growth at our three operating platforms.

On a year-to-year comparison, Mediclinic Southern Africa had a 4.4% increase in bed days sold. Mediclinic Southern Africa contributed 35% (2014: 37%) of the Group's normalised revenue and 37% (2014: 37%) of the normalised EDITDA.

Hirslanden achieved an increase of 7.8% in inpatient admissions and contributed 53% (2014: 52%) of the Group's normalised revenue and 50% (2014: 51%) of the normalised EDITDA.

In Mediclinic Middle East inpatient admissions at the hospitals increased by 6.2% and outpatient clinic attendance increased by 14%. Mediclinic Middle East contributed 12% (2014: 11%) to the Group's normalised revenue and 13% (2014: 12%) to the normalised EDITDA.

More details on the financial performance of the Group and the operating platforms are provided in the **Chief Financial Officer's Report** and the **Operational Reviews** of the platforms.

IAR

GROW THE COMPANY

We continued to make significant investments to grow the capacity and our footprint at each of the operating platforms. These investments were supported by the successful raising of capital and the refinancing of Hirslanden debt as referred to in more detail in the **Chief Financial Officer's Report**. New facilities, which increased our geographical footprint during the year, included the opening of the 176-bed multi-disciplinary Mediclinic Midstream hospital in Centurion, Southern Africa. Mediclinic Middle East expanded into the Emirate of Abu Dhabi with the opening of Mediclinic Corniche clinic in the city of Abu Dhabi as well as Mediclinic Al Hili clinic in Al Ain. Hirslanden acquired the 67-bed Hirslanden Clinique La Colline in Geneva as well as the 20-bed Hirslanden Klinik Meggen in Lucerne. Further details of the projects to increase capacity are included in **Operational Reviews**.

The Group continues to evaluate investment opportunities to grow our footprint beyond the existing operating platforms and regions that will add long-term value to the shareholders.

OUTLOOK

Despite the somewhat bleak economic outlook we are positive that there is a growing demand for quality medical services. We acknowledge that affordability is a challenge and for that reason need to ensure that we offer value to our patients at all times. Our diversified international footprint, pooled experience, knowledge and skills will be used to continuously improve our service offering to our patients and to ensure a sustainable business for the years to come.

The development of the North Wing at Mediclinic City Hospital in Dubai is progressing well and is expected to be commissioned in the 2016/17 financial year. In addition, Mediclinic Middle East has started with the planning and development of a third hospital on the southern side of Dubai, estimated to open at the end of 2018.

I would like to thank all our supporting doctors, management, nursing and supporting staff for their dedication and hard work during the past year. You make it possible for us to meet the needs of our growing number of patients whose loyal support and trust in Mediclinic ensure the continued growth and success of our Group.

Danie Meintjes
Chief Executive Officer

CHIEF FINANCIAL OFFICER'S REPORT

Craig Tingle
Chief Financial Officer

WE CONTINUE TO INVEST FOR GROWTH ACROSS OUR PLATFORMS IN ANTICIPATION OF THE CONTINUING INCREASE IN DEMAND FOR COST-EFFECTIVE QUALITY HEALTHCARE

HIGHLIGHTS

+9%
BASIC NORMALISED HEADLINE EARNINGS PER SHARE

+16%
NORMALISED REVENUE

+11%
NORMALISED EBITDA

FIGURE 1: EBITDA RECONCILIATION (R'M)

	2015	2014
EBITDA	**7 235**	6 744
Adjusted for:		
Past-service cost	**–**	(241)
Impairment of property and equipment	**31**	8
Insurance proceeds	**–**	(40)
Profit on sale of property, equipment and vehicles	**(87)**	(4)
Normalised EBITDA	**7 179**	6 467

INTRODUCTION

For the period under review, the Group delivered satisfying financial results despite continuing challenging global economic conditions.

GROUP OVERVIEW

GROUP FINANCIAL PERFORMANCE

The Group uses normalised revenue, normalised EBITDA, normalised headline earnings and normalised basic headline earnings per share as non-IFRS measures in evaluating performance and as a method to provide shareholders with clear and consistent reporting. These non-IFRS measures are defined as reportable EBITDA, headline earnings and basic headline earnings per share in terms of accounting standards, excluding one-off and exceptional items, as detailed above.

RESULTS OVERVIEW

Group normalised revenue increased by 16% to R35 238m (2014: R30 495m) for the period under review. Normalised EBITDA is 11% higher at R7 179m (2014: R6 467m) and basic normalised headline earnings per share was 9% higher at 408.2 cents (2014: 375.8 cents). The Group's normalised EBITDA margin decreased from 21.2% to 20.4% for the period under review.

The results included a number of one-off and exceptional items of R613m (R638m after tax) which were excluded in determining normalised headline earnings. The one-off items are:

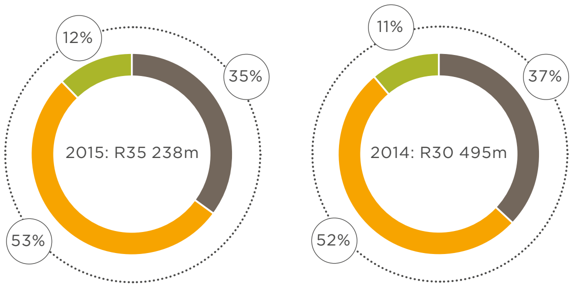
- positive Swiss prior year tax adjustments amounting to R712m;
- a charge of R342m (R276m after tax) to account for the six-month (1 October 2014 to 31 March 2015) mark-to-market fair value adjustment relating to the Swiss interest rate swaps, which became ineffective during this period with the introduction of negative Swiss interest rates;
- a discount of R211m (R170m after tax) on the repayment of the third lien Swiss loan; and
- realised gain on forward contracts of R32m.

The comparative results included one-off items of R352m (R303m after tax) relating to a past-service cost credit of R241m (R192m after tax) and positive prior year tax adjustments amounting to R111m.

Including these one-off items, headline earnings increased by 22% to R4 081m (2014: R3 355m) and basic headline earnings per ordinary share increased by 17% to 483.9 cents (2014: 413.1 cents).

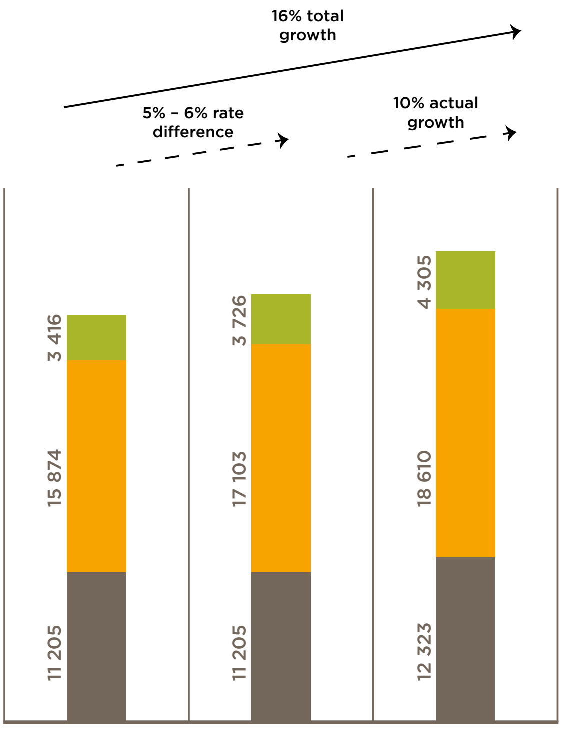
The total dividend relating to the year under review increased by 11% to 106.5 cents (2014: 96.0 cents).

FIGURE 2: NORMALISED REVENUE (R'M)



- Southern Africa
  R12 323m (2014: R11 205m)
- Switzerland
  R18 610m (2014: R15 874m)
- UAE
  R4 305m (2014: R3 416m)

FIGURE 3: NORMALISED REVENUE GROWTH (R'M)



- Southern Africa
- Switzerland
- UAE

REVENUE

The geographical composition of the Group's revenue for 2015 and 2014 is shown in **Figure 2**.

As shown in **Figure 3**, normalised revenue increased by 16% to R35 238m (2014: R30 495m).

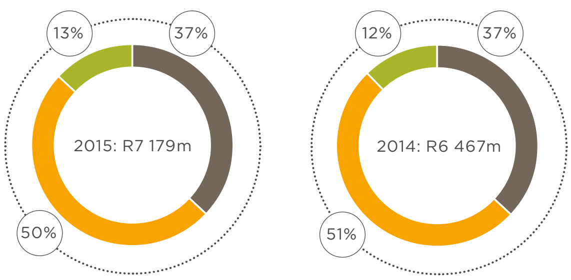
NORMALISED EBITDA

The Group's normalised EBITDA margin decreased from 21.2% to 20.4% for the period under review.

The geographical composition of the Group's normalised EBITDA for 2015 and 2014 is shown in **Figure 4**.

As shown in **Figure 5**, normalised EBITDA increased 11% to R7 179m (2014: R6 467m).

FIGURE 4: NORMALISED EBITDA (R'M)



- Southern Africa
  R2 625m (2014: R2 418m)
- Switzerland
  R3 614m (2014: R3 297m)
- UAE
  R940m (2014: R752m)

FIGURE 5: NORMALISED EBITDA GROWTH (R'M)

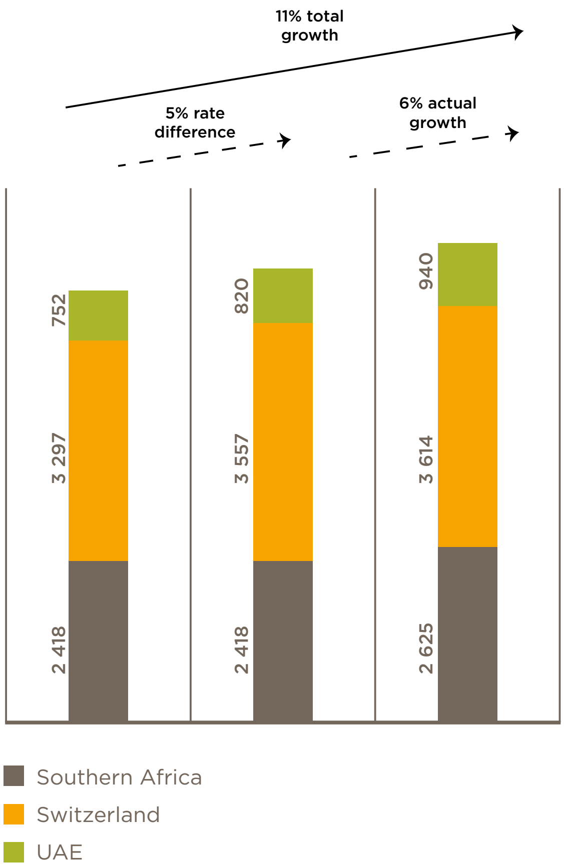
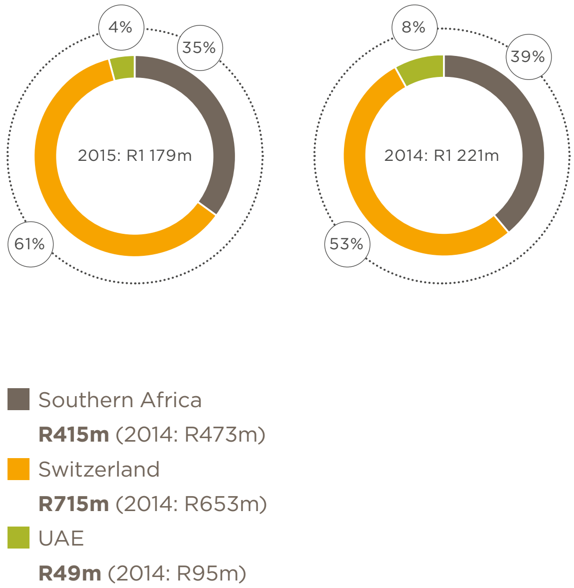


FIGURE 6: NORMALISED FINANCE COST (R'M)



FINANCE COST

Finance cost includes amortisation of capitalised financing costs of R147m (2014: R133m). The capitalised financing costs are amortised over the term of the relevant loans in accordance with IAS 39 Financial Instruments.

The geographical composition of the Group's finance cost for 2015 is shown in **Figure 6**.

CONTRIBUTION TO GROUP NORMALISED HEADLINE EARNINGS

The geographical composition of the Group normalised headline earnings for 2015 and 2014 is shown in **Figure 7**.

CASH FLOW

The Group's cash flow continued to be strong. The Group converted 109% (2014: 98%) of normalised EBITDA into cash generated from operations. Cash and cash equivalents increased from R3 521m at 31 March 2014 to R4 779m at 31 March 2015.

FIGURE 7: NORMALISED HEADLINE EARNINGS (R'M)

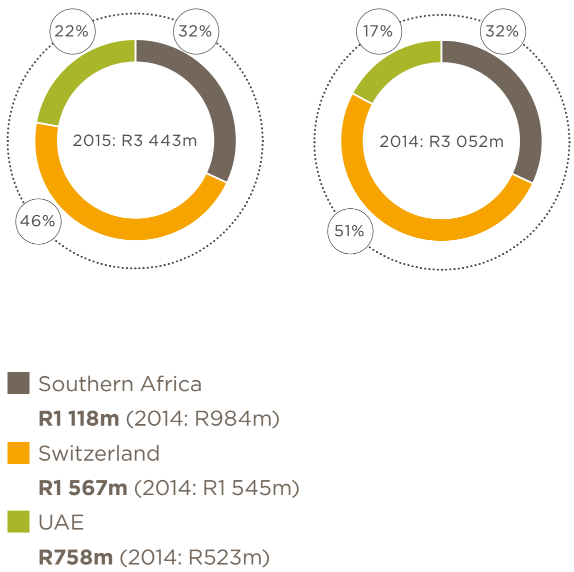
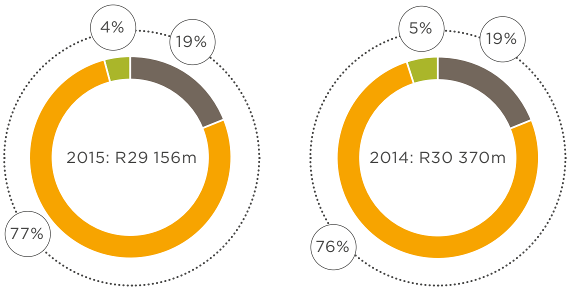


FIGURE 8: DEBT (R'M)



Southern Africa
R5 635m (2014: R5 842m)
Switzerland
R22 511m (2014: R23 040m)
UAE
R1 010m (2014: R1 488m)

INTEREST-BEARING BORROWINGS

Interest-bearing borrowings decreased from R30 370m at 31 March 2014 to R29 156m at 31 March 2015. The decrease is mainly as a result of debt amortisation. Foreign debt of the Group's Swiss and Middle Eastern operations, amounting to R23 522m, is matched with foreign assets in the same currencies. The foreign debt has no recourse to the Southern African operations' assets.

The geographical composition of the Group's debt at 31 March 2015 is shown in **Figure 8**.

ASSETS

Property, equipment and vehicles increased from R49 597m at 31 March 2014 to R53 776m at 31 March 2015, and intangible assets increased from R9 210m at 31 March 2014 to R11 565m at 31 March 2015. These increases are mainly as a result of additions as well as the change in the closing ZAR/CHF and ZAR/AED exchange rates.

FOREIGN EXCHANGE RATES

The rand experienced substantial volatility during the year against both the Swiss franc (CHF) and the United States dollar, to which the UAE dirham is pegged at AED3.6725.

The average rand/Swiss franc (CHF) exchange rate was R11.91 compared to R11.05 for the comparative period, and the average UAE dirham (AED) was R3.01 compared to R2.76 for the comparative period. These movements in the exchange rates had a positive effect on the reported results, as detailed under Hirslanden's and Mediclinic Middle East's financial performance sections.

Accounting convention requires the Group to convert its offshore balance sheets at the year-end spot rate, while its offshore income statements are converted at the average rate for the year. The difference between the spot rates and the average rates results in distortions, when ratios between the statement of financial position and the income statement items are calculated in rand. The spot rate should therefore also be used for translating, for example, EBITDA, when calculating such ratios.

Exchange rate movements also had a significant impact on the statement of financial position. The resulting currency translation difference, which is the amount by which the Group's interest (including non-controlling interests) in the equity of the two foreign platforms increased as a result of the spot rate's movement, amounted to R1 643m (2014: R4 371m) and was credited to the statement of comprehensive income.

EQUITY CAPITAL RAISING AND REFINANCING

The Group successfully raised R3 114m after expenses through an accelerated bookbuild offering to fund acquisitions. Details of the equity capital raising were released on SENS on 11 June 2014 and 12 June 2014.

The Group took advantage of strong capital markets in Switzerland and refinanced its existing debt facilities with a new CHF1.885bn package. The refinancing simplifies the existing structure, reduces financing costs and diversifies the funding base and maturity dates.

During the reporting period, the Group embarked on an elective early refinancing process. The new facilities comprise:

- Swiss bonds amounting to CHF235m was raised in a dual tranche bond issue comprising CHF145m of a six-year unsecured bond at a coupon of 1.625% and CHF90m of a 10-year unsecured bond at a coupon of 2.0%;
- a further increase of the first lien facility back to CHF1.5bn, maturing on 31 July 2020, with an annual amortisation of CHF50m and priced at Swiss Libor plus a margin of 1.5%;
- a new second lien facility of CHF100m with a bullet maturity on 31 July 2020 and priced at Swiss Libor plus 2.85%; and
- a revolving credit facility of CHF50m with a bullet maturity on 31 July 2020 and priced at Swiss Libor plus a margin of 1.5%.

The existing swaps on a notional amount of CHF1.62bn are being kept in place. These swaps expire in December 2017 and June 2018 in line with the maturities of the 2012 first and second lien facilities. The revised structure results in an annual reduction in interest charges of c. CHF12.5m per annum, and the estimated total blended cost of the new package is c. 2.39% per annum excluding upfront expenses at current Libor levels and the estimated total blended cost of the new package at a zero Libor rate is c. 1.7% per annum excluding upfront costs.

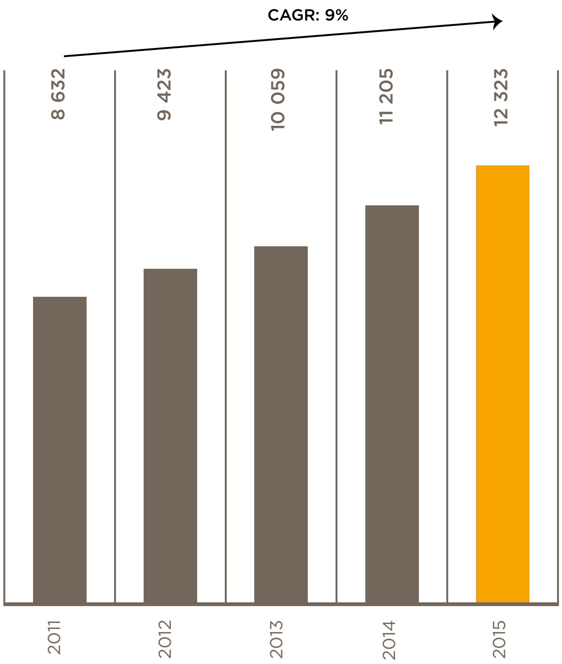
HIRSLANDEN PENSION FUNDS

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

The IAS 19 pension liability was valued by the actuaries at the end of the year and amounted to R822m (CHF56m) (2014: R48m (CHF4m)), included under "Retirement benefit obligations" in the Group's statement of financial position. However, the pension funds were, for Swiss statutory purposes, estimated to be 115% (2014: 112%) funded at 31 March 2015. From an economic and legal point of view, this amount as calculated in terms of IAS 19 does not lead to a liability for Hirslanden at 31 March 2015.

The pension liability resulted in an amount of R530m (CHF44m) being charged (2014: R150m credited (CHF14m)) to the consolidated statement of comprehensive income for the year.

FIGURE 9: MEDICLINIC SOUTHERN AFRICA REVENUE (R'M)



DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses floating-to-fixed interest rate swaps to hedge against interest movements which have the economic effect of converting the interest-bearing borrowings to fixed interest rate borrowings. The Group applies hedge accounting and therefore fair value movements 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 become ineffective once Libor is below zero as bank funding at Libor plus relevant margins is always subject to a zero rate Libor floor. Effective from 1 October 2014, the mark-to-market of the ineffective Swiss interest rate swap was charged through the income statement. The amount charged to the income statement was R342m (R276m after tax) (CHF29m (CHF23m after tax)) for the current year. The total Swiss balance sheet derivative liability as at 31 March 2015 is R460m (CHF37m) (2014: asset of R38m (CHF3m)).

The net fair value movements of the effective interest rate swaps for the year under review resulted in a charge of R94m (2014: credit R29m) being booked at year end to the consolidated statement of comprehensive income.

OPERATIONS IN SOUTHERN AFRICA

MEDICLINIC SOUTHERN AFRICA

Mediclinic Southern Africa's normalised revenue increased by 10% to R12 323m (2014: R11 205m) for the period under review. Normalised EBITDA was 9% higher at R2 625m (2014: R2 418m), as illustrated in **Figure 9**.

The Southern African operations contributed R1 118m (2014: R984m) to the normalised attributable income of the Group after:

- depreciation charges of R394m (2014: R302m);
- net finance charges of R322m (2014: R403m);
- loss from joint venture of R1m (2014: Rnil);
- taxation of R552m (2014: R528m); and
- non-controlling interests amounting to R238m (2014: R201m).

Figure 10 shows Mediclinic Southern Africa's EBITDA performance over recent years.

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

Mediclinic Southern Africa's cash flow continued to be strong as it converted 106% (2014: 105%)

FIGURE 10: MEDICLINIC SOUTHERN AFRICA NORMALISED EBITDA GROWTH AND MARGIN (R'M)

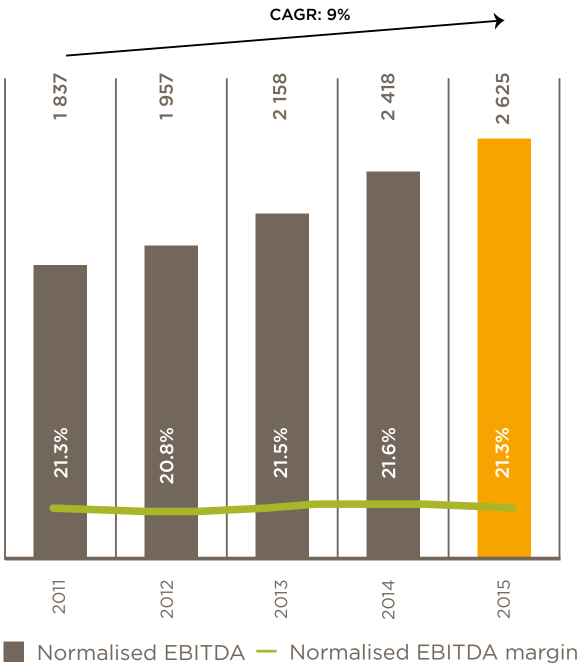
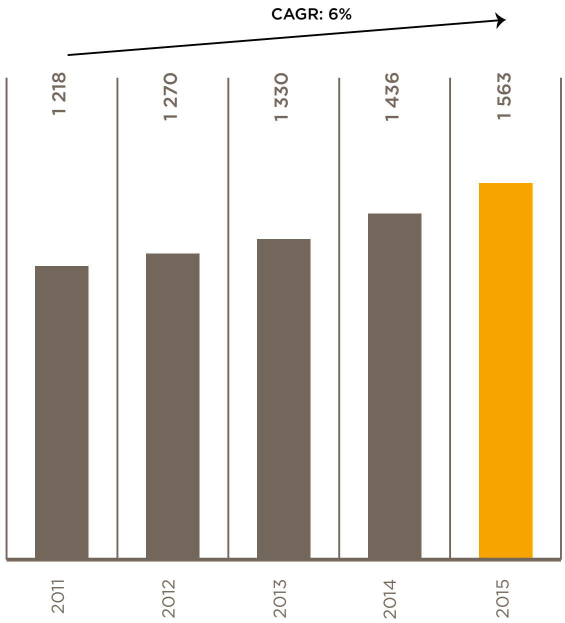


FIGURE 11: HIRSLANDEN NORMALISED REVENUE (CHF'M)



of normalised EBITDA into cash generated from operations.

Cash and cash equivalents increased from R1 359m at 31 March 2014 to R1 498m at 31 March 2015.

Interest-bearing borrowings decreased from R5 842m at 31 March 2014 to R5 635m at 31 March 2015.

OPERATIONS IN SWITZERLAND

HIRSLANDEN

Hirslanden's reported results for 2015 were affected by exchange rate movements. The average ZAR/CHF exchange rate for the year increased from R11.05 in 2014 to R11.91 in 2015.

Hirslanden's normalised revenue increased by 17% to R18 610m (2014: R15 874m) for the period under review. Normalised EBITDA was 10% higher at R3 614m (2014: R3 297m). In Swiss francs, normalised revenue increased by 9% to CHF1 563m (2014: CHF1 436m) and normalised EBITDA increased by 2% to CHF303m (2014: CHF298m).

Hirslanden contributed R1 567m (2014: R1 545m) to the attributable income of the Group after:

- depreciation charges of R982m (2014: R801m);
- net external finance charges of R708m (2014: R651m);
- normalised tax of R359m (2014: R303m); and
- income from an associate of R2m (2014: R3m).

In Swiss francs, Hirslanden contributed CHF132m (2014: CHF140m) to the attributable income of the Group after:

- depreciation charges of CHF82m (2014: CHF73m);
- net external finance charges of CHF59m (2014: CHF59m);
- normalised tax of CHF30m (2014: CHF27m); and
- income from an associate of CHF0.2m (2014: CHF0.3m).

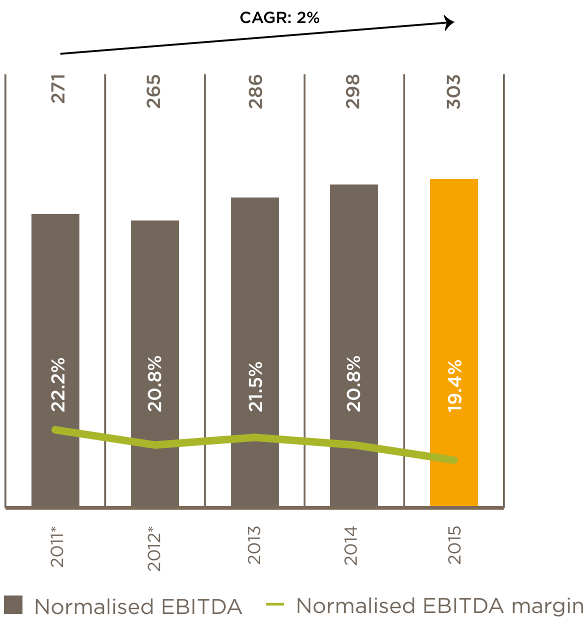
Hirslanden's revenue performance is set out in **Figure 11**.

The normalised EBITDA margin of Hirslanden decreased from 20.8% to 19.4%, influenced by an adjustment of the national outpatient tariff in October 2014 and increased number of generally insured patients.

Hirslanden converted 114% (2014: 92%) of normalised EBITDA into cash generated from operations.

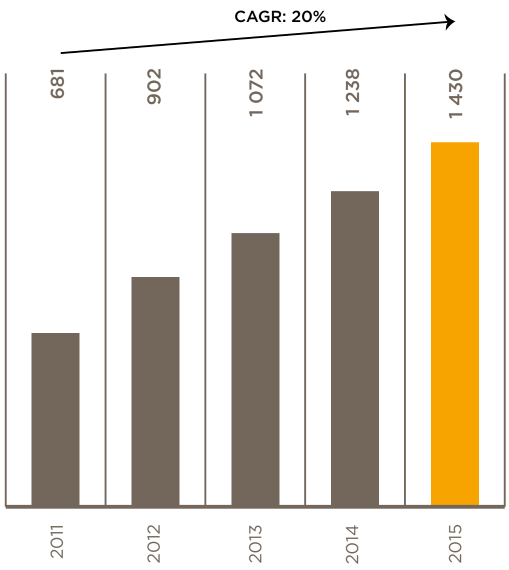
Cash and cash equivalents increased from R1 138m (CHF95m) at 31 March 2014 to R2 497m (CHF199m) at 31 March 2015.

FIGURE 12: HIRSLANDEN NORMALISED EBITDA GROWTH AND MARGIN (CHF'M)



* *2011 and 2012 have been adjusted to be comparable with the adoption of the revised IAS 19 standard.*

FIGURE 13: MEDICLINIC MIDDLE EAST REVENUE (AED'M)



Interest-bearing borrowings reported in ZAR decreased from R23 040m (CHF1 926m) at 31 March 2014 to R22 511m (CHF1 794m) at 31 March 2015, mainly as a result of debt amortisation.

Hirslanden's historical normalised EBITDA performance, excluding one-off items, is set out in **Figure 12**.

OPERATIONS IN UNITED ARAB EMIRATES

MEDICLINIC MIDDLE EAST

Mediclinic Middle East's reported results for 2015 were affected by exchange rate movements. The average ZAR/AED exchange rate for the year increased from R2.76 in 2014 to R3.01 in 2015.

Mediclinic Middle East's normalised revenue increased by 26% to R4 305m (2014: R3 416m) for the period under review. Normalised EBITDA increased by 25% to R940m (2014: R752m). In UAE dirhams, normalised revenue increased by 16% to AED1 430m (2014: AED1 238m) and normalised EBITDA increased by 15% to AED312m (2014: AED272m).

Mediclinic Middle East contributed R758m (2014: R523m) to the attributable income of the Group after:

- depreciation charges of R135m (2014: R136m); and
- net finance charges of R47m (2014: R93m).
- In UAE dirhams, Mediclinic Middle East contributed AED252m (2014: AED189m) to the attributable income of the Group after:
- depreciation charges of AED45m (2014: AED49m); and
- net finance charges of AED15m (2014: AED34m).

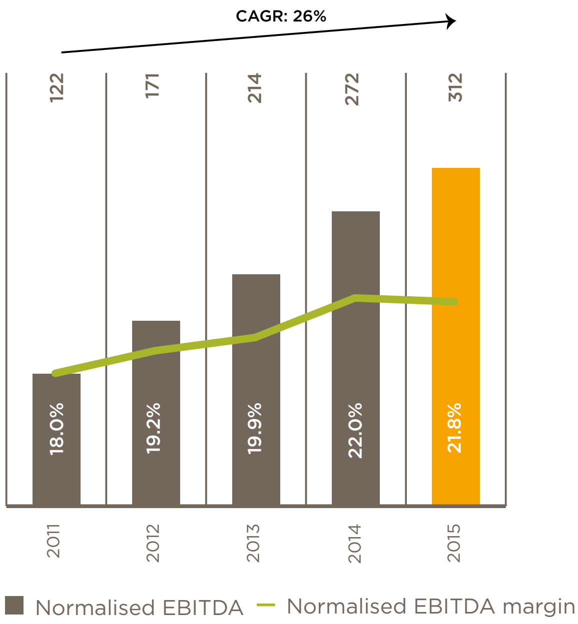
Mediclinic Middle East's revenue performance is set out in **Figure 13**.

The normalised EBITDA margin of Mediclinic Middle East decreased from 22.0% to 21.8%, mainly due to start-up losses in the two new clinics in Abu Dhabi.

Mediclinic Middle East converted 102% (2014: 102%) of normalised EBITDA into cash generated from operations.

Cash and cash equivalents increased from R724m (AED251m) at 31 March 2014 to R779m (AED235m) at 31 March 2015. Interest-bearing borrowings decreased from R1 488m (AED517m) at 31 March 2014 to R1 010m (AED304m) at 31 March 2015, mainly because of loan repayments.

FIGURE 14: MEDICLINIC MIDDLE EAST NORMALISED EBITDA GROWTH AND MARGIN (AED'M)



Mediclinic Middle East's historical EBITDA performance is set out in **Figure 14**.

GROUP DIVIDEND POLICY

The Board has adopted a dividend policy to reflect the underlying earnings and growth of the business while retaining sufficient capital to fund ongoing operations and to invest in the Company's long-term growth.

The Company currently targets a pay-out ratio of between 25% and 30% of normalised headline earnings per share.

The Board may revise the dividend policy from time to time.

RISK MANAGEMENT

Risk management receives top priority throughout the Group. The Group-wide risk management policy is benchmarked against the international Committee of Sponsoring Organisations of the Treadway Commission framework and complies with the recommendations of the King III report.

The Group's risk management process is summarised in the Risk Management Report and the abridged Sustainable Development Report included in this integrated annual report, and notes 3.1 and 3.3 to the annual financial statements published on the Company's website.

ACCOUNTING POLICIES

The annual financial statements have been prepared in accordance with IFRS. The accounting policies are based on reasonable judgements and estimates, are in accordance with International Financial Reporting Standards (IFRS) and are consistent with those applied in the prior year.

Craig Tingle
Chief Financial Officer