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("**Mediclinic**", the "**Company**" or the "**Group**")

15 November 2018

MEDICLINIC INTERNATIONAL PLC – 2018/19 INTERIM RESULTS AND DECLARATION OF INTERIM CASH DIVIDEND

First half Group performance impacted by Hirslanden
Actions taken at Hirslanden to address structural changes across Swiss healthcare environment
Southern Africa and Middle East local currency revenue growth and EBITDA margin improvements
Interim dividend maintained at 3.20 pence per share
No change to full year guidance

Mediclinic announces its results for the six months ended 30 September 2018 (the "**period**" or "**1H19**").

GROUP FINANCIAL RESULTS

- Revenue down 1% to GBP1 387m; up 2% in constant currency terms reflecting growth in Southern Africa and Middle East offset by weak performance in Switzerland
- Combined effect of the tariff reductions and less favourable insurance mix caused greater than expected impact on Hirslanden results
- Adjusted EBITDA down 8% to GBP213m; reflecting the lower contribution from Hirslanden
- Adjusted operating profit down 15% to GBP137m; reported operating profit down 71% to GBP39m, impacted by non-cash Hirslanden impairment charges of GBP98m
- Reported loss* of GBP168m (1H18: loss of GBP50m), reflecting a non-cash impairment charge on the equity investment in Spire of GBP164m (1H18: GBP109m) and Hirslanden impairment charges
- Adjusted earnings per share down 9% to 10.3 pence
- Cash conversion at 69% of adjusted EBITDA (1H18: 91%); impacted by timing differences in Southern Africa and the Middle East and HIT2020 implementation in Switzerland; expect full year cash conversion to be more in line with prior periods
- Interim dividend maintained at 3.20 pence per share

**Refers to loss attributable to equity holders.*

Dr Ronnie van der Merwe, CEO of Mediclinic, today commented:
"The Group's first half financial results were disappointing. The poor performance in Switzerland more than outweighed the revenue growth and margin expansion delivered by the Southern Africa and Middle East divisions.

"The rapidly implemented regulatory changes regarding outpatient tariff adjustments and outmigration of care in Switzerland are significantly impacting the healthcare market in that country. We are acutely focused on adapting Hirslanden to reflect the future healthcare environment in Switzerland. Steps have been taken to improve the current financial performance through securing revenue growth, reducing costs and driving efficiency savings in different areas of the business. These, together with customary seasonal benefits, are expected to support the delivery of improved performance in the second half.

“In the medium term, we will improve service differentiation across the insurance categories, address the cost base, drive operational efficiencies, focus on doctor recruitment initiatives and advance Hirslanden’s outpatient delivery model to capture the growing requirement for outpatient procedures in a cost-efficient manner. Here we will benefit from the Group’s experience of delivering such outpatient solutions successfully in Southern Africa and the Middle East. I am confident that Hirslanden is well positioned to deal with these challenges and remains profitable and cash generative.

“In the Middle East, we continue to gain momentum, supported by revenue growth, selective investment projects that both enhance our facilities and the clinical service offering and strategically expanding our capacity in the region. In September, a key milestone was achieved with the opening of the new 182-bed Mediclinic Parkview Hospital in Dubai, both on time and within budget. In Southern Africa, we continued to deliver excellent operational performance and made progress on our strategic priority to expand across the continuum of care, particularly in the primary care and day clinic settings.

“We are highly cognisant of our shareholders’ experience during this period of Swiss regulatory change. Underpinned by the continued global demand for healthcare services, I am determined to improve shareholder value and confidence in Mediclinic International through our focus on delivering growth and attractive returns over the medium term.”

GROUP STRATEGIC OVERVIEW

The Group’s strategic focus is to deliver cost-effective, high-quality healthcare services and provide an optimal patient experience across the operating divisions in Switzerland, Southern Africa and the Middle East. To this end, Mediclinic continued to invest in its people, clinical facilities and technology during the year. The Group’s growing international scale enables it to unlock further value through promoting collaboration and best practice between its operating divisions and to extract further synergies and cost-efficiencies across a complementary service set in the continuum of care.

There is a clear underlying long-term demand for Mediclinic’s services, across its operating divisions, which is expected to remain robust, underpinned by *inter alia* ageing population, growing disease burden and technological innovation. However, the expected increase in demand across the operating divisions is contrasted by lower economic growth in some regions and greater competition. In addition, there is an increased focus on the affordability of delivering healthcare which is resulting in changing care delivery models and greater regulatory intervention. This is in line with our philosophy of making long term decisions informed by our core business as well as the changing environment.

GROUP FINANCIAL SUMMARY

	1H19 GBP'm	1H18 GBP'm	% variance[4]
Revenue	**1 387**	1 405	(1%)
EBITDA	**213**	232	(8%)
Adjusted EBITDA[1]	**213**	232	(8%)
Reported operating profit	**39**	133	(71%)
Adjusted operating profit[1]	**137**	161	(15%)
Reported loss[2]	**(168)**	(50)	(236%)
Adjusted earnings[1]	**76**	84	(9%)
Loss per share (pence)	**(22.8)**	(6.8)	(235%)
Adjusted earnings per share (pence)[1]	**10.3**	11.3	(9%)
Interim dividend per share (pence)	**3.20**	3.20	0%
Net debt[3]	**1 787**	1 676	7%
Cash conversion	**69%**	91%	

1 *The Group uses adjusted income statement reporting as non-IFRS measures in evaluating performance and as a method to provide shareholders with clear and consistent reporting. The reconciliations between the statutory and the non-IFRS measures are included in the Financial Review section below.*
2 *Reported loss refers to loss attributable to equity holders.*
3 *The comparative for net debt reflects the balance as at 31 March 2018.*
4 *The percentage variances are calculated in unrounded pounds sterling values and not in millions.*

Adjusted results

The Group's 1H19 revenue was GBP1 387m (1H18: GBP1 405m) and adjusted EBITDA was GBP213m (1H18: GBP232m), down 1% and 8% respectively. In constant currency terms, 1H19 revenue was up 2% and adjusted EBITDA was down 5%, with the Group's adjusted EBITDA margin decreasing to 15.4% (1H18: 16.5%). This was as a result of local currency revenue growth and EBITDA margin expansion in Southern Africa and the Middle East more than offset by a weaker than expected contribution from Hirslanden.

Adjusted depreciation and amortisation was up 7% to GBP76m (1H18: GBP71m) in line with the continued investment to support growth and enhancing patient experience and clinical quality. Additional assets contributing to the increase in adjusted depreciation and amortisation included the Linde Hospital in Switzerland and Majid Al Futtaim Clinics in Dubai partially offset by divestments made in the Middle East. Capitalised HIT2020 project costs and the initial depreciation of brands in Switzerland also contributed to the overall increase.

Adjusted operating profit was down 15% to GBP137m (1H18: GBP161m), largely arising from the poor Hirslanden contribution which was impacted by recent regulatory changes in the Swiss healthcare market.

Adjusted net finance costs were down 31% at GBP27m (1H18: GBP39m), benefiting from the successful October 2017 refinancing in Switzerland as well the capitalisation of borrowing costs on capital projects. Adjusted taxation was GBP26m (1H18: GBP29m) with an adjusted effective tax rate for the period of 23.4% (1H18: 24.0%).

Mediclinic's investment in Spire Healthcare Group plc ("**Spire**") is equity accounted. For the six months ended 30 June 2018, Spire reported a profit after tax of GBP8.2m (30 June 2017: GBP8.9m). After adjusting for the amortisation of intangible assets recognised in the notional purchase price allocation of the equity investment, 1H19 income from associates was GBP1.8m (1H18: GBP1.1m).

Adjusted earnings were down 9% to GBP76m (1H18: GBP84m) with adjusted earnings per share down 9% to 10.3 pence (1H18: 11.3 pence). The interim dividend per share is maintained at 3.20 pence (1H18: 3.20 pence), with the Group maintaining its full year dividend policy of 25% to 30% of adjusted earnings per share.

Cash flow conversion at 69% (1H18: 91%) was impacted by timing differences of receivables in Mediclinic Southern Africa and Mediclinic Middle East. In addition, the new HIT2020 billing system implementation in Zurich caused a delay in invoicing. By October, invoicing had improved and by year end it is anticipated that Hirslanden receivables will have normalised. The Group expects full year cash conversion to be more in line with prior years.

The Group continues to follow a strategy of responsible leverage, largely using its asset base to secure cost efficient borrowings. These are incurred in the same currency as the underlying cash flows of the divisions to avoid foreign exchange fluctuation risks and debt is ring-fenced with no cross guarantees or cross defaults from one division to another. As Hirslanden has the highest value of fixed assets and lowest cost of borrowing across the Group, we follow a deliberate strategy of raising the majority of our funding in Switzerland. On a Group basis, leverage at the end of the period was at 3.6x and we maintain sufficient financing flexibility across the entire Group to fund continued investment in the business and incremental growth all whilst maintaining headroom to our covenants.

Reported results

Reported revenue was down 1% to GBP1 387m (1H18: GBP1 405m) and EBITDA was down 8% to GBP213m (1H18: GBP232m).

Depreciation and amortisation decreased by 19% to GBP76m (1H18: GBP94m), largely due to the accelerated amortisation of GBP23m recognised in the prior period relating to the rebranding of the Al Noor hospitals to Mediclinic. A loss of GBP5m related to the disposal of non-core businesses in Mediclinic Middle East was also recorded in the prior period.

Operating profit was down 71% to GBP39m (1H18: GBP133m), reflecting non-cash impairment charges on Hirslanden properties of GBP43m and trade names of GBP55m.

Net finance costs decreased by 23% to GBP27m (1H18: GBP35m), benefiting from the successful October 2017 refinancing in Switzerland as well the capitalisation of borrowing costs on capital projects.

The market value of the investment in Spire was GBP169m at 30 September 2018, reflecting Spire's half year results announcement including its revised guidance, compared to the carrying value of GBP348m at 31 March 2018. An impairment test was performed at 30 September 2018 by updating the key assumptions applied in the value in use calculation performed at 31 March 2018. As a result, an impairment charge of GBP164m was recorded against the carrying value of the equity accounted investment.

The Group's reported effective tax rate is significantly skewed by the exceptional non tax-deductible impairment charge for the Spire equity investment.

The reported earnings were a loss of GBP168m (1H18: loss of GBP50m).

Group results are subject to movements in foreign currency exchange rates. Refer to the Financial Review section below for exchange rates used to convert the operating divisions' results and financial position to pounds sterling.

Details of the 1H19 results investor and analyst audio webcast and conference call are available at the end of this report or visit the Group's website at www.mediclinic.com.

OPERATIONAL RESULTS

Hirslanden

- Revenue up 1% to CHF826m
- Adjusted EBITDA down 17% to CHF118m
- Adjusted EBITDA margin of 14.3% (1H18: 17.4%)
- Disappointing performance at Hirslanden where recent regulatory changes have significantly impacted the tariff environment and inpatient insurance mix; affected key inputs to the impairment review giving rise to impairment charges on Hirslanden properties of GBP43m and trade names of GBP55m
- Continue to take actions to improve the current financial performance through securing revenue growth, reducing costs and driving efficiency savings; additional medium term actions include improving service differentiation across insurance categories, doctor recruitment initiatives and advancing the outpatient delivery model
- Customary seasonality in the second half and additional cost saving and efficiency initiatives anticipated to deliver improved sequential performance
- Announced the combination of Hirslanden La Colline and Clinique des Grangettes, to strengthen the leading market position of Hirslanden in the attractive Geneva market

Southern Africa

- Revenue up 5% to ZAR7 958m
- Adjusted EBITDA up 6% to ZAR1 684m
- Adjusted EBITDA margin of 21.2% (1H18: 21.0%)
- EBITDA margin improvement was supported by excellent operational performance despite weaker than expected second quarter volumes as a result of fewer winter flu related cases
- In line with the strategy to expand across the continuum of care, Mediclinic Southern Africa completed the investment in the Welkom Medical Centre in August 2018 and the investment in Intercare day clinic business in November 2018 whilst opening the new Mediclinic Newcastle Day Clinic in October 2018

Middle East

- Revenue up 5% to AED1 495m, adjusting 1H18 revenue by AED46m to reflect IFRS 15
- Adjusted EBITDA up 13% to AED141m benefiting from operating leverage; adjusted EBITDA margin of 9.4% (reflecting IFRS 15 1H18: 8.8%)
- Excluding costs associated with the start-up of Mediclinic Parkview Hospital, adjusted EBITDA margin improved to 10.7% (reflecting IFRS 15 1H18: 8.8%)
- Delivered gradual improvement in revenue and EBITDA margin expansion as benefits from business and operational alignment initiatives in Abu Dhabi materialise; anticipate stronger growth in the second half of the year
- The 182-bed Mediclinic Parkview Hospital in Dubai opened in September on time and within budget; the hospital will be a key contributor to the growth of the division as it ramps up over the coming years

HIRSLANDEN

	1H19	1H18	Variance %
Inpatient admissions (000's)	**49.3**	47.6	3.6%
Movement in inpatient revenue per admission	**(2.8%)**	(0.8%)	
Revenue (CHFm)	**826**	820	1%
Adjusted EBITDA (CHFm)	**118**	143	(17%)
Adjusted EBITDA margin	**14.3%**	17.4%	
Expansion capex (CHFm)	**14**	15	(7%)
Maintenance capex (CHFm)	**18**	26	(31%)
Adjusted EBITDA converted to cash	**51%**	91%	
Average GBP/CHF exchange rate	**1.31**	1.26	4%
Revenue (GBPm)	**631**	651	(3%)
Adjusted EBITDA (GBPm)	**90**	113	(20%)

Financial review

As at the end of the reporting period, Hirslanden operated 17 hospitals and 4 outpatient clinics with a total of 1 817 inpatient beds and 9 510 employees (7 513 full-time equivalents). It is the largest private acute care hospital group in Switzerland servicing approximately one third of inpatients treated in Swiss private hospitals. Hirslanden accounted for 46% of the Group's revenues (1H18: 46%) and 42% of its adjusted EBITDA (1H18: 49%).

Hirslanden's disappointing first half financial performance was a direct result of recent regulatory changes in the Swiss healthcare market which has impacted all providers. These changes included the implementation of national outpatient tariff ("**TARMED**") reductions effective from 1 January 2018 and the outmigration of identified clinical treatments transferring from an inpatient to an outpatient tariff across many cantons. The outmigration of care continues to unfold with the Federal list and its more restrictive exclusion criteria being implemented from 1 January 2019. This creates further uncertainty, which will be mitigated by the actions being taken by management to accelerate the changes required to adapt the business to the new operating environment.

Including the contribution from the Linde acquisition in July 2017, first half revenue increased 1% to CHF826m (1H18: CHF820m). Inpatient revenue was up 1%. Outpatient revenue, which contributed some 19% to total revenue in the period, was up 2% reflecting additional cases from the outmigration of certain treatments to an outpatient tariff offset by the TARMED tariff reduction. Inpatient admissions were up 3.6% but average occupancy was down in the period to 68.5% (1H18: 69.6%) due to lower average length of stay. Inpatient revenue per case was down 2.8% as a result of the less favourable insurance mix (proportion of general insured patients 1H19: 49.4% compared to 1H18: 46.9%).

Despite cost savings and efficiency gains, the significant effect of the tariff reductions and less favourable insurance mix resulted in a greater than expected impact on adjusted EBITDA which declined 17% to CHF118m (1H18: CHF143m). The adjusted EBITDA margin was materially lower at 14.3% (1H18: 17.4%).

Depreciation and amortisation increased by 16% to CHF61m (1H18: CHF52m), reflecting the incorporation of Linde and ongoing fixed asset investments. Operating profit decreased by 176% to an operating loss of CHF68m (1H18: CHF90m).

Net finance costs decreased by 28% to CHF25m (1H18: CHF35m). This was mainly as a result of the refinancing completed in October 2017 for borrowings totalling CHF2.0bn, with a 25bps reduction in the cost of debt on a like for like basis and an extended maturity profile to at least 2024.

Hirslanden contributed GBP27m to the Group's adjusted earnings (representing 35%) compared to GBP43m (representing 51%) in the prior year.

Hirslanden converted 51% (1H18: 91%) of adjusted EBITDA into cash generated from operations, down from 91% in 1H18 due to an increase in trade receivables largely caused by the new HIT2020 billing system implementation in Zurich. By October, invoicing had improved and by year end it is anticipated that Hirslanden receivables will have normalised and that cash conversion will be in line with prior years.

In line with the requirements of IFRS, non-financial assets are considered for impairment when impairment indicators are identified at an individual cash-generating unit ("**CGU**") level. In Switzerland, the changes in the market and regulatory environment continued to affect key inputs to the review and gave rise to impairment charges recorded against properties and trade names of GBP43m and GBP55m, respectively. The impairment charges are non-cash and excluded from the adjusted earnings metrics. The remaining trade name will be amortised over its respective estimated useful life. The impairment calculations remain sensitive to reasonably possible changes in key assumptions, including cash flow projections and long-term growth and discount rates.

Regulatory update

On 1 January 2018, the previously announced reductions to the TARMED became effective. After mitigating actions, including improved utilisation and increased efficiencies, Hirslanden expects the annualised impact on adjusted EBITDA to be around CHF25m.

The Federal Government has also been preparing a national framework for the outmigration of certain medical treatments from an inpatient to an outpatient tariff, which is expected to be implemented from 1 January 2019. In the Canton of Lucerne, similar measures were implemented on 1 July 2017, in four further Cantons (Zurich, Zug, Schaffhausen and Aargau) on 1 January 2018 and in Basel and St. Gallen on 1 July 2018.

The effect of these tariff changes on Hirslanden was further impacted by two factors out of the control of the division. Firstly, although the Federal Government is expected to implement a national framework from 1 January 2019, several insurance companies in Switzerland are already applying elements of the framework in some cantons that have not yet officially implemented outmigration. Secondly, different outmigration exclusion criteria are being applied across cantons which takes account of factors including age and comorbidities.

Adapting to the current market and regulatory trends

Hirslanden continues to adapt its business model to address the current trends in inpatient and outpatient activity driven by the recent regulatory changes to the healthcare market whilst maintaining excellent clinical performance.

The recent tariff reductions as a result of these regulatory changes require Hirslanden to accelerate, in the near-term, the cost reduction programme to drive further operational efficiencies. In the first half of the year, the management team at Hirslanden was able to offset some of the revenue impact resulting from the tariff reductions through identified cost savings. However, in the second half of the year, plans have been implemented to increase those cost savings delivered in the first half. Therefore, with the additional customary Swiss seasonal benefits in the second half of the year which typically generate higher patient volumes and improved insurance mix compared to the first half, Hirslanden is expecting to deliver an EBITDA margin of around 16% for FY19.

However, more substantial changes are being implemented at Hirslanden. The effect on the business in the first half of the year caused by the outmigration of care was a change in the inpatient insurance mix. This was largely due to a greater proportion of lower tariff general insured patients filling spare capacity created by fewer inpatient cases in many cantons. Hirslanden is adapting to the changing inpatient environment making fundamental changes to the service model and cost structure of the division including areas such as supply costs, service differentiation, operational efficiency, doctor recruitment and hospital reconfiguration.

Hirslanden is implementing plans to advance its outpatient delivery model to capture the growing requirement for outpatient procedures in a cost-efficient manner. This will include the opening of further Outpatient Surgery Units, medical centres and doctors' consulting rooms and reconfiguring theatres and recovery areas in existing hospitals to treat the growing volume of outpatient cases cost effectively. With the knowledge and experience across Mediclinic of implementing outpatient solutions in Southern Africa and the Middle East, Hirslanden is confident of being able to execute on an effective strategy.

Disciplined capital allocation

In 1H18, Hirslanden invested CHF14m (down 7% on 1H18) in expansion capital projects and new equipment and CHF18m (down 31% on 1H18) on the replacement of existing equipment and upgrade projects. During the period, the division continued to invest in the HIT2020 project to standardise IT and systems across the group and completed the outpatient medical centre at Klinik Birshof.

Hirslanden has reduced its capital investment plans for FY19 by around 15% taking FY19 forecast capex down CHF21m to CHF111m. There will be an ongoing review of capital allocation at Hirslanden during this period of regulatory challenges, whilst ensuring clinical standards and the quality of patient care remain appropriate. Outpatient projects expected to complete in the second half of the year include the Outpatient Surgery Unit at St. Anna Im Bahnhof, doctors' offices at Klinik Hirslanden and Stephanshorn and the new sports medicine centre at Clinique La Colline.

The combination of the Hirslanden Clinique La Colline and Clinique des Grangettes in Geneva was announced in September 2018 and will be effective from October 2018. The combination, which included a cash consideration of CHF68m for a 60% controlling interest in the combined entity, strengthens Hirslanden's leading market position in Geneva and will deliver enhanced services for patients in addition to being earnings accretive. The hospital is supported by around 450 affiliated independent doctors and attracts around 92% supplementary insured inpatients and derives around 47% of its revenue from outpatient activities. For the year ended 31 December 2017, Clinique des Grangettes reported net revenue of CHF115m (GBP91m), EBITDA of CHF25m (GBP20m), an EBITDA margin of 21.7% and profit before tax of CHF22m (GBP17m).

MEDICLINIC SOUTHERN AFRICA

	1H19	1H18	Variance %
Movement in bed days sold	**0.5%**	(3.3%)	
Movement in revenue per bed day sold	**4.4%**	7.7%	
Inpatient admissions (000's)	**286**	289	(0.9%)
Revenue (ZARm)	**7 958**	7 581	5%
Adjusted EBITDA (ZARm)	**1 684**	1 590	6%
Adjusted EBITDA margin	**21.2%**	21.0%	
Expansion capex (ZARm)	**176**	228	(23%)
Maintenance capex (ZARm)	**348**	232	50%
Adjusted EBITDA converted to cash	**79%**	90%	
Average GBP/ZAR exchange rate	**17.71**	17.08	4%
Revenue (GBPm)	**449**	444	1%
Adjusted EBITDA (GBPm)	**95**	93	2%

Financial review

In Southern Africa (including South Africa and Namibia), as at the end of the reporting period, Mediclinic operated 51 hospitals and 3 day clinics with a total of 8 157 beds and 15 887 employees (19 838 full-time equivalents). Mediclinic Southern Africa is the third largest private healthcare provider in Southern Africa by number of licensed beds. Mediclinic Southern Africa accounted for 32% of the Group’s revenues (1H18: 32%) and 44% of its adjusted EBITDA (1H18: 40%).

Revenue in Southern Africa increased by 5% to ZAR7 958m (1H18: ZAR7 581m). The growth was driven by a strong performance in the first quarter offset by fewer pneumonia and bronchitis related cases during the winter. Bed days sold increased by 0.5% and average revenue per bed day increased by 4.4%. Admissions decreased by 0.9%, impacted by second quarter volume weakness and continued decline in surgical day cases as the outmigration trend continues. The average length of stay increased by 1.4% whilst occupancy rates remained flat at 71.2% (1H18: 71.2%).

Adjusted EBITDA increased by 6% to ZAR1 684m (1H18: ZAR1 590m) resulting in the adjusted EBITDA margin increasing to 21.2% from 21.0% due to excellent operational performance and cost management initiatives.

Depreciation and amortisation increased by 4% to ZAR263m (1H18: ZAR253m) mainly due to increased spend on medical equipment. Operating profit increased by 7% to ZAR1 436m (1H18: ZAR1 338m).

Net finance costs decreased by 5% to ZAR252m (1H18: ZAR266m), with lower interest rates supported by interest received on cash balances. Mediclinic Southern Africa contributed GBP37m to the Group’s adjusted earnings (representing 49%) compared to GBP34m (representing 40%) in the comparative period.

The division converted 79% (1H18: 90%) of adjusted EBITDA into cash generated from operations. The final day of the month being a Sunday impacted the receipt of payment runs from insurers in September. This normalised in October and the conversion rate at year end is expected to be in line with prior years.

Investing to support continued long-term growth

Mediclinic Southern Africa invested ZAR176m (down 23% on 1H18) on expansion capital projects and new equipment and ZAR348m (up 50% on 1H18) on the replacement of existing equipment and upgrade projects. The total number of licensed beds increased marginally to 8 157 (1H18: 8 095). This comprised of existing hospital expansion work completed in the second half of FY18 at Mediclinic's Thabazimbi and Newcastle hospitals, the addition of 60 beds acquired through the investment in Welkom Medical Centre, and the sale of the 34-bed Mediclinic Barberton Hospital.

In FY19, Mediclinic Southern Africa remains committed to investing ZAR452m and ZAR846m on expansion and maintenance capex respectively. In line with Mediclinic's strategic priority to expand across the continuum of care, several existing hospital and day clinic projects are to be completed in FY19 and FY20, adding some 300 additional operational beds. Mediclinic's day clinic roll-out is unique and premised on co-locating the facilities with the main hospitals to adapt to the outmigration of care trend in Southern Africa where admissions across the division have been impacted by declining day cases. In October, Mediclinic opened its fourth day clinic at Mediclinic Newcastle, comprising of 30 beds and 3 theatres. On track for opening in FY20 are the day clinics at Mediclinic Nelspruit, Stellenbosch, Bloemfontein, Pietermaritzburg and Cape Gate.

In August 2017, Mediclinic Southern Africa announced it had agreed to an investment in the Intercare group of companies ("**Intercare**"). The Intercare group was founded in 2000 and currently manages 20 multi-disciplinary primary care medical centres (which includes 15 dental centres), as well as 4 day hospitals, and 4 sub-acute rehabilitation hospitals and a fertility clinic in South Africa, servicing over 1 million patients per annum. The investment in Intercare comprises: a minority shareholding in the multi-disciplinary medical and dental centres which was completed in October 2017; and a controlling shareholding in the day hospitals and sub-acute and rehabilitation hospitals which received Competition Commission approval in August 2018 and completed in November 2018. Intercare will continue to manage all its facilities under the Intercare brand.

Mediclinic's proposed acquisition of a controlling shareholding in Matlosana Medical Health Services (Pty) Ltd ("**MMHS**"), based in Klerksdorp in the North West Province of South Africa, was referred to the Competition Tribunal by the Competition Commission. Following the appeal hearing in June 2018, the closing arguments were due to continue at the end of September 2018. However, these were postponed by the tribunal and it is now expected that closing arguments and a verdict will be delivered in December 2018.

Regulatory update

The Competition Commission is currently undertaking a market inquiry into the private healthcare sector in South Africa to understand both whether there are features of the sector that prevent, distort or restrict competition and how competition in the sector can be promoted. The inquiry published its Provisional Findings and Recommendations Report on 5 July 2018. Mediclinic supports the process and submitted its responses to the provisional report on 15 October 2018. Mediclinic awaits the final publication which is scheduled to be at the end of November 2018.

The South African Government is seeking a phased introduction of a National Health Insurance system over a 14-year period. Following the latest White Paper that was released in June 2017 for consultation, Mediclinic has engaged with the Department of Health with regards to the functioning of the proposed seven institutions, bodies and commissions, submitting comments on the draft guidelines and making nominations to the committees. On 21 June 2018, the government published the National Health Insurance Bill ('**NHI Bill**'). Mediclinic fully supports the principle of Universal Health Coverage and improving access and affordability of healthcare to all South Africans and will continue to contribute constructively towards achieving these goals. Mediclinic believes that an enhanced healthcare system can be achieved through greater collaboration across the public and private sectors to find common solutions and looks forward to the opportunity to contribute in this regard. Mediclinic's comprehensive comments on the NHI Bill were submitted on 20 September 2018.

MEDICLINIC MIDDLE EAST

	1H19	1H18	Variance %
Movement in inpatient admissions	**3.1%**	(2.2%)	
Outpatient cases ('000s)	**1 347**	1 356	(0.8%)
Revenue (AEDm)	**1 495**	1 475	1%
Revenue adjusted for IFRS 15[1]	**1 495**	1 429	5%
Adjusted EBITDA (AEDm)	**141**	125	13%
Adjusted EBITDA margin	**9.4%**	8.5%	
Adjusted EBITDA margin adjusted for IFRS 15[1]	**9.4%**	8.8%	
Expansion capex (AEDm)	**256**	105	144%
Maintenance capex (AEDm)	**26**	28	(7%)
Adjusted EBITDA converted to cash	**78%**	91%	
Average GBP/AED exchange rate	**4.89**	4.75	3%
Revenue (GBPm)	**307**	310	(1%)
Adjusted EBITDA (GBPm)	**29**	27	7%

1 *The Group adopted the new IFRS 15 accounting standard (Revenue from Contracts with Customers) from 1 April 2018. IFRS 15 has implications for the Middle East division where disallowances have been reclassified to revenue. In the current period, AED40m was recognised as part of revenue (decreasing the revenue recognised). In the prior period, AED46m was recognised in operating expenses (increasing the revenue recognised). Whilst reported revenue in the prior period will not be re-stated, revenue growth guidance does reflect net revenue (adjusted for IFRS 15) in the prior period.*

Financial review

Mediclinic Middle East, as at the end of the reporting period, operated 7 hospitals and 22 clinics with a total of 934 beds and 6 278 employees (6 278 full-time equivalents). Mediclinic Middle East is one of the leading private healthcare providers in the UAE with the majority of its operations in Dubai and Abu Dhabi (including Al Ain). Mediclinic Middle East accounted for 22% of the Group's revenues (1H18: 22%) and 14% of its adjusted EBITDA (1H18: 12%).

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

1H19 revenue was AED1 495m, up 5% (1H18: 1 429m after adjusting for the impact of IFRS 15). Inpatient admissions were up 3.1% whilst outpatient volumes were down 0.8%, reflecting the divestment of non-core facilities and the ongoing insurance mix strategy in Abu Dhabi. This strategy resulted in Thiqa and Enhanced volumes combined increasing 20% and 11% for inpatients and outpatients respectively. Lower tariff Basic volumes over the same period declined 35% and 32% for inpatients and outpatients respectively. Basic plan patients now represent 23% and 22% of the insurance mix in Abu Dhabi for inpatients and outpatients respectively (1H18: 35% and 31% respectively).

Including the costs associated with the start-up of the new Mediclinic Parkview Hospital, adjusted EBITDA increased by 13% to AED141m (1H18: AED125m) with the adjusted EBITDA margin increasing to 9.4% (1H18: 8.8% after adjusting for the impact of IFRS 15). Excluding the costs associated with the start-up of the new Mediclinic Parkview Hospital, adjusted EBITDA increased by 26% to AED160m (1H18: AED127m) with the adjusted EBITDA margin increasing to 10.7%.

Adjusted depreciation and amortisation decreased by 1% to AED73m (1H18: AED74m), mainly due to the divestment of non-core assets.

Net finance costs decreased by 47% to AED9m (1H18: AED17m) mainly due to the capitalisation of borrowing costs on capital projects of AED21m. The division contributed GBP12m to the Group's adjusted earnings (representing 16%) compared to GBP7m (representing 8%) in the prior year.

The division converted 78% (1H18: 91%) of adjusted EBITDA into cash generated from operations. This was impacted by the late receipt from one major insurer which subsequently was received in October. For the full year, Mediclinic Middle East expects its conversion ratio to be more in line with the prior year.

Investing in a dynamic and growing market

The Middle East division is now entering an expansionary phase that is expected to drive an increase in revenue and improvement in EBITDA margins over time to around 20%. In Abu Dhabi, the growth will be driven by ongoing performance improved in the existing business and strategic investments at the Mediclinic Airport Road, Mediclinic Al Noor and the new Mediclinic Western Region hospitals. Further, the Abu Dhabi business will benefit from its increasing reputation and brand recognition following the investment made since the combination. Whilst doctor recruitment continues to support the growing business, vacancies have normalised and the focus has shifted to supporting doctors to grow their patient activities within the new remuneration framework that is similar to that established in Dubai. Aligned with this strategy is the target in Abu Dhabi of growing the inpatient volumes, similar to that in Dubai, through the continued investment in doctors, services and facilities. The divestment strategy of non-core assets was concluded in the prior year and aligns the portfolio with the long-term strategic and clinical targets.

In Dubai, the ongoing performance of the existing business will benefit from significant growth at the new 182-bed Mediclinic Parkview Hospital which opened in September 2018. The project, Mediclinic's largest value greenfield construction, was completed in two and a half years and within the AED680m original budget. Initially opened with 100-beds supported by 80 doctors, the hospital will ramp up to full capacity over the coming years. The hospital is strategically located to serve the extensive population expansion that has occurred to the south of Dubai. The state-of-the-art hospital will focus on clinical excellence, offering patients a range of comprehensive consultant-led primary, secondary and tertiary level healthcare services and leading technology including comprehensive maternity, Level III Neonatal Intensive Care, 24/7 paediatric specialities and accident and emergency.

In November 2018, Mediclinic Middle East announced the acquisition of a minority stake in Bourn Hall International MENA Ltd, the holding company for the Bourn Hall Fertility Centre in the UAE, a pioneering fertility centre established in the Middle East in 2010 and currently the only fertility centre in the Middle East to be accredited by JCI. The acquisition lays the foundation for a partnership focused on a long-term MENA-focused expansion in the field of Assisted Reproduction. In the initial stage, Bourn Hall Fertility Centre will take over operations of Mediclinic Middle East's existing IVF clinic located at Mediclinic Al Ain Hospital and operate it under the Bourn Hall brand. Bourn Hall will continue to operate and manage its IVF business independently and under its existing brand. Bourn Hall's UK founder, Professor Robert Edwards, invented the IVF concept over forty years ago, in 1978, and was subsequently awarded the Nobel Prize in medicine in 2010. The small investment was made from Mediclinic Middle East's available cash and debt and is expected to currently have an immaterial impact on the earnings of the division.

In 1H19, Mediclinic Middle East invested AED256m (up 97% on 1H18) on expansion and AED26m (down 7% on 1H18) on maintenance capex. Expansion capex in the period largely related to the costs associated with the new Mediclinic Parkview Hospital and the Electronic Health Record ("**EHR**"). The

EHR is being systematically rolled out across the Mediclinic Middle East division during FY19 and FY20 and is live in the new Mediclinic Parkview Hospital. The EHR is expected to deliver seamless care and improved service quality for patients as well as improved administration efficiency for the division. During the second half of the year, work will continue on the ground floor and mezzanine renovations at the Mediclinic Al Noor Hospital which is expected to be completed in 2019 with plans to address the long-term changes required to enhance the hospital continuing to progress. Looking further ahead, as part of the division’s expansionary phase, the Mediclinic Airport Road 100-bed expansion and cancer centre project is progressing as planned towards the FY21 opening. The plans are progressing to construct a new 40-bed hospital in the Western Region of Abu Dhabi, which is due to open in FY22.

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

Regulatory update

The division continues to maintain an active dialogue with government authorities on regulatory changes within the UAE healthcare sector. Preparations are ongoing for the implementation of Diagnosis Related Groups (“**DRG**”) in Dubai which are still expected to be implemented in early 2019 with Mediclinic continuing to test the systems through a shadow billing process. The Dubai Health Authority (“**DHA**”) is following a collaborative approach in the design and implementation of the DRGs and in addition to sharing and discussing the test version of the DRG methodology with the market, it also shared hospital level results and impact studies. Currently, it is expected that the DRGs will have a revenue neutral impact on the division, as prescribed by the DHA.

SPIRE HEALTHCARE GROUP

Mediclinic has a 29.9% investment in Spire.

Spire’s underlying performance for the six months to 30 June 2018 resulted in revenue decreasing 1.1% and EBITDA decreasing 20.6% with the EBITDA margin decreasing to 14.7% (30 June 2017: 18.1%). Adjusted EPS (excluding exceptional and tax one-off items) decreased by 52.9%. Underlying inpatient and day case admissions declined 5.3% driven by volume declines more than offsetting growth in self-pay volumes.

Mediclinic’s investment in Spire is equity accounted. Spire reported profit after tax of GBP8.2m for the six months ended 30 June 2018 (30 June 2017: GBP8.9m). After adjusting for the amortisation of intangible assets recognised in the notional purchase price allocation of the equity investment, the 1H19 income from associate, reflecting the disappointing financial results, was GBP1.8m (1H18: GBP1.1m).

The market value of the investment in Spire was GBP169m at 30 September 2018, reflecting Spire’s half year results announcement including its revised guidance, compared to the carrying value of GBP348m at 31 March 2018. An impairment test was performed at 30 September 2018 by updating the key assumptions applied in the value in use calculation performed at 31 March 2018. As a result, an impairment charge of GBP164m was recorded against the carrying value of the equity accounted investment.

OUTLOOK

The Group provides the following guidance for FY19 which remains unchanged since the October 2018 Trading Update:

- Hirslanden: Including the contribution from Clinique des Grangettes, Hirslanden expects to deliver modest revenue growth in FY19. As a result of the regulatory and market trends more than offsetting the benefits of cost savings, efficiency initiatives and seasonal benefits, the FY19 EBITDA margin is expected to be around 16%.
- Mediclinic Southern Africa: FY19 revenue growth will be driven by an expected increase in bed days sold of between 1-2%, combined with tariff increases broadly in line with inflation. The EBITDA margin is expected to be broadly in line with recent years.
- Mediclinic Middle East: In FY19, the Middle East division is expected to deliver revenue growth (adjusted for the adoption of IFRS 15) in the high single-digit percentage range reflecting the underlying operating performance of the business and additional bed capacity coming online in the second half of the year. The operating leverage in the underlying business offset to some extent by the start-up losses associated with expansion projects is expected to deliver a slightly improved EBITDA margin compared to the prior year (adjusted for the adoption of IFRS 15, FY18: 13.0%).
- The Group's capital expenditure budget, in constant currency, for FY19 is expected to increase by 9% to GBP269m (FY18: GBP245m). This comprises GBP86m in Hirslanden (FY18: GBP101m), GBP75m in Mediclinic Southern Africa (FY18: GBP62m), GBP107m in Mediclinic Middle East (FY18: GBP80m) and GBP1m (FY18: GBP2m) for Corporate. The increase is largely driven by expansion in the Middle East and upgrades in Southern Africa. Exchange rates used CHF 1.29; ZAR 17.22; and AED 4.87.

BOARD CHANGES

The following changes to the Board and its Committees occurred since year-end, as previously announced:

- Dr Ronnie van der Merwe (Chief Clinical Officer and Chief Executive Officer ("**CEO**") Designate) succeeded Mr Danie Meintjes as CEO of the Company on 1 June 2018 and was appointed as an executive director of the Company with effect from that date.
- Mr Danie Meintjes was re-elected as a director of the Company at the Annual General Meeting held on 25 July 2018 ("**2018 AGM**"), continuing to serve in an executive capacity until 31 July 2018 and as a non-executive director from 1 August 2018.
- Dr Anja Oswald was appointed as an independent non-executive director and member of the Remuneration Committee and Nomination Committee on 25 July 2018 and Ms Nandi Mandela and Prof Dr Robert Leu retired as non-executive directors of the Company at the conclusion of the 2018 AGM. They also retired from all relevant Board committees at that time.
- Effective from 1 April 2018, Dr Felicity Harvey took over from Dr Edwin Hertzog as chair of the Clinical Performance and Sustainability Committee and Dr Muhadditha Al Hashimi joined this committee as an additional member. Dr Hertzog remains a member of the committee.
- Various other changes were made to Board committee memberships: Mr Trevor Petersen stepped down as a member of the Nomination Committee, with Dr Felicity Harvey appointed as a new committee member. Mr Danie Meintjes stepped down as a member of the Clinical Performance and Sustainability Committee, with Mr Seamus Keating and Dr Ronnie van der Merwe appointed as new committee members. Mr Seamus Keating stepped down as a member of the Investment Committee, with Dr Ronnie van der Merwe appointed as a new committee member.

The Company announces, as further detailed in a separate announcement today, that Mr Desmond Smith will retire as an independent non-executive director and as Senior Independent Director with effect from the conclusion of the 2019 AGM on 24 July 2019. Mr Smith will be succeeded as Senior Independent Director and as Chairman of the Audit and Risk Committee from that date by Mr Alan Grieve.

FINANCIAL REVIEW

ADJUSTED NON-IFRS FINANCIAL MEASURES

The Group uses adjusted income statement reporting as non-IFRS measures in evaluating performance and as a method to provide shareholders with clear and consistent reporting. The adjusted measures are intended to remove volatility associated with certain types of exceptional income and charges from reported earnings. Historically, EBITDA and adjusted EBITDA were disclosed as supplemental non-IFRS financial performance measures because they are regarded as useful metrics to analyse the performance of the business from period to period. Measures like adjusted EBITDA are used by analysts and investors in assessing performance.

The rationale for using non-IFRS measures:

- it tracks the adjusted operational performance of the Group and its operating segments by separating out exceptional items;
- non-IFRS measures are used by management for budgeting, planning and monthly financial reporting;
- non-IFRS measures are used by management in presentations and discussions with investment analysts; and
- non-IFRS measures are used by the directors in evaluating management's performance and in setting management incentives.

The Group's policy is to adjust, *inter alia*, the following types of significant income and charges from the reported IFRS measures to present adjusted results:

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

EBITDA is defined as operating profit before depreciation and amortisation and impairments of non-financial assets, excluding other gains and losses.

Non-IFRS financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with IFRS. The adjusted measures used by the Group are not necessarily comparable with those used by other entities.

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

GROUP FINANCIAL PERFORMANCE

Group revenue decreased by 1% to GBP1 387m (1H18: GBP1 405m) for the reporting period. In constant currency terms, 1H19 revenue was up 2% due to disappointing revenue growth in Hirslanden and good revenue growth in Southern Africa and the Middle East, compared to the comparative period.

EBITDA and adjusted EBITDA was 8% lower at GBP213m (1H18: GBP232m). The EBITDA margin declined from 16.5% to 15.4%.

Adjusted depreciation and amortisation was up 7% to GBP76m (1H18: GBP71m) in line with expectations and due to the continued investment to support growth and enhance patient experience and clinical quality.

The Group recorded an operating profit of GBP39m in 1H19 (1H18: GBP133m). Adjusted operating profit decreased by 15% to GBP137m (1H18: GBP161m), largely arising from the poor Hirslanden contribution which was impacted by recent regulatory changes in the Swiss healthcare market. Operating profit was adjusted for the following exceptional items:

- recognition of an impairment charge to Hirslanden properties. Non-financial assets are considered for impairment when impairment indicators are identified at an individual cash-generating unit ("**CGU**") level. During the period, CGUs in Hirslanden were tested for impairment. For one CGU in particular, the carrying value was determined to be higher than its recoverable amount and, as a result, an impairment charge of GBP43m was recognised in the income statement; and
- recognition of an impairment charge to the Hirslanden trade name and Linde trade name. As part of the CGU impairment testing, the carrying amounts of these trade names were determined to be higher than their recoverable amounts and, as a result, impairments of GBP39m and GBP16m were recognised in the income statement.

Adjusted net finance costs were down 31% at GBP27m (1H18: GBP39m) benefiting from the successful October 2017 refinancing in Switzerland as well the capitalisation of borrowing costs on capital projects.

The Group's reported effective tax rate of (6%) (1H18: (300%)) is significantly skewed by the exceptional non-deductible impairment charge for the Spire equity investment. Adjusted taxation was GBP26m (1H18: GBP29m) with an adjusted effective tax rate for the period of 23.4% (1H18: 24.0%). After adjusting for the amortisation of intangible assets recognised in the notional purchase price allocation of the equity investment, the 1H19 income from associates was GBP1.8m (1H18: GBP1.1m).

The Group recorded loss attributable to equity holders of GBP168m in 1H19 (1H18: loss of GBP50m). Adjusted earnings decreased by 9% to GBP76m (1H18: GBP84m). Adjusted earnings per share were 9% lower at 10.3 pence (1H18: 11.3 pence). Reported loss were adjusted for the following exceptional item in the period (in addition to the Hirslanden impairments above):

- recognition of an impairment charge on the equity investment in Spire of GBP164m. During the half year, the Group performed an impairment test updating the key assumptions applied in the value in use calculation performed at 31 March 2018. In particular, the Group adjusted the value in use calculation for the guidance announced by Spire in September 2018 about the current financial performance and about the related impact on short- and medium-term growth rates and revisited other key assumptions in this context. As a result, an impairment loss of GBP164m was recorded against the carrying value.

EARNINGS RECONCILIATIONS

30 SEPTEMBER 2018	**Total GBP'm**	Hirslanden GBP'm	Southern Africa GBP'm	Middle East GBP'm	Spire GBP'm	Corporate GBP'm
Revenue	**1 387**	631	449	307	-	-
Operating profit/(loss)	**39**	(54)	81	14	-	(2)
(Loss)/profit attributable to equity holders*	**(168)**	(53)	37	12	(162)	(2)
Reconciliations						
Operating profit/(loss)	**39**	(54)	81	14	-	(2)
Add back:						
- Other gains and losses	**-**	-	(1)	-	-	1
- Depreciation and amortisation	**76**	46	15	15	-	-
- Impairment of properties	**43**	43	-	-	-	-
- Impairment of intangible assets	**55**	55	-	-	-	-
EBITDA	**213**	90	95	29	-	(1)
No adjustments	**-**	-	-	-	-	-
Adjusted EBITDA	**213**	90	95	29	-	(1)
Operating profit/(loss)	**39**	(54)	81	14	-	(2)
- Impairment of properties	**43**	43	-	-	-	-
- Impairment of intangible assets	**55**	55	-	-	-	-
Adjusted operating profit/(loss)	**137**	44	81	14	-	(2)
(Loss)/profit attributable to equity holders*	**(168)**	(53)	37	12	(162)	(2)
Exceptional items						
- Impairment of properties	**43**	43	-	-	-	-
- Impairment of intangible assets	**55**	55	-	-	-	-
- Impairment of associate	**164**	-	-	-	164	-
- Tax on exceptional items	**(18)**	(18)	-	-	-	-
Adjusted earnings	**76**	27	37	12	2	(2)
Weighted average number of shares (millions)	**737.1**					
Adjusted earnings per share (pence)	**10.3**					

* *Profit attributable to equity holders in Hirslanden and Corporate is shown after the elimination of intercompany loan interest of GBP8m.*

EARNINGS RECONCILIATIONS (continued)

30 SEPTEMBER 2017	**Total GBP'm**	Hirslanden GBP'm	Southern Africa GBP'm	Middle East GBP'm	Spire GBP'm	Corporate GBP'm
Revenue	**1 405**	651	444	310	-	-
Operating profit/(loss)	**133**	72	78	(16)	-	(1)
(Loss)/profit attributable to equity holders*	**(50)**	46	34	(21)	(108)	(1)
Reconciliations						
Operating profit/(loss)	**133**	72	78	(16)	-	(1)
Add back:						
- Other gains and losses	**5**	-	-	5	-	-
- Depreciation and amortisation	**94**	41	15	38	-	-
EBITDA	**232**	113	93	27	-	(1)
No adjustments	**-**	-	-	-	-	-
Adjusted EBITDA	**232**	113	93	27	-	(1)
Operating profit/(loss)	**133**	72	78	(16)	-	(1)
Exceptional items						
- Accelerated amortisation	**23**	-	-	23	-	-
- Loss on disposal of businesses	**5**	-	-	5	-	-
Adjusted operating profit/(loss)	**161**	72	78	12	-	(1)
(Loss)/profit attributable to equity holders*	**(50)**	46	34	(21)	(108)	(1)
Exceptional items						
- Accelerated amortisation	**23**	-	-	23	-	-
- Loss on disposal of businesses	**5**	-	-	5	-	-
- Fair value gains on ineffective cash flow hedges	**(4)**	(4)	-	-	-	-
- Impairment of associate	**109**	-	-	-	109	-
- Tax on exceptional items	**1**	1	-	-	-	-
Adjusted earnings	**84**	43	34	7	1	(1)
Weighted average number of shares (millions)	**737.1**					
Adjusted earnings per share (pence)	**11.3**					

* *Profit attributable to equity holders in Hirslanden and Corporate is shown after the elimination of intercompany loan interest of GBP8m.*

FOREIGN EXCHANGE RATES

Although the Group reports its results in pounds sterling, the divisional profits are generated in Swiss franc, South African rand and UAE dirham. Consequently, movements in exchange rates affected the reported earnings and reported balances in the statement of financial position. The resulting currency translation difference, which is the amount by which the Group's interest in the equity of the operating divisions increased because of spot rate movements, amounted to GBP169m (1H18: decrease of GBP189m) and was credited (1H18: debited) to the statement of other comprehensive income. The main reason for the increase was the strengthening of the period end Swiss franc and UAE dirham rates against pounds sterling.

Foreign exchange rate sensitivity:

- The impact of a 10% change in the GBP/CHF exchange rate for a sustained period of six months is that reported profit for the period would increase/decrease by GBP3m (1H18: increase/decrease by GBP5m) due to exposure to the GBP/CHF exchange rate.
- The impact of a 10% change in the GBP/ZAR exchange rate for a sustained period of six months is that reported profit for the period would increase/decrease by GBP4m (1H18: increase/decrease by GBP5m) due to exposure to the GBP/ZAR exchange rate.
- The impact of a 10% change in the GBP/AED exchange rate for a sustained period of six months is that reported profit for the period would increase/decrease by GBP1m (1H18: increase/decrease by GBP2m) due to exposure to the GBP/AED exchange rate.

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

	1H19	1H18	Variance%
Average rates			
Swiss franc	**1.31**	1.26	4%
South African rand	**17.71**	17.08	4%
UAE dirham	**4.89**	4.75	3%
	1H19	FY18	Variance%
Period end rates:			
Swiss franc	**1.28**	1.34	(4%)
South African rand	**18.48**	16.57	12%
UAE dirham	**4.78**	5.15	(7%)

CASH FLOW

The Group converted 69% (1H18: 91%) of adjusted EBITDA into cash generated from operations. The receivables of all three operating divisions were impacted by timing differences which are expected to normalise before the end of the financial year.

	1H19 GBP'm	1H18 GBP'm
Cash from operations (a)	**146**	210
Adjusted EBITDA (b)	**213**	232
Cash conversion ((a)/(b) x 100)	**69%**	91%

INTEREST-BEARING BORROWINGS

Interest-bearing borrowings increased from GBP1 937m at 31 March 2018 to GBP2 029m at 30 September 2018 due to the proceeds from the refinancing transactions in Mediclinic Southern Africa and Mediclinic Middle East. The closing exchange rate differences also increased the closing balances.

	1H19 GBP'm	FY18 GBP'm
Borrowings	**2 029**	1 937
Less: cash and cash equivalents	**(242)**	(261)
Net debt	**1 787**	1 676
Total equity	**3 364**	3 373
Debt-to-equity capital ratio	**53.1%**	49.7%

ASSETS

Property, equipment and vehicles and intangible assets increased from GBP3 590m and GBP1 406m respectively at 31 March 2018 to GBP3 694m and GBP1 459m at 30 September 2018. This included an increase of GBP113m on capital projects and fixed asset additions in line with the continued investment to support growth and enhance patient experience and clinical quality. In addition to the depreciation and amortisation charge, the balances were further reduced by the impairment charges of GBP43m to properties and GBP55m to trade names at Hirslanden. The change in the closing exchange rate increased the closing balances of property, equipment and vehicles.

Adjusted depreciation and amortisation was calculated as follows:

	1H19 GBP'm	1H18 GBP'm
Depreciation and amortisation	**76**	94
Accelerated amortisation	**-**	(23)
Adjusted depreciation and amortisation	**76**	71

An impairment charge of GBP164m (1H18: GBP109m) was recognised for the Spire equity investment, reducing the carrying value to GBP181m. All impairment charges have been excluded from the adjusted earnings calculation consistent with prior periods.

HIRSLANDEN PENSION PLAN

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

The IAS 19 pension liability was valued by the actuaries at the end of the period and amounted to an asset of GBP24m (31 March 2018: a liability of GBP4m), included under “Retirement benefit obligations” in the Group’s statement of financial position. The decrease in the pension liability was largely due to the increase of the discount rate from 0.75% to 0.90% as well as changes in actuarial assumptions.

FINANCE COSTS

Adjusted net finance costs were down 31% at GBP27m (1H18: GBP39m) benefiting from the successful October 2017 refinancing in Switzerland as well the capitalisation of borrowing costs on capital projects.

Adjusted net finance cost was calculated as follows:

	1H19 GBP'm	1H18 GBP'm
Finance cost	**31**	41
Finance income	**(4)**	(6)
Net finance cost	**27**	35
Fair value gains on ineffective cash flow hedges	**-**	4
Adjusted finance cost	**27**	39

INCOME TAX

The Group's effective tax rate for the period under review was (6%) (1H18: (300%)), mainly due to the exceptional non-deductible expenses which include the impairment of the equity investment and accelerated amortisation in the prior period. Excluding these exceptional non-deductible charges, the adjusted effective tax rate would be 23.4% (1H18: 24.0%) for the period ended 30 September 2018.

Adjusted income tax was calculated as follows:

	1H19 GBP'm	1H18 GBP'm
Income tax expense	**8**	30
Tax impact of exceptional items	**18**	(1)
- Impairment of properties	**7**	-
- Impairment of trade names	**11**	-
- Fair value gains on ineffective cash flow hedges	**-**	(1)
Adjusted income tax expense	**26**	29

REFINANCING OF DEBT

The borrowing facilities in Mediclinic Southern Africa and Mediclinic Middle East were refinanced during the period. In both instances, the terms of the loans were extended with favourable pricing. The effective date for the funding and the closing was 26 September 2018 and 29 August 2018 respectively. In Mediclinic Middle East, a new term loan of GBP192m (AED920m) and revolving loan facility of GBP38m (AED184m) were put in place.

DIVIDEND POLICY AND DIVIDEND DECLARATION

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

The Board declared an interim dividend from retained earnings of 3.20 pence per ordinary share for the six months ended 30 September 2018. Shareholders on the South African register will be paid the ZAR cash equivalent of 59.16800 cents (47.33440 cents net of dividend withholding tax) per share. A dividend withholding tax of 20% will be applicable to all shareholders on the South African register who are not exempt therefrom. The ZAR cash equivalent has been calculated using the following exchange rate: GBP1: ZAR18.49, being the 5-day average ZAR/GBP exchange rate (Bloomberg) on Friday, 9 November 2018 at 3:00pm GMT.

The interim dividend will be paid on Tuesday, 18 December 2018 to all ordinary shareholders who are on the register of members at the close of business on the record date of Friday, 7 December 2018.

The salient dates for the dividend will be as follows:

Dividend announcement date	Thursday, 15 November 2018
Last date to trade cum dividend (SA register)	Tuesday, 4 December 2018
First date of trading ex-dividend (SA register)	Wednesday, 5 December 2018
First date of trading ex-dividend (UK register)	Thursday, 6 December 2018
Record date	Friday, 7 December 2018
Payment date	Tuesday, 18 December 2018

Share certificates may not be dematerialised or rematerialised within Strate from Wednesday, 5 December 2018 to Friday, 7 December 2018, both dates inclusive. No transfers between the UK and SA registers may take place from Thursday, 15 November 2018 to Friday, 7 December 2018, both days inclusive.

Tax treatment for shareholders on the South African register

South African tax resident shareholders on the South African register:
In terms of the Company's Dividend Access Trust structure, the following South African tax resident shareholders on the South African register will receive a component of the dividend from the Dividend Access Trust and therefore regarded as a local South African dividend, with the remaining component from the Company and therefore regarded as a foreign non-South African dividend. For purposes of South African dividend withholding tax, the entire dividend of 59.16800 cents per share is taxable at a rate of 20%, unless an applicable exemption applies:

1. in the case of shares held in certificated form, who are registered on the South African register with an address in South Africa (other than PLC Nominees Proprietary Limited (or any successor entity through which shares held in dematerialised form are held)); and
2. in the case of shares held in dematerialised form, in respect of whom the South African transfer secretaries of the Company have determined, in good faith and by reference to the information provided to them by the eligible shareholders and/or their brokers and/or central securities depository participants, that such eligible shareholders are either (i) tax resident in South Africa or (ii) have an address in South Africa and have not expressly indicated that they are not tax resident in South Africa as at the dividend record date.

The component of the dividend payable by the Dividend Access Trust and by the Company will be announced on the JSE's Stock Exchange News Service and on the LSE's Regulatory News Service as soon as possible after the record date, 7 December 2018, of the dividend.

Non-South African tax resident shareholders on the South African register:
Non-South African tax resident shareholders on the South African register will be paid the dividend by the Company in the usual way and not through the Dividend Access Trust. The entire dividend of 59.16800 cents per share payable to such shareholders will therefore be regarded as a foreign dividend and exempt from South African dividend withholding tax, provided that the relevant exemption forms have been completed and submitted as prescribed.

PRINCIPAL RISKS

The Board is ultimately accountable for the Group's risk management process and system of internal control. In the first half of the year, regulatory changes in Switzerland have had a material impact on the Group's financial performance. Hirslanden's management team is actively addressing the changes that have impacted all Swiss healthcare providers to enable the division to adapt in order to appropriately address to the future healthcare requirements in Switzerland. Other than the risk discussed above, the principal risks and mitigating factors remained the same as described on pages 44 to 49 of the Group's Annual Report and Financial Statements for the year ended 31 March 2018 (a copy of which is available on the Group's website at www.mediclinic.com).

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors confirm that, to the best of their knowledge the unaudited condensed financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and that this announcement includes a fair review of the information required by the Disclosure Guidance and Transparency Rules 4.2.4, 4.2.7 and 4.2.8.

After making enquiries, the Directors considered it appropriate to adopt the going concern basis in preparing the financial information.

The names and functions of the Company's directors are listed on the Company's website.

By order of the Board.

Ronnie van der Merwe	**Jurgens Myburgh**
Chief Executive Officer	Chief Financial Officer

14 November 2018

CAUTIONARY STATEMENT

*This announcement contains certain forward-looking statements relating to the business of the Company and its subsidiaries (collectively, the "**Group**"), including with respect to the progress, timing and completion of the Group's development, the Group's ability to treat, attract, and retain patients and customers, its ability to engage consultants and general practitioners and to operate its business and increase referrals, the integration of prior acquisitions, the Group's estimates for future performance and its estimates regarding anticipated operating results, future revenue, capital requirements, shareholder structure and financing. In addition, even if the Group's actual results or development are consistent with the forward-looking statements contained in this announcement, those results or developments may not be indicative of the Group's results or developments in the future. In some cases, you can identify forward-looking statements by words such as "could," "should," "may," "expects," "aims," "targets," "anticipates," "believes," "intends," "estimates," or similar words. These forward-looking statements are based largely on the Group's current expectations as of the date of this announcement and are subject to a number of known and unknown risks and uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievement expressed or implied by these forward-looking statements. In particular, the Group's expectations could be affected by, among other things, uncertainties involved in the integration of acquisitions or new developments, changes in legislation or the regulatory regime governing healthcare in Switzerland, South Africa, Namibia and the UAE and poor performance by healthcare practitioners who practice at our facilities, unexpected regulatory actions or suspensions, competition in general, the impact of global economic changes, and the Group's ability to obtain or maintain accreditation or approval for its facilities or service lines. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements made in this announcement will in fact be realised and no representation or warranty is given as to the completeness or accuracy of the forward-looking statements contained in this announcement.*

The Group is providing the information in this announcement as of this date, and we disclaim any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

INDEPENDENT REVIEW REPORT TO MEDICLINIC INTERNATIONAL PLC

Report on the condensed consolidated financial information

Our conclusion

We have reviewed Mediclinic International plc's condensed consolidated financial information (the "**interim financial statements**") in the interim results announcement of Mediclinic International plc for the six month period ended 30 September 2018. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the condensed consolidated statement of financial position at 30 September 2018;
- the condensed consolidated income statement and condensed consolidated statement of comprehensive income for the period then ended;
- the condensed consolidated statement of cash flows for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended; and
- the notes to the interim financial statements.

The interim financial statements included in the interim results announcement have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The interim results announcement, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim results announcement in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the interim results announcement based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the interim results announcement and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London
14 November 2018

a) The maintenance and integrity of the Mediclinic International plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim financial statements since they were initially presented on the website.

b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2018

	Notes	30 Sept 2018 (Unaudited) GBP'm	31 Mar 2018 (Audited) GBP'm
ASSETS			
Non-current assets		**5 396**	5 382
Property, equipment and vehicles	4	**3 694**	3 590
Intangible assets	5	**1 459**	1 406
Equity accounted investments	6	**190**	357
Retirement benefit asset	8	**24**	-
Other investments and loans		**8**	7
Derivative financial instruments		**1**	-
Deferred income tax assets		**20**	22
Current assets		**1 042**	961
Inventories		**91**	90
Trade and other receivables		**704**	607
Other investments and loans		**1**	1
Current income tax assets		**4**	1
Cash and cash equivalents		**242**	261
Assets classified as held for sale		**-**	1
Total assets		**6 438**	6 343
EQUITY			
Capital and reserves			
Share capital		**74**	74
Share premium reserve		**690**	690
Treasury shares		**-**	(1)
Retained earnings		**4 872**	5 057
Other reserves		**(2 355)**	(2 534)
Attributable to equity holders of the Company		**3 281**	3 286
Non-controlling interests		**83**	87
Total equity		**3 364**	3 373
LIABILITIES			
Non-current liabilities		**2 531**	2 445
Borrowings	7	**1 936**	1 866
Deferred income tax liabilities		**479**	467
Retirement benefit obligations		**87**	86
Provisions		**27**	23
Derivative financial instruments		**1**	2
Cash-settled share-based payment liabilities		**1**	1
Current liabilities		**543**	525
Trade and other payables		**422**	424
Borrowings	7	**93**	71
Provisions		**15**	15
Retirement benefit obligations		**11**	10
Current income tax liabilities		**2**	5
Total liabilities		**3 074**	2 970
Total equity and liabilities		**6 438**	6 343

CONDENSED CONSOLIDATED INCOME STATEMENT
for the six months ended 30 September 2018

	Notes	**30 Sept 2018 (Unaudited) GBP'm**	30 Sept 2017 (Unaudited) GBP'm
Revenue		**1 387**	1 405
Cost of sales		**(872)**	(885)
Administration and other operating expenses		**(476)**	(382)
Impairment of properties	4	**(43)**	-
Impairment of intangible assets	5	**(55)**	-
Other administration and operating expenses		**(378)**	(382)
Other gains and losses		**-**	(5)
Operating profit		**39**	133
Finance income		**4**	6
Finance cost	9	**(31)**	(41)
Share of net profit of equity accounted investments	6	**2**	1
Impairment of equity accounted investment	6	**(164)**	(109)
Loss before tax		**(150)**	(10)
Income tax expense	10	**(8)**	(30)
Loss for the period		**(158)**	(40)
Attributable to:			
Equity holders of the Company		**(168)**	(50)
Non-controlling interests		**10**	10
		(158)	(40)
Loss per ordinary share attributable to the equity holders of the Company - pence			
Basic	11	**(22.8)**	(6.8)
Diluted	11	**(22.8)**	(6.8)

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the six months ended 30 September 2018

	30 Sept 2018 (Unaudited) GBP'm	30 Sept 2017 (Unaudited) GBP'm
Loss for the period	**(158)**	(40)
Other comprehensive income/(loss)		
Items that may be reclassified to the income statement	**171**	(189)
Currency translation differences	**169**	(189)
Fair value adjustment - cash flow hedges	**2**	-
Items that may not be reclassified to the income statement	**20**	31
Remeasurements of retirement benefit obligations	**20**	31
Other comprehensive income/(loss), net of tax	**191**	(158)
Total comprehensive income/(loss) for the period	**33**	(198)
Attributable to:		
Equity holders of the Company	**32**	(202)
Non-controlling interests	**1**	4
	33	(198)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2018

	Share capital GBP'm	Capital redemption reserve GBP'm	Share premium reserve GBP'm	Reverse acquisition reserve GBP'm	Treasury shares GBP'm	Share-based payment reserve GBP'm	Foreign currency translation reserve GBP'm	Hedging reserve GBP'm	Retained earnings GBP'm	Attributable to equity holders of the Company GBP'm	Non-controlling interests GBP'm	Total equity GBP'm
Balance at 1 April 2018 (audited)	74	6	690	(3 014)	(1)	1	468	5	5 057	3 286	87	3 373
IFRS 9 transition adjustment	-	-	-	-	-	-	-	-	(2)	(2)	-	(2)
Restated as at 1 April 2018 (unaudited)	**74**	**6**	**690**	**(3 014)**	**(1)**	**1**	**468**	**5**	**5 055**	**3 284**	**87**	**3 371**
(Loss)/profit for the period	-	-	-	-	-	-	-	-	(168)	(168)	10	(158)
Other comprehensive income/(loss) for the period	-	-	-	-	-	-	178	2	20	200	(9)	191
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	178	2	(148)	32	1	33
Transfer to other reserves	-	-	-	-	-	-	7	(7)	-	-	-	-
Non-controlling shareholders acquired	-	-	-	-	-	-	-	-	-	-	2	2
Settlement of Forfeitable Share Plan	-	-	-	-	1	(1)	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(35)	(35)	(7)	(42)
Balance at 30 September 2018 (unaudited)	**74**	**6**	**690**	**(3 014)**	**-**	**-**	**653**	**-**	**4 872**	**3 281**	**83**	**3 364**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2017

	Share capital GBP'm	Capital redemption reserve GBP'm	Share premium reserve GBP'm	Reverse acquisition reserve GBP'm	Treasury shares GBP'm	Share-based payment reserve GBP'm	Foreign currency translation reserve GBP'm	Hedging reserve GBP'm	Retained earnings GBP'm	Attributable to equity holders of the Company GBP'm	Non-controlling interests GBP'm	Total equity GBP'm
Balance at 1 April 2017 (audited)	74	6	690	(3 014)	(2)	24	779	4	5 525	4 086	78	4 164
(Loss)/profit for the period	-	-	-	-	-	-	-	-	(50)	(50)	10	(40)
Other comprehensive (loss)/income for the period	-	-	-	-	-	-	(183)	-	31	(152)	(6)	(158)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(183)	-	(19)	(202)	4	(198)
Transfer to retained earnings	-	-	-	-	-	(24)	-	-	24	-	-	-
Treasury shares purchased (Forfeitable Share Plan)	-	-	-	-	1	-	-	-	-	1	-	1
Transactions with non-controlling shareholders	-	-	-	-	-	-	-	-	(1)	(1)	(1)	(2)
Dividends paid	-	-	-	-	-	-	-	-	(35)	(35)	(8)	(43)
Balance at 30 September 2017 (unaudited)	**74**	**6**	**690**	**(3 014)**	**(1)**	**-**	**596**	**4**	**5 494**	**3 849**	**73**	**3 922**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 September 2018

	Notes	**30 Sep 2018 (Unaudited) GBP'm Inflow/(outflow)**	30 Sep 2017 (Unaudited) GBP'm Inflow/(outflow)
CASH FLOW FROM OPERATING ACTIVITIES			
Cash received from customers		**1 308**	1 477
Cash paid to suppliers and employees		**(1 162)**	(1 267)
Cash generated from operations		**146**	210
Interest received		**4**	6
Interest paid		**(39)**	(41)
Tax paid		**(30)**	(26)
Net cash generated from operating activities		**81**	149
CASH FLOW FROM INVESTMENT ACTIVITIES		**(131)**	(182)
Investment to maintain operations		**(47)**	(62)
Investment to expand operations		**(72)**	(57)
Acquisition of subsidiaries	12	**(13)**	(83)
Disposal of subsidiaries		**-**	3
Dividends received from equity accounted investment		**3**	3
Acquisition of other investments and loans		**(2)**	-
Investment in short-term deposits		**-**	14
Net cash utilised before financing activities		**(50)**	(33)
CASH FLOW FROM FINANCING ACTIVITIES		**36**	(48)
Distributions to non-controlling interests		**(7)**	(8)
Distributions to shareholders	15	**(35)**	(35)
Transaction with non-controlling interest		**2**	3
Proceeds from borrowings		**110**	2
Repayment of borrowings		**(31)**	(10)
Refinancing transaction costs		**(3)**	-
Net decrease in cash and cash equivalents		**(14)**	(81)
Opening balance of cash and cash equivalents		**261**	361
Exchange rate fluctuations on foreign cash		**(5)**	(18)
Closing balance of cash and cash equivalents		**242**	262

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

Mediclinic is an international private hospital group with operations in Switzerland, Southern Africa (South Africa and Namibia) and the United Arab Emirates. Its core purpose is to enhance the quality of life of patients by providing value-based healthcare services. Mediclinic also holds a 29.9% interest in Spire Healthcare Group plc, a LSE listed and UK-based private hospital group.

The Company is a public limited company, with a primary listing on the London Stock Exchange and secondary listings on the Johannesburg Stock Exchange and the Namibian Stock Exchange and incorporated and domiciled in the UK (registered number: 08338604). The address of its registered office is 6th Floor, 65 Gresham Street, London, EC2V 7NQ, United Kingdom.

The condensed consolidated financial information for the six months ended 30 September 2018 was approved by the Board on 14 November 2018.

2. BASIS OF PREPARATION

The condensed consolidated interim financial information is prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU'), the Companies Act 2006 and Article 4 of the EU IAS Regulations.

The results announcement has been prepared applying consistent accounting policies to those applied by the Group in the 31 March 2018 financial year, except for the estimation of income tax in accordance with IAS 34 at 30 September 2018 and subject to the adoption of IFRS 9 and IFRS 15. The Group has prepared the condensed consolidated interim financial information on a going concern basis. The condensed consolidated financial statements has been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and with IAS 34 Interim Financial Reporting, as adopted by the EU. They do not include all the information required for full annual financial statements and should be read in conjunction with information contained in the Group's Annual Report and Financial Statements for the year ended 31 March 2018. The condensed consolidated interim financial information has been reviewed, not audited.

This results announcement does not constitute statutory accounts of the Group within the meaning of sections 434(3) and 435(3) of the Companies Act 2006. Statutory accounts for the year ended 31 March 2018 were approved by the Board of Directors on 23 May 2018 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under sections 498(2) or (3) of the Companies Act 2006.

The Group has adopted IFRS 9 and IFRS 15 from 1 April 2018. Refer to note 13 for a description of the changes in accounting policies.

The Group will adopt IFRS 16 Leases from 1 April 2019. A key change arising from IFRS 16 is that most operating leases will be accounted for on the statement of financial position of lessees and would recognise a right of use asset and a lease liability. In general, properties are owned by the Group with the exception of the Middle East division where properties are generally leased. Our impact assessment of IFRS 16 is ongoing and we intend to provide an update at year end.

Functional and presentation currency
The condensed consolidated financial statements are presented in pounds sterling, rounded to the nearest million. The functional currency of the majority of the Group's entities, and the currencies of the primary economic environments in which they operate, is the Swiss franc, South African rand and United Arab Emirates dirham. The United Arab Emirates dirham is pegged against the United States dollar at a rate of 3.6725 per US Dollar.

3. SEGMENTAL REPORT

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

		Reportable operating segments			Other	
Period ended 30 September 2018	**Total GBP'm**	**Switzerland GBP'm**	**Southern Africa GBP'm**	**Middle East GBP'm**	**United Kingdom GBP'm**	**Corporate GBP'm**
Revenue	**1 387**	**631**	**449**	**307**	**-**	**-**
EBITDA	**213**	**90**	**95**	**29**	**-**	**(1)**
EBITDA before management fee	**213**	**93**	**98**	**30**	**-**	**(8)**
Management fees included in EBITDA	**-**	**(3)**	**(3)**	**(1)**	**-**	**7**
Other gains and losses	**-**	**-**	**1**	**-**	**-**	**(1)**
Depreciation and amortisation	**(76)**	**(46)**	**(15)**	**(15)**	**-**	**-**
Impairment of properties	**(43)**	**(43)**	**-**	**-**	**-**	**-**
Impairment of intangible assets	**(55)**	**(55)**	**-**	**-**	**-**	**-**
Operating profit/(loss)	**39**	**(54)**	**81**	**14**	**-**	**(2)**
Income from associate	**2**	**-**	**-**	**-**	**2**	**-**
Impairment of associate	**(164)**	**-**	**-**	**-**	**(164)**	**-**
Finance income	**4**	**-**	**4**	**-**	**-**	**-**
Finance cost (excluding intersegment loan interest)	**(31)**	**(11)**	**(18)**	**(2)**	**-**	**-**
Total finance cost	**(31)**	**(19)**	**(18)**	**(2)**	**-**	**8**
Elimination of intersegment loan interest	**-**	**8**	**-**	**-**	**-**	**(8)**
Taxation	**(8)**	**12**	**(20)**	**-**	**-**	**-**
Segment result	**(158)**	**(53)**	**47**	**12**	**(162)**	**(2)**
At 30 September 2018						
Investments in associates	**185**	**2**	**2**	**-**	**181**	**-**
Investments in joint ventures	**5**	**-**	**5**	**-**	**-**	**-**
Capital expenditure	**113**	**24**	**30**	**58**	**-**	**1**
Total segment assets	**6 438**	**3 572**	**681**	**1 962**	**181**	**42**
Total segment liabilities (excluding intersegment loan)	**3 074**	**2 080**	**594**	**400**	**-**	**-**
Total liabilities from reportable segment	**3 977**	**2 983**	**594**	**400**	**-**	**-**
Elimination of intersegment loan	**(903)**	**(903)**	**-**	**-**	**-**	**-**

3. SEGMENTAL REPORT (continued)

		Reportable operating segments			Other	
Period ended 30 September 2017	**Total GBP'm**	**Switzerland GBP'm**	**Southern Africa GBP'm**	**Middle East GBP'm**	**United Kingdom GBP'm**	**Corporate GBP'm**
Revenue	1 405	651	444	310	-	-
EBITDA	232	113	93	27	-	(1)
EBITDA before management fee	232	115	95	29	-	(7)
Management fees included in EBITDA	-	(2)	(2)	(2)	-	6
Other gains and losses	(5)	-	-	(5)	-	-
Depreciation and amortisation	(94)	(41)	(15)	(38)	-	-
Operating profit/(loss)	133	72	78	(16)	-	(1)
Income from associate	1	-	-	-	1	-
Impairment of associate	(109)	-	-	-	(109)	-
Finance income	6	1	4	1	-	-
Finance cost (excluding intersegment loan interest)	(41)	(17)	(20)	(4)	-	-
Total finance cost	(41)	(25)	(20)	(4)	-	8
Elimination of intersegment loan interest	-	8	-	-	-	(8)
Taxation	(30)	(10)	(19)	-	-	(1)
Segment result	(40)	46	43	(19)	(108)	(2)
At 31 March 2018						
Investments in associates	352	2	2	-	348	-
Investments in joint ventures	5	-	5	-	-	-
Capital expenditure	245	101	62	80	-	2
Total segment assets	6 343	3 448	747	1 757	348	43
Total segment liabilities (excluding intersegment loan)	2 970	1 985	672	309	-	4
Total liabilities from reportable segment	3 827	2 842	672	309	-	4
Elimination of intersegment loan	(857)	(857)	-	-	-	-

4. PROPERTY, EQUIPMENT AND VEHICLES

	30 Sep 2018 GBP'm	31 Mar 2018 GBP'm
Land - cost	**902**	864
Buildings	**2 336**	2 184
Capital expenditure in progress	**107**	181
Equipment	**306**	306
Furniture and vehicles	**43**	55
	3 694	3 590

Cash generating unit (CGU) impairment indicators

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

Impairment of properties in Switzerland

At 30 September 2018, the CGUs in the Switzerland segment were assessed for impairment due to disappointing performance during the first half of the year. The recoverable amounts of the CGUs tested for impairment were based on fair value less cost to sell calculations. In determining the fair value less cost to sell for the CGUs, the cash flows were discounted at rates between 4.9% and 5.1%. Beyond five years, the cash flows were extrapolated using a 1.6% (2017: 1.6%) growth rate. The carrying value of one CGU was determined to be higher than its recoverable amount and as a result an impairment charge of GBP43m was recognised in the income statement relating to properties. Certain CGUs remain sensitive to reasonably possible changes in key assumptions in the fair value less cost to sell calculations, including discount rates, growth rates and cash flow projections.

5. INTANGIBLE ASSETS

	30 Sep 2018 GBP'm	31 Mar 2018 GBP'm
Goodwill	**1 351**	1 253
Trade names	**31**	83
Computer software	**53**	48
Leases	**24**	22
	1 459	1 406

Impairment testing of non financial assets in Switzerland

Following the disappointing performance in the Switzerland segment, the recoverable amount of certain Hirslanden CGUs and the Hirslanden trade name were tested for impairment at the end of the period. The recoverable amounts have been determined based on fair value less costs to sell discounted cash flow calculations.

The key inputs to its calculations are described below.

Forecasts
As a result of the continued impact of changes in the regulatory and market environment (including new TARMED tariffs and regulations that require enhanced outmigration of medical treatments) and to reflect actions taken by management to adopt to the new operating environment, the 31 March 2018 forecasted cash flows have been adjusted.

Growth rates
The terminal growth rate beyond five years is extrapolated using a 1.6% (31 March 2018: 1.6%) growth rate.

Discount rates
The discount rate applied to cash flow projections is 5.0% (31 March 2018: 5.0%).

The carrying amounts of the Hirslanden trade name and the Linde trade name were fully impaired during the period. The impairment loss recognised in the income statement consisted of GBP39m for the impairment of the Hirslanden trade name and GBP16m for the Linde trade name.

6. EQUITY ACCOUNTED INVESTMENTS

	30 Sep 2018 GBP'm	31 Mar 2018 GBP'm
Investment in associates	**185**	352
Investment in joint venture	**5**	5
	190	357

	30 Sep 2018 GBP'm	31 Mar 2018 GBP'm
Listed investment	**181**	348
Unlisted investments	**4**	4
	185	352
Reconciliation of carrying value at the beginning and end of the period		
Opening balance	**352**	461
IFRS 9 transition adjustment	**(2)**	-
Additional investment in unlisted associate	**-**	2
Share of net profit of associated companies	**2**	3
Impairment of listed associate	**(164)**	(109)
Dividends received from associated companies	**(3)**	(5)
	185	352

Set out below are details of the associate which is material to the Group:

	Country of incorporation and place of business	% ownership
Spire Healthcare Group plc (Spire)	**United Kingdom**	**29.9%**

Spire is listed on the London Stock Exchange. It does not issue publicly available quarterly financial information and has a December year-end. The investment in associate was equity accounted for the 6 months to 30 June 2018 (31 March 2018: 12 months to 31 December 2017). Spire reported its half year results to 30 June 2018 in September 2018 when it provided an update to its earnings guidance on financial performance for the remainder of the financial year. Lower reported revenue, margins and consistent underperformance compared to market expectation in trading during 2018 resulted in a revised outlook for the remainder of financial year and our view on the business.

At 30 September 2018, the market value of the investment in Spire was GBP169m, which was below the carrying value. Consequently, the Group performed an impairment test by updating the key assumptions applied in the value in use calculation performed at 31 March 2018. The impairment test was prepared based on the Group's updated expectations of Spire's future trading performance and considered external sources of information, including recent investor analyst valuations and target prices published since the September 2018 announcement by Spire.

Accordingly, key assumptions related to cash flow growth rates in the short- and medium-term were adjusted in the value in use calculation. There was no change in key assumptions related to discount rates or long-term growth rates from 31 March 2018. The carrying value of the investment of GBP181m remains sensitive to any reasonable changes in key assumptions.

7. BORROWINGS

	30 Sep 2018 GBP'm	31 Mar 2018 GBP'm
Bank loans	**1 746**	1 559
Preference shares	**97**	200
Listed bonds	**184**	176
Other liabilities	**2**	2
	2 029	1 937
Non-current borrowings	**1 936**	1 866
Current borrowings	**93**	71
Total borrowings	**2 029**	1 937

		30 Sep 2018 GBP'm Non-current	**30 Sep 2018 GBP'm Current**	31 Mar 2018 GBP'm Non-current	31 Mar 2018 GBP'm Current
	Swiss operations (denominated in Swiss franc)				
Secured bank loan one	These loans bear interest at variable rates linked to the 3M LIBOR plus 1.25%. CHF80m must be redeemed on 21 December 2018. The remaining balances are repayable by 30 September 2024.	**1 105**	**90**	1 085	26
Secured bank loan two	These loans were acquired as part of the Linde acquisition and bear interest linked to the 3M LIBOR plus 0.92% and are repayable during May 2023.	**15**	**1**	13	-
Secured bank loan three	This fixed interest mortgage loan was acquired as part of the Linde acquisition and bears interest at 0.9% compounded quarterly. The loan is repayable by December 2023.	**8**	**-**	7	-
Listed bonds	The listed bonds consist of CHF145m 1.625% and CHF90m 2% Swiss franc bonds. The bonds are repayable on 25 February 2021 and 25 February 2025 respectively.	**184**	**-**	176	-
Secured long term finance	These liabilities bear interest at variable rates ranging between 1% and 12% and are repayable in equal monthly payments in periods ranging from one to seven years.	**1**	**1**	1	1
	Middle East operations (denominated in UAE dirham)				
Secured bank loan one	These loans bear interest at variable rates linked to the 3M LIBOR and a margin of 1.85% with a 5-year amortising term, expiring in August 2023.	**191**	**-**	-	-
Secured bank loan two	These loans bear interest at variable rates linked to the 3M LIBOR and a margin of 2.50%. This liability was extinguished during August 2018 as part of the refinancing.	**-**	**-**	98	39
	Balance carried forward	**1 504**	**92**	1 380	66

7. BORROWINGS (continued)

		30 Sep 2018 GBP'm Non-current	**30 Sep 2018 GBP'm Current**	31 Mar 2018 GBP'm Non-current	31 Mar 2018 GBP'm Current
	Balance carried forward	**1 504**	**92**	1 380	66
	Southern African operations (denominated in South African rand)				
Secured bank loan one	The loan bears interest at the 3M JIBAR variable rate plus a margin of 1.49% compounded quarterly and is repayable on 26 September 2022.	**139**	**-**	-	-
Secured bank loan two	The loan bears interest at the 3M JIBAR variable rate plus a margin of 1.59% compounded quarterly and is repayable on 26 September 2023.	**192**	**1**	-	-
Secured bank loan three	The loan bears interest at the 3M JIBAR variable rate plus a margin of 1.51% compounded quarterly. This liability was extinguished during September 2018 as part of the refinancing.	**-**	**-**	208	2
Secured bank loan four	The loan bears interest at the 3M JIBAR variable rate plus a margin of 1.69% compounded quarterly. This liability was extinguished during September 2018 as part of the refinancing.	**-**	**-**	73	-
Secured bank loan five	These loans bear interest at variable rates linked to the prime overdraft rate and are repayable in periods ranging between one and twelve years.	**4**	**-**	6	2
Preference shares	Dividends are payable quarterly at a rate of 72% of 3M JIBAR plus a margin of 1.65%. The outstanding balance will be redeemed on 26 September 2022.	**97**	**-**	108	1
Preference shares	Dividends are payable semi-annually at a rate of 73% of the prime interest rate (10.0%). The amount was repaid on 26 September 2018 as part of the refinancing.	**-**	**-**	91	-
		1 936	**93**	1 866	71

The borrowing facilities in Mediclinic Southern Africa and Mediclinic Middle East were refinanced during the period. In both instances, the terms of the loans were extended with favourable pricing. The effective date for the funding and the closing was 26 September 2018 and 29 August 2018 respectively. In Mediclinic Middle East, a new term loan of GBP192m (AED920m) and revolving loan facility of GBP38m (AED184m) were put in place.

The refinancing agreements in both Mediclinic Southern Africa and Mediclinic Middle East have been treated as extinguishments of the original financial liabilities due to the substantial modifications of the terms (including the terms of the financing and the margins). As a result, the original liabilities were derecognised and new financial liabilities were recognised. The unamortised portion of the capitalised finance cost of the original agreements of GBP2m in Mediclinic Middle East were derecognised as a result of the extinguishment of the liabilities.

8. RETIREMENT BENEFIT OBLIGATIONS

The Swiss pension benefit obligation decreased from GBP4m on 31 March 2018 to a net asset of GBP24m at 30 September 2018. The assumptions underlying the valuation of the Swiss pension obligation were reassessed during the period and as a result the discount rate used to value the plan obligation was changed from 0.75% to 0.90%.

9. FINANCE COSTS

	30 Sep 2018 GBP'm	30 Sep 2017 GBP'm
Interest expenses	**24**	30
Interest rate swaps	**-**	5
Amortisation of capitalised financing costs	**4**	4
Fair value gains on ineffective cash flow hedges	**-**	(4)
Preference share dividend	**7**	7
Less: amounts included in cost of qualifying assets	**(4)**	(1)
	31	41

10. INCOME TAX EXPENSE

	30 Sep 2018 GBP'm	30 Sep 2017 GBP'm
Current tax		
Current year	**24**	27
Previous year	**-**	-
Deferred tax	**(16)**	3
Taxation per income statement	**8**	30
Composition		
UK tax	**-**	-
Foreign tax	**8**	30
	8	30

The tax charge for the period has been calculated using an estimate of the effective annual rate of tax for the full year per operating division. This rate has been applied to the pre-tax profits for the six months ended 30 September 2018, with adjustments made for non-recurring items in the period. The effective tax rate on the loss before tax was (6%) (1H18: (300%)).

The following significant item affecting the effective tax rate for the current period was identified:

- Impairment of the listed associate of GBP164m is not deductible for tax purposes. The tax effect amounted to GBP31m (decrease of 21% in effective tax rate).

The impairment of the properties (GBP43m) and the impairment of trade names (GBP55m) in Switzerland led to the release of deferred tax liabilities of GBP7m and GBP11m respectively. The impact on the effective tax rate is minimal.

10. INCOME TAX EXPENSE (continued)

The following significant items affecting the effective tax rate for the prior period were identified:

- Impairment of the listed associate of GBP109m was not deductible for tax purposes. The tax effect amounted to GBP21m (decrease of 207% in effective tax rate).
- Loss on disposal of subsidiaries of GBP5m was not deductible for tax purposes. The tax effect amounted to GBP1m (decrease of 10% in effective tax rate).
- Accelerated amortisation of GBP23m was recognised on the Al Noor trade names during the period. The profits earned in the UAE are not subject to income tax. The tax effect amounted to GBP4m (decrease of 44% in effective tax rate).

If the abovementioned significant items were excluded from the effective tax rate calculation, the adjusted effective tax rate would be 23.4% (1H18: 24%). The estimated adjusted effective tax rate for the full year is around 21% (1H18: 21%) reflecting expected profit mix from the Group's segments in the second half.

11. EARNINGS PER ORDINARY SHARE

	30 Sep 2018 GBP'm	30 Sep 2017 GBP'm
Loss per ordinary share (pence)		
Basic (pence)	**(22.8)**	(6.8)
Diluted (pence)	**(22.8)**	(6.8)
Earnings reconciliation		
Loss attributable to equity holders of the Company	**(168)**	(50)
Adjusted for:		
No adjustments	**-**	-
Loss for basic and diluted earnings per share	**(168)**	(50)
Number of shares reconciliation		
Weighted average number of ordinary shares in issue for basic earnings per share		
Number of ordinary shares in issue at the beginning of the year	**737 243 810**	737 243 810
Weighted average number of treasury shares	**(66 664)**	(181 162)
Mpilo Trusts	**(32 330)**	(32 330)
Forfeitable Share Plan	**(34 334)**	(148 832)
	737 177 146	737 062 648
Weighted average number of ordinary shares in issue for diluted earnings per share		
Weighted average number of ordinary shares in issue	**737 177 146**	737 062 648
Weighted average number of treasury shares held not yet released from treasury stock	**66 664**	181 162
Mpilo Trusts	**32 330**	32 330
Forfeitable Share Plan	**34 334**	148 832
	737 243 810	737 243 810

11. EARNINGS PER ORDINARY SHARE (continued)

Headline earnings per ordinary share

The Group is required to calculate headline earnings per share (HEPS) in accordance with the JSE Limited (JSE) Listings Requirements, determined by reference to the South African Institute of Chartered Accountants' circular 04/2018 (Revised) 'Headline Earnings'. The table below sets out a reconciliation of basic EPS and HEPS in accordance with that circular. Disclosure of HEPS is not a requirement of IFRS, but it is a commonly used measure of earnings in South Africa. The table below reconciles the profit for the financial year attributable to equity holders of the parent to headline earnings and summarises the calculation of basic HEPS:

	30 Sep 2018 GBP'm	30 Sep 2017 GBP'm
Headline earnings per share		
Loss for basic and diluted earnings per share	**(168)**	(50)
Adjustments		
Impairment of equity accounted investment	**164**	109
Impairment of properties and intangible assets	**80**	-
(Profit)/loss on disposal of subsidiaries	**(1)**	5
Associate's impairment of property, plant and equipment	**4**	-
Headline earnings	**79**	64
Headline earnings per share (pence)	**10.7**	8.7
Diluted headline earnings per share (pence)	**10.7**	8.7

12. BUSINESS COMBINATIONS

The following business combinations occurred during the period:

	30 Sep 2018 GBP'm	30 Sep 2017 GBP'm
Cash flow on acquisition:		
City Centre Clinics Deira and Me'aisem	**(7)**	-
Welkom Medical Centre	**(6)**	-
Linde Holding Biel/Bienne AG	**-**	(74)
Röntgeninstitut Cham AG	-	(9)
	(13)	(83)

City Centre Clinics Deira and Me’aisem

On 28 June 2018, Mediclinic Middle East acquired 100% of the Dubai based City Centre Clinics Deira and Me’aisem from Majid Al Futtaim for GBP7m (AED30m).

City Centre Clinic Deira is a large outpatient facility with two day-care surgery theatres and 18 medical disciplines. City Centre Clinic Me’aisem is a smaller community clinic focusing on six core disciplines. The clinics serve strategic geographic locations and offer the opportunity to refer higher acuity inpatient cases to existing Mediclinic Middle East hospitals as well as the new Mediclinic Parkview Hospital.

The goodwill of GBP2m (AED8m) arising from the acquisition is attributable to the acquired workforce and economies of scale expected from combining the operations of Mediclinic Middle East and the City Centre Clinics.

The following table summarises the consideration paid for the City Centre Clinics Deira and Me’aisem and the provisional fair value of assets acquired and liabilities assumed at the acquisition date.

	30 Sep 2018 GBP'm
Recognised amounts of identifiable assets acquired and liabilities assumed	
Assets	
Property, equipment and vehicles	5
Total assets	**5**
Total identifiable net assets at fair value	5
Goodwill	2
Consideration transferred for the business	**7**
Cash flow on acquisition	
Cash paid	(7)
Net cash flow on acquisition	**(7)**

12. BUSINESS COMBINATIONS (continued)

Welkom Medical Centre

On 17 August 2018, Mediclinic Southern Africa acquired 100% of the share capital of Welkom Medical Centre for GBP6m (ZAR110m).

Welkom Medical Centre consists of a day clinic with 20 beds, a sub-acute unit of 20 beds and a mental health unit with a further 20 beds. The goodwill of GBP3m (ZAR47m) arising from the acquisition is attributable to the acquired workforce and economies of scale expected from combining the operations of Welkom Medical Centre and Mediclinic Southern Africa. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid for Welkom Medical Centre and the provisional fair value of assets acquired and liabilities assumed at the acquisition date.

	30 Sep 2018 GBP'm
Recognised amounts of identifiable assets acquired and liabilities assumed	
Assets	
Property, equipment and vehicles	3
Total assets	**3**
Total identifiable net assets at fair value	3
Goodwill	3
Consideration transferred for the business	**6**
Cash flow on acquisition	
Net cash acquired with subsidiary	-
Cash paid	(6)
Net cash flow on acquisition	**(6)**

13. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments on the Group's financial statements.

13.1 IFRS 15 Revenue from contracts with customers

The Group adopted IFRS 15 from 1 April 2018 which resulted in changes in accounting policies. In accordance with the transitional provisions in the standard, the Group followed the modified retrospective approach. The comparative information is presented based on the requirements of IAS 18 Revenue and no adjustment to opening retained earnings was required.

In the Middle East, the normal business process associated with transactions with insurers includes an amount of claims disallowed (disallowance provision) which is not paid by the insurer. These disallowed claims could be for various technical or medical reasons. Disallowance write-offs on rejected claims is a general practice by the insurers in the Middle East. Accordingly, Mediclinic Middle East accepts and expects an amount of consideration that is less than what was originally invoiced. These write-offs constitute variable consideration under IFRS 15. Variable consideration is recognised as revenue to the extent that it is highly probable that a reversal of revenue will not occur. In prior periods, revenue was recognised based on the contract with the insurers and a provision for bad debt was recognised for the rejections based on historical trends. Under IFRS 15, these rejected claims will be recognised as part of revenue (decreasing the revenue recognised). The rejections recognised in the provision for impairment of trade receivables in the prior period will be reclassified to gross debtors on 1 April 2018, refer to note 13.2 below. If IFRS 15 was applied to the prior period results, revenue from the Middle East segment would have been GBP300m compared to the GBP310m recognised under IAS 18 (with a corresponding decrease of GBP10m in expenses). This change has no impact on net profit.

The implementation of IFRS 15 did not have a material impact on the Group's other operating divisions.

13.2 IFRS 9 Financial Instruments

The accounting policies were changed to comply with IFRS 9 which replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets; and hedge accounting.

The Group has adopted IFRS 9 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in the standard, comparative figures have not been restated. The adjustments arising from the new impairment rules are therefore not reflected in the statement of financial position as at 31 March 2018, but are recognised in the opening balance of retained earnings on 1 April 2018.

The total impact of the Group's retained earnings due to classification and measurement of financial instruments as at 1 April 2018 is as follows:

	1 Apr 2018 GBP'm
Opening retained earnings – IAS 39	**5 057**
Adjustment to retained earnings on adoption of IFRS 9:	
Increase in provision for impairment of trade receivables*	-
Impact of IFRS 9 on equity accounted investments	(2)
Opening retained earnings – IFRS 9	**5 055**

** Impact is less than GBP0.5m.*

The Group was required to revise its impairment methodology under IFRS 9 for trade receivables. The Group applied the simplified approach to measure the expected credit losses as prescribed by IFRS 9. The simplified approach requires the use of the lifetime expected loss provision for all trade receivables.

13. CHANGES IN ACCOUNTING POLICIES (continued)

The loss allowance for trade receivables as at 31 March 2018 reconcile to the opening loss allowance on 1 April 2018 as follows:

	GBP'm
At 31 March 2018 – calculated under IAS 39	45
Disallowances recognised as bad debt reclassified to gross debtors (IFRS 15 adjustment)	(32)
Increase in provision for impairment of trade receivables*	-
Opening loss allowance as at 1 April 2018 – calculated under IFRS 9	**13**

** Impact is less than GBP0.5m.*

14. COMMITMENTS

	30 Sep 2018 GBP'm	31 Mar 2018 GBP'm
Capital commitments		
Switzerland	**31**	29
Southern Africa	**199**	219
Middle East	**77**	94
	307	342

These commitments will be financed from Group and borrowed funds.

15. DIVIDENDS

	Date paid/payable	Dividend per share (pence)	30 Sept 2018 GBP'm	30 Sept 2017 GBP'm
Dividends declared				
Period ended 30 September 2018				
Interim dividend	18 December 2018	3.20	24	
Period ended 30 September 2017				
Interim dividend	18 December 2017	3.20		24
Dividends paid				
Dividends paid during the period			**35**	35

Under IFRS, dividends are only recognised in the financial statements when authorised by the Board of Directors (for interim dividends) or when authorised by the shareholders (for final dividends). The aggregate amount of the proposed dividend expected to be paid on 18 December 2018 from retained earnings has not been recognised as a liability at 30 September 2018.

16. FINANCIAL INSTRUMENTS

Financial instruments that are measured at fair value in the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in the valuation. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2 – Input (other than quoted prices included within Level 1) that is observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3 – Input for the asset or liability that is not based on observable market data (unobservable input).

Derivative financial instruments comprise interest rate swaps and are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates. Based on the degree to which the fair values are observable, the interest rate swaps are grouped as Level 2.

The fair value for available-for-sale assets (part of other investments and loans) is based on appropriate valuation methodologies being discounted cash flow or actual net asset value of the investment. These assets are grouped as Level 2.

17. RELATED PARTIES

There are no significant changes to the related party transactions for the six months ended 30 September 2018 compared to those disclosed in the Group's annual financial statements for the year ended 31 March 2018.

18. SHARE-BASED PAYMENTS

During the six months ended 30 September 2018, the Group made further grants under its existing long-term incentive plan awards ("**LTIP**") as follows:

On 15 June 2018, the Group granted Danie Meintjes, Ronnie van der Merwe and Jurgens Myburgh 209 998, 200 128 and 110 646 phantom shares respectively. On the same date, 677 318 phantom shares were granted to other senior management. The vesting of these shares is subject to continued employment and is conditional upon achievement of performance targets, measured over a three-year period. The performance conditions for the year under review constitute a combination of: absolute total shareholder return ("**TSR**") (40% weighting) and adjusted earnings per share (60% weighting).

For the six months ended 30 September 2018, the total cost recognised in the income statement for the LTIP awards was GBP0.6m (1H18: GBP0.4m).

19. EVENTS AFTER THE REPORTING DATE

Effective October 2018, the Group acquired a controlling interest in Clinique des Grangettes in Geneva, Switzerland. After combining Hirslanden Clinique La Colline with Clinique des Grangettes, the Group has a 60% controlling interest in the combined entity. The Group will combine the operating companies of Hirslanden Clinique La Colline and Pidji Healthcare Ltd, the holding company for the Clinique des Grangettes group of companies, and it paid a cash consideration of CHF68m to the previous owner for a 60% interest in the new combined company. The Group and the previous owner will have call and put options respectively on the remaining 40% interest in the combined company. The options are exercisable after 4 years and the consideration on exercise will be determined based on the profitability of the combined company at that time.

The Group acquired a controlling interest of 50% plus one share in the day hospitals and sub-acute and rehabilitation hospitals of the Intercare group of companies for a consideration of ZAR32m. This transaction received Competition Commission approval in August 2018 and the effective date of acquisition was on 1 November 2018.

ABOUT MEDICLINIC INTERNATIONAL PLC

Mediclinic is an international private healthcare services group, established in South Africa in 1983, with current operating divisions in Southern Africa (South Africa and Namibia), Switzerland and the United Arab Emirates. Its core purpose is to enhance the quality of life of patients by providing acute care, specialist-orientated, multi-disciplinary healthcare services. Mediclinic also holds a 29.9% interest in Spire Healthcare Group plc, an LSE-listed and UK-based private healthcare group.

As at 30 September 2018, Mediclinic comprised 75 hospitals and 29 clinics. Hirslanden operated 17 private hospitals and 4 clinics in Switzerland with more than 1 800 inpatient beds; Mediclinic Southern Africa operated 48 hospitals and 3 day clinics throughout South Africa and 3 hospitals in Namibia with more than 8 100 inpatient beds in total; and Mediclinic Middle East operated 7 hospitals and 22 clinics with more than 900 inpatient beds in the United Arab Emirates.

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

AUDIO WEBCAST AND CONFERENCE CALL DETAILS

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

09:00 GMT/11:00 SAST

Audio webcast: https://edge.media-server.com/m6/p/r4zg98qa

To access the call please dial the appropriate number below 5-10 minutes before the start of the event using the conference confirmation code below.

UK: +44 (0)330 336 9127
SA: +27 (0)11 844 6054
CH: +41 (0)44 580 7206
UAE toll-free: 8000 3570 2653
US: +1 929 477 0324

Confirmation code: 9603575

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