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

2 June 2020

MEDICLINIC INTERNATIONAL PLC 2020 FULL-YEAR RESULTS ANNOUNCEMENT

RESULTS SUMMARY
Operational and strategic delivery advancing Mediclinic's market-leading positions
Group adjusted results broadly in line with expectations despite impact of COVID-19
Increase in Group revenue reflecting balanced organic growth and acquisitions
Strong financial position and liquidity

COVID-19 SUMMARY
Vital role in combatting the pandemic
International experience provides unique expertise and insight
Impact on patient volumes and financial performance in FY21 remains uncertain
Elective procedures recommenced across the Group
Proactive measures taken to preserve liquidity
Debt covenant test waivers agreed on certain covenants in all divisions
Improving operational trends from April to May 2020

Mediclinic announces its results for the year ended 31 March 2020 (the "**period**" or "**FY20**"); comparative figures are drawn from the Group's results for the year ended 31 March 2019 ("**FY19**"). The Group adopted the new IFRS 16 *Leases* standard on 1 April 2019 and comparative information has not been restated. For comparative purposes, the FY20 results are also presented on a pre-IFRS 16 basis. The section on "Earnings reconciliations" in the Financial Review of this announcement provides a detailed reconciliation and comparison between IFRS 16 and pre-IFRS 16 financial results for the period.

Details of the FY20 results investor and analyst audio webcast and conference call are available at the end of this announcement and on the Group's website at www.mediclinic.com.

Dr Ronnie van der Merwe, Group Chief Executive Officer of Mediclinic, said:
"In the midst of the COVID-19 pandemic, it is important to note the strong operational progress the Group has made against our stated priorities. We have continued to adapt the Group to the changing healthcare environment, entering the COVID-19 pandemic in a strong position and well-set to deliver expected growth in the future. In this context I am pleased with what our people have achieved while delivering a financial performance broadly in line with expectations, despite the impact of COVID-19.

Mediclinic is fulfilling a vital role as a leading provider of essential healthcare services during this crisis. We have a broad range of expertise and skills across the Group which, together with our committed frontline doctors, nurses and staff, position us to efficiently respond to the pandemic, treating COVID-19 and non-COVID-19 patients alike. This, combined with our strong financial position and liquidity, allows us to remain focused on assisting our people, supporting doctors, patients, communities and local health authorities.

A high degree of uncertainty remains regarding the progression of the pandemic and its full impact, which may well continue for at least the next 12 months. As a Group, we are preparing for a variety of eventualities while simultaneously endeavouring to continue making available our wide range of acute inpatient, outpatient and day case care services. We will remain agile in our approach, seeking to overcome challenges and creating opportunities. Throughout this pandemic, and afterwards, the Group's values of being client centred and patient safety focused will not waver."

GROUP FINANCIAL SUMMARY

	IFRS 16 2020 £'m	Pre-IFRS 16 2020 £'m	Pre-IFRS 16 2019 £'m	Pre-IFRS 16 % variance[5]
Revenue	**3 083**	**3 083**	2 932	5%
EBITDA[1]	**541**	**480**	493	(3)%
Adjusted EBITDA[1]	**541**	**480**	493	(3)%
Operating (loss)/profit	**(184)**	**(199)**	81	(346)%
Adjusted operating profit[1]	**327**	**312**	330	(5)%
Reported loss[2]	**(320)**	**(315)**	(151)	109%
Adjusted earnings[1&2]	**177**	**182**	198	(8)%
Loss per share (pence)	**(43.4)**	**(42.7)**	(20.5)	108%
Adjusted earnings per share (pence)[2]	**24.0**	**24.7**	26.9	(8)%
Total dividend per share (pence)	**3.20**	**3.20**	7.90	(59)%
Net debt[3]	**2 325**	**1 622**	1 717	(6)%
Cash conversion[4]	**109%**	**109%**	91%	

Notes

1 *The Group uses adjusted income statement reporting as non-IFRS measures in evaluating performance and to provide consistent and comparable reporting. Refer to the section on "Earnings reconciliations" in the Financial Review of this announcement which includes a reconciliation between IFRS 16 and pre-IFRS 16 results.*

2 *Reported loss refers to loss attributable to equity holders.*

3 *Net debt reflects borrowings incurred, as well as IFRS 16 lease liabilities. The comparative for net debt excludes the IFRS 16 lease liabilities.*

4 *Calculation on page 30 of the Financial Review.*

5 *The percentage variances are calculated in unrounded sterling values and not in millions.*

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

PRE-IFRS 16: GROUP FINANCIAL SUMMARY

- Revenue up 5% to £3 083m; up 4% in constant currency, reflecting balanced organic growth and incremental acquisitions
- Adjusted EBITDA down 3% at £480m; down 3% in constant currency terms, impacted by effect of COVID-19 pandemic in March 2020
- Adjusted operating profit down 5% at £312m, reflecting increased depreciation charges associated with infrastructure and technology investments
- Goodwill and fixed asset impairment charges at Mediclinic Middle East (£481m) and Hirslanden (£33m); reported operating loss of £199m
- Reported loss of £315m (FY19: loss of £151m) further impacted by the impairment charge of the equity investment in Spire of £10m
- Adjusted earnings per share ("**EPS**") down 8% at 24.7 pence
- Strong cash conversion at 109% of adjusted EBITDA (FY19: 91%)

GROUP STRATEGIC OVERVIEW

The COVID-19 pandemic has highlighted and accelerated the global demand for quality healthcare. Ageing populations, a growing disease burden and digitalisation of healthcare are creating further opportunities for expansion and evolution across the continuum of care.

In line with its purpose to enhance the quality of life, the Group's strategic focus is to provide cost-effective, quality care and outstanding client experiences across the continuum of care. By doing so, Mediclinic will deliver value across its operations and realise its vision to be the partner of choice who people trust for all their healthcare needs. The Group's depth of experience, increasingly diversified footprint, scale and unified focus enable it to extract synergies, cost-efficiencies and deliver value to all stakeholders.

During the period, the Group refined its seven strategic goals and two transformation drivers. Noticeable progress was made during the period, delivering against the strategic goals and advancing its leading-market positions. All elements of the Group strategy have dedicated Group Executive Committee sponsors who take responsibility for execution and lead the various work streams aimed at delivery.

The Group's corporate strategy provides a framework within which the Company is able to quickly adapt to market needs; sustain a diverse, performance-driven and collaborative culture that engages talent and leverages scale, knowledge and skills; and position itself to grow sustainably.

Mediclinic has a philosophy of taking long-term growth decisions that support its core business and future positioning. The Group is actively focused on building innovative care delivery models in response to industry trends.

The Group maintains a strategy of responsible leverage, largely using its asset base to secure cost-efficient borrowings. While property ownership drives operational and financial benefits, the approach is not fixed, reflecting the business needs of the Group as it expands across the continuum of care.

As a healthcare provider, the Group not only strives to create value every day by providing cost-effective, quality care and outstanding client experiences, it also takes a broader approach to value creation by taking responsibility for operations beyond its facilities. During the period, the Group identified sustainable development as a critical transformation driver. A Sustainable Development Strategy which governs environmental, social and governance activities has been developed to ensure that the Group improves sustainability by managing its resources responsibly and efficiently to the benefit of its stakeholders and the environment.

GROUP FINANCIAL PERFORMANCE

The Group adopted the new IFRS 16 standard, which requires operating leases to be accounted for on balance sheet, from 1 April 2019, using the simplified approach. Consequently, comparative information has not been restated. For comparative purposes, the FY20 results are also presented on a pre-IFRS 16 basis. The section on "Earnings reconciliations" in the Financial Review of this announcement provides a detailed reconciliation and comparison between IFRS 16 and pre-IFRS 16 financial results for the period.

PRE-IFRS 16 BASIS

Adjusted results

The Group delivered an adjusted financial performance broadly in line with expectations despite the sudden impact of COVID-19 on March patient volumes. All divisions were affected in March 2020, typically the Group's strongest month of the financial year, by the onset of the pandemic.

The Group's FY20 revenue was up 5% at £3 083m (FY19: £2 932m) and up 4% in constant currency terms. Revenue growth was driven by a balance between organic growth and incremental acquisitions across the Group.

Adjusted EBITDA was down 3% at £480m (FY19: £493m) and down 3% in constant currency terms. The Group's adjusted EBITDA margin was 15.6% (FY19: 16.8%). Hirslanden and Mediclinic Southern Africa delivered adjusted EBITDA margin performances in line with expectations while Mediclinic Middle East delivered good operational performance albeit the challenging macroeconomic and competitive environment impacted the rate of financial delivery.

Adjusted depreciation and amortisation was up 5% to £171m (FY19: £163m) in line with the continued investment to support growth and to enhance patient experience and clinical quality.

Adjusted operating profit was down 5% at £312m (FY19: £330m).

Adjusted net finance costs were flat at £57m (FY19: £57m). Adjusted taxation was £57m (FY19: £57m) with an adjusted effective tax rate for the period of 22.2% (FY19: 20.4%), increased mainly by the release of previously recognised deferred tax assets and the non-recognition of deferred tax assets on Swiss tax losses.

Adjusted non-controlling interests were down 14% to £18m (FY19: £21m) mainly due to lower contributions from Mediclinic Southern Africa hospitals with larger outside shareholding.

Both adjusted earnings and adjusted EPS were down 8% at £182m (FY19: £198m) and 24.7 pence (FY19: 26.9 pence) respectively. The Board has taken the prudent and appropriate decision to suspend the dividend. The Board recognises the importance of its dividend to shareholders and will keep this position under review.

Cash flow conversion at 109% (FY19: 91%) with strong delivery driven by improved cash collections across the Group.

Reported results
Reported FY20 revenue was up 5% to £3 083m (FY19: £2 932m) and EBITDA was down 3% to £480m (FY19: £493m), up 4% and down 3% respectively in constant currency terms.

Depreciation and amortisation increased by 2% to £171m (FY19: £168m). Operating loss of £199m (FY19: profit £81m) mainly due to a Mediclinic Middle East goodwill impairment charge of £481m and Hirslanden fixed assets of £33m.

Net finance costs increased by 9% to £62m (FY19: £57m).

The Group’s effective tax rate for the period was (9%) (FY19: 5%), mainly due to the impairment charges at Mediclinic Middle East and Hirslanden of £514m and the reduction in Hirslanden’s deferred tax liabilities of £29m resulting from lower statutory tax rates in Switzerland.

The reported earnings show a loss of £315m (FY19: loss of £151m) after an impairment of the equity investment in Spire Healthcare Group plc (“**Spire**”) of £10m. In the prior period, the equity accounted investment in Spire was impaired by £164m.

IFRS 16 BASIS

The effect of the adoption of IFRS 16 on the income statement is as follows:

- EBITDA increased by £61m;
- depreciation charge increased by £46m;
- operating profit increased by £15m;
- finance costs increased by £21m; and
- profit for the period decreased by £5m.

Adjusted results
For the period, the Group’s adjusted EBITDA was £541m; adjusted operating profit was £327m; adjusted earnings were £177m; and adjusted EPS were 24.0 pence.

Reported results
For the period, the Group’s EBITDA was £541m; operating loss was £184m; the loss attributable to equity holders was £320m; and the loss per share was 43.4 pence.

Mediclinic’s 29.9% investment in Spire is equity accounted. For the year ended 31 December 2019, Spire reported a profit after tax of £7.2m (31 December 2018 pre-IFRS 16: £11.3m). Mediclinic’s equity accounted income amounted to £2.2m (FY19: £3.4m).

OPERATIONAL RESULTS

Relevant financials in the following operational results section of the announcement are presented on a pre-IFRS 16 basis, unless otherwise stated.

Hirslanden

- Revenue up 1% to CHF1 804m
- Adjusted EBITDA down 7% to CHF266m
- Adjusted EBITDA margin of 14.8% (FY19: 16.0%)
- Adjusted EBITDA converted to cash of 116% (FY19: 97%)
- Financial performance for the period in line with expectations; prior to the onset of COVID-19 in mid-March 2020, performance exceeded expectations
- Excellent progress in adapting the business to the regulatory changes affecting the Swiss healthcare system in recent years and growing across the continuum of care
- Continues to implement its day case clinic strategy which focuses on a conveniently located, more efficient, lower-cost service delivery model; completed the acquisition of the Opera day case clinic in Zurich; plans for an additional day case clinic to open in FY21
- Announced important collaboration agreements with Medbase, the Swiss primary healthcare specialist and part of the Migros Group, and the cantonal hospitals in Geneva and Basel-Land

Mediclinic Southern Africa

- Revenue up 7% to ZAR17 031m
- Adjusted EBITDA flat at ZAR3 388m
- Adjusted EBITDA margin of 19.9% (FY19: 21.2%)
- Adjusted EBITDA converted to cash of 104% (FY19: 96%)
- Solid financial performance for the period in line with expectations; prior to the onset of COVID-19 in March 2020, performance exceeded expectations
- EBITDA margin reflects cost of initiatives to enhance clinical standards and to expand across the continuum of care
- Acquired Denmar Hospital, a leading mental health facility in Pretoria, further expanding across the continuum of care
- Successfully opened the Mediclinic Winelands Orthopaedic Hospital and three new day case clinics at Mediclinic Stellenbosch, Mediclinic Nelspruit and Mediclinic Cape Gate, with the latter completed in April 2020; four additional day case clinics expected to open in the medium-term, taking the division's total day case clinics to 15
- Reflecting on outcomes from National Health Insurance ("**NHI**") and health market inquiry ("**HMI**"), Mediclinic fully supports the principles of universal healthcare and greater collaboration across the public and private sectors; the affordability of healthcare needs to be further addressed through a more efficient, transparent and sustainable delivery system

Mediclinic Middle East

- Revenue up 6% to AED3 445m
- Adjusted EBITDA down 1% to AED422m
- Adjusted EBITDA margin of 12.3% (FY19: 13.0%)
- Adjusted EBITDA converted to cash of 98% (FY19: 70%)
- Good operational delivery while revenue growth was challenged by macroeconomic environment; increased competition; flooding in January 2020; and March 2020 COVID-19 lockdowns and restrictions on non-urgent elective procedures
- Inpatient admissions up 5.4% and outpatient cases up 2.9%
- Dubai revenue growth of 9%, reflecting the significant contribution from the new Mediclinic Parkview Hospital and an improvement at Mediclinic Welcare Hospital; offset by impact at Mediclinic City Hospital from the new hospital opening and a modest decline in outpatient clinic volumes
- Abu Dhabi revenue growth of 1%, benefitting from the investments made to enhance the business and operational performance over recent years; strong performance at Mediclinic Airport Road Hospital offset by Mediclinic Al Noor Hospital which was impacted by development initiatives and a modest decline in outpatient clinic volumes

HIRSLANDEN

	2020	2019	Variance %
Inpatient admissions ('000s)	**107**	107	0.6%
Movement in inpatient revenue per admission	**(1.1)%**	(2.2)%	
Revenue (CHF'm)	**1 804**	1 778	1%
Adjusted EBITDA (CHF'm)	**306**	285	
Adjusted EBITDA margin	**17.0%**	16.0%	
Adjusted pre-IFRS 16 EBITDA (CHF'm)	**266**	285	(7)%
Adjusted pre-IFRS 16 EBITDA margin	**14.8%**	16.0%	
Expansion capex (CHF'm)	**51**	55	(7)%
Maintenance capex (CHF'm)	**43**	40	9%
Adjusted EBITDA converted to cash	**116%**	97%	
Average £/CHF exchange rate	**1.25**	1.30	(4)%
Revenue (£'m)	**1 438**	1 368	5%
Adjusted EBITDA (£'m)	**245**	219	
Adjusted pre-IFRS 16 EBITDA (£'m)	**213**	219	(3)%

COVID-19

Switzerland introduced national lockdown measures on 16 March 2020, which included the suspension of elective procedures for all hospitals. Hirslanden has been extensively engaged with the cantonal authorities and involved in their COVID-19 response planning. Since relaxing lockdown measures on 27 April 2020, including the resumption of elective procedures, patient volumes and occupancy have improved markedly. In light of the latest epidemiological forecasts, the Swiss Federal Council has announced further easing of COVID-19 restrictions from 6 June 2020.

Hirslanden and other private operators have collaborated strongly throughout the crisis to provide the necessary care for patients in Switzerland. Cantons have generally designated COVID-19 hospitals in their regions to specialise in the treatment of positive cases requiring hospitalisation. Where requested, Hirslanden has fulfilled this role while further supporting cantonal hospitals by treating non-COVID-19 patients referred to its hospitals in addition to acute cases from its own supporting doctors.

The existing Hirslanden Healthline offering has gradually evolved during the pandemic to a telemedicine service. The service currently provides patients with health-related information and combines appointment scheduling and consulting relating to Hirslanden's full range of medical services, with further developments underway.

The Swiss Federal Government implemented a short-time working initiative early in the crisis where, due to the suspension of elective procedures, certain hospital employees are underutilised. In these cases, the government compensated employers with 80% of the employees' salaries. This initiative allows Hirslanden to proactively manage its workforce during this uncertain period.

Financial review

At the end of the reporting period, Hirslanden operated 17 hospitals, two day case clinics and three outpatient clinics with 1 893 beds and 10 417 employees (7 624 full-time equivalents). It is the largest private acute care hospital group in Switzerland servicing approximately one third of inpatients treated in Swiss private hospitals. Hirslanden accounted for 47% of the Group's revenues (FY19: 47%) and 44% of its adjusted EBITDA (FY19: 44%).

Hirslanden continued to make excellent progress in adapting the business to the regulatory changes affecting the Swiss healthcare system and delivered a solid financial performance under the circumstances. Until the impact of the COVID-19 pandemic in mid-March 2020, performance during FY20 was ahead of expectations that incorporated the impact of identified clinical treatments transferring from an inpatient to a lower outpatient tariff (“**outmigration**”). This process has gradually occurred across Swiss cantons over the past two years, with official national implementation effective from 1 January 2019 and no further changes currently scheduled. In response, Hirslanden is executing a day case clinic strategy which focuses on a conveniently located, more efficient and lower-cost service delivery model; established a collaboration with Medbase (part of Migros Group); delivered ongoing cost management and efficiency savings; and adjusted the Hirslanden 2020 and other strategic projects. Encouragingly, Hirslanden’s efforts to adapt the division were delivering modest admissions growth in the fourth quarter from January until the onset of the COVID-19 pandemic.

Including the contribution from the Clinique des Grangettes acquisition (consolidated from 1 October 2018), FY20 revenue increased in line with expectations by 1% to CHF1 804m (FY19: CHF1 778m). Inpatient revenue was down 0.5% and admissions up 0.6%. Outpatient and day case revenue, which contributed some 21% (FY19: 19%) to total revenue in the period, was up 8%. The general insurance mix marginally increased to 49.2% (FY19: 48.7%). Inpatient revenue per case was down 1.1% as a result of the lower insurance mix. Average occupancy was at 68.0% (FY19: 70.4%) due to a decline in the average length of stay from 4.5 to 4.4 days.

The revenue contribution in FY20 from Clinique des Grangettes was CHF112m (FY19: CHF58m). The hospital contributed growth of around 2.5% and 6% inpatient admissions and outpatient revenue respectively, and supported the supplementary component of the insurance mix during the period.

Despite the impact of COVID-19 in March 2020, adjusted EBITDA was broadly in line with expectations down 7% to CHF266m (FY19: CHF285m) with an adjusted EBITDA margin of 14.8% (FY19: 16.0%). The decline reflects the expected impact of outmigration through to the end of December 2019.

Adjusted depreciation and amortisation decreased marginally by 2% to CHF122m (FY19: CHF124m). Adjusted operating profit decreased by 11% to CHF144m (FY19: CHF161m).

Adjusted net finance costs were flat at CHF50m (FY19: CHF51m).

In May 2019, the Swiss public voted to adopt the Federal Act on Tax Reform and AHV Financing, confirming the reform of corporate taxation in Switzerland. Due to this reform, several cantons decreased their tax rates. Excluding permanent differences, the effective tax rate in FY20 reduced to 17.9% (FY19: 18.5%).

Hirslanden contributed £67m to the Group’s adjusted earnings (representing 37%) compared with £80m (representing 40%) in the prior period.

Hirslanden converted 116% (FY19: 97%) of adjusted IFRS 16 EBITDA into cash generated from operations, reflecting strong collections in March 2020. This led to a further reduction in secured debt facilities in the second half of the period by CHF31m, taking the total reduction for FY20 to CHF117m, of which CHF67m was optional.

In October 2019, Hirslanden completed the sale of the small, 28-bed Klinik Belair hospital for a total consideration of CHF14m. This aligns with the division’s strategy of operating across the continuum of care in delivery regions to ensure synergies and quality care can be achieved across Hirslanden’s network of facilities. Hirslanden recognised a reversal of the impairment charge in relation to the Klinik Belair property of CHF5m which is excluded from adjusted earnings. The revenue contribution in FY20 from Klinik Belair was CHF7m (FY19: CHF16m) and the disposal impacted FY20 reported inpatient admissions by around 0.5%.

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 property and equipment of CHF39m before tax. The impairment charges are non-cash and excluded from the adjusted earnings metrics. The impairment calculations remain sensitive to reasonably possible changes in key assumptions, including cash flow projections and long-term growth and discount rates.

Adapting and growing across the continuum of care

The execution of Hirslanden’s day case clinic strategy is progressing well. This strategy, which focuses on a conveniently located, more efficient, lower-cost service delivery model, is fully operational at two Hirslanden locations – Bellaria in Zurich and St. Anna im Bahnhof at the train station in Lucerne. In addition, Hirslanden has acquired Opera, one of Zurich's leading day case clinics. The day case clinic will build on the relationship and strong reputation already established with the Klinik Hirslanden hospital, with the transaction effective from 1 April 2020.

The division is confident in its strategy to establish further day case clinics over the coming years in order to attain a leading market position in this growing area of healthcare delivery. During the year, Hirslanden appointed an experienced day case clinic manager to advance this strategy. Hirslanden expects to add an additional day case clinic in FY21 in St. Gallen. Where a standalone day case clinic is not currently planned, the hospitals have initiated in-house day case solutions which seek to achieve more efficient, lower-cost delivery models compared with the normal inpatient process.

In line with the Group's vision of being the partner of choice that people trust for all their healthcare needs and the strategic goal of becoming an integrated healthcare provider across the continuum of care, Hirslanden recently finalised a pioneering collaboration agreement with Medbase, the leading Swiss specialist in family healthcare and part of the Migros Group (Switzerland's largest retail company). The collaboration combines Hirslanden's acute care, day case and specialist diagnostics expertise with Medbase's qualified family healthcare, aftercare and prevention across Switzerland. Hirslanden is leveraging synergies with an equally high-quality partner to consistently develop a range of services across the continuum of care, in order to increase the respective market shares and efficiency of both companies. With the planned sale of the three Hirslanden outpatient clinics in Schaffhausen, Bern and Düdingen (excluding radiology) to Medbase expected on 2 June 2020 and the combined growth initiative in the form of a joint venture in specialised outpatient radiology, Hirslanden is expanding its strengths in specialised diagnostics and medicine. The agreement also includes close collaboration in digital services.

During the year, Hirslanden announced two important collaborations with Swiss public healthcare providers. The University Hospitals of Geneva ("**HUG**") and Hirslanden have agreed to create the largest public-private partnership day case clinic for outpatient surgery in Switzerland by the end of 2024. The partnership reflects the desire to respond in a coordinated and efficient manner to the increasing demand in the area of outpatient surgery. Hirslanden was specifically chosen by HUG due to its knowledge and expertise in delivering cost-efficient, high-quality care in the day case clinic environment. In the canton of Basel-Land, Hirslanden and the *Kantonspital Baselland* have agreed to form a joint venture to establish a centre of excellence ("**CoE**") and research and teaching facility for musculoskeletal patient care. This will provide excellent medical care for inpatients and outpatients across the northwestern region of Switzerland.

To support Hirslanden's drive for improved medium-term operational efficiencies and cost management, the division advanced several projects. As part of the Hirslanden 2020 strategic project, the division is benefitting from the initial HIT2020 phased Information Communication Technology ("**ICT**") roll-out to standardise and centralise back office administrative processes. Hirslanden has introduced mass invoicing, automated recording and processing of doctors' invoices and enhanced capacity planning to increase hospital utilisation and employee efficiencies. The roll-out was completed at Klinik Stephanshorn in October 2019, taking the total number of Hirslanden hospitals on the HIT2020 platform to three in addition to the Corporate Office.

Disciplined investment to sustain a leading market position

In FY20, Hirslanden invested CHF51m (down 7% on FY19) in expansion capital projects and new equipment and CHF43m (up 9% on FY19) in maintenance and the replacement of existing equipment and upgrade projects. The HIT2020 project is now reaching its peak levels of operating and capital investment spend. In the context of managing the operational, clinical and financial uncertainties of COVID-19, the roll-out of HIT2020 is proceeding on a resource-dependent basis.

The Group maintains a disciplined approach to capital allocation while ensuring clinical standards and the quality of patient care remain appropriate. At Hirslanden, this approach, in response to the significant regulatory changes over recent years, has resulted in annual maintenance and expansion capex reducing from CHF163m in FY17 to CHF94m in FY20. Hirslanden has maintained its excellent clinical standards with all hospitals at or above the clinical Initiative on Quality Medicine benchmark for all Swiss and German hospitals. Given the continued focus on capital allocation during this period of uncertainty resulting from the COVID-19 pandemic, the division expects to moderate its FY21 capital budget. Of the CHF110m originally budgeted in FY21, the current monthly expenditure run rate is approximately 10% of the budget and will increase as the impact of COVID-19 on the business dissipates. The Group will continue to monitor operating cash flow generation and consequent liquidity to revisit this important investment decision.

MEDICLINIC SOUTHERN AFRICA

	2020	2019	Variance %
Movement in bed days sold	**2.5%**	0.6%	
Movement in revenue per bed day sold	**4.0%**	4.3%	
Revenue (ZAR'm)	**17 031**	15 960	7%
Adjusted EBITDA (ZAR'm)	**3 536**	3 385	
Adjusted EBITDA margin	**20.8%**	21.2%	
Adjusted pre-IFRS 16 EBITDA (ZAR'm)	**3 388**	3 385	0%
Adjusted pre-IFRS 16 EBITDA margin	**19.9%**	21.2%	
Expansion capex (ZAR'm)	**582**	506	15%
Maintenance capex (ZAR'm)	**730**	672	9%
Adjusted EBITDA converted to cash	**104%**	96%	
Average £/ZAR exchange rate	**18.76**	18.01	4%
Revenue (£'m)	**907**	886	2%
Adjusted EBITDA (£'m)	**188**	187	
Adjusted pre-IFRS 16 EBITDA (£'m)	**180**	187	(4)%

COVID-19

South Africa implemented national lockdown measures on 27 March 2020 to help contain the spread of COVID-19. In line with this decision, Mediclinic Southern Africa suspended elective procedures and closed standalone day case clinics in order to focus all available resources on the pandemic. These restrictions were relaxed on 1 May 2020 resulting in a gradual improvement in patient volumes and occupancy.

Discussions with national government and provincial Departments of Health regarding the private sector's assistance in combatting the pandemic are ongoing. Engagement with the national government has been conducted through centralised structures, under the auspices of Business for South Africa. Mediclinic Southern Africa will continue to engage at national and provincial level regarding any regulations or contracting proposals. Command centres are being established by the public and private healthcare sectors in each province to support ongoing collaboration and care coordination.

Intercare Group ("**Intercare**"), Mediclinic's primary care partner, rolled out telemedicine consultations in early April 2020. To date, more than 100 of Intercare's doctors have embraced the technology with more than 3 000 telemedicine consultations successfully conducted. In late May 2020, Mediclinic Southern Africa launched a telemedicine solution to further complement its range of care delivery services further supporting the response to the pandemic.

Financial review

In Southern Africa (including South Africa and Namibia), at the end of the reporting period, Mediclinic operated 52 hospitals, eight sub-acute and specialised hospitals and 10 day case clinics (four of which operated by Intercare) with 8 792 licensed beds and 15 958 employees (19 874 full-time equivalents including agency staff). Mediclinic Southern Africa is the third largest private healthcare provider in Southern Africa by number of licensed beds. Mediclinic Southern Africa accounted for 29% of the Group's revenue (FY19: 30%) and 38% of its adjusted EBITDA (FY19: 38%).

Despite the impact of COVID-19 in late March 2020, Mediclinic Southern Africa's revenue increased in line with expectations by 7% to ZAR17 031m (FY19: ZAR15 960m). Bed days sold increased by 2.5% and average revenue per bed day increased by 4.0%. The average length of stay was up 0.5% while the occupancy rate was

67.9% (FY19: 69.2%), reflecting the ramp-up stage of the Intercare capacity and the COVID-19 impact in late March 2020.

The revenue contribution in FY20 from investments made in growth, including Intercare (consisting of four day case clinics, four sub-acute hospitals and one specialised hospital, effective since 1 December 2018) and the Denmar Hospital, a leading mental health facility acquired on 1 December 2019, was around ZAR237m (FY19: ZAR60m). Due to the intrinsically higher volumes at Intercare, these investments accounted for the majority of growth in the division's inpatient bed days sold during the period of 2.5%.

Adjusted EBITDA was flat at ZAR3 388m (FY19: ZAR3 385m) with the adjusted EBITDA margin in line with expectations at 19.9% (FY19: 21.2%). The margin reflects costs incurred to further enhance clinical standards and to expand across the continuum of care with the Intercare acquisition and the new Mediclinic Stellenbosch hospital and day case clinic both incorporating leasehold properties and consequent rental charges.

Depreciation and amortisation increased by 10% to ZAR613m (FY19: ZAR556m) mainly due to increased spend on hospital infrastructure upgrades and medical equipment. Operating profit decreased by 2% to ZAR2 775m (FY19: ZAR2 829m).

Net finance costs decreased by 7% to ZAR478m (FY19: ZAR513m) due to increased capitalisation of the cost of qualifying assets as well as interest received on cash balances.

Mediclinic Southern Africa contributed £73m to the Group's adjusted earnings (representing 40%), compared with £72m (representing 36%) in the prior period.

The division converted 104% (FY19: 96%) of adjusted IFRS 16 EBITDA into cash generated from operations, mainly due to improved collections.

Investing to support continued long-term growth

In FY20, Mediclinic Southern Africa invested ZAR582m (up 15% on FY19) in expansion capital projects and new equipment and ZAR730m (up 9% on FY19) in maintenance and the replacement of existing equipment and upgrade projects. These investments comprised existing hospital expansions completed at Mediclinic Vergelegen, Mediclinic George and the Wits Donald Gordon Medical Centre, in addition to the re-location of Mediclinic Stellenbosch and opening of a co-located new day case clinic. In conjunction with the opening of Mediclinic Stellenbosch, Mediclinic Winelands Orthopaedic Hospital opened in August 2019. The hospital is situated at the previous Mediclinic Stellenbosch site and will focus on delivering specialist medical care in the disciplines of orthopaedic surgery and rheumatology. The hospital has entered into a partnership with the Institute of Orthopaedics and Rheumatology to deliver exceptional outcomes to the Winelands and greater Cape Town community. Two additional day case clinics, Mediclinic Nelspruit and Mediclinic Cape Gate, were also developed with the latter completed in April 2020.

Aligned with the Group's strategy to expand across the continuum of care, Mediclinic Southern Africa completed the acquisition of the Denmar Hospital on 1 December 2019. This leading mental health facility in Pretoria provides the division with its first specialised hospital dedicated to supporting patients suffering from an increasing number of mental health-related illnesses.

In response to the Group's approach to COVID-19, Mediclinic Southern Africa expects to moderate its FY21 capital budget to preserve liquidity. Of the ZAR1 570m originally budgeted in FY21, the current monthly expenditure run rate is approximately 25% of budget. The Group will continue to monitor operating cash flow generation and consequent liquidity to revisit this important investment decision.

The division's day case clinic roll-out is premised on co-locating the facilities with the main hospitals to adapt to outmigration of care. While admissions had previously been impacted by declining day cases due to competition and outmigration, a reversal of this trend in FY20, excluding Intercare, gives the division further confidence in its strategy to invest across the continuum of care. Mediclinic plans to, over the medium-term, open a further four day case clinics at Mediclinic Winelands, Mediclinic Bloemfontein, Mediclinic Pietermaritzburg and Mediclinic Panorama respectively, which will add an additional 9 operating theatres to its operations.

The proposed acquisition of a controlling shareholding in Matlosana Medical Health Services (Pty) Ltd, based in Klerksdorp in the North West Province of South Africa, was prohibited by the Competition Tribunal in January 2019. Mediclinic appealed against this decision and the case was heard by the Competition Appeal Court in October 2019. In February 2020, the Competition Appeal Court approved the proposed acquisition. However, the Competition Commission has filed with the Constitutional Court an application for leave to appeal the recent judgment by the Competition Appeal Court. Mediclinic has filed an answering affidavit opposing the application for leave to appeal and will participate accordingly should the matter be set down for a hearing.

Regulatory update

The South African Competition Commission completed its market inquiry into the private healthcare sector in South Africa in September 2019. The findings have not been unduly onerous and implementation thereof would largely require legislative intervention. Should this happen Mediclinic will participate in all public engagement opportunities in developing the legal and governing framework.

The South African Government continues to explore the introduction of an NHI system. The NHI Bill is now before the Parliamentary Portfolio Committee on Health, which is tasked with further deliberating the Bill and assessing written and verbal comment thereon. In this regard, Mediclinic has sought, and continues to seek, counsel from legal, economic and actuarial experts to understand the potential impact of the NHI Bill and the extent to which the proposals are legally sound. The division has prepared its presentation to the Parliamentary Portfolio Committee on Health and will be ready to address its members once called to do so. Mediclinic will continue to contribute constructively towards achieving universal healthcare. Mediclinic believes that an enhanced healthcare system can be achieved through greater collaboration across the public and private sectors to find common solutions that leverage existing expertise and capacity.

MEDICLINIC MIDDLE EAST

	2020	2019	Variance %
Movement in inpatient admissions	**5.4%**	5.0%	
Outpatient cases ('000s)	**3 008**	2 923	2.9%
Revenue (AED'm)	**3 445**	3 262	6%
Adjusted EBITDA (AED'm)	**521**	425	
Adjusted EBITDA margin	**15.1%**	13.0%	
Adjusted pre-IFRS 16 EBITDA (AED'm)	**422**	425	(1)%
Adjusted pre-IFRS 16 EBITDA margin	**12.3%**	13.0%	
Expansion capex (AED'm)	**174**	376	(54)%
Maintenance capex (AED'm)	**46**	76	(40)%
Adjusted EBITDA converted to cash	**98%**	70%	
Average £/AED exchange rate	**4.67**	4.82	(3)%
Revenue (£'m)	**737**	677	9%
Adjusted EBITDA (£'m)	**110**	88	
Adjusted pre-IFRS 16 EBITDA (£'m)	**89**	88	1%

COVID-19

Dubai and Abu Dhabi gradually implemented national lockdowns and curfews from March 2020. In Dubai, elective procedures were suspended until 8 May 2020, when certain day procedures were permitted. On 27 May, the majority of procedures were re-introduced. In Abu Dhabi such restrictions were not implemented, although inpatient admissions and outpatient cases were significantly impacted. Since restrictions started to lift in May 2020, volumes have gradually increased.

Governments in Dubai and Abu Dhabi are supporting private healthcare providers through numerous initiatives and licence changes as they assist with combatting the pandemic. Mediclinic is now providing telemedicine and pharmacy home delivery services so that patients can be diagnosed and supplied with prescribed medication without the need for face-to-face consultation at a facility. More than 7 000 telemedicine consultations and 5 000 pharmacy home deliveries have been carried out by the division since the outbreak of the pandemic.

In Dubai and Abu Dhabi, Mediclinic is supporting government by treating COVID-19 patients in certain hospitals and through operating several alternative interim facilities that care for and monitor asymptomatic and low-acuity patients. In addition, the division is involved in various projects supporting communities including large-scale screening and established a new laboratory for COVID-19 and antibody testing with over 100 000 tests conducted. Mandatory health insurance across the region reimburses the division for COVID-19-related treatments and care.

Financial review

Mediclinic Middle East, as at the end of the period, operated seven hospitals, two day case clinics and 18 outpatient clinics with 927 licensed beds and 6 764 employees (6 764 full-time equivalents). Mediclinic Middle East is one of the leading private healthcare providers in the United Arab Emirates ("**UAE**") with the majority of its operations in Dubai and Abu Dhabi (including Al Ain). Mediclinic Middle East accounted for 24% of the Group's revenue (FY19: 23%) and 19% of its adjusted EBITDA (FY19: 18%).

The UAE continues to present opportunities for the provision of high-quality private healthcare services, driven by an ageing local population facing an increased prevalence of lifestyle-related medical conditions and an expatriate market. The regulatory environment is maturing with an increasing focus on quality and clinical outcome measures and the introduction of diagnostic related groupings ("**DRG**") in Dubai and Health Information Exchanges ("**HIE**") and CoEs in both Dubai and Abu Dhabi.

Mediclinic Middle East expects to sustainably deliver an increase in revenue and gradual improvement in EBITDA margins over time. This will be achieved by continued business and operational improvements in Abu Dhabi and the ramp-up benefits from investments into new facilities, expansions, upgrades, new clinical service offerings and regional growth opportunities across the continuum of care. The Group has confidence in its Mediclinic Middle East growth strategy. However, the current UAE macroeconomic and competitive landscape, exacerbated by the lower oil price, COVID-19 pandemic and below-inflation regulated tariff increases since 2018 are impacting the pace of progression.

In FY20, Mediclinic Middle East revenue growth was challenged by the macroeconomic and competitive environment, increasing 6% to AED3 445m (FY19: AED3 262m) while inpatient admissions were up 5.4% and outpatient cases were up 2.9%. Specifically in the fourth quarter of the period, volumes were further impacted by significant flooding in the region during January 2020 and the COVID-19 lockdowns and restriction on outpatient and non-urgent elective procedures being imposed in March 2020.

In Dubai, revenue growth for the period was 9%, reflecting the significant contribution from the new Mediclinic Parkview Hospital and an improved stable performance at Mediclinic Welcare Hospital offset by the impact at Mediclinic City Hospital from the new hospital opening and a modest decline in outpatient clinic volumes.

In Abu Dhabi, revenue growth for the period was 1%, benefitting from the investments made to enhance the business and operational performance over recent years. Strong performance at Mediclinic Airport Road Hospital was offset by Mediclinic Al Noor Hospital which was impacted by specific initiatives and a modest decline in outpatient clinic volumes.

FY20 adjusted EBITDA decreased by 1% to AED422m (FY19: AED425m) with the adjusted EBITDA margin decreasing to 12.3% (FY19: 13.0%).

Adjusted depreciation and amortisation increased by 9% to AED187m (FY19: AED171m), as expected, mainly due to the commissioning of Mediclinic Parkview Hospital. Operating profit decreased by 7% to AED236m (FY19: AED254m).

Net finance costs increased by 32% to AED40m (FY19: AED31m), as expected, mainly due to the discontinued capitalisation of borrowing costs following the opening of Mediclinic Parkview Hospital.

The division contributed £41m to the Group's adjusted earnings (representing 23%) compared with £46m (representing 23%) in the prior period.

The division converted 98% (FY19: 70%) of adjusted IFRS 16 EBITDA into cash generated from operations, mainly due to improved collections.

With the reverse acquisition of the Al Noor Group, that became effective on 15 February 2016, Mediclinic International plc recognised goodwill of AED6 325m. In line with the requirements of IFRS, goodwill is tested annually for impairment or whenever an impairment indicator has been identified. In the UAE, the weak macroeconomic and sustained competitive environment, exacerbated by the significant reduction in oil prices and COVID-19 pandemic, affected key inputs to the review and gave rise to impairment charges amounting to AED2 190m. The impairment charges are non-cash and excluded from the adjusted earnings metrics. The impairment calculations remain sensitive to reasonably possible changes in key assumptions, including cash flow projections and long-term growth and discount rates. Mediclinic Middle East is a leading private healthcare provider in the United Arab Emirates, is profitable and generates good free cash flows.

Investing for sustainable long-term growth

Mediclinic Middle East continues to work relentlessly on building a strong brand and reputation in the region. The investments made to deliver ethical and sustainable healthcare services and build long-term trust with all stakeholders are expected to differentiate Mediclinic from the competition, cementing its leading market position and employer-of-choice status. In November 2019, the Joint Commission International ("**JCI**") re-accredited and accredited all Mediclinic Middle East hospitals and clinics. This is the first division-wide JCI process that Mediclinic Middle East has completed and underlines its focus to provide high-quality healthcare services in the UAE.

Leveraging its strong international reputation and clinical expertise, in line with the Group's strategic goal to expand into new markets, Mediclinic Middle East agreed a strategic partnership with Saudi Arabian investment company Al Murjan Group ("**Al Murjan**"). The partnership will establish an internationally accredited 200-bed private hospital in Jeddah, Saudi Arabia, expected to open around mid-2022. Mediclinic Middle East will support Al Murjan with expertise and advisory services in the planning, design, construction and commissioning phases of the hospital project, which began in the first quarter of 2020, in addition to operating the facility. Mediclinic will leverage the operational capabilities of the UAE Corporate Office in Dubai to manage the Al Murjan Hospital and will use this opportunity to identify and consider further expansion across Saudi Arabia.

In Dubai, Mediclinic Parkview Hospital is rapidly growing its market share and performed very strongly throughout the period. The hospital, the Group's largest ever greenfield construction project by value, was completed in two and a half years, ahead of schedule, and within the AED680m original budget. Since opening in September 2018, the ramp-up of the hospital's patient volumes has exceeded expectations. The current success of the hospital is attributed to Mediclinic's strong brand and reputation in Dubai; the detailed planning and preparation for its opening, including the recruitment of doctors and medical employees; and, the hospital's strategic location serving the population expansion that has occurred to the south of Dubai. The hospital furthermore established services and specialities in high demand from the surrounding population, such as a comprehensive maternity unit, Level III neonatal intensive care, 24/7 paediatrics, and accident and emergency care.

Performance at Mediclinic City Hospital, the division's flagship in Dubai and renowned across the region for its complex tertiary care, the Comprehensive Cancer Centre and highly specialised medicine, continued to be impacted by the opening of the new Mediclinic Parkview Hospital. This is largely as a result of additional independent doctors that set up practices at the new hospital. Mediclinic City Hospital initiated several plans to address the impact, including the on-boarding of new doctors, earlier in the period. The benefits of these initiatives were supporting strong performance and encouraging momentum towards the end of the period, until COVID-19 impacted operations.

In Abu Dhabi, Mediclinic Airport Road Hospital performed well with inpatient and outpatient volumes up 11% and 8% respectively during the period. In addition, the hospital benefitted from the introduction of medical oncology; improved dialysis services; a growing reputation among clinical professionals; and the recruitment of some leading Emirati doctors. Construction of the new Comprehensive Cancer Centre and expansion plans are expected to be completed mid-2020 and opened by September 2020. Once doctors have transferred to the new wing, work will commence in the existing hospital building for 12 months to refurbish wards, upgrade theatres and reconfigure the outpatient department.

In November 2019, major renovation of the ground and mezzanine floor at the Mediclinic Al Noor Hospital in Abu Dhabi was completed. This has significantly enhanced one of Mediclinic's busiest hospitals with a new main entrance, lobby, reception, accident and emergency unit, pharmacy, outpatient clinic, treatment rooms, paediatrics department and internal medicine department. While the building work impacted on the performance during the period, challenges implementing the new Electronic Health Record ("**EHR**") at the hospital further delayed the ramp-up of patient volumes. This recovered towards the end of the period, until the impact of COVID-19.

Mediclinic Middle East is preparing to launch a comprehensive genetics service in the UAE later in 2020. The ability to provide next generation sequencing as part of a clinical service offering is a corner stone for precision medicine. This is an emerging approach to disease treatment and prevention that takes into account variability in genes, environment, and lifestyle for each individual client.

In FY20, Mediclinic Middle East invested AED174m (down 54% on FY19, which included capex associated with the new Mediclinic Parkview Hospital) in expansion and AED46m (down 40% on FY19) in maintenance capex. Expansion capex in the period largely related to the projects at Mediclinic Airport Road Hospital and Mediclinic Al Noor Hospital and the EHR. The EHR is expected to deliver seamless care and improved service quality for patients, as well as improved administration efficiency for the division. Since going live in FY19 at Mediclinic Parkview Hospital and Mediclinic Ibn Battuta, it is being systematically rolled out across the division during FY20 and FY21. The division also opened its first dedicated paediatric outpatient clinic, Mediclinic Springs, strategically located in Dubai's Springs community, providing in-demand, dedicated paediatric services to families in the surrounding communities. It serves as an extension to the well-established Mediclinic Meadows clinic. In addition, the division acquired properties relating to existing clinics for a total of around AED50m.

In response to the Group's approach to COVID-19, Mediclinic Middle East expects to moderate its FY21 capital budget to preserve liquidity. Of the AED331m originally budgeted in FY21, which incorporates the element of forecast FY20 capex for Mediclinic Airport Road Hospital that is now allocated to FY21, the current monthly expenditure run rate is approximately 40% of the budget with scope for further reduction. The Group will continue to monitor operating cash flow generation and consequent liquidity to revisit this important investment decision.

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 DRGs for inpatient procedures in Dubai. The implementation has been delayed due to the COVID-19 pandemic and is currently expected in June 2020. Mediclinic continues to test the systems through a shadow billing process which has been operating since July 2018. The Dubai Health Authority ("DHA") is following a collaborative approach in the design and implementation of the DRGs and, in addition to sharing and discussing the test version of the DRG methodology with the market, it shared hospital-level results and impact studies. Currently, it is expected that the DRGs will have a neutral impact on the division's inpatient revenue, as prescribed by the DHA. Additional qualified medical practitioners have been appointed as case managers to ensure an effective change-over. Training has been carried out in the division's Abu Dhabi facilities where DRGs have been in operation since 2011.

The Abu Dhabi Department of Health ("DoH"), through industry engagement, had intended to introduce the concepts of CoE and Certificate of Need to further improve the quality of care in the emirate. However, due to COVID-19 these are now delayed. Mediclinic Middle East was able to demonstrate its readiness for the initiative through its successful programmes already established in Dubai which include the Comprehensive Cancer Centre and Comprehensive Stroke and Neuroscience Centre at Mediclinic City Hospital. Mediclinic Middle East will establish CoEs at its two largest hospitals in Abu Dhabi. At Mediclinic Airport Road, a Comprehensive Cancer Centre and paediatric CoE will be established; at Mediclinic Al Noor Hospital a paediatric CoE will also be established. The DoH is also preparing for the implementation of the next phase of the Jawda initiative, being the introduction of a hospital star-rating system based on an extensive list of quality and experience measures with the first reports anticipated to be published at the end of the 2020 calendar year.

HIEs are being established in Dubai and Abu Dhabi. Testing of the integration between Mediclinic's EHR system and the Abu Dhabi HIE was successfully conducted during 2019 and the systems are successfully interfacing. In near-real time Mediclinic is able to send data to the DoH on patient demographics, allergies, radiology, lab reports, medication orders and dispensing. Dubai's HIE platform has been announced and Mediclinic is working with the DHA to plan the project timelines.

SPIRE HEALTHCARE GROUP

Mediclinic has a 29.9% investment in Spire.

Spire's reported performance for its full-year financial period ended 31 December 2019 was in line with expectations and guidance.

The outbreak of COVID-19 in the United Kingdom ("UK") also presents uncertainty for Spire. During the COVID-19 crisis, Spire has shown its unwavering support to the National Health Service ("NHS"), agreeing heads of terms to make nearly all 39 of its UK hospitals available to the NHS and its patients.

Under the NHS arrangements Spire is entitled to cash cost recovery for its services. The NHS England contract will continue until at least 28 June 2020, with a one-month notice period to end the contract. In addition, its lenders have agreed to waive the next two covenant tests (on 30 June and 31 December 2020), which provides further flexibility to Spire through, and in the period after, its partnership with the NHS.

Spire's board believes that the NHS arrangements and the agreements with its lenders provide confidence that it has sufficient liquidity and financial stability, allowing the company to focus on preparing for the return to regular operations when the arrangements with the NHS end.

The period of elective procedure suspension caused by the COVID-19 pandemic has created the potential for an increase in future demand and further lengthening of waiting lists. However, given the continued significant uncertainty caused by the pandemic, the Spire board remains unable to provide market guidance for their next financial year at this time.

The investment in Spire is equity accounted, recognising the reported IFRS 16 profit of £7.2m for Spire's financial year ended 31 December 2019 (12 months ended 31 December 2018 pre-IFRS 16: £11.3m). Mediclinic's FY20 equity accounted share of profit from Spire amounted to £2.2m (FY19 on pre-IFRS 16 basis: £3.4m).

At 31 March 2020, the market value of the investment in Spire was £94m, which was below the carrying value. An impairment test was performed by updating the key assumptions applied in the value-in-use calculation performed.

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 investor analyst valuations and target prices published. Key assumptions related to cash flow growth rates in the short- and medium-term were adjusted in the value-in-use calculation. As a result, an impairment loss of £10m was recorded against the carrying value in the period.

COVID-19

Our approach

Mediclinic has a vital role to play in combatting the COVID-19 pandemic.

The Group is working closely with governments and local regulators to combat the COVID-19 pandemic, supporting the different initiatives being implemented across geographies. Clearly defined infection prevention and control ("**IPC**") communicable disease emergency preparedness programmes that govern admission, containment, triage and treatment of suspected or confirmed COVID-19 cases, are already well-established across the Group.

With the assistance of strong IPC teams, dedicated multi-disciplinary taskforces are constantly re-evaluating Mediclinic's response to this dynamic and rapidly evolving situation. The Group taskforce, centrally co-ordinated by the Group Chief Clinical Officer with its global view of trends and policy, helps ensure medical protocols and best practices are shared across the Group and supports the divisions' establishment of contingency plans with particular consideration for any impact on supply chain, information and communications technology ("**ICT**"), finance, risk and human resource capacity.

The Group benefits from having centrally coordinated procurement teams on three continents, all taking co-ordinated and pro-active measures to secure the supply of critical personal protective equipment ("**PPE**"), drugs, consumables and intensive care unit ("**ICU**") equipment. The Group's global sourcing capability strengthens its ability to respond to the current situation and evolving needs.

Across the Group, and in line with the global trend, most non-essential elective procedures and outpatient activities were temporarily suspended from March 2020. This was intended to safeguard, as far as possible, sufficient hospital capacity, frontline clinical staff and PPE as the pandemic peaks and related admissions increase. COVID-19 related cases are reimbursed through the established health insurance schemes in all divisions.

The Group, with support from doctors and health authorities, has developed detailed operational plans to allow for the safe and efficient re-introduction of non-urgent elective procedures. Although there will be a period of adjustment as more healthcare services return, the Group is constantly evaluating and adjusting its approach according to scenario planning and crisis management practices. The Group anticipates new challenges and opportunities following this period of operating alongside the treatment of COVID-19.

Since late April 2020, elective procedures have gradually been re-introduced to address the demand for underlying healthcare needs of communities. The re-introduction started in Switzerland, followed shortly by Southern Africa and Dubai, while elective procedures in Abu Dhabi was not suspended.

In addition to COVID-19 admissions, the Group continues to deliver its wide range of acute care services for urgent healthcare requirements including emergency and trauma care, urgent medical care, cardiac and vascular surgery, obstetrics and gynaecology, paediatric and neonatology procedures and neurology, oncology and urology treatments and this persisted throughout April 2020. These necessary ongoing procedures underpin Group revenues as elective and outpatient procedures gradually re-commence.

The Group has invested in a number of key initiatives to help its employees, supporting doctors and patients deal more effectively with the crisis, including: acquiring additional ventilators and related consumable products; expanding ICU capacity where possible; establishing testing units; sourcing additional PPE; establishing additional laboratory facilities to support testing; launching telemedicine and pharmacy home delivery services; creating drive-through pharmacies; identifying separation areas in hospitals and ensuring these are sufficiently prepared for IPC and treatment; establishing alternative interim facilities to admit asymptomatic and low-acuity cases; establishing 24/7 patient call centres and crisis control centres; updating websites and developing online risk assessment tools; software development to support various tracking and testing initiatives; and developing communication tools and guidelines for staff and patients.

Our people

The safety and wellbeing of all the Group's employees, supporting doctors and patients remain a key priority. Appropriate measures and programmes have been put in place to provide staff with COVID-19 training and all necessary precautions are being taken to limit the spread of COVID-19 in Mediclinic facilities.

Protocols on the safety of healthcare workers and the use of PPE are adhered to, including screening and self-isolation of employees based on official case definitions. Vulnerable healthcare workers with, for instance, underlying health conditions, have been identified and redeployed to lower-risk units.

The Group's initial focus was to create capacity in its frontline resources to help tackle the crisis. The suspension of non-urgent elective procedures, which is gradually being relaxed, created some capacity and these team members, where possible, were redeployed to support emergency areas within the hospitals. Employees in teaching positions and clinically qualified employees working in non-clinical positions are available to be redeployed, if needed.

Strong financial position and liquidity

In fulfilling its vital role in combatting the COVID-19 pandemic, Mediclinic must emphasise the safety of its people and patients; seek to ensure the continuity of operations in a responsible manner; and deliver the Group strategy while adapting to the changing healthcare environment.

The severity, duration and full impact of the COVID-19 pandemic and its economic aftermath on all businesses, including Mediclinic, remains uncertain. The Group's focus is not to predict the exact outturn, but to prepare for potential outcomes that seem reasonably possible.

The Group has put in place appropriate structures and processes to monitor and mitigate against existing and emerging risks to the business. While recognising the ongoing acute care and emergency services offered across the Group which underpin revenues, there remains a risk to elective procedures and outpatient activity from a continuation or reintroduction of lockdown and other measures in response to the pandemic; the availability of staff; and a disruption in the supply chain. These will be partially offset by the Group's response to the crisis, and the potential increase in demand from postponed elective procedures and outpatient activity as restrictions are relaxed. Despite the measures taken, there remains a significant risk to the Group's financial performance for at least the next 12 months.

To financially plan for the impact of the pandemic, the Group analysed monthly scenarios informed by epidemiological forecasts; the anticipated medium-term economic impact of lockdown and other measures in response to the pandemic; and its combined estimated impact on revenue, profitability and cash flows. For ease of reference, the Group has defined the following phases and a description of the operating environments:

PHASE	DESCRIPTION OF OPERATING ENVIRONMENT
PREPARE (pre-COVID-19)	• Prior to the outbreak of COVID-19, the Group had in place well-established IPC measures, processes and protocols
PROTECT AND RESPOND (initial COVID-19)	• Social lockdowns implemented which largely include restrictions on elective procedures and outpatient activity during the early stages of the spread of COVID-19 to help ensure necessary resources are made available • Positive COVID-19 cases in hospitals build from relatively low numbers while acute and emergency care mostly continues • Expected to be the period which has the most material impact on the Group's financial performance
ADAPT (standard operations resume alongside COVID-19)	• New protocols and operating practices introduced to allow the safe and efficient gradual re-introduction of elective procedures and outpatient activity as lockdown measures are relaxed • Pent-up demand for postponed elective procedures likely to support initial volumes • Introduce telemedicine and home delivery of medication to reduce visits to healthcare facilities • Intermittent spikes in COVID-19 cases within countries or specific regions may temporarily affect operations and require additional facility capacity and resources • Provide frontline hospital employees and affiliated doctors with clear instructions and necessary PPE while reassuring patients during this uncertain period through continuous engagement
REFORM (COVID-19 rescinds)	• New healthcare landscape emerges • The Group will be presented with new opportunities and challenges as it continues to deliver on its purpose of enhancing the quality of life and vision of being the partner of choice that people trust for all their healthcare needs • Respond appropriately to trends and accelerate strategic initiatives

As part of the Group's proactive response to maintaining its liquidity position and optimising its response to the crisis, a broad range of consequent actions was taken including:

- All non-urgent and non-committed capital programmes have been postponed or reduced during the initial months of the pandemic;
- Non-essential administrative costs generally and relating to projects specifically have been postponed or reduced;
- Measures have been taken to further optimise working capital management;
- Loan amortisation payments have been deferred, where possible;
- The Board has taken the decision to suspend the dividend - it recognises the importance of the dividend to shareholders and will keep this position under review;
- Executive directors' annual salary increases and short-term incentive have been suspended; and
- Salary increases have been postponed for all managerial positions (at Mediclinic Middle East for all employees) while such increases for facility-based frontline employees were implemented to honour their engagement in combatting the COVID-19 challenges.

Additional mitigating steps are available to the Company if required, including further reductions in operating costs, rent waivers and government intervention packages. These steps, if introduced, would provide additional support to the liquidity analysis and modelled scenarios. In addition, a level of discretionary capital expenditure has been retained, largely during the second half of FY21, which could be further curtailed in the short-term, if required.

At 31 March 2020, the Group had material headroom to covenants in its existing borrowings and a strong liquidity position heading into the global pandemic. The cash and available facilities of the Group at year-end were £518m and the Group leverage ratio was 3.4x (excluding IFRS 16 lease liabilities). A further unutilised bank facility in Switzerland of CHF250m was re-activated after year-end as part of the proactive measures taken with lenders. Across the Group, prompt payment by insurers in addition to the proactive measures taken by the Group to preserve liquidity have supported efforts to improve working capital.

Based on the assumptions applied and the effect of mitigating actions set out above, all within the control of the Group, the analyses demonstrate that the divisions will continue to be able to meet their obligations for the periods modelled.

Debt is ring-fenced to each division, with no cross guarantees or cross defaults. Borrowings are denominated in the same currency as the divisions' underlying revenue and therefore not exposed to foreign exchange rate risk. All three divisions have recently refinanced their debt and, therefore, maturities are relatively long dated. The nearest term material maturity is a Swiss bond for CHF145 million due in February 2021. The unutilised bank facility of CHF250m is available to fully repay the bond.

As a matter of prudence, the divisions proactively engaged with lenders to obtain certain covenant test waivers where the financial impact from the disruption caused by COVID-19 may have resulted in covenants being exceeded before coming back into compliance as operations normalise. For Mediclinic Middle East, the first of such waived covenant compliance tests are to be performed at the end of June 2021, whereas for Mediclinic Southern Africa and Hirslanden this will be performed at the end of September 2021. All remaining covenant tests have sufficient headroom based on the range of modelled scenarios.

While there are no alternative covenants at Hirslanden and Mediclinic Southern Africa, at Mediclinic Middle East there is an interim covenant based on agreed targets which provides appropriate headroom on the modelled scenarios. If required, the Group has the opportunity to mitigate any potential covenant breach. The Mediclinic Middle East waived financial covenants may be reintroduced from the second half of FY21 dependent on improved operational performance and at mutually agreed new levels based on revised forecasts. Pending this agreement, the interim covenant will remain in place until and including 31 March 2021. This approach is evidence of the long-term, supportive and constructive relationships with the Group's lenders aimed at addressing matters as they arise.

Charitable donations

In support of South Africa's establishment of a Solidarity Fund aimed at assisting the most vulnerable South Africans to deal with the impact of COVID-19, the Group Chief Executive Officer and Group Chief Financial Officer have voluntarily donated 30% of their salaries for three months to this essential national initiative. Similarly, the divisional CEOs and all non-executive directors of the Board are voluntarily donating 30% of their salaries or fees for three months to benefit charities with similar aims in the countries in which Mediclinic has a presence. In addition, all other Group and divisional executive committee members are making similar donations to related charities in their respective countries.

CURRENT FY21 TRADING (IFRS 16 BASIS)

April 2020 represented the aforementioned ‘Protect and respond’ period across the Group with revenue, in constant currency, down around 35% versus the prior period. The revenue decline in April 2020 compared with the prior period at a divisional level was 30% at Hirslanden, 40% at Mediclinic Southern Africa and 30% at Mediclinic Middle East. As a result of the relatively high fixed cost base associated with operating acute care hospitals, the revenue declines in April 2020 materially impacted EBITDA in all divisions. In April 2020, the EBITDA loss was CHF15m at Hirslanden, ZAR100m at Mediclinic Southern Africa and AED10m at Mediclinic Middle East. The Group EBITDA loss, in constant currency, was around £20m compared with a profit of £40m in April 2019.

The relaxing of initial social lockdown measures and the phased re-introduction of elective procedures and outpatient activity has occurred across the Group. The latter began in Switzerland from 27 April 2020, in South Africa from 1 May 2020 and in Dubai from 8 May 2020. In Abu Dhabi, no restrictions were imposed on elective procedures.

In this context, the Group has observed noticeable increases in inpatient admissions and outpatient attendance throughout May 2020 in line with the aforementioned ‘Adapt’ period. In May 2020, the Group expects, in constant currency, a sequential monthly improvement in revenue up around 30%, while down around 15% versus the prior period, with the impact at a divisional level expected to be down around 5% at Hirslanden, around 25% at Mediclinic Southern Africa and around 20% at Mediclinic Middle East. Given the operating leverage of the Group and the improved revenue trends observed in May 2020, the Group expects to deliver a material sequential improvement in EBITDA, with indications that all three divisions will make a positive contribution.

Given the seasonal increase in demand during the second half of the financial year, as typically experienced in Hirslanden and Mediclinic Middle East, the Group EBITDA performance is expected to improve in the second half of FY21 compared with the first half of FY21. During the ‘Adapt’ period, there may be times when restrictions are temporarily re-introduced. If these are prolonged periods, the Group would review and consider optimising costs accordingly.

The observed trading in April and May 2020, along with the respective categories outlined above, provide, in the absence of FY21 guidance, a basis on which to monitor trends and the potential impact of future government interventions across geographies which will drive the performance of the Group during this period of uncertainty. These trends are presented not as guidance or a forecast, but to demonstrate how the Group is likely to perform during the different phases of the pandemic, without seeking to predict which outcome is most likely.

For the purposes of assessing liquidity and going concern, the Group has modelled scenarios reflecting suitable assumptions over the next 12–18-month period that serve to inform the decisions the Group takes regarding future cost savings, cash generation, debt covenants and levels of investment. The Group’s financial performance to date in FY21 across all three divisions has been ahead of the modelled scenarios. In addition, due to the proactive response taken by the Group to maintain its liquidity position, over the two-month period since the end of FY20, the cash and available facilities of the Group was around £490m, demonstrating the operational resilience and financial discipline across the Group.

The Group’s original FY21 capex budget, in constant currency, is £243m (FY20: £192m). The current monthly expenditure run rate is approximately 25% of the original budget and is expected to increase as the impact of COVID-19 on the business passes. The Group will continue to monitor operating cash flow generation and consequent liquidity to revisit this important investment decision.

BOARD CHANGES

The following changes to the Board and its committees occurred and were announced during FY20:

- Mr Desmond Smith retired from the Board following the Company's 2019 annual general meeting ("**AGM**") with Mr Alan Grieve assuming the role of Senior Independent Director, Chair of the Audit and Risk Committee and member of the Nomination Committee;
- Mr Tom Singer was appointed as an independent non-executive director and member of the Audit and Risk Committee on 24 July 2019, and as a member of the Remuneration Committee on 13 November 2019;
- Dame Inga Beale was appointed as independent non-executive director, Chair Designate and member of the Nomination Committee on 26 March 2020; and
- Mr Seamus Keating retired from the Board on 31 March 2020.

Dame Inga will succeed Dr Edwin Hertzog as Chair of the Board upon his retirement at the conclusion of the Company's 2020 AGM.

On 1 June 2020, the Board agreed to appoint Dame Inga as a member of the Remuneration Committee with immediate effect and to succeed Dr Hertzog as Chair of the Nomination Committee upon his retirement.

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:

- they track the adjusted operational performance of the Group and its operating segments by separating out exceptional items;
- they are used by management for budgeting, planning and monthly financial reporting;
- they are used by management in presentations and discussions with investment analysts; and
- they 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 depreciation and amortisation charges;
- mark-to-market fair value gains/losses relating to derivative financial instruments including ineffective interest rate swaps;
- remeasurement of redemption liability (written put option) due to changes in estimated performance;
- impairment charges and reversal of impairment charges;
- insurance proceeds; and
- tax impact of the above items, prior year tax adjustments and significant tax rate changes.

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 in reporting 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.

The Group adopted the new IFRS 16 *Leases* standard IFRS 16 on 1 April 2019 using the simplified approach. Consequently, comparative information was not restated. On an IFRS 16 basis, the Group's FY20 revenue was £3 083m, adjusted EBITDA £541m, adjusted operating profit £327m, adjusted earnings £177m and adjusted earnings per share 24.0 pence.

Pre-IFRS 16
For comparative purposes, the FY20 results are also presented on a pre-IFRS 16 basis.

On a pre-IFRS 16 basis, the Group's revenue increased by 5% to £3 083m (FY19: £2 932m) and EBITDA was down 3% to £480m (FY19: £493m). The adjusted EBITDA margin declined from 16.8% to 15.6%.

Depreciation and amortisation was up 2% to £171m (FY19: £168m). Adjusted depreciation and amortisation was up 5% to £171m (FY19: £163m), in line with expectations and due to the continued investment to support growth and to enhance patient experience and clinical quality.

The Group recorded an operating loss of £199m (FY19: profit of £81m). Adjusted operating profit was down 5% to £312m (FY19: £330m).

Operating profit was adjusted for the following exceptional items:

- recognition of an impairment charge to Mediclinic Middle East goodwill of £481m. In line with the requirements of IFRS, the Group performed an annual review of the carrying value for goodwill. Changes in the Dubai and Abu Dhabi market that became evident during the annual financial planning exercise for FY21 and future years affected key inputs to the review that gave rise to impairment charges against goodwill of £481m. The Mediclinic Middle East goodwill was carried at £1 340m, at the previous year-end balance sheet date of 31 March 2019. The impairment charge is non-cash;
- recognition of an impairment charge to Hirslanden fixed assets. Non-financial assets are considered for impairment when impairment indicators are identified at an individual CGU level. At the end of the period, CGUs were tested for impairment and the carrying value of one CGU was determined to be higher than its recoverable amount and, as a result, an impairment charge of £33m was recognised in the income statement;
- impairment reversal of £4m relating to Hirslanden properties;
- impairment charges of £2m relating to Mediclinic Southern Africa; and
- fair value adjustments on derivative contracts of £1m.

Prior period operating profit was adjusted for the following exceptional items:

- recognition of an impairment charge of £186m to property, equipment and vehicles to individual CGUs at Hirslanden;
- recognition of an impairment charge of £39m and £16m to Hirslanden and Linde trade names respectively;
- accelerated depreciation of £5m in Hirslanden relating to abandoned building project cost; and
- a loss on disposal of certain non-core businesses in Mediclinic Middle East of £1m.

Net finance costs are up by 9% at £62m (FY19: £57m) mainly due to the remeasurement of the redemption liability of £5m related to Clinique des Grangettes. Adjusted net finance cost was flat at £57m.

The Group's reported effective tax rate of (9.3)% (FY19: 5.4%) is significantly skewed mainly due to the impairment charges at Mediclinic Middle East and Hirslanden of £514m and the reduction of Swiss property deferred tax liabilities of £29m resulting from corporate tax reforms in Switzerland. Adjusted taxation was £57m (FY19: £57m) with an adjusted effective tax rate for the period of 22.2% (FY19: 20.4%).

The Group recorded a loss attributable to equity holders of £315m in FY20 (FY19: loss of £151m). Adjusted earnings were down 8% at £182m (FY19: £198m). Adjusted earnings per share were down 8% at 24.7 pence (FY19: 26.9 pence).

Earnings were further adjusted for the following exceptional items:

- At the year-end, the Group performed an impairment test of its equity investment in Spire. Key assumptions applied in the value-in-use calculation were updated and as a result an impairment loss of £10m was recorded against the carrying value.

The prior period reported loss was adjusted for the following exceptional items:

- recognition of an impairment charge on the equity investment in Spire of £164m; and
- a change in the basis of estimating deferred tax on the Swiss properties giving rise to a tax credit of £17m.

The tables on the next pages show the reconciliation from reported to adjusted results on an IFRS 16 and on a pre-IFRS 16 basis and the table thereafter shows the adjustments required to reconcile between these two bases.

EARNINGS RECONCILIATIONS – IFRS 16 EARNINGS RECONCILIATION

2020 Statutory results	**Total £'m**	Hirslanden £'m	Mediclinic Southern Africa £'m	Mediclinic Middle East £'m	Spire £'m	Corporate £'m
Revenue	**3 083**	1 438	907	737	-	1
Operating (loss)/profit	**(184)**	90	149	(423)	-	-
(Loss)/profit attributable to equity holders*	**(320)**	60	71	(442)	(8)	(1)
Reconciliations						
Operating (loss)/profit	**(184)**	90	149	(423)	-	-
Add back:						
Other gains and losses	**(4)**	-	-	(1)	-	(3)
Depreciation and amortisation	**217**	126	37	53	-	1
Reversal of impairment of property	**(4)**	(4)	-	-	-	-
Impairment of property, equipment and vehicles	**34**	33	1	-	-	-
Impairment of intangible assets	**482**	-	1	481	-	-
EBITDA	**541**	245	188	110	-	(2)
No adjustments						
Adjusted EBITDA	**541**	245	188	110	-	(2)
Operating (loss)/profit	**(184)**	90	149	(423)	-	-
- Reversal of impairment of property	**(4)**	(4)	-	-	-	-
- Impairment of property, equipment and vehicles	**34**	33	1	-	-	-
- Impairment of intangible assets	**482**	-	1	481	-	-
- Fair value adjustments on derivative contracts	**(1)**	-	-	(1)	-	-
Adjusted operating profit	**327**	119	151	57	-	-
(Loss)/profit attributable to equity holders*	**(320)**	60	71	(442)	(8)	(1)
- Remeasurement of redemption liability (written put option)	**5**	5	-	-	-	-
- Reversal of impairment of property	**(4)**	(4)	-	-	-	-
- Impairment of property, equipment and vehicles	**34**	33	1	-	-	-
- Impairment of intangible assets	**482**	-	1	481	-	-
- Fair value adjustments on derivative contracts	**(1)**	-	-	(1)	-	-
- Impairment of associate	**10**	-	-	-	10	-
- Tax rate changes**	**(26)**	(26)	-	-	-	-
- Tax on exceptional items	**(3)**	(3)	-	-	-	-
Adjusted earnings	**177**	65	73	38	2	(1)
Weighted average number of shares (millions)	**737.2**					
Adjusted earnings per share (pence)	**24.0**					

* *Profit attributable to equity holders in Hirslanden is shown after the elimination of intercompany loan interest of £17m.*

** *Tax rate changes of £26m are shown after taking non-controlling interest of £3m into consideration.*

EARNINGS RECONCILIATIONS – PRE-IFRS 16 EARNINGS RECONCILIATIONS

2020 Statutory results	**Total £'m**	Hirslanden £'m	Mediclinic Southern Africa £'m	Mediclinic Middle East £'m	Spire £'m	Corporate £'m
Revenue	**3 083**	1 438	907	737	-	1
Operating (loss)/profit	**(199)**	87	145	(431)	-	-
(Loss)/profit attributable to equity holders*	**(315)**	62	71	(439)	(8)	(1)
Reconciliations						
Operating (loss)/profit	**(199)**	87	145	(431)	-	-
Add back:						
Other gains and losses	**(4)**	-	-	(1)	-	(3)
Depreciation and amortisation	**171**	97	33	40	-	1
Reversal of impairment of property	**(4)**	(4)	-	-	-	-
Impairment of property, equipment and vehicles	**34**	33	1	-	-	-
Impairment of intangible assets	**482**	-	1	481	-	-
EBITDA	**480**	213	180	89	-	(2)
No adjustments						
Adjusted EBITDA	**480**	213	180	89	-	(2)
Operating (loss)/profit	**(199)**	87	145	(431)	-	-
- Reversal of impairment of property	**(4)**	(4)	-	-	-	-
- Impairment of property, equipment and vehicles	**34**	33	1	-	-	-
- Impairment of intangible assets	**482**	-	1	481	-	-
- Fair value adjustments on derivative contracts	**(1)**	-	-	(1)	-	-
Adjusted operating profit	**312**	116	147	49	-	-
(Loss)/profit attributable to equity holders*	**(315)**	62	71	(439)	(8)	(1)
- Remeasurement of redemption liability (written put option)	**5**	5	-	-	-	-
- Reversal of impairment of property	**(4)**	(4)	-	-	-	-
- Impairment of property, equipment and vehicles	**34**	33	1	-	-	-
- Impairment of intangible assets	**482**	-	1	481	-	-
- Fair value adjustments on derivative contracts	**(1)**	-	-	(1)	-	-
- Impairment of associate	**10**	-	-	-	10	-
- Tax rate changes**	**(26)**	(26)	-	-	-	-
- Tax on exceptional items	**(3)**	(3)	-	-	-	-
Adjusted earnings	**182**	67	73	41	2	(1)
Weighted average number of shares (millions)	**737.2**					
Adjusted earnings per share (pence)	**24.7**					

* *Profit attributable to equity holders in Hirslanden is shown after the elimination of intercompany loan interest of £17m.*
** *Tax rate changes of £26m are shown after taking non-controlling interest of £3m into consideration.*

EARNINGS RECONCILIATIONS – IFRS 16 / PRE-IFRS 16 ADJUSTMENTS

2020 Statutory results	**Total £'m**	Hirslanden £'m	Mediclinic Southern Africa £'m	Mediclinic Middle East £'m	Spire £'m	Corporate £'m
Revenue	**-**	-	-	-	-	-
Operating profit/(loss)	**(15)**	(3)	(4)	(8)	-	-
Profit/(loss) attributable to equity holders	**5**	2	-	3	-	-
Reconciliations						
Operating profit/(loss)	**(15)**	(3)	(4)	(8)	-	-
Add back:						
Other gains and losses	**-**	-	-	-	-	-
Depreciation and amortisation	**(46)**	(29)	(4)	(13)	-	-
Reversal of impairment of property	**-**	-	-	-	-	-
Impairment of property, equipment and vehicles	**-**	-	-	-	-	-
Impairment of intangible assets	**-**	-	-	-	-	-
EBITDA	**(61)**	(32)	(8)	(21)	-	-
No adjustments						
Adjusted EBITDA	**(61)**	(32)	(8)	(21)	-	-
Operating profit/(loss)	**(15)**	(3)	(4)	(8)	-	-
- Reversal of impairment of property	**-**	-	-	-	-	-
- Impairment of property, equipment and vehicles	**-**	-	-	-	-	-
- Impairment of intangible assets	**-**	-	-	-	-	-
- Fair value adjustments on derivative contracts	**-**	-	-	-	-	-
Adjusted operating profit/(loss)	**(15)**	(3)	(4)	(8)	-	-
Profit/(loss) attributable to equity holders	**5**	2	-	3	-	-
- Remeasurement of redemption liability (written put option)	**-**	-	-	-	-	-
- Reversal of impairment of property	**-**	-	-	-	-	-
- Impairment of property, equipment and vehicles	**-**	-	-	-	-	-
- Impairment of intangible assets	**-**	-	-	-	-	-
- Fair value adjustments on derivative contracts	**-**	-	-	-	-	-
- Impairment of associate	**-**	-	-	-	-	-
- Tax rate changes	**-**	-	-	-	-	-
- Tax on exceptional items	**-**	-	-	-	-	-
Adjusted earnings	**5**	2	-	3	-	-
Weighted average number of shares (millions)	**737**					
Adjusted earnings per share (pence)	**0.7**					

EARNINGS RECONCILIATIONS – PRE-IFRS 16 2019 EARNINGS RECONCILIATIONS

2019 Statutory results	Total £'m	Hirslanden £'m	Mediclinic Southern Africa £'m	Mediclinic Middle East £'m	Spire £'m	Corporate £'m
Revenue	**2 932**	1 368	886	677	-	1
Operating profit/(loss)	**81**	(123)	157	49	-	(2)
(Loss)/profit attributable to equity holders*	**(151)**	(102)	72	43	(161)	(3)
Reconciliations						
Operating profit/(loss)	**81**	(123)	157	49	-	(2)
Add back:						
Other gains and losses	**3**	-	(1)	3	-	1
Depreciation and amortisation	**168**	101	31	36	-	-
Impairment of properties	**186**	186	-	-	-	-
Impairment of intangible assets	**55**	55	-	-	-	-
EBITDA	**493**	219	187	88	-	(1)
No adjustments						
Adjusted EBITDA	**493**	219	187	88	-	(1)
Operating profit/(loss)	**81**	(123)	157	49	-	(2)
- Impairment of properties	**186**	186	-	-	-	-
- Impairment of intangible assets	**55**	55	-	-	-	-
- Accelerated depreciation and amortisation	**5**	5	-	-	-	-
- Fair value adjustments on derivative contracts	**2**	-	-	2	-	-
- Loss on disposal of businesses	**1**	-	-	1	-	-
Adjusted operating profit/(loss)	**330**	123	157	52	-	(2)
(Loss)/profit attributable to equity holders*	**(151)**	(102)	72	43	(161)	(3)
- Impairment of properties	**186**	186	-	-	-	-
- Impairment of intangible assets	**55**	55	-	-	-	-
- Accelerated depreciation and amortisation	**5**	5	-	-	-	-
- Fair value adjustments on derivative contracts	**2**	-	-	2	-	-
- Loss on disposal of businesses	**1**	-	-	1	-	-
- Impairment of associate	**164**	-	-	-	164	-
- Tax adjustment related to Hirslanden properties	**(17)**	(17)	-	-	-	-
- Tax on exceptional items	**(47)**	(47)	-	-	-	-
Adjusted earnings	**198**	80	72	46	3	(3)
Weighted average number of shares (millions)	**737.2**					
Adjusted earnings per share (pence)	**26.9**					

* *Profit attributable to equity holders in Hirslanden is shown after the elimination of intercompany loan interest of £16m.*

IFRS 16 *LEASES*

The Group adopted the new IFRS 16 *Leases* standard effective on 1 April 2019. Since the Group has applied the simplified approach on adoption, comparative figures were not restated.

The effect of the adoption of IFRS 16 on the income statement is as follows:

- EBITDA increased by £61m;
- Depreciation charge increased by £46m;
- Operating profit increased by £15m;
- Finance costs increased by £21m; and
- Profit for the period decreased by £5m.

The effect of the adoption of IFRS 16 on the statement of financial position:

- Opening retained earnings decreased by £37m;
- Right-of-use asset of £640m booked on 1 April 2019; and
- Lease liability of £665m booked on 1 April 2019.

Reconciliation of adjusted IFRS 16 and pre-IFRS 16 numbers per division.

IFRS 16 TABLE	**IFRS 16 £'m**	**Hirslanden £'m**	**Mediclinic Southern Africa £'m**	**Mediclinic Middle East £'m**	**Pre-IFRS 16 £'m**
Adjusted EBITDA	541	(32)	(8)	(21)	480
Adjusted depreciation and amortisation	217	(29)	(4)	(13)	171
Adjusted operating profit	327	(3)	(4)	(8)	312
Adjusted finance cost	92	(6)	(4)	(11)	71
Adjusted earnings	177	2	-	3	182

FOREIGN EXCHANGE RATES

Although the Group reports its results in 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. Exchange rate movements also had a significant impact on the statement of financial position. The resulting currency translation difference, which is the amount by which the Group's interest in the equity of the divisions increased because of spot rate movements, amounted to £175m (2019: £142m) and was credited to the statement of comprehensive income. The main reason for the increase was the strengthening of the year-end Swiss franc and UAE dirham rates against the sterling.

Foreign exchange rate sensitivity:

- The impact of a 10% change in the £/CHF exchange rate for a sustained period of one year is that profit for the period would increase/decrease by £7m (FY19: increase/decrease by £8m) due to exposure to the £/CHF exchange rate.
- The impact of a 10% change in the £/ZAR exchange rate for a sustained period of one year is that profit for the period would increase/decrease by £9m (FY19: increase/decrease by £7m) due to exposure to the £/ZAR exchange rate.
- The impact of a 10% change in the £/AED exchange rate for a sustained period of one year is that profit for the period would increase/decrease by £4m (FY19: increase/decrease by £5m) due to exposure to the £/AED exchange rate.

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

	2020	2019
Average rates		
Swiss franc	**1.25**	1.30
South African rand	**18.76**	18.01
UAE dirham	**4.67**	4.82
Year-end rates		
Swiss franc	**1.20**	1.30
South African rand	**22.08**	18.90
UAE dirham	**4.56**	4.79

CASH FLOW

The Group continued to deliver strong cash flow and converted 109% (FY19:91%) of adjusted EBITDA into cash generated from operations.

	2020 £'m	2019 £'m
Cash from operations (a)	**589**	451
Adjusted EBITDA (b)	**541**	493
Cash conversion ((a)/(b) x 100)	**109%**	91%

INTEREST-BEARING BORROWINGS

Interest-bearing borrowings decreased from £1 982m at 31 March 2019 to £1 951m at 31 March 2020. The change in the closing balance is mainly due to a stronger Swiss franc closing rate against the sterling offset by Swiss loan repayments.

	2020 £'m	2019 £'m
Borrowings	**1 951**	1 982
Lease liabilities	**703**	-
Less: cash and cash equivalents	**(329)**	(265)
Net debt	**2 325**	1 717
Total equity	**3 003**	3 266
Debt-to-equity capital ratio	**77.4%**	52.6%

ASSETS

Property, equipment and vehicles increased from £3 524m at 31 March 2019 to £4 358m at 31 March 2020, mainly due to the inclusion of right of use assets of £675m at 31 March 2020 due to the adoption of the IFRS 16 *Leases* standard. The increase also included £221m on capital projects and fixed asset additions in line with the continued investment programme expanding the asset base to support growth and enhance patient experience and clinical quality. In addition to the depreciation charge, the balance was further reduced by the impairment charge of £33m recognised on fixed assets in Hirslanden and increased by the change in the closing exchange rate.

Intangible assets decreased from £1 586m at 31 March 2019 to £1 171m at 31 March 2020 mainly due to the impairment charge of £481m of Mediclinic Middle East goodwill. The closing balance increased by the change in the closing exchange rates.

Adjusted and reported depreciation and amortisation was calculated as follows:

	IFRS 16 2020 £'m	Pre-IFRS 16 2019 £'m
Pre-IFRS 16 depreciation and amortisation	**171**	168
IFRS 16 depreciation on right-of-use assets	**46**	-
Reported depreciation and amortisation	**217**	168
Accelerated depreciation and amortisation	**-**	(5)
Adjusted depreciation and amortisation	**217**	163

In line with the continued investment to support growth and to enhance patient experience and clinical quality, the adjusted pre-IFRS 16 depreciation and amortisation charge increased by 5% to £171m.

SWISS PENSION BENEFIT OBLIGATION

Hirslanden provides defined contribution pension plans in terms of Swiss legislation 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, these plans are classified as defined benefit plans, since the funds are obliged to take some investment and longevity risk in terms of Swiss law. The IAS 19 pension liability was valued by the actuaries at the end of the year and amounted to £71m (2019: £52m), included under “Retirement benefit obligations” in the Group’s statement of financial position. The increase in the pension liability was largely due to the decrease in the plan assets. In constant currency, the pension liability increased by £2m whereas the plan assets decreased by £11m.

DERIVATIVE FINANCIAL INSTRUMENTS

Through the acquisition of Clinique des Grangettes, the Group entered into a put/call agreement over the remaining 40% interest of Clinique des Grangettes and Hirslanden Clinique La Colline. At the end of the year, the fair value of the redemption liability related to the written put option amounted to £101m (2019: £88m).

FINANCE COSTS

Pre-IFRS 16 net finance costs are up by 9% at £62m (2019: £57m) mainly due to the discontinued capitalisation of borrowing costs following the opening of Mediclinic Parkview Hospital.

	2020 £'m	2019 £'m
Pre-IFRS 16 net finance cost	**62**	57
Remeasurement of redemption liability (written put option)	**(5)**	-
Adjusted pre-IFRS 16 net finance cost	**57**	57
Interest on lease liabilities	**21**	-
Adjusted IFRS 16 net finance cost	**78**	57
Add back: remeasurement of redemption liability (written put option)	**5**	-
IFRS 16 net finance cost	**83**	57

INCOME TAX

The Group's effective tax rate changed significantly for the period under review to (8.6)% (FY19: 5.4%), mainly due to exceptional non-deductible expenses which include the impairment of goodwill and the impairment of the equity investment. In addition, a reduction in deferred tax liabilities resulted from corporate tax reforms in Switzerland. Excluding these exceptional items, the effective tax rate would be 22.3% (FY19: 20.4%) for the reporting period. On a pre-IFRS 16 basis, the adjusted effective tax rate is 22.2%. Comparing the adjusted effective tax rate with the prior year, the increase is mainly due to the release of previously recognised deferred tax assets and the non-recognition of deferred tax assets on Swiss tax losses.

Adjusted income tax was calculated as follows:

	IFRS 16 2020 £'m	Pre-IFRS 16 2019 £'m
Income tax expense / (credit)	**24**	(7)
Tax on exceptional items	**32**	64
- Reversal of impairment of properties	**(1)**	-
- Impairment of properties	**4**	35
- Impairment of intangible assets	**-**	12
- Tax adjustment relating to Swiss properties	**-**	17
- Swiss tax rate changes	**29**	-
Adjusted income tax expense*	**56**	57

**On a pre-IFRS 16 basis, the adjusted income tax expense for FY20 amounts to £57m.*

TAX STRATEGY

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

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

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

DIVIDEND POLICY AND PROPOSED DIVIDEND

The Group’s existing dividend policy is to target a pay-out ratio of between 25% and 35% of adjusted earnings. The Board may revise the policy at its discretion. As part of the Group’s response to maintaining its liquidity position through the crisis and to maximise its support in combatting the COVID-19 pandemic, the Board has taken the prudent and appropriate decision to suspend the dividend.

DIRECTORS’ RESPONSIBILITIES STATEMENT

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

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

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

By order of the Board.

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

1 June 2020

CAUTIONARY STATEMENT

This announcement contains certain forward-looking statements relating to the business of the Company and its subsidiaries, 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 clients; 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, forward-looking statements can be identified by words such as "could", "should", "may", "expects", "aims", "targets", "anticipates", "believes", "intends", "estimates", or similar. 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 United Arab Emirates; poor performance by healthcare practitioners who practise at its 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 disclaims any intention to, and make no undertaking to, publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 March 2020

	Notes	2020 £'m	2019 £'m
ASSETS			
Non-current assets		**5 741**	5 335
Property, equipment and vehicles	4	**4 358**	3 524
Intangible assets	5	**1 171**	1 586
Equity-accounted investments	6	**181**	193
Other investments and loans		**9**	10
Deferred income tax assets		**22**	22
Current assets		**1 213**	1 091
Inventories		**104**	88
Trade and other receivables		**766**	732
Other investments and loans		**2**	1
Current income tax assets		**2**	1
Derivative financial instruments		**2**	-
Cash and cash equivalents		**329**	265
Assets classified as held-for-sale		**8**	4
Total assets		**6 954**	6 426
EQUITY			
Capital and reserves			
Share capital		**74**	74
Share premium reserve		**690**	690
Treasury shares		**-**	-
Retained earnings		**4 327**	4 769
Other reserves		**(2 201)**	(2 382)
Attributable to equity holders of the Company		**2 890**	3 151
Non-controlling interests		**113**	115
Total equity		**3 003**	3 266
LIABILITIES			
Non-current liabilities		**3 182**	2 576
Borrowings	7	**1 787**	1 895
Lease liabilities	8	**654**	-
Deferred income tax liabilities		**427**	423
Retirement benefit obligations		**168**	138
Provisions		**36**	29
Derivative financial instruments		**109**	91
Cash-settled share-based payment liabilities		**1**	-
Current liabilities		**769**	584
Trade and other payables		**515**	462
Borrowings	7	**164**	87
Lease liabilities	8	**49**	-
Provisions		**17**	15
Retirement benefit obligations		**14**	11
Derivative financial instruments		**2**	-
Current income tax liabilities		**4**	8
Liabilities classified as held-for-sale		**4**	1
Total liabilities		**3 951**	3 160
Total equity and liabilities		**6 954**	6 426

CONDENSED CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2020

	Notes	**2020 £'m**	(Re-presented)* 2019 £'m
Revenue		**3 083**	2 932
Cost of sales		**(1 960)**	(1 890)
Administration and other operating expenses		**(1 311)**	(958)
Impairment of property, equipment and vehicles	4	**(30)**	(186)
Impairment of intangible assets	5	**(482)**	(55)
Other administration and operating expenses		**(799)**	(717)
Other gains and losses		**4**	(3)
Operating (loss)/profit		**(184)**	81
Finance income		**9**	9
Finance cost	9	**(92)**	(66)
Share of net profit of equity-accounted investments	6	**2**	3
Impairment of equity-accounted investment	6	**(10)**	(164)
Loss before tax		**(275)**	(137)
Income tax (expense)/credit	10	**(24)**	7
Loss for the year		**(299)**	(130)
Attributable to:			
Equity holders of the Company		**(320)**	(151)
Non-controlling interests		**21**	21
		(299)	(130)
Loss per ordinary share attributable to the equity holders of the Company - pence			
Basic	11	**(43.4)**	(20.5)
Diluted	11	**(43.4)**	(20.5)

**Refer to note 2*

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
for the year ended 31 March 2020

	2020 £'m	2019 £'m
Loss for the year	**(299)**	(130)
Other comprehensive income/(loss)		
Items that may be reclassified to the income statement	**169**	142
Currency translation differences	**175**	142
Fair value adjustment – cash flow hedges	**(6)**	-
Items that may not be reclassified to the income statement	**(21)**	(34)
Remeasurements of retirement benefit obligations	**(17)**	(34)
Effect of changes in income tax rates on retirement benefit obligations	**(4)**	-
Other comprehensive income, net of tax	**148**	108
Total comprehensive loss for the year	**(151)**	(22)
Attributable to:		
Equity holders of the Company	**(161)**	(29)
Non-controlling interests	**10**	7
	(151)	(22)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2020

	Share capital £'m	Capital redemption reserve £'m	Share premium reserve £'m	Reverse acquisition reserve £'m	Treasury shares £'m	Share-based payment reserve £'m	Foreign currency translation reserve £'m	Hedging reserve £'m	Retained earnings £'m	Attributable to equity holders of the Company £'m	Non-controlling interests £'m	Total equity £'m
Balance at 31 March 2019	74	6	690	(3 014)	-	-	628	(2)	4 769	3 151	115	3 266
IFRS 16 transition adjustment	-	-	-	-	-	-	-	-	(37)	(37)	-	(37)
Restated at 1 April 2019	**74**	**6**	**690**	**(3 014)**	**-**	**-**	**628**	**(2)**	**4 732**	**3 114**	**115**	**3 229**
(Loss)/profit for the year	-	-	-	-	-	-	-	-	(320)	(320)	21	(299)
Other comprehensive income/(loss) for the year	-	-	-	-	-	-	187	(6)	(22)	159	(11)	148
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	187	(6)	(342)	(161)	10	(151)
Transactions with non-controlling shareholders	-	-	-	-	-	-	-	-	(4)	(4)	3	(1)
Dividends paid	-	-	-	-	-	-	-	-	(59)	(59)	(15)	(74)
Balance at 31 March 2020	**74**	**6**	**690**	**(3 014)**	**-**	**-**	**815**	**(8)**	**4 327**	**2 890**	**113**	**3 003**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2019

	Share capital £'m	Capital redemption reserve £'m	Share premium reserve £'m	Reverse acquisition reserve £'m	Treasury shares £'m	Share-based payment reserve £'m	Foreign currency translation reserve £'m	Hedging reserve £'m	Retained earnings £'m	Attributable to equity holders of the Company £'m	Non-controlling interests £'m	Total equity £'m
Balance at 1 April 2018	74	6	690	(3 014)	(1)	1	468	5	5 055	3 284	87	3 371
(Loss)/profit for the year	-	-	-	-	-	-	-	-	(151)	(151)	21	(130)
Other comprehensive income/(loss) for the year	-	-	-	-	-	-	153	-	(31)	122	(14)	108
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	153	-	(182)	(29)	7	(22)
Transfer to other reserves	-	-	-	-	-	-	7	(7)	-	-	-	-
Business combinations	-	-	-	-	-	-	-	-	-	-	12	12
Derivative entered into as part of business combinations	-	-	-	-	-	-	-	-	(86)	(86)	-	(86)
Settlement of Forfeitable Share Plan	-	-	-	-	1	(1)	-	-	-	-	-	-
Transactions with non-controlling shareholders	-	-	-	-	-	-	-	-	41	41	17	58
Dividends paid	-	-	-	-	-	-	-	-	(59)	(59)	(8)	(67)
Balance at 31 March 2019	**74**	**6**	**690**	**(3 014)**	**-**	**-**	**628**	**(2)**	**4 769**	**3 151**	**115**	**3 266**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2020

	Notes	**2020 £'m Inflow/(outflow)**	2019 £'m Inflow/(outflow)
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations		**589**	451
Interest received		**9**	9
Interest paid		**(83)**	(61)
Tax paid		**(59)**	(55)
Net cash generated from operating activities		**456**	344
CASH FLOW FROM INVESTMENT ACTIVITIES		**(182)**	(298)
Investment to maintain operations		**(81)**	(86)
Investment to expand operations		**(102)**	(154)
Acquisition of subsidiaries	12	**(12)**	(63)
Disposal of subsidiaries		**9**	-
Acquisition of investment in associate	6	**(1)**	(4)
Dividends received from equity accounted investment		**5**	4
Proceeds from other investments and loans		**(2)**	5
Proceeds on disposal of property, equipment and vehicles		**2**	-
Net cash generated before financing activities		**274**	46
CASH FLOW FROM FINANCING ACTIVITIES		**(207)**	(34)
Distributions to non-controlling interests		**(15)**	(8)
Distributions to shareholders	15	**(59)**	(59)
Transaction with non-controlling interest		**(1)**	-
Proceeds from borrowings		**15**	385
Repayment of borrowings		**(101)**	(347)
Refinancing transaction costs		**(1)**	(5)
Repayment of lease liabilities		**(45)**	-
Net increase in cash and cash equivalents		**67**	12
Opening balance of cash and cash equivalents		**265**	261
Exchange rate fluctuations on foreign cash		**(3)**	(8)
Closing balance of cash and cash equivalents		**329**	265

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Mediclinic is an international private hospital group with operations in Switzerland, Southern Africa (South Africa and Namibia) and the United Arab Emirates. Its core purpose is to enhance the quality of life 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 JSE Ltd 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 statements for the year ended 31 March 2020 was approved by the Board on 1 June 2020.

2. BASIS OF PREPARATION

The condensed consolidated financial statements included in this results announcement have been extracted from the full consolidated financial statements for the year ended 31 March 2020 included in the Annual Report which was approved by the Board of Directors on 1 June 2020. The condensed consolidated financial statements are prepared in accordance with International Financial Reporting Standards (‘IFRS’) as adopted by the European Union (‘EU’), the Companies Act 2006 and Article 4 of the EU IAS Regulations.

The auditor’s report on those full consolidated financial statements was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report, and did not contain statements under section 498(2) or 498(3) of the Companies Act 2006. This results announcement does not constitute statutory accounts of the Group within the meaning of sections 434(3) and 435(3) of the Companies Act 2006. The Annual Report for the year ended 31 March 2019 has been delivered to the Registrar of Companies and the Annual Report for 31 March 2020 will be delivered following the Company’s annual general meeting to be held on Wednesday, 22 July 2020.

The Group has prepared the condensed consolidated financial statements on a going concern basis. The condensed consolidated financial statements have 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 2020.

This results announcement has been prepared applying consistent accounting policies to those applied by the Group in the comparative period, except for the adoption of IFRS 16. Refer to note 13 for a description of the changes in accounting policies. The condensed consolidated financial statements included in this results announcement do not itself contain sufficient information to comply with IFRS. The Company will publish full financial statements that comply with IFRS in June 2020.

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.

Income statement reclassification
The income statement for the year ended 31 March 2019 has been re-presented to reclassify certain costs of the Switzerland segment that were previously shown in error as administration and other expenses. The impact of the reclassification was an increase in cost of sales and decrease in administration and other expenses of £63m. The reclassification had no impact on reported cash, profits or net assets.

Finalisation of purchase price allocation (PPA)

In accordance with IFRS 3, the statement of financial position at 31 March 2019 has been adjusted as a result of the finalisation of Intercare Hospital Group's PPA.

	Previously 31 Mar 2019 £'m	Adjustment £'m	Restated 31 Mar 2019 £'m
Trade and other payables	464	(2)	462
Intangible assets	1 587	(1)	1 586
Deferred income tax assets	23	1	22

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	
Year ended 31 March 2020	**Total £'m**	**Switzerland £'m**	**Southern Africa £'m**	**Middle East £'m**	**United Kingdom £'m**	**Corporate £'m**
Revenue	3 083	1 438	907	737	-	1
EBITDA	541	245	188	110	-	(2)
EBITDA before management fee	541	251	194	113	-	(17)
Group Services fees included in EBITDA	-	(6)	(6)	(3)	-	15
Other gains and losses	4	-	-	1	-	3
Depreciation and amortisation	(217)	(126)	(37)	(53)	-	(1)
Reversal of impairment of property	4	4	-	-	-	-
Impairment of property, equipment and vehicles	(34)	(33)	(1)	-	-	-
Impairment of intangible assets	(482)	-	(1)	(481)	-	-
Operating profit/(loss)	(184)	90	149	(423)	-	-
Income from associate	2	-	-	-	2	-
Impairment of associate	(10)	-	-	-	(10)	-
Finance income	9	-	8	1	-	-
Finance cost (excluding intersegment loan interest)	(92)	(35)	(37)	(20)	-	-
Total finance cost	(92)	(52)	(37)	(20)	-	17
Elimination of intersegment loan interest	-	17	-	-	-	(17)
Taxation	(24)	13	(36)	-	-	(1)
Segment result	(299)	68	84	(442)	(8)	(1)
At 31 March 2020						
Investments in associates	177	2	2	5	168	-
Investments in joint ventures	4	-	4	-	-	-
Capital expenditure for the year	192	75	69	47	-	1
Total segment assets	6 954	4 192	680	1 838	169	75
Total segment liabilities (excluding intersegment loan)	3 951	2 701	564	683	-	3
Total liabilities from reportable segment	4 942	3 692	564	683	-	3
Elimination of intersegment loan	(991)	(991)	-	-	-	-

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

3. SEGMENTAL REPORT (continued)

		Reportable operating segments			Other	
Year ended 31 March 2019	Total £'m	Switzerland £'m	Southern Africa £'m	Middle East £'m	United Kingdom £'m	Corporate £'m
Revenue	2 932	1 368	886	677	-	1
EBITDA	493	219	187	88	-	(1)
EBITDA before management fee	493	224	192	91	-	(14)
Group Services fees included in EBITDA	-	(5)	(5)	(3)	-	13
Other gains and losses	(3)	-	1	(3)	-	(1)
Depreciation and amortisation	(168)	(101)	(31)	(36)	-	-
Impairment of property, equipment and vehicles	(186)	(186)	-	-	-	-
Impairment of intangible assets	(55)	(55)	-	-	-	-
Operating profit/(loss)	81	(123)	157	49	-	(2)
Income from associate	3	-	-	-	3	-
Impairment of associate	(164)	-	-	-	(164)	-
Finance income	9	-	8	1	-	-
Finance cost (excluding intersegment loan interest)	(66)	(23)	(36)	(7)	-	-
Total finance cost	(66)	(39)	(36)	(7)	-	16
Elimination of intersegment loan interest	-	16	-	-	-	(16)
Taxation	7	47	(39)	-	-	(1)
Segment result	(130)	(99)	90	43	(161)	(3)
At 31 March 2019						
Investments in associates	189	2	3	4	180	-
Investments in joint ventures	4	-	4	-	-	-
Capital expenditure for the year	232	72	65	94	-	1
Total segment assets	6 426	3 532	707	1 965	182	40
Total segment liabilities (excluding intersegment loan)	3 160	2 182	591	385	-	2
Total liabilities from reportable segment	4 058	3 080	591	385	-	2
Elimination of intersegment loan	(898)	(898)	-	-	-	-

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

4. PROPERTY, EQUIPMENT AND VEHICLES

	Land and buildings £'m	Capital expenditure in progress £'m	Right-of-use assets £'m	Equipment £'m	Furniture and vehicles £'m	Total £'m
Net book value at 1 April 2018	3 048	181	-	306	55	3 590
Additions	17	123	-	49	15	204
Depreciation	(50)	-	-	(78)	(20)	(148)
Business combinations	8	-	-	7	5	20
Transfer between asset classes	-	1	-	8	(9)	-
Prior year capital expenditure completed**	192	(212)	-	17	3	-
Impairment*	(182)	-	-	(3)	(1)	(186)
Transfer to assets held-for-sale	-	-	-	(1)	-	(1)
Exchange differences	55	(3)	-	(6)	(1)	45
Net book value at 31 March 2019	3 088	90	-	299	47	3 524
IFRS 16 transition adjustment	-	-	641	(1)	-	640
Additions	34	62	52	57	16	221
Disposals	(1)	-	(5)	-	-	(6)
Depreciation	(51)	-	(46)	(82)	(18)	(197)
Business combinations	8	-	-	-	-	8
Transfer between asset classes	17	(25)	-	7	1	-
Prior year capital expenditure completed	41	(44)	-	3	-	-
Disposal of subsidiaries	(9)	-	(1)	-	-	(10)
Impairment	(13)	-	-	(19)	(2)	(34)
Reversal of impairment	4	-	-	-	-	4
Transfer to assets held-for-sale	(4)	-	(3)	-	-	(7)
Borrowing cost capitalised	-	3	-	-	-	3
Exchange differences	181	(5)	37	-	(1)	212
Net book value at 31 March 2020	**3 295**	**81**	**675**	**264**	**43**	**4 358**

The right-of-use assets was recognised during the year with the adoption of IFRS 16 *Leases*. Refer to note 8 and note 13 for further information on the impact of the adoption of IFRS 16.

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 assessment

The Swiss CGUs were assessed for impairment at 31 March 2020. 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 4.8% and 5.1% (2019: 4.9% and 5.1%). Beyond five years a growth rate of 1.6% (2019: 1.6%) was used. The carrying value of one CGU (2019: five) was determined to be higher than its recoverable amount and as a result an impairment charge of £33m (2019: £186m) was recognised in the income statement relating to property, equipment and vehicles.

After accounting for impairments in the current year, some CGUs within Hirslanden have limited headroom ranging from £9m to £67m and remain sensitive to reasonably possible changes in key assumptions in the fair-value-less-cost-to-sell calculations. The carrying amounts of the Swiss property, equipment and vehicle are sensitive to reasonably possible changes in the discount rate and the terminal growth rate. An increase in the discount rate of 0.5% would lead to an impairment charge of approximately £83m and a decrease of the terminal growth rate by 0.3% would result in an impairment charge of approximately £8m.

Any impairment determined at a CGU level under IAS 36 will include an assessment of the recoverable amount of Hirslanden’s owned properties, which are subject to a third-party valuation at least annually. This valuation applies a consistent methodology across key assumptions to determine the rental charges based on appropriate and market-related metrics, which is discounted using a market-related discount rate to determine the value of the properties.Therefore, there is a risk that this valuation could materially change in future periods.

Reversal of impairment

During the period, Klinik Belair was sold and a reversal of previously recognised impairment charges in respect of properties of £4m was recognised.

5. INTANGIBLE ASSETS

	Goodwill £'m	Trade names £'m	Computer software £'m	Leases* £'m	Total £'m
Net book value at 1 April 2018	1 253	83	48	22	1 406
Additions	-	-	28	-	28
Amortisation	-	(4)	(15)	(1)	(20)
Business combinations	106	25	-	-	131
Impairment	-	(55)	-	-	(55)
Exchange differences	91	4	(1)	2	96
Net book value at 31 March 2019	**1 450**	**53**	**60**	**23**	**1 586**
IFRS 16 transition adjustment	-	-	-	(23)	(23)
Additions	-	-	23	-	23
Amortisation	-	(4)	(16)	-	(20)
Business combinations	4	-	-	-	4
Impairment	(482)	-	-	-	(482)
Exchange differences	75	5	3	-	83
Net book value at 31 March 2020	**1 047**	**54**	**70**	**-**	**1 171**

Impairment testing of significant goodwill balances

The Group tests goodwill for impairment on an annual basis or more frequently if there are indications that these assets may be impaired. The annual impairment assessment is performed at year-end when the annual financial planning process is finalised. The Group's impairment assessment compares the carrying value of the group of CGUs with its recoverable amount. The group of CGUs for goodwill impairment assessment purposes are identified on a segmental or divisional level in terms of IFRS 8 except for goodwill arising from the acquisition of Les Grangettes which was assessed at a CGU level given the significant non-controlling interest and aligned to the location in which the synergies are expected to arise.

The recoverable amount of a group of CGUs is determined by its fair-value-less-cost-to-sell which is derived from discounted cash flow calculations. The key inputs to its calculations are described below.

5. INTANGIBLE ASSETS (continued)

Impairment testing of significant goodwill balances

Forecasts
As part of the annual financial planning process, the Group's divisions are required to submit budgets for the next financial year and forecasts for the following four years, which are approved by the Board. Future earnings in the fair-value-less-cost-to-sell calculation are based on these budgets and forecasts that are calculated on a per hospital basis and considers both internal and external market information. These budgets and forecasts represent management's best view of future revenues and cash flows. During the period under review, the original business plans were revisited because of the outbreak of the COVID-19 pandemic and it encompasses a best estimate of the short- and long-term impact of the pandemic considering potential recessionary factors.

Growth rates
Growth rates are determined from budgeted and forecasted revenue. Terminal growth rates are country specific and determined based on the forecast market growth rates and considers long-term medical inflation. The regulatory environment and impact on tariffs are considered. Growth rates have been benchmarked against external data for the relevant markets.

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

Impairment testing of Mediclinic Middle East goodwill

The Mediclinic Middle East goodwill with a carrying amount of £928m (2019: £1 340m) originated mainly from the Al Noor business combination, with a portion originating from other UAE business combinations. Key assumptions used for the fair-value-less-cost-to-sell calculations for the annual impairment testing were as follows:

- *Discount rates* – The discount rate applied to cash flow projections is 8.8% (2019: 9.0%).
- *Growth rates* – The terminal growth rate beyond five years is 3.0% (2019: 3.0%).
- *Forecasts* – As a result of the changes in the market environment exacerbated by COVID-19, the significantly lower oil price and an increasingly competitive situation, forecasted cash flows have been reduced from expectations in the prior period.

The discreet period used for the fair-value-less-cost-to-sell calculation was reduced from the seven to five years due to changes in capital projects, the response to the COVID-19 pandemic and changes in the market environment. It also reflects the period the Group typically uses for the annual planning cycle.

The combination of these changes in key assumptions resulted in a significant impact on the Mediclinic Middle East fair-value-less-cost-to-sell calculation value. As a result, the carrying amount of the goodwill was determined to be higher than its recoverable amount and an impairment of £481m was recognised against goodwill.

Sensitivity analysis
Any adverse change to key assumptions would result in an increase to the impairment charge recorded as goodwill is carried at its recoverable amount at 31 March 2020.

Reasonably possible changes in key assumptions that could give rise to a material adjustment to the carrying value are set out below:

- A fall in the terminal growth rate to 2.5% would result in an additional impairment of £34m; or
- A rise in discount rate to 9.1% would result in an additional impairment of £52m; or
- A fall in the forecast cash flows of 5% each year would result in an additional impairment of £74m.

5. INTANGIBLE ASSETS (continued)

Impairment testing of Hirslanden goodwill

Hirslanden goodwill with a carrying amount of £105m that originated from the business combination of Clinique des Grangettes has been tested for impairment. In the prior year, an impairment charge £55m was recognised after the Hirslanden trade name and Linde trade name were fully impaired.

The recoverable amount has been determined based on fair-value-less-cost-to-sell discounted cash flow calculations.
- *Discount rates* – The discount rate applied to cash flow projections was 5.0% (2019: 5.0%).
- *Growth rates* – The terminal growth rate beyond five years was 1.6% (2019: 1.6%) growth rate.
- *Forecasts* – As a result of the continued impact of changes in the regulatory and market environment (including TARMED tariffs and regulations that require enhanced outmigration of medical treatments) exacerbated by COVID-19 and to reflect actions taken by management to adapt to the new operating environment, the forecasted cash flows have been reduced from expectations in the prior period.

Sensitivity analysis
An increase in the discount rate by 1.2% combined with a decrease in the terminal growth rate by 1.2% would reduce the headroom to £nil. In the prior year an increase in the discount rate to by 0.2% or a decline in the terminal growth rate by 0.8% would have reduced the headroom to £nil.

6. EQUITY-ACCOUNTED INVESTMENTS

	2020 £'m	2019 £'m
Investment in associates	**177**	189
Investment in joint venture	**4**	4
	181	193

6.1 Investment in associates

	2020 £'m	2019 £'m
Listed investment	**168**	180
Unlisted investments	**9**	9
	177	189
Reconciliation of carrying value at the beginning and end of the year		
Opening balance	**189**	352
IFRS 9 transition adjustment	**-**	(2)
IFRS 16 transition adjustment*	**-**	-
Total cost of equity investment	**-**	-
Additional investment in unlisted associate	**1**	4
Share of net profit of associated companies	**2**	3
Impairment of listed associate	**(10)**	(164)
Dividends received from associated companies	**(5)**	(4)
	177	189

**As a result of prior period impairment charges, no adjustment was required to the carrying value of the investment in Spire on adoption of IFRS 16. The transition adjustment resulted in a decrease of the Group's share of Spire's net assets on adoption of IFRS 16 by £22m together with a consequential transitional adjustment to reduce the group's impairment provision in Spire by the same amount. Accordingly, the Group's carrying amount of its investment in associates was not impacted on the transition to IFRS 16.*

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%**

6. EQUITY-ACCOUNTED INVESTMENTS (continued)

Spire is listed on the LSE. It does not issue publicly available quarterly financial information at a detailed level and has a December year-end. The investment in associate was equity accounted for the 12 months to 31 December 2019 (2019: 31 December 2018). Except for COVID-19, which was appropriately considered in the impairment assessment, no significant events occurred between 1 January 2020 and the reporting date.

At year-end, an impairment test was performed. The carrying amount of the investment was determined to be higher than its recoverable amount and an impairment of £10m was recognised against equity-accounted investments. The following key assumptions were used in the calculation:

Discount rates – a discount rate of 6.9% was applied to cash flow projections (2019: discount rates ranging between 5.3% and 6.8% were applied to the discrete period cash flow projections for the five years and a discount rate of 7.2% was applied to the terminal year).

Growth rates – a terminal growth rate of 2.0% (2019: 2.0%) was applied in the calculation.

Forecasts – as a result of the changes in the market environment exacerbated by COVID-19, forecasted cash flows have been reduced from expectations in the prior period.

Sensitivity analysis – reasonably possible changes in key assumptions that could give rise to a material adjustment to the carrying value are set out below:

- A fall in the terminal growth rate to 1.5% would result in an additional impairment of £4m; or
- A rise in discount rate to 7.25% would result in an additional impairment of £16m; or
- A fall in the forecast cash flows of 5% each year would result in an additional impairment of £15m.

Any adverse change to key assumptions would result in an increase to the impairment charge recorded as the investment is carried at its recoverable amount at 31 March 2020.

Between the period from 1 January 2020 until the announcement in March 2020 of Spire's arrangement with the NHS to support the UK's response to COVID-19, the market price of the Company's investment reached a high of £170m. At 31 March 2020, the market price was £94m (2019: £155m).

During the prior year an impairment test was performed and the investment in Spire was impaired by £164m after key assumptions were updated in the value-in-use calculations.

7. BORROWINGS

	2020 £'m	2019 £'m
Bank loans	**1 673**	1 703
Preference shares	**82**	96
Listed bonds	**196**	181
Other liabilities	**-**	2
	1 951	1 982
Non-current borrowings	**1 787**	1 895
Current borrowings	**164**	87
Total borrowings	**1 951**	1 982

		2020 £'m Non-current	2020 £'m Current	2019 £'m Non-current	2019 £'m Current
	Swiss operations (denominated in Swiss franc)				
Secured bank loan one[1]	This loan bears interest at variable rates linked to the 3M LIBOR plus 1.25%. CHF50m is redeemable annually on 30 September with the final outstanding balance redeemable on 30 September 2025. The repayment in September 2020 has been suspended. The non-current portion includes capitalised financing costs of £13m (2019: £13m).	**1 156**	**-**	1 066	77
Secured bank loan two[1]	These loans were acquired as part of the Linde acquisition and bear interest at a fixed rate of 1.12%. CHF0.5m are repayable on 30 June and 31 December every year. The remaining balances are repayable during May 2023.	**15**	**1**	14	1
Secured bank loan three[2]	This fixed interest mortgage loan was acquired as part of the Linde acquisition and bears interest at 0.90% compounded quarterly. The loan is repayable by December 2023.	**8**	**-**	8	-
Secured bank loan four[2]	These loans were acquired as part of the Les Grangettes acquisition and bear interest linked to the 3M LIBOR plus 1.40%. The loan was redeemed on 27 July 2019.	**-**	**-**	12	-
Listed bonds	The listed bonds consist of CHF145m 1.63% and CHF90m 2.00% Swiss franc bonds. The bonds are repayable on 25 February 2021 and 25 February 2025 respectively.	**75**	**121**	181	-
Secured long-term finance[3]	These liabilities bear interest at variable rates ranging between 1.00% and 12.00% and are repayable in equal monthly payments in periods ranging from one to seven years.	**-**	**-**	1	1
	Balance carried forward	**1 254**	**122**	1 282	79

7. BORROWINGS

		2020 £'m Non-current	**2020 £'m Current**	2019 £'m Non-current	2019 £'m Current
	Balance carried forward	**1 254**	**122**	1 282	79
	Southern African operations (denominated in South African rand)				
Secured bank loan one[4]	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.	**116**	**1**	136	1
Secured bank loan two[4]	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.	**162**	**1**	189	1
Secured bank loan five[5]	These loans bear interest at variable rates linked to the prime overdraft rate and are repayable in periods ranging between one and twelve years.	**3**	**1**	6	1
Preference shares[4]	Dividends are payable monthly at a rate of 72% of 3M JIBAR plus a margin of 1.65%. The outstanding balance will be redeemed on 26 September 2022.	**82**	**-**	95	1
Bank overdraft		**-**	**13**	-	-
	Middle East operations (denominated in UAE dirham)				
Secured bank loan one[6]	The loan bears interest at variable rates linked to the 3M LIBOR and a margin of 1.85% with five-year amortising terms, expiring in August 2023.	**170**	**26**	187	4
		1 787	**164**	1 895	87

8. LEASES

This note provides information for leases where the Group is the lessee. Refer to note 13 for a detailed explanation of the impact of the adoption of IFRS 16 *Leases* on the Group's financial statements.

Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	2020 £'m
Right-of-use assets	
Buildings	672
Equipment	3
	675
Right-of-use asset per geographic market	
Switzerland	414
Southern Africa	29
United Arab Emirates	232
	675

	2020 £'m
Lease liabilities	
Switzerland	416
Southern Africa	38
United Arab Emirates	249
	703
Of which are:	
- Non-current lease liabilities	654
- Current lease liabilities	49
	703

8. LEASES (continued)

Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2020 £'m
Depreciation charge of right-of-use assets	
Buildings	45
Equipment	1
	46
Classified as:	
Cost of sales	44
Administration and other operating expenses	2
	46
Interest expense (included in finance cost)	21
Expense relating to short-term leases and leases of low-value assets	12

The total cash outflow for leases was £63m.

9. FINANCE COSTS

	2020 £'m	2019 £'m
Interest expense	**58**	55
Interest on lease liabilities	**21**	-
Interest rate swaps*	**1**	-
Amortisation of capitalised financing costs	**3**	5
Derecognition of unamortised financing costs	**-**	2
Remeasurement of redemption liability (written put option)	**5**	-
Preference share dividend	**7**	10
Less: amounts included in cost of qualifying assets	**(3)**	(6)
	92	66

** Amount is less than £0.5m*

10. INCOME TAX EXPENSE

	2020 £'m	2019 £'m
Current tax		
Current year	**54**	53
Deferred tax credit	**(30)**	(60)
Taxation per income statement	**24**	(7)
Composition		
UK tax	**-**	-
Foreign tax	**24**	(7)
	24	(7)

10. INCOME TAX EXPENSE (continued)

	2020 %	2019 %
Reconciliation of rate of taxation:		
UK statutory rate of taxation	**19.0%**	19.0%
Adjusted for:		
Capital gains taxed at different rates	**(0.0)%**	0.1%
Benefit of tax incentives	**0.2%**	0.4%
Share of net profit of equity accounted investments	**0.2%**	0.4%
Non-deductible expenses[1]	**(35.9)%**	(26.5)%
Non-controlling interests' share of profit before tax	**0.4%**	0.7%
Effect of different tax rates[2]	**(0.1)%**	1.5%
Income tax rate changes[3]	**10.2%**	-
Effect of differences between deferred and current tax rates[4]	**-**	0.1%
Non-recognition of tax losses in current year	**(1.1)%**	(1.7)%
Derecognition of tax losses relating to prior years	**(0.7)%**	(0.3)%
Utilisation of previously unrecognised tax losses	**(0.1)%**	-
Withholding taxes	**(0.1)%**	-
Prior year adjustment[5]	**(0.6)%**	11.7%
Effective tax rate[6]	**(8.6)%**	5.4%

1 *The impairment of the listed associate of £10m (2019: £164m) and the impairment of goodwill of £482m was not deductible for tax purposes. The tax effect amounted to £93m (impact of 34% in effective tax rate).*

2 *Since the tax reconciliation is based on a UK statutory tax rate of 19.0%, a reconciling item results due to profit from Southern Africa which is subject to an income tax rate of 28.0% reduced by profit from the UAE which is not subject to income tax.*

3 *Corporate tax reforms in Switzerland led to the reduction in deferred tax liabilities amounting to £29m and a corresponding reduction to the tax rate charge.*

4 *In the prior year, the impairment of the trade names (£55m) and the impairment of property, equipment and vehicles (£186m) in Switzerland led to the release of a deferred tax liability of £47m. A reconciling item arises because the tax rate applied in calculating the deferred tax liabilities was higher than the current statutory rate of taxation.*

5 *Included in the prior year adjustment in 2019 is a credit of £17m relating to a change in the basis of estimating deferred tax related to Swiss properties from providing at a tax rate of 20.1% to tax rate of 19.3%.*

6 *If the impairment charges (and related deferred tax effect) discussed in point 1 and 4 above together with the items listed in point 3 were excluded from the effective tax rate calculation, the adjusted effective tax rate would be 22.3% (2019: 20.4%). Comparing the adjusted effective tax rate with the prior year, the increase is mainly due to the derecognition of previously recognised deferred tax assets on carry forward tax losses, in addition to not recognising deferred tax assets on current year tax losses in the Switzerland segment.*

11. EARNINGS PER ORDINARY SHARE

	2020 £'m	2019 £'m
Loss per ordinary share (pence)		
Basic (pence)	**(43.4)**	(20.5)
Diluted (pence)	**(43.4)**	(20.5)
Earnings reconciliation		
Loss attributable to equity holders of the Company	**(320)**	(151)
Adjusted for:		
No adjustments	**-**	-
Loss for basic and diluted EPS	**(320)**	(151)

	2020 Number of shares	2019 Number of shares
Number of shares reconciliation		
Weighted average number of ordinary shares in issue for basic earnings per share		
Ordinary shares in issue at the beginning of the year	**737 243 810**	737 243 810
Weighted average number of treasury shares	**(31 800)**	(49 544)
Mpilo Trusts*	**(31 800)**	(32 330)
Forfeitable Share Plan	**-**	(17 214)
	737 212 010	737 194 266
Weighted average number of ordinary shares in issue for diluted EPS		
Weighted average number of ordinary shares in issue	**737 212 010**	737 194 266
Weighted average number of treasury shares held, not yet released from treasury stock	**31 800**	49 544
Mpilo Trusts*	**31 800**	32 330
Forfeitable Share Plan	**-**	17 214
	737 243 810	737 243 810

11. EARNINGS PER ORDINARY SHARE (continued)

	2020 £'m	2019 £'m
Headline earnings per share		
Loss for basic and diluted EPS	**(320)**	(151)
Adjustments		
Impairment of equity-accounted investment	**10**	164
Impairment of properties and intangible assets	**509**	192
Loss on disposal of subsidiaries	**-**	1
Associate's (reversal of impairment)/impairment of property, plant and equipment	**(1)**	5
Headline earnings	**198**	211
HEPS (pence)	**26.9**	28.6
Diluted HEPS (pence)	**26.9**	28.6

12. BUSINESS COMBINATIONS

The following business combinations occurred during the year:

	2020 £'m	2019 £'m
Cash flow on acquisition:		
Denmar Specialist Psychiatric Hospital	**(12)**	-
Clinique des Grangettes	**-**	(50)
City Centre Clinics Deira and Me'aisem	**-**	(7)
Welkom Medical Centre	**-**	(6)
	(12)	(63)

Denmar Specialist Psychiatric Hospital

Effective on 1 December 2019, Mediclinic Southern Africa acquired 100% of the share capital of Denmar Specialist Psychiatric Hospital for £12m (R217m). Denmar is a mental health treatment provider operating 170 beds located in Garsfontein, Pretoria East specialising in the treatment of psychiatric illnesses. The goodwill of £4m (R78m) arising from the acquisition is attributable to the acquired workforce. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the provisional fair value of assets acquired and liabilities assumed at the acquisition date.

	2020 £'m
Recognised amounts of identifiable assets acquired and liabilities assumed	
Assets	
Property, equipment and vehicles	8
Trade and other receivables	1
Total assets	**9**
Liabilities	
Deferred tax liabilities	1
Total liabilities	**1**
Total identifiable net assets at fair value	**8**
Goodwill	4
Cash flow on acquisition	**12**
Cash flow on acquisition	
Net cash acquired with subsidiary	-
Cash paid	(12)
Net cash flow upon acquisition	**(12)**

13. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 16 *Leases* on the Group's financial statements.

The Group adopted IFRS 16 retrospectively from 1 April 2019, but has not restated comparatives for the 2019 reporting period as permitted under the specific transition provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 April 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 were as follow for each division:

- Switzerland: 0.8–2.0%
- Southern Africa: 8.7–9.8%
- Middle East: 4.2–4.5%

A number of transition options are available to lessees under IFRS 16. The Group applied the simplified approach where two options are available on a lease-by-lease basis:

- The lease liability is measured at the present value of the remaining lease payments over the period of the lease at the incremental borrowing rate at 1 April 2019. The right-of-use asset is measured retrospectively as if IFRS 16 had always been applied with an adjustment to retained earnings.
- The lease liability is measured at the present value of the remaining lease payments over the period of the lease at the incremental borrowing rate at 1 April 2019. The right-of-use asset is measured at an amount equal to the lease liability with no adjustment to retained earnings.

As allowed under IFRS 16, the two options above were applied on a lease-by-lease basis. For the larger leases of the Group, the right-of-use assets were measured retrospectively with an adjustment to retained earnings. For other leases a more simplistic approach was taken where the right-of-use assets were determined to be equal to their respective lease liabilities.

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying IAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

13. CHANGES IN ACCOUNTING POLICIES (continued)

Measurement of lease liabilities

	1 Apr 2019 £'m
Operating lease commitments disclosed at 31 March 2019	754
Operating lease commitment for contracts commencing after date of initial application	(45)
	709
Discounted using the lessee's incremental borrowing rate on 1 April 2019	515
Short-term and low value leases not recognised as a liability	(7)
Adjustments as a result of different treatment of extension and termination options	154
Lease liability for contracts commencing on 1 April 2019	3
Lease liability recognised at 1 April 2019	**665**
Of which are:	
Non-current lease liabilities	618
Current lease liabilities	47
	665
Lease liability by segment:	
Switzerland	394
Southern Africa	26
Middle East	245
	665

Measurement of right-of-use assets

For certain identified leases, the associated right-of-use assets were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at an amount equal to the lease liability.

13. CHANGES IN ACCOUNTING POLICIES (continued)

Adjustments recognised in the statement of financial position on 1 April 2019

	1 Apr 2019 £'m
Right-of-use assets (under property, equipment and vehicles)	640
Less: Favourable lease contract reclassification	(23)
Right-of-use assets (under property, equipment and vehicles)	617
Deferred tax assets	2
Prepayments (under trade and other receivables)	(2)
Other payables (under trade and other payables)	8
Borrowings	3
Lease liabilities	(665)
Impact on retained earnings	**(37)**

14. COMMITMENTS

	2020 £'m	2019 £'m
Capital commitments		
Switzerland	**32**	31
Southern Africa	**166**	199
Middle East	**39**	35
	237	265

These commitments will be financed from Group cash flow and borrowed funds.

15. DIVIDENDS

	Date paid/payable	Dividend per share (pence)	2020 £'m	2019 £'m
Dividends declared				
Year ended 31 March 2020				
Interim dividend	17 December 2019	3.20	24	
Final dividend	n/a	-	-	
		3.20		
Year ended 31 March 2019				
Interim dividend	18 December 2018	3.20		24
Final dividend	29 July 2019	4.70		35
		7.90	**24**	59
Dividends paid				
Dividends paid during the year			59	59

As part of the Group's broad response to maintaining its liquidity position through the COVID-19 pandemic, the Board has taken the decision to suspend the final dividend.

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, put/call agreements and forward contracts. These financial instruments 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 equity instruments at fair value through profit or loss (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 compared to those disclosed in note 35 of the Group's annual financial statements for the year ended 31 March 2020.

18. SHARE-BASED PAYMENTS

During the year ended 31 March 2020, the Group made further grants under its existing long-term incentive plan awards ("**LTIP**") as follows:

On 19 June 2019, the Group granted Ronnie van der Merwe and Jurgens Myburgh 373 437 and 206 456 phantom shares respectively. On the same date, 1 530 013 phantom shares were granted to other senior management. The vesting of these shares is subject to continued employment and is conditional upon achievement of performance targets, measured over a three-year period. The performance conditions for the year under review constitute a combination of absolute total shareholder return ("**TSR**") (40% weighting) and adjusted earnings per share (60% weighting).

For the year ended 31 March 2020, the total cost recognised in the income statement for the LTIP awards was a debit of £0.2m (2019: credit of £0.4m).

19. EVENTS AFTER THE REPORTING DATE

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

ABOUT MEDICLINIC INTERNATIONAL PLC

Mediclinic is an international private healthcare services group, established in South Africa in 1983, with divisions in Switzerland, Southern Africa (South Africa and Namibia) and the United Arab Emirates ("UAE").

The Group's core purpose is to enhance the quality of life.

Its vision is to be the partner of choice that people trust for all their healthcare needs.

Mediclinic is focused on providing specialist-orientated, multi-disciplinary services across the continuum of care in such a way that the Group will be regarded as the most respected and trusted provider of healthcare services by patients, medical practitioners, funders and regulators of healthcare in each of its markets.

At 31 March 2020, Mediclinic comprised 76 hospitals, eight sub-acute and specialised hospitals, 14 day case clinics and 21 outpatient clinics. Hirslanden operated 17 hospitals, two day case clinics and three outpatient clinics in Switzerland with more than 1 800 inpatient beds; Mediclinic Southern Africa operations included 52 hospitals (three of which in Namibia), eight sub-acute and specialised hospitals and 10 day case clinics (four of which operated by Intercare) across South Africa, and more than 8 500 inpatient beds; and Mediclinic Middle East operated seven hospitals, two day case clinics and 18 outpatient clinics with more than 900 inpatient beds in the UAE.

The Company's primary listing is on the London Stock Exchange ("LSE") in the United Kingdom, with secondary listings on the JSE Ltd in South Africa and the Namibian Stock Exchange in Namibia.

Mediclinic also holds a 29.9% interest in Spire Healthcare Group plc, a leading private healthcare group based in the United Kingdom and listed on the LSE.

AUDIO WEBCAST AND CONFERENCE CALL DETAILS

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

09:00 BST/10:00 SAST

Audio webcast: https://edge.media-server.com/mmc/p/ha3h3xd6

To access the call, please dial the appropriate number below 15 minutes before the start of the event using the conference confirmation code below:

UK FreeCall: 0800 279 6619
SA FreeCall: 0800 014 552
CH FreeCall: 0800 000 367
US FreeCall: 1 877 870 9135
International: +44 (0) 2071 928338

Confirmation code: **5768355**

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