MEDICLINIC GROUP LIMITED ("GROUP" OR "THE GROUP") ABRIDGED RESULTS

Page 7 in these abridged results sets out the Group's use of adjusted non-IFRS financial measures. Other non-IFRS measures, which include constant currency, cash conversion, return on invested capital ("ROIC"), net incurred debt and leverage ratio, are further discussed, with reconciliations from the most comparable IFRS measure provided, on pages 8-13.

GROUP RESULTS

	Reported results			Adjusted results[1]		
	FY23 £'m	FY22 £'m	**Variance[2]**	**FY23 £'m**	FY22 £'m	**Variance[2]**
Revenue	**3 618**	3 233	12%	**3 618**	3 233	12%
Adjusted EBITDA[3]				**570**	522	9%
Operating profit	**78**	280	(72)%	**336**	311	8%
Earnings[4]	**135**	151	(11)%	**192**	167	15%
EPS[5] (pence)	**18.3**	20.5	(11)%	**26.0**	22.6	15%
Headline earnings	**245**	140	75%			
Total dividend per share (pence)	**-**	3.00	(100)%	**-**	3.00	(100)%
Net incurred debt[6]				**1 159**	1 269	(9)%
Cash conversion[7]				**102%**	127%	

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 policy and "Reconciliations" section on pages 8-13.*
2 *The percentage variances are calculated in unrounded sterling values and not in millions.*
3 *Adjusted earnings before interest, tax, depreciation and amortisation ("EBITDA").*
4 *Earnings refers to earnings attributable to equity holders.*
5 *Earnings per share ("EPS").*
6 *Net incurred debt reflects bank borrowings and excludes IFRS 16 lease liabilities.*
7 *Refer to calculation on page 11.*

ADJUSTED RESLUTS

The Group experienced a testing first-half performance but, notwithstanding the continued macroeconomic pressures, delivered an improved performance in the second half of FY23. Group revenue was up 12% at £3 618m (FY22: £3 233m) and up 4% in constant currency terms. This performance was driven by an 11.2% growth in inpatient admissions and a 16.2% growth in day case admissions, partly offset, however, by lower average revenue per case due to mix changes, exacerbated by the post-COVID-19 environment, and below-inflation tariff increases.

Adjusted EBITDA was up 9% at £570m (FY22: £522m) and up 1% in constant currency terms. The Group's adjusted EBITDA margin was 15.8% (FY22: 16.1%), reflecting softer revenue performance, increased employee costs due to general nurse shortages in Switzerland and pronounced seasonality and additional headcount related to capacity expansion in the Middle East.

Adjusted depreciation and amortisation were up 13% to £236m (FY22: £209m) and up 4% in constant currency terms, as a result of increased investment in infrastructure and medical equipment post-COVID-19.

Adjusted operating profit was up 8% at £336m (FY22: £311m) and up 1% in constant currency terms, resulting in an increase in ROIC to 4.2% compared with 4.0% in FY22.

Adjusted net finance cost increased 8% to £72m (FY22: £67m) and up 1% in constant currency as higher underlying interest rates were largely offset by hedging (except for Switzerland, which was unhedged for most of the year), finance income on cash balances and a reduction in incurred debt.

The adjusted tax charge was £55m (FY22: £45m) and the adjusted effective tax rate for the period was 20.5% (FY22: 19.5%). The increase in the adjusted effective tax rate was mainly due to the non-recognition of deferred tax assets on tax losses in Switzerland. Adjusted non-controlling interests were up 16% to £22m (FY22: £19m).

Adjusted net profit from equity-accounted investments improved from a loss of £13m in FY22 to a profit of £5m in FY23, reflecting the net profit reported by Spire for the 12 months ended 31 December 2022.

Both adjusted earnings and adjusted EPS were up 15% at £192m (FY22: £167m) and 26.0 pence (FY22: 22.6 pence), respectively.

The Group delivered cash conversion of 102% (FY22: 127%), ahead of the targeted 90–100%.

Total capital expenditure for the period was £203m (FY22: £178m), representing ongoing investment across the three divisions to enhance the existing business and deliver future growth opportunities.

Given the improved profitability and continued amortisation of borrowings, the Group's leverage ratio (including lease liabilities) decreased during the year to 3.6x (FY22: 3.9x). The continued repayment of debt by the Swiss and Middle East divisions by around £121m in the year, partly offset by translation differences at year end, resulted in reported incurred bank debt decreasing to £1 733m (FY22: £1 803m). Net incurred debt decreased by £110m to £1 159m (FY22: £1 269m).

In arriving at FY23 adjusted operating profit, reported operating profit was adjusted for the following exceptional items:

- corporate transaction costs of £8m relating to the acquisition of the Group by Bidco;
- impairment charges of £228m relating to property, equipment, vehicles and computer software in Switzerland, where the carrying value was impaired to the recoverable amount due to weaker performance and higher discount rates;
- impairment charges of £1m relating to goodwill in Southern Africa; and
- accelerated depreciation of £21m relating to the dismantling of two hospital wings as part of an expansion project at Klinik St. Anna, Lucerne.

Prior-period FY22 operating profit was adjusted for the following exceptional items:

- past service cost of £9m relating to Swiss pension benefit plan changes and £2m relating to Middle East end-of-service benefit obligation;
- insurance proceeds of £7m received for the damage of buildings and equipment at Klinik Hirslanden, Zurich;
- accelerated depreciation of £19m relating to the dismantling of two hospital wings as part of an expansion project at Klinik St. Anna;
- impairment charges of £7m relating to damaged buildings and equipment at Klinik Hirslanden; and
- fair value adjustment of £1m on the deemed disposal of the equity-accounted investment, Bourn Hall.

FY23 reported earnings were further adjusted for the following exceptional items:

- a decrease in the redemption liability of £37m related to Clinique des Grangettes, Geneva, due to remeasurement;
- the reversal of impairment charges of £89m related to the equity-accounted investment in Spire to more closely reflect the market value of the investment;
- tax rate changes of £13m and prior-period adjustments of £8m related to Switzerland; and
- related tax impact on adjusting items of £53m and adjusting items attributable to non-controlling interest of £1m.

FY22 reported earnings were further adjusted for the following exceptional items:

- Mediclinic's share of the equity-accounted gain on sale and leaseback from Spire of £7m;
- Mediclinic's share of the equity-accounted tax credit in respect of Spire's sale and leaseback of £5m;
- increase in the redemption liability related to Clinique des Grangettes due to remeasurement of £1m; and
- related tax impact on adjusting items of £4m.

REPORTED RESULTS

Reported revenue was up 12% to £3 618m (FY22: £3 233m), driven by the recovery in client activity.

Depreciation and amortisation, which includes accelerated depreciation of £21m (FY22: £19m) relating to the expansion project at Klinik St. Anna, increased by 13% to £257m (FY22: £228m), reflecting the increased investment in infrastructure and medical equipment post-COVID-19.

Operating profit was down by 72% to £78m (FY22: £280m) and includes impairment charges of £229m, mostly related to Switzerland.

Net finance cost decreased by 49% to £35m (FY22: £68m) and includes a decrease in the redemption liability related to Clinique des Grangettes due to remeasurement of £37m.

The effective tax rate for the period was (13.9)% (FY22: 19.5%), reflecting non-taxable income relating to the remeasurement of the redemption liability of £37m and the reversal of impairment of the equity-accounted investment in Spire of £89m, as well as Swiss tax rate changes of £13m, a prior-period adjustment of £8m that resulted in a reduction in deferred tax liabilities of £21m, and a tax deduction on the impairment of an intra-group loan that resulted in a tax credit of £22m.

Earnings and EPS were both down 11% at £135m (FY22: £151m) and at 18.3 pence (FY22: 20.5 pence), respectively.

DIVISIONAL RESULTS

	Group currency (millions)			Divisional currency (millions)[1]		
	FY23	FY22	Variance	FY23	FY22	Variance
Revenue	£3 618	£3 233	12%			
Switzerland	£1 654	£1 503	10%	1 900	1 885	1%
Southern Africa	£953	£909	5%	19 506	18 416	6%
Middle East	£1 010	£820	23%	4 459	4 111	8%
Corporate	£1	£1	-	n/a	n/a	
Adjusted EBITDA	£570	£522	9%			
Switzerland	£245	£236	4%	280	297	(6)%
Southern Africa	£184	£170	8%	3 775	3 430	10%
Middle East	£146	£123	19%	641	614	4%
Corporate	£(5)	£(7)	(29)%	n/a	n/a	
Adjusted EBITDA margin[2]						
Group	15.8%	16.1%				
Switzerland[3]	14.7%	15.6%				
Southern Africa	19.4%	18.6%				
Middle East	14.4%	14.9%				
Adjusted operating profit	£336	£311	8%			
Switzerland	£111	£121	(8)%	126	151	(17)%
Southern Africa	£145	£131	11%	2 976	2 656	12%
Middle East	£83	£68	22%	362	338	7%
Corporate	£(3)	£(9)	(67)%	n/a	n/a	
Adjusted operating profit margin[2]						
Group	9.3%	9.6%				
Switzerland[3]	6.6%	7.9%				
Southern Africa	15.3%	14.4%				
Middle East	8.1%	8.2%				

Notes

1. *Divisional currency for Switzerland is shown in Swiss franc (CHF), Southern Africa in South African rand (ZAR) and Middle East in UAE dirham (AED).*
2. *Adjusted EBITDA and adjusted operating profit as a percentage of revenue.*
3. *The numerator used for calculating the adjusted EBITDA and adjusted operating profit margins of Switzerland in FY22 included government grants of £16m (CHF19m) disclosed as 'Other income'.*

The Group uses adjusted income statement reporting as non-IFRS measures in evaluating performance and to provide consistent and comparable reporting. Refer to the policy and "Reconciliations" section on pages 8-13.

Switzerland

Revenue for the period increased by 1% to CHF1 900m (FY22: CHF1 885m), driven by inpatient revenue growth of 2% and outpatient and day case revenue growth of 3%, offset by reducing revenues from COVID-19-related testing and vaccination activities. Admission growth was impacted by a general shortage of nursing employees, leading to capacity constraints in certain parts of the division.

Inpatient revenue growth of 2% compared with FY22 was due to a 1.4% increase in inpatient activity and broadly flat inpatient revenue per admission despite the general insurance mix increasing to 51.7% (FY22: 51.3%), with supplementary insured volumes up 0.5% and general insured volumes up 2.1%. Average length of stay decreased by 3%, delivering an occupancy rate of 61.1% (FY22: 62.6%).

Outpatient and day case revenue was up 3%, contributing some 21% (FY22: 20%) to total revenue in the period.

The constrained revenue growth in the period, combined with the elevated spend on temporary and overtime employee costs due to general nurse shortages, resulted in a 6% decrease in adjusted EBITDA to CHF280m (FY22: CHF297m). The adjusted EBITDA margin was 14.7% (FY22:15.6%).

Adjusted depreciation and amortisation increased by 5% to CHF154m (FY22: CHF146m). Adjusted operating profit decreased by 17% to CHF126m (FY22: CHF151m).

Adjusted net finance cost increased by 7% to CHF62m (FY22: CHF58m) as the Swiss Average Rate Overnight ("SARON") reference rate increased from negative to 1.41% at 31 March 2023, in line with interest rate increases implemented by the Swiss National Bank. At year end, approximately 40% of the division's borrowings were at fixed rates or hedged to interest rate movements.

Adjusted earnings decreased by 52% to CHF32m (FY22: CHF67m).

Cash conversion of 105% (FY22: 126%) reflected a much-improved second-half performance, reducing the backlog in receivables.

Total capex spent during FY23 was CHF123m (FY22: CHF129m), comprising maintenance capex of CHF63m (FY22: CHF68m) and expansion capex of CHF60m (FY22: CHF61m).

Southern Africa

Revenue for the period increased by 6% to ZAR19 506m (FY22: ZAR18 416m), reflecting strong client activity. Compared with FY22, paid patient days ("PPDs") increased by 7%. Occupancy improved with the growth in PPDs to average 67.7% (FY22: 64.3%). Average revenue per bed day was down 1.1% compared with FY22, reflecting an expected change in mix following prior periods with more pronounced COVID-19 cases. The average length of stay was down 7.3% compared with FY22, reflecting the decrease in longer stay COVID-19 patients and a significant increase in day case admissions.

Adjusted EBITDA increased by 10% to ZAR3 775m (FY22: ZAR3 430m), driven by the revenue performance and responsible cost management, delivering an improved adjusted EBITDA margin of 19.4% (FY22: 18.6%).

Depreciation and amortisation increased by 5% to ZAR807m (FY22: ZAR772m). Adjusted operating profit increased by 12% to ZAR2 976m (FY22: ZAR2 656m).

Net finance cost increased by 1% to ZAR469m (FY22: ZAR465m) as the higher interest rate was offset by interest on cash balances and approximately 50% of the borrowings hedged against interest rate exposure.

Adjusted earnings increased by 15% to ZAR1 559m (FY22: ZAR1 359m).

The division converted 103% (FY22: 108%) of adjusted EBITDA into cash generated from operations.

Total capex spent during the period was ZAR1 172m (FY22: ZAR957m), comprising maintenance capex of ZAR712m (FY22: ZAR654m) and expansion capex of ZAR460m (FY22: ZAR303m).

The Middle East

Revenue for the period increased by 8% to AED4 459m (FY22: AED4 111m), recovering from the pronounced seasonality in the first half of FY23 (following lifting of COVID-19 travel restrictions). Demand for our services was strong, with inpatient admissions and day cases up 17% and outpatient cases up 14%. The volume increase was partly offset by a decrease in the average revenue per inpatient and day case admission by 9% and in average revenue per outpatient case by 4%, reflecting mix changes in the post-COVID-19 environment. Pharmacy revenue increased by 15% and contributed approximately 20% of total revenues for the division.

Adjusted EBITDA increased 4% to AED641m (FY22: AED614m) reflecting additional headcount compared with the prior-year period, given investment for growth in new and existing facilities, which combined with the growth in pharmacy revenue resulted in a marginal decrease in adjusted EBITDA margin to 14.4% (FY22: 14.9%).

Adjusted depreciation and amortisation increased by 3% to AED280m (FY22: AED272m). Adjusted operating profit increased by 7% to AED362m (FY22: AED338m).

Net finance cost decreased by 2% to AED78m (FY22: AED79m), as amortising of borrowings resulted in lower interest charges.

Adjusted earnings increased by 11% to AED285m (FY22: AED257m).

The division’s cash conversion was 99% (FY22: 141%), in line with the Group’s targeted 90–100% conversion ratio. The FY22 cash conversion reflected the catch-up of under-recovery in the prior year.

Total capex spent during the period was AED170m (FY22: AED141m), comprising maintenance capex of AED61m (FY22: AED41m) and expansion capex of AED109m (FY22: AED100m).

ADJUSTED NON-IFRS FINANCIAL MEASURES

Reported results represent the Group's overall performance and have been presented in accordance with IFRS.

Management also uses adjusted non-IFRS measures to assess the financial and operational performance of the Group. Adjusted results may be considered in addition to, but not as a substitute for, or superior to, information presented in accordance with IFRS. Such measures may not be comparable with similar measures presented by other companies.

Adjusted results provide investors and analysts with complementary information to better understand the financial performance and position of the Group from period to period. Adjusted results are used by management for budgeting and planning purposes, as well as by the directors for evaluating management's performance and in setting management incentives.

The main alternative performance measures used by the Group are explained and/or reconciled with our IFRS measures as presented in the financial statements.

The Group's policy is to adjust, among others, 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 on corporate transactions;
- gains or losses on the remeasurement of previously held equity interests in acquirees in terms of IFRS 3;
- remeasurement of right-of-use assets and lease liabilities as a result of lease modifications in terms of IFRS 16 *Leases*;
- past service cost charges/credits in relation to retirement benefit obligations;
- 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 liabilities due to changes in estimated underlying value;
- impairment charges and reversal of impairment charges;
- insurance proceeds for items of property, equipment and vehicles impaired;
- prior-year tax adjustments and significant tax rate changes; and
- tax and non-controlling interest impact of the above items.

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

EBITDA and adjusted EBITDA 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. EBITDA eliminates potential differences in performance caused by variances in capital structures and cost and age of capitalised assets.

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 apply this definition consistently in the future.

RECONCILIATIONS

Non-IFRS financial measures

FY23 results	Total £'m	Switzerland £'m	Southern Africa £'m	Middle East £'m	Spire £'m	Corporate £'m
Operating profit/(loss)	**78**	(138)	144	83	-	(11)
Add back:						
- Other gains and losses	**(2)**	1	-	(1)	-	(2)
- Depreciation and amortisation	**257**	154	39	64	-	-
- Impairment of property, equipment and vehicles	**226**	226	-	-	-	-
- Impairment of intangible assets	**3**	2	1	-	-	-
EBITDA	**562**	245	184	146	-	(13)
- Corporate transaction costs	**8**	-	-	-	-	8
Adjusted EBITDA	**570**	245	184	146	-	(5)
Operating profit/(loss)	**78**	(138)	144	83	-	(11)
- Corporate transaction costs	**8**	-	-	-	-	8
- Impairment of properties, equipment and vehicles	**226**	226	-	-	-	-
- Impairment of intangible assets	**3**	2	1	-	-	-
- Accelerated depreciation and amortisation	**21**	21	-	-	-	-
Adjusted operating profit/(loss)	**336**	111	145	83	-	(3)
Profit/(loss) for the year[1]	**156**	(80)	88	65	92	(9)
Non-controlling interests	**(21)**	(7)	(14)	-	-	-
- Corporate transaction costs	**8**	-	-	-	-	8
- Impairment of properties, equipment and vehicles	**226**	226	-	-	-	-
- Impairment of intangible assets	**3**	2	1	-	-	-
- Accelerated depreciation and amortisation	**21**	21	-	-	-	-
- Remeasurement of redemption liability (written put option)	**(37)**	(37)	-	-	-	-
- Reversal of impairment of equity-accounted investment	**(89)**	-	-	-	(89)	-
- Tax rate changes and prior-period adjustment	**(21)**	(21)	-	-	-	-
- Tax on adjusting items	**(53)**	(53)	-	-	-	-
- Adjusting items attributable to non-controlling interests	**(1)**	(1)	-	-	-	-
Adjusted earnings	**192**	50	75	65	3	(1)
Weighted average number of shares (millions)	**737.2**					
Adjusted EPS (pence)	**26.0**					

Note

[1] *Profit for the period in Switzerland is shown after the elimination of intercompany loan interest of £20m.*

RECONCILIATIONS (continued)

Non-IFRS financial measures (continued)

FY22 results	Total £'m	Switzerland £'m	Southern Africa £'m	Middle East[1] £'m	Spire £'m	Corporate £'m
Operating profit/(loss)	**280**	93	131	65	-	(9)
Add back:						
- Other gains and losses	**3**	-	-	2	-	1
- Depreciation and amortisation	**228**	134	39	54	-	1
- Impairment of property, equipment and vehicles	**7**	7	-	-	-	-
EBITDA	**518**	234	170	121	-	(7)
- Past service cost	**11**	9	-	2	-	-
- Insurance proceeds	**(7)**	(7)	-	-	-	-
Adjusted EBITDA	**522**	236	170	123	-	(7)
Operating profit/(loss)	**280**	93	131	65	-	(9)
- Past service cost	**11**	9	-	2	-	-
- Insurance proceeds	**(7)**	(7)	-	-	-	-
- Impairment of property, equipment and vehicles	**7**	7	-	-	-	-
- Accelerated depreciation and amortisation	**19**	19	-	-	-	-
- Fair value adjustments on remeasurement of investment in associate	**1**	-	-	1	-	-
Adjusted operating profit/(loss)	**311**	121	131	68	-	(9)
Profit/(loss) for the year[1]	**170**	54	79	48	(3)	(8)
Non-controlling interests	**(19)**	(8)	(11)	-	-	-
- Past service cost	**11**	9	-	2	-	-
- Insurance proceeds	**(7)**	(7)	-	-	-	-
- Impairment of properties, equipment and vehicles	**7**	7	-	-	-	-
- Accelerated depreciation and amortisation	**19**	19	-	-	-	-
- Remeasurement of redemption liability (written put option)	**1**	1	-	-	-	-
- Fair value adjustments on remeasurement of investment in associate	**1**	-	-	1	-	-
- Equity-accounted portion of gain on sale and leaseback	**(7)**	-	-	-	(7)	-
- Equity-accounted portion of tax impact of sale and leaseback	**(5)**	-	-	-	(5)	-
- Tax on adjusting items	**(4)**	(4)	-	-	-	-
Adjusted earnings	**167**	71	68	51	(15)	(8)
Weighted average number of shares (millions)	**737.3**					
Adjusted EPS (pence)	**22.6**					

Note

[1] *Profit for the year in Switzerland is shown after the elimination of intercompany loan interest of £18m.*

RECONCILIATIONS (continued)

Non-IFRS financial measures (continued)

Depreciation and amortisation

Adjusted and reported depreciation and amortisation was calculated as follows:

	FY23 £'m	FY22 £'m
Depreciation and amortisation	**257**	228
Accelerated depreciation and amortisation	**(21)**	(19)
Adjusted depreciation and amortisation	**236**	209

Net finance cost

Adjusted and reported net finance cost was calculated as follows:

	FY23 £'m	FY22 £'m
Finance cost	**87**	74
Finance income	**(52)**	(6)
Net finance cost	**35**	68
Remeasurement of redemption liability (written put option)	**37**	(1)
Adjusted net finance cost	**72**	67

Share of net profit/(loss) on equity-accounted investments

Adjusted share of net profit/(loss) on equity-accounted investments was calculated as follows:

	FY23 £'m	FY22 £'m
Share of net profit/(loss) of equity-accounted investments	**5**	(1)
Equity-accounted portion of gain on sale and leaseback	**-**	(7)
Equity-accounted portion of tax impact of sale and leaseback transaction	**-**	(5)
Adjusted share of net profit/(loss) of equity-accounted investments	**5**	(13)

RECONCILIATIONS (continued)

Non-IFRS financial measures (continued)

Income tax

Adjusted income tax was calculated as follows:

	FY23 £'m	FY22 £'m
Income tax (credit)/expense	**(19)**	41
Tax impact of adjusting items	**53**	4
- Past service cost	**-**	2
- Accelerated depreciation	**2**	2
- Tax impact on impairment of intra-group loan	**22**	-
- Impairment of properties, equipment and vehicles	**29**	-
Tax rate changes and prior-year adjustment	**21**	
Adjusted income tax expense	**55**	45
Adjusted effective tax rate[1]	**20.5%**	19.5%

Note

[1] *The effective tax rate percentages are calculated in unrounded sterling values and not in millions.*

Non-controlling interests

Adjusted non-controlling interests were calculated as follows:

	FY23 £'m	FY22 £'m
Non-controlling interests	**21**	19
Adjusting items attributable to non-controlling interests	**1**	-
Adjusted non-controlling interests	**22**	19

Cash conversion

Cash conversion, calculated as cash generated from operations as a percentage of adjusted EBITDA, is shown as a non-IFRS measure as this is used by management to measure cash generation by the Group.

Cash conversion was calculated as follows:

	FY23 £'m	FY22 £'m
Cash from operations (a)	**581**	663
Adjusted EBITDA (b)	**570**	522
Cash conversion ([a]/[b] x 100)1	**102%**	127%

Note

[1] *Switzerland 105% (FY22: 126%), Southern Africa 103% (FY22: 108%), the Middle East 99% (FY22: 141%).*

RECONCILIATIONS (continued)

Non-IFRS financial measures (continued)

Return on invested capital

ROIC is included as a non-IFRS measure as it is used by management to help inform and reflect capital allocation decisions within the business. ROIC is calculated as adjusted operating profit after tax paid expressed as a percentage of average invested capital. Average values for total invested capital are calculated as the average monthly balance for the year.

ROIC was calculated as follows:

	FY23 £'m	FY22 £'m
Adjusted operating profit	**336**	311
Tax on adjusted operating profit[1]	**(59)**	(58)
Adjusted operating profit after tax (a)	**277**	253
Total assets	**7 516**	7 207
Less: equity-accounted investments	**(265)**	(165)
Less: current liabilities	**(993)**	(823)
Add back: short-term portion of interest-bearing borrowings and lease liabilities	**178**	171
Invested capital	**6 436**	6 390
Average invested capital (b)	**6 588**	6 254
Return on average invested capital ([a]/[b] x 100)[2]	**4.2%**	4.0%

Notes

1 *Tax on adjusted operating profit is calculated as adjusted operating profit before tax multiplied by underlying statutory tax rates of each entity in the country where it operates.*

2 *The return on average invested capital percentages are calculated in unrounded sterling values and not in millions.*

RECONCILIATIONS (continued)

Non-IFRS financial measures (continued)

Constant currency

The Group uses constant currency measures primarily for comparable performance analysis. Constant currency measures are presented using prior-year exchange rates, which exclude the impact of fluctuations in foreign currency exchange rates. Constant currency values are calculated by translating both the current and the prior-period local currency amounts into sterling using the prior-year average exchange rates.

Constant currency measures using FY22 average exchange rates were calculated as follows:

	FY23	FY22	Variance
Revenue	**3 618**	3 233	
Retranslation at prior-year rates	**(251)**	-	
Revenue in constant currency at prior-year rates	**3 367**	3 233	4%
Adjusted EBITDA	**570**	522	
Retranslation at prior-year rates	**(41)**	-	
Adjusted EBITDA in constant currency at prior-year rates	**529**	522	1%
Adjusted operating profit	**336**	311	
Retranslation at prior-year rates	**(23)**	-	
Adjusted operating profit in constant currency at prior-year rates	**313**	311	1%

STATEMENT OF FINANCIAL POSITION

Property, equipment and vehicles, and intangible assets

Mediclinic is one of the largest private healthcare providers across Europe, Middle East and Africa, with unique clinical expertise and scale. Aligned with the Group's strategic goals and balanced approach to capital allocation, Mediclinic will seek to execute on opportunities to grow within our existing business across the continuum of care, invest in various innovation and digital transformation initiatives, and pursue opportunities for regional expansion through bolt-on investments at the appropriate time.

Property, equipment and vehicles increased to £4 415m at 31 March 2023 (FY22: £4 385m).

Total capital expenditure for the period was £203m (FY22: £178m). Maintenance and expansion capex amounted to £104m (FY22: £94m) and £99m (FY22: £84m), respectively.

Impairment charges of £226m and £2m were recognised in Switzerland in respect of property, equipment and vehicles, and intangible assets, respectively, after impairment indicators were identified and a fair-value-less-cost-of-disposal ('FVLCOD') calculation was performed.

Intangible assets increased to £1 186m at 31 March 2023 (FY22: £1 126m), mainly due to translation differences. In addition to the impairment charges mentioned above, impairment charges of £1m relating to goodwill in Southern Africa were recognised.

STATEMENT OF FINANCIAL POSITION (continued)

Investment in associates

Spire

Mediclinic holds a 29.7% (FY22: 29.9%) investment in Spire which is equity accounted. Spire reported its full-year financial results for the period ended 31 December 2022 on 2 March 2023.

For the 12 months ended 31 December 2022, Spire reported a profit after taxation of £8.2m, (31 December 2021: loss of £9m, which included a gain on sale and leaseback of £23m and a related tax credit of £16m). Mediclinic's equity-accounted profit amounted to £2m (FY22: loss of £3m). The adjusted equity-accounted profit amounted to £2m (FY22: loss of £15m).

At 31 March 2023, an indicator of impairment reversal was identified as the market value of the investment in Spire exceeded the carrying value. Since the market value has exceeded the carrying value for a prolonged period, an impairment reversal of £89m was recognised to more closely reflect the market value of the investment.

Net debt and liquidity

	FY23 £'m	FY22 £'m
Borrowings	**1 733**	1 803
Less: cash and cash equivalents	**(574)**	(534)
Net incurred debt	**1 159**	1 269
Lease liabilities	**873**	786
Net debt	**2 032**	2 055

The Group's leverage ratio[1] reduced to 3.6x at 31 March 2023 from 3.9x at the FY22 year end. Incurred bank debt reduced to £1 733m (FY22: £1 803m), mainly due to ongoing repayment of debt by the Swiss and Middle East divisions, while lease liabilities increased to £873m (FY22: £786m), in part due to the commissioning of the Airport Road Hospital extension in Abu Dhabi.

The Group maintains a strategy of responsible leverage, largely using its extensive asset base to secure cost-efficient borrowings. The Group's fixed-charge cover ratio[2] improved to 4.0x (FY22: 4.3x). 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, which includes less asset-intensive investments and partnerships.

Debt is ring-fenced within 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. In FY23, Switzerland made a scheduled amortisation repayment of CHF51m and the Middle East of AED339m. In FY24, the Middle East expects to complete the repayment of debt it incurred during the multiyear expansion period that supports the division's future growth aspirations.

Cash and cash equivalents was £574m at 31 March 2023, compared with £534m at 31 March 2022, benefiting from translation differences that more than offset the lower cash conversion compared with the prior-year period.

Notes

1. *Non-IFRS measure reflecting net debt as a percentage of adjusted EBITDA.*
2. *Non-IFRS measure reflecting adjusted EBITDA less expenses related to short-term leases as a percentage of total rent and interest paid.*

STATEMENT OF FINANCIAL POSITION (continued)

Net debt and liquidity (continued)

Interest rate sensitivity

After taking the interest rate swaps into account, the Group's net debt is exposed to movements in variable interest rates. The sensitivity of interest rates can be summarised as follows:

- Switzerland: Post-tax profit for the period would decrease/increase by £1.3m if the interest rates had been 25 basis points higher/lower in Switzerland with all other variables held constant. In the prior year, at 31 March 2022, the SARON was -0.70%. Interest rates would have had to increase by 70 basis points to have an impact on post-tax profit for the period with all other variables held constant. As a result, an increase in the interest rate of 25 basis points would have had no impact on post-tax profit for the period.
- Southern Africa: Post-tax profit for the period would decrease/increase by £0.1m (FY22: decrease/increase by £0.4m) if the interest rates had been 100 basis points higher/lower in Southern Africa with all other variables held constant; and
- The Middle East: Post-tax profit for the period would decrease/increase by £0.3m (FY22: decrease/increase by £0.1m) if the interest rates had been 50 basis points higher/lower in the Middle East with all other variables held constant.

Covenants

The Group had headroom over all covenants, waived or effective, at the end of FY23.

The following table illustrates the headroom to the covenant tests:

	Status	Headroom variable	FY23 Headroom[1]	FY22 Headroom[1]	Compliant
Switzerland					
Leverage ratio	Waived [2]	EBITDA	2%	13%	n/a
Economic capital ratio	Effective	Equity	25%	27%	Yes
Loan-to-value ratio	Effective	Property value	13%	17%	Yes
Southern Africa					
Leverage ratio	Effective	EBITDA	60%	52%	Yes
Net interest cover ratio	Effective	EBITDA	61%	56%	Yes
Middle East					
Leverage ratio	Effective	EBITDA	112%	95%	Yes
Debt service coverage ratio	Effective	Cash flow	8%	54%	Yes
Minimum net worth	Effective	n/a	> AED700m	> AED700m	Yes
Minimum monthly receivables	Effective	n/a	> AED100m[3]	> AED100m[3]	Yes

Notes

1. *Headroom is calculated with reference to the indicated headroom variable, keeping other inputs constant.*
2. *Waived covenant compliance tests are to be performed at the end of September 2024 for Switzerland.*
3. *Average of last three months.*

STATEMENT OF FINANCIAL POSITION (continued)

Swiss pension benefit obligation

In Switzerland, the Company 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 the Group, 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 net pension liability was reassessed by the actuaries at the end of the period and amounted to £7m (FY22: £6m), consisting of a net pension asset of £1m (FY22: £1m) relating to one (FY22: one) of the plans and a net pension liability of £8m (FY22: £7m) relating to three (FY22: three) of the plans. An asset ceiling restriction was applied to one of the plans and resulted in a net liability of £nil.

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 Clinique La Colline. At 31 March 2023, the value of the redemption liability related to the written put option amounted to £99m (FY22: £126m).

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

Average rates with reference to sterling	**FY23**	FY22	Variance
Swiss franc	**1.15**	1.25	8%
South African rand	**20.43**	20.27	(1)%
UAE dirham	**4.42**	5.02	12%

Year-end rates with reference to sterling	**FY23**	FY22	Variance
Swiss franc	**1.13**	1.21	7%
South African rand	**21.90**	19.23	(14)%
UAE dirham	**4.53**	4.82	6%

Movements in exchange rates affected the reported earnings and reported balances in the statement of financial position. The resulting currency translation difference, which is the amount by which the Group's interest in the equity of the divisions increased because of spot rate movements, amounted to £156m (FY22: increase of £182m) and was credited (FY22: credited) to the statement of comprehensive income. The increase was the result of the strengthening of the period-end rates against the sterling.

FOREIGN EXCHANGE RATES (continued)

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 after tax would increase/decrease by £10m (FY22: increase/decrease by £4m) 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 after tax would increase/decrease by £9m (FY22: increase/decrease by £8m) 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 after tax would increase/decrease by £3m (FY22: increase/decrease by £5m) due to exposure to the £/AED exchange rate.

DIVIDEND POLICY AND DIVIDEND DECLARATION

The Group's dividend policy prior to the acquisition was to target a payout ratio of between 25% and 35% of full-year adjusted earnings. Mediclinic's Board may revise the policy at its discretion.

As referenced in the Scheme[1] document, Bidco reserved the right to reduce the acquisition price by the amount of any dividend declared prior to the date on which the Scheme became effective. Consequently, the Mediclinic Board considered it appropriate not to propose a final dividend.

[1] The scheme whereby Manta Bidco Limited ("Bidco") (a consortium made up of (i) Remgro (through the relevant Remgro subsidiaries); and (ii) SAS Shipping Agencies Services S.à r.l. ("SAS"), a wholly-owned subsidiary of MSC Mediterranean Shipping Company SA ("MSC")), acquired the entire issued and to be issued share capital of Mediclinic Group Limited (formerly Mediclinic International plc)