Spire Healthcare

2016 Financial Year Results Presentation

Important information: forward-looking statements

These materials contain certain forward-looking statements relating to the business of Spire Healthcare Group plc (the “Company”) and its subsidiaries (collectively, the “Group”), including with respect to the progress, timing and completion of the Group’s development, the Group’s ability to treat, attract, and retain patients and customers, its ability to engage consultants and GPs 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 presentation, those results or developments may not be indicative of the Group’s results or developments in the future. In some cases, you can identify forward-looking statements by words such as “could,” “should,” “may,” “expects,” “aims,” “targets”, “anticipates,” “believes,” “intends,” “estimates,” or similar words. These forward-looking statements are based largely on the Group’s current expectations as of the date of this presentation 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 the UK, poor performance by consultants who practice at our facilities, unexpected regulatory actions or suspensions, competition in general, the impact of global economic changes, and the Group’s ability to obtain or maintain accreditation or approval for its facilities or service lines. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements made during this presentation 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 these materials.

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

Spire Healthcare

Agenda

1 **Executive Overview**
Garry Watts, Chairman

2 **Financial Review**
Simon Gordon, CFO

3 **Operating Review**
Catherine Mason, COO

4 **Summary**
Garry Watts, Chairman

Our comprehensive network of quality healthcare services

38 full service hospitals	**10 clinics & 2 specialist cancer care centres**	**126 operating theatres & 1,830 patient beds**	**98% of patients rate "Excellent" or "Very Good"**
12,450 staff and 3,800 consultants	**274,000 IP and DC procedures**	**773,000 patients (IP, DC and OP)**	**8.8% of all UK hip & knee procedures**

Three of the top 10 hospitals in England (NHS and Independent) for health gain following hip replacements are Spire hospitals – & also 3 of the top 10 hospitals in England for knee replacements

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Our payor hedge

Executive Overview

Overall IP and DC admissions grew by 1.5% to make us the largest independent group by revenues

PMI

We expect PMI growth to be muted in the short to medium term, but we believe that corporates will increasingly assume responsibility for their employees' health

Self-pay

The recent strong growth in the Self-pay business should continue, as NHS rationing & waiting times grow, and Spire rolls out its enhanced consumer proposition

NHS

Spire's NHS admissions should continue to grow at current rates as patients and GPs increasingly opt for the private sector in the eReferral process

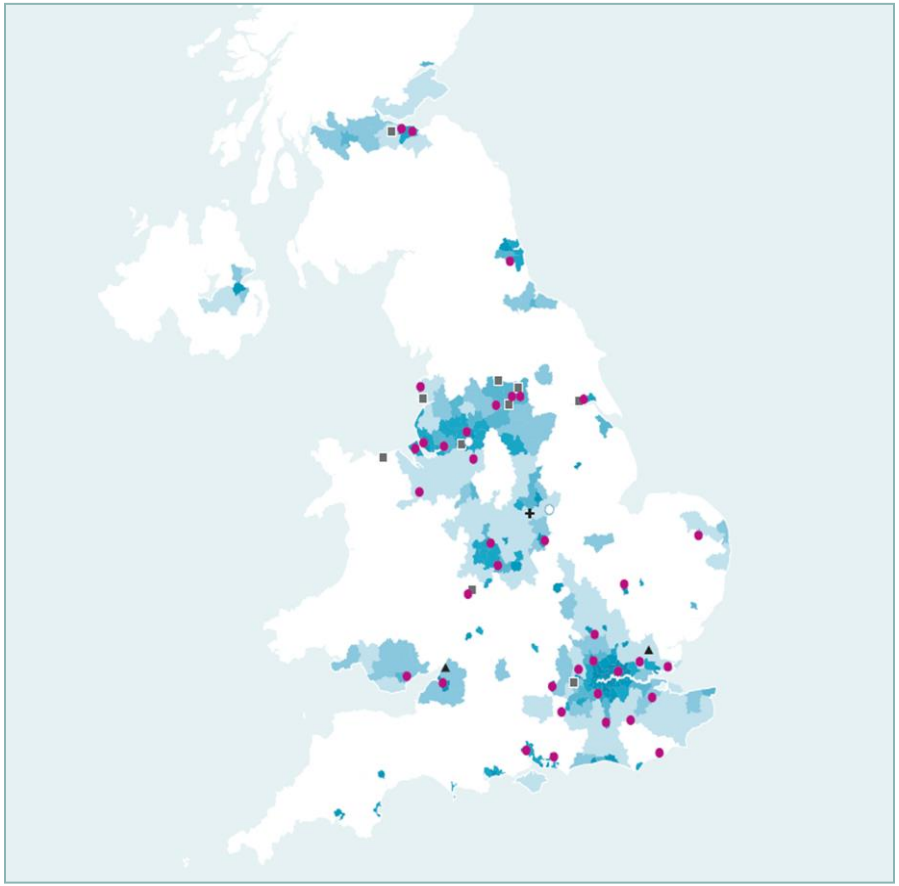
"If [CCGs] fail ….to reduce the rate at which demand is growing, or additional funding cannot be secured, the NHS will face some unpalatable decisions …..extending waiting times, raising the threshold at which patients become eligible for treatment, cutting services altogether, or closing whole sites or hospitals."
(Nuffield Trust, August 2016)

"Continued structural pressure on the NHS will …. increasingly necessitate the use of the most efficient providers and …. is likely to lead to more outsourcing to the private sector. If not, we still believe the private sector will benefit as individuals are increasingly forced to dip into their own pockets to fund care."
(JPMorgan Cazenove, 14 February 2017)

Financial Year 2016 highlights

A year of solid growth, with Adjusted revenue up 5.8% and Adjusted EBITDA up 5.4%

- LFL (i.e. excluding disposals) revenue growth of 5.4%, with consistent comparable margins of over 18%
- Overall performance affected by issues at St Anthony's, with a negative profit swing from last year of £6m – a recovery plan is in place and underway
- Strong cash generation allowed £150m of capex – the new Spire Manchester hospital and the new 6 theatre block at St Anthony's both opened on time, the new Spire Nottingham hospital is on course to open this year
- Proposed dividend raised to a full-year 3.8p (2015: 3.7p)
- All hospitals now CQC inspected - 20 final reports received, two-thirds are good overall, while patient, consultant and staff feedback all remain highly positive



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Our senior management team

Name	Position
Garry Watts	Executive Chairman
Simon Gordon	Chief Financial Officer
Catherine Mason	Chief Operating Officer
Peter Corfield	Group Commercial Director
Jean Jacques de Gorter	Group Medical Director
Neil McCullough	Group Development Director
Caroline Roberts	Group Human Resources Director
Dan Toner	General Counsel & Group Company Secretary
Antony Mannion	Strategy & Investor Relations Director

Spire has the management team, the scale of business and the clinical and service quality to meet continuing rapid increases in UK demand for private healthcare

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Financial Review

Simon Gordon, CFO

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Trading headlines Financial Year 2016

Solid delivery underlying performance, St Anthony’s performance remains challenging

- Revenue at £926.4m up 4.7% on prior year
- Adjusted revenue growth up 5.8% on prior year driven by double digit Self-pay and NHS growth
- EBITDA at £162.0m up 1.2% on prior year, results dampened by losses at St Anthony’s
- Adjusted EBITDA up 5.4% on prior year at an Adjusted EBITDA margin consistent between 2015 and 2016
- Comparable EPS performance (excl. exceptionals & tax one-offs) up 4.9% to 19.2p
- EBITDA conversion to cash flow very strong at 115.0% (2015: 104.1%)
- Net debt leverage largely unchanged at 2.67 x EBITDA, despite significant capex

Adjusted = Group results excluding prior year disposals and the results of St Anthony’s

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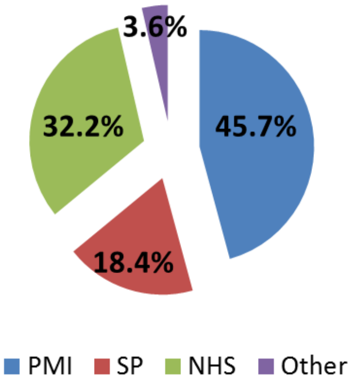
Financial highlights
Financial Year 2016

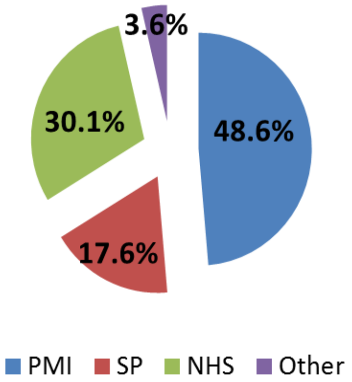
Financial Review

	2016 £m	2015 £m	Growth %
Group revenue	**926.4**	**884.8**	**4.7%**
Disposals	-	(5.8)	
Group revenue excl. disposals	**926.4**	**879.0**	**5.4%**
St Anthony's	(30.1)	(31.6)	
Adjusted group revenues	**896.3**	**847.4**	**5.8%**

2016 adjusted revenue mix



2015 adjusted revenue mix



Looking after you.

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Financial highlights Financial Year 2016

	2016 £m	2015 £m	Growth %
Group EBITDA	162.0	160.1	1.2%
Disposals	-	(0.3)	
Group EBITDA excl. disposals	**162.0**	**159.8**	**1.4%**
St Anthony's	1.2	(5.0)	
Adjusted EBITDA	**163.2**	**154.8**	**5.4%**

	2016	2015	Growth
Reported EBITDA margin	17.5%	18.1%	(0.6%)
Adjusted EBITDA margin	18.2%	18.3%	

Adjusted = Group results excluding prior year disposals and the results of St Anthony's

Revenue and admissions growth

Revenues	2016 £m	2015 £m	Growth %	Adjusted growth %
PMI	429.3	434.8	(1.3%)	(0.5%)
Self pay	170.4	156.2	9.1%	10.4%
NHS	293.4	262.0	12.0%	13.2%
Other	33.3	31.8	4.7%	5.8%
Total revenues	**926.4**	**884.8**	**4.7%**	**5.8%**

Admissions ’000s	2016	2015	Growth %	Adjusted growth %
PMI	123.5	126.4	(2.3%)	(1.7%)
Self pay	46.4	43.4	6.9%	7.1%
NHS	104.2	100.2	4.0%	4.9%
Total admissions	**274.1**	**270.0**	**1.5%**	**2.2%**

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NHS revenues analysis

Financial Review

Revenues	2016 £m	2015 £m	Growth %
eReferrals	234.0	202.7	15.4%
NHS local	59.4	59.3	0.2%
NHS total revenues	**293.4**	**262.0**	**12.0%**

NHS revenue mix	2016 %	2015 %	Growth %
eReferrals	79.8%	77.4%	2.4%
NHS local	20.2%	22.6%	(2.4%)
NHS total revenues	**100.0%**	**100.0%**	**-**

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Adjusted revenue bridge by payor

Financial Review

	2015 £m	*Rate £m*	*Volume £m*	*OPD £m*	*Net £m*	**2016 £m**
PMI	412.1	*1.8*	*(4.6)*	*0.6*	*(2.2)*	**409.9**
Self pay	149.5	*7.7*	*6.9*	*1.0*	*15.6*	**165.1**
NHS	254.9	*15.8*	*10.1*	*7.8*	*33.7*	**288.6**
Other	30.9	-	-	*1.8*	*1.8*	**32.7**
Adjusted group revenue	847.4	***25.3***	***12.4***	***11.2***	***48.9***	**896.3**

Adjusted = Group results excluding prior year disposals and the results of St Anthony's

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Trading margin analysis – Adjusted Group

Costs as % revenues	2016 Adj Group %	2015 Adj Group %
Clinical staff costs	18.3%	18.3%
NHS fees	6.1%	6.0%
Other direct costs	27.4%	27.3%
Cost of sales	**51.8%**	**51.6%**

Costs as % revenues	2016 Adj Group %	2015 Adj Group %
Gross margin	**48.2%**	**48.4%**
Overheads	(23.3%)	(23.1%)
Rent	(6.7%)	(7.0%)
EBITDA adjusted margin	**18.2%**	**18.3%**

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Financial Review

Taxation

	2016 (£m)			2015 (£m)		
	Before exceptional & other items	Exceptional & other items	Total	Before exceptional & other items	Exceptional & other items	Total
Profit before tax	88.4	(15.2)	73.2	89.3	(15.7)	73.6
Taxation	(11.8)	(7.8)	(19.6)	(16.3)	2.7	(13.6)
Profit after tax	**76.6**	**(23.0)**	**53.6**	**73.0**	**(13.0)**	**60.0**
Effective tax rate	*13.3%*		*26.8%*	*18.3%*		*18.5%*
Variance to statutory rate:						
Change to forward CT rates	5.2	-		5.8	-	
Over/under provision prior years	2.0	-		(1.9)	-	
Net impact in the year	**7.2**			**3.9**		
Effective tax impact	*8.1%*			*4.4%*		

Looking after you.

Comparable EPS performance

	2016 £m	2015 £m	Growth %
Profit after taxation reported	53.6	60.0	(10.7%)
Exceptional and other items:			
Exceptional items	15.2	15.7	
Tax on exceptional items	(0.6)	(2.7)	
Non-recurring taxation	8.4	-	
Comparable profit after taxation	**76.6**	**73.0**	**4.9%**
Comparable EPS performance	**19.2p**	**18.3p**	**4.9%**

Cash flow for the period

	2016 £m	2015 £m
Operating cash flow before exceptional items and tax	186.3	166.7
Exceptional items and tax	(8.9)	(11.4)
Operating cash flow	**177.4**	**155.3**
Net cash used in investing activities	(149.9)	(109.6)
Net cash used in financing activities	(38.5)	(41.3)
Net cash flow	**(11.0)**	**4.4**
EBITDA conversion of op cash flow before except + tax	**115.0%**	**104.1%**

	£m	Adj. EBITDA leverage
Net debt as at 31 December 2016	**432.3**	**2.67x**
Net debt as at 31 December 2015	419.5	2.62x

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Financial guidance for FY 2017

Financial Review

	L4L Group	Group Totals
Group revenue 2016 (%)	**94%**	**100%**
Split of Group revenue 2016 (£m)	**£870m**	**£926m**
Total revenue	**2% – 4% growth over 2016 L4L revenue**	**3% – 5% growth over 2016**
PMI revenue		1% - 2%
NHS (post impact of tariff) revenue		2% - 4%
Self-pay revenue		6% - 8%
EBITDA margin (%)	**Circa 17.4%**	**Circa 16.8%**
EBITDA (£m)		**Circa £162m**
Exceptional items ((M'cr & Notts start-ups etc.)		£3m
Capital expenditure		£140m-£165m
Net debt		≤ 3.0 times EBITDA at 2017 close

L4L Group for these purposes is Group excluding Manchester, Nottingham and St Anthony's hospitals

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Operating Review

Catherine Mason, COO

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Role of the Chief Operating Officer

Overall responsibility for day-to-day operational management

Delivering excellent clinical outcomes

Delivering operational excellence

Delivering asset & service growth plans

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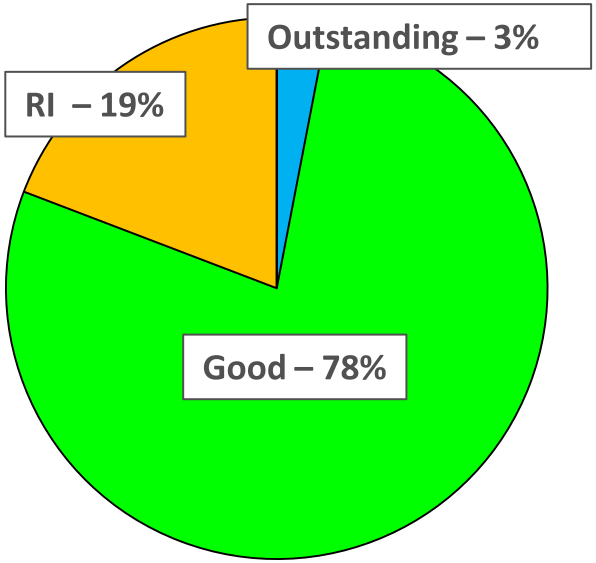
Delivering excellent clinical outcomes

Care Quality Commission

- All Spire hospitals have now undergone a CQC inspection*, with 20 formal reports published
- Of those reported, our hospitals are mainly ‘Good’ or ‘Outstanding’ across the various Domains
- Clear and detailed improvement plans in place esp. for hospitals rated ‘Requires Improvement’
- Our target is to have all our hospitals rated as “Good” or “Outstanding” at the next CQC inspection

Spire CQC Ratings – by Domain



**Spire hospitals in Wales and Scotland have been inspected by local regulators in those countries*

In addition to the work we do for CQC inspections, we have a clear plan for continuing improvement across all areas of clinical provision and in compliance with WHO surgical safety guidelines

Looking after you.

Delivering operational excellence

Pricing outlook requires continuing focus on business processes and cost base

- No meaningful price growth in our PMI market in short/medium term
- Affordability opportunity in our Self-pay business
- NHS tariff reduction for the period from April 2017 to March 2019

Specific approaches to mitigating NHS pricing issues

- Introduction of new coding protocol HRG4+
- Capturing co-morbidities accurately to receive appropriate payment
- Offsetting base tariff reduction through procedure selection
- Further standardisation of clinical pathways

Delivering operational excellence

"Operational excellence" approach across all payor groups

- **Supply chain efficiencies delivering economies of scale**
  - Centralised procurement of kit
  - Innovative provision of consultant/ procedure packs - increases efficiency, improves consultant service, at lower cost
- **Optimisation of asset utilisation**
  - Roll out bespoke theatre utilisation tool to optimise use of physical assets/clinical staff
  - Improve patient experience e.g. daycase timing, timely discharge of Inpatients

- **End to end process improvement**
  - Better processes improve customer satisfaction and reduce costs
- **Skills mix optimisation**
  - Ensuring right people do the right tasks
  - Benchmarking to identify best practice
- **Reducing agency spend**
  - Partner with a specialist recruitment firm
  - Managed process, with better management information

Delivering operational excellence

St Anthony's – returning to anticipated growth

- **What happened in 2016**
  - Focused on delivery of, and transition to, the new-build 6 theatre block
  - Better integration of systems delivered more granular detail
  - Some reduction in staffing but not ahead of revenue softening
  - Preparation for CQC inspection required significant management & staff attention

- **Remedies implemented**
  - Senior team refreshed including new Hospital Director, Matron etc
  - Addition of turnaround project manager
- **Key actions for 2017**
  - Focus on building orthopaedic business
  - Aligning staff skill mix and numbers
  - Targeted speciality revenue growth
  - Improved stock control

We are confident we now have the correct plan and management team in place to resolve these issues during 2017

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Delivering asset and service growth plans

Operating Review

New Spire Manchester hospital completed on schedule and on budget, and opened to patients in January 2017 – business ramp-up proceeding as planned

- Six theatres, 71 bedrooms, 5 bed CCU, 23 consulting rooms
- New services include hydrotherapy, a hybrid theatre and a 150 seat teaching space linked by 4k fibre optic video to the theatres suite

"I believe it is the best private hospital in the UK right now."
(Max Fehily, Consultant at Spire Manchester)

Delivering asset and service growth plans

Other development projects completed in FY 2016

- **Spire St Anthony's** - New £27 million complex increasing operating capacity from four to six theatres
- **Spire Parkway Hospital** - £9 million theatre expansion and chemotherapy development with endoscopy unit
- **Spire Hull and East Riding Hospital** – £3.3 million development comprising a purpose-built outpatient clinic and new MRI/CT provision
- **Spire Southampton Hospital** – £2.5 million project to enlarge an existing ward and the £3.4m creation of a robotics theatre and installation of a da Vinci surgical robot
- **Spire Clare Park Hospital** – £2.5 million JAG accredited endoscopy unit
- **Spire Cheshire Hospital** – £1.3 million JAG accredited endoscopy unit

Spire Healthcare

Delivering asset and service growth plans

Operating Review

Development projects to be delivered in FY 2017

- **Spire Nottingham** – Full service hospital opening April 2017, with 4 theatres, 53 inpatient beds, a day case surgical unit, 20 consulting rooms & a comprehensive diagnostic suite, including CT & MRI
- **Spire Sussex Hospital** – New £3 million MRI scanner (opened in January 2017)
- **Spire Methley Park Hospital** – £7.5 million refurbishment of admin areas, bedrooms and theatres, and creation of a new day care suite
- **Spire Bristol Hospital** – New chemotherapy suite
- **Spire St Anthony's** – Refurbishment of the existing building to form SSD and theatre recovery facilities

Development projects to be delivered in FY 2018

- **Spire Bushey Hospital** – £23 million development for a satellite diagnostic centre with 14 consulting/ diagnostics rooms & a second MRI, and a new sixth theatre & 10 bedrooms at the main hospital site
- **Spire Cambridge Hospital** - £10 million expansion & refurbishment project including bedrooms, public areas, day case unit, a new JAG accredited endoscopy suite, and upgrade of Critical Care area

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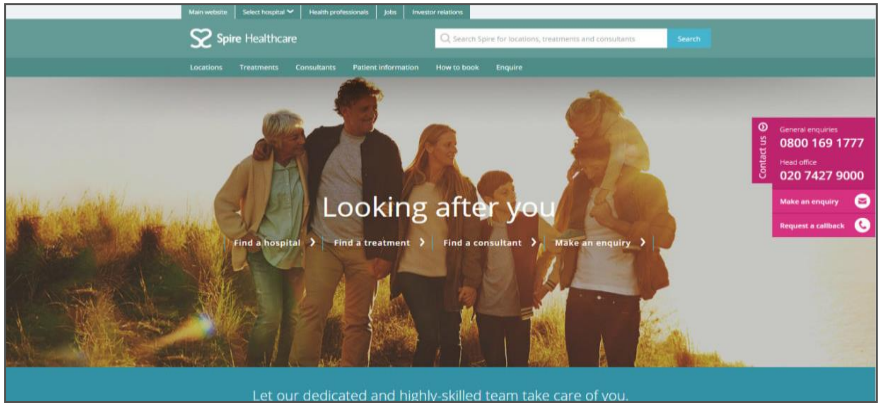
Delivering asset and service growth plans

Digital development

- **Rationale -** delivers business efficiency & better customer experience, by enabling patients to "self-serve" from enquiry to booking
  - Also enables better links with partners e.g. PMI
- **Progress so far** - responsive new website with enhanced search functionality
- **Next step enhancements**
  - "Book & pay" & "Quick check" diagnostics
  - Customer Relationship Management improvements
  - Telephony review

Spire GP

- **Rationale** – face to face private GP service for patients choosing not to wait for an NHS GP appointment – usually in a Spire hospital/clinic
- **Progress so far** – pilot scheme being launched, prior to wider roll-out to national coverage
- **Next step enhancements -** online booking facility by end 2017



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Summary

Garry Watts, Executive Chairman

Looking after you.

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Spire's future continues to be bright

The medium to long term Spire proposition remains valid

Demand	The need for more UK healthcare services to be provided by the IS will lead to significant growth in demand	NHS issues are set to continue
Payors	Spire has a steady PMI business and can look forward to continuing rapid growth in its Self-pay and NHS businesses	There is a natural sector "payor hedge"
Capacity	Spire is on track to deliver significant growth in its hospital and theatre capacity	Asset efficiency to also improve
Financially Robust	Spire is able to convert sales growth at excellent margins into strong cashflows, for reinvestment and dividends	5 yr average EBITDA to OCF = >100%

Questions

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2016 Financial Year Results Presentation