

STRATEGY PLAN 2008/2010

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1. NOTES FROM THE BOARD

The Strategy Plan of the Madeira Medical Centre Group for the triennial period 2008/2010 is the result of an internal contemplation process which will bind the Business Group to a demanding set of objectives, the fulfilment of which will require an added effort of all those who work here.

I am certain that the fact that this business opportunity arises barely a year after the Group started its activity in the Autonomous Region of Madeira ("RAM") is cause for special satisfaction for all of us, notwithstanding the fact that the expected results entail greater responsibility.

The first year of MMC activity was mainly a period of initial internal organization and learning. Many obstacles and difficult steps had to be faced. Now that the initial settling-in period of the project is over, thanks to the tireless dedication of all the MMC staff, and an association with the Regional Health Services was obtained, by establishing a contract for services rendered, the time has come to grow and rise up to meet new challenges. Just a year after opening, we are already essential to health care in the Autonomous Region.

This plan establishes the objectives for the next two and a half years, identifying the strategies and activities that we plan to carry through, with regards to continuing to guarantee the smooth running of our Units, contributing to the good service extended to all Clients/Users that seek our services, and to the satisfaction of all the professionals that work in the companies of the MMC group, the shareholders and the population of the Autonomous Region of Madeira.

During the last few years, business in the health sector in RAM went through a phase of stagnation and inertia. With the advent of the MMC project, private health structures suffered a blow. We acknowledge our status as a structural project in the private health sector in the Autonomous Region.

Developing a strategy plan is particularly relevant at this moment, in view of the profound

changes anticipated in the private healthcare sector within both a regional and national framework. Furthermore MMC cannot but consider the trends and challenges that are brought about by an increasingly demanding society and the advances in the guidelines that regulate healthcare policies.

This plan will be used as a reference base for the activity plan of the MMC Group over the period it covers, and should be revised twice yearly, in order to update and adapt it.

As part as the sound business principles that we have always applied and will continue to apply, we undertake the commitment to periodically evaluate progress and performance levels of the implementation of targeted programmes, and to duly supply adequate information of such evaluation, to all the interested parties.

It is our conviction that MMC will be up to its mission and responsibilities as a Group of Private Healthcare providers and that, with the commitment and dedication of management and staff, the proposed objectives will be reached.

2. MMC MISSION AND VALUES

Mission

MMC's mission is to provide preventive healthcare, treatment and diagnosis of illness. This mission is secured by promoting the stability and financial solidity of all the companies that constitute it, as well as guaranteeing the maintenance of high standards of service, technical, scientific and human, that will assure the satisfaction of its clients, suppliers, workforce and shareholders.

MMC acknowledges itself as a modern, professional, proactive and efficient organization, in order to actively contribute to the confidence of its services' users.

Values

At the core of MMC's mission, lies a set of values that inspire the definition and implementation of its strategies and policies, namely:

- The supremacy of Client satisfaction
- The defence of the interests its workforce and shareholders
- Independent and responsible performance
- A conduct of integrity, consistency and transparency
- An effective, efficient and socially responsible operation

3. MMC ACTIVITY FRAMEWORK

3.1. National framework

MMC's activity should be placed within the framework of market evolution in the national healthcare sector and in the context of the rules and regulations applicable to the sector.

- **The importance of the private healthcare services sector in the context of Portuguese economy.**

The private healthcare sector plays a fundamental role in national economy and in the social protection of the Portuguese.

Through the security that it brings to the population, as a service provider in an activity sector of fundamental importance to all, the private healthcare sector also encourages economic

development, whilst simultaneously contributing to increasing better use of resources not always at hand in National Health Care.

As with all modern societies, protecting and maintaining health as well as treating illness is fundamental to people's wellbeing and offers an important setting for economic activity.

The progression of demographic factors, ageing populations, the shifting labour market and concerns with the sustainability of public systems will undeniably continue to encourage the development of additional systems of a private nature.

• **The evolution in legal regulations for the healthcare sector**

Regulations governing the activity of healthcare providers, as well as the actual operation of this sector has evolved in conformity with the importance it is widely recognized as having, favouring principles, practices and means intended to guarantee good provider performance as well as reinforcing structures and mechanisms, especially with regards to establishing codes of market conduct, providing information, and scientific and technological renovation associated with the sector.

With the purpose of reinforcing consumer protection, increasing vocational recognition, adding value to healthcare activities and improving supervision efficiency, all the companies of the MMC Diagnosis Centre recently obtained certification according to NP EN 9001:2000.

• **The regulation and supervision of the healthcare sector in Portugal**

Providing private healthcare is an activity sector which is highly regulated. The regulation and supervision of the sector and its market demands impose constant scientific, technical and technological renovation, which require an ever growing investment for the provider to maintain the same level of service. The fairly recent concern with regards to the application of Quality Control Systems assures process consistency and transparency as well as constant quality improvement.

3.2. International framework

MMC's activity has also been influenced by developments on an international level, namely the advent of large international Groups (with relevance to Spanish groups) in the Portuguese market, as well as the inclusion of Portuguese companies in comparable Economic Groups with an international outlook.

MMC must be alert to market evolution and ready to react to adverse situations and take proactive measures towards approaching and establishing national and international partnerships that assure the continuance of its activity in the sector and open up the possibility of international markets.

• **Cooperation and partnership policy within the sector**

In the context of MMC's activity the importance of fostering ties with national and overseas partners must also be emphasized, namely through the purchase or exchange of shares or through participation in new joint projects.

Furthermore, the situation should be viewed from a cooperation angle generally, especially with regards to other Portuguese regions and Portuguese speaking countries, making the most of Portugal's unique position in the Portuguese speaking world, on account of the common language and historic ties.

The underlying reasons behind partnership policies should be guided by the participation in projects that allow growth within the scope of providing care and conquering new market niches. Furthermore, it should also allow for mutual expertise exchange as well as training and modernization of human resources.

Increasing market globalization and the depth and breadth of challenges presented by developments on an international level, with subsequent effects on the national market, make strategic planning fundamental, which takes into account the considerable importance of keeping abreast of national and international contexts and their respective developments.

We are now being approached by international healthcare provider Groups, with a view to establishing partnerships or incorporating companies in order to use Units for healthcare services, in the fields of health and tourism.

4. TRENDS AND CHALLENGES

MMC's strategy planning is also influenced by a series of trends and challenges that are brought about by society generally and by the evolution of the foundations for regulating and supervising policies.

4.1. Increasing levels of complexity in products/services

Market globalization and innovation on a scientific, technological and business administration level have brought on ever increasing levels of complexity, both for operators and authorities alike, as well as for consumers.

Faced with this complexity, companies of the MMC group must provide themselves with adequate and sufficient tools for risk management in order that they may, in concurrence with the respective market strategy, seize the opportunities created by the market's rapid evolution and the most recent and innovative business techniques.

We require that the sector's authorities efficiently regulate and supervise, in order to contribute to the stability and technical and scientific development of the market, as well as its ever growing transparency, in order to safeguard the interests of healthcare consumers.

4.2. Convergence with international standards

Globalization and ease of travel have contributed to the massive increase in healthcare users' requirements and expectations.

Thus, it becomes especially important to follow strategies that aim at convergence with the best international procedures and entail self-evaluation procedures that allow timely diagnosis of potential vulnerabilities and opportunities for development.

4.3. Focusing on transparency and communication

Even in healthcare, the requirement of informing users and obtaining their informed consent for tests and treatments to be carried out entails not only constant concept update but also that effective and efficient communication channels be established, along with their constant monitoring.

It is also essential to have a systematic process for gathering and evaluating client satisfaction.

• The importance of open and transparent communication with the relevant authorities

There is a growing trend towards reinforcing the importance of communication between care providers and the relevant sector authorities. Instead of the usual competitive stance, private

healthcare providers must engage in a cooperative and supportive attitude with the authorities who are responsible for the sector, thus contributing towards better and deeper knowledge of mutual objectives and needs, and encouraging the stage where both parties complement and enhance each other.

4.4. Professional administration

- **The substitution of informal management systems for sound and prudent business principles**

In the last few years the emergence of professional business administration systems in healthcare establishments has become more prevalent, at the expense of the frequently encountered amateur approach of health administrators/professionals. This is an irreversible trend, which should gradually spread to all areas and units of healthcare.

Furthermore, and notwithstanding the progression of supervisory procedures, it is essential to intensify control procedures, regarding both health providers implementing and monitoring their internal checking procedures, and also inspections by relevant authorities.

However, embracing the policy of a Regulating and Inspecting State places an extra onus and added responsibility on the relevant authorities, mainly due to their need to retain suitably equipped human resources and with specific know-how appropriate for evaluating various types of service.

5. OBJECTIVES, STRATEGIES AND ACTIVITIES

Strategy-wise, MMC undertakes the following objectives for the triennium 2008-2010:

1. To become the leader in private healthcare services in the Autonomous Region of Madeira until the end of 2009;
2. To assure the definition and compliance of adequate levels of financial solidity and capital return for Group companies;
3. To assure that high standards of service are defined and actually implemented by providers;
4. To encourage the implementation of efficient administration and control systems;
5. To contribute to innovation and competition in the health and wellbeing sector;
6. To develop and improve its communication system with clients;
7. To reinforce its cooperation and national and international partnership strategy;
8. To retain enough technical and human resources, qualified and motivated;
9. To be a model institution regarding the implementation of socially responsible behaviour;
10. To maximize efficient usage of available resources.
11. Help redefine Madeira the tourist destination, as Madeira the tourist healthcare destination.
12. Make our services known on a national and European level.

Strategies to be followed are implemented with regards to each one of the objectives, and, with a view to reaching it, a series of actions are included with that intent.

Objective 1: To become the leader in private healthcare services in the Autonomous Region of Madeira

Strategy 1.1: To deepen and hone the cooperation policy with the Regional Health Service

Actions: maintain an open channel of communication with the Services and encourage an attitude with regards to Public Health Services which reinforces the perspective that both services complement each other

Strategy 1.2: fundamental growth of all Business Units

Actions: renovation work in all material places; re-equipping; increase range of services provided, internal reorganization, better communication with the market.

Strategy 1.3: conquer larger market share

Actions: Continue the partnership policy and progressively improve all the Business Units, meaning both installations and service as well as from a technical and technological angle. Open new units in geographically lacking areas. Acquire other units that suit the Group's expansion strategy in the Autonomous Region.

Strategy 1.4: to improve communication between the Group's various Business Units.

Actions: Develop computer links between the various units. Proceed with the internal training programme with a view to improving understanding of the Group's strategy and ease the integration of new units acquired.

Strategy 1.5: develop an on-line system for obtaining business administration indicators.

Actions: Establish appropriate accounting principles to allow Business Units to provide timely financial information.

Objective 2: To assure the definition and compliance of adequate levels of financial solidity for Group companies

Strategy 2.1: to ensure at least 20% of own capital in all operations/investments carried out and to strictly comply with all financial commitments undertaken.

Objective 3: To assure that high standards of service are defined and actually implemented by providers

Actions: Reinforce internal and external training; train coordinators that can supervise and support staff in all areas; encourage services by professionals from the Autonomous Region and otherwise that stand out in view of their technical and scientific expertise. Define general rules of conduct and work procedures, with the participation of all, and have them followed.

Deal with complaints/suggestions of internal and external clients according to the procedure described in the Quality Manual.

Encourage clients to use the complaints administration system implemented by the MMC Group.

Objective 4: To encourage the implementation of efficient administration and control systems

Actions: Define a series of administration indicators that allow the performance of the various Business Units to be monitored in time. Issue guidelines that consolidate sound business and internal control procedures applicable to each one of the Business Units.

Objective 5: To contribute to innovation and competition in the health and wellbeing sector in the Autonomous Region of Madeira

Strategy 5.1: Create operational and directive settings that foster innovation and competitiveness.

Actions: Continue using consulting processes and reinforce pondering the cost/benefit issue when drawing up market approach and action plans; continue with innovation policy with regards to new scientific and technological approaches in medical diagnosis; inform the market of new tests, techniques and services available in the Group Units, strengthening the role of MMC as an exemplary Portuguese entity; continue the policy of inviting Portuguese and foreign professionals to work at MMC.

Continue to improve circulation of scientific and technical information, encouraging the use of MMC's site and the organization and participation in meetings for scientific and technical updating.

Support scientific research projects within the field of health.

Objective 6: To develop and improve its communication system with clients/users;

Strategy 6.1: Contribute towards listening better to the market.

Actions: Gauge user satisfaction level through questionnaires, panels and the MMC site; promote cooperation with institutions from different levels of education, in order to ensure MMC's activities are divulged and to contribute to the connection between the Group and society.

Strategy 6.2: Supply consumers with clear, relevant and impartial information about costs, risks and *benefits of services rendered*.

Actions: Organize overall information programmes about products and services in a language easily accessible to ordinary consumers. Circulate information to consumers concerning exams and tests that can be done in MMC.

Objective 7: To reinforce its cooperation and national and international partnership strategy

Actions: Develop cooperation with national and international healthcare institutions; define and organize a national and international cooperation policy fitting MMC's underlying principles; encourage links and cooperation with other regions in the country and with countries whose official language is Portuguese; select concrete cooperation programmes that can contribute to promote the healthcare market in the Autonomous Region of Madeira and to the good name of the Autonomous Region as a holiday destination.

Objective 8: To retain enough technical and human resources, qualified and motivated

Strategy 8.1: Guarantee that MMC retains management level staff in sufficient quantity to fulfil its mission and responsibilities.

Actions: Establish, within an ever-changing framework, standards for the verification of minimum conditions required for carrying out work. Advance the process for recruiting and hiring management level staff necessary and indispensable to meeting MMC's objectives.

Encourage internship policies that permit the creation of a group of technical staff with adequate skills that MMC can resort to when it becomes necessary.

Strategy 8.2: Guarantee ever-expanding qualifications of MMC management level staff.

Actions: Adjust recruiting policies to meet the needs and demands of the services provided; reinforce the continued education of technical staff through cooperation with other entities in the same sector and by the attendance of courses and training programmes; participate in temporary exchange programmes for technical staff within the Group's Business Units and with strategic partners.

Encourage internal mutual assistance and knowledge sharing, namely through internal training, open to staff and other structures.

Strategy 8.3: Guarantee MMC staff motivation

Actions: Have a human resources policy at its disposal which is adjusted to the mission and responsibilities of MMC and that will foster staff motivation.

Gather data to form credible and realistic benchmarking, in order to compare the existing situation in MMC with those in other competitors' units.

Reinforce inter-departmental relations, in order to facilitate team work and increase levels of organizational cohesion.

Plan a rational mobility policy for management-level staff, which contributes to the organization's power and towards reinforcing communication and interaction between the various structures.

Encourage cultural, educational and recreational activities between all members of the Group's workforce.

Objective 9: To be a model institution regarding the implementation of socially responsible behaviour

Strategy 9.1: Take measures that will have a social impact.

Actions: Follow an ethically faultless policy regarding the application of labour regulations.

Whenever possible, and in cooperation with the relevant authorities, hiring impaired people possessing the skills necessary to perform their jobs will be encouraged.

Reinforce connection methods with the retired population of the Autonomous Region.

Donate discontinued Information Technology equipment and apparatus to schools/charities.

Support charitable enterprises organized by MMC staff.

Promote blood donations from MMC staff.

Strategy 9.2: Implement procedures that contribute to improve the conditions for life and the environment.

Actions: Continue to treat sewerage before releasing into municipal sewer system.

Encourage the use of recycled materials and efficient energy usage.

Foster the development of environmentally responsible procedures, in order to promote recycling materials used internally.

Provide conditions intended to enhance MMC workforce's wellbeing and good health.

Objective 10: To maximize efficient usage of available resources

Strategy 10.1: Rationalize usage of buildings intended for the installation of the Group's Business Units.

Actions: Equip MMC with a sound space plan regarding workstations, according to ergonomic concerns. Ensure there are circumstances for the existence of good filing areas and departmental and central stockrooms, as well as enough meeting rooms and training rooms.

Strategy 10.2: Build operational administration and the design of system plans upon compliance with good procedures and by conforming to independent standards.

Actions: Assure operational administration of infra-structure environments according to the best procedures and recommendations of the manufacturers of solutions and equipments.

Adopt standard security norms for the security of information systems, both for mitigation and risk resolution as well as management of the actual security process.

Develop and implement a continuity plan for the activity as well as for the security policy.

Define and implement the evolution of infra-structure and workplaces, by adopting actual solutions with regards to support and functions.

Strategy 10.3: Facilitate greater efficiency in the operation of internal procedures and direct the development of information systems with regards to the connection to the exterior and the interconnection of the Business Units.

Actions: Reinforce the organization of systems for risk management and internal control of MMC.

Maintain purchasing policies for goods and services guided by principles of efficiency, equity and social responsibility.

Favour electronic information management and implement workflow and document management systems throughout MMC, to support internal management systems.

Implement an IT management/governance model designed to maximize quality levels in service providers.

Encourage the use and development of the MMC Portal as a preferred means of information exchange.

Reorganize and use MMC's Intranet site to encourage interdepartmental cooperation, for internal process support and as a knowledge hub.

Promote MMC's Internet site as an essential tool for communicating with the exterior, reinforcing its quality, modernity and user-friendliness.

Objective 11: Help redefine Madeira the tourist destination, as a tourist healthcare destination.

Strategy: use tourist channels to promote MMC services, taking advantage of destination recognition and synergies.

Action: establish a strategic partnership with an international tourist operator.

Objective 12: Make our services known on a national and European level.

Strategy: Make the capability of the Region in providing high level healthcare known to those seeking Madeira the tourist destination.

Action: Make the check-up product known on a national level through an insertion in a widely circulated magazine, to sound out the national tourist healthcare market.

ATTACHMENTS

Market

Madeira is an archipelago situated in the Atlantic Ocean, west of the African coast, made up by Madeira Island (main island, 740.7 km²), Porto Santo, the Desertas Islands and the Selvagens Islands. The capital of Madeira Island and the capital of the archipelago is the city of Funchal

Madeira Island is volcanic. Its subtropical climate and unique landscape make it an ideal tourist destination. Travellers have long been attracted by the exotic flora and natural environment, as well as the warm hospitality of its people and the authenticity of Madeiran culture and folklore.

Population density (circa. 300 inhabitants/km²) is higher than the country's average, and even the E.U.'s. 75% of Madeira Island's population inhabits only 35% of its territory, especially on the coast (RAM) which concentrates about 45% of the population (circa. 130,000 inhabitants) with a population density of 1,500 inhabitants/ km². Furthermore, this is where the vast majority of tourist infrastructure is located. The population is made up of about 250,000 inhabitants, plus about 7,400 foreigners of various nationalities (91 countries, the largest group being from Brazil).

Administrative-wise, the archipelago is divided into 11 municipalities: Calheta, Câmara de Lobos, Funchal, Machico, Ponta do Sol, Porto do Moniz, Porto Santo, Ribeira Brava, Santa Cruz, Santana, São Vicente.

In the last few years the population has remained more or less stable, around 250,000 inhabitants. In 2006 there were about 3100 births and 2900 deaths.

In addition to the resident population, about 1,000,000 tourists and visitors from cruises, business and leisure trips pass through the Region annually, and a steady growth has been registered in the last 3 years (2005 – 864 870; 2006 – 908 095; 2007 – 1 048 761).

Region/council	Surface Km2	1981		1991		2001	
		Resident population	Population density (inhab/Km2)	Resident population	Population density (inhab/Km2)	Resident population	Population density (inhab/Km2)
RAM	801,0	252 844	315,7	253 426	316,4	245 011	305,9
Calheta	111,5	12 954	116,2	13 005	116,6	11 946	107,1
Câmara de Lobos	52,2	31 035	595,1	31 476	603,6	34 614	663,7
Funchal	76,2	112 746	1480,6	115 403	1515,5	103 961	1365,2
Machico	68,3	22 126	323,9	22 016	322,3	21 747	318,4
Ponta do Sol	46,2	9 149	198,1	8 756	189,6	8 125	175,9
Porto Moniz	82,9	3 963	47,8	3 432	41,4	2 927	35,3
Ribeira Brava	65,4	13 480	206,1	13 170	201,4	12 494	191
Santa Cruz	81,5	23 261	285,4	23 465	287,9	29 721	364,7
Santana	95,6	11 253	117,8	10 302	107,8	8 804	92,1
São Vicente	78,8	8 501	107,9	7 695	97,6	6 198	78,6
Porto Santo	42,5	4 376	103	4 706	110,8	4 474	105,3
Inclui Ilhas Selvagens	3,6						
Inclui Ilhas Desertas	16,3						

Madeira is politically an Autonomous Region of the Portuguese Republic with its own Parliament and Government. It has a Regional Health Service (SRS) which does not depend administratively on the national Ministry of Health.

The SRS is complemented by an organized private health system. It exists since 1977 and was regulated by Regional Legislative Decree nr. 21/91/M of 7th August (which approved the Regional Health System Statute) and by Regional Legislative Decree 27/92/M of 24th September (which approved the Regional Health Service). Currently, as from Regional Legislative Decree Nr. 4/2003 M of 19th March (which revoked the RLD 21/91/M) the Regional Health Service, EPE is allowed to contract services from private providers and, according to point h) of Article 4, favours supplementing private and social sectors with the public sector, in order to create a structured operation.

When the Madeira Medical Centre (MMC) project began, private healthcare was provided by three clinics (with an admittance capacity of about 60 beds), several small policlinics (in Funchal, Caniço, Santa Cruz, Machico, Santana, Ponta do Pargo, Calheta, Ponta do Sol, Ribeira Brava, Estreito de Câmara de Lobos, Câmara de Lobos) some of which with some diagnosis (ECG, XR, scan, gathering biological products for clinical tests), about 50 private doctors' surgeries, about 20 dental surgeries/clinics, 6 centres/surgeries of image diagnosis (XR, scan, ECG, densitometry, CT Scan and one magnetic resonance of 0.2 tesla), 5 laboratories for clinical tests and 2 laboratories for pathological anatomy. Over 90% of the aforementioned units are on the south coast of the island.

Public care was (and is) provided by 3 hospitals (one of which is a Central Hospital), 16 Health Centres, one Centre for Rehabilitation from Drug Addiction, 2 Sanatoriums for the mentally ill and one Public Health Laboratory.

Private health care was provided in a non structured manner, and there was only one (failed) attempt to concentrate services brought about by Sé and Santa Catarina Clinics who had intended to create the start of a clinic or private hospital with the formation of Clínica Hospitalar da Madeira.

The need to find a solution for the Castro Fernandes Laboratory, the Group's initial unit (which had grown significantly between 1999 and 2004) and an in-depth study of the healthcare market in the Autonomous Region of Madeira, led the developers to undertake the MMC project.

When the MMC venture began, various business approaches were made, with a view to adding some of the existing private health units to the project (indeed, some audits were carried out to the Sé and Santa Catarina Clinics), but such efforts were fruitless.

At the end of many months of negotiation, the MMC Group decided to go ahead with the creation of the MMC Integrated Diagnosis Centre, which began its activity during the month of November 2006.

As MMC's business progressed, a decision was made to return to the strategic project that had been its initial core. For this reason, the Grupo Santa Luzia was approached (one clinic and five policlinics) with whom MMC already had an association which, among other things, included carrying out all the clinical tests for the group. The outcome was the integration of the Grupo Santa Luzia in the MMC Group, through acquisition.

SEGMENTATION

The private healthcare market in the Autonomous Region can be segmented in the following way:

Preventive care (preventive medicine, beauty and well-being); curing care (outpatients and admittances); school health; sports medicine (professional athletes and sports amateurs); workplace medicine; insurance (health insurance and workplace accidents); healthcare for the elderly (geriatric care, continued care and retirement homes with medical care); mother and baby care (including couple infertility treatment, pre-natal preventive care, childbirth preparation, pregnancy care, post partum recovery, paediatrics and child development), haemodialysis.



The units available on the market were evaluated in order to develop the MMC project. The decision of approaching the Santa Luzia Group was based on three kinds of facts: the difficulties the Group was going through (which were of the public domain), the existing closeness due to the strategic partnership and the units that the Group possessed (Clínica da Carreira, Policlínica de Machico, Centro Médico da Ribeira Brava, Policlínica da Ponta do Sol and Centro Médico da Calheta), that met the criteria of the MMC market pursuit strategy.

After about three months' negotiation, a dominant share was acquired in the capital of all the companies of the Santa Luzia Group, which permitted its control and integration into the MMC Group sub-holding GLITNIR.

The Centro Médico do Estreito de Câmara de Lobos was acquired at the same time, and, following renovation work and reequipping, was incorporated into the MMC group.

The MMC Group also acquired shares and business control over the following units: Centro Ortopédico de Santa Cruz, Clínica do Marítimo (Santo António), Centro da Mulher e da Criança (Ajuda, opening soon).

It established strategic partnerships with Equilibrium (physiotherapy) and with the ITG (Instituto de Terapias Globais, or Global Therapies Institute, operating on the 4th floor of the MMC building).

Within the strategy of control over all the market segments of private healthcare in the Autonomous Region which is expected will be achieved until the end of 2009, negotiations are ongoing with AVASSAD (sports medical centre for professional athletes), with the Centro Médico do Torreão (for the installation of a Workplace Accidents unit), with the Núcleo de Imagem Diagnostica (installed in the Santa Catarina Clinic building) and with Redimagem for the integration and rationalization of resources in imaging diagnosis.

Negotiations have simultaneously been initiated for the integration of Clinic 24 (home nursing) and with the Residência do Conde de Carvalhal (luxury retirement home).

As a consequence of the activities undertaken over the last two years, the MMC Group heads a set of investors that will lead to the construction and equipping of the International Hospital of Madeira (Hospital João Gonçalves Zarco), an admittance hospital unit, which is expected to be operating in the beginning of year 2010.

The Hospital target market will be the population of the Autonomous Region and the tourism and health market which is growing at a sharp rhythm worldwide. Apart from making the most of

its infra-structure, the MMC Group intends to redefine Madeira as a tourist destination, revisiting the origins of Madeiran tourism (19th Century), when foreigners seeking treatment for certain illnesses (tuberculosis particularly), travelled to Madeira to benefit from its mild climate.

Taking advantage of the Group's international connections and by establishing a strategic partnership with a European tourist operator (Group ALCON) the organization process for the International Hospital was commenced, for which the cooperation of top international level specialists is assured, as well as national and regional doctors. Negotiations are currently ongoing for purchasing land near a hotel group (to which the hospital will be associated, benefiting from logistical support – catering and laundry) and the pre-project is underway, having also guaranteed the participation of a medical expert who specializes in hospitals.

Risk Assessment

Changes in the relationship between the Regional Health Service (SRS) and the providers of the Regional Health System can put the business at risk. However, the political and social climate of the Autonomous Region of Madeira (with a social-democrat party in power for over 30 years without showing any signs of significant wear) does not bode for any significant changes in healthcare policy in the short and medium term.

Nevertheless, prudence and sound business practices demand that the worst case scenario be anticipated and preventive measures be taken, and contingency plans drawn up to minimize risks.

Therefore, the MMC Group is developing an action plan aimed at conquering market niches outside public service (workplace medicine, health and well-being, health insurance, work accidents, check-ups, sports medicine, health and tourism, waiting-list shortening in various specialist fields of surgery, both on a regional and national level).

Furthermore, whenever possible, it uses a minimum of 20% of its own capital in all its business ventures, thus reducing financial risk.

Crucial issues and growth impediments

The main crucial issues concern market size, territorial discontinuity and the great dependency of medical providers.

Market size obliges us to look beyond geographical boundaries for the growth needed to ensure business progression, hence the option of a partnership with an international operator who will

approach both national and international markets. We have also initiated the Madeira International Hospital project (Hospital João Gonçalves Zarco), that will provide services to the population of the Autonomous Region and also have an important health and tourism segment, a rapidly growing business worldwide.

Territorial discontinuity demands specific endeavours for obtaining the participation and specialist doctors in specialities non existent in the Region (or which, although available, are practised by a mere handful of doctors). Furthermore, it requires extra care with circuit organization and cost control (concentration and rationalization of resources), in order to still present competitive prices in the national and international markets.

Market size also limits the organic growth of Business Units. This has led to the adoption of a growth by purchase strategy, in a first phase, with a view to organic growth as from then on.

Health in Portugal traditionally developed around the doctor. Health units are usually places where doctors go and practice as independent professionals. Private health units normally ran by doctors, are usually much more of a platform to practice the medical profession than a business.

It is not possible to provide healthcare without doctors but, as a general rule, doctors do not make first class executives. The new vision for providing healthcare favours the separation between business administration and practicing medicine. Thus, doctors should be given the freedom to practice their skills, but the company should be ran by professional business administrators that define business strategies, develop and control them, and allow the doctors to follow their vocation of practicing medicine.

The MMC group has firm leadership and professional administration that define the rules of the business. It also has a Clinical Staff that is replete with excellent professional doctors who provide first class care to its users/patients.

Initiatives to Improve the Performance of the whole Group

The Group intends to certify all Units according to NP EN 9001:2000, as a means to standardize and control processes. Currently all the Units that operate in the Madeira Medical Centre are already certified.



All units are to be computerized and inter-connected on-line, and work is already ongoing to this purpose. PACs are to be extended to all the policlinics so that diagnosis images and exam reports become available for consultation by doctors using an access password.

The MMC Resource Management (facilities and personnel) was created which not only supervises construction and maintenance of all facilities, but also started organizing the human resources sector with the digitalization of all personnel files.

The group has an ongoing training programme (with internal and external tutors) and has launched a management control process which establishes monitoring indicators to improve performance and allow timely intervention if the need arises.

Furthermore, it is MMC's culture that, whenever possible, the opportunity for career progression within the Group companies or its associates should be given to its staff members.

Important Markers for Plan Execution

Computerization of all services is structural and advances the progression towards paperless within the organization, which is an objective to be pursued.

Another fundamental marker is finishing the layout of the sub-holding and the holding, in order to clarify relations between Group companies and ease the integration of future acquisitions.

Finalizing the architectural and functional project of the Madeira International Hospital will mark the beginning of the final phase of the MMC project for the triennium 2008-2010.