

ASX ANNOUNCEMENT

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RAMSAY HEALTH CARE UK NON-CASH ONEROUS LEASE PROVISIONING AND FY18 GUIDANCE UPDATE

In accordance with accounting standard requirements, Ramsay Health Care (Ramsay) has recently undertaken a review of the carrying value of its assets. Given the performance of its UK hospitals in the current challenging environment, and following this review, Ramsay advises that, subject to audit, its statutory financial statements for the 12 months ending 30 June 2018 will recognise a charge of £70 million (A\$125 million) net of tax, consisting of an onerous lease provision and asset write-downs related to certain UK sites.

Six UK sites were identified during the review as requiring onerous lease provisioning and/or fixed asset impairment, being Berkshire Independent, Ashtead, Mount Stuart, Croydon, Renacres and Clifton Park hospitals. Berkshire Independent and Ashtead accounted for £60 million net of tax of the provision. There is no impairment of the goodwill of the UK business.

These provisions and impairments are non-cash in nature and will have no impact on Ramsay's debt facilities or compliance with its debt facility covenants. The charge will be excluded from Ramsay's Core NPAT for FY18 and will therefore not affect Ramsay's final dividend for FY18.

Ramsay Managing Director Craig McNally said notwithstanding the positive tariff adjustment in the UK, which came into effect in April 2018, NHS demand management strategies are having a significant negative impact on volumes despite the significant and increasing number of people in the UK awaiting treatment.

"While the funding boost for the NHS announced this week by the UK Prime Minister is a positive step, we do not anticipate immediate benefits for us and expect operating conditions in the UK to remain challenging in the medium term," Mr McNally said.

"In the meantime, we continue to focus on operational efficiency improvements in our UK business, which have included a restructure in recent months, as well as focusing our efforts on building our non-NHS business."

Updated FY18 Guidance

In addition to the significant downturn in NHS volumes in Ramsay's UK business, Ramsay has also experienced weaker growth rates in procedural work and inpatient admissions in its Australian operations in recent months as well as delays in the rollout of the Ramsay Pharmacy franchise network.

Having just received disappointing May results and with no material improvement anticipated for June, Ramsay advises that its FY18 Core EPS growth is now expected to be approximately 7% compared to the guidance of 8% to 10% previously provided in conjunction with the release of its results for the six months ended 31 December 2017.

Commentary on trading conditions

Commenting on the trading update, Mr McNally said: “Ramsay expects operating conditions in both the UK and Australia to remain challenging”.

“In addition to the recent slowdown in the UK, we are also facing more challenging market conditions in Australia with lower growth in procedural work and inpatient admissions, which has adversely impacted casemix in our Australian hospitals. Given the current climate around private health insurance and affordability, we expect this trend will continue into FY19.

“In the current climate the Company is focused on resetting and strengthening its business for the longer term.

“We are currently focused on differentiating our business. We have increased our investment in a number of quality, innovation and research initiatives focused on achieving industry-leading patient outcomes in all the markets in which we operate, at the same time as ensuring that Ramsay hospitals deliver value to consumers and payers. We are also investing in the latest technology and equipment for our patients and surgeons as well as upgrading our facilities for the future.

“We continue to invest strategically in brownfield expansions which will contribute to long term growth for the business.

“At the same time, we are implementing a range of cost management and procurement strategies which will ensure we remain a leader in cost-effective healthcare delivery in all the markets in which we operate.”

He said the Company remained committed to growth through acquisition and was currently investigating a range of acquisition opportunities that would complement its strategic investments.

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About Ramsay Health Care

Ramsay Health Care Limited (www.ramsayhealth.com) was established by the late Paul Ramsay in Sydney, Australia, in 1964 and has grown to become a global hospital group operating over 220 healthcare facilities across Australia, France, the United Kingdom, Italy, Indonesia and Malaysia. It is one of the top six private hospital operators in the world. Ramsay Health Care facilities cater for a broad range of health care needs from day surgery procedures to highly complex surgery, as well as psychiatric care and rehabilitation. With circa 25,000 beds, the Company employs over 60,000 staff and admits over 3 million patients each year to its facilities.