



ASX ANNOUNCEMENT

26 August 2010

RAMSAY HEALTH CARE REPORTS 21.9% RISE IN FULL-YEAR CORE NET PROFIT AND 14% RISE IN CORE EPS

Financial Highlights

- Core net profit¹ after tax up 21.9% to \$178.5 million
- Core EPS² up 14% to 84.5 cents
- Australia and Indonesia revenue up 7.2% to \$2.7 billion
- UK revenue up 10% to £350.2 million
- Group EBIT up 10% to \$333.8 million
 - Australia and Indonesia EBIT up 7.9% to \$280 million
 - UK EBIT up 31% to £26.9 million
- Final dividend 25 cents fully franked, up 16.3% on the previous corresponding period, bringing the full-year dividend to 43.5 cents
- Targeting Core NPAT growth for the Group of 13%-15% for FY11, translating to Core EPS growth of 10%-12%

Overview

Australia's largest private hospital operator Ramsay Health Care today announced a 21.9% increase in Group Core net profit after tax from continuing operations (before specific items and amortisation of intangibles) to \$178.5 million for the year ended 30 June 2010.

Group Core net profit delivered Core earnings per share (EPS) of 84.5 cents for the year, a 14% increase on the 74.1 cents recorded a year ago and slightly ahead of guidance announced to the market in February 2010.

¹ Before specific items and amortisation of intangibles and including three months' results from Ramsay Santé

² Before specific items and amortisation of intangibles and after CARES dividends and including three months' results from Ramsay Santé

The result was driven by a strong operating result at Ramsay's Australian business and continued growth in the UK where National Health Service (NHS) volumes helped lift overall private hospital admissions.

The result also reflects lower interest costs and the realisation of cost efficiencies achieved in the UK business.

Ramsay recorded net specific items and amortisation of intangibles of \$30.2 million (net of tax) for the 2010 financial year, down from \$39.9 million for the 2009 financial year, which predominantly comprised the annual non-cash charges for deferred rent from the leasing of UK hospitals.

Directors are pleased to announce a final dividend of 25 cents per share fully franked, up 16.3% from the previous corresponding period, bringing the full-year dividend to 43.5 cents, up 14.5%.

The dividend Record Date has been brought forward to 6 September 2010 (previously scheduled for 22 September 2010) and the Payment Date brought forward to 27 September 2010 (previously scheduled for 8 October 2010).

The Dividend Reinvestment Plan (DRP) will remain suspended.

Ramsay Managing Director Christopher Rex said: "This is an exceptionally pleasing result because it shows that our hospitals are performing strongly across the Group and that they are being run efficiently.

"In Australia hospital EBITDA margins improved to 18.3% from 17.6% as hospital admissions grew and further operating leverage was achieved.

"In the UK, we continued to attract more NHS volumes to our hospitals whilst achieving some further cost efficiencies.

"We are pleased to say our brownfield development programme is running on time and to budget and continues to add to earnings.

"We have senior debt facilities in place until November 2012 and have considerable headroom available, after allowing for our acquisition of a majority stake in French hospital Groupe Proclif (now Ramsay Santé) to fund future growth beyond our current brownfield commitments.

"Our acquisition of a 57% stake in Ramsay Santé, an important step in our European expansion strategy, was completed at the end of March. Its first, three-month

contribution to the Group was in line with expectations and we are now focused on improving the business, generating efficiencies and identifying bolt-on acquisitions.”

Operational highlights Australia and Indonesia

Ramsay’s Australian and Indonesian business continued to perform strongly at an operational level.

Ramsay’s Australian hospitals (ex-prostheses) achieved revenue growth of 8% and EBIT growth of 11.6%, which predominantly came from organic growth but also from the ramp-up of brownfield developments.

Australian hospital EBITDA margins (excluding prostheses) rose to 18.3% from 17.6% in the previous corresponding period.

Operational highlights Ramsay UK

Ramsay continued to achieve cost efficiencies at its UK business during the 2010 financial year with operating margins before rent (EBITDAR margin) increasing to 25.9% from 23.5%.

Revenue climbed 10% reflecting growth in NHS volumes which now comprise 54% of Ramsay UK’s admissions, up from 44% a year ago.

Growth in NHS activity continued throughout the year and while PMI (Private Medical Insurance) and self pay admissions softened, they are showing signs of recovery.

Support for a competitive market for NHS services has continued with the recently formed, Conservative-led coalition government ring fencing the NHS from significant cuts in public expenditure and its recently released White Paper firmly supporting an increased role for the private sector in delivering health services to public patients.

Negotiations for the extension of the Wave 1 ISTC (Independent Sector Treatment Centres) contracts have been completed on satisfactory terms with all ISTCs retained.

Capacity Expansion Programme

Australia

Ramsay’s Australian brownfield programme is well advanced with those projects under development tracking to expectations and all completed projects running on time and on or under budget.

Approximately \$460 million of the \$680 million (gross) has been spent on brownfield projects to date, of which \$325 million has been spent on completed projects including the Hollywood, St George and New Farm Clinic redevelopments and a major refurbishment of Lawrence Hargrave.

Key projects due to be completed in FY11 include the North Shore, Pindara, North West, Westmead and Kareena developments.

Construction of the \$320 million Joondalup Health Campus (\$90 million funded by Ramsay) began in November and remains on track for completion in mid 2013.

UK

Funds approved for capacity expansion projects in the UK increased to £41 million from £28 million during the period. All projects are progressing to plan with more than 60% of these projects complete and operational and the balance of the funds approved to be spent over FY11.

Ramsay continues to look for opportunities to expand operating capacity in high demand areas.

Capital Management and Cash Flow

Effective working capital management resulted in a high cash conversion rate for the Group of 102% of operating profit (EBITDA) to gross operating cash flow.

Ramsay benefited from lower interest rates during the period and continued to proactively manage its interest rate exposure. Approximately 65% of Ramsay's debt is hedged at fixed rates.

Ramsay has committed senior bank debt facilities of \$1.9 billion in place until November 2012 with headroom of \$500 million to \$600 million after allowing for funding of current brownfield commitments.

In relation to its hybrid security CARES, Ramsay has determined not to convert or redeem the security on 20 October 2010. As a result, the CARES dividend margin will 'step up' by 2% to 4.85% with effect from the dividend payable on 20 April 2011.

Under the terms of CARES, Ramsay retains the ability to redeem or convert CARES at subsequent CARES dividend payment dates. Ramsay will continue to monitor hybrid market conditions in conjunction with its capital management programme and overall funding objectives.

Outlook

The underlying strength of Ramsay's Australian business, the continued solid performance of its UK operations and recent entry into the highly disaggregated French market put Ramsay in an excellent position to capture future demand for health care.

The ageing population, technological advances and rising expectations for improved standards of care will underpin this demand and drive investment in capacity at existing hospitals and future acquisitions.

Ramsay will continue to assess expansion opportunities via brownfield developments and acquisitions which add long-term value to its shareholders.

Approximately two-thirds of funds approved for Ramsay's pipeline of quality brownfield projects has been spent to date. These projects continue to come on stream and add to earnings. As previously flagged, they are expected to contribute positively to EPS in FY11.

Ramsay remains confident about the growth prospects of its UK business which continues to perform well in a challenging economic environment and where the new government has firmly indicated a growing role for the private sector in the delivery of health care.

NHS activity has been the key source of growth for the UK and is driving capacity expansion at our hospitals.

With the acquisition of a majority stake in Ramsay Santé now complete, Ramsay is focused on identifying operational improvements and efficiencies as well as opportunities to acquire additional hospitals in France.

The Ramsay Santé acquisition represents an important step in our European expansion strategy and overarching vision to become a major global hospital operator.

Barring unforeseen circumstances, Ramsay is targeting Core NPAT growth for the Group of 13%-15% in FY11, translating to Core EPS growth of 10%-12%.

Contacts:

Christopher Rex
Managing Director
Ramsay Health Care
+ 612 9433 3444

For media enquiries:

Jo Collins
Kreab Gavin Anderson
+ 612 9552 4499
+ 61 423 029 932

Summary of Financial Performance

Year Ended 30 June 2010

\$ 000's

| | Australia & Indonesia 2010 | UK 2010 | France 2010 (4) | Group 2010 | Group 2009 | % Increase/ (Decrease) |
|---|-------------------------------------|------------|--------------------|----------------|----------------|------------------------------|
| <u>Continuing Operations</u> | | | | | | |
| Operating Revenue | 2,716,735 | 627,954 | 54,565 | 3,399,254 | 3,223,852 | 5.4% |
| EBITDAR | 398,634 | 162,622 | 10,722 | 571,978 | 521,991 | 9.6% |
| EBITDA | 369,908 | 90,421 | 8,445 | 468,774 | 411,613 | 13.9% |
| EBIT | 280,048 | 48,377 | 5,371 | 333,796 | 303,330 | 10.0% |
| Core Net Profit After Tax - Continuing operations (1) | | | | 178,487 | 146,395 | 21.9% |
| Net Specific items and amortisation of intangibles, net of tax (2) | | | | (30,205) | (39,922) | (24.3%) |
| Reported Net Profit After Tax | | | | 148,282 | 106,473 | 39.3% |

| <u>Earnings Per Share (cents)</u> | | | | | | |
|---|--|--|--|-------------|-------------|--------------|
| Core EPS - Continuing operations (3) | | | | 84.5 | 74.1 | 14.0% |
| Basic EPS | | | | 69.2 | 51.2 | 35.2% |

| <u>Dividends Per Share (cents)</u> | | | | | | |
|---|--|--|--|------|------|-------|
| Final dividend fully franked | | | | 25.0 | 21.5 | 16.3% |
| Full-year dividend fully franked | | | | 43.5 | 38.0 | 14.5% |

Notes

(1) 'Core Net Profit After Tax - Continuing Operations' are before specific items and amortisation of intangibles.

(2) In line with accounting standards, net specific items include the non-cash portion of rent expense of \$21.9 million net of tax relating to the UK hospitals.

(3) 'Core Earnings Per Share - Continuing Operations' are before specific items and amortisation of intangibles and after CARES Dividends.

(4) Ramsay Santé was acquired on 29 March 2010, hence three months of operating results have been included in FY2010