

## Media Release - Half-yearly results

3/9/1999

Ramsay announces \$6.9M interim net profit before abnormals and 13.8% rise in revenue  
Revenue from existing hospitals up 7% to \$110.6m  
Group revenue up 13%  
EBIT from existing hospitals up 3%  
Group EBIT up 3%  
Net profit before abnormals steady at \$6.9m  
Ramsay Health Care Limited, one of the largest private hospital operators in Australia, today announced an interim net profit of \$6.9 million before abnormals, a result that is in line with the same period last year.

Ramsay reported an abnormal loss after tax of \$2.9 million for the period, due to pre-opening and commissioning costs associated with the start up of North Shore Private Hospital.

Revenue from existing hospitals – that is, excluding North Shore Private Hospital – rose by seven per cent. All three existing divisions – privatised Department of Veterans Affairs hospitals, psychiatric hospitals and rural medical-surgical hospitals – improved on last year's revenue performance. Group revenue increased by 14%.

Group earnings before interest and tax ("EBIT") totaled \$14.6 million after absorbing the impact of two months operating results from North Shore Private Hospital, a tough health insurance environment and higher development costs. This result is slightly above the \$14.3 million EBIT reported in the same period last year. EBIT from existing hospitals increased by three per cent.

Net revenue per patient day, a key performance indicator for the health care sector, rose 6% to \$503. The inpatient occupancy rate for existing businesses was 77%, in line with last year.

"Ramsay Health Care achieved a strong increase in revenue and a pleasing EBIT result for the six months to December 31, 1998," said Ramsay Health Care Chairman Paul Ramsay.

"The excellent performance of our Veterans hospitals vindicates our strategy to diversify into this area because it reduces the company's reliance on privately insured patients."

Mr Ramsay said the major event for the company during the period was the successful opening of North Shore Private Hospital in July 1998. Inpatient occupancy levels have steadily increased, reaching 78 per cent in February 1999.

"This truly world class facility," Mr Ramsay said. "Occupancy levels are trending upward and, after the introduction of the cardiac catheterisation unit in June 1999, all planned services will be on line. The specialist medical consulting suites are now full. We incurred large abnormal pre-opening and commissioning costs, but North Shore Private has traded profitably for the past four months and its future is clearly bright.

"The Board has approved an interim dividend of 3 cents per share, franked to 80 per cent and to be paid on April 30, 1999," Mr Ramsay said. "This dividend is equal to the interim dividend paid last year."

Ramsay Health Care Managing Director Pat Grier highlighted the performance of the company's privatised Department of Veterans Affairs hospitals, which account for more than half of the groups' revenue.

"Our Veterans hospitals significantly improved in EBIT and achieved higher margins as we introduced a range of new services," Mr Grier said. "The outlook for these hospitals is excellent because we expect them to benefit from the Government's initiative to expand the Gold Card scheme. An extra 60 beds will be opened at our two Veteran hospitals over the next six months to accommodate the anticipated increase in demand."

The strong performance from Ramsay Veteran hospitals was offset by its Psychiatric and Rural Medical-Surgical hospitals, which experienced margin pressure due to the current health insurance competition.

Mr Grier said the 1998/9 financial year would be exceptional due to the opening of North Shore Private Hospital and Flinders Private Hospital. Pre-opening and commissioning costs associated



with North Shore Private Hospital have been reported as an abnormal item in the first of the year. Ramsay's directors expect to report an abnormal item relating to the opening of Flinders Private Hospital in the second half of the year.

Flinders Private Hospital opened its doors on January 19, 1999 and is expected to be fully operational by May 1999.

"I am excited about Ramsay's success in selectively pursuing privatisation and co-location opportunities," Mr Ramsay said.

"The Victorian Government last month selected Ramsay as the preferred bidder to build, own and operate the new, privatised 143-bed Mildura Base Hospital. Construction is due to begin in April, 1999.

"Working with the public hospital system through co-location projects – such as North Shore Private in Sydney, Flinders Private in Adelaide and Princess Alexandra in Brisbane – and privatisation projects such as Mildura in Victoria is an important element in Ramsay's strategy for the future," Mr Grier said.

Ramsay recently formed a 50:50 joint venture with the largest hospital operator in Australia Mayne Nickless to bid with the Inner and Eastern Health Care Network for the contract to build, own and operate the new Austin & Repatriation Medical Centre in Heidelberg, Melbourne.

"The directors remain cautious in their outlook for the full year result," Mr Grier said. "The second half year profit is expected to be down on last year because of the impact of the start-up of the North Shore Private Hospital and Flinders Private Hospital. Nevertheless, the directors remain confident about the future potential of these two exciting projects because they provide a firm platform for growth.

"Ramsay's consistent strategy means it is well positioned for the future and we remain confident about our long term prospects," Mr Grier said. "For example, there are promising industry initiatives such as the Government's 30% private health insurance rebate and the expected benefits to our Veteran hospitals from expansion of the Gold Card scheme.

"We shall continue to examine opportunities that provide synergies with the public system, including privatisations and co-locations, and look selectively at opportunities in non-hospital services such as pathology and radiology."