



14 April 2005

### **RAMSAY HEALTH CARE ACQUIRES AFFINITY HEALTH**

Ramsay Health Care Limited ("Ramsay") (ASX: RHC) has today acquired Affinity Healthcare Limited ("Affinity"), for a total purchase price of approximately \$1.4 billion. Affinity currently operates 48 hospitals across metropolitan and regional Australia and 3 hospitals in Indonesia.

Simultaneously, Ramsay has entered into a non-binding Heads of Agreement to divest 14 hospitals for net proceeds of \$406 million to certain of the current owners of Affinity, being CVC Asia Pacific ("CVC") and Ironbridge Capital ("Ironbridge").

The acquisition of Affinity represents a company transforming transaction for Ramsay and will create Australia's largest private hospital company. The addition of Affinity's hospitals provides a unique opportunity to expand significantly through one transaction and apply Ramsay's successful hospital management expertise across a greater number of facilities.

Ramsay Managing Director Pat Grier said the acquisition will create significant value for Ramsay shareholders. Mr Grier said:

"Operating private hospitals is our core business and what we do well.

"The acquisition of Affinity significantly increases our presence in the private hospital sector where we have a proven track record of profitable growth and creating value for our shareholders.

"Importantly, the acquisition will allow us to take advantage of continuing strong demand for quality hospital services, underpinned by underlying positive demographic trends and supportive government policies.

"We intend to apply our proven management and systems to improve Affinity margins closer to those achieved by Ramsay and to realise significant cost and revenue synergies through the integration process."

The acquisition is expected to be neutral to mildly accretive to Core EPS in FY 2006 and accretive to Core EPS in FY 2007 and beyond.

The Directors are confident that Ramsay's existing businesses will continue to perform well and show strong growth in accordance with the Company's guidance of growth in core net profit (pre amortisation of goodwill and non-recurring items) in excess of 10% for FY 2005.

The acquisition will be funded through an institutional share placement ("Placement"), a 1-for-9 Accelerated Renounceable Entitlement Offer ("AREO") of shares to Ramsay shareholders, a preference share offer of Convertible Adjustable Rate Equity Securities ("CARES Offer") and bank debt.

The CARES Offer is subject to shareholder approval at an extraordinary general meeting which is expected to be held in May. The company's major shareholder, Paul Ramsay Holdings Pty Limited, will vote in favour.

Ramsay yesterday requested a trading halt to finalise the acquisition and will undertake the institutional entitlement offer over 14-15 April 2005 and the institutional placement and bookbuild for renounced institutional entitlements on 18 April 2005. The company expects the trading halt to be lifted before the open of trading on Tuesday 19 April 2005.

Details of the timetable for the funding activities are attached to this announcement as an appendix.

#### About the Acquisition

Pre-acquisition, Ramsay had 42 facilities throughout Australia including 36 private hospitals, 5 aged care facilities and 1 day surgery. The acquisition of Affinity provides Ramsay with a unique opportunity to expand significantly in its core private hospital business through one transaction and allow Ramsay to apply its successful hospital management expertise across a greater number of facilities for the benefit of its shareholders, doctors, patients and employees.

#### **Summary of Pro Forma Operating Statistics FY 2004**

	Ramsay <sup>1</sup>	Affinity	CVC/Ironbridge Divestment	Pro Forma combined
Hospital Facilities	37	51	14	74
In Patient Beds	4,045	5,694	1,622	8,117
Admissions	330,151	535,200	152,412	712,939
Patient Days	1,162,505	1,587,000	488,360	2,261,145

<sup>1</sup> Includes the Benchmark Group acquired July 2004

Referring to the acquisition, Mr Grier said:

“As part of a consortium, we had a very close look at these hospitals when they were offered for sale by Mayne Group. At that time, we could not get comfortable with the risk-reward equation at the price required to win and considered that a number of those risks were just not right for us as a public company.

Ramsay now sees the Affinity business very differently – the majority of the separation issues with the Mayne Group have been addressed; good progress has been made in relation to insurance issues; earnings have been improved and, importantly, the overall healthcare sector dynamics and financial environment has experienced a significant risk reduction. Over the same period, Ramsay's returns and market capitalisation have also increased significantly.

Given these circumstances, we consider it appropriate to take our shareholders into this transaction with the anticipation that further cost-saving and margin improvement measures are available. Further, there are significant synergies and other upside that can be realised only by us.”

### Planned divestments and ACCC undertaking

In order to reduce the level of borrowings following the acquisition and in order to mitigate competition concerns in certain specific regions, Ramsay has entered into a Heads of Agreement to divest 14 hospitals for net proceeds of \$406 million to CVC and Ironbridge.

The Heads of Agreement is conditional upon various matters, including funding. Should the divestment not proceed, Ramsay considers that alternative purchasers could be found for a similar or overlapping portfolio of hospitals on terms at least as favourable.

The agreed divestment to CVC and Ironbridge may or may not fully satisfy the ACCC. Ramsay has given an undertaking to the ACCC that it will 'hold separate' the Affinity business until the ACCC advises Ramsay it does not have any competition concerns. Further divestments may be required by the ACCC.

### Ramsay Post Acquisition

An integration plan has been developed which is expected to see Affinity, subject to the planned divestments, substantially integrated over the next 24 months.

Ramsay has identified that substantial savings can be achieved by integrating corporate functions and utilising current Ramsay infrastructure. In addition, Ramsay will be better able to utilise labour across the enlarged group through micro-management and economies of scale.

Ramsay expects to achieve pre-tax cost synergies of approximately \$35 million per annum by year three (ie FY2008). The Directors expect that approximately 45% of these pre-tax synergies can be achieved in the first full year (ie FY 2006).

In addition, Ramsay expects to achieve pre-tax revenue synergies of approximately \$15 million per annum by year three (ie FY2008). The Directors expect that approximately 50% of these synergies can be achieved in the second full year (ie FY2007).

As a result of revenue and cost benefits, the Directors expect that incremental Core EBITDA of approximately \$50 million per annum can be achieved by year three (ie. FY2008).

On the basis of certain assumptions the company expects the acquisition and the planned divestments will be neutral to mildly accretive to Core EPS in FY2006 and accretive to Core EPS thereafter.

### Funding of the Acquisition

The acquisition will be funded through a combination of sources as set out in the table below:

<u>Sources and Application of Funds</u>	<u>\$m</u>
Total Acquisition Cost	
Purchase price	1,428
Acquisition and funding costs	71
<b>Total</b>	<b>1,499</b>
<u>Sources of funding (approx.)</u>	
Entitlement Offer and Institutional Placement	Approx 190
CARES Offer	Approx 260
Bank Debt	643
Asset sales (initially funded by debt)	406
<b>Total</b>	<b>1,499</b>

*Note: In the first instance, Ramsay will assume existing debt obligations of Affinity. The purchase price includes assumed debt. These debt obligations will subsequently be refinanced.*

Not all of the funds from these sources will have been received by Ramsay at completion of the acquisition. Until the completion of the Entitlement Offer, Institutional Placement and CARES Offer, \$450 million of the total acquisition cost is being funded by bridge facilities.

The major shareholder of Ramsay, Paul Ramsay Holdings Pty Limited, intends to sell the majority of its AREO entitlements with the proceeds re-invested to fund the subscription for the remaining balance. It is envisaged that Paul Ramsay Holdings Pty Limited will, following the transaction, hold 42.5% of the expanded Ramsay ordinary share capital.

Details on the AREO will be contained in a prospectus which is expected to be lodged with the Australian Securities and Investment Commission ("ASIC") on or around 19 April 2005. A separate prospectus for the CARES Offer is expected to be lodged with ASIC around the same time.

Ramsay has established an information line for any inquiries about the AREO and CARES Offer. Inquiries should be made to 1300 366 027 (from within Australia) or +61 3 9415 4255 (from outside Australia).

Ramsay was advised in relation to the Affinity acquisition, divestment of hospitals and financing by Gresham Advisory Partners and Ernst & Young Mergers and Acquisitions. Blake Dawson Waldron and Mallesons Stephen Jaques provided legal advice to Ramsay.

Goldman Sachs JBWere is the sole Lead Arranger for the Equity Bridge and Hybrid Bridge Facilities and is sole Bookrunner, Lead Manager and Underwriter for the Placement, AREO and CARES Offers.

Macquarie Equity Capital Markets is acting as Co-lead Manager.

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## Indicative AREO Timetable

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### AREO Entitlement and Placement Offer Timetables

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<b>Business Day</b>	<b>Date</b>	<b>Event</b>
1	Thu 14-Apr-05	Institutional entitlement offer opens
2	Fri 15-Apr-05	Institutional entitlement offer closes
3	Mon 18-Apr-05	Bookbuild for renounced institutional entitlements and placement shares
4	Tue 19-Apr-05	Result of capital raising announced to market Lodge prospectus with ASIC Trading halt lifted
5	Wed 20-Apr-05	Record date for entitlement offer
8	Tue 26-Apr-05	Retail entitlement offer opens Settlement of renounced institutional entitlement and placement shares
9	Wed 27-Apr-05	Allotment of institutional entitlement offer and institutional bookbuild shares Institutional entitlement offer and institutional bookbuild shares commence trading on ASX Latest Prospectus despatch date (no more than 4 business days after record date)
10	Thu 28-Apr-05	Proceeds for renounced institutional entitlements despatched
19	Wed 11-May-05	Retail Entitlement offer closes (at least 10 business days after prospectus despatch date)
22	Mon 16-May-05	Retail shortfall notification date
23	Tue 17-May-05	Bookbuild for renounced retail entitlements
27	Mon 23-May-05	Settlement of renounced retail entitlement bookbuild shares
28	Tue 24-May-05	Allotment of retail entitlement offer shares and retail bookbuild shares
30	Thu 26-May-05	Despatch of holding statements
31	Fri 27-May-05	Retail entitlement offer shares and retail bookbuild shares commence trading on ASX on a T+3 basis

## Indicative CARES Timetable

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### CARES Offer Timetable

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Business Day	Calendar Days	Date	Event
1	1	Wed 13-Apr-05	Trading halt / Announcement of acquisition
5	7	Tue 19-Apr-05	Lodge prospectus with ASIC (without dividend margin) Exposure period starts
6	8	Wed 20-Apr-05	Record date for Eligible Shareholders for Priority Allocations
9	13	Tue 26-Apr-05	Exposure period ends (end of day) Bookbuild
10	15	Wed 27-Apr-05	Lodge replacement prospectus with ASIC (containing margin) Margin announced to ASX Retail offer opens
22	31	Fri 13-May-05	Retail offer closes
27	38	Fri 20-May-05	EGM
28	41	Mon 23-May-05	DvP Settlement of institutional allocations
29	42	Tue 24-May-05	Allotment of CARES CARES commence trading on ASX on deferred settlement basis
32	45	Fri 27-May-05	Despatch of holding statements and refund cheques
33	48	Mon 30-May-05	Normal trading of CARES on ASX