

ASX ANNOUNCEMENT

23 June 2008

RAMSAY OUTLINES NON-CASH CHARGE ON REPORTED EARNINGS AND REAFFIRMS CORE EPS GUIDANCE FOR FY08

Ramsay Health Care Limited ("Ramsay") has received advice from its auditors that an application of International Accounting Standard 17 (Australian Equivalent AASB117) will have a non-cash impact on reported profit.

This application of AASB117 will have no impact on Ramsay's Core NPAT and resultant Core EPS. Similarly, there will be no impact on cash flow, dividend policy, and cost of funding or valuation metrics. Accordingly, Ramsay's Core EPS guidance of low double-digit growth for the 2008 financial year remains unchanged.

This application of AASB117 relates to the lease arrangements for Ramsay UK's private hospitals.

Background

The majority of Ramsay UK's private hospitals are located on properties subject to 30-year lease arrangements. The rental payments are based on a fixed rate of indexation of 2.75% per annum in lieu of a variable uncapped UK retail price index ("RPI"). These arrangements are commercially beneficial to Ramsay in that the fixed rate of indexation is materially below the current RPI and also below the forecast long term UK RPI over the lease period and therefore the commercial outcome will be more advantageous to shareholders.

AASB117 specifies that where a lease is subject to a fixed indexation rate (rather than inflation-based indexation), the aggregate lease payments over the term of the lease are expensed on a straight line basis (i.e. the annual AASB117 lease expense is equal to the sum of the annual lease payments over the lease term, divided by the 30 years).

A consequence of applying AASB117 is that the annual accounting lease expense is higher than the cash lease payment in each year for the first half of the 30-year lease term, and correspondingly the annual accounting lease expense is lower than the cash lease payment in each year for the second half of the lease term.

This application of AASB117 will result in a higher statutory (non-cash) after tax lease expense over the actual lease cash payments of £ 8 m for FY2008 (the acquisition of Ramsay UK was completed on 23 November 2007. The pro-forma, full twelve-month effect in FY08 would have been £ 14 m). In FY09 the full year effect will be £ 13 m.

The non-cash AASB117 lease expense will be reported outside of Core NPAT and therefore will not impact Core EPS. Ramsay's auditors, Ernst & Young, have advised that the incremental non-cash AASB117 lease expense should be reported separately as a Specific Item for statutory reporting purposes.

Current Year Earnings Update

The Ramsay UK integration plan is proceeding to schedule and as the Australasian and UK operations are tracking to target, Ramsay maintains its Core EPS guidance for the Group of low double digit growth (10% - 12%) for FY08, as previously announced to the market.

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