



## ASX ANNOUNCEMENT

25 February 2010

### **RAMSAY HEALTH CARE REPORTS 33% RISE IN FIRST-HALF CORE NET PROFIT AND 32% RISE IN CORE EPS**

#### Financial Highlights

- Core EPS\* up 32% to 44.6 cents
- Core net profit\* after tax up 32.7% to \$91.1 million
- Australia and Indonesia revenue up 7.6% to \$1.4 billion
- UK revenue up 12% to £171.6 million
- Group EBIT up 16.1% to \$171.6 million
  - Australia and Indonesia EBIT up 11.4% to \$149.3 million
  - UK EBIT up 88% to £11.8 million
- Interim dividend 18.5 cents fully franked, up 12.1%
- Reaffirms guidance for core NPAT growth of 18%-20% for the 2010 financial year

#### Overview

Australia's largest private hospital operator Ramsay Health Care today announced a 32.7% increase in Group core net profit after tax from continuing operations (before specific items and amortisation of intangibles) to \$91.1 million for the six months to 31 December 2009.

Group core net profit delivered core earnings per share (EPS) of 44.6 cents for the half, a 32% increase on the 33.8 cents recorded a year ago and in line with upgraded guidance announced to the market on 1 February 2010.

The result was driven by a strong operating performance at Ramsay's Australian and UK operations, cost efficiencies achieved in the UK and lower than expected interest costs across the business due to proactive interest rate management.

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\* Before specific items and amortisation of intangibles

Ramsay recorded specific items and amortisation of intangibles of \$12.5 million (net of tax) in the December half, which predominantly relate to the annual deferred non-cash rent expense from the UK hospitals.

Directors are pleased to declare an interim dividend of 18.5 cents per share fully franked, up 12.1% from the previous year. The dividend reinvestment plan (DRP) has been suspended for the interim dividend payable on 9 April 2010.

Ramsay Managing Director Christopher Rex said: “Ramsay has delivered an exceptionally good first-half result due to the combined effect of cost efficiencies and strong organic growth which reflects the resilience of the private health care industry.

“In Australia and Indonesia, EBITDA margins improved from 13.6% to 14% driven by continued improvement in cost management, increased hospital admissions and an improved patient mix.

“In the UK, the result reflects our forecast improvement in operating costs for the business but also continued growth in NHS (National Health Service) volumes.

“Our brownfields programme remains on track with more than half the approved funds spent and projects being completed on time and on or under budget. Brownfields remain a key part of our growth strategy with earnings set to increase as projects are completed and ramp up.

“We remain focused on capital management, having successfully completed a \$260 million equity raising during the first half which helped strengthen our balance sheet and reduce drawn debt.

“We have senior debt facilities in place until November 2012 which gives us the flexibility to fund future growth beyond our current brownfields programme.

“The formal completion of our acquisition of a 57% stake in French private hospital operator Groupe Proclif SAS (“Proclif”), expected by the end of March, will mark a significant and exciting step in our European expansion strategy.

“The highly fragmented French market presents opportunities for consolidation through acquisition of additional hospitals and the business is underpinned by a strong regulatory framework, funding support and an ageing population driving growth in demand for acute care.”

### Operational highlights Australia and Indonesia

Australia and Indonesia, Ramsay's historical base operations, performed strongly on all operating levels.

Ramsay achieved revenue growth of 7.6% for Australia and Indonesia and EBIT growth of 11.4%, predominantly from organic growth.

Hospital EBITDA margins (excluding prostheses) for Australia and Indonesia rose to 19.2% from 18.3% in the previous corresponding period.

### Operational highlights Ramsay UK

Operating efficiencies were a key driver of the strong first-half result for Ramsay UK, with internal cost restructuring achieved in the prior half being realised in the six months ended 31 December 2009. Operating margins before rent increased to 25.5% from 21.3%.

Revenue climbed 12% as NHS work continued to grow in private hospitals during the half. NHS work now comprises more than 50% of Ramsay UK's private hospital admissions, up from approximately 40% a year ago.

PMI (Private Medical Insurance) and self pay volumes remained under pressure during the half but this was more than offset by growth in NHS activities.

There continues to be broad support for a competitive market for NHS services and Ramsay is strongly positioned to continue growing its business in this expanding, publically funded market.

Negotiations for the Wave 1 ISTC contracts are continuing and close to being finalised.

### Capacity Expansion Programme

#### *Australia*

Ramsay's current \$675 million (gross) brownfield expansion programme is progressing well with projects under development tracking to expectations and all completed projects running on time and on or under budget.

Approximately \$380 million has been spent on Brownfields to date, of which \$295 million has been spent on completed projects, including the Hollywood redevelopment.

Construction on the \$320 million Joondalup Health Campus (\$90 million funded by Ramsay) began in November and is due to be completed in mid 2013.

## *UK*

Construction of previously approved capacity expansion projects of £28 million is progressing to plan with around 40% of the projects complete and operational and the balance of the funds approved to be spent over FY10.

Ramsay continues to look for opportunities to expand operating capacity in high demand areas and which meet its investment criteria.

## Capital Management and Cash Flow

Ramsay has committed senior debt funding in place until November 2012.

Proceeds from Ramsay's successful \$260 million capital raising in September/October were used to reduce drawn debt and strengthen the balance sheet.

The capital raising also enhanced Ramsay's flexibility to pursue growth opportunities, including the purchase of a 57% stake in leading French hospital operator Groupe Proclif SAS ("Proclif"), announced to the market on 11 January 2010.

Following the capital raising, and purchase of Proclif, Ramsay's outstanding net debt will be approximately \$1.3 billion and Ramsay's headroom within its senior debt facilities will be approximately \$500-\$600 million (after allowing for current commitments under the brownfields expansion programme).

Overall interest costs were lower than expected for the first half as a result of proactive interest rate management. Interest rates are hedged at fixed rates on approximately 75% of Ramsay's debt.

## Outlook

The continued strength of Ramsay's underlying business, strong prospects for expansion in Europe and rising demand for health care means Ramsay is very well placed for future growth.

Ramsay's pipeline of quality brownfield projects continue to ramp up and add to earnings at an EBIT level and are expected to contribute positively to EPS in FY11 after taking into consideration the interest cost associated with the funds invested.

Ramsay remains focused on growing and developing its UK business which continues to attract high levels of NHS patients and where increasing NHS demand is driving investment in capacity expansion at our hospitals.

The acquisition of a majority stake in Proclif provides Ramsay with a solid platform for further expansion in France. The acquisition, expected to be completed by the end of March 2010, will be core EPS accretive by FY12.

Barring unforeseen circumstances, Ramsay reaffirms its recently upgraded guidance for core NPAT growth of 18%-20% for the Group for the 2010 financial year, translating to core EPS growth of 10%-12%.

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## Summary of Financial Performance

Half Year Ended 31 December

\$ 000's

	Australia & Indonesia 2009	UK 2009	Group 2009	Group 2008	% Increase/ (Decrease)
<b><u>Continuing Operations</u></b>					
Operating Revenue	1,360,309	322,622	1,682,931	1,607,723	4.7%
EBITDAR	203,770	82,167	285,937	256,989	11.3%
EBITDA	190,845	44,406	235,252	200,797	17.2%
EBIT	149,307	22,315	171,622	147,772	16.1%
<b>Core Net Profit After Tax - Continuing operations</b> (1)			<b>91,110</b>	<b>68,671</b>	<b>32.7%</b>
Specific items and amortisation of intangibles, net of tax (2)			(12,503)	(14,921)	(16.2%)
Reported Net Profit After Tax			78,607	53,750	46.2%
<b><u>Earnings Per Share (cents)</u></b> (3)					
<b>Core EPS - Continuing operations</b> (1)			<b>44.6</b>	<b>33.8</b>	<b>32.0%</b>
Basic EPS			38.1	25.2	51.2%
<b><u>Dividends Per Share (cents)</u></b>					
Interim dividend fully franked			18.5	16.5	12.1%

### Notes

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

(2) In line with accounting standards, specific items include the non-cash portion of rent expense of \$11.4 million net of tax relating to the UK hospitals.

(3) All EPS calculations are based upon Net Profit After Tax adjusted for Preference Dividends.