

25 August 2004

## **RAMSAY HEALTH CARE YEAR CORE NET PROFIT UP 13% TO RECORD RESULT**

### 2004 Financial Year Highlights

- Core net profit after tax rises 13% to a record \$42.7 million
- Net profit after tax and non-recurring charges \$38.4 million
- Net cash inflow from operations increases 10% to \$73.7 million
- Operating revenue increases 16% to \$768.1 million
- EBITA up 16% to \$77.5 million
- Both EBIT and EBITA margins hold at 10%
- Final Dividend 10 cents per share, fully franked, taking total year dividend to 17.5 cents, up 13% from 15.5 cents
- Refinancing and expansion of Company's debt facilities to fund growth

### Overview

Australia's largest listed private hospital operator Ramsay Health Care Limited today announced a 13% increase in core net profit (before non-recurring items and amortisation of goodwill) to a record \$42.7 million, up from \$37.7 million a year ago.

Net profit after amortisation of goodwill but before non-recurring items was also up 13% to \$42.0 million from \$37.1 million in the 2003 financial year.

The record result was struck on a 16% rise in revenue to \$768.1 million for the full year. EBITDA also rose 16% to \$105.7 million.

Directors have declared a fully franked final dividend of 10 cents per share, up from 9.0 cents in the previous corresponding half-year, taking the full year dividend to 17.5 cents up 13% from 15.5 cents for the 2003 financial year.

The company effectively managed costs pressures resulting in both EBITA and EBIT margins remaining at 10%.

As previously announced, the company expensed non-recurring costs (net of tax) of \$3.7 million, comprising \$2.2 million for costs associated with the unsuccessful consortium bid for the Mayne Hospitals and \$1.5 million for the write-off of the remaining

unamortised borrowing costs associated with a previous debt refinancing in 2001 due the refinancing announced in June 2004.

Commenting on the result, Ramsay Health Care Managing Director Pat Grier said:

“2004 was a year of challenges but also of opportunities for Ramsay Health Care. Due to the efficient management of our hospitals, our quality portfolio and the realisation of benefits from our expansion program, we recorded double-digit profit growth and maintained our margins despite cost pressures.

“We have delivered on our forecast to achieve core net profit growth of over 10% before non-recurring charges. Importantly, our existing hospital facilities continue to deliver solid organic profit growth around 5% per year.

“During the year, we brought to fruition another phase of our hospital capacity expansion program and we acquired private home care business, Silver Circle. We were also allocated an additional 186 new residential aged care places, bringing to 206 the total number of aged care places that Ramsay will develop – in key population growth areas in Queensland and New South Wales.

“Subsequent to year end, we acquired the Benchmark group of 10 hospitals. With the contribution from Benchmark, organic growth and ongoing capacity expansion, we expect our revenues to exceed \$1 billion in the 2005 financial year,” Mr Grier said.

### Cashflow

During the year, Ramsay Health Care refinanced and expanded its loan facilities to \$550 million to fund the Benchmark acquisition, provide the company with scope and flexibility to make additional acquisitions, as well as fund any capacity expansion and to execute the company’s aged care strategy.

The new facilities provide the company with additional funding on favourable terms.

Cash flow generation in 2004 was consistent with profitability. Strong cash flow management resulted in gross operating cash flow exceeding EBITDA (pre-non recurring items) of \$105.7 million. Net cash inflow from operations increased by \$6.5 million to \$73.7 million.

### Operational highlights

Admissions were approximately 11% above last year, including the contribution from the extra capacity. Without including the extra capacity, admissions were still up 5%.

During the year, Ramsay Health Care achieved satisfactory outcomes from health fund negotiations. Together with cost containment initiatives, this has resulted in the company’s overall EBITA margin remaining at 10%.

Benefits from Ramsay Health Care's expansion program in existing hospitals are continuing to flow through to earnings. Returns from these investments are already meeting our expectations

Greenslopes, in Brisbane, and Hollywood, in Perth, continue to record strong admission rates and the extra capacity added at these facilities has been immediately met with increased demand.

In NSW, the redeveloped Lake Macquarie Private Hospital, where additional beds and theatres were added, is performing well above our initial expectations.

Cairns Private Hospital's transformation from a not-for-profit facility and integration into the Ramsay Health Care portfolio is proceeding well and the hospital is currently performing above expectations on many measures.

#### Benchmark Healthcare Acquisition

On July 1, 2004, Ramsay Health Care finalised the purchase of the 10 Benchmark hospitals in Victoria and South Australia. The total number of beds will rise from 980 to 1,119 beds in 2005 as a result of capacity expansion currently underway. The Benchmark Group of hospitals has annual revenue of approximately \$200 million.

The purchase has increased the number of facilities in Ramsay Health Care's portfolio to 35 and the number of licensed beds to approximately 4,000 and will bring group annual revenues to more than \$1 billion.

"This strategically significant acquisition has made us a truly national hospital operator. We now have a stronger presence in Victoria and South Australia which gives us the opportunity to consider bolt-on hospital purchases in those states," Mr Grier said.

"While it is less than two months since we completed this acquisition, everything we have seen of the hospitals operations gives us confidence that the purchase will meet our investment expectations.

"As previously foreshadowed, we expect Benchmark to be earnings per share accretive (pre-amortisation of goodwill) in the first full year after acquisition. Looking further ahead, we expect the profit contribution from these hospitals to improve substantially as the extra capacity and medical specialties come onstream and through the realization of integration and management synergies.

#### Aged Care

Ramsay Health Care continues to pursue its strategy to expand into aged care both through acquisitions and greenfields development.

Mr Grier said the company had considered numerous acquisitions ranging from bigger groups to individual facilities. None so far has been brought to fruition because they did not fit Ramsay Health Care's investment criteria or satisfactory arrangements have not been concluded.

"Expanding into aged care is a long term plan for Ramsay and as we've said all along we are investigating the best and most value-enhancing entry points that complement our existing core private hospital portfolio.

"The sector is fragmented and consolidation is slow. There are many opportunities in aged care, we just have to ensure the ones we choose are right for us.

"In the meantime, we are aggressively implementing our greenfields development plans.

"Under our development program, Ramsay has secured and continues to apply for new licences in order to develop suitable facilities and where possible attract accommodation bonds.

"We plan to develop between 500 and 600 aged care places over the next three years," Mr Grier said.

Silver Circle, purchased in January 2004, is operating well and Ramsay Health Care is actively investigating further acquisition opportunities in the home care business.

### Outlook

Mr Grier said based on continuing solid organic growth, further benefits from the expansion program, and the contribution from the Benchmark hospitals, the company is targeting strong growth of at least 10% in core net profit for the current financial year, barring unforeseen circumstances.

This target does not include the benefits from any potential acquisitions the company may make in either the hospital or aged care sectors.

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Attachment: Summary Financial Performance

**Attachment: Summary of Financial Performance**

	<b>Year Ended 30 June 2004</b>		
	<b>\$000's</b>		
	<b>2004</b>	<b>2003</b>	<b>%</b>
Operating Revenue	768,104	662,177	16
EBITDA	105,761	90,976	16
EBITA	77,591	66,964	16
Net Profit before tax	61,320	53,545	15
NPAT before non-recurring items	42,046	37,055	14
Non-recurring items (net of tax)	(3,693)	-	
Net Profit After Tax	38,353	37,055	4
Core Net Profit After Tax <sup>(1)</sup>	42,705	37,661	13
EPS (cents per share)	29.8	28.9	3
Core EPS (cents per share) <sup>(1)</sup>	33.1	29.3	13
Full-year dividend (cents per share) fully franked	17.5	15.5	13

<sup>(1)</sup> Core Net Profit and Core Earnings per Share are before amortisation of goodwill and non-recurring items