RAMSAY HEALTH CARE

# Briefing – 26 February 2007

## Financial Results

## Half Year ended 31 December 2006

# HALF YEAR OVERVIEW

## Solid half year profit rise, built on strong year ago profit level boosted by Affinity acquisition

- Half year core EPS growth tracking towards full year guidance for 15% - 20% increase in core EPS
- Pleasing results from Ramsay and former Affinity hospitals
- Integration of Affinity and realisation of synergies on track
- Impact of transition of DVA hospitals to private patients dilutionary to organic growth but better than originally expected
- Brownfields expansion program advanced and progressing well

# FINANCIAL HIGHLIGHTS

Continuing operations:

- Revenue up 7% to $1.06 billion
- Group EBIT up 10% to $108.2 million
- Core Net Profit up 22% to $56.0 million
- Group EBIT margin rises to 10.2% from 10.0%

- Core EPS up 21% to 27.9 cents
- 1st half dividend up 24% to 13.0 cents

- Basic EPS up 33% to 27.2 cents

***(Core Net Profit and Core EPS from continuing operations are before specific items, amortisation of intangibles and divested operations)***

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# FINANCIAL PERFORMANCE

| | Half Year ended 31 December | | |
|---|---|---|---|
| | 2006 | 2005 | |
| | $m | $m | % Inc. |
| **Continuing Operations**: | | | |
| Operating Revenue | 1,055.6 | 983.5 | 7% |
| EBITDA | 138.2 | 127.5 | 8% |
| EBIT | 108.2 | 98.5 | 10% |
| Core NPAT – continuing operations | 56.0 | 45.7 | 22% |
| *Divested Operations*: | | | |
| *Core NPAT – divested operations* | *0.1* | *4.2* | |
| *Specific items and amortisation of intangibles (net of tax)* | *(1.3)* | *(8.5)* | |
| **Net Profit after Tax** | 54.8 | 41.4 | 32% |

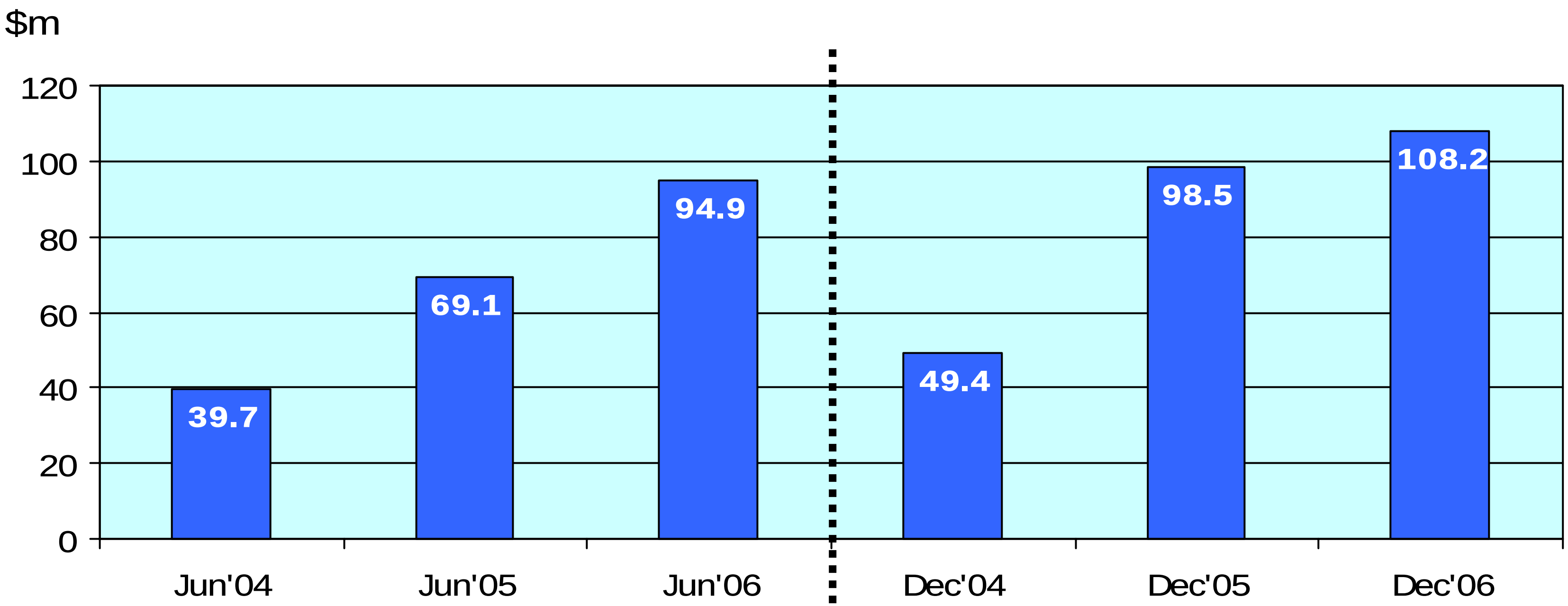
*(Core NPAT - continuing operations is before specific items, amortisation of intangibles and divested operations)*

# Financial Performance
# EPS and Interim Dividend

| | Half Year ended 31 December | | |
|---|---|---|---|
| | 2006 | 2005 | % Inc. |
| Core NPAT from Continuing Operations | $56.0 m | $45.7 m | 22% |
| Less Preference Dividend | $7.9 m | $6.4 m | |
| NPAT used to Calculate Core EPS | $48.1 m | $39.3 m | 22% |
| Shares on issue | 172.4 m | 171.3 m | |
| **Core EPS – Continuing Operations** | **27.9 ¢** | **23.0 ¢** | **21%** |

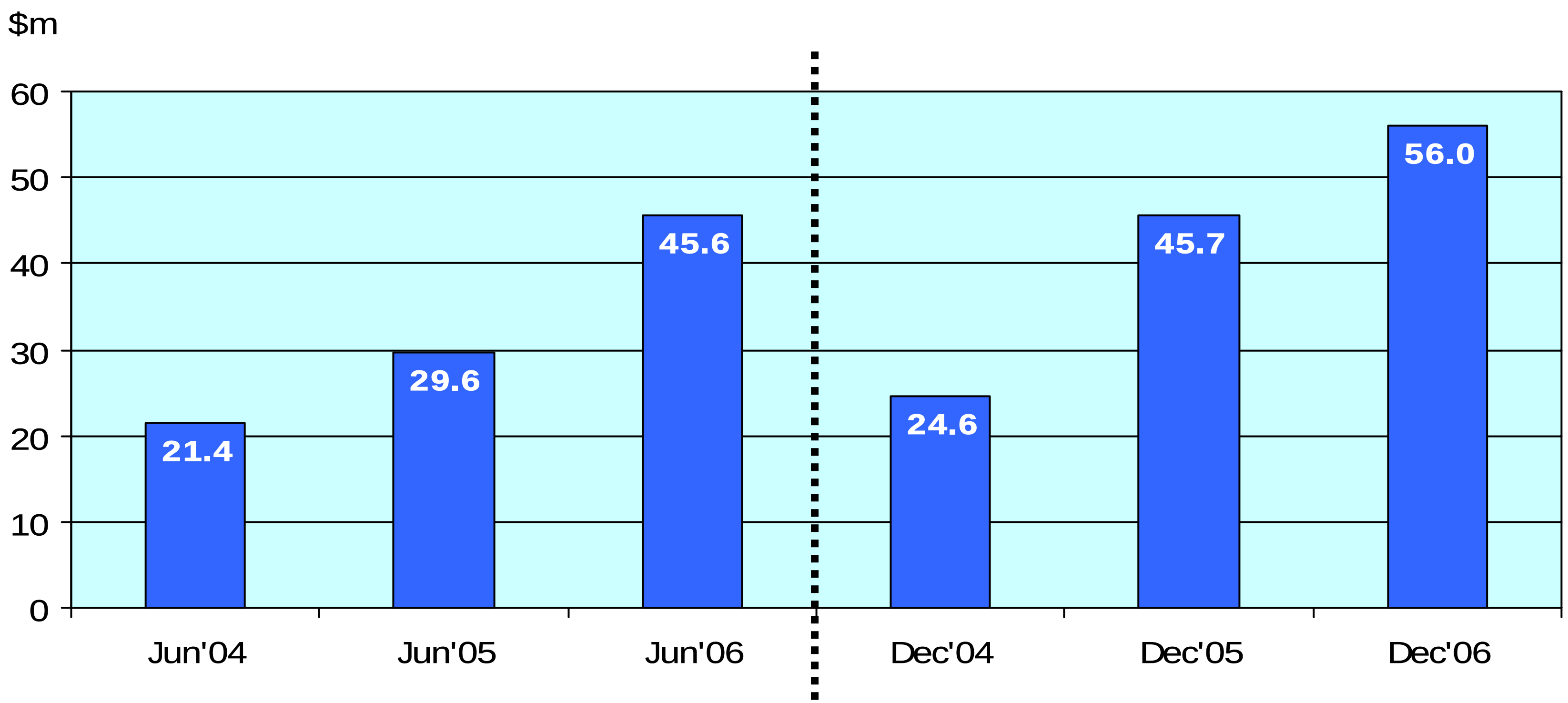
| | | | |
|---|---|---|---|
| **Interim dividend – fully franked** | **13.0 ¢** | **10.5 ¢** | **24%** |

# HALF YEAR EBIT GROWTH
## Continuing Operations



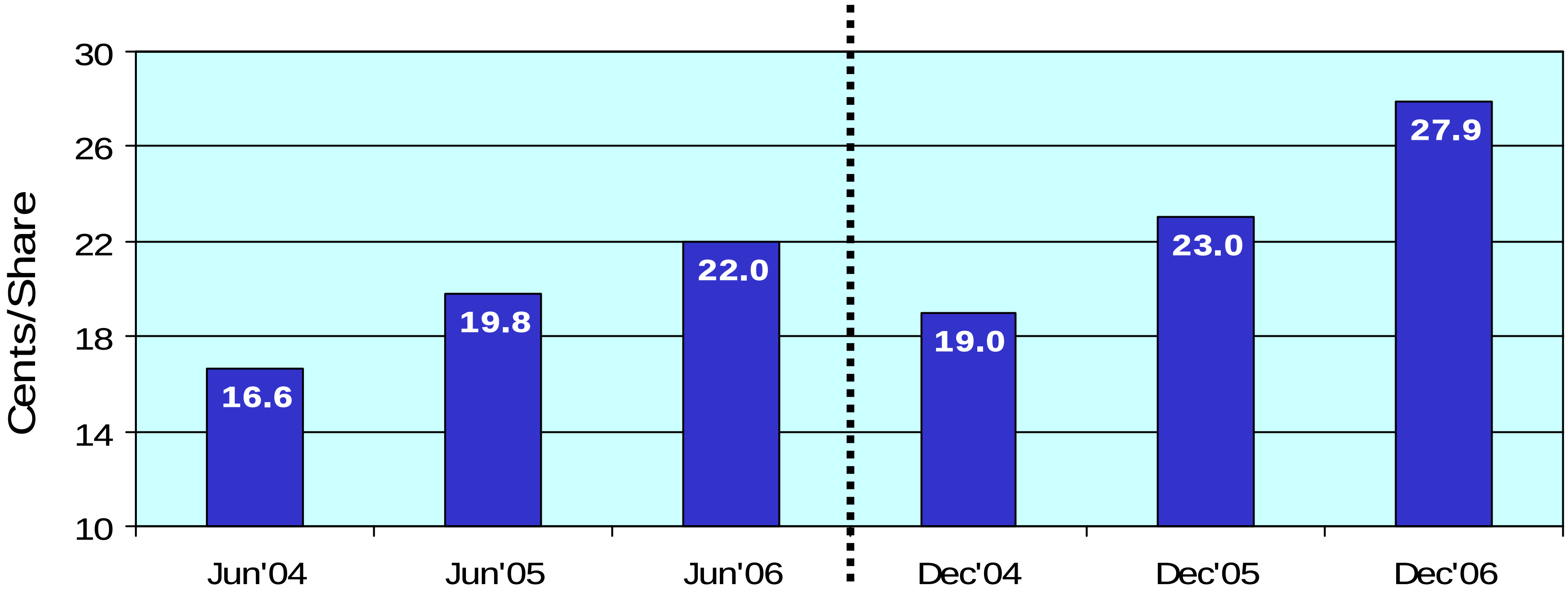

- Group EBIT up 10% for half year, despite dilutionary effect of veterans' hospitals and delay in recovery of Queensland nurses wage increases
- Still on track to achieve synergy benefits of $50 million over 3 years

# HALF YEAR CORE NET PROFIT GROWTH
## Continuing Operations



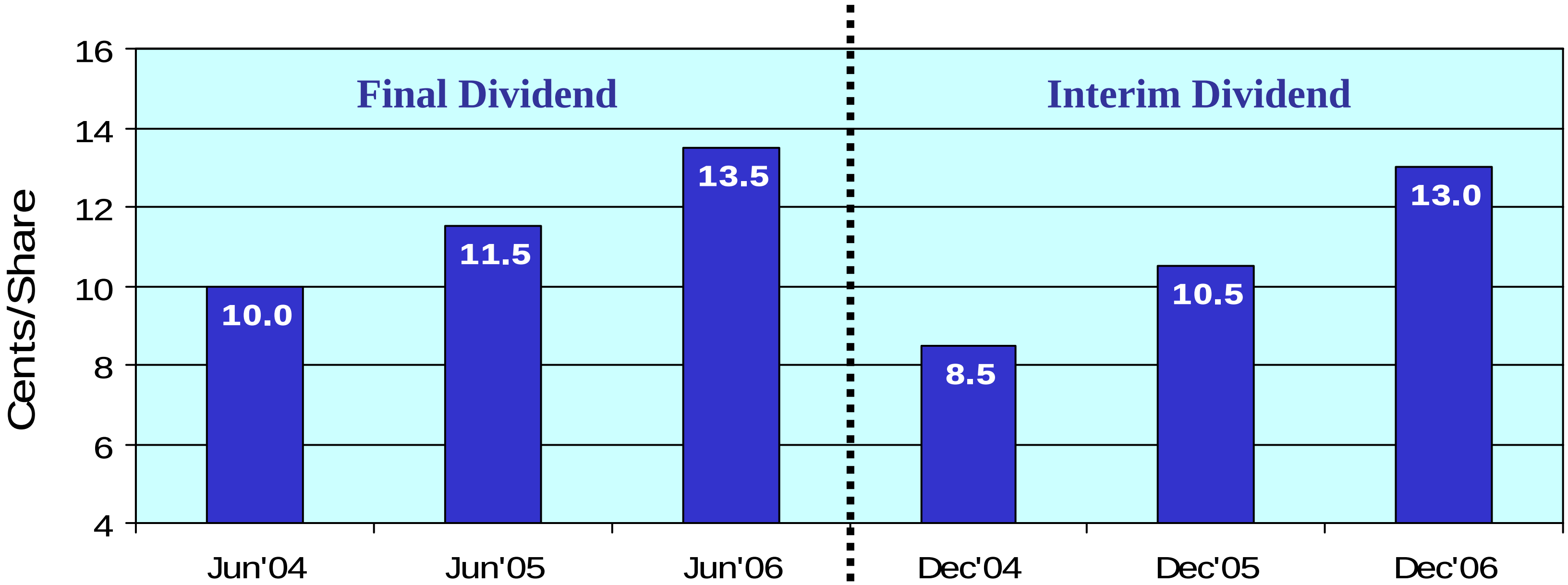

- Core NPAT up 22% for the half year
- Affinity synergy benefits being reflected in NPAT

# HALF YEAR CORE EPS GROWTH
## Continuing Operations




- Core EPS up 21% for the half year

# DIVIDEND GROWTH




- Interim Dividend up 24% for the half year

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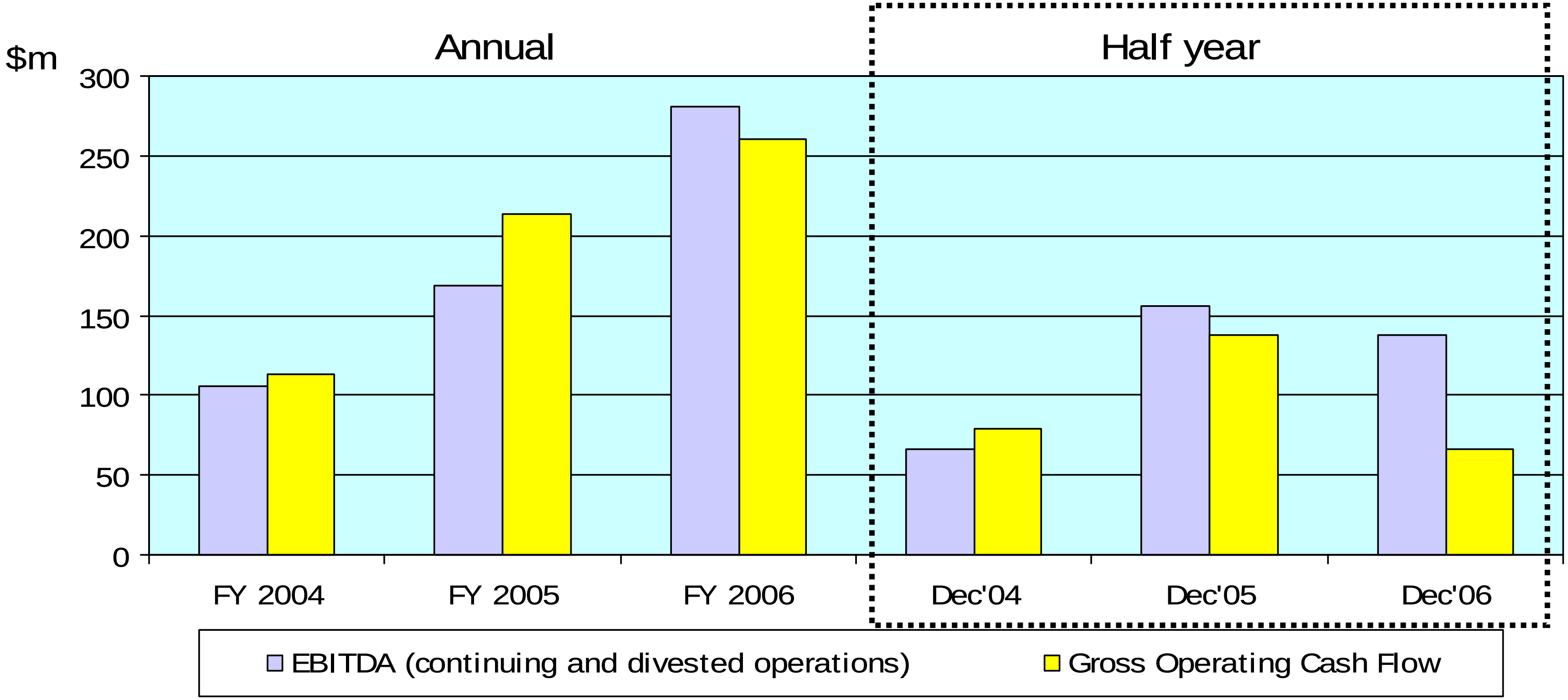
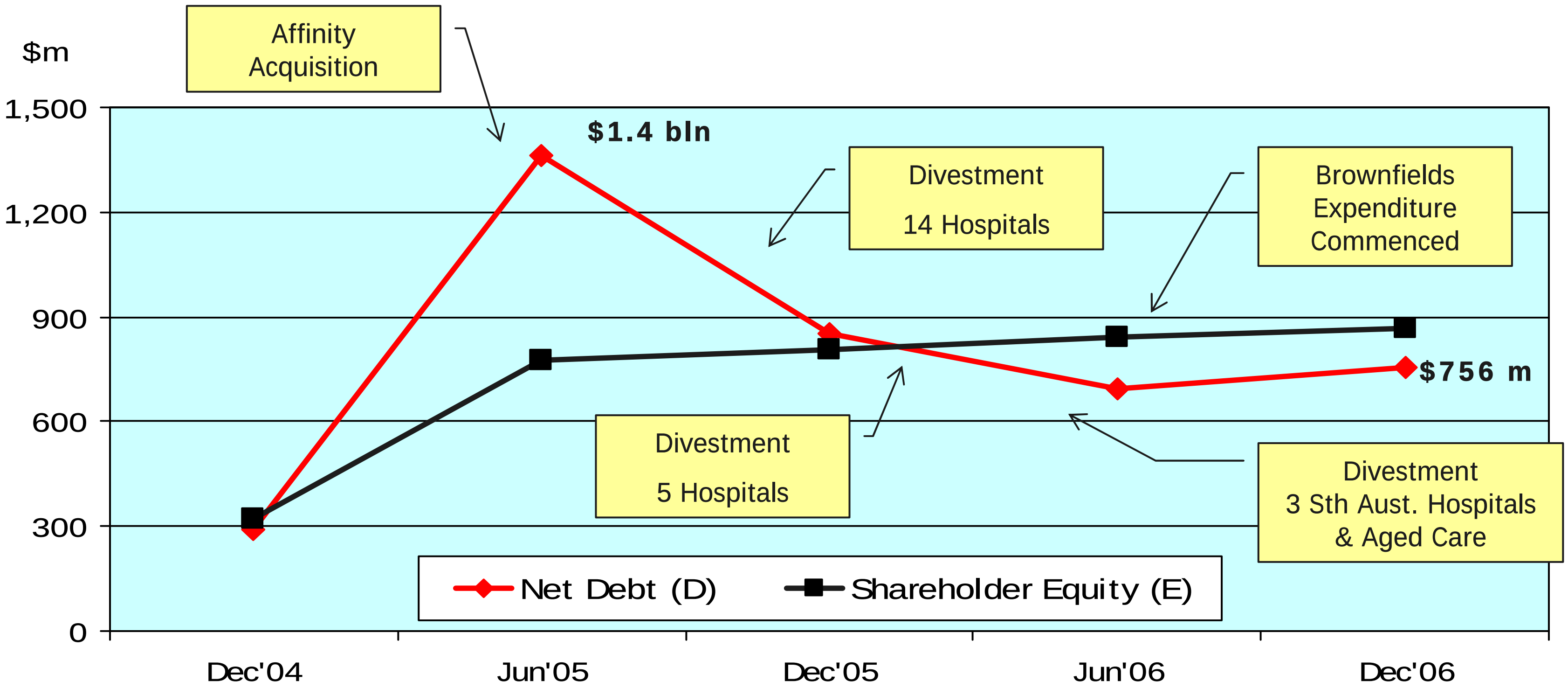
# CASH FLOW




- Half year cash flow adversely effected by:
  - One-off impact of replacement of ‘DVA receivables’ with private patient receivables on less favourable payment terms
  - Protracted Health Fund negotiations secured good reimbursement rates to the temporary detriment of Cash Flow
- January/February cash collections trending back to normal target levels.

# EFFECTIVE CAPITAL MANAGEMENT



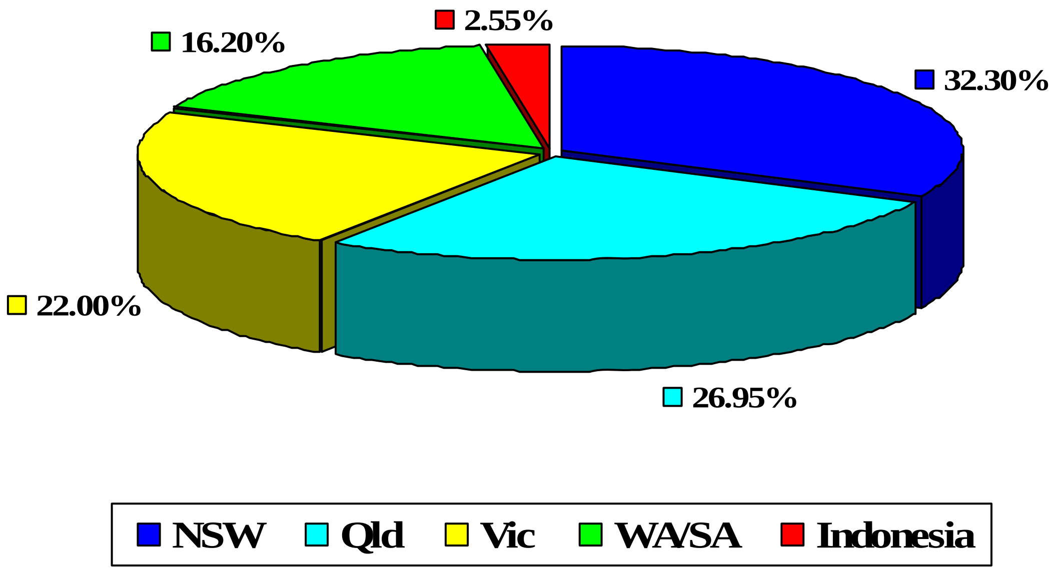

| | | | | | |
|---|---|---|---|---|---|
| Gearing: (D/D+E) | 48% | 64% | 51% | 45% | 47% |

- Leverage Ratio (Net Debt/EBITDA) currently 2.9 x
- Reduced debt level provides financial firepower and flexibility to pursue growth opportunities

# OPERATIONAL HIGHLIGHTS

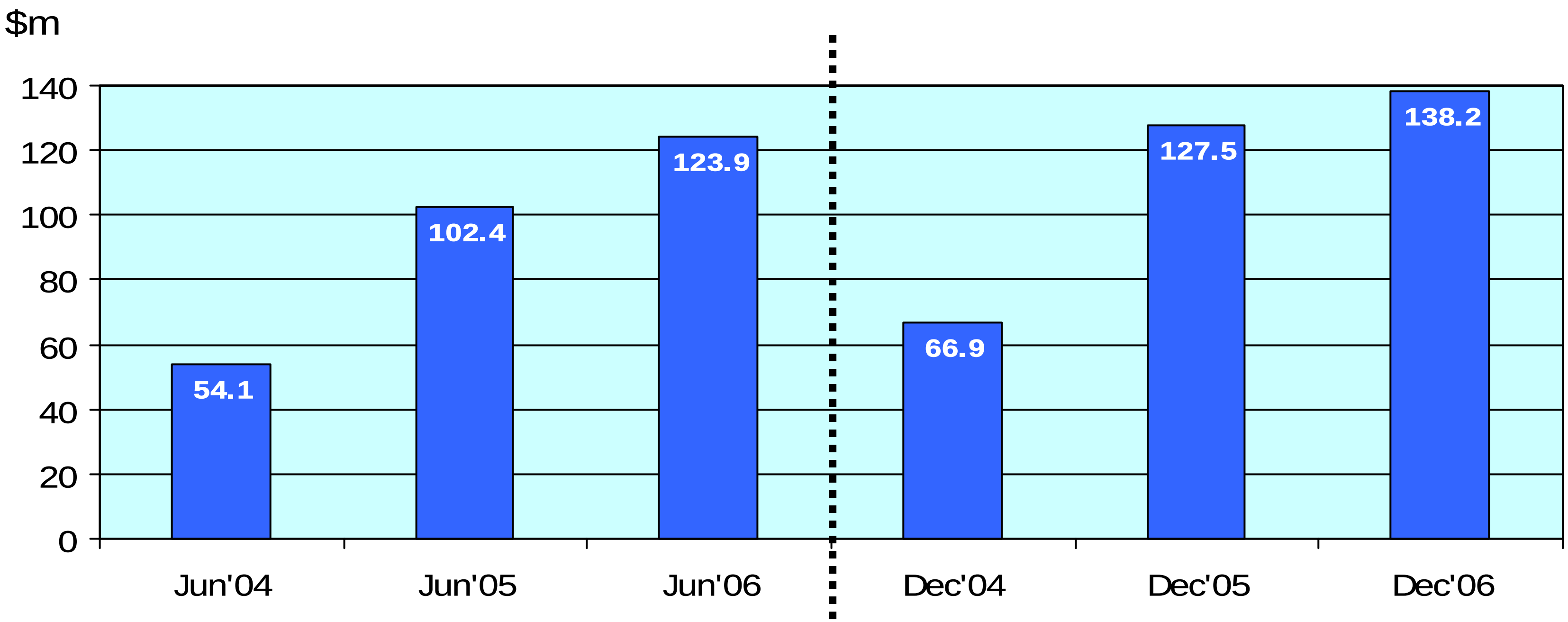
- Group EBIT up 10% off vastly increased EBIT base following Affinity acquisition
- Hospital EBIT:
  - Affinity Australia hospitals EBIT up 7%, Indonesian hospitals EBIT down 2%
  - Ramsay hospitals EBIT growth reduced to 3%, due to dilutionary impact from Hollywood and Greenslopes and lag in cost recovery of Qld nurse wage increases
- End of DVA contract managed better than initial expectations, limited impact after this financial year
- On track to realise Affinity cost and revenue synergies identified at the time of the acquisition
  - Head office savings 17%
- Cost containment continues across the portfolio
- Group EBIT margin 10.2% vs 10.0%

# REVENUE ANALYSIS



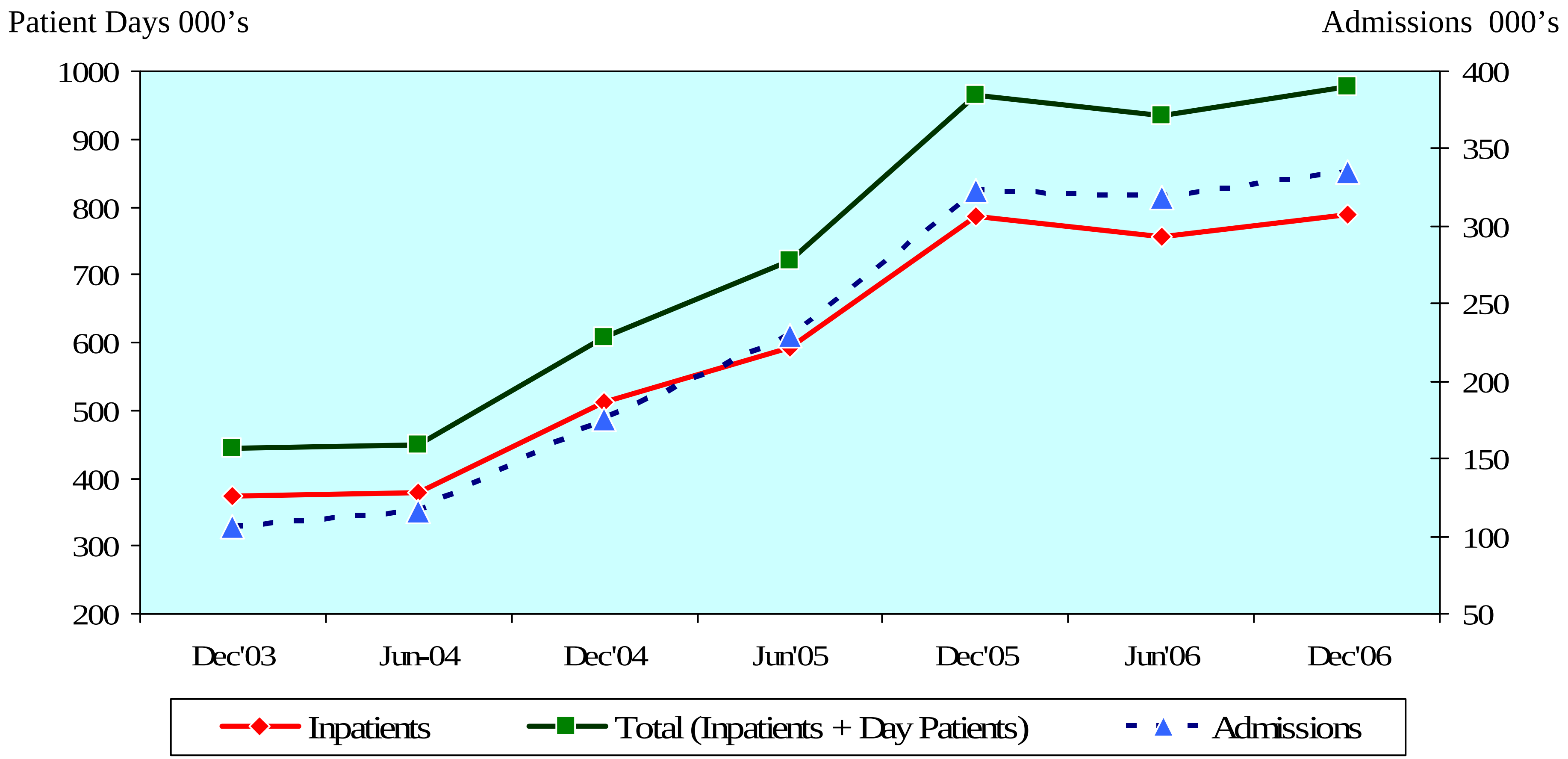

- Veteran hospitals represent 17% of total revenue

# EBITDA GROWTH & MARGINS
## Continuing Operations




- EBITDA up 8% for the half year
- Group EBITDA margin 13.1% vs 13.0%
- Hospital EBITDA margin 15.0%, excluding prosthesis 17.1%

# OCCUPANCY – PATIENT DAYS
## Continuing Operations




- Total Admissions up 4% in half year

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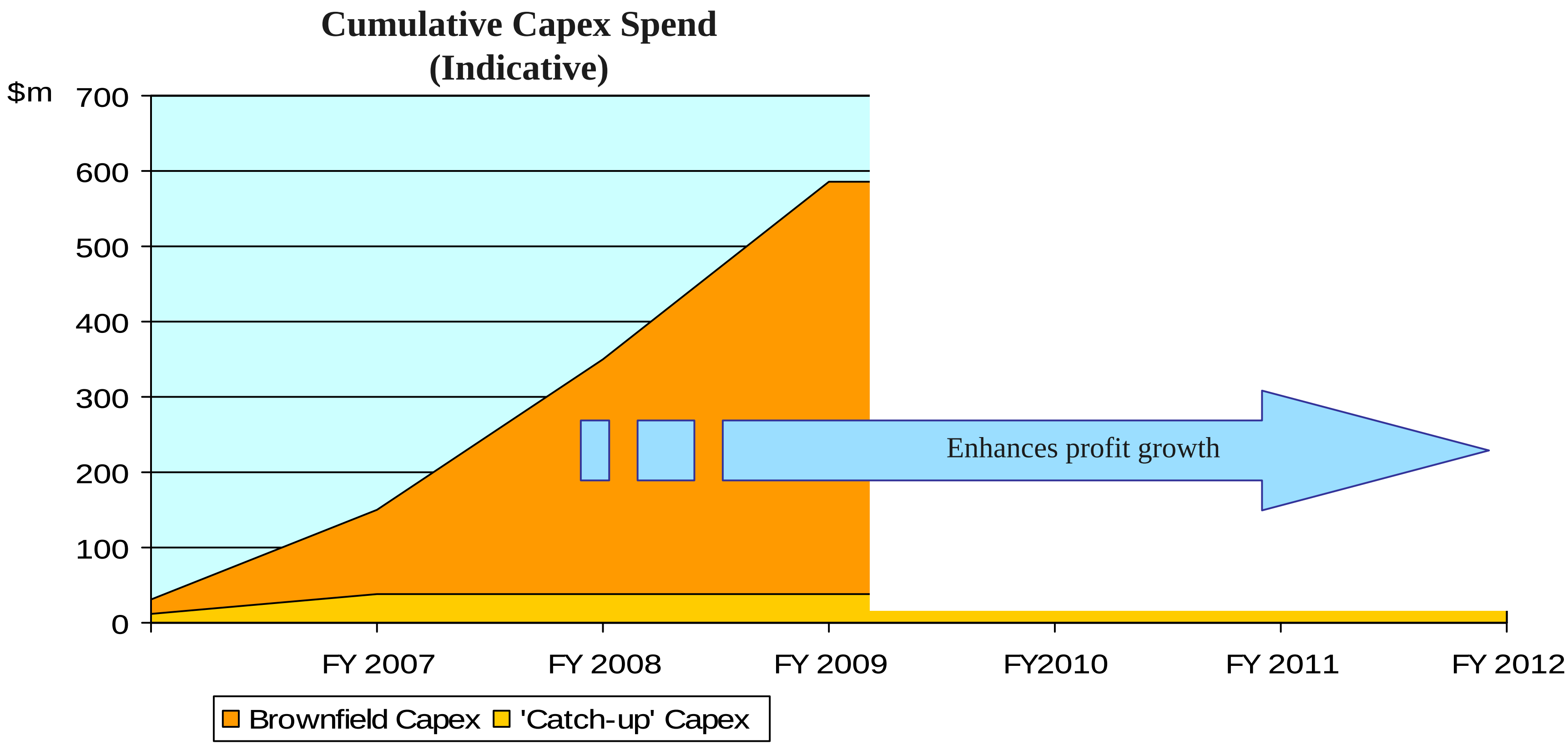
# BROWNFIELDS EXPANSION

- Major brownfields expansion plan accelerated and well progressed following realisation of Affinity benefits
- Developing large multi-service hospitals to attract increased referrals in major metropolitan areas
- Financial capacity to invest at least $400 million
  - Approximately $250 million expansion capex approved
- Lower risk, higher return investment in our core business
- Based on target of achieving ROI of 15%
  - Strict capital allocation and projects prioritised by strategic benefit
- Aimed at meeting unmet demand

# BROWNFIELDS EXPANSION

- Many brownfields projects are progressing well through the foundation and development phases
  - Construction of 4 operating theatres at Westmead commenced
  - St George Private: additional theatre opening March 2007. Land adjacent to the Hospital purchased for significant future development
  - Hollywood $128m (net $88m) development progressing well
  - John Flynn has added consulting suite capacity
  - Greenslopes has added 4 operating theatres and is well progressed on plans for substantial consulting suite capacity and upgrade
  - Negotiations well advanced for expansion at Joondalup for both the Public and Private Hospitals

# BROWNFIELDS EXPANSION




- Average construction profile 18 months
- Ramp up to ROI of 15% on brownfields over 2 to 3 years, post construction completion
- ‘One-off catch-up’ capex mainly related to ex Affinity portfolio
- Brownfields to start enhancing EBITDA growth from FY 2008

# EXPLORING ADDITIONAL GROWTH INITIATIVES

## Investigating acquisitions

- Further Australian hospital acquisitions in areas where there are no competition issues
- Opportunities to expand Ramsay hospital franchise offshore
- Other areas of health care close to core management competency

# FY 2007 OUTLOOK

On track to achieve growth in full year Core EPS in the range of 15% to 20% targeted at start of financial year

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# Questions