ASX ANNOUNCEMENT

27 August 2007

RAMSAY HEALTH CARE ANNOUNCES 21% RISE IN FULL-YEAR CORE NET PROFIT TO A RECORD $110.9 MILLION

Financial Highlights

- Core net profit after tax up 21% to $110.9 million
- Core EPS, after preference dividend, up 21% to 54.9 cents
- Basic EPS up 23% to 52.6 cents
- Revenue up 6% to $2,106 million
- EBIT up 9% to $212.5 million
- Net profit after tax up 22% to $107.1 million
- Final dividend 16.0 cents fully franked, bringing the full-year dividend to 29 cents or 21% higher than a year ago

Overview

Australia's largest private hospital operator Ramsay Health Care today announced a 21% increase in core net profit after tax from continuing operations (before specific items and amortisation of intangibles) to $110.9 million for the year to 30 June 2007.

The core net profit translates to core earnings per share (EPS) of 54.9 cents for the year - a 21% increase on the 45.3 cents recorded in the previous corresponding period. Basic EPS rose 23% to 52.6 cents per share.

Net profit after tax, specific items, amortisation of intangibles and divested operations was 22% higher at $107.1 million.

Directors have declared a final fully franked dividend of 16.0 cents per share, bringing the full-year dividend to 29 cents - an increase of 21% from a year earlier. Directors have also decided to reinstate the dividend reinvestment plan effective from the next dividend payment in October, at a 2.5 % discount.

Ramsay Managing Director Pat Grier said the 2007 financial year result was particularly pleasing as it exceeded the company's earnings guidance for core EPS growth of 15%-20% provided at the start of the fiscal year.

"This is an outstanding result for Ramsay Health Care when you consider the profit growth was achieved over and above the particularly strong result recorded for fiscal 2006, which included the first full-year contribution from the Affinity hospitals."

"As the leading private hospital group in Australia, our business is tracking very well. We remain very optimistic about future expansion opportunities through continuing organic and brownfields growth domestically and strategic overseas acquisitions."

<u>Capital Management and Cash Flow</u>

There has been a faster-than-expected reduction in debt levels improving the leverage ratio to under three times. This low leverage provides Ramsay with greater financial flexibility to pursue and realise growth opportunities.

The company's strong focus on working capital management and cash collections has resulted in gross operating cash flow of $175 million, exceeding EBITDA of $133 million in the second half of the 2007 financial year. The second-half surplus of $42 million largely recovered a first-half shortfall predominantly caused by a change in the DVA contracts at Hollywood and Greenslopes.

<u>Operational Highlights</u>

Group EBIT increased 9% for the year on top of the vastly increased EBIT base following the Affinity acquisition in April 2005.

The growth in EBIT was achieved despite the impact of the changed patient mix at the veterans' hospitals, which was more pronounced than expected in the second half and resulted in declining EBIT at Hollywood and Greenslopes, compared with the usual substantial growth at these hospitals.

Additionally, group hospital EBITDA margins further improved to 15.4% from 15.1% the previous year. Excluding prosthesis, group hospital EBITDA margins improved to 17.5 percent from 17.3 percent.

All states showed strong EBIT growth, with admissions rising 4.2% over the year.

The group EBIT margin improved to 10.1% from 9.8% for the previous year, reflecting ongoing cost containment and the realisation of synergies from the integration of Affinity.

The three-year integration plan of the Affinity hospitals is proceeding well. This allows Ramsay to focus more on new growth prospects.

Planned Capacity Expansion

Expansion projects have been prioritized by strategic benefit to the group and are aimed at adding scope at those hospitals which are operating at or near capacity and where demand remains unsatisfied.

As part of this plan, Ramsay has identified locations it considers appropriate for further development including its larger hospitals capable of attracting increased referrals in major metropolitan areas.

To date, Ramsay has approved approximately $550 million in improvements and capacity expansion to its Hollywood, Joondalup, John Flynn, Greenslopes, North West, The Avenue and Linacre hospitals. This exciting development program is advanced and progressing well.

In addition to these key strategic campus expansions, there are also capacity expansion proposals being developed for other major locations including Pindara, North Shore, Westmead, St George and Warringal.

Ramsay is targeting a medium-term return on investment of 15% on its capacity expansion approximately three years after construction is completed. This is consistent with its proven track record on previous brownfields investments.

This investment in brownfields expansion is expected to start to translate to earnings growth from the 2008 financial year onwards.

Many of the newer brownfields projects identified will go a long way to addressing unmet demand and are therefore being progressed through the feasibility phase as quickly as possible.

Outlook

The private hospital industry offers strong fundamentals which continue to underpin Ramsay’s growth prospects. The ageing population, historically high and growing private health insurance membership and consumer demand, mean Ramsay, with its quality portfolio of hospital facilities in high growth areas, will perform well.

Ramsay continues to track well in this growth industry highlighting its proven capability as Australia’s leading private hospital operator.

While the dilutionary impact of the expiry of the DVA contracts was more marked than expected, Ramsay's transition strategy should result in a resumption of growth at both Greenslopes and Hollywood hospitals towards the end of the 2008 financial year.

All remaining Ramsay hospitals are performing well and are expected to continue to do so in the current financial year.

Ramsay's investment in brownfield developments which, historically, has been a strong contributor to the company's profit growth, is expected to deliver earnings growth progressively towards the end of the 2008 financial year and beyond.

Now that the benefits of the Affinity acquisition have been largely realised and a substantial part of the brownfields expansion program is through the planning phase and being rolled out, Ramsay has been actively exploring further growth opportunities.

A number of potential hospital acquisitions outside Australia have been considered. While Ramsay has been involved in a number of bids, it has maintained its financial discipline and remains focused on making only those acquisitions that will enhance long term shareholder value.

Ramsay believes it has the ability to add value to other hospital businesses by exporting its proven and efficient hospital management model.

Barring unforseen circumstances, Ramsay is targeting low double digit growth in core EPS for the 2008 financial year.

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Summary of Financial Performance

	Year ended 30 June $000's		
Continuing Operations	**2007**	**2006**	**%**
Operating Revenue	2,105,899	1,977,951	6%
EBITDA	273,465	252,281	8%
EBIT	212,529	194,236	9%
Core Net Profit after tax - continuing operations	**110,978**	**91,981**	**21%**
Net(Loss)/Profit after tax – divested operations	(812)	1,299	
Specific Items and amortisation of intangibles (net of tax)	(3,109)	(5,690)	
Net Profit after tax	107,057	87,590	22%

Earnings per Share (cents per share)	**2007**	**2006**	**%**
Core EPS – continuing operations	**54.9¢**	**45.3¢**	**21%**
Basic EPS	52.6¢	42.7¢	23%

Dividends	**2007**	**2006**	**%**
Total dividend (cents per share) fully franked	**29.0¢**	**24.0¢**	**21%**

Notes:
1) *'Core Net Profit after tax – continuing operations' and 'Core Earnings per Share – continuing operations' are before specific items, amortisation of intangibles and divested operations.*
2) *All EPS calculations are based upon Net Profit after tax adjusted for preference dividends.*
3) *Prior year restated for divested operations.*