



RAMSAY
HEALTH CARE



Briefing – 28 August 2006
Financial Results
Year ended 30 June 2006



- Creation of Australia's leading hospital portfolio
- Pleasing results from Ramsay and Affinity hospitals
 - Focus on hospital micro-management delivers profit growth ahead of expectations
 - Integration proceeding well
- Core EPS growth ahead of initial FY2006 guidance and half year upgrade
- Strategic review maximises strength and positioning of Australia's best hospital portfolio
- Restructured portfolio enhances opportunity to capture benefits of growing demand for quality, private hospitals
- Faster than expected debt reduction creates significant capacity to fund further growth



- Revenue from continuing operations up 73% to \$2.0 billion
- Total Core Net Profit (including profit from divested operations) up 69% to \$93.3 million
- Total Core EPS up 16% to 46 cents
- Core EPS from continuing operations up 24% to 45 cents
- 2nd half dividend 13.5 cents, making 24.0 cents for the year, up 20%
- Group EBITDA margin from continuing operations maintained at 12.7%

(Core Net Profit and Core EPS are before specific items and amortisation of intangibles)



	Year ended 30 June		
	2005	2006	% Inc.
	AIFRS \$m	AIFRS \$m	
<u>Continuing Operations:</u>			
Operating Revenue	1,144.0	1,983.4	73%
EBITDA	145.3	251.6	73%
EBIT	107.8	193.3	79%
Core NPAT – continuing operations	50.3	91.4	82%
<u>Divested Operations:</u>			
<i>Core NPAT – divested operations</i>	4.8	1.9	
Total Core Net Profit after Tax	55.1	93.3	69%
<i>Less specific items (net of tax)</i>	<i>(23.4)</i>	<i>(5.7)</i>	
Net Profit after Tax	31.7	87.6	177%
<i>(Core Net Profit and Core EPS are before specific items and amortisation of intangibles)</i>			

FINANCIAL PERFORMANCE

EPS and Final Dividend



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	Year ended 30 June		
	2005	2006	% Inc.
Total Core NPAT	\$55.1 m	\$93.3 m	69%
Less Preference Dividend	-	\$14.1 m	
NPAT used to Calculate Total Core EPS	\$55.1 m	\$79.2 m	44%
Shares on issue	138.8 m	171.9 m	
Total Core EPS	39.7 ¢	46.0 ¢	16%
Core EPS from continuing operations	36.2 ¢	44.9 ¢	24%
Basic EPS	22.8 ¢	42.7 ¢	87%
Final dividend – fully franked	11.5 ¢	13.5 ¢	17%
Full year dividend – fully franked	20.0 ¢	24.0 ¢	20%



	\$m
<u>Specific Items</u> (net of tax)	
Costs associated with the Affinity acquisition	(9.6)
(Corporate restructuring costs, borrowing costs associated with divested hospitals, and one-off malpractice insurance costs)	
Profit on sale of divested operations	5.3
Amortisation of intangibles	(1.5)
Net specific charges (net of tax)	(5.7)

FINANCIAL PERFORMANCE

Continuing Operations



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Breakdown of continuing Ramsay and retained Affinity operations

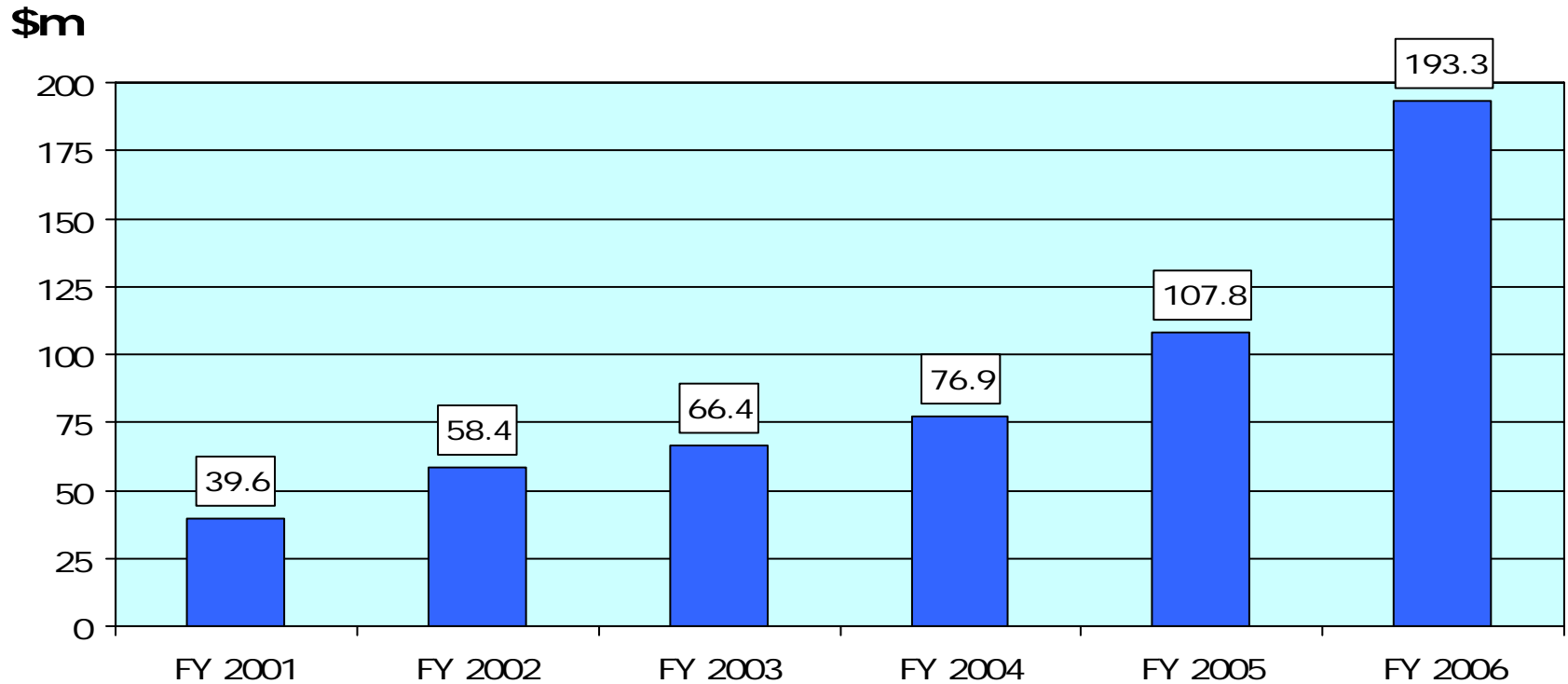
	Year ended 30 June 2006		
	Ramsay	Affinity	Combined
Operating Revenue (\$m)	997.9	985.5	1,983.4
EBITDAR (\$m)	138.4	134.0	272.4
Total Patient Days (000's)	1,065.6	996.2	2,061.8
EBITDAR Margin	13.9%	13.6%	13.7%

STRONG EBIT GROWTH

Continuing Operations



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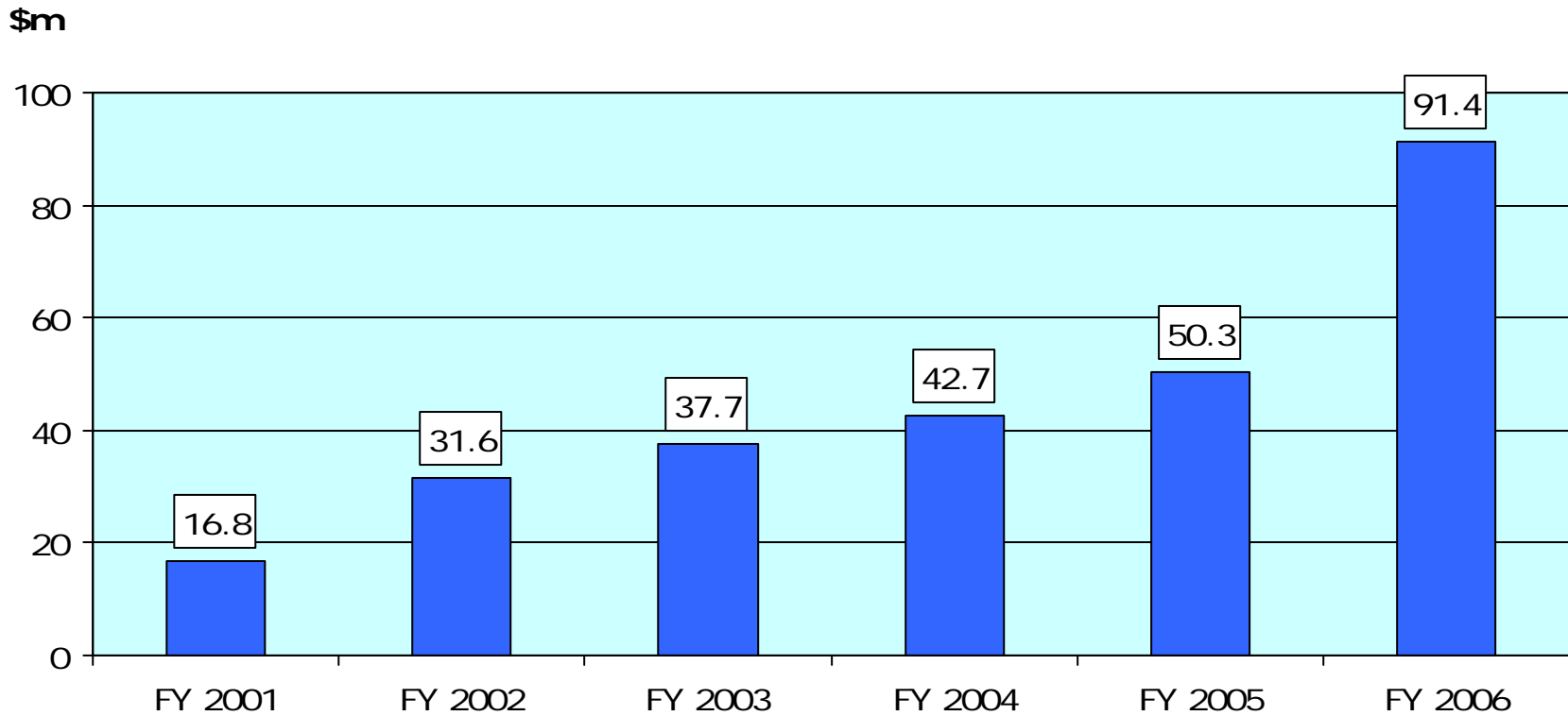
■ EBIT up 79% for the year

CORE NPAT GROWTH

Continuing Operations



Slide No. 8



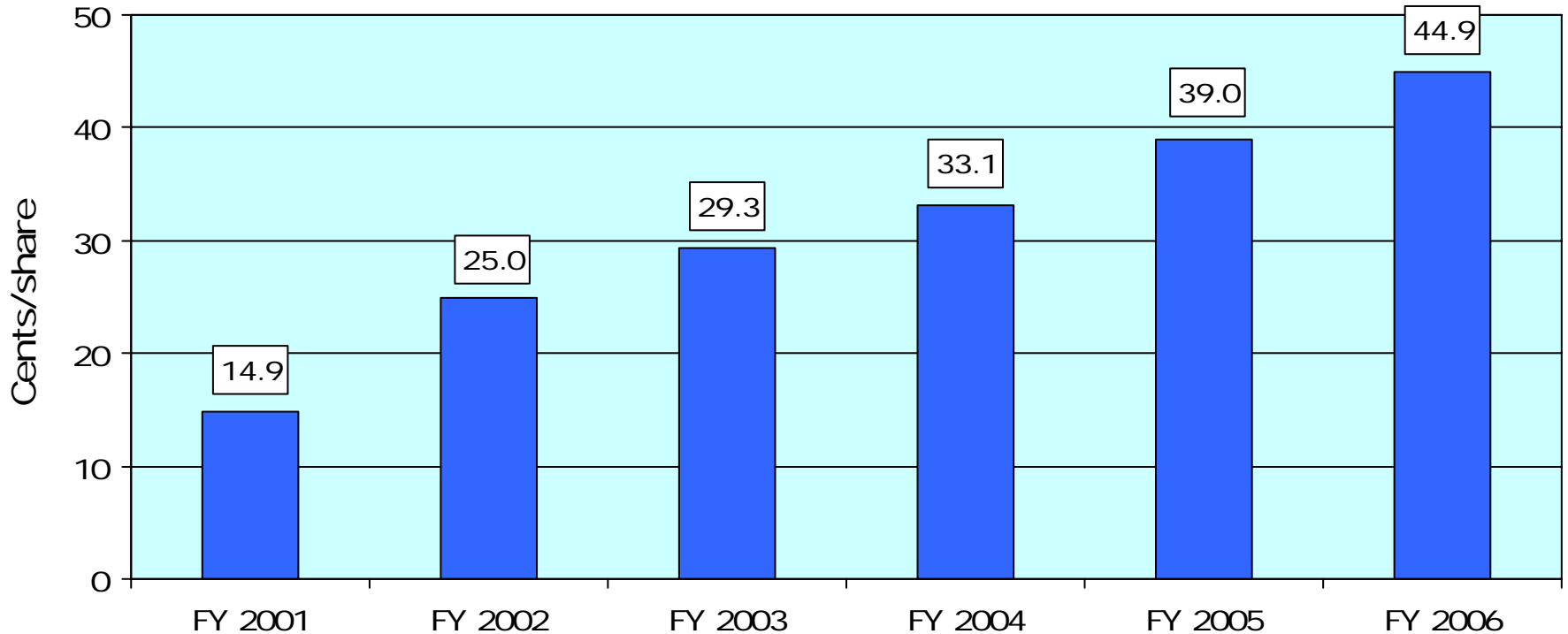
- Core NPAT from continuing operations up 82% for the year

CORE EPS GROWTH

Continuing Operations



Slide No. 9

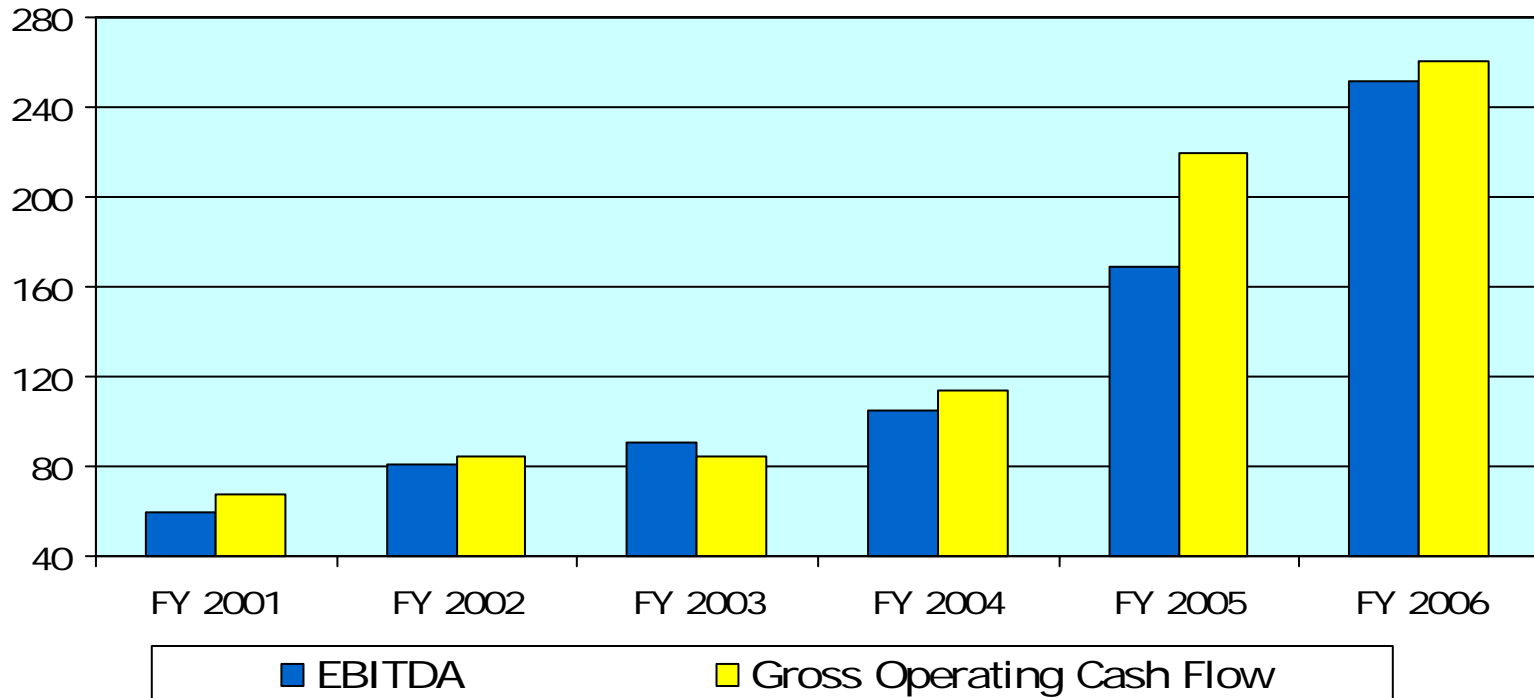


- Core EPS from continuing operations up 24% for the year
- Average annual compound growth rate for continuing operations over 5 years of 25% (base year FY 2001)

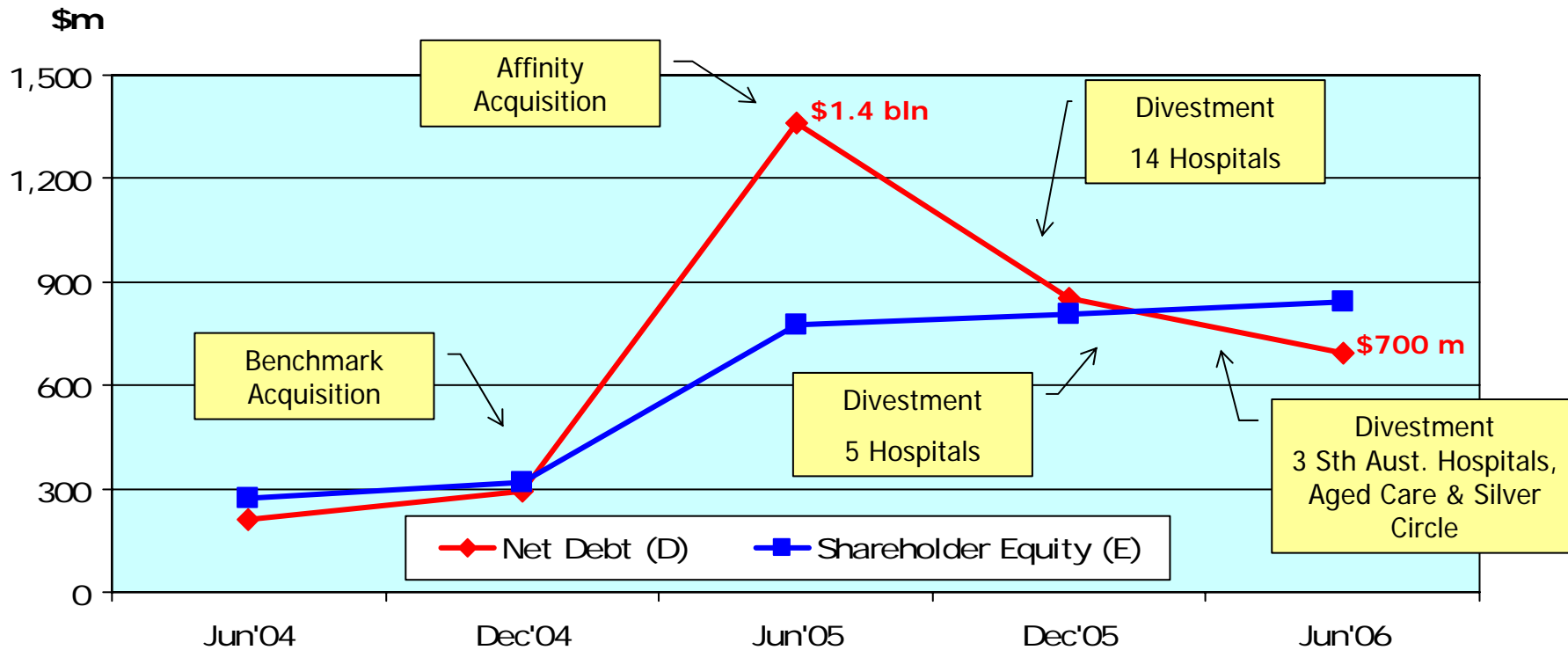


\$m

EBITDA / Cash Flow



- Continuing effective cash flow management
- Gross operating cash flow of \$260m exceeds EBITDA of \$252m



Gearing: (D/D+E)	Jun'04	Dec'04	Jun'05	Dec'05	Jun'06
	44%	48%	64%	51%	45%

Ratios:

- Target Leverage Ratio (Net Debt/EBITDA) in range of 3.0 x to 3.5 x (currently 2.8 x)
- Target Interest Cover Ratio (EBITDA/Interest Expense) in range of 4.0 x to 4.5 x (currently 4.3 x)



- **Focus on core hospital management** - delivered strong organic growth at Ramsay and Affinity hospitals
- **Strategic review** – portfolio restructuring completed, maximising value and positioning of facilities
- **Divestments** - realised strong proceeds of over \$650 mln
- **De-leverage and debt reduction** - ahead of schedule
- **Affinity integration** – implementation underway and on track
- **Synergy benefits** - being realised ahead of schedule



Portfolio

- 65 Australian facilities, 3 Indonesian facilities
- 7,230 beds
- 20,000 staff
- 25% of private hospital beds
- 28% of private hospital admissions
- Over 750,000 patients per year
- Over 455,000 procedures per year

Strengths

- Market leader
- Economies of scale
- Operating and financial leverage
- Portfolio rationalisation and maximisation
- Relationships with stakeholders
- Margin uplift from Affinity hospitals
- Strong influence in growing market

STRONG HOSPITAL GROWTH

(year on year comparison)



Slide No. 14

	Continuing Ramsay Hospitals	Retained Affinity Australian Hospitals	Affinity Indonesian Hospitals
Admissions	Up 5.2%	Up 2.8%	Up 17.7%
Patient Days	Up 2.2%	Up 1.3%	Up 15.8%
EBIT	Up 7.4%	Up 9.6%	Up 15.1%
EBIT Margins	12.0% (vs 11.9%)	11.2% (vs 10.9%)	21.6% (vs 22.3%)

- Exceeding overall industry growth
- Solid hospital margin enhancement



3 year integration plan on track

- To achieve pre-tax cost synergies of approx \$35 mln by end 2008
- To realise pre-tax revenue synergies of \$15 mln over 2 years, by end FY08
- 1st year ahead of schedule



OUTLOOK



- Continue to grow earnings at hospital level
 - Organic growth
 - Achieve Affinity synergies and earnings uplift
- Brownfields expansion
- Acquisitions
 - Hospital acquisition opportunities still exist in Australia
 - Explore offshore opportunities



- Financial headroom to invest up to \$400 mln in enhancements and capacity expansion
- In the process of identifying best investment opportunities
- Investment criteria of 15% return on capital targeted over medium term
- To enhance profit growth in FY2008 and onwards



Strategic development program:

- Develop large multi-service hospitals to attract increased referrals in major metropolitan areas
- Invest in other hospitals in portfolio to develop them as niche service providers in particular medical specialties



- Strategic repositioning of Hollywood continues
- Master Plan includes additional
 - 90 Beds
 - 4 Operating Theatres
 - Consulting Suites
 - Carparking
 - Day Surgery/Facilities
 - Expanded Infrastructure
- Development to be staged over 3 years
 - Completion expected around mid-2009
- Net investment after sale of medical suites in the range of \$80 mln to \$85 mln
- Commenced detailed planning



- Targeting growth in FY07 of 15%-20% in Core EPS, over FY06 Core EPS of 44.9 cents, based on:
 - Organic growth of Ramsay and Affinity hospitals
 - Realisation of synergies and improved earnings from Affinity under Ramsay management

- Investigating:
 - Further Australian hospital acquisitions in areas where there are no competition issues
 - Opportunities to expand Ramsay hospital franchise offshore, particularly Asia



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Questions