

**RAMSAY ANNOUNCES \$4.1M INTERIM NET PROFIT BEFORE
ABNORMALS AND A 5% INCREASE IN EBIT**

8 March, 2000

- Group revenue up 35% to \$162 million
- Revenue from established hospitals up 12%
- Group EBIT up 5%
- EBIT from established hospitals up 19%

Ramsay Health Care Limited, one of Australia's leading private health care providers, today announced an interim net profit of \$4.1 million before abnormals on group revenue of \$162 million.

Group earnings before interest and tax ("EBIT") totaled \$15 million, a 5% increase compared to the same period last year and an increase of 27% over the six months to June 1999.

Net profit before abnormals was \$4.1 million after absorbing the impact of significant increases in net interest and depreciation costs, associated largely with the commissioning of North Shore Private Hospital and Flinders Private Hospital.

"Ramsay Health Care has performed well in a tough health care environment recording a strong increase in revenue for the group," said Ramsay Health Care Chairman, Mr Paul Ramsay.

"The current health care environment necessitates that Ramsay Health Care concentrate on increasing the profitability of our hospitals, especially that of our two co-located hospitals, and the new Mildura Base Hospital project. Accordingly, after withdrawing from the Princess Alexandra Private Hospital project last year, the Company also resolved to withdraw from the Berwick Community Hospital project," he said.

Ramsay reported a net profit, after tax and abnormal items of \$2.7 million. The abnormal loss of \$1.4 million, net of tax, related to the write off of costs associated with

discontinued development projects. A significant proportion of the abnormal loss relates to the anticipated net cost of the cessation of the Company's involvement in the Berwick Community Hospital privatisation.

Revenue from established hospitals – that is, excluding the two new co-located hospitals, North Shore Private Hospital and Flinders Private Hospital – increased, despite a difficult environment. The three established divisions, the privatised veteran hospitals, psychiatric hospitals and rural medical-surgical hospitals, posted a 12% increase in revenue and a 19% increase in EBIT to \$17 million. The EBIT margin for the established hospitals was 13.5% as compared with 12.7% for the same period last year.

“Although our established hospitals continue to perform well, the ongoing health fund pricing squeeze has particularly impacted the performance of our two new co-located hospitals – North Shore Private Hospital and Flinders Private Hospital.

“North Shore Private Hospital, for instance, enjoys an excellent reputation and high occupancy levels. However the level of reimbursement available from health funds, especially for the more expensive advanced surgeries, is impacting the hospital's rate of return.

“Similar factors have affected the performance of Flinders Private Hospital in Adelaide which has struggled to perform in a subdued South Australian environment.

“We will continue to work closely with the private health insurance industry, in an effort to improve the rate of reimbursement, appropriate to the quality and level of service provided by these hospitals,” he said.

The construction of the new Mildura Base Hospital is proceeding well and the Company is working closely with the Victorian Government to ensure the success of this project. The hospital is on schedule to open in late September 2000, and is forecast to reach break-even in the first twelve months after commissioning.

The Board has approved an interim dividend of 3 cents per share to be paid on 28 April 2000. The dividend is unfranked and is equal to the interim dividend paid last year.

The Directors will review the payment of future dividends in the light of the Company's continuing performance.

“Our outlook for the full year profit remains cautious, given the continuing difficulties in the private health insurance industry, and in particular the level of reimbursement impacting North Shore Private Hospital and Flinders Private Hospital,” said Mr Pat Grier.

“A continuing strong performance is expected from our established hospitals.

“We applaud the initiatives of the Federal Government which have seen increases in the membership of private health insurance. It will only be a matter of time before the health insurance industry realises the benefits of supporting quality private hospitals for their members.

“We are confident about our long term prospects and plan to maintain our current focus on improving the performance of our existing operations, recent start ups and current projects,” he said.

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For further information please call:

Pat Grier – Managing Director,
(02) 9433 3444

Attachment: Summary of Financial Performance

Ramsay Health Care Limited
Summary of Financial Performance

	Six months ended 31 December \$000's					
	Established Hospitals		Co-located Hospitals		Total	
	1999	1998	1999	1998	1999	1998
Operating Revenue	<u>127,773</u>	<u>113,756</u>	<u>34,188</u>	<u>6,058</u>	<u>161,961</u>	<u>119,814</u>
EBITDA	23,501	20,014	2,148	739	25,649	20,753
EBIT	17,198	14,483	(1,796)	167	15,401	14,648
Profit before tax and abnormals					4,802	9,294
NPAT before abnormals					4,085	6,921
Abnormal loss (net of tax)					(1,384)	(2,884)
NPAT					<u>2,701</u>	<u>4,037</u>
EBIT Margin	13.5%	12.7%	-	-	9.5%	12.2%
Pre abnormal EPS (cents per share)					3.8	6.4
EPS (cents per share)					<u>2.5</u>	<u>3.7</u>