



3 March, 2003

RAMSAY HEALTH CARE HALF YEAR NET PROFIT RISES 25%

**Highlights**

- Net Profit up 25% to \$18.5 million
- Revenue up 21% to \$320.2 million
- EBITDA up 12% to \$45.1 million
- EBIT up 14% to \$32.9 million
- Earnings per share increased 23% to 14.4 cents from 11.7 cents
- Interim dividend of 6.5 cents, fully franked, up from 4.5 cents unfranked in the previous first half
- Double-digit NPAT growth achieved in underlying business (excluding recent acquisitions)

**Overview**

Leading private hospital operator Ramsay Health Care Limited announced today it achieved an interim net profit of \$18.5 million for the six months to December 31, 2002, a 25% increase on the result for the previous corresponding half year.

The profit rise came on a 21% rise in revenue to \$320.2 million. Earnings before interest and tax (EBIT) rose 14% to \$32.9 million.

Directors of Ramsay Health Care have declared an interim dividend of 6.5 cents a share, fully franked, up from 4.5 cents unfranked for the previous corresponding half year.

The dividend will be payable on 30 April 2003 with the record date for determining entitlement to the dividend 5 p.m. 14 April 2003.

Managing Director Pat Grier said the interim result was pleasing, particularly given the challenges facing the industry.

“We are pleased to have reported good growth for the latest half year, particularly as it follows the strong profit growth of the past two years, which saw near doubling in profit levels,” Mr Grier said.

On a like-for-like basis, (excluding the recently acquired Lake Macquarie and Cairns Private Hospitals) the Group achieved double-digit organic growth in net profit over the previous corresponding half year.

“It is particularly pleasing that occupancy has continued to improve, given the high levels achieved in the corresponding half year. The former Alpha hospitals continue to improve the earnings of the Group’s hospital portfolio,” he said.

“The results highlight the quality of the Group’s portfolio of hospitals and management’s ability to improve occupancy and contain costs,” he said.

Mr Grier said demand for Ramsay hospital beds remains strong and private health insurance membership is still at historically high levels.

“Despite the challenging environment, it must be remembered that trading conditions in the private hospital sector are still conducive to growth in revenue and profitability for the better operators,” Mr Grier said.

He said the Company’s ongoing negotiations with private health insurers continued to be constructive. Based upon the Company’s strategy of providing the highest quality of care to health fund members, the company is confident that given the strategic positioning of its hospitals, it will successfully negotiate the recovery of recent cost increases from the health funds.

## **Operations**

In line with Ramsay’s strategy of giving priority to investing in its existing hospital facilities, the Company’s expansion program, funded largely from strong cash flows, is proceeding on schedule, enabling the group to capitalise on the strong demand for quality hospital beds. It is expected that the \$75 million capacity expansion program will be substantially completed by the fourth quarter in FY 2003.

It is expected that capacity will increase by approximately 10% when taking into account the additional beds and operating theatre throughput, the benefits of which are anticipated to be realised over the next two years.

In November 2002, Ramsay Health Care acquired Calvary Cairns Hospital from the Diocese of Cairns. The 141 -bed hospital has been renamed Cairns Private Hospital. Ramsay Health Care expects to add value to the acquisition through the implementation of its management systems, processes, infrastructure and marketing.

Cairns Private Hospital is an example of the Company's commitment to acquire hospitals that complement its existing hospital portfolio.

All of Ramsay's five operating divisions (Veteran, Regional Medical/Surgical, Co-located, Psychiatric and Rehabilitation) performed well during the half and contributed to the strong EBIT growth in the period.

Profit at Sydney's North Shore Private Hospital continued to improve and demand there continues to remain strong, particularly for obstetric beds.

Extra capacity has been added to the operating theatres at Westmead in Sydney, which contributed to an improved performance there.

### **Growth initiatives**

Ramsay Health Care continues to actively investigate further hospital acquisitions where it can add value and meet the demand of health fund members, but maintains its selective approach to identifying potential acquisitions.

During the half year, the company appointed Kevin Rocks, an experienced manager in aged care, to further develop and drive the Company's strategy in relation to entering the aged care market.

"It needs to be emphasised that in pursuing the high end, profitable segment of the aged care market, we intend to provide the same high quality service as we do in our private hospitals. To become a serious player in aged care, we will need to achieve a balanced portfolio of low care, high care and extra services facilities. Ramsay Health Care plans to capitalise on its core competencies to provide the same level of high quality service as we do in our hospitals," Mr Grier said.

### **Outlook**

Despite industry challenges, Ramsay Health Care expects conditions to remain favourable in the private hospital sector, particularly for the high quality facilities and services that the Ramsay group provides.

Mr Grier said the focus for the remainder of the 2003 financial year will be to carefully manage costs, such as labour and higher insurance premiums, while still growing the business.

"We note consensus market expectations for net profit in the 2003 financial year of approximately \$37 million. While the second half will be challenging, we remain comfortable with market expectations, barring any unforeseen developments," he said.

“As well as our expansion program at existing hospitals and selected acquisitions, we believe there is scope for continuing organic growth in our business, which provides us with ample opportunity for maximising returns to our shareholders at the least cost and risk,” Mr Grier said.

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Attachment: Summary of Financial Performance

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	<b>Half Year ended 31 December</b>		
	<b>\$000s</b>		
	<b>2002</b>	<b>2001</b>	<b>% Increase</b>
Operating Revenue	320,151	264,860	21%
EBITDA	45,068	40,210	12%
Depreciation and amortisation	12,186	11,280	
EBIT	32,882	28,930	14%
Interest	6,861	7,710	
Profit before tax	26,021	21,220	23%
Net profit after tax	18,454	14,770	25%
EPS (cents per share)	14.4	11.7	23%
Interim Dividend (cents per share)	6.5 Franked	4.5 Unfranked	44%