

26 February, 2004

RAMSAY HEALTH CARE HALF YEAR PROFIT UP 14%

**Half Year Highlights**

- Net profit before non-recurring charge up 14% to \$21 million
- Non-recurring charge of \$2.2 million
- Net profit after non-recurring charge \$18.8 million
- Revenue up 17% to \$374.1 million
- EBITDA up 15% to \$51.7 million
- EBIT up 14% to \$37.6 million
- EBIT margin 10.1%
- Underlying earnings per share increased 13% to 16.3 cents from 14.4 cents
- Interim dividend 7.5 cents, fully franked, up 15.4% from 6.5 cents, fully franked

**Overview**

Leading private hospital operator Ramsay Health Care Limited announced today it achieved an interim net profit before non-recurring charges of \$21 million for the six months to December 31, 2003, a 14% increase on the result for the previous corresponding half year.

The \$2.2 million non-recurring charge in the period relates to costs associated with Ramsay's unsuccessful bid as part of a consortium to buy the Mayne hospital portfolio.

Revenue rose 17% in the half year to \$374.1 million and earnings before interest and tax (EBIT) rose 14% to \$37.6 million.

Directors of Ramsay Health Care have declared an interim dividend of 7.5 cents a share, fully franked, an increase of 15.4% on 6.5 cents, fully franked, paid in the previous corresponding half year

The dividend will be payable on 30 April 2004 with the record date for determining entitlement to the dividend 5 p.m. 22 April 2004.

Managing Director Pat Grier said:

“This is a strong result for Ramsay Health Care. It is a particularly pleasing outcome given the challenges facing the private hospital industry in the period.

“During the half year, the group had to absorb higher costs, particularly the rise in nurses’ wages and insurance premiums, but still achieved an EBIT margin above 10%.

“The result shows there is still capacity for solid organic growth at our existing hospitals based on the quality of our portfolio of assets and management’s ability to improve occupancy and contain costs.

“Excluding the contribution from Cairns Private Hospital, our latest acquisition, Ramsay recorded EBIT growth from existing facilities of around 12%.

“From already high occupancy levels, we continue to see solid increases across the portfolio.

“The first half saw the initial flow-on benefits from the expansion program at Greenslopes. After only six months, Greenslopes is close to achieving our hurdle rates on investment in the extra capacity there.

“In this period, Ramsay achieved satisfactory outcomes from health fund negotiations. Together with cost containment initiatives, this has resulted in the company’s overall EBIT margin remaining above 10%.”

## **Aged Care**

Ramsay Health Care is committed to developing an aged care business by acquisition and through greenfield developments.

The company has been examining acquisition opportunities and is currently involved in discussions with a number of parties.

The company successfully applied for new aged care licences and in this period was allocated 186 residential aged care places in the Federal Government’s annual round of aged care approvals, taking the number of approvals to 206. Ramsay Health Care will now work towards developing greenfield sites.

These places are in key areas of growth, such as Brisbane and Coffs Harbour, and Ramsay Health Care will expedite development at these sites to ensure the new aged care places will be available for use by the community within two years.

In January 2004, Ramsay Health Care acquired Silver Circle, Australia's largest private home care business, and the company is pleased with its trading results as well as its potential for growth.

Mr Grier said:

"Silver Circle is a strategic component to building our aged care business.

"We are continuing to analyse the aged care industry, but we have strict criteria for investing in the sector. Greenfield developments are also an important part of our long-term strategy.

"This is a very fragmented industry. We are seeing plenty of opportunities and are confident of finding the right acquisitions. "

## **Outlook**

Mr Grier said the focus for the remainder of the 2004 financial year would be to carefully manage costs while still growing the business.

In addition, the benefits from the company's expansion program will continue to flow through to earnings. The expansion and upgrading of Lake Macquarie Private Hospital, completed in January 2004, is expected to make a positive contribution to earnings in the second half, as will the expanded facilities at Greenslopes. Looking further ahead, the benefits of the two-year expansion program are expected to continue to flow into the 2005 financial year.

Despite industry challenges, Ramsay Health Care expects demand to remain favourable for the high quality facilities and services that the Ramsay group provides.

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

Mr Grier said:

“Acquisitions are an important part of our growth strategy. Ramsay Health Care has the balance sheet capacity and is in a strong position to pursue appropriate, value accretive acquisitions.

“Barring any unforeseen developments, we are comfortable with consensus market expectations for net profit before non-recurring items in the 2004 financial year to be approximately 10% above last year.

“Looking ahead, we expect benefits from our expansion program and from selected acquisitions augmenting continuing organic growth in our core business to maximise returns to our shareholders,” Mr Grier said.

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Attachment: Summary of Financial Performance

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	Half Year ended 31 December \$000s		
	2003	2002	% Increase
Operating Revenue	374,122	320,151	17%
EBITDA	51,717	45,068	15%
Depreciation and amortisation	14,086	12,186	
EBIT	37,631	32,882	14%
Interest	7,248	6,861	
Profit before tax and non-recurring charge	30,383	26,021	17%
NPAT before non-recurring charge	21,007	18,454	14%
Non-recurring charge (net of tax)	2,183	-	
Net profit after tax	18,824	18,454	2%
EPS before non-recurring charge (cents per share)	16.3	14.4	13%
EPS (cents per share)	14.6	14.4	2%
Interim Dividend (cents per share)	7.5 Fully Franked	6.5 Fully Franked	15%