

28 August 2003

RAMSAY HEALTH CARE ANNOUNCES 19% RISE IN YEAR NET PROFIT

Highlights

- Net Profit up 19% to \$37.1 million
- Revenue up 20% to \$662.2 million
- EBITDA of \$90.9 million up 13%
- EBIT up 14% to \$66.4 million
- Earnings per share increased 18% to 28.9 cents
- Final dividend of 9.0 cents, fully franked, up from 6.5 cents, making the total dividend for the year 41% higher at 15.5 cents, up from 11 cents last year.

Overview

Leading private hospital operator Ramsay Health Care Limited announced today it achieved a record net profit of \$37.1 million for the 2003 financial year, a 19% increase from the previous year.

The profit rise came on a 20% rise in revenue to \$662.2 million. Earnings before interest and tax (EBIT) rose 14% to \$66.4 million. The EBIT margin was 10.4% excluding recent acquisitions (Cairns and Lake Macquarie Private Hospitals).

Directors of Ramsay Health Care have declared a fully franked final dividend of 9 cents a share, up from 6.5 cents for the previous corresponding half, taking the full year dividend to 15.5 cents, from 11 cents, unfranked in the previous year.

Managing Director Pat Grier said the 2003 financial year results were pleasing given the challenges faced by the private hospital sector.

“We are pleased to report solid profit growth of 19% on last year’s record profit result, particularly given the pressures on costs and margins in the second half. We were able to meet our target of at least matching first half profit in the second half, despite

seasonal factors and having to absorb the higher than expected nursing wage increases in NSW," Mr Grier said.

"We are pleased by the strong performance from our hospitals that highlights the quality and position of the group's portfolio of hospitals and the effective management of costs but we are seeing increased pressures that will challenge management in the future," he said.

"The stronger result also reflects some of the benefits of the recent capacity expansion program, as well as organic growth of existing hospitals."

Admissions were up approximately 10 percent in the year and Ramsay Health Care continued to build its market share in key regions of operation.

Private health insurance membership remains at relatively high levels and demand for the high quality care that Ramsay Health Care hospitals provide has remained strong.

Mr Grier said that seeking growth opportunities was an important priority for Ramsay Health Care, and that the company would seek to make selected acquisitions in the hospital and aged care sectors that meet its investment criteria.

Operations

All of Ramsay's five operating divisions (Veteran, Regional Medical/Surgical, Co-located, Psychiatric and Rehabilitation) performed well and contributed to the 14% rise in EBIT.

The expansion program is on schedule and has already delivered benefits. The extra capacity at Hollywood came on-stream in the first half and contributed to a 14% increase in EBIT at the facility.

Expansion at Greenslopes was largely completed late in the financial year and the expansion and revamp of Lake Macquarie is due to be completed by the end of calendar 2003.

Results from Sydney's North Shore Private Hospital remain robust and profits continued to improve significantly in the year. Demand for beds remains strong.

Westmead is performing ahead of expectations and continues to experience strong demand. Added capacity to the operating theatres has addressed the higher demand.

During the year, Ramsay Health Care and the Department of Veterans' Affairs mutually agreed to transition arrangements in conjunction with extension of Veteran Partnering contracting in Brisbane and Perth. The arrangement will continue supplementary funding for specialised veteran services at Greenslopes and Hollywood hospitals for an initial period of two years beyond 2006.

"We are pleased to have reached this agreement with the Department of Veterans' Affairs. This extension is part of the effective management of the transitional arrangements, while continuing to supply vital services to veterans," Mr Grier said.

Growth initiatives

As previously advised, Ramsay Health Care has been examining opportunities in the aged care sector, which provide it with the opportunity to expand in an associated industry that best fits Ramsay's core strengths.

"Over the past few months, Ramsay has been in discussions with Moran Health Care (Australia) Pty Limited and the Principle Healthcare Finance Property Trust about the possible acquisition of some Moran aged care facilities," Mr Grier said.

"These discussions are ongoing. The complexities surrounding the property trust structure are taking some time to resolve.

"In deciding to move into aged care, we are being patient and taking a cautious approach as we see this as an opportunity for the long term," Mr Grier said.

Ramsay Health Care also continues to regularly assess opportunities to acquire private hospitals. "We are assessing possible strategic hospital acquisitions that will add value to our portfolio but we are strict in applying our stated operational and financial return hurdles in any acquisitions," Mr Grier said.

Outlook

While the operating environment in the Australian private hospital sector remains favourable in terms of demand for hospital beds, cost pressures emerged in the second half of the 2003 financial year. The reimbursement rates from private health insurers will be key to ensuring Ramsay Health Care recovers costs incurred in providing services to the customers of private health insurers.

“We are cautiously optimistic for this financial year. Barring any unforeseen developments, we are targeting net profit growth in the region of 10% in the current 2004 financial year. This will be possible when the full benefits of our expansion program and recent acquisitions are realised and organic growth continues at our existing hospitals,” Mr Grier said.

“This target does not take into account the benefits from any new acquisitions,” he said.

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Attachment: Summary of Financial Performance

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	Year Ended 30 June 2003		
	\$000's		
	2003	2002	%
Operating Revenue	662,177	549,790	20%
EBITDA	90,976	80,835	13%
EBIT	66,358	58,365	14%
Profit before tax	53,545	43,555	23%
NPAT	37,055	31,071	19%
EPS (cents per share)	28.9	24.5	18%
Dividend (cents per share)	15.5	11.0	41%
	<i>Fully franked</i>	<i>Unfranked</i>	