



**RAMSAY ANNOUNCES \$10 M NET PROFIT
BEFORE ABNORMALS AND 22% RISE IN REVENUE**

8 September 1999

- **Group revenue up 22% to \$260 million**
- **Revenue from existing hospitals up 9% to \$233 million**
- **EBIT from existing hospitals up 2% to \$27.9 million**
- **Two new co-located hospitals commissioned during the year**
- **Net Profit before abnormals and tax down 29% to \$10 million**

Ramsay Health Care Limited, one of Australia's leading private health care providers, today announced an annual net profit of \$10 million before abnormals on group revenue of \$260 million.

"Our existing hospitals - that is, excluding the new North Shore Private Hospital and Flinders Private Hospital - performed reasonably well in a tough environment," said Ramsay Health Care Chairman Paul Ramsay.

Revenue from existing hospitals rose by nine per cent to \$233 million with all three existing divisions improving on last year's performance.

"Unfortunately, the difficult private health care environment - in particular the absence of any increase in health fund rates - has affected our two new co-located hospitals, North Shore Private Hospital and Flinders Private Hospital," Mr Ramsay said.

"It is frustrating to report that although North Shore Private Hospital was opened successfully, and despite the fact that its occupancy levels are high and above expectations, the continuing health fund pricing squeeze has meant a lower than acceptable rate of return from this truly world class facility.

"We are experiencing similar factors at Flinders Private Hospital in Adelaide. Although there has been a slow build up of occupancy, we do not anticipate a dramatic improvement in the hospital's performance in the short term given the continuing uncertainty in the South Australian private hospital market.

"I congratulate the Government on the vigour with which it is pursuing its program to reform the private health insurance industry, because the existence of a strong private health insurance industry, and strong private health care providers, benefits all Australians," Mr Ramsay said.

Earnings before interest and tax from existing hospitals lifted by 2% to \$27.9 million although EBIT margins fell from 12.9% to 12.0% due to the continuing health fund pricing squeeze. Earnings before interest and tax for the group edged lower by 2% to \$26.8 million, due to the start-up of North Shore Private Hospital and Flinders Private Hospital during the period.

Net profit before abnormals for the group fell 29% to \$10 million after absorbing the impact of significantly greater depreciation and interest costs.

Ramsay reported net abnormal losses after tax of \$4.0 million for the period, mainly due to pre-opening and commissioning costs associated with the start-up of North Shore Private Hospital and Flinders Private Hospital, and the gain on sale of a non hospital asset.

Ramsay Health Care Managing Director Pat Grier said: "The strong performance from our existing hospitals is pleasing and a credit to our people, but the margin pressures flowing from the current health insurance environment make it particularly difficult to achieve acceptable rates of return from our new co-located hospitals.

"Since we started building these hospitals, health fund rates have simply not increased in line with historical trends. We will continue to negotiate with the health funds to achieve appropriate rises in rates. There are encouraging signs that health funds are now working to develop alliances with private hospital companies such as ours in an effort to improve the overall quality of the health product for consumers."

During the year, the Victorian Government selected Ramsay Health Care as preferred proponent to build, own and operate the new privatised Mildura Base Hospital. The project contract was executed in May and building has commenced, targeting an opening in late 2000.

Ramsay Health Care was also selected as preferred proponent for the new privatised hospital development at Berwick. This project is currently under negotiation with the Victorian Government.

Mr Grier said that Ramsay Health Care was mainly pursuing government backed projects at this time and for the future would only consider selective projects which are less capital intensive.

The Board has approved a final dividend of 4.4 cents per share. While there are sufficient franking credits available to frank the final dividend to 80%, next year's dividend may not be franked.

"The private health insurance environment remains tough," Mr Grier said, "but our existing hospitals are performing well and our new co-located hospitals which are still in the start up phase have achieved improved occupancy levels. "Both hospitals have experienced considerable margin pressure and we will continue to pursue alliances with health funds to improve levels of reimbursement. While North Shore Private Hospital is continuing to improve,

we expect that it will take some time to resolve the difficulties experienced at Flinders Private Hospital given the uncertainties experienced in the South Australian private hospital market. Despite the current market difficulties we believe that Ramsay Health Care's diversified portfolio of hospitals and revenue streams means it is well placed for the long term future."

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