

ASX ANNOUNCEMENT

15 May 2020

RAMSAY HEALTH CARE ENTERS INTO NSW BINDING HEADS OF AGREEMENT

Ramsay Health Care (**Ramsay**) confirms that it has entered into a binding heads of agreement with the NSW Ministry of Health (**NSW Health**) to make its facilities and services available during the COVID-19 pandemic and to provide certain pandemic support functions at NSW Health's request (**Binding Heads of Agreement**). The Binding Heads of Agreement replaces the Non-Binding Terms that were applicable since 31 March 2020.

The initial term of the Binding Heads of Agreement commences on 14 May 2020 and continues until the date notified by the Commonwealth as being the last date covered by the private hospital financial viability payment under the National Partnership Agreement (**initial term**). The initial term may be extended by NSW Health by notice given at any time for a further period of up to 12 months after the original expiry date for the purpose of NSW Health purchasing public patient services from Ramsay (**extended term**).

In return for its commitment to support NSW Health during the COVID-19 pandemic, Ramsay will be paid a viability payment during the initial term in respect of its performance of required pandemic support functions together with fees for health services to public patients referred by NSW Health.

The viability payment (which is payable during the initial term only) is the aggregate of actual recoverable costs less the aggregate of all revenue amounts (calculated on an accruals basis and inclusive of fees for health services to public patients referred by NSW Health). Recoverable costs are the minimum costs necessary to ensure the viability of a Ramsay facility and the retention of staff. These costs include direct operating costs, service costs, corporate overhead costs (to the extent related to the provision of the services), depreciation associated with pre-existing capital which is owned, and depreciation associated with the amortisation of leases. They exclude debt servicing and interest costs and pre-approved capital expenditure.

During the extended term, Ramsay is no longer required to provide pandemic support functions, and NSW Health will not be required to pay the viability payment. NSW Health may continue to purchase health services, but Ramsay is only obliged to provide those services if it has the capacity and it is commercially viable for it to do so.

It is anticipated that the Binding Heads of Agreement will, in time, be replaced by a Comprehensive Agreement.

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The release of this announcement has been authorised by the Disclosure Committee.