



COMMENT BY DIRECTORS

The directors of Ramsay Health Care are pleased to announce our half-yearly result. The interim net profit before abnormal items was \$6.9M, which was in line with expectations. It was pleasing to note that earnings before interest and taxation (EBIT) was slightly above the same period of the prior year after absorbing two months of North Shore Private Hospitals operating result, additional development costs and despite the tough health insurance environment.

Detailed below is a summary of results:

	Six Months ended 31 December \$000's	
	1998	1997
Operating Revenue	<u>119,814</u>	<u>105,390</u>
EBITDA	20,753	19,029
EBIT	14,648	14,262
Profit before tax and abnormals	9,294	9,665
NPAT pre abnormals	6,921	6,899
Abnormal loss (net of tax)	2,884	-
NPAT	<u>4,037</u>	<u>6,899</u>
EBIT Margin	12.22%	13.53%
Pre abnormal EPS (cents per share)	6.36	7.80
EPS (cents per share)	3.71	7.80

Revenue and EBIT from the existing hospitals was up 7% and 3% respectively on the corresponding period in the prior year. Net revenue per patient day of \$503 is 6% up on the previous period. Inpatient occupancy of existing business is 77% and is in line with the same period in the prior year.

The Veterans division has reported a strong result compared to the same period of the prior year. Offsetting this however, are the Medical / Surgical and Psychiatric divisions that have faced margin pressure due to the current health insurance market.

North Shore Private Hospital was fully commissioned in October 1998. Its occupancy levels have been steadily increasing, reaching an inpatient occupancy of 78% in February 1999. The hospital achieved an operational EBIT break even in December 1998. All planned services will be on line by June 1999 with the introduction of the cardiac catheterisation unit.

This year is an exceptional time for Ramsay Health Care with the opening of \$150M in facilities, funded on balance sheet. Both Flinders Private and North Shore Private will be opened and commissioned this year. As this year represents the first time we have opened a co-located hospital, we have adopted an accounting treatment which treats the pre-opening and commissioning costs associated with the opening of these hospitals as an abnormal item. These costs include salaries and marketing costs, the benefits of which are realised upon opening and consequently will be written off in the first year.

The half-yearly result incorporates the abnormal pre-opening and commissioning costs associated with the opening of North Shore Private. Based on the same accounting treatment for pre-opening and commissioning costs, the Directors anticipate that an abnormal item will be reported in the second half of the year due to the opening of Flinders Private Hospital.

Flinders Private Hospital opened its doors on 19 January 1999, and is expected to be fully operational by May 1999. We have recently been awarded preferred proponent status on the Mildura project, which is a 143-bed privatisation, with construction anticipated to begin in April 1999. A further 60 beds will also be opened during the next 6 months at the veteran hospitals, to deal with the anticipated demand following the introduction of the expanded gold card scheme in January 1999.

While the performance of the established hospitals for January and February 1999 has continued in line with expectations, the second half result will be impacted by the start-up performance of the two new co-located hospitals, North Shore and Flinders. These two hospitals represent approximately 30% of the company's assets. As these hospitals are not yet operating at optimal levels, the Directors believe that the profit before tax for the second half will be down on the same period last year. The Directors remain confident about the future potential of the two new projects which will represent a core platform for the Group's growth in the coming years.

The Directors are pleased to declare an interim dividend of 3 cents per share franked at 80%, consistent with last year. The dividend will be paid on the 30 April 1999 with the record date for determining entitlement to the dividend being 15 April 1999.

RAMSAY HEALTH CARE LIMITED

AND CONTROLLED ENTITIES

A.C.N. 001 288 768

HALF YEAR FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 1998

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AND CONTROLLED ENTITIES

A.C.N. 001 288 768

HALF YEAR FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 1998

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RAMSAY HEALTH CARE LIMITED DIRECTORS' REPORT

Your directors submit their report for the half year ended 31 December 1998.

DIRECTORS

The names of the directors of the company in office during the financial period and until the date of this report are:

P.J. Ramsay (Chairman)
M.S. Siddle (Deputy Chairman)
I.P.S. Grier (Managing Director)
M.L. Brislee (Chairman of the Quality Improvement Committee)
A.J. Clark (Appointed 6 October 1998)
P.J. Evans (Chairman of the Audit and Remuneration Committees)
R. McGeoch
K. Roxburgh
B.R. Soden (Finance Director)

REVIEW OF OPERATING RESULTS

The consolidated profit after income tax expense for the six-month period to 31 December 1998 is \$4,037,000.

This profit incorporates the abnormal write-off of the pre-opening and commissioning costs incurred in respect of the new co-located North Shore Private Hospital. Consolidated profit before income tax and abnormals was \$9,294,000. Pre-opening and commissioning costs in respect of the North Shore Private Hospital project have been treated as an abnormal expense in accordance with the Company's accounting policy on hospital development and pre-opening costs.

The group's interim result is pleasing given the difficult health insurance environment and the significant level of increased development activity undertaken during the six-month period.

The veterans hospital division, which accounts for a significant portion of the groups operating revenue performed above expectations with EBIT increasing over the same period last year. This result was achieved before the introduction of the Federal Government's budget initiative to expand the Gold Card scheme, which will come into force in January 1999. With the increase in demand anticipated by the introduction of this scheme additional bed licenses, 30 in Greenslopes Private Hospital and 30 (with a further 20 potential beds available) in Hollywood Private Hospital will be opened within the next six-months.

The strong performance of the veteran hospital division was offset by the medical surgical hospital and psychiatric divisions, which have faced margin pressure due to the current health insurance environment.

The North Shore Private Hospital, which was fully commissioned in October 1998, is trading well reaching an operating EBIT break even for the month of December 1998 and inpatient occupancy reaching 78% in February 1999. All planned services for the hospital will be operational by June 1999 with the introduction of the cardiac catheterisation unit.

RAMSAY HEALTH CARE LIMITED
DIRECTORS' REPORT (continued)

Construction of Flinders Private Hospital was completed in January 1999. The hospital is currently being commissioned and will be fully operational by May 1999.

Ramsay Health Care is continuing to pursue selective opportunities for privatisation and co-location projects in accordance with its strategic direction and investment criteria. In this respect the Company has been appointed as preferred tenderer by the Queensland Government for the development of the Princess Alexandra co-located hospital project in Brisbane, and recently announced preferred tenderer by the Victorian Government for the privatisation of the Mildura Base Hospital.

Recently the Company entered into a 50/50 joint venture with Mayne Nickless Limited through its health care division Health Care of Australia, to bid with the Inner and Eastern Health Care Network for the contract to build own and operate the new Austin Repatriation Medical Centre in Heidelberg, Melbourne.

DIVIDENDS

An interim dividend of 3 cents per share, franked to 80%, has been declared payable by the directors of the company and has been provided for in the financial accounts for the half year to 31 December 1998. The payment date has been set for 30 April 1999 and the record date for determining the entitlement to the interim dividend is 15 April 1999.

ROUNDING

The amounts contained in this report and the half-year financial statements have been rounded off under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which this class order applies.

Signed in accordance with a resolution of the directors.

B.S. Soden
Director

Sydney, 9 March 1999

INDEPENDENT REVIEW REPORT

To the members of Ramsay Health Care Limited

Scope

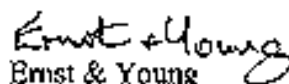
We have reviewed the financial report of Ramsay Health Care Limited for the half-year ended 31 December 1998, set out on pages 5 to 10, including the Director's Declaration. The financial report includes the consolidated financial statements of the consolidated entity comprising Ramsay Health Care Limited and the entities it controlled at the end of the half-year or from time to time during the half-year. The company's directors are responsible for the financial report. We have conducted an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029: Half-Year Accounts and Consolidated Accounts and other mandatory professional reporting requirements, and in order for the company to lodge the financial report with the Australian Securities and Investment Commission.

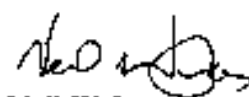
Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. Our review was limited primarily to inquiries of the company's personnel and analytical review procedures applied to financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Review Statement

As a result of our review, we have not become aware of any matter that makes us believe that the half-year financial report of Ramsay Health Care Limited is not in accordance with:

- (a) the Corporations Law, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 1998 and its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029: Half-Year Accounts and Consolidated Accounts and the Corporations Regulations;
- (b) other mandatory professional reporting requirements.


Ernst & Young


Neil Wykes
Sydney

9th March 1999



**RAMSAY HEALTH CARE LIMITED
DIRECTORS' DECLARATION
HALF-YEAR ENDED 31 DECEMBER 1998**

In accordance with a resolution of the directors of Ramsay Health Care Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity:
 - (i) give a true and fair view of the financial position as at 31 December 1998 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) comply with Accounting Standards and the Corporations Regulations; and
- (b) there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

On behalf of the Board

B.S. Soden
Director

Sydney, 9 March 1999

RAMSAY HEALTH CARE LIMITED
PROFIT AND LOSS STATEMENT
HALF-YEAR ENDED 31 DECEMBER 1998

	Notes	Consolidated 1998 \$000	Consolidated 1997 \$000
Sales Revenue		119,814	105,390
Other Revenue		197	-
Operating Revenue		<u>120,011</u>	<u>105,390</u>
Operating Profit before Abnormal items and Income Tax	2	9,294	9,665
Abnormal (loss)	3	(4,506)	-
Operating Profit before Income Tax		<u>4,788</u>	<u>9,665</u>
Income Tax Attributable to Operating Profit		(751)	(2,766)
Operating Profit after Income Tax		<u>4,037</u>	<u>6,899</u>
Retained Profits at the beginning of the half-year		29,699	23,788
Total Available for Appropriation		<u>33,736</u>	<u>30,687</u>
Dividends Provided For or Paid	4	3,263	3,263
Retained Profits at the end of the half-year		<u>30,473</u>	<u>27,424</u>

RAMSAY HEALTH CARE LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 1998

	Notes	Consolidated 31/12/98 \$000	Consolidated 30/6/98 \$000	Consolidated 13/12/97 \$000
CURRENT ASSETS				
Cash		13,431	19,864	15,097
Receivables		24,213	22,322	17,297
Inventories		2,994	2,430	2,341
TOTAL CURRENT ASSETS		<u>40,638</u>	<u>44,616</u>	<u>34,735</u>
NON CURRENT ASSETS				
Investments		221	221	221
Property, Plant & Equipment		446,564	398,288	350,636
Other		16,437	15,077	11,828
TOTAL NON CURRENT ASSETS		<u>463,222</u>	<u>413,586</u>	<u>362,685</u>
TOTAL ASSETS		<u>503,860</u>	<u>458,202</u>	<u>397,420</u>
CURRENT LIABILITIES				
Accounts payable		26,482	32,931	23,277
Borrowings		14,158	7,987	7,439
Provisions		12,216	13,826	13,742
TOTAL CURRENT LIABILITIES		<u>52,856</u>	<u>54,744</u>	<u>44,458</u>
NON CURRENT LIABILITIES				
Accounts payable		290	308	288
Borrowings		223,959	178,818	135,743
Provisions		20,418	18,769	13,643
TOTAL NON CURRENT LIABILITIES		<u>244,667</u>	<u>197,895</u>	<u>149,674</u>
TOTAL LIABILITIES		<u>297,523</u>	<u>252,639</u>	<u>194,132</u>
NET ASSETS		<u>206,337</u>	<u>205,563</u>	<u>203,288</u>
SHAREHOLDERS' EQUITY				
Share capital	6	80,704	10,878	10,878
Reserves		95,160	164,986	164,986
Retained profits		30,473	29,699	27,424
TOTAL SHAREHOLDERS' EQUITY		<u>206,337</u>	<u>205,563</u>	<u>203,288</u>

RAMSAY HEALTH CARE LIMITED
STATEMENT OF CASH FLOWS
HALF YEAR ENDED 31 DECEMBER 1998

	Consolidated 1998 \$000	Consolidated 1997 \$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	117,923	105,733
Payments to suppliers and employees	(109,427)	(92,183)
Interest received	197	534
Interest and other costs of finance paid	(5,551)	(5,068)
Income taxes paid	(1,414)	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>1,728</u>	<u>9,016</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant & equipment	<u>(54,687)</u>	<u>(36,332)</u>
NET CASH FLOW USED IN INVESTING ACTIVITIES	<u>(54,687)</u>	<u>(36,332)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	80,437
Borrowing repayments – related parties	-	(32,808)
Borrowings – other	65,966	21,781
Borrowing repayments – other	(14,654)	(41,850)
Finance lease principal	-	(7)
Dividends paid	(4,786)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>46,526</u>	<u>27,553</u>
NET INCREASE/(DECREASE) IN CASH HELD	(6,433)	237
Add opening cash brought forward	<u>19,864</u>	<u>14,860</u>
CLOSING CASH CARRIED FORWARD	<u><u>13,431</u></u>	<u><u>15,097</u></u>

RAMSAY HEALTH CARE LIMITED
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE
HALF YEAR ENDED 31 DECEMBER 1998

1. BASIS OF PREPARATION OF THE ACCOUNTS

The half-year financial statements are general purpose financial reports which have been prepared in accordance with the requirements of the Corporations Law, applicable Accounting Standards including AASB 1029: Half-year Accounts and Consolidated Accounts and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

It is recommended that the half-year report is read in conjunction with the Annual Financial Statements of Ramsay Health Care Limited as at 30 June 1998 together with any public announcements made by Ramsay Health Care Limited and its controlled entities during the half-year ended 31 December 1998 in accordance with the continuous disclosure obligations arising under the Corporations Law.

For the purpose of preparing the half-year financial statements, the half-year has been treated as a discrete reporting period.

The accounting policies adopted are consistent with those of the previous financial year.

	Consolidated 1998 \$000	Consolidated 1997 \$000
2. OPERATING PROFIT		
Included in the operating profit before tax are the following items of revenue and expense:		
(a) interest revenue	197	534
(b) interest expense	5,551	5,068
3. ABNORMAL ITEMS		
Commissioning Costs		
- North Shore Private Hospital	4,506	-
Tax (benefit)	(1,622)	-
	<u>2,884</u>	<u>-</u>
4 DIVIDENDS PAID OR PROVIDED FOR		
Dividends proposed:		
Franked dividends (franked to 80%)	2,610	2,610
Unfranked dividends	653	653
	<u>3,263</u>	<u>3,263</u>

RAMSAY HEALTH CARE LIMITED
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE
HALF YEAR ENDED 31 DECEMBER 1998

	Consolidated	Consolidated
	1998	1997
	\$000	\$000
5 EARNINGS PER SHARE		
(a) Basic earnings per share (cents per share)	3.71c	7.78c
(b) Diluted earnings per share (cents per share)	3.71c	7.70c
(c) Pre abnormal earnings per share (cents per share) (* proforma in 1997)	6.36c	* 6.34c

* Proforma earnings per share has been included for comparative purposes and has been calculated on the basis that the share issue has occurred at 1 July 1997.

6 SHARE CAPITAL

As a result of changes to the Corporations Law, there is no longer a requirement for disclosure of a share premium account. The balance of the share premium account was transferred to share capital. Prior period comparatives have not been restated.