

RAMSAY
HEALTH CARE



Briefing – 27 February 2006
Interim Financial Results
half-year ended 31 December 2005



- Strong half year results from Ramsay and Affinity hospitals
 - **Focus on hospital micro-management delivers solid profit growth**
 - **Affinity hospitals under Ramsay management from Sept '05, pleased with half year results**
- Half year core EPS growth ahead of FY2006 guidance
- Divestments deliver strong sale proceeds
- Debt reduction plan ahead of schedule
- Ramsay portfolio now 72 hospital and day care facilities, 23,000 staff, annual revenue over \$2bln



- Core Net Profit ⁽¹⁾ up 80% to \$44.4m
- Core EPS ⁽²⁾ up 17% to 22.2 cents
- Revenue up 94% to \$1,056m
- EBITDA up 96% to \$131.1m
- EBITDA margin 12.4%
- Fully franked interim Dividend 10.5 cents, up 24%

Notes:

(1) Core Net Profit – before non-recurring items and divested operations

(2) Core EPS – before non-recurring items and divested operations and after allowing for the preference dividend



	Six-months ended 31 December		
	2004	2005	% Inc.
	AIFRS \$m	AIFRS \$m	
Operating Revenue	544.6	1,056.2	94%
EBITDA	66.9	131.1	96%
EBIT	48.9	98.4	101%
Core Net Profit after Tax ⁽¹⁾	24.6	44.4	80%
<i>NPAT from divested operations</i>	-	4.8	
<i>Less non-recurring items (net of tax)</i>	(0.6)	(7.8)	
Net Profit after Tax	24.0	41.4	72%
<i>(1) Before non-recurring items and divested operations</i>			



	Six-months ended 31 December		
	2004	2005	% Inc.
Core NPAT	\$24.6 m	\$44.4 m	80%
Less Preference Dividend	-	\$6.4 m	
NPAT used to Calculate Core EPS	\$24.6 m	\$38.0 m	54%
Shares on issue	129.8 m	171.3 m	
Core EPS	19.0 ¢	22.2 ¢	17%
Interim dividend – fully franked	8.5 ¢	10.5 ¢	24%

NPAT	\$24.0 m	\$41.4 m	72%
Less Preference Dividend	-	\$6.4 m	
NPAT used to calculate Basic EPS	\$24.0 m	\$35.0 m	45%
Shares on issue	129.8 m	171.3 m	
Basic EPS	18.5 ¢	20.4 ¢	10%

FINANCIAL PERFORMANCE

Non-recurring Items



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	\$m	
Borrowing costs associated with divestment hospitals	2.6	
Corporate restructuring costs associated with Affinity acquisition	4.4	}
One-off malpractice insurance costs	4.2	
	11.2	8.6*
Tax effect	(3.4)	
Non-recurring items (net of Tax)	\$7.8	

	\$m	
<u><i>Reconciliation of Restructuring costs</i></u>		
<i>Restructuring costs booked as non-recurring items FY 2005</i>	6.2	
<i>Restructuring costs booked as non-recurring items H1 FY 2006</i>	8.6	*
	\$14.8	
<i>Prospectus forecast</i>	\$17.0	



Breakdown of continuing Ramsay and retained Affinity operations

Six months ended 31 December 2005			
	Ramsay	Affinity	Combined
Operating Revenue (\$m)	567.9	488.3	1,056.2
EBITDAR (\$m)	81.2	62.5	143.7
EBITDA (\$m)	70.4	60.7	131.1
EBIT (\$m)	53.1	45.3	98.4
Total Patient Days (000's)	592.3	500.9	1,093.2
EBITDAR Margin	14.3%	12.8%	13.6%



Continuing Ramsay (excluding Affinity)

	Six-months ended 31 December		
	2004	2005	% Inc.
Operating Revenue (\$m)	517.8	567.9	10%
EBITDAR (\$m)	76.6	81.2	6%
EBITDA (\$m)	66.6	70.4	6%
EBIT (\$m)	49.4	53.1	7%
Admissions (000's)	164.5	174.8	6%
Total Patient Days (000's)	576.9	592.3	3%
EBITDAR Margin	14.8%	14.3%	



Retained Affinity

	Six-months ended 31 December		
	*2004	2005	% Inc.
Operating Revenue (\$m)	451.9	488.3	8%
EBITDAR (\$m)	52.0	62.5	20%
EBITDA (\$m)	46.2	60.7	32%
EBIT (\$m)	29.9	45.3	52%
Admissions (000's)	173.7	181.8	5%
Total Patient Days (000's)	486.6	500.9	3%
EBITDAR Margin	11.5%	12.8%	

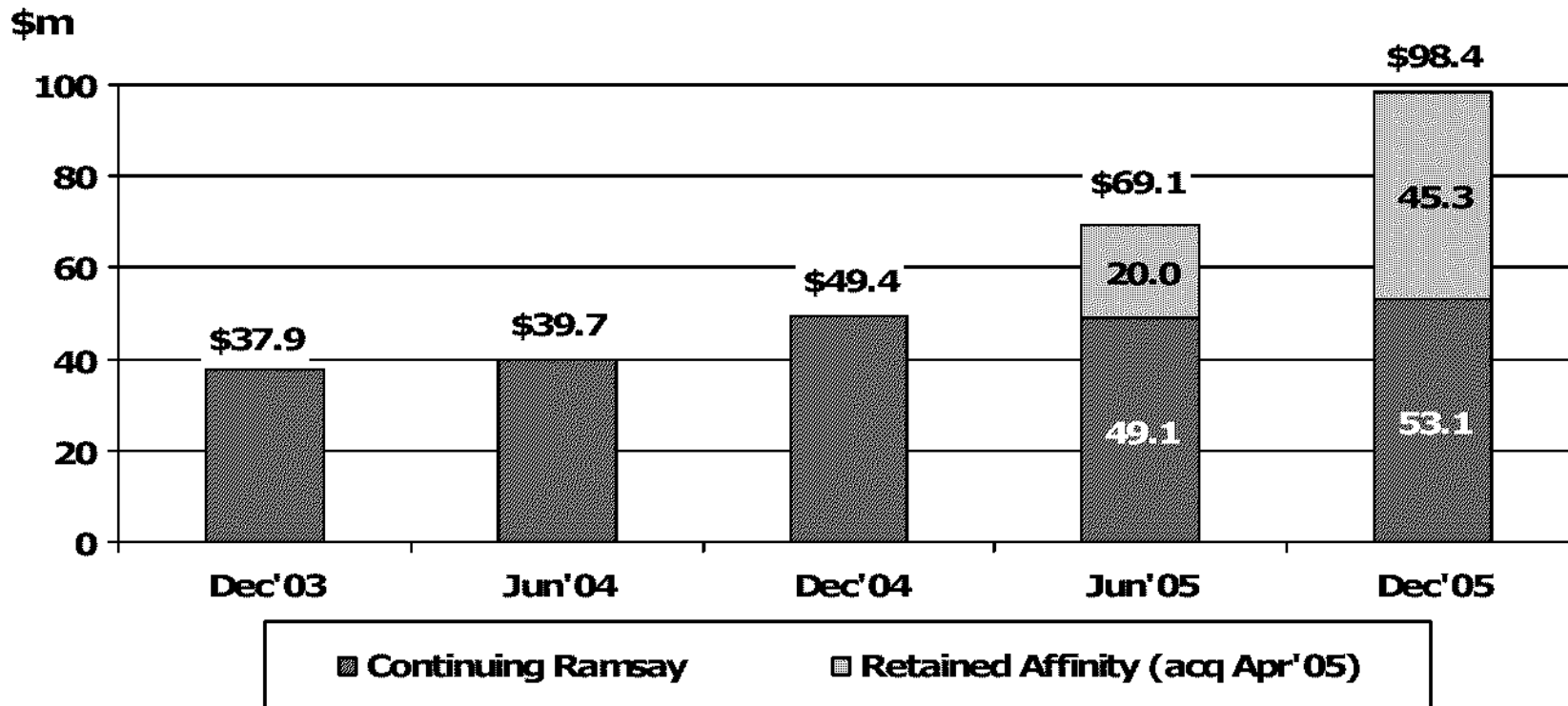
** Extracted from pre-acquisition Affinity accounts, AIFRS adjusted*

HALF YEAR EBIT GROWTH

Continuing Operations



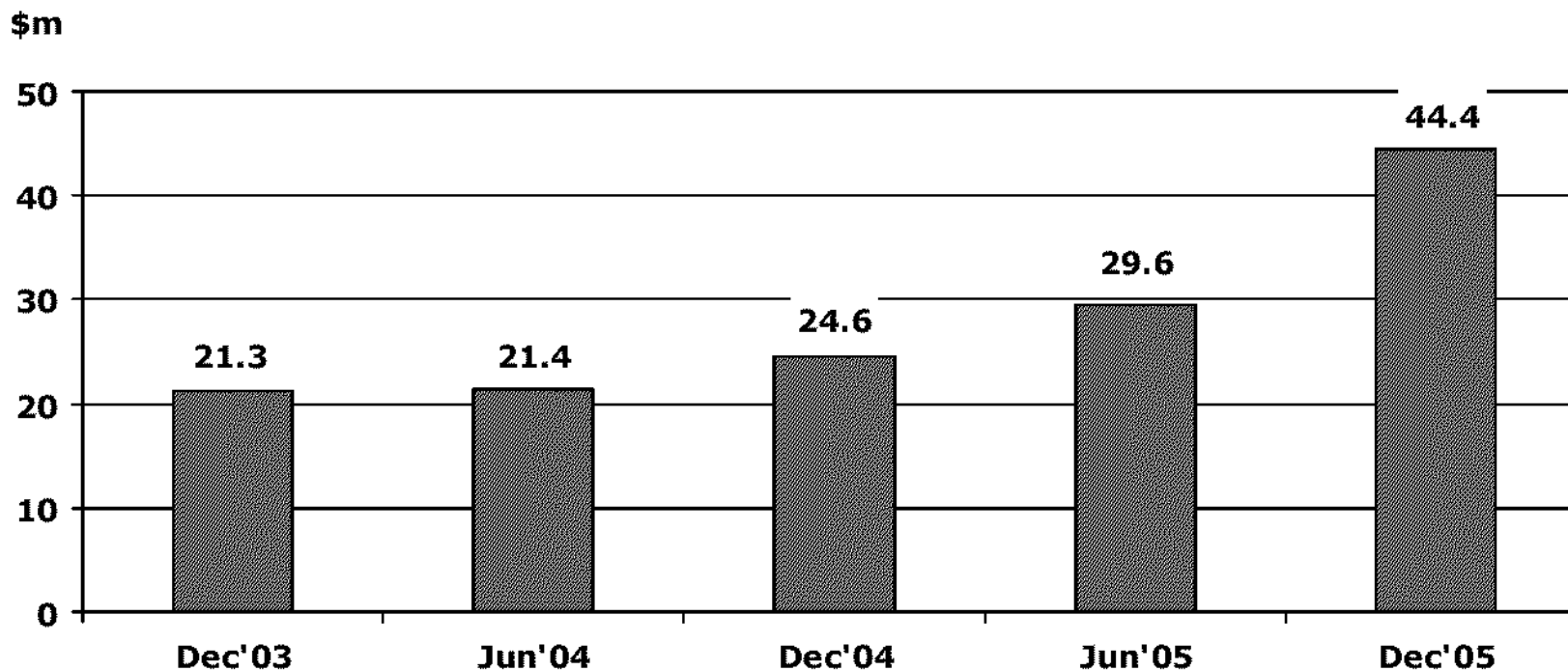
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- EBIT up 101% for the half-year
- Excluding Affinity, EBIT up 7% to \$53.1m



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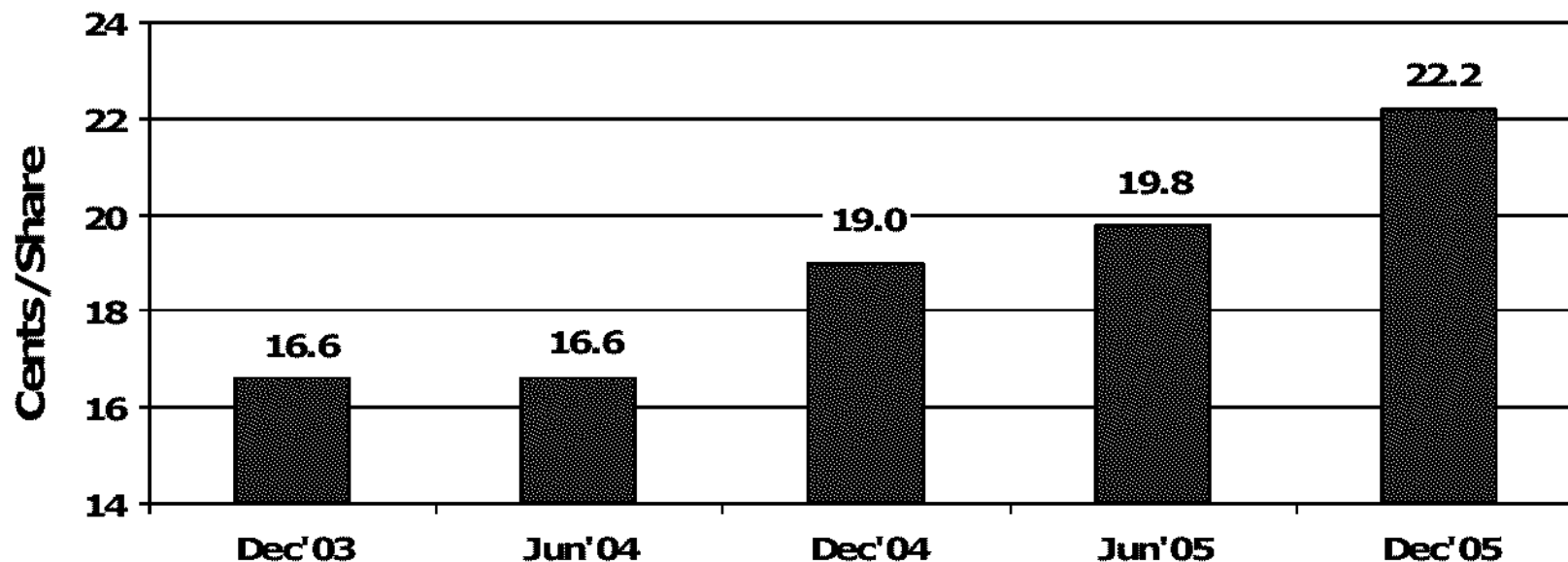
■ Core NPAT up 80% for the half-year

HALF YEAR CORE EPS GROWTH

Continuing Operations



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■ Core EPS up 17% for the half-year



- Focus on core hospital management, deliver strong organic growth for Ramsay and Affinity hospitals
- Finalise ACCC negotiations and complete divestments
- Focus on strong cash flow generation
- De-leverage and debt reduction
- Implementation of Affinity integration plan
- Begin realising synergies



	Continuing Ramsay Hospitals	Retained Affinity Australian Hospitals	Affinity Indonesian Hospitals
Admissions	Up 6.3%	Up 3.6%	Up 15.4%
EBIT	Up 11.1%	Up 9.3%	Up 8.4%
EBIT Margins	11.7% vs 11.3%	11.4% vs 11.2%	20.9% vs 20.5%

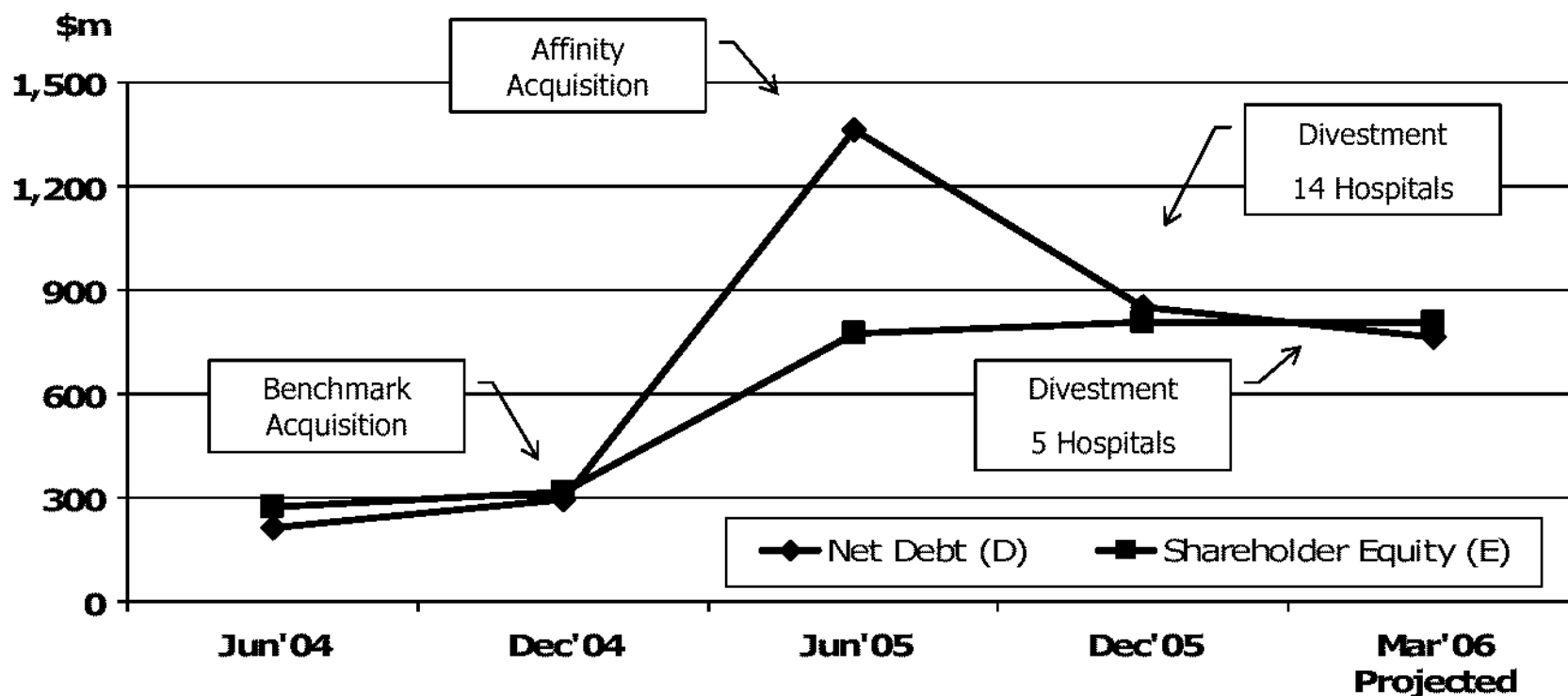
- Strong growth relative to overall industry
- Solid margin enhancement
- Further growth opportunities particularly in retained Affinity hospitals



- ACCC negotiations successfully finalised
- Initially offered to sell 14, followed by additional 3 hospitals
- ACCC required divestment of only 2 additional hospitals
- Sale of 14 hospitals to Healthscope for \$490m (vs initial expectations of \$406m)
- Sale of remaining 5 hospitals for competitive price of \$88m, expected to complete in March



- Sale proceeds applied against senior debt
- Net debt reduced from approx \$1.4bln at time of Affinity acquisition to approx \$850m at Dec'05
- Further reduction in net debt to approx \$765m after financial close on remaining 5 hospitals
- Net cash flow from operating activities increased by 38% from \$48.1m to \$66.7m
- Significantly ahead of debt reduction plan announced at Affinity acquisition



Gearing
(D/D+E)

44%

48%

64%

51%

49%

Ongoing ratios (after sale of 19 hospitals):

- Leverage Ratio (Net Debt/EBITDA) in range of 3.0 x to 3.5 x
- Interest Cover (EBITDA/Interest Expense) in range of 4.0 x to 4.5 x



On track to achieve synergy targets for FY06

- Timing of head office restructuring ahead of schedule
 - Net corporate staff numbers reduced by 40% (Ramsay +14, Affinity -89)
- On track to achieve pre-tax cost synergies of approx \$35m by end 2008 (45% to be achieved in first full year)



- Devolving central functions to hospitals - decentralised Ramsay management model
 - Transition to new management structure almost completed
 - Renegotiation of supplier contracts underway
 - As previously foreshadowed, operational synergies are expected to be achieved by FY2007
- Affinity on track to be mildly accretive to core EPS in FY2006



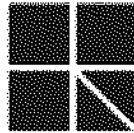
- Ongoing portfolio review in light of Affinity acquisition
- Continue to explore sale of residential aged care business, investigating expressions of interest
- Successful sale of home care business, Silver Circle, completed Feb 06



- Opportunities for expanded capacity, facilities enhancement identified in strategic review of portfolio
- Faster debt reduction provides scope for additional brownfields investment
- Expansion provides additional growth potential on top of organic growth and Affinity contribution
- Capacity to invest up to \$300m in portfolio
- In line with long-term growth strategy



- Targeting 2nd half core net profit and core EPS to match the level of 1st half, translating to low double digit growth in core EPS for the year
- Beyond FY2006, increased profit contribution from Affinity to further increase earnings
- Over the 3-5 years, profit growth to be driven by:
 - Continuing strong organic growth
 - Investing in brownfields expansion
 - Improved earnings from Affinity under Ramsay management
- Investigating opportunities in Asia



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HEALTH CARE



Questions