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RAMSAY HEALTH CARE ANNOUNCES 80% HALF YEAR PROFIT RISE ON STRONG RESULTS FROM EXISTING AND ACQUIRED HOSPITALS

Financial Highlights

- Core* net profit after tax up 80% to \$44.4 million
- Core EPS after allowing for preference dividend rose 17% to 22.2 cents
- Revenue increased 94% to \$1,056 million
- EBITDA up 96% to \$131.1 million
- Net profit after tax up 72% to \$41.4 million
- Interim Dividend 10.5 cents, fully franked, up 24%

** Before non-recurring charges and divested operations*

Overview

Australia's largest private hospital operator Ramsay Health Care Limited today announced an 80% rise in core net profit after tax (before non-recurring items and divested operations) to \$44.4 million for the six months to 31 December 2005, up from \$24.6 million in the previous corresponding half year.

This core net profit result includes the first full six months of trading from the Affinity hospitals which Ramsay acquired in April 2005, but excludes the earnings from the 19 divested hospitals. All results are on an A-IFRS adjusted basis.

Including earnings from the divested hospitals, the net profit before non-recurring charges was up 100% to \$49.2 million.

After non-recurring charges, net profit after tax was \$41.4 million, 72% above the \$24.0 million reported for the previous corresponding six months.

Directors have declared a fully franked interim dividend of 10.5 cents per share, up 24% from 8.5 cents in the previous corresponding half-year. The dividend reinvestment plan remains in place at a 2.5% discount to the market price, but its underwriting has been withdrawn due to the strength of the company's cash flow.

Ramsay recorded non-recurring charges of \$7.8 million (net of tax) in the six month period for costs and provisions related to the \$1.4 billion Affinity acquisition and associated debt and equity financing.

The non-recurring charges also include one-off insurance costs to reduce risk and bring the acquired hospitals in line with Ramsay's existing insurance risk profile.

Included in these one-off charges are restructuring and integration costs associated with the Affinity acquisition. These costs are in line with the company's expectations and its strategy to identify and remove as many of these costs as possible.

Six months to 31 December 2005	Consolidated result (continuing Ramsay and Affinity hospitals)	Affinity	Ramsay
Admissions (% inc)	117%	4.6%	6.3%
Revenue (% inc)	94%	8%	10%
EBITDAR (% inc)	85%	20%	6%
EBIT (% inc)	101%	52%	7%
EBITDAR margin	13.6%	12.8%	14.3%

Ramsay Managing Director Pat Grier said:

"This is a very pleasing result, including the first full six months contribution from the Affinity hospitals. The results confirm that we have managed the completion of a very large acquisition well while continuing to grow profitability at our existing hospitals.

"The Affinity hospitals are tracking to our expectations and we are already achieving synergies identified at the time of the acquisition. We were only able to actively manage the hospitals we acquired from September, when the Australian Competition and Consumer Commission (ACCC) lifted the 'hold separate' arrangement, and we are satisfied with what we have seen so far and the potential to improve earnings and explore expansion opportunities at these facilities.

"During the six month period, we realised strong prices for the hospitals we were required to divest, allowing us to expedite our commitment to reduce debt in a timely manner. Our de-leveraging has been faster and divestment proceeds better than we expected at the time of the acquisition.

"Ramsay's existing portfolio is performing very well. We continue to see strong demand for our hospital services across the portfolio and we are well placed to achieve our financial and operational targets for the full 2006 financial year."

"Our focus for the rest of the year is on successfully implementing the integration plan for Affinity, continuing to focus on our core hospital management expertise, and to effectively

use our robust cash flows to reduce gearing and to invest in enhancing the quality of the Ramsay portfolio," Mr Grier said.

Divestments and Debt Reduction

On 5 September, Ramsay announced the sale of 14 hospitals to Healthscope for \$490 million, significantly higher than initial expectations for the sale of these facilities.

On 12 December, a sale price of over \$88 million was announced for the sale of the remaining five hospitals the ACCC required Ramsay to sell.

Following these divestments, Ramsay's hospital portfolio now comprises 72 facilities, including the three hospitals in Indonesia

The proceeds from the hospital divestments were greater than expected due to the higher price received for the assets, as well as the greater number of hospitals divested (19 compared with an initial expectation of 14).

The divestment proceeds have been applied against senior debt. Net debt has been reduced from approximately \$1.4 billion at the time of the Affinity acquisition to approximately \$850 million at end-December 2005. This is expected to be further reduced to approximately \$765 million following financial close on the divestment of the remaining five hospitals.

Net cash flows from operating activities increased by 38%, from \$48.1million to \$66.7million.

Ramsay Hospitals

During the half year, Ramsay management continued to focus on the efficient micro-management of the existing hospital portfolio, resulting in continued cost containment and improved profitability.

Excluding Affinity, Ramsay hospitals recorded organic EBIT growth of 11% for the half year period, with all divisions performing strongly. Admissions rose 6.3% in the six month period.

Affinity

Affinity hospitals are performing to expectations and the integration is well underway and is on track to be neutral to mildly accretive to core EPS in FY 2006 and accretive to core EPS in FY 2007 and beyond.

The Indonesian hospitals are trading strongly, with EBIT up 8.4% in the half year over the previous corresponding six months.

Based on the synergies already realised and the early implementation of the integration plan, Ramsay is on track to achieve the pre-tax cost synergies previously identified of approximately \$35 million per annum by the end of FY2008. Approximately 45% of these pre-tax synergies are expected to be achieved in FY2006, the first full year.

In addition, Ramsay is on track to achieve the previously identified pre-tax revenue synergies of approximately \$15 million per year by end FY2008. Approximately 50% of these synergies are expected to be achieved in FY2007.

Aged Care

Ramsay continues to explore the sale of its aged care business following the strategic review of all its assets, announced in August last year.

As part of the rationalisation of the portfolio, the home care business, Silver Circle, has been sold to the Little Company of Mary.

Residential aged care facilities are trading in line with expectations that the business would be slightly earnings per share dilutionary in the 2006 year.

Outlook

Barring unforeseen circumstances, Ramsay is targeting second half core net profit and core EPS to match the level of the first half, translating to low double digit growth in core EPS for the year.

Beyond FY2006, Ramsay is confident the profit contribution from the former Affinity hospitals will see further increases in earnings.

In addition, following a review of all capital expenditure and due to the faster than expected reduction in debt, Ramsay is formulating plans to invest in brownfields capacity expansion. Ramsay has capacity to invest up to \$300 million for this program.

This investment in brownfields development, which has been a strong contributor to the company's profitable growth over the past few years, is expected to provide the next phase of growth on top of the Affinity contribution.

Ramsay expects to announce further details on this planned expansion in coming months.

The company also continues to explore opportunities to expand in Asia.

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Summary of Financial Performance

	Half-year ended 31 December		
	S000's		
	2005 AIFRS	2004 AIFRS	% inc
Operating Revenue	1,056,241	544,608	94
EBITDAR ⁽¹⁾	143,720	77,831	85
EBITDA	131,107	66,911	96
EBIT	98,392	48,985	101
Core Net Profit After Tax ⁽²⁾	44,394	24,648	80
Net Profit After Tax – Divested Operations	4,796	-	
Non-recurring Items (net of tax)	(7,839)	(603)	
Net Profit After Tax	41,351	24,045	72
EPS (cents per share) ⁽³⁾	20.4¢	18.5¢	10
Core EPS (cents per share) ⁽⁴⁾	22.2¢	19.0¢	17
Interim dividend (cents per share) fully franked	10.5¢	8.5¢	24

(1) Earning before Interest, Tax, Depreciation, Amortisation, and Rent

(2) Core Net Profit after Tax, before non-recurring items and divested operations.

(3) EPS is based upon Net Profit After Tax adjusted for the preference dividend

(4) Core EPS is based upon Core Net Profit After Tax adjusted for the preference dividend