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ASX ANNOUNCEMENT

28 February 2018

RAMSAY HEALTH CARE REPORTS A 7.8% RISE IN FIRST HALF YEAR CORE EPS AND A 7.5% RISE IN CORE NET PROFIT AFTER TAX

Financial Highlights

- Core net profit after tax[1] (Core NPAT) up 7.5% to $288.0 million
- Core earnings per share[2] (Core EPS) up 7.8% to 139.0 cents
- Group:
    - Revenue up 3.0% to $4.4 billion
    - EBIT up 1.5% to $470.4 million
- Australia/Asia:
    - Australia Revenue up 4.3% to $2.5 billion
    - Australia EBIT up 9.1% to $379.7 million
    - Equity accounted share of Asia joint venture net profits up 24.1% to $8.5 million
- United Kingdom:
    - Revenue down 4.8% to £206.2 million
    - EBITDAR down 4.6% to £49.4 million
- France:
    - Revenue down 1.1% to €1.1 billion
    - EBITDAR down 5.8% to €194.1 million
- Interim dividend 57.5 cents fully franked, up 8.5% on the previous corresponding period

Overview

Australia's largest private hospital operator, Ramsay Health Care, today announced a Group Core Net Profit After Tax (Core NPAT) of $288.0 million for the six months to 31 December 2017, a 7.5% increase on the previous corresponding period.

Core NPAT delivered Core EPS of 139.0 cents for the half year, an increase of 7.8% on the 128.9 cents recorded in the previous corresponding period.

The Company's statutory net profit after tax, attributable to members of the parent (after adjusting for net non-core items after tax) of $246.5 million, was down 3.7% on the prior half, principally due to RGdS provisioning for a significant centralisation programme to be implemented over the next three years.

Directors are pleased to announce a fully-franked interim dividend of 57.5 cents, up 8.5% on the previous corresponding period. The dividend Record Date is 7 March 2018 with payment on 29 March 2018.

[1] *Before net non-core items*
[2] *Core net profit after CARES dividends*

Ramsay Health Care

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Commentary on Results

Ramsay Health Care Managing Director Craig McNally said despite ongoing challenges in the operating environment in Europe, the Company achieved a solid first half result driven by a strong performance in its Australian business.

“Our Australian operations delivered 9.1% EBIT growth on the previous corresponding period due to above market volume growth and the benefits of recent cost efficiency programmes.

“We experienced solid growth in admissions and procedural volumes in Ramsay’s Australian business, which is underpinned by a rapidly ageing and growing population.

“In addition, the increasing proportion of people with chronic disease and mental illness is also escalating and driving up treatment volumes.”

He welcomed recent government reforms which aimed to improve affordability of private health insurance in Australia, and also demonstrated the government’s strong commitment to the country’s balanced public/private system.

“In Europe, our operations held up well in an environment that is currently experiencing pricing constraints and volume pressures.

“We are focused on achieving efficiencies in these businesses and, to this end, we are investing in a major transformation project in our French operations that will centralise non-core hospital resources and distinguish this business for the long term.

He said the significant centralisation programme being undertaken by Ramsay Générale de Santé (RGdS) would see non-core hospital functions such as finance, administration and HR, located in a separate shared service centre in the outer suburbs of Paris. Once fully implemented, it will result in annual recurring gains to RGdS of €5M.

This programme will commence in the second half and will take almost three years. RGdS has provided for a restructuring charge of €43.7M (net impact to Ramsay Group Statutory NPAT of $23.9M) which is mainly for future redundancies and has been expensed as a non-core item in the half year.

“Despite the difficult tariff environment we were pleased with the above market volume growth that RGdS achieved during the period, thanks to the strength of our portfolio and the diversity and geographic spread of our business in France.”

In the UK, he said while a positive tariff adjustment would take affect from 1 April 2018, NHS demand management strategies were currently impacting volumes significantly.

“However, there are a burgeoning number of people waiting for treatment in the UK and we expect normal volume growth will return in the short to medium term.”

Growth Strategy

The Company’s brownfield development programme continues strongly reflecting the increasing demand for healthcare services. A further $146M in capacity expansions were approved by the Board during the six months to 31 December 2017.

He said $57M worth of brownfields were completed late in the first half. “We are set to open $147M worth of developments in the second half FY18 and $156M in the first half FY19.

"Importantly, the pipeline for capacity expansions remains strong with over $500M in business cases currently under consideration including a major expansion of Joondalup Health Campus in Perth.

Twenty-three retail pharmacies were added to the Ramsay Pharmacy franchise network in Australia during the first half FY18 bringing the total number in the network to 54. While the development of this network was slower than anticipated in the first half due to regulatory delays, it has gathered momentum recently following the finalisation of the Malouf transaction in Queensland in December 2017.

"We are very pleased with the addition of the Malouf Pharmacy business to our pharmacy network. Before joining the Ramsay franchise network, Malouf was the largest privately owned pharmacy group in Queensland and one of Australia's leading pharmacy brands with 18 stores and employing 450 staff."

<u>Balance Sheet & Cash Flow</u>

Ramsay's robust balance sheet and strong cash flow generation continue~~s~~ to provide us with the flexibility to fund the continuing demand for brownfield capacity expansion, future acquisitions and ongoing working capital needs. As at 31 December 2017, the Group Consolidated Leverage Ratio was 2.4 times, well within our internal parameters.

<u>Outlook</u>

Mr McNally said attractive demographic sector fundamentals combined with Ramsay's geographic, casemix and reimbursement diversification as well as a consistent execution of Company strategy, would underpin future growth for the organisation.

"In addition to our brownfield development pipeline, we remain acquisitive and are actively investigating opportunities across all markets.

"We operate in a sector that will continue to have enormous upside for many years to come. In all regions, health spending is rising as populations grow and age, technologies improve and patients become better informed. Demand for health care is rising in both traditional and non-traditional care settings. We are therefore looking at further out-of-hospital opportunities, including our pharmacy strategy, to deliver innovative, cost-effective and patient-centred care to the community."

He said Ramsay's scale and diversity would ensure it continued to deliver earnings growth in a changing health economy.

"The Company is also investing strategically in research and technology as well as shaping its workforce, to ensure it remains at the forefront of healthcare delivery in the future.

"In summary, we expect the operating environment in Australia to remain positive and the environment in Europe to remain challenging. Barring unforeseen circumstances, we reaffirm our FY18 Core EPS growth of 8% to 10%."

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Attachment: Summary of Financial Performance.

Attachment:

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Summary of Financial Performance

	Half Year Ended 31 December $ millions		
	1st Half FY2018	1st Half FY2017	
	Group	Group	% Increase
Net Profit After Tax (NPAT)			
Operating revenue	4,445.8	4,317.6	3.0%
EBITDAR	872.5	841.1	3.7%
EBITDA	663.8	648.9	2.3%
EBIT	470.4	463.5	1.5%
Profit attributable to members of the parent			
Core NPAT (1)	**288.0**	**267.8**	**7.5%**
Net non-core items, net of tax (2)			
- Restructuring charge (RGdS)	(23.9)	-	
- Other	(17.6)	(11.9)	
	(41.5)	**(11.9)**	
Statutory NPAT	246.5	255.9	(3.7%)

Earnings Per Share, (EPS) cents			
Core EPS (3)	**139.0**	**128.9**	**7.8%**
Statutory EPS	118.6	123.0	(3.6%)

Dividends Per Share, cents			
Interim dividend, fully franked	57.5	53.0	8.5%

Notes

(1) 'Core NPAT' attributable to members of the parent is before net non-core items and from continuing operations. In accordance with the accounting standards Ramsay Générale de Santé (RGdS) is consolidated. The non-controlling interest's share of RGdS NPAT has been removed in arriving at the Core NPAT attributable to members of the parent.

(2) Refer to Appendix 4D Note (a) (i) Reconciliation of net profit attributable to owners of the parent to core profit (segment result).

(3) 'Core EPS' is derived from core net profit after CARES Dividends.