# RAMSAY HEALTH CARE LIMITED
# ABN 57 001 288 768

# APPENDIX 4D

# FOR THE HALF YEAR ENDED 31 DECEMBER 2018

## RAMSAY HEALTH CARE LIMITED

## INDEX

# SECTION 1

# RESULTS FOR ANNOUNCEMENT

# TO THE MARKET

# RAMSAY HEALTH CARE LIMITED

## RESULTS FOR ANNOUNCEMENT TO THE MARKET

1.1 HIGHLIGHTS OF RESULTS

| | | 6 months ended 31/12/2018 $000* | 6 months ended 31/12/2017 $000 | % increase/ (decrease) |
|---|---|---|---|---|
| Revenue and other income (Core) excluding AASB15 adjustment | **(1)** | 5,111,236 | 4,447,950 | 14.9% |
| AASB15 adjustment** | | 60,837 | - | |
| Total revenue including AASB15 adjustment | | 5,172,073 | 4,447,950 | 16.3% |
| Profit before disposal of assets, finance costs, tax, depreciation, amortisation and non-core items (Core EBITDA) | | 728,637 | 663,806 | 9.8% |
| Profit before finance costs, tax and non-core items (Core EBIT) | | 509,916 | 470,422 | 8.4% |
| **Core net profit after tax attributable to owners of the parent** | **(1),(2)** | **290,774** | **287,974** | 1.0% |
| Non-core items after tax attributable to owners of the parent | **(1)** | (20,682) | (41,438) | |
| **Net profit after tax for the period attributable to owners of the parent ***** | | **270,092** | **246,536** | 9.6% |

**Earnings per share (cents per share)**

| | | | | |
|---|---|---|---|---|
| Diluted Core EPS | **(1),(2),(3)** | **140.6c** | **139.0c** | 1.2% |
| Diluted Statutory EPS | | **130.3c** | **118.6c** | 9.9% |
| Core EPS | **(1),(2),(3)** | **141.3c** | **139.8c** | 1.1% |
| Statutory EPS | | **131.1c** | **119.2c** | 10.0% |

* Includes Capio results from 7 November 2018

** Implementation of AASB15 Revenue from Contracts with Customers during the period resulted in a change in presentation for the six months to 31 December 2018 with an increase of $60,837,000 to both revenue and expenses. There was no impact on net profit. (Refer Overview section of the Consolidated Half Year Financial Statements).

*** Before deducting dividends payable to holders of Convertible Adjustable Rate Equity Securities (CARES)

1. Refer to the Overview section a(iii) and a(iv) of the Consolidated Half Year Financial Statements Page (24 to 25) for further information.
2. Core net profit after tax and diluted core earnings per share are before non-core items.
3. Diluted core earnings per share (Diluted Core EPS) calculation is based upon Core net profit after tax adjusted for Preference Dividends, using the weighted average number of ordinary shares adjusted for the effect of dilution.

1.2 EARNINGS PER SHARE

| | 6 months ended 31/12/2018 $000 | 6 months ended 31/12/2017 $000 |
|---|---|---|
| Net profit after tax for the period attributable to the owners of the parent | 270,092 | 246,536 |
| Less: dividend paid on Convertible Adjustable Rate Equity Securities (CARES) | (6,466) | (6,210) |
| Profit used in calculating basic and diluted earnings per share (after CARES dividend) | 263,626 | 240,326 |
| | **Number of Shares** | |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 201,161,331 | 201,623,455 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 202,282,927 | 202,655,730 |

| **Earnings per share** | **6 months ended 31/12/2018 Cents per share** | **6 months ended 31/12/2017 Cents per share** | **% increase/( decrease)** |
|---|---|---|---|
| **- basic (after CARES dividend)** | **131.1** | **119.2** | **10.0%** |
| **- diluted (after CARES dividend)** | **130.3** | **118.6** | **9.9%** |

# RAMSAY HEALTH CARE LIMITED

## RESULTS FOR ANNOUNCEMENT TO THE MARKET

1.3 DIVIDEND INFORMATION

| **Dividends – Ordinary Shares** | **Amount per security** | **Franked amount per security** |
|---|---|---|
| Current year<br>- Interim dividend | 60.0c | 60.0c |
| Previous corresponding period<br>- Interim dividend | 57.5c | 57.5c |
| Record date for determining entitlements to the interim dividend | 7 March 2019 | |
| Date the current year interim dividend is payable | 29 March 2019 | |

| **Convertible Adjustable Rate Equity Securities ('CARES') Dividends** | |
|---|---|
| Record date for determining entitlements to the CARES interim dividend | 3 April 2019 |
| Date the interim CARES dividend is payable | 23 April 2019 |

The proposed interim ordinary and CARES dividends will be franked at the rate of 30% (2017: 30%).

1.4 NET TANGIBLE ASSETS

Net tangible assets (NTA) per share at 31 December 2018 is negative $7.78 (June 2018: $1.08).

1.5 DETAILS OF JOINT VENTURE ENTITY

The main joint venture entity which contributes to Ramsay Health Care Limited's net profit is detailed below:

| **Name of entity** | **Contribution to net profit** | | **Percentage of ownership interest** | |
|---|---|---|---|---|
| | **6 months ended 31/12/2018 $000** | **6 months ended 31/12/2017 $000** | **As at 31/12/2018** | **As at 31/12/2017** |
| **Equity accounted joint venture entity** | | | | |
| Ramsay Sime Darby Health Care Sdn Bhd | 10,987 | 8,517 | 50% | 50% |
| **Total share of after tax profits of equity accounted investments** | **10,987** | **8,517** | | |

1.6 DETAILS OF ENTITY OVER WHICH CONTROL HAS BEEN GAINED

On 7 November and 17 November 2018, Ramsay Générale de Santé acquired a total of 98.5% of the share capital of Capio AB.

1.7 COMMENTARY ON RESULTS

Commentary on results follows

**ASX ANNOUNCEMENT**

28 February 2019

**RAMSAY HEALTH CARE PERFORMANCE IN LINE WITH EXPECTATIONS. REAFFIRMS FULL YEAR GUIDANCE**

Financial Highlights

- Core net profit after tax[1] (Core NPAT) up 1.0% to $290.8 million
  - Excluding Capio acquisition, Core NPAT up 1.8% to $293.2 million
- Core earnings per share[2] (Core EPS) up 1.2% to 140.6 cents
  - Excluding Capio acquisition, Core EPS up 1.9% to 141.7 cents
- Group:
  - Revenue up 14.9% to $5.1 billion[3] (ex Capio Revenue up 6.1%)
  - EBITDA up 9.8% to $728.6 million (ex Capio EBITDA up 7.2%)
- Australia/Asia:
  - Australia Revenue up 4.8% to $2.6 billion
  - Australia EBITDA up 5.7% to $484.6 million
  - Equity accounted share of Asia joint venture net profits up 29.4% to $11.0 million
- United Kingdom:
  - Revenue up 1.6% to £209.6 million[3]
  - EBITDAR down 9.2% to £44.8 million
- Continental Europe (inc Capio since 7 November 2018)
  - Revenue up 25.7% to €1.3 billion
  - EBITDAR up 19.1% to €231.3 million
- Interim dividend 60.0 cents fully franked, up 4.3% on the previous corresponding period

Overview

Ramsay Health Care today announced a Group Core Net Profit After Tax (Core NPAT) of $290.8 million for the six months to 31 December 2018, a 1.0% increase on the previous corresponding period. Excluding the Capio acquisition, Core NPAT increased 1.8% to $293.2 million.

Core NPAT delivered Core EPS of 140.6 cents for the half year, an increase of 1.2% on the 139.0 cents recorded in the previous corresponding period. Excluding the Capio acquisition, Core EPS increased 1.9% to 141.7 cents.

The Company's statutory net profit after tax, attributable to members of the parent (after adjusting for net non-core items after tax) of $270.1 million, up 9.6% on the prior half.

Directors are pleased to announce a fully-franked interim dividend of 60.0 cents, up 4.3% on the previous corresponding period. The dividend Record Date is 7 March 2019 with payment on 29 March 2019.

[1] *Before net non-core items*
[2] *Core net profit after CARES dividends*
[3] *Revenue stated on a like for like basis excluding AASB15 uplift adjustment of £33.9million/$60.8million*

Commentary on Results

Ramsay Health Care Managing Director Craig McNally said the Company was on track to deliver on its guidance for FY'19 after an overall solid first half performance.

"Our Australian operations delivered 5.7% overall EBITDA growth on the previous corresponding period on the back of volume growth and an ongoing focus on achieving operational efficiencies.

"In the UK, while Q1 was challenging and impacted overall earnings for H1, there were good signs of recovery in NHS volume growth in Q2 and we are optimistic this will continue into H2 FY'19. We are also anticipating a positive announcement regarding the 1 April 2019 tariff."

He said the acquisition of Capio contributed to Ramsay Générale de Santé (RGdS) from 7 November 2018 resulting in increased revenue (up 25.7%) and EBITDAR (up 19.1%) performance.

Excluding Capio, RGdS delivered a half year result which was above expectations, with revenue up 2.5% and EBITDAR up 5.3%.

"Since the commencement of RGdS ownership, Capio contributed an operating result (EBIT) of $1.9 million to the Ramsay Group, which translated into a negative Core NPAT result of $2.4 million, after factoring in interest costs from Capio's debt and interest expense associated with the debt funding of this acquisition.

"While Capio had a dilutionary impact on Core NPAT in its first weeks of ownership, we are in the early stages of establishing and implementing our integration plan and we are confident that synergies will be realised. In the short term we are focused on prioritizing the new executive governance structure for Capio, harmonizing operations in France, divesting non-strategic assets and securing the relevant procurement and other identified synergies."

Strategy

Mr McNally said with the acquisition of Capio, Ramsay Health Care was delivering on its strategy of becoming a global health care operator and a 'provider system of choice' in the markets in which it operates. "We now have market leading positions in Australia, France and Scandinavia, which enables us to achieve improved economies of scale, best practice, cost leadership, speed to market, and innovation.

"The scale, diversity and quality of our portfolio across geographies and in terms of the mix of public and private provision, as well as our deep and experienced leadership, remain unique sources of differentiation for our business.

"Across the organisation we are focused on growing new and innovative services including cancer clinical trials and out-of-hospital healthcare provision including pharmacy, to deliver growth and sustainability of our business for the long term."

In respect of the Capio acquisition, Mr McNally reiterated its strategic fit with RGdS and its underlying growth fundamentals. "We have spent the first few months gaining a better understanding of this business and it is clear there are substantial synergies and opportunities. We expect Capio to be Core EPS accretive within two to three years but, given the timing of acquisition and delays to processes related to completion, we now expect it to be slightly EPS dilutive to the Ramsay Group in FY'19."

Ramsay Health Care's Australian brownfield development programme continues strongly with $151 million worth of brownfields completed in the first half including 169 gross beds (124 net beds) and 10 procedural suites. FY'19's full year forecast of completed projects is estimated to be $242 million. A further $70 million in capacity expansions were approved by the Board during the six months to 31 December 2018.

Balance Sheet & Cash Flow

Ramsay's balance sheet strength remains sound following the acquisition of Capio, and strong cash flow generation continues to provide flexibility to fund the continuing demand for brownfield capacity expansion, future acquisitions and ongoing working capital needs.

Outlook

Mr McNally said after a challenging period there were more positive signs emerging in the UK in terms of both price and volume growth. "There is some way to go in the UK, and Brexit may pose some challenges in the short term, but we are pleased that volume growth is returning and tariff looks likely to improve."

He said in France, the recently announced tariff increase was a clear positive for the sector. He said the Company would remain focused on achieving synergies related to the Capio transaction, integrating the business with RGdS and undertaking a review of non-strategic assets.

"In Australia, we maintain a market leadership position in terms of the strength and diversity of our portfolio with our focus on delivering high quality services. While there are short term challenges for the private healthcare sector, the long term outlook for the sector is positive.

"Barring unforeseen circumstances, we reaffirm our FY'19 Core EPS growth of up to 2% (including Capio)."

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Chief of Staff
Ramsay Health Care
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Attachment: Summary of Financial Performance.

**Attachment:**

**Summary of Financial Performance**

| | Half Year Ended 31 December $ millions | | |
|---|---|---|---|
| | 1st Half FY2019 (1) | 1st Half FY2018 | |
| | Group | Group | % Increase |
| **Net Profit After Tax (NPAT)** | | | |
| **Operating revenue** | | | |
| -ex AASB 15 adjustment | 5,107.9 | 4,445.8 | 14.9% |
| -AASB 15 adjustment | 60.8 | | |
| **Total Operating revenue** | **5,168.7** | **4,445.8** | **16.3%** |
| EBITDAR | 977.3 | 872.5 | 12.0% |
| EBITDA | 728.6 | 663.8 | 9.8% |
| EBIT | 509.9 | 470.4 | 8.4% |
| **Profit attributable to members of the parent** | | | |
| **Core NPAT** (2) | **290.8** | **288.0** | **1.0%** |
| Net non-core items, net of tax (3) | (20.7) | (41.5) | |
| Statutory NPAT | 270.1 | 246.5 | 9.6% |

| | | | |
|---|---|---|---|
| **Earnings Per Share, (EPS) cents** | | | |
| **Core EPS** (4) | **140.6** | **139.0** | **1.2%** |
| Statutory EPS | 130.3 | 118.6 | 9.9% |

| | | | |
|---|---|---|---|
| **Dividends Per Share, cents** | | | |
| Interim dividend, fully franked | 60.0 | 57.5 | 4.3% |

Notes

(1) RGdS has consolidated the earnings of Capio since the acquisition date of 7 November 2018.

(2) '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.

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

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

# SECTION 2

# FINANCIAL INFORMATION

# FOR THE HALF YEAR ENDED

# 31 DECEMBER 2018

# RAMSAY HEALTH CARE LIMITED

# AND CONTROLLED ENTITIES

# A.B.N. 57 001 288 768

# FINANCIAL INFORMATION

# FOR THE HALF YEAR ENDED 31 DECEMBER 2018

**RAMSAY HEALTH CARE LIMITED**

**AND CONTROLLED ENTITIES**

**A.B.N. 57 001 288 768**

**FINANCIAL REPORT**

**FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

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# DIRECTORS' REPORT

Your directors submit their report for the half year ended 31 December 2018.

## DIRECTORS

The names of the company's directors in office during the half year are as set out below. Directors were in office for this entire period unless otherwise stated.

M. Siddle - Non-Executive Chairman
P. Evans - Non-Executive Deputy Chairman
C. McNally - Managing Director
B. Soden - Group Finance Director
R. McGeoch AO - Non-Executive Director
K. Roxburgh - Non-Executive Director
P. Akopiantz - Non-Executive Director (resigned 9 November 2018)
M. Seale - Non-Executive Director (resigned 31 October 2018)
D. Thodey AO - Non-Executive Director
C. Süssmuth Dyckerhoff - Non-Executive Director (appointed 30 October 2018)
A. Deans - Non-Executive Director (appointed 15 November 2018)

## PRINCIPAL ACTIVITIES

The principal activities of entities within the consolidated entity during the half year were the owning and operating of private hospitals and managing of public hospitals through "private / public collaborations". There were no significant changes in the nature of these activities during the half year.

## NON - IFRS FINANCIAL INFORMATION

The review of results of operations included in the Directors' Report below includes a number of non-IFRS financial measures. These non-IFRS financial measures are used internally by management to assess the performance of the business and make decisions on the allocation of resources.

## REVIEW AND RESULTS OF OPERATIONS

A summary of consolidated statutory revenue and earnings, which includes the results of Capio from 7 November 2018, is set out below for the six months ended 31 December.

| ***Summary of statutory earnings*** | **2018 $000** | **2017 $000** | **% Change** |
|---|---|---|---|
| Revenue from contracts with customers (excluding AASB15 adjustment) | 5,107,926 | 4,445,795 | 14.9% |
| AASB15 Revenue from contracts with customers adjustment* | 60,837 | - | |
| Revenue from contracts with customers | 5,168,763 | 4,445,795 | 16.3% |
| Earnings before interest, tax, depreciation and amortisation (EBITDA) | 686,308 | 582,676 | 17.8% |
| Earnings before interest and tax (EBIT) | 465,814 | 386,635 | 20.5% |
| Statutory reported net profit after tax attributable to owners of the parent | 270,092 | 246,536 | 9.6% |

*: Refer to Overview section of the Consolidated Half Year Financial Statements

| | **2018** | **2017** | **% Change** |
|---|---|---|---|
| Basic earnings per share (after CARES dividend) | 131.1c | 119.2c | 10.0% |
| Diluted earnings per share (after CARES dividend) | 130.3c | 118.6c | 9.9% |

A summary of consolidated Core revenue and earnings, which includes the results of Capio from 7 November 2018, is set out below for the six months ended 31 December.

| ***Summary of Core earnings*** | **2018 $000** | **2017 $000** | **% Change** |
|---|---|---|---|
| Core revenue from contracts with customers (excluding AASB15 adjustment) | 5,107,926 | 4,445,795 | 14.9% |
| AASB15 Revenue from contracts with customers adjustment* | 60,837 | - | |
| Revenue from contracts with customers | 5,168,763 | 4,445,795 | 16.3% |
| Core earnings before interest, tax, depreciation and amortisation and non-core items (Core EBITDA) | 728,637 | 663,806 | 9.8% |
| Core earnings before interest and tax and non-core items (Core EBIT) | 509,916 | 470,422 | 8.4% |
| Core net profit after tax attributable to owners of the parent | 290,774 | 287,974 | 1.0% |

*: Refer to Overview section of the Consolidated Half Year Financial Statements

| | **2018** | **2017** | **% Change** |
|---|---|---|---|
| Basic Core earnings per share (after CARES dividend) | 141.3c | 139.8c | 1.1% |
| Diluted Core earnings per share (after CARES dividend) | 140.6c | 139.0c | 1.2% |

# DIRECTORS' REPORT (CONTINUED)

## REVIEW AND RESULTS OF OPERATIONS (CONTINUED)

***Reconciliation of Statutory earnings to Core earnings***

The reconciliation below outlines the Statutory net profit after tax, adjusted for the non-core items.

| | 2018 $000 | 2017 $000 |
|---|---|---|
| Statutory net profit after tax attributable to owners of the parent | 270,092 | 246,536 |
| Add: Net non-core items, net of tax, attributable to owners of the parent | | |
| - Restructuring - RGdS | - | 23,874 |
| - Other | 20,682 | 17,564 |
| Core net profit after tax attributable to owners of the parent | 290,774 | 287,974 |

***Financial highlights***

The Company has had an overall solid first half performance. During the half year, the Australian operations delivered 5.7% overall EBITDA growth on the previous corresponding period on the back of volume growth and an ongoing focus on achieving operational efficiencies.

In the UK, while the first quarter was challenging and impacted overall earnings for the first half, there were good signs of recovery in NHS volume growth in quarter two which is expected to continue into the second half of FY19. It is also anticipated that the 1 April 2019 tariff announcement will be positive.

The acquisition of Capio contributed to Ramsay Générale de Santé (RGdS) from 7 November 2018 resulting in increased revenue (up 25.7%) and EBITDAR (up 19.1%) performance.

Excluding Capio, RGdS delivered a half year result which was above expectations, with revenue up 2.5% and EBITDAR up 5.3%.

Since the commencement of RGdS ownership, Capio contributed an operating result (EBIT) of $1.9 million to the Ramsay Group. This translated into a negative Core NPAT result of $2.4 million after factoring in interest costs from Capio's debt and interest expense associated with the debt funding of this acquisition.

While Capio had a dilutionary impact on Core NPAT in its first weeks of ownership, it is still early in the process of establishing and implementing the integration plan and therefore realising the synergies.

Ramsay's statutory net profit attributable to the owners of the parent for the half year ended 31 December 2018 was $270 million, a 9.6% increase on the previous corresponding period. Diluted earnings per share were 130.3 cents for the half year, a 9.9% increase.

Core NPAT delivered Core EPS of 140.6 cents for the half year, an increase of 1.2% on the 139.0 cents recorded in the previous corresponding period.

## AUDITOR'S INDEPENDENCE DECLARATION

The written Auditor's Independence Declaration in relation to the review of the half year financial report has been included at page 15 and forms part of this report.

## DIRECTORS' REPORT (CONTINUED)

### ROUNDING

The amounts contained in this report and in the half year financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The company is an entity to which the Instrument applies.

Signed in accordance with a resolution of the Directors.

M.S. Siddle
Chairman

C.R. McNally
Managing Director

Sydney, 28 February 2019

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## Auditor's Independence Declaration to the Directors of Ramsay Health Care Limited

As lead auditor for the review of the financial report of Ramsay Health Care Limited for the half-year ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Ramsay Health Care Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

Douglas

Douglas Bain
Partner
28 February 2019

**CONSOLIDATED INCOME STATEMENT**
**FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

| | Note | 2018 $000 | 2017 $000 |
|---|---|---|---|
| Revenue from contracts with customers | Overview,1 | 5,168,763 | 4,445,795 |
| Interest income | | 3,910 | 2,155 |
| Other income – income from the sale of development assets | | 26,230 | - |
| Other Income – net profit on disposal of non-current assets | | 2,558 | 5,328 |
| **Total revenue and other income** | | **5,201,461** | **4,453,278** |
| Employee benefit and contractor costs | Overview | (2,757,024) | (2,371,554) |
| Occupancy costs | | (417,546) | (357,132) |
| Service costs | | (156,813) | (123,940) |
| Medical consumables and supplies | | (1,173,746) | (1,024,338) |
| Depreciation, amortisation and impairment | | (220,494) | (196,041) |
| Cost of development assets sold | | (17,297) | - |
| **Total expenses, excluding finance costs** | | **(4,742,920)** | **(4,073,005)** |
| Share of profit of joint venture | | 11,183 | 8,517 |
| **Profit before tax and finance costs** | | **469,724** | **388,790** |
| Finance costs | | (78,035) | (56,641) |
| **Profit before income tax** | | **391,689** | **332,149** |
| Income tax | | (117,315) | (89,745) |
| **Net profit for the period** | | **274,374** | **242,404** |
| Attributable to non-controlling interests | | 4,282 | (4,132) |
| **Attributable to owners of the parent** | | **270,092** | **246,536** |
| | | **274,374** | **242,404** |
| **Earnings per share (cents per share)** | | | |
| Basic earnings per share (after CARES dividend) | 3 | 131.1 | 119.2 |
| Diluted earnings per share (after CARES dividend) | 3 | 130.3 | 118.6 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
## FOR THE HALF YEAR ENDED 31 DECEMBER 2018

| | 2018<br>$000 | 2017<br>$000 |
|---|---|---|
| **Net profit for the period** | **274,374** | **242,404** |
| **Items that will not be reclassified to net profit** | | |
| Actuarial (loss)/gain on defined benefits plan | (4,972) | 347 |
| **Items that may be subsequently reclassified to net profit** | | |
| Cash flow hedges | | |
| Gain taken to equity | 1,147 | 5,070 |
| Transferred to Income Statement | (1,734) | (687) |
| Net loss on bank loan designated as a hedge of a net investment | (10,279) | (11,959) |
| Foreign currency translation | 28,059 | 20,339 |
| Income tax relating to components of other comprehensive (expense)/ income | (55) | (1,283) |
| **Other comprehensive income for the period, net of tax** | **12,166** | **11,827** |
| **Total comprehensive income for the period** | **286,540** | **254,231** |
| Attributable to non-controlling interests | 5,227 | (5,627) |
| **Attributable to the owners of the parent** | **281,313** | **259,858** |
| | **286,540** | **254,231** |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AS AT 31 DECEMBER 2018**

| | Note | As at 31/12/2018 $000 | As at 30/06/2018 $000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 4 | 616,137 | 770,566 |
| Trade and other receivables | | 1,338,790 | 1,153,653 |
| Inventories | | 341,080 | 276,112 |
| Derivative financial instrument | 10 | 61 | 87 |
| Income tax receivable | | 82,470 | 15,512 |
| Prepayments | | 290,504 | 113,294 |
| Other current assets | | 33,225 | 18,300 |
| | | 2,702,267 | 2,347,524 |
| Assets classified as held for sale | | 13,105 | 26,682 |
| **Total current assets** | 5 | **2,715,372** | **2,374,206** |
| | | | |
| **Non-current assets** | | | |
| Other financial assets | | 45,969 | 41,528 |
| Investment in joint venture | | 260,577 | 241,446 |
| Property, plant and equipment | | 4,658,171 | 4,113,162 |
| Intangible assets | | 4,190,729 | 2,262,500 |
| Deferred tax asset | | 292,666 | 199,528 |
| Prepayments | | 11,400 | 11,566 |
| Derivative financial instruments | 10 | 54 | 244 |
| Receivables | | 113,201 | 68,689 |
| **Total non-current assets** | | **9,572,767** | **6,938,663** |
| **TOTAL ASSETS** | | **12,288,139** | **9,312,869** |
| | | | |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | 2,348,040 | 1,771,569 |
| Interest-bearing loans and borrowings | 5,6 | 1,255,624 | 100,078 |
| Derivative financial instruments | 10 | 11,530 | 11,371 |
| Provisions | | 93,688 | 76,641 |
| Income tax payable | | 49,009 | 39,507 |
| **Total current liabilities** | 5 | **3,757,891** | **1,999,166** |
| | | | |
| **Non-current liabilities** | | | |
| Interest-bearing loans and borrowings | 6 | 4,761,768 | 3,852,032 |
| Provisions | | 666,005 | 679,642 |
| Defined employee benefit obligation | | 163,076 | 80,463 |
| Derivative financial instruments | 10 | 10,682 | 11,682 |
| Other creditors | | 17,908 | 8,328 |
| Deferred tax liability | | 339,267 | 234,147 |
| **Total non-current liabilities** | | **5,958,706** | **4,866,294** |
| **TOTAL LIABILITIES** | | **9,716,597** | **6,865,460** |
| | | | |
| **NET ASSETS** | | **2,571,542** | **2,447,409** |
| | | | |
| **EQUITY** | | | |
| Issued capital | | 713,523 | 713,523 |
| Treasury shares | | (65,306) | (76,753) |
| Convertible Adjustable Rate Equity Securities (CARES) | | 252,165 | 252,165 |
| Other reserves | | (23,226) | (26,260) |
| Retained earnings | | 1,579,922 | 1,494,285 |
| **Parent interests** | | **2,457,078** | **2,356,960** |
| Non-controlling interests | | 114,464 | 90,449 |
| **TOTAL EQUITY** | | **2,571,542** | **2,447,409** |

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

| | Note | Issued Capital $000 | Treasury Shares $000 | CARES $000 | Other Reserves $000 | Retained Earnings $000 | Non-controlling interests $000 | Total $000 |
|---|---|---|---|---|---|---|---|---|
| **As at 1 July 2017** | | **713,523** | **(70,608)** | **252,165** | **(17,556)** | **1,398,664** | **82,498** | **2,358,686** |
| Total comprehensive income/(expense) | | - | - | - | 12,974 | 246,884 | (5,627) | **254,231** |
| Dividends paid | | - | - | - | - | (170,906) | (2,038) | **(172,944)** |
| Shares purchased for executive performance share plan | | - | (27,154) | - | - | - | - | **(27,154)** |
| Treasury shares vesting to employees | | - | 45,912 | - | (45,912) | - | - | **-** |
| Share based payment expense for employees | | - | - | - | 7,879 | - | - | **7,879** |
| **As at 31 December 2017** | | **713,523** | **(51,850)** | **252,165** | **(42,615)** | **1,474,642** | **74,833** | **2,420,698** |
| | | | | | | | | |
| **As at 1 July 2018** | | **713,523** | **(76,753)** | **252,165** | **(26,260)** | **1,494,285** | **90,449** | **2,447,409** |
| AASB 9 Financial Instruments Adjustment | Overview | - | - | - | - | (1,083) | - | (1,083) |
| **As at 1 July 2018 - Restated** | | **713,523** | **(76,753)** | **252,165** | **(26,260)** | **1,493,202** | **90,449** | **2,446,326** |
| Total comprehensive income | | - | - | - | 13,327 | 267,986 | 5,227 | **286,540** |
| Dividends paid | | - | - | - | - | (181,266) | (5,009) | **(186,275)** |
| Acquisition of subsidiary/non-controlling interest | | - | - | - | - | - | 23,797 | **23,797** |
| Shares purchased for executive performance share plan | | - | (5,135) | - | - | - | - | **(5,135)** |
| Treasury shares vesting to employees | | - | 16,582 | - | (16,582) | - | - | **-** |
| Share based payment expense for employees | | - | - | - | 6,289 | - | - | **6,289** |
| **As at 31 December 2018** | | **713,523** | **(65,306)** | **252,165** | **(23,226)** | **1,579,922** | **114,464** | **2,571,542** |

## CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE HALF YEAR ENDED 31 DECEMBER 2018

| | Note | 2018 $000 | 2017 $000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers | | 5,136,908 | 4,539,499 |
| Payments to suppliers and employees | | (4,430,973) | (3,883,857) |
| Income tax paid | | (128,957) | (122,883) |
| Finance costs | | (71,142) | (57,888) |
| **Net cash flows from operating activities** | | **505,836** | **474,871** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | | (281,490) | (236,561) |
| Proceeds from sale of businesses and non-current assets | | 33,084 | 10,758 |
| Interest and dividends received | | 4,622 | 2,155 |
| Business combinations, net of cash received | 7 | (1,280,099) | (163,090) |
| Deferred payment on investment | | - | (5,250) |
| **Net cash flows used in investing activities** | | **(1,523,883)** | **(391,988)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Dividends paid to ordinary shareholders of the parent | | (181,266) | (170,906) |
| Dividends paid to non-controlling interests | | (5,009) | (2,038) |
| Repayment of principal to bondholders | | - | (2,312) |
| Proceeds from bonds issued to non-controlling interest | | 378,235 | - |
| Repayment of finance lease - principal | | (35,109) | (32,806) |
| Purchase of ordinary shares | | (5,135) | (27,154) |
| Proceeds of borrowings | | 1,745,171 | 742,763 |
| Repayment of borrowings | | (979,474) | (567,770) |
| Payment of borrowing costs of financing | | (25,339) | (8,951) |
| **Net cash flows from/(used in) financing activities** | | **892,074** | **(69,174)** |
| Net (decrease)/increase in cash and cash equivalents | | (125,973) | 13,709 |
| Net foreign exchange differences on cash held | | (28,456) | 3,303 |
| Cash and cash equivalents at beginning of period | | 770,566 | 419,519 |
| **Cash and cash equivalents at end of period** | 4 | **616,137** | **436,531** |

## NOTES TO THE CONSOLIDATED HALF YEAR FINANCIAL STATEMENTS
## FOR THE HALF YEAR ENDED 31 DECEMBER 2018

**OVERVIEW**

Ramsay Health Care Limited is a for-profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of operations of the Group is described in the Directors' Report.

The financial report of Ramsay Health Care Limited and controlled entities (the 'Group' or the 'Consolidated Entity') for the half year ended 31 December 2018 was authorised for issue in accordance with a resolution of the Directors on the 28 February 2019.

**(a) Basis of preparation**

This general purpose financial report:

- has been prepared in accordance with Australian Accounting Standards, including AASB134 "Interim Financial Reporting", other authoritative pronouncements of the Australian Accounting Standard Board (AASB) and the Corporations Act 2001. It does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report;
- has been prepared on the basis of historical cost, except for derivative financial instruments, listed investments and the assets and liabilities recognised through business combinations which have been measured at fair value;
- should be read in conjunction with the annual financial report of Ramsay Health Care Limited as at 30 June 2018, together with any public announcements made by Ramsay Health Care Limited and its controlled entities during the half year ended 31 December 2018;
- presents all values as rounded to the nearest thousand dollars, unless otherwise stated under the option available under ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191; and
- does not early adopt any Australian Accounting Standards and Interpretations issued or amended but are not yet effective.

**(i) New and amended accounting standards and interpretations, effective 1 July 2018**

The Group applied, for the first time, AASB 15: *Revenue from Contracts with Customers* and AASB 9*: Financial Instruments*. The Group is applying the two standards using the modified retrospective approach which requires all cumulative effects to be recognised at the date of initial application date being 1 July 2018 for the Group. The nature and effect of these changes are disclosed below.

**AASB 15: Revenue from Contracts with Customers**

AASB 15 superseded AASB 118 Revenue and AASB 111 Construction Contracts. Although AASB 15 is principles based, it is a significant change from the previous revenue requirements and involves new judgements and estimates as revenue is recognised when control of a good or service transfers to a customer, or on satisfaction of performance obligations under contracts, which replaced the previous notion of risks and rewards.

The adoption of AASB 15 on 1 July 2018 resulted in a change in presentation of Revenue from contracts with customers for certain contracts between the Group and the National Health Service ('NHS') in the UK. The changes results in an increase in revenue and a corresponding increase in health professional consultant fees as the Group is viewed as the principal in the transaction with NHS rather than an agent. The assessment of the Group as principal is based on the control guidance that is clarified in AASB 15. Key factors considered include: The Group contracts directly with the NHS and has the ultimate responsibility for the provision of services to patients and the Group has certain pricing discretion.

There has been no change to Profit before income tax arising from the change in presentation. The impact of the adoption on the Consolidated Income Statement for the six months ended 31 December 2018 is detailed below;

| | **AASB 118<br>$000** | **Impact of adoption of AASB 15<br>$000** | **AASB 15<br>$000** |
|---|---|---|---|
| Revenue from contracts with customers | 5,107,926 | 60,837 | 5,168,763 |
| Employee benefit and contractor costs | (2,696,187) | (60,837) | (2,757,024) |
| Profit before income tax | 391,689 | - | 391,689 |

**OVERVIEW (CONTINUED)**

**(a) Basis of preparation (continued)**

**(i) New and amended accounting standards and interpretations, effective 1 July 2018 (continued)**

**AASB 15: Revenue from Contracts with Customers (continued)**

There is no impact on the statement of financial position at 31 December 2018, nor on the opening retained earnings of the Group at 1 July 2018. The Consolidated Income Statement for 31 December 2017 was not restated in accordance with the modified retrospective transition approach.

Other than as detailed above, there were no impacts on the Group upon adoption of AASB 15 on 1 July 2018. Under AASB 15, there was no change in the Group's recognition of revenue from patients, as revenue is recognised on satisfaction of the performance obligations of the entity, being the provision of medical services to patients. Similarly, there was no change in the Group's recognition of income from ancillary services, as revenue is recognised on the satisfaction of the Group's performance obligation to the customer, being the date which services are provided.

The Group's revenue recognition of interest income, investment gains/(losses) and foreign exchange gains/ (losses) was unaffected as these items are excluded from the scope of AASB 15.

**AASB 9: Financial Instruments**

AASB 9 contains new requirements for the classification, measurement and derecognition of financial assets and liabilities, replacing the recognition and measurement requirements in AASB 139: *Financial Instrument: Recognition and Measurement* ("AASB 139"). Under the new requirements the four previous categories of financial assets have been replaced with two measurement categories: Fair value and amortised cost, and financial assets will only be measured at amortised cost where very specific conditions are met. Equity securities are measured at fair value through profit or loss unless an election is made at initial recognition, to present fair value changes in other comprehensive income. The option is irrevocable and applied only to equity instruments which are not held for trading. AASB 9 also included new hedge accounting requirements and an expected-loss impairment model that requires credit losses to be recognised on a more timely basis.

The Group adopted AASB 9 on 1 July 2018. At this time, the Group performed an assessment of the expected-loss associated with financial assets, namely trade and loans receivable, to determine the expected loss arising on the outstanding balances at 1 July 2018. As a consequence of the assessment performed, the Group's retained earnings decreased by $1,083,000, with a corresponding increase in the allowance for impairment loss of trade receivables.

For the period ended 31 December 2018, the Group accounts for financial instruments in accordance with the accounting policy described below.

Financial instruments – initial recognition and subsequent measurement

*(i) Financial assets*

*Initial recognition and measurement*
Financial assets within the scope of AASB 9 are classified as loans and receivables, assets held at fair value through profit or loss, held at fair value through other comprehensive income, or derivatives through profit and loss (where derivatives do not meet the hedge accounting criteria). The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

*Subsequent measurement*
The subsequent measurement of financial assets depends on their classification as described below:

*Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurements, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of their EIR. The EIR amortisation is included in finance income in the Income Statement. The losses arising from impairment are recognised in the Consolidated Income Statement in finance costs for loans and in Service Costs for receivables.

**OVERVIEW (CONTINUED)**

**(a) Basis of preparation (continued)**

**(i) New and amended accounting standards and interpretations, effective 1 July 2018 (continued)**

**AASB 9: Financial Instruments (continued)**

*Derecognition*
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and maximum amount of consideration that the Group could be required to repay.

*(ii) Impairment of financial assets*

The Group assesses, at each reporting date, an expected credit loss allowance on all financial assets not held at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets original effective interest rate. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

*(iii) Financial liabilities*

*Initial recognition and measurement*
Financial liabilities within the scope of AASB 9 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings, and derivative financial instruments.

*Subsequent Measurement*
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the Consolidated Income Statement.

*Derecognition*
A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Consolidated Income Statement.

*(iv) Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the Consolidated Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**OVERVIEW (CONTINUED)**

**(a) Basis of preparation (continued)**

**(ii) Accounting Standards and Interpretations Issued But Not Yet Effective**

**AASB 16: Leases (Effective 1 July 2019)**

AASB 16 supersedes AASB 17 *Leases*. AASB 16 provides a new lessee accounting model which requires lessees to recognise the right-to-use assets, and liabilities to make lease payments, for leases with a term of more than 12 months unless the underlying asset is of low value. Expenses in respect of leases include amortisation of the right-to-use and interest expense in respect of the lease liability.

The Group will adopt AASB 16 from 1 July 2019. The Group has not concluded its assessment of the impact upon adoption of AASB 16, however the new standard is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements in future years, given the volume and maturity profile of the Group's operating leases.

The quantification of the impact of the adoption of AASB 16 has progressed during the period, with the Group having selected accounting software for the monitoring and quantification of right-to-use assets and lease liabilities, and commenced the process of implementing the software. The acquisition of Capio on 7 November 2018 will result in an increased number of operating leases being subject to assessment under AASB 16. Management expects to finalise the quantification of the impact of adoption of AASB 16 on the Group prior to 30 June 2019.

**(iii) Reconciliation of net profit attributable to owners of the parent to core profit (segment result)**

The Directors believe that the core profit (segment result) after tax (core profit (segment result) after tax is a non-statutory profit measure and represents profit before non-core items) and the core earnings per share measures, provides additional useful information which is used for internal segment reporting and therefore would be useful for shareholders, as these measures are used to ascertain the ongoing profitability of the underlying business.

| | 2018<br>$000 | 2017<br>$000 |
|---|---|---|
| **Net profit after tax attributable to owners of the parent** | **270,092** | **246,536** |
| Add/(less) non-core items: | | |
| - Non-cash portion of rent expense relating to leased UK hospitals* | 6,198 | 7,306 |
| - Amortisation - service concession assets | 753 | 2,030 |
| - Net (profit) on disposal of non-current assets | (2,558) | (5,328) |
| - Income from the sale of development assets | (26,230) | - |
| - Book value of development assets sold | 17,297 | - |
| - Impairment of non-current asset | 1,020 | 627 |
| - Borrowing costs associated with refinancing | - | 374 |
| - Acquisition, disposal, and development costs | 32,396 | 13,153 |
| - Restructuring – provision for personnel costs | 9,330 | 56,010 |
| - Restructuring – provision for service costs | 5,896 | 9,989 |
| Income tax on non-core items | (14,190) | (20,845) |
| Non-controlling interests in non-core items net of tax | (9,230) | (21,878) |
| | 20,682 | 41,438 |
| **Core profit (segment result) after tax attributable to owners of the parent**** | **290,774** | **287,974** |
| **Core earnings per share** | | |
| Core profit (segment result) after tax (above) | 290,774 | 287,974 |
| Less: CARES dividend | (6,466) | (6,210) |
| Core profit after tax used to calculate core earnings per share | 284,308 | 281,764 |
| - Diluted core earnings per share (after CARES dividend) | 140.6c | 139.0c |
| - Basic core earnings per share (after CARES dividend) | 141.3c | 139.8c |
| Weighted average number of ordinary shares adjusted for effect of dilution | 202,282,927 | 202,655,730 |
| Weighted average number of ordinary shares | 201,161,331 | 201,623,455 |

**Accounted for in accordance with AASB 117 Leases and AASB Interpretation 115 Operating Leases – Incentives*
***Core profit (segment result) after tax is a non-statutory profit measure and represents profit before non-core items*

## OVERVIEW (CONTINUED)

### (a) Basis of preparation (continued)

### (iv) Reconciliation of statutory Income Statement to core (segment) Income Statement

The table below reconciles the statutory consolidated Income Statement to the core (segment) consolidated Income Statement. The non-core items listed at (a)(iii) are excluded from the relevant line items in the consolidated statutory Income Statement to ascertain the core (segment) consolidated Income Statement.

| | Statutory consolidated Income Statement | Non-core items as listed at (a)(iii) | Core (segment) consolidated Income Statement |
|---|---|---|---|
| | $000 | $000 | $000 |
| **Six months ended 31 December 2018** | | | |
| Revenue from contracts with customers | 5,168,763 | - | 5,168,763 |
| Interest income | 3,910 | - | 3,910 |
| Other income - income from the sale of development assets | 26,230 | (26,230) | - |
| Other income - net profit on disposal of non-current assets | 2,558 | (2,558) | - |
| **Total revenue and other income** | **5,201,461** | **(28,788)** | **5,172,673** |
| Employee benefit and contractor costs | (2,757,024) | 9,330 | (2,747,694) |
| Occupancy costs | (417,546) | 6,198 | (411,348) |
| Service costs | (156,813) | 38,292 | (118,521) |
| Medical consumables and supplies | (1,173,746) | - | (1,173,746) |
| Depreciation, amortisation and impairment | (220,494) | 1,773 | (218,721) |
| Cost of development assets sold | (17,297) | 17,297 | - |
| **Total expenses, excluding finance costs** | **(4,742,920)** | **72,890** | **(4,670,030)** |
| Share of profit of joint venture | 11,183 | - | 11,183 |
| **Profit before tax and finance costs** | **469,724** | **44,102** | **513,826** |
| Finance costs | (78,035) | - | (78,035) |
| **Profit before income tax** | **391,689** | **44,102** | **435,791** |
| Income tax | (117,315) | (14,190) | (131,505) |
| **Net profit for the period** | **274,374** | **29,912** | **304,286** |
| Attributable to non-controlling interests | 4,282 | 9,230 | 13,512 |
| **Attributable to owners of the parent** | **270,092** | **20,682** | **290,774** |
| | **274,374** | **29,912** | **304,286** |
| **Six months ended 31 December 2017** | | | |
| Revenue from contracts with customers | 4,445,795 | - | 4,445,795 |
| Interest income | 2,155 | - | 2,155 |
| Other income – net profit on disposal of non-current assets | 5,328 | (5,328) | - |
| **Total revenue and other income** | **4,453,278** | **(5,328)** | **4,447,950** |
| Employee benefit and contractor costs | (2,371,554) | 56,010 | (2,315,544) |
| Occupancy costs | (357,132) | 7,306 | (349,826) |
| Service costs | (123,940) | 23,142 | (100,798) |
| Medical consumables and supplies | (1,024,338) | - | (1,024,338) |
| Depreciation, amortisation and impairment | (196,041) | 2,657 | (193,384) |
| **Total expenses, excluding finance costs** | **(4,073,005)** | **89,115** | **(3,983,890)** |
| Share of profit of joint venture | 8,517 | - | 8,517 |
| **Profit before tax and finance costs** | **388,790** | **83,787** | **472,577** |
| Finance costs | (56,641) | 374 | (56,267) |
| **Profit before income tax** | **332,149** | **84,161** | **416,310** |
| Income tax | (89,745) | (20,845) | (110,590) |
| **Net profit for the period** | **242,404** | **63,316** | **305,720** |
| Attributable to non-controlling interests | (4,132) | 21,878 | 17,746 |
| **Attributable to owners of the parent** | **246,536** | **41,438** | **287,974** |
| | **242,404** | **63,316** | **305,720** |

## 1. SEGMENT INFORMATION

*Identification of reportable segments*

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Managing Director and the Board of Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based primarily on the country in which the service is provided, as this is the Group's major risk and has the most effect on the rate of return, due to differing currencies and differing health care systems in the respective countries. The Group has four reportable operating segments being Asia Pacific, UK, RGdS and Capio.

Discrete financial information about each of these operating businesses is reported to the Managing Director and his management team on at least a monthly basis.

*Types of services*

The reportable operating segments derive their revenue primarily from providing health care services to both public and private patients in the community.

*Accounting policies and inter-segment transactions*

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment results include transfers between the segments. These transfers are eliminated on consolidation.

The accounting policies used by the Group in reporting segments are the same as those contained throughout the accounts and in prior periods.

| | Asia Pacific $000 | UK $000 | RGdS $000 | Capio $000 | Total $000 |
|---|---|---|---|---|---|
| **Six months ended 31 December 2018** | | | | | |
| **Revenue** | | | | | |
| Revenue from contracts with customers (excluding AASB15 adjustment) | 2,602,970 | 375,180 | 1,740,066 | 389,710 | 5,107,926 |
| AASB15 adjustment [1] | - | 60,837 | - | - | 60,837 |
| Total revenue before intersegment revenue (including AASB15 adjustment) | 2,602,970 | 436,017 | 1,740,066 | 389,710 | 5,168,763 |
| Intersegment revenue | 1,536 | - | - | - | 1,536 |
| Total segment revenue | 2,604,506 | 436,017 | 1,740,066 | 389,710 | 5,170,299 |
| **Earnings before interest, tax, depreciation and amortisation (EBITDA)** [2] | **495,612** | **35,005** | **181,172** | **16,848** | **728,637** |
| Depreciation and amortisation | (83,833) | (20,494) | (99,477) | (14,917) | (218,721) |
| **Earnings before interest and tax (EBIT)** [3] | **411,779** | **14,511** | **81,695** | **1,931** | **509,916** |
| Interest | | | | | (74,125) |
| Income tax expense | | | | | (131,505) |
| **Segment (core) net profit after tax** [4] | | | | | **304,286** |
| Attributable to non-controlling interest | | | | | (13,512) |
| **Segment (core) net profit after tax, attributable to owners of the parent** [5] | | | | | **290,774** |
| Non-core items net of tax | | | | | (20,682) |
| **Net profit attributable to owners of the parent** | | | | | **270,092** |

[1] Refer to Overview section. Implementation of the standard during the period resulted in a change in presentation of items in the Consolidated Income Statement. There was no impact on net profit.

[2] "EBITDA" is a non-statutory profit measure and represents profit before interest, tax, depreciation, amortisation and non-core items.

[3] "EBIT" is a non-statutory profit measure and represents profit before interest, tax and non-core items.

[4] "Segment (core) net profit after tax" is a non-statutory profit measure and represents profit before non-core items.

[5] "Segment (core) net profit after tax attributable to owners of the parent" is a non-statutory profit measure and represents profit before non-core items that are attributable to the owners of the parent.

## NOTES TO THE CONSOLIDATED HALF YEAR FINANCIAL STATEMENTS
## FOR THE HALF YEAR ENDED 31 DECEMBER 2018

### 1. SEGMENT INFORMATION (CONTINUED)

| | Asia Pacific $000 | UK $000 | RGdS $000 | Total $000 |
|---|---|---|---|---|
| **Six months ended 31 December 2017** | | | | |
| **Revenue** | | | | |
| Revenue from contracts with customers | 2,483,915 | 349,050 | 1,612,830 | 4,445,795 |
| Total revenue before intersegment revenue | 2,483,915 | 349,050 | 1,612,830 | 4,445,795 |
| Intersegment revenue | 3,551 | - | - | 3,551 |
| Total segment revenue | 2,487,466 | 349,050 | 1,612,830 | 4,449,346 |
| **Earnings before interest, tax, depreciation and amortisation (EBITDA)** [1] | **466,836** | **37,850** | **159,120** | **663,806** |
| Depreciation and amortisation | (78,754) | (18,080) | (96,550) | (193,384) |
| **Earnings before interest and tax (EBIT)** [2] | **388,082** | **19,770** | **62,570** | **470,422** |
| Interest | | | | (54,112) |
| Income tax expense | | | | (110,590) |
| **Segment (core) net profit after tax** [3] | | | | **305,720** |
| Attributable to non-controlling interest | | | | (17,746) |
| **Segment (core) net profit after tax, attributable to owners of the parent** [4] | | | | **287,974** |
| Non-core items net of tax | | | | (41,438) |
| **Net profit attributable to owners of the parent** | | | | **246,536** |

[1] "EBITDA" is a non-statutory profit measure and represents profit before interest, tax, depreciation, amortisation and non-core items.
[2] "EBIT" is a non-statutory profit measure and represents profit before interest, tax and non-core items.
[3] "Segment (core) net profit after tax" is a non-statutory profit measure and represents profit before non-core items.
[4] "Segment (core) net profit after tax attributable to owners of the parent" is a non-statutory profit measure and represents profit before non-core items that are attributable to the owners of the parent.

**Assets & liabilities**

| | Asia Pacific $000 | UK $000 | RGdS $000 | Capio $000 | Adjustments & Eliminations* $000 | Total $000 |
|---|---|---|---|---|---|---|
| ***As at 31 December 2018*** | | | | | | |
| Segment assets | 5,420,848 | 1,523,371 | 5,064,344 | 3,038,374 | (2,758,798) | 12,288,139 |
| Segment liabilities | (2,546,588) | (890,315) | (4,710,319) | (1,569,375) | - | (9,716,597) |
| ***As at 30 June 2018*** | | | | | | |
| Segment assets | 5,346,997 | 1,635,468 | 3,638,963 | - | (1,308,559) | 9,312,869 |
| Segment liabilities | (2,556,903) | (1,000,173) | (3,308,384) | - | - | (6,865,460) |

* Adjustments and eliminations consist of investments in subsidiaries and intercompany receivables and payables which are eliminated on consolidation

## 1. SEGMENT INFORMATION (CONTINUED)

| | 2018 $000 | 2017 $000 |
|---|---|---|
| **i) Segment revenue reconciliation to Income Statement** | | |
| Total segment revenue | 5,170,299 | 4,449,346 |
| Intersegment sales elimination | (1,536) | (3,551) |
| Interest income | 3,910 | 2,155 |
| Other income - income from the sale of development assets | 26,230 | - |
| Other income - net profit on the disposal of non-current assets | 2,558 | 5,328 |
| Total revenue and other income per Income Statement | 5,201,461 | 4,453,278 |

**ii) Segment net profit after tax reconciliation to Income Statement**

The executive management committee meets on a monthly basis to assess the performance of each segment by analysing the segment's core net profit after tax. A segment's core net profit after tax excludes income and expenses from non-core items. Refer to the Overview section for the reconciliation of net profit attributable to owners of the parent to core profit (segment result) after tax.

## 2. DIVIDENDS PAID

| | 31/12/2018 $000 | 31/12/2017 $000 |
|---|---|---|
| **(a) Dividends declared and paid during the period on ordinary shares:** | | |
| *Previous year final dividend paid* | | |
| Franked dividends - ordinary | | |
| (86.5 cents per share) (2017: 81.5 cents) | 174,800 | 164,696 |
| **(b) Dividends proposed and not recognised as a liability on ordinary shares:** | | |
| *Interim dividend proposed* | | |
| Franked dividends – ordinary | | |
| (60.0 cents per share) (2017: 57.5 cents) | 121,249 | 116,197 |
| **(c) Dividends declared and paid during the period on CARES:** | | |
| *Previous year final dividend paid* | | |
| Franked dividends – CARES | 6,466 | 6,210 |
| **(d) Dividends proposed and not recognised as a liability on CARES:** | | |
| *Interim dividend proposed* | | |
| Franked dividends – CARES | 6,333 | 6,117 |

The tax rate at which paid dividends have been franked is 30% (2017: 30%). 100% of the proposed dividends will be franked at the rate of 30% (2017: 30%).

## 3. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the parent (after deducting the CARES dividend) by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent (after deducting the CARES dividend) by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

| | 31/12/2018 $000 | 31/12/2017 $000 |
|---|---|---|
| Net profit for the period attributable to the owners of the parent | 270,092 | 246,536 |
| Less: dividend paid on Convertible Adjustable Rate Equity Securities (CARES) | (6,466) | (6,210) |
| Profit used in calculating basic and diluted (after CARES dividend) earnings per share | 263,626 | 240,326 |
| | **Number of Shares** | **Number of Shares** |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 201,161,331 | 201,623,455 |
| Effect of dilution – share rights not yet vested *(a)* | 1,121,596 | 1,032,275 |
| Weighted average number of ordinary shares adjusted for the effect of dilution | 202,282,927 | 202,655,730 |

*(a) The share rights granted to Executives but not yet vested, have the potential to dilute basic earnings per share.*

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

| | 31/12/2018 Cents per Share | 31/12/2017 Cents per Share |
|---|---|---|
| Earnings per share | | |
| - basic (after CARES dividend) for the period | 131.1 | 119.2 |
| - diluted (after CARES dividend) for the period | 130.3 | 118.6 |

## 4. CASH AND CASH EQUIVALENTS

| | 31/12/2018 $000 | 31/12/2017 $000 |
|---|---|---|
| For the purpose of the half year consolidated statement of cash flows, cash and cash equivalents are comprised of the following: | | |
| Cash at bank | 616,137 | 436,531 |

## 5. NET CURRENT ASSET DEFICIT

The Group's Statement of Financial Position shows current assets of $2,715,372,000 and current liabilities of $3,757,891,000 resulting in a net current asset deficit of $1,042,519,000.

The net current asset deficit of $1,042,519,000 as at 31 December 2018 substantially arose as a result of the following amounts, which relate to the acquisition of the Capio Group, having to be recognised as current liabilities:

(a) Capio Group debt of A$ 701,183,491 (€430,877,255) detailed at note 6 b. (ii) below. This debt was fully refinanced on 8 January 2019; and
(b) Subordinated Bonds issued by RGdS to Predica Prévoyance Dialogue du Crédit Agricole (Predica) of A$ 384,821,059,000 (€236,472,541), detailed at note 6 b. (iii) below. RGdS has irrevocably and unconditionally agreed to redeem these subordinated bonds on or before end April 2019 by undertaking a rights issue. Predica has agreed to subscribe to this issue and have its subordinated bonds redeemed.

## 6. INTEREST BEARING LOANS AND BORROWINGS

### (a) Ramsay and its wholly owned subsidiaries

#### (i) New €300,000,000 Syndicated Facility Agreement

In August 2018 Ramsay Health Care (UK) Limited executed a € 300,000,000 syndicated revolving bank debt facility maturing in October 2023 and funds were drawn down under this facility in October 2018 to subscribe for subordinated bonds issued by Ramsay Générale de Santé (RGdS). The subordinated bond monies together with RGdS's own debt facilities were used to fund RGdS's acquisition of the Capio Group, described in detail at note 7. RGdS has irrevocably and unconditionally agreed to redeem these subordinated bonds on or before end April 2019 by undertaking a rights issue. Predica has agreed to subscribe to this issue and have its subordinated bonds redeemed.

The covenant package, group guarantees and other common terms and conditions in respect of this new debt facility is governed under the Common Terms Deed Poll (CTDP) which Ramsay executed in November 2016.

The total amount drawn under this loan as at 31 December 2018 was € 300,000,000 (30 June 2018: Nil).

#### (ii) Refinancing of the A$800,000,000 5 year revolving tranche in Ramsay A$ Syndicated Facility Agreement

In December 2018, Ramsay and its wholly owned subsidiaries (except some dormant and special purpose subsidiaries) (Ramsay Funding Group) refinanced the A$ 800,000,000 revolving tranche in the Ramsay $A Syndicated Facility Agreement, maturing on 1 May 2020, with a 5 year, $800,000,000 syndicated revolving bank debt facility, maturing in December 2023.

$476,104,750 was drawn down under this new debt facility to refinance the previous debt facility and to pay borrowing costs. The remaining $323,895,250 will provide additional debt headroom to fund acquisitions, special capex and working capital.

The covenant package, group guarantees and other common terms and conditions in respect of this new debt facility is governed under the Common Terms Deed Poll (CTDP) which Ramsay executed in November 2016.

The total amount drawn under this loan as at 31 December 2018 was $476,104,750 (30 June 2018: $675,000,000).

Bi lateral revolving debt facilities totalling $ 17,000,000 and £ 13,100,000 were also extended and will now mature in December 2023. The total amounts drawn under the bi lateral debt facilities was $ 12,824,721 (30 June 2018: $13,165,578) and £40,000 (30 June 2018: £ 40,000).

#### (iii) Continuing senior debt facilities

Ramsay Funding Group's other syndicated debt facility agreements and bi lateral debt facilities remain unchanged.

The total amounts drawn under these debt facilities as at 31 December 2018 was $ 554,000,000, £ 292,100,000 and € 178,700,000 (30 June 2018: $404,000,000, £ 359,100,000 and € 160,700,000).

## 6. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

### (b) Ramsay Générale de Santé (RGdS) and controlled entities

#### (i) RGdS Senior Debt Facilities

On 1 October 2014 Ramsay Générale de Santé (RGdS), and its controlled entities executed a term and revolving facilities comprising:

(i) Term Loan B facilities totalling €840,000,000;
(ii) A revolving working capital facility of €100,000,000; and
(iii) A capex / acquisition facility of €75,000,000.

On 11 August 2017, RGdS successfully completed an Amend and Extend of the above Senior Debt Facilities with improved terms and conditions and a 2-year extension of the maturity date to 3 October 2022. These debt facilities are non-amortising and fully repayable at maturity.

In July 2018 RGdS executed an underwritten Incremental Term Loan B debt facility totalling € 750,000,000 to fund the acquisition of the Capio Group. Funds were drawn down under this facility in November 2018 to acquire the Capio shares and in January 2019 to refinance Capio's existing senior debt facilities. This facility was underwritten by Crédit Agricole Corporate & Investment Bank and Société Générale and successfully syndicated to other lenders on 7 December 2018.

The existing Term Loan B facilities terms and conditions also apply to the Incremental Term Loan B debt facility, except the margins payable under the latter facility are lower than the margins payable under the existing Term Loan B debt facilities and this new debt facility matures in October 2024.

The total amount drawn under the debt facilities as at 31 December 2018 was €1,145,572,137 (30 June 2018: €880,000,000).

The lenders to these debt facilities only have recourse to RGdS and certain RGdS controlled entities. The debt facilities are secured by first ranking pledges over certain material companies of RGdS, granted only by RGdS and certain RGdS controlled entities. Guarantees have also been provided and are provided only by RGdS controlled entities.

#### (ii) Capio Group Senior Debt Facilities

Upon the acquisition of the Capio Group in November 2018, RGdS assumed the Capio Group's debt facilities. These debt facilities contained change of control clauses which required the facilities to be refinanced within 60 days of RGdS acquiring the Capio Group. RGdS successfully refinanced these debt facilities on 8 January 2019 by drawing down under the Incremental Term Loan B facility, detailed above.

The total amount drawn under the debt facilities as at 31 December 2018 was €430, 877, 255 (30 June 2018: Nil).

#### (iii) Subordinated Bonds

In October 2018 RGdS issued subordinated bonds totalling €550,000,000 to Ramsay Health Care (UK) Limited and Predica Prévoyance Dialogue du Crédit Agricole. The subordinated bond monies together with RGdS's own debt facilities were used to fund RGdS's acquisition of the Capio Group, described in detail at note 6

RGdS has irrevocably and unconditionally agreed to redeem all of the subordinated bonds and interest accrued thereon by undertaking a rights issue on or before end April 2019 and the subordinated bond holders have agreed to subscribe for the right issue.

The amounts owing under the subordinated bonds as at 31 December 2018 was €550,000,000 (30 June 2018: Nil), however, as both Ramsay Health Care (UK) Limited and RGdS are controlled entities of Ramsay, the subordinated bonds issued to Ramsay Health Care (UK) Limited are eliminated on consolidation and the amount owing to Predica Prévoyance Dialogue du Crédit Agricole of €236,472,541, only, is recognised in the accounts.

These bonds are subordinated to the Senior debt facilities mentioned at (i) above.

## 7. BUSINESS COMBINATIONS

### Capio 2018

On 7 and 17 November 2018, Ramsay Générale de Santé acquired a total of 98.5% of the share capital of Capio AB. Ramsay Générale de Santé has provisionally recognised the fair values of the identifiable assets and liabilities of Capio as follows, based upon the best information available as of the reporting date. Due to the timing of the acquisition and the extent of diligence underpinning this accounting, the amounts recognised for the Capio business combination in the financial statements for the half year ended 31 December 2018 have been determined on a provisional basis only. Ramsay shall until the end of the measurement period obtain and consider the information necessary about facts and circumstances that existed as of the acquisition date and, if known, would have affected the recognition and measurement of the amounts recognised as of that date for the Capio business combination, in order to retrospectively adjust the provisional amounts recognised:

| | **$000** |
|---|---|
| Cash | 10,009 |
| Accounts Receivable | 179,592 |
| Inventory | 44,751 |
| Corporate tax receivable | 14,284 |
| Other assets | 227,460 |
| Property, plant and equipment | 378,423 |
| Intangible assets | 313,799 |
| Creditors and accruals | (523,433) |
| Interest-bearing liabilities | (733,881) |
| Provisions and other liabilities | (91,084) |
| Deferred income tax liability | (25,893) |
| **Fair value of identifiable net assets** | **(205,973)** |
| Non-controlling interest | (21,897) |
| Goodwill arising on acquisition | 1,452,849 |
| | 1,224,979 |

| | |
|---|---|
| Business combination date fair value of consideration transferred | |
| Cash paid | **(1,224,979)** |
| Direct costs relating to the business combination – included within service costs | 20,780 |
| The cash outflow as a result of the business combination is as follows: | |
| Net cash acquired | 10,009 |
| Cash paid | (1,224,979) |
| Net consolidated cash outflow | **(1,214,970)** |

The goodwill of $1,452,849,000 comprises the value of synergies expected to be achieved as a result of combining Capio with the rest of the Group, as well as intangible assets that do not qualify for separate recognition. The acquisition provides a number of strategic benefits consistent with Ramsay's growth strategy. None of the goodwill recognised is expected to be deductible for income tax purposes. The goodwill balance represents goodwill attributable to Ramsay Générale de Santé.

The Group has elected to measure the non-controlling interests in the acquiree at their fair value.The non-controlling interests in the acquiree at the time of the business combination represent 1.5% of the share capital of Capio and other non-controlling interests within the Capio group.

The fair value of the acquired receivables amounts to $179,592,000. The gross contractual amount receivable is $194,998,000.

The revenue and results of Capio from acquisition to 31 December 2018 have been disclosed in the segment information at note 1.

If Capio had been acquired at the beginning of the financial year, on 1 July 2018, the total revenue and other income for the Group would have been $6,021,736,000 and the profit before income tax from continuing operations for the Group would not have been significantly different to the Group profit before tax as reported.

## 7. BUSINESS COMBINATIONS (CONTINUED)

**Other Business Combinations – 2018**

Ramsay has recognised amounts for other business combinations in the financial statements for the six months ended 31 December 2018 which have been determined on a provisional basis only. These businesses are within the healthcare sector.

| | $000 |
|---|---|
| Fair value of identifiable net assets | 22,398 |
| Goodwill arising | 51,970 |
| Non-controlling interest | (1,900) |
| Business combination date fair value of consideration transferred | 72,468 |
| | |
| The cash outflow as a result of the business combination is as follows: | |
| Net cash acquired | 7,339 |
| Cash paid | (72,468) |
| Net consolidated cash outflow | (65,129) |
| | |
| Direct costs relating to the business combinations – included within service costs | 3,309 |

**Business Combinations – 2017**

Ramsay has recognised amounts for business combinations in the financial statements for the six months ended 31 December 2017 which are as follows**:**

| | $000 |
|---|---|
| Fair value of identifiable net assets | 4,685 |
| Goodwill arising | 164,550 |
| Business combination date fair value of consideration transferred | 169,235 |
| | |
| The cash outflow as a result of the business combination is as follows: | |
| Net cash acquired | 6,145 |
| Cash paid | (169,235) |
| Net consolidated cash outflow | (163,090) |

The purchase price accounting has now been finalised. There was not a material difference in the provisional fair values initially recognised.

## 8. GOODWILL

| | 31/12/2018 $000 | 30/06/2018 $000 |
|---|---|---|
| Opening balance – beginning of financial year | 2,152,072 | 1,937,444 |
| Foreign exchange | 93,002 | 54,698 |
| Business combinations | 1,504,819 | 161,704 |
| Impairment charge | - | (1,774) |
| | 3,749,893 | 2,152,072 |

As at 31 December 2018 goodwill of $274,704,000 (June 2018: $267,919,000) is allocated to the UK cash-generating unit ("CGU") and has been tested for impairment due to the challenging trading environment. Testing of goodwill for impairment has not been performed for the Group's other CGU's (Australia and France) as no impairment indicators exist as at 31 December 2018.

The recoverable amount of the businesses have been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management and the Board of Directors covering the following year and applying a growth factor to the following four years.

Key assumptions used in the value in use calculation for the 31 December 2018 for the UK business are as follows:

- extrapolated growth factor (Year 5+) – 1.9% (30 June 2018: 2.3%)
- pre-tax discount rates – 6.9% (30 June 2018: 6.8%).

Sensitivity analysis has been conducted on the revenue growth rates, discount rates, and Year 5+ growth factor to assess the effect on the recoverable amount of changes in the key assumptions. Management do not consider any reasonably likely change in these assumptions would result in the carrying value of goodwill exceeding the recoverable amount.

## 9. FAIR VALUES

Unless disclosed below, the carrying amount of the Group's financial assets and liabilities approximate their fair value. The fair values have been calculated by discounting the expected future cash flows at prevailing market interest rates depending on the type of borrowings. At reporting date, the market interest rates vary from 2.045% to 2.090% (June 2018: 2.015% to 2.111%) for Australia, 0.7303% to 0.9124% (June 2018: 0.5008% to 0.6741%) for UK, and -0.364% to -0.310% (June 2018: -0.370% to -0.321%) for France respectively.

| | As at 31/12/2018 | | As at 30/06/2018 | |
|---|---|---|---|---|
| | Carrying Amount $000 | Fair Value $000 | Carrying Amount $000 | Fair Value $000 |
| Bank loans | 5,233,575 | 5,354,377 | 3,654,229 | 3,741,734 |
| Lease liabilities | 399,000 | 419,103 | 297,881 | 307,363 |
| Subordinated bonds | 384,817 | 389,231 | - | - |
| | 6,017,392 | 6,162,711 | 3,952,110 | 4,049,097 |

## 10. DERIVATIVE FINANCIAL INSTRUMENTS

**Instruments used by the Group**

Derivative financial instruments are used by the Group in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates.

**Fair value**

The Group has available to it various methods in estimating the fair value of a derivative financial instrument. The methods comprise:

Level 1 the fair value is calculated using quoted prices in active markets.

Level 2 the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments was estimated using the level 2 method valuation technique and is summarized in the table below.

| | As at 31/12/2018 $000 | As at 30/06/2018 $000 |
|---|---|---|
| **Financial assets** | | |
| Derivative instruments – interest rate swaps | 115 | 331 |
| **Financial liabilities** | | |
| Derivative instruments – interest rate swaps | (22,212) | (23,053) |

The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships.

***Transfer between categories***

There were no transfers between Level 1 and Level 2 or between Level 2 and Level 3 during the period.

## DIRECTORS' DECLARATION

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

In the opinion of the directors:

(a) the financial information and notes of the consolidated entity are in accordance with the *Corporations Act 2001* including:
  - (i) giving a true and fair view of the financial position as at 31 December 2018 and the performance for the half year ended on that date of the consolidated entity; and
  - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001.

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

M.S. Siddle
Chairman

C.R. McNally
Managing Director

Sydney, 28 February 2019

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# Independent Auditor's Review Report to the Members of Ramsay Health Care Limited

## Report on the Half-Year Financial Report

### Conclusion

We have reviewed the accompanying half-year financial report of Ramsay Health Care Limited and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the Group are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2018 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Douglas Bain
Partner
Sydney
28 February 2019