ASX ANNOUNCEMENT

23 February 2017

RAMSAY HEALTH CARE REPORTS A 13.0% RISE IN FIRST HALF YEAR CORE EPS AND A 12.8% RISE IN CORE NET PROFIT

Financial Highlights

- Core net profit after tax[1] (Core NPAT) up 12.8% to $267.8 million
- Core earnings per share[2] (Core EPS) up 13.0% to 128.9 cents
- Group:
  - Revenue up 3.5% to $4.3 billion (up 7.6% in constant currency)
  - EBIT up 8.8% to $463.5 million
- Australia/Asia:
  - Australia Revenue up 8.8% to $2.4 billion
  - Australia EBIT up 15% to $348.1 million
  - Equity accounted share of Asia joint venture net profits up 55.4% to $6.9 million
- United Kingdom:
  - Revenue up 6.8% to £217.3 million
  - EBITDAR up 2.4% to £51.7 million
- France:
  - Revenue up 6.1% to €1.1 billion
  - EBITDAR up 6.5% to €206.1 million
- Interim dividend 53.0 cents fully franked, up 12.8% 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 $267.8 million for the six months to 31 December 2016, a 12.8% increase on the previous corresponding period.

Core NPAT delivered Core EPS of 128.9 cents for the half year, an increase of 13.0% on the 114.1 cents recorded in the previous corresponding period.

The Company's reported net profit after tax (after adjusting for net non-core items after tax) of $255.9 million, was up 13.8% on the prior half.

Directors are pleased to announce a fully-franked interim dividend of 53.0 cents, up 12.8% on the previous corresponding period. The dividend Record Date is 8 March 2017 with payment on 29 March 2017.

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

Strategy

Ramsay Health Care Managing Director Mr Chris Rex said solid half year-on-half year admissions growth in the Company's major markets had contributed to the excellent first half result.

"Global demand for healthcare driven by an ageing and growing population, clinical innovation and increasing consumer expectations, drove strong first half volumes," said Mr Rex.

"Our strategically located, well-diversified business in Australia continues to experience strong admissions growth which underpins the need for ongoing brownfield investment.

"In our international markets, both the UK and France also experienced strong volume growth with Ramsay UK recording its highest month ever for NHS admissions in November 2016."

He said the Company's long-term focused strategy, its unique global footprint, mix of public and private payers and strategically located quality assets, meant it was well-placed for future growth.

He said the Company's global procurement strategy was beginning to deliver substantial savings in supply costs after securing improved commercial terms with major international supply companies.

During the period, Ramsay progressed its strategy of establishing a network of pharmacies with the aim of providing care to patients beyond the hospital walls. Significant opportunities to grow this franchise network are currently being assessed.

Operations

During the half year, Ramsay's Australian business achieved revenue growth of 8.8% and EBIT growth of 15% on the previous corresponding period, primarily driven by strong admissions growth.

Mr Rex said despite some volatility in the Australian market, Ramsay achieved an excellent result in the period.

"Factors unique to the Group including the overall strength and attractiveness of our hospital portfolio, our geographical and casemix diversity, the public/private payer mix, our ability to negotiate appropriate funding outcomes and the successful delivery of our global procurement strategy, which is forecast to deliver over $40 million of savings over the full year, combined to drive the good result. Driven by these and other factors Australian hospital EBITDA margins increased by 70 basis points to 20% in the period."

The majority of Ramsay's hospital funding arrangements in Australia were renewed throughout the course of 2016, with outcomes satisfactory to the Company, and with an average of three year terms.

"The new Federal Health Minister, appointed in January 2017, has made clear his support for the role of the private sector in achieving a balanced healthcare system for Australia. Following a period of self-generated uncertainty in the market it is hoped the change will lead to a more stable situation."

Ramsay's UK business recorded pleasing revenue growth in the first half on the back of strong growth in NHS admissions of 6.2%. EBITDAR increased 2.4% to £51.7 million, on the previous corresponding period.

Mr Rex said the overall outcome for the period was negatively impacted by the ongoing shortage of nursing staff in the country and the associated need to use agency staff at a significantly greater cost than employed personnel. "We anticipate this situation will ease over the course of the next six to twelve months" said Mr Rex.

"With regard to Brexit it is still difficult to predict if there will be any impact, but we are monitoring progress and will ensure we manage this effectively."

In France, Ramsay Générale de Santé (GdS), had a resilient first half generating an increase in EBITDAR over the corresponding period of 6.5% to €206.1 million despite two years of tariff reduction.

“The good result in France was driven by the contribution of the HPM hospitals (acquired in December 2015), overall admissions growth, and strong cost management.

“In order to bolster its cluster strategy, Ramsay GdS continues to examine acquisition opportunities as well as some small divestments where appropriate.”

Strategic Developments

Ramsay Health Care opened $142M of brownfield developments in the six months to December 2016 including 166 beds, 6 operating theatres and 2 emergency centres. Major developments opened during the half year included expansions at New Farm Clinic (Brisbane), Peninsula Private (Melbourne), North Shore Private (Sydney) and Waverley Private Hospital (Melbourne).

The Ramsay Board approved a further $90M in new brownfield developments during the period.

In addition, several major projects are currently under development including St Andrew’s Private Hospital in Ipswich, Brisbane’s fastest growing region and at Ramsay’s flagship mental health facilities in Sydney (Northside Clinic) and Melbourne (Albert Road Clinic).

As announced in 2016, Ramsay Health Care has commenced its retail pharmacy strategy in Australia with plans to establish an extensive network of retail pharmacy franchises throughout the country, providing a base for the provision of pharmacy and associated services.

The Ramsay Pharmacy retail portfolio now includes 22 pharmacies with the expectation that this network will rapidly expand during the balance of this year and beyond.

Balance Sheet, Cash Flow & Refinancing

Ramsay’s robust balance sheet and strong cash flow generation continue~~s~~ to provides us with the flexibility to fund the continuing demand for brownfield capacity expansion, future acquisitions and ongoing working capital needs. As at 31 December 2016, the Group Consolidated Leverage Ratio was 2.3 times, well within our internal parameters.

In November 2016, Ramsay and its wholly owned subsidiaries refinanced their existing senior debt facilities. The new Syndicated Debt Facility Agreements comprise A$, GBP and Euro debt facilities, governed by a single Common Terms Deed Poll. The new documents provide Ramsay with significantly improved terms and conditions, particularly lower margins and extended maturity in respect of the GBP and Euro debt facilities, increased flexibility to fund future growth initiatives, improved access to offshore debt markets and access to additional debt, provided financial and other undertakings are satisfied.

Outlook

Mr Rex said the fundamentals of the industry remain strong for the long term. “Demand for healthcare continues to be driven by an ageing and growing population, clinical innovation and increasing consumer expectations,” he said.

“With its unique global footprint, mix of public and private payers, and strategically located quality assets, Ramsay is well placed for future growth.

“Our global procurement strategy is beginning to deliver substantial savings in supply costs, the benefit of which is expected to grow over forthcoming years.

“We continue to canvas opportunities for hospitals in new and existing markets and our franchise retail pharmacy network will position us to provide integrated care services to patients in addition to chronic disease management and other low cost care healthcare provision in the future.

“Based on strength of the first half results and the continuation of robust growth across all our operations and barring unforeseen circumstances, Ramsay upgrades guidance of Core NPAT and Core EPS growth to 12% to 14% for full FY 2017 (previously 10% to 12%).”

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Attachment: Summary of Financial Performance.

Attachment:

Summary of Financial Performance

	Half Year Ended 31 December $ 000's		
	1st Half FY2017	**1st Half FY2016**	
	Group	**Group**	**% Increase**
Net Profit After Tax (NPAT)			
Operating revenue	4,318,738	4,173,139	3.5%
EBITDA	648,879	606,702	7.0%
EBIT	463,526	425,907	8.8%
Core NPAT attributable to members of the parent (1)	**267,824**	**237,442**	**12.8%**
Net non-core items, net of tax (3)	(11,879)	(12,594)	
Reported NPAT	255,945	224,848	13.8%
Earnings Per Share, (EPS) cents			
Core EPS (2)	**128.9**	**114.1**	**13.0%**
Reported EPS	123.0	107.9	14.0%
Dividends Per Share, cents			
Interim dividend, fully franked	53.0	47.0	12.8%

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 Générale de Santé has been consolidated from 1 October 2014. The non-controlling interest's share of Générale de Santé NPAT has been removed in arriving at the Core NPAT attributable to members of the parent.

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

(3) 'Net non-core items, net of tax', include the non-cash portion of rent expense of $6.4 million, net of tax, relating to the UK hospitals.