PRESS RELEASE

Ramsay Buy Raises Stakes for Healthscope

AUSTRALIA'S second-largest private hospital operator, Healthscope, says its $490 million purchase of 14 hospitals from rival Ramsay Health Care will transform it into a "major operator" in every Australian state.

The hospitals are among 19 that the Australian Competition and Consumer Commission ordered Ramsay to sell after its $1.43 billion takeover of Affinity Health in April. Ramsay was advised by Oaktower Partnership on its takeover of Affinity Health, and retained Oaktower to advise on the ACCC mandated hospital divestments.

Healthscope will pay $476.5 million, plus $13.5 million in transaction services, for the 14 hospitals — eight in Victoria, four in NSW and one each in Western Australia and Queensland.

Healthscope will now have 46 hospitals, and more than 4000 beds, lifting its market share from 10 to 17 per cent. Healthscope may negotiate to buy the remaining five hospitals the ACCC requires Ramsay to sell. Healthscope managing director Bruce Dixon said the first 14 were all "high-quality hospitals, located in key markets, with high growth opportunities".

"This acquisition extends Healthscope's position from being a hospital operator in regional or specialised markets to now being a major operator in all states of Australia," Mr Dixon said.

Mr Dixon declined to give explicit guidance for this financial year, but said the deal was expected to be earnings-per-share accretive from 2005-06. The acquisition of the hospitals would have lifted Healthscope's revenue by 75 per cent to a combined $595.3 million in the six months to June 30, 2005.

The sale is conditional on the approval of the ACCC, but Mr Dixon said he did not expect any regulatory hurdles to jump.

If Healthscope decides to proceed with the acquisition of the remaining five hospitals, things may not be so straightforward.

"These are more likely to be scrutinised by the ACCC because, with one or two, we have hospitals in the regions," Mr Dixon said.

He said the company was undecided about the additional five purchases and would take a closer look in the coming fortnight. "They are not the quality of the first 14 — but they do complement our positioning in the market," he said.

Ramsay shares closed up 15¢ at $9.31 yesterday, while Healthscope remained in a trading halt.