

Mayne finalises agreement for sale of Hospitals business

Mayne Group Limited today signed an agreement with a consortium, comprising Ironbridge Capital Pty Limited, CVC Asia Pacific Limited, GIC Special Investments Pte Limited and Mayne's Hospitals management (the Buyers), for the sale of its entire Hospitals business in Australia and Indonesia.

The total sale price for the hospitals portfolio is \$813 million. Overall this is expected to result in net proceeds to Mayne, after transaction costs, at or around the 30 June 2003 Net Asset Value for the Hospitals business of \$789 million.

Mayne's Group Managing Director and Chief Executive Officer, Mr Stuart James, said that the Board considered this agreement was a very good outcome as it represented a positive and certain return to Mayne's shareholders.

"We believe that this agreement will facilitate a more rapid and certain return to shareholders than the returns Mayne would have generated from continuing to operate the business," Mr James said.

"We had no necessity to sell this business, however given the level of interest and the value of the offers we received it became the most attractive proposition for the future of Mayne," he said.

"Given the size and complexity of the Hospitals business, this deal represents a remarkably clean transaction.

"This will now allow Mayne's management team to concentrate on its development initiatives in the specialty pharmaceuticals and diagnostics businesses."

The agreement, which is subject to Australian foreign investment approval, was reached after a thorough sale process was undertaken involving a number of high profile bidders. The deal is comprised of three basic components for the 53 hospitals Mayne currently operates.

- It is anticipated that the divestment of the 41 private hospitals in which Mayne owns the freehold interest will be completed at the end of November.
- The three Indonesian hospitals, which are included in the agreement, require the approval of BKPM (Indonesia's equivalent of the Foreign Investment Review Board). The parties will now start the process to seek approval of that authority.
- The remaining nine hospitals, six collocations and three privatised public hospitals, require the relevant State Government approvals for the transfer of legal ownership. Mayne and the Buyer will enter into discussions with the relevant bodies regarding the final transfer of ownership of these nine hospitals. The agreement between Mayne and the Buyer includes these

nine hospitals subject to gaining such approvals. In the meantime Mayne will continue to own and operate these nine hospitals.

The agreement provides economic certainty to Mayne with regard to the transfer of all Australian hospitals.

Under the terms of the agreement the Buyer will acquire all assets associated with the Hospitals business and assume all historic and future liabilities, including workers compensation and medical indemnity liabilities.

The structure of the arrangement has ensured all current employees of the Hospitals business, including management, will continue in the business.

“Robert Cooke and his team have already demonstrated their ability and this agreement provides continuity and certainty for staff, doctors and patients in their dealings with the hospitals,” Mr James said.

“I would like to thank Robert for his positive contribution to Mayne and the professionalism of he and his team in ensuring a fair sale process was conducted. I am also pleased that the agreement provides the opportunity to continue building on the investment the employees have made. I hope Robert and the Hospitals team are successful in growing the business,” Mr James said.

The Buyers’ consortium members have a sound track record in executing opportunities of this nature in Australia in the past few years. These include transactions such as Pacific Brands, Repco and Riviera Group.

A substantial proportion of proceeds from the sale are likely to be returned to Mayne’s shareholders through a form of off and on-market buy-backs early in the next calendar year, with the balance set aside for debt reduction and future development opportunities. The details of capital management initiatives are in the process of being finalised by Mayne’s Board of Directors and are expected to be announced later in the year.

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Media enquiries:
Rob Tassie
Group Public Affairs
Phone: (+61) 3 9868 0886
Mob: (+61) 0411 126 455

Investor enquiries:
Larry Hamson
Investor Relations Manager
Phone: (+61) 3 9868 0380
Mob: (+61) 0407 335 907

Additional information

The following table shows historical financial information, namely, what Mayne's financial results were with the Hospitals business in 2003 (excluding discontinued businesses and significant items), the contribution of Hospitals in 2003 (second column below) and what Mayne's results would have been excluding Hospitals (third column below).

Year to June 2003

Profit and loss (\$000s)	Total Mayne Continuing	Hospitals Only	Remaining Mayne
Sales revenue	4,478,950	1,287,119	3,191,831
EBITDA	378,245	125,388	252,857
Depreciation*	106,027	59,884	46,143
Amortisation*	84,879	10,890	73,989
EBIT	187,339	54,614	132,725

* Excludes the impact of writedown to the Hospitals (approximately \$120 million goodwill and \$150 million to land and buildings) and Pharmacy Services (approximately \$80 million goodwill write-down) businesses which occurred on 30 June 2003 and will therefore impact future years.

Mayne recently completed the sale and transfer of seven private hospitals, including three collocated and one privatised facility. Mayne's experience in completing these transactions through a cooperative approach involving consultation between Mayne, the buyers and the relevant authority, which also included the successful court action in relation to Geelong Private Hospital, provides a strong understanding which Mayne believes will help facilitate a smooth transition in relation to the nine collocated and privatised facilities.

The six collocated hospitals are:

Frances Perry House, Victoria
Melbourne Private Hospital, Victoria
Armidale Private Hospital, New South Wales
Prince of Wales Private Hospital, New South Wales
Caboolture Private Hospital, Queensland
Logan Private Hospital, Queensland

The three privatised public hospitals are:

Port Macquarie Base Hospital, New South Wales
Joondalup Health Campus, Western Australia
Noosa Hospital, Queensland

The three Indonesian hospitals are:

RS Mitra Internasional
RS Internasional Bintaro
RS Surabaya Internasional
(RS stands for Rumah Sakit - which means "hospital")

The 41 other hospitals are:

NSW

Castlecrag Private Hospital
Christo Road Private Hospital
Kareena Private Hospital
Lady Davidson Hospital
Lingard Private Hospital
Macarthur Private Hospital
Nepean Private Hospital
North Gosford Private Hospital
Nowra Private Hospital
Orange Dudley Private Hospital
Port Macquarie Private Hospital
Strathfield Private Hospital
St George Private Hospital
The Hills Private Hospital
Warners Bay Private Hospital

Victoria

The Avenue Hospital
Linacre (Bayside) Private Hospital
Cotham Private Hospital
John Fawkner Private Hospital
Knox Private Hospital
Masada Private Hospital
Como (Mentone) Private Hospital
Mount Waverley Private Hospital
Ringwood Private Hospital
Shepparton Private Hospital
Victorian Rehabilitation Centre – Eastern Melbourne
Victorian Rehabilitation Centre – Northern Melbourne
Wangaratta Private Hospital
Warringal Private Hospital

WA

Attadale Private Hospital
Glengarry Private Hospital
Mount Hospital

Queensland

Belmont Private Hospital
Caloundra Private Hospital
Hillcrest Private Hospital (Rockhampton)

John Flynn Private Hospital (Gold Coast)
Nambour Selangor Private Hospital
North West Brisbane Private Hospital
Pindara Private Hoospital (Gold Coast)
St Andrews Private Hospital (Ipswich)
Sunnybank Private Hospital