SONIC HEALTHCARE LIMITED

MEDIA RELEASE
22 August 2002

FINANCIAL RESULTS
FOR THE YEAR ENDED 30 JUNE 2002

HIGHLIGHTS

- **Revenue of $860M representing an increase of 36.9% over the previous period, flowing from acquisitions and continued organic growth.**

- **Net Profit after Tax (normalised) of $83M, an increase of 47.3% over the previous year.**

- **Normalised EPS (pre intangibles amortisation) of 33.3¢, an increase of 18.5% on the previous year, driven by the growth in profit and leverage from recent acquisitions.**

- **16¢ fully franked final dividend, 20¢ for the full year (up 17.6%). DRP suspended until further notice.**

- **EBITA margins increased from 15.7% in the first half to 18.3% in the second half. The full year margin was 17.1%.**

- **SciGen 'spin-out' progressing, expected to be finalised within the next 3 months.**

COMMENTARY ON RESULTS

Sonic Healthcare today reported a net profit after tax of $83.16M for the year ended 30 June 2002 (normalised for amortisation of intangibles), an increase of 47.3% on the previous corresponding period. This result was achieved on revenue of $860 million.

Sonic's Managing Director, Dr Colin Goldschmidt, said that the result reflected strong organic growth in the core business and the impact of recent strategic acquisitions. "We are particularly pleased with the 18.3% EBITA margin in the second half, which compares very favourably to the 15.7% reported for the first half". He said that Sonic's management continues to focus on growing the core business and improving margins through a range of synergy and efficiency initiatives.

The SAT (Sonic Amalgamation Team) initiatives, which commenced approximately two years ago as part of the SGS rationalisation, have continued during the year, with some teams converting into Head Office functions. Dr Goldschmidt said that significant benefit was yet to flow from these initiatives, particularly in the areas of purchasing and IT and also Radiology where the process has only recently commenced.

In giving direction for the 2003 financial year, Dr Goldschmidt said that he expected revenue to be in the range of $970-$980 million with EBITA growing in excess of 17%.

The 2002 revenue increase of 36.9% includes organic growth of approximately 6% and the impact of acquisitions over the last two years. The main acquisitions during the course of this financial year were WA-based SKG Radiology (November 2001) and The Doctors Laboratory (TDL), the largest private pathology group in the UK (April 2002). Dr Goldschmidt said that the cultures of these businesses match Sonic's medically focused management style.

"TDL is an outstanding pathology business, delivering impressive growth in revenue, earnings and margins. Sonic's initial focus is on developing the business through operational synergies and augmenting the current 16% plus organic growth. NHS privatisation initiatives offer further upside in the medium term. The TDL acquisition is strategically significant for Sonic as it provides us with the opportunity to capitalise on the major growth markets in the UK and Europe into the future". Dr Goldschmidt explained that senior Sonic executives were already closely involved with TDL's management in planning the Company's future growth strategy.

Sonic's biotech subsidiary, SciGen, has continued to develop under the guidance of its recently appointed CEO, Mark Compton. As announced previously, Sonic's intention is to "spin out" SciGen into a separately listed entity. The demerger process will include a cash injection of approximately $23M (net) from Sonic with a subsequent reduction in capital and a distribution of SciGen shares to all Sonic shareholders. The structure and documentation for the transaction is in the process of being finalised but remains subject to approval by shareholders and various regulators. The demerger is expected to comply with the proposed Tax Demerger Bill and under the current schedule SciGen should be listed on the ASX by the end of November 2002.

For further information regarding this release, please refer to Dr Goldschmidt's results presentation which will be posted on the Sonic Healthcare website at 11.30am, 22nd August 2002 (www.sonichealthcare.com.au).

Dr Colin Goldschmidt
Managing Director
Sonic Healthcare Limited
Ph: (02) 9855 5333
Fax: (02) 9878 5066

SONIC HEALTHCARE LIMITED

Summary and Explanation of the June 2002 Financial Results

1. Summary Financial Results

	Reference	Year Ended 30.06.02 $'000	Year Ended 30.06.01 $'000	Movement %
Total Revenue	(7.1)	**859,783**	**627,895**	**36.9%**
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) excluding SciGen		187,774	136,182	37.9%
SciGen EBITDA		(4,044)	(4,256)	(5.0)%
Total EBITDA		**183,730**	**131,926**	**39.3%**
Depreciation and Lease Amortisation	(7.3)	(36,999)	(21,331)	73.5%
Earnings before Interest, Tax and Intangibles Amortisation (EBITA), excluding SciGen	(7.2)	150,832	114,897	31.3%
SciGen EBITA	(7.1(b))	(4,101)	(4,302)	(4.7)%
Total EBITA		**146,731**	**110,595**	**32.7%**
Net Interest Expense	(7.5)	(31,544)	(24,716)	27.6%
Amortisation of Intangibles	(7.6)	(49,402)	(30,266)	63.2%
Net Profit before Income Tax		**65,785**	**55,613**	**18.3%**
Income Tax attributable to Operating Profit	(7.7)	(33,578)	(29,486)	13.9%
Operating Profit after Income Tax		32,207	26,127	23.3%
Loss attributable to Outside Equity Interests	(7.8)	1,551	52	
Profit attributable to shareholders of Sonic Healthcare Limited		**33,758**	**26,179**	**29.0%**
Normalised Profit after Tax (intangibles amortisation added back)		**83,160**	**56,445**	**47.3%**

2. Other Relevant Information

	Reference	Year Ended 30.06.02 $'000	Year Ended 30.06.01 $'000	Movement %
Cash generated from operations	(7.9)	146,717	67,183	118.4%
EPS – Normalised (pre-intangibles amortisation) diluted earnings per share (cents)	(7.10)	**33.3**	**28.1**	18.5%
EBITDA as a % of Revenue*		21.4%	21.0%	1.9%
EBITA as a % of Revenue*		17.1%	17.6%	(2.8)%

*including SciGen

3. Margin Analysis

	1st Half	2nd Half	Full Year
EBITDA*	19.8%	22.8%	21.4%
EBITA*	15.7%	18.3%	17.1%

*including SciGen

Margins for the 2nd half of the year improved dramatically due to a contribution of factors including:

- Seasonal variations (2nd half usually the strongest)
- Melbourne Pathology turnaround – first half EBITA margins 8%, second half 15%
- Recent lower margin acquisitions beginning to crystallize synergies (IML, Clinipath, Townsville, Cairns etc.)
- Margins generally improving as a consequence of revenue growth and Sonic Amalgamation Team synergies.
- Ex-SGS practices achieved 16.4% margin for the year versus 13.8% at acquisition (December 1999), despite first half impact of Melbourne Pathology.

4. Impact of SciGen on Margins

The following table shows the group's margins, ex-SciGen:

	Full Year
EBITDA (Ex SciGen)	21.9%
EBITA (Ex SciGen)	17.6%

These margins will be the relevant comparatives going forward, assuming SciGen is successfully divested later this year via a reduction of capital.

5. Revenue Growth

Underlying (excluding acquisitions) revenue growth for the year was strong at around 6%. Australian pathology was particularly pleasing at 6.32% (excluding AHC revenue loss) representing market share gain in excess of industry growth, especially in New South Wales.

6. Final Dividend and Dividend Reinvestment Plan (DRP)

The Board has declared a final dividend of 16 cents per share fully franked (at 30%) to be paid on 19 September 2002. The record date will be 4 September 2002. The Company's DRP will be suspended for this dividend and until further notice, as the Board do not consider it appropriate to issue shares based on the current share price.

The total dividend for the year is therefore 20 cents per share, a 17.6% increase on the prior year.

7. Notes to the Financial Results

7.1 Revenue

		Year Ended 30.06.02 $'000	Year Ended 30.06.01 $'000	Movement %
Medical Diagnostic Revenue	(a)	850,312	623,257	36.4%
SciGen Revenue	(b)	1,610	1,256	28.2%
Other Revenue	(c)	7,861	3,382	132.4%
Total Revenue		**859,783**	**627,895**	**36.9%**

(a) Revenue growth of 36.9% was mainly a reflection of the following acquisitions: Pacific Medical Imaging (January 2001), Queensland X-Ray (April 2001), SKG Radiology (November 2001), Clinipath Pathology (August 2001) and The Doctors Laboratory (April 2002) but was also supported by continued strong organic growth (approx 6%) after adjusting for the loss of the Australian Hospital Care (AHC) work in Melbourne.

(b) SciGen Pte Ltd is a Singapore based bio-pharmaceutical company in which Sonic has an equity interest of 59.5%. The loss at the EBITA line of $4,101,000 is partially offset by the minorities' share of $1,847,000.

(c) Other revenue comprises proceeds from sale of fixed assets, interest and rental income.

7.2 EBITA

EBITA growth of 33% reflects the acquisitions noted above (Note 1) and the continued strong performance of the core Sonic practices. Margins have been impacted during the period by the acquisition of low margin practices and a fall in margins for the first half in Melbourne Pathology triggered mainly by the loss of the Australian Hospital Care revenue. A restructure has now been completed resulting in a margin increase to 11.8% for the full year (15% in second half). Margins of over 15% are expected at Melbourne Pathology in 2003.

7.3 Depreciation

Depreciation and leased asset amortisation expense has grown 73% over the prior year as a result of acquisitions (particularly in radiology) and the investment by the company in new equipment and IT systems.

7.4 Capital Expenditure Forecasts

	ACTUAL	FORECAST	
	2002	2003	2004
	$M	$M	$M
Capital Expenditure (net)	52.4	55.0	50.0
Depreciation	37.0	48.0	53.0
Capital Expenditure as a % of Revenue	6.1%	5.6%	5.0%

Notes

- *Both 2002 and 2003 impacted by 'one-off' expansionary capex, including land and buildings.*
- *Revenue % based on mid point of revenue guidance (plus 5% growth for 2004).*
- *Assumes no further acquisitions or major projects.*

7.5 Interest Expense

Interest expense has increased substantially as a consequence of the debt funding components of acquisitions, particularly Sonic's expansion into Diagnostic Imaging. Appropriate interest rate hedging arrangements are in place. In November 2001, the Company raised $170 m via a private placement of equity which was initially used to reduce debt levels.

7.6 Intangibles Amortisation

In line with an accounting policy adopted in 1999, the company amortises identifiable intangibles over 50 years and goodwill over 20 years. Identifiable intangibles are valued at cost and are supported by third party valuations. The expense for the year includes $3,941,000 for identifiable intangibles amortisation and $45,461,000 for goodwill amortisation. The cost values of identifiable intangibles and goodwill at 30 June 2002 are $213,814,000 and $1,088,946,000 respectively. Assuming no further acquisitions, intangible amortisation expense for the 2003 financial year is forecast to be approximately $58,500,000.

7.7 Tax Rate

The relatively high effective tax rate (51.3%) is essentially a function of the non-deductible intangibles amortisation.

7.8 Outside Equity Interests

The figure disclosed mainly represents the adjustment for the SciGen minorities' interest in the SciGen loss.

7.9 Cashflow from Operations

Cash generated from operations increased 118.4% compared to the prior period reflecting the group's strong cashflows and the one off impact of approximately $20M from the reduction in Medicare payment terms for pathology from 28 days to 14 days.

7.10 Earnings per Share

Diluted earnings per share (before amortisation of intangibles) increased 17.1% due mainly to the positive effect of earnings growth and the gearing of acquisitions. (EPS has been calculated under the revised Accounting standard AASB1027 and therefore the comparative figure has been restated).