



SONIC
HEALTHCARE

Financial Results 2002/03

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25 August 2003

2003 Highlights

- Revenue growth 13%
- NPAT growth 20%
- EBITA margin expansion 0.7% (70 basis points)
- EPS growth 13.5%
 - Double digit EPS growth for 8 consecutive years
 - 564% EPS growth over last 10 years
- Full year dividend of \$0.25 per share
 - Growth of 25% over last year
 - Yield 3.8%, fully franked
- Expanding UK pathology operations
- Sonic set for ongoing growth

2003 Guidance Delivered

		Sonic Guidance	Sonic Actuals
Full Year 2003	Revenue	\$970 - 980M	\$974.8M
	EBITA	\$172 - 176M	\$173.1M
	EBITA %	17.75 - 18.00%	17.76%

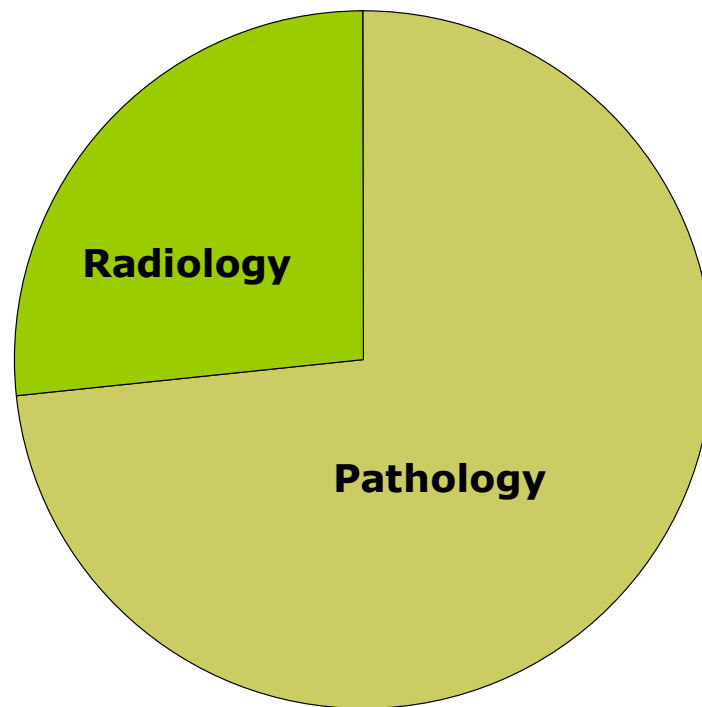
Sonic 2003 guidance unchanged since first released in August 2002

Revenue

	2003 (\$M)	2002 (\$M)	Growth (%)
Total Revenue	974.8	859.8	13.4%

- Acquisitions have contributed to revenue growth
- Organic revenue growth ~ 5.9%
(excluding acquisitions)
- Australian and UK pathology particularly strong

Sonic Revenue Contribution by Division



Australian Medicare Growth Data

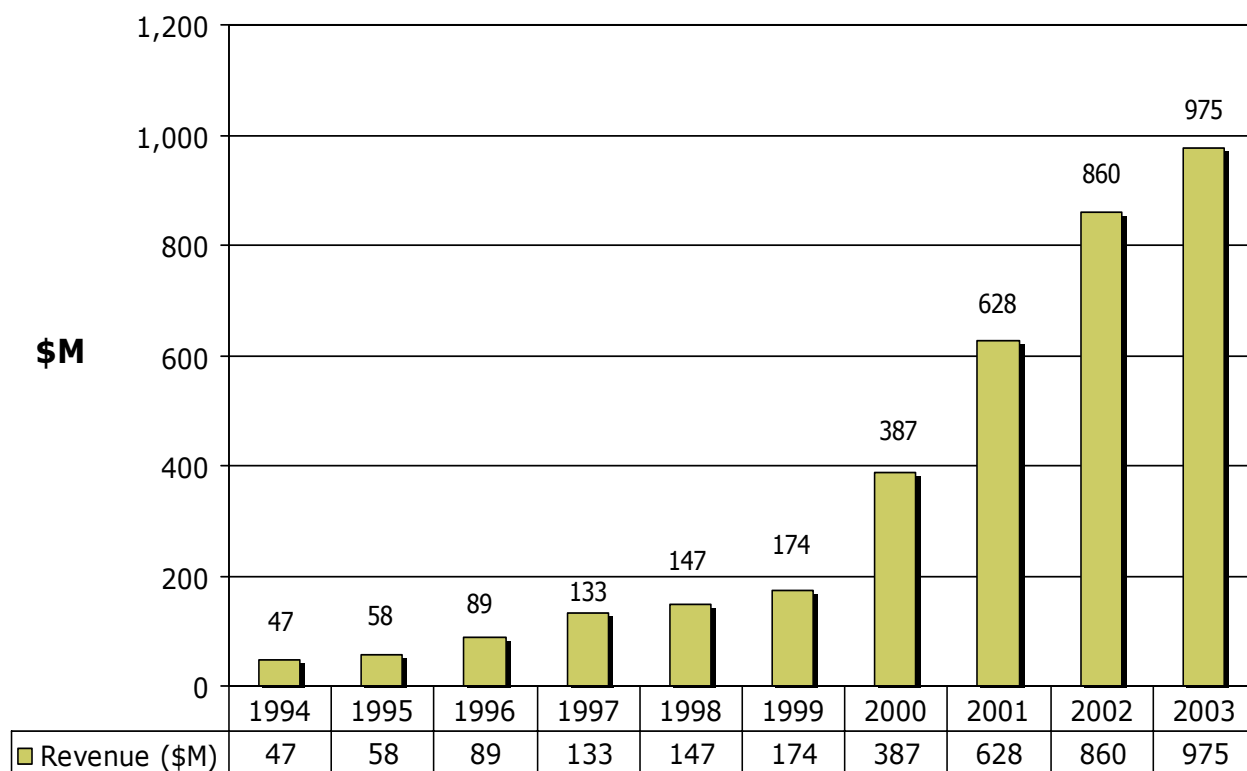
FY2003 v FY2002

	Services (Tests/Items)	Episodes (Patients)	Total Fees Paid (\$)
Australian Pathology	4.2%	2.4%	4.6%
Australian Imaging	3.7%	n/a	5.0%

- ❑ Medicare data reflect broad industry growth rates
- ❑ Pathology
 - Enrichment of episodes (test growth > episode growth)
 - Trend towards more complex tests (fee growth > test growth)
- ❑ Radiology
 - Trend towards more complex modalities (fee growth > item growth)
- ❑ Monthly Medicare data potentially misleading
 - Monthly data do not correspond to same month industry activity (dependant on timing of billing submissions)
 - Incorporate cost shifting from public to private funding
 - Do not incorporate private billing component

Annual Revenue

10 Year History

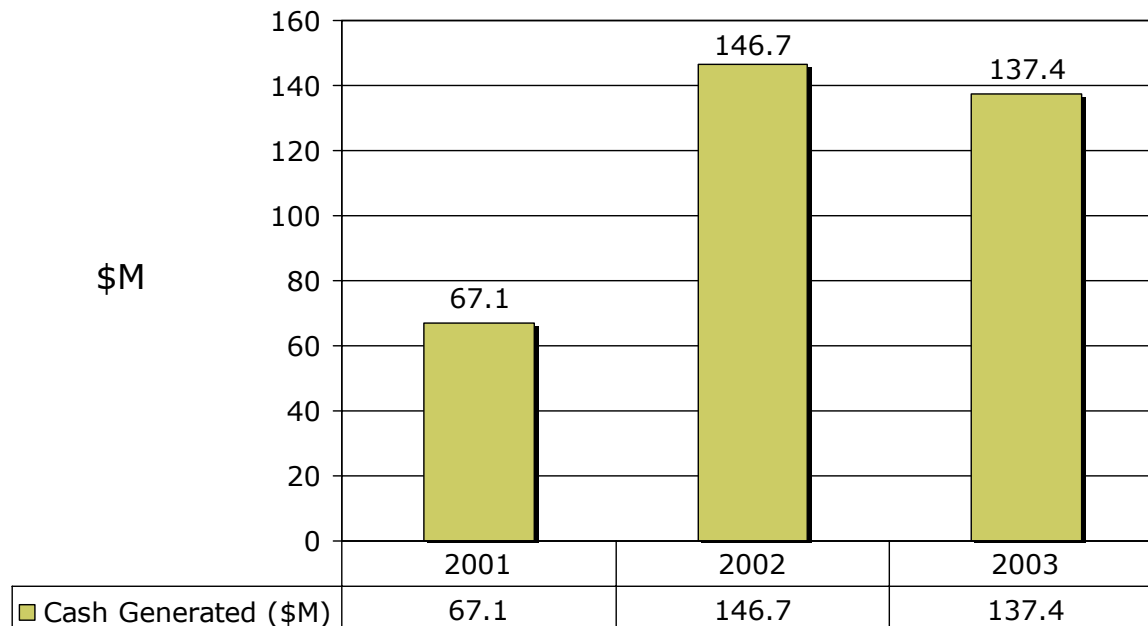


Earnings

		2003	2002	Change
EBITDA	\$M	213.9	183.7	16.4%
EBITA	\$M	173.1	146.7	18.0%
Core NPAT*	\$M	99.5	83.2	19.6%
NPAT	\$M	40.9	33.8	21.0%
Core EPS*	cents	37.8	33.3	13.5%

*Core = Before Amortisation of Intangibles

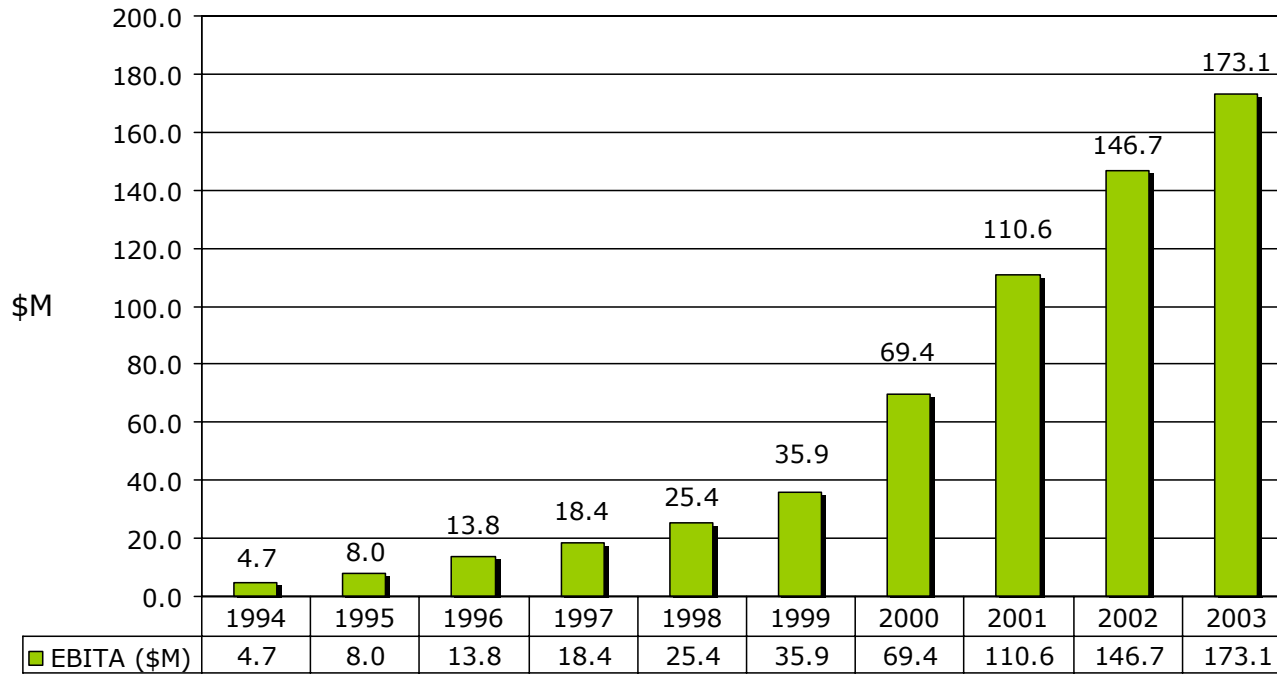
Cash Generated



- Continued strong cash generation
- 2002 cash generated unusually high due to change in Medicare payment system from 28 days to 14 days

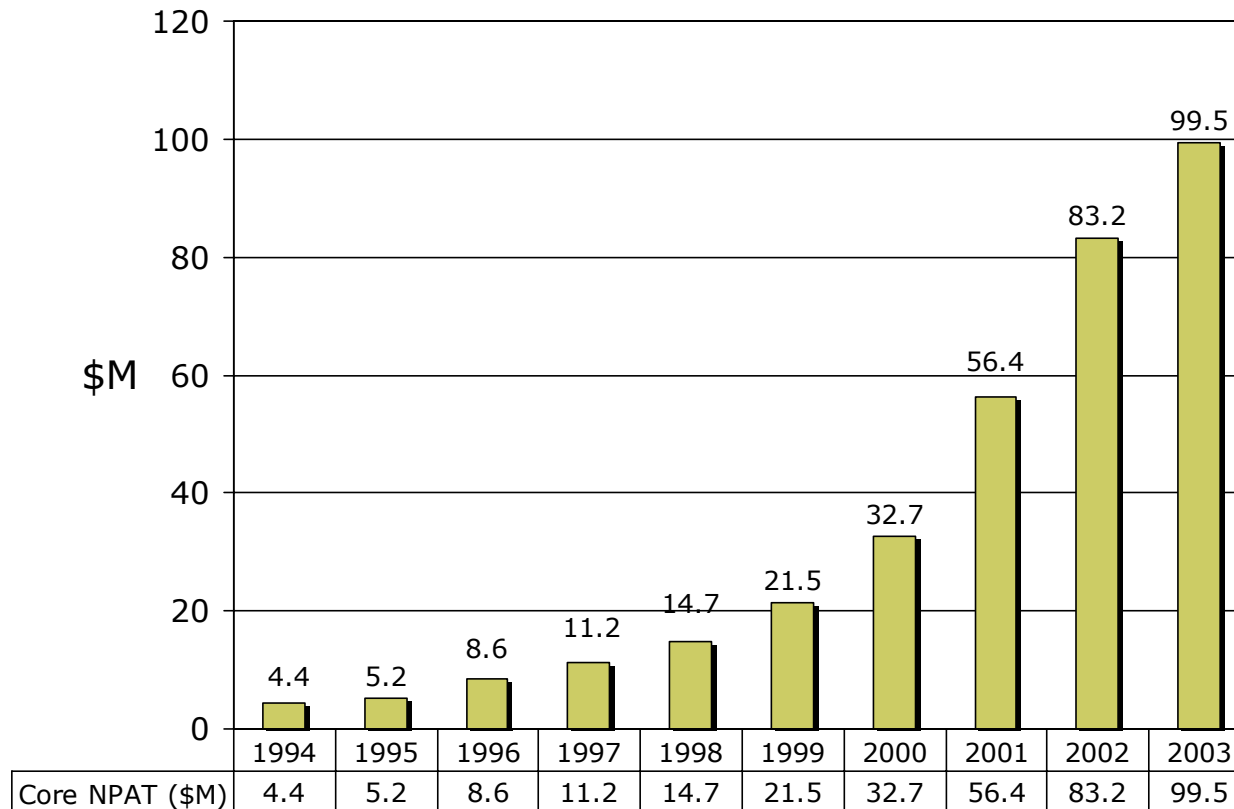
EBITA

10 Year History



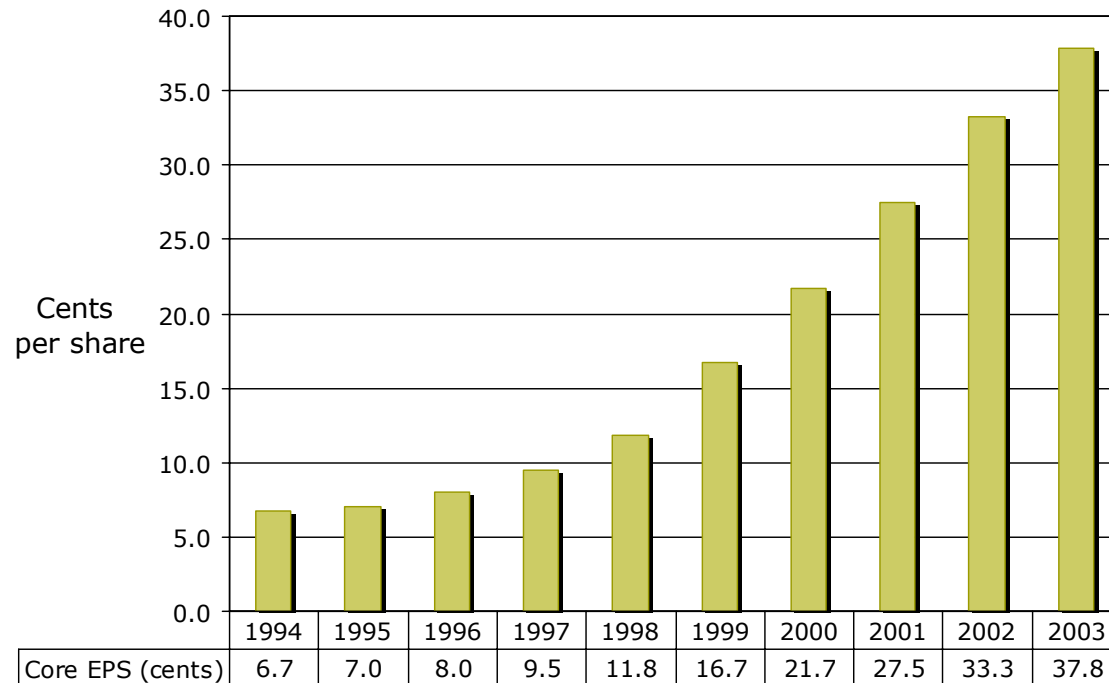
Core NPAT

10 Year History



Core NPAT = Net Profit After Tax before
Amortisation of Intangibles

Core EPS 10 Year History



- Core EPS growth over 10 years = 564%
- Consecutive double-digit EPS growth last 8 years

Core EPS = Diluted Earnings per Share before Amortisation of Intangibles

Earnings Margins

	2003	2002
EBITDA Margin	21.9%	21.4%
EBITA Margin	17.8%	17.1%

- Margin expansion in FY2003
 - Revenue growth and marginal profit
 - Ongoing cost management in practices
 - Inter-practice synergies
 - Improved performance at Melbourne Pathology
 - TDL (UK) strong performance
 - SciGen demerger
- Imaging earnings growth soft
 - Closure of low-performing centres
 - Stronger margins expected in 2004
- Margin growth set to continue

Final Dividend

	2003	2002	Change
Interim Dividend	\$0.08	\$0.04	100%
Final Dividend	\$0.17	\$0.16	6%
Full Year Dividend	\$0.25	\$0.20	25%

- Final Dividend
 - 17 cents per share, fully franked
- Full-year Dividend
 - 25 cents per share, fully franked
 - 20 cents in 2002
 - Increase of 25%
- Record Date: 17 September 2003
- Payment Date: 7 October 2003
- Dividend yield 3.82%, fully franked
 - Grossed up yield 5.45%

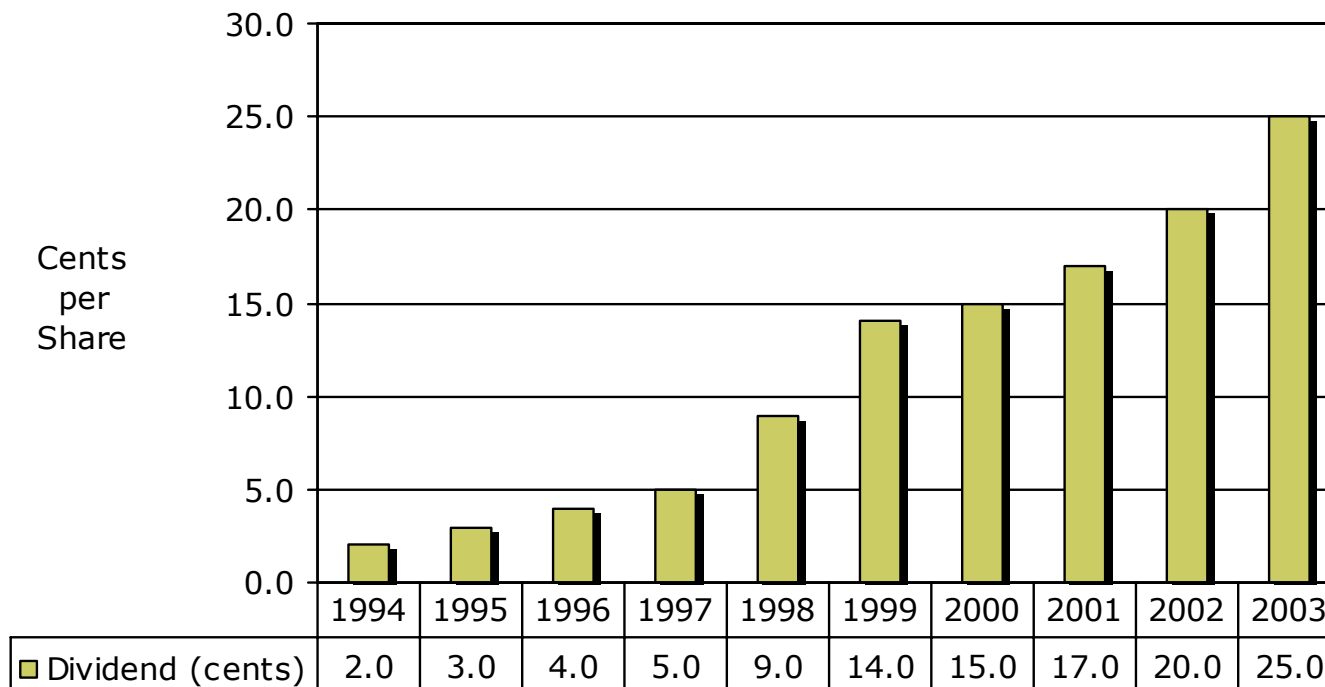
(based on \$6.55 share price as at 30 June 2003)

Dividend Reinvestment Plan (DRP)

- DRP re-activated
(applicable to 2003 final dividend)
- 5% discount to market
(average of 5 days following record date)
- Elections to be made by record date –
17 September 2003
- New election forms to be mailed to
shareholders

Dividend

10 Year History



Balance Sheet Summary

		2003	2002
Receivables (current)	\$M	111.4	108.6
Intangibles (net)	\$M	1,111.1	1,189.7
Total Interest-bearing Debt*	\$M	561.3	515.3
Equity	\$M	831.3	837.5
Interest Cover (EBITDA / Net Interest)	X	5.93	5.82
Interest-bearing debt / EBITDA	X	2.62	2.81
Gearing (Net IB Debt / Equity)	%	67.5	61.5

*Undrawn senior debt facilities - \$ 78.7 million (30 June 2003)
 - \$ 83.5 million (25 Aug 2003)

2004 Guidance

	2003 Actuals \$M	2004 Guidance \$M	Growth* %
Revenue	974.8	1,020 - 1,035	5.4%
EBITA	173.1	185 - 195	9.8%

2004 Guidance

- Growth* calculated using mid-point of 2004 guidance
- Includes Omnilabs acquisition (loss in first half)
- Intangibles amortisation \$59-60 million
- Assumes no new acquisitions

Corporate Governance

- Sonic working towards compliance with ASX recommendations
- Nominations Committee
 - Established 3 July 2003
 - 2 Independent Directors / 1 Executive Director
 - Function to review Board structure
- Audit Committee
 - 2 Independent Directors / 1 Executive Director from July 2003
 - Finance Director resigned from committee
- Remuneration Committee
 - 2 Independent Directors
- Sonic Share Trading Policy
- Other ASX recommendations being actioned

Australian Pathology Funding Agreement

- Agreement expires 30 June 2004
 - Negotiations commencing on new agreement
- Tracking within parameters of current agreement
 - Cumulative variance \$4.3 million less than agreed outlays after 4 years
- No fee reduction envisaged

Australian Radiology Funding Agreement

- New 5 year Memorandum of Understanding commenced 1 July 2003
- Funding growth rates
 - 2003/4 – 5.5%
 - 2004/5 – 5.3%
 - 2005/6 – 5.0%
 - 2006/7 – 5.0%
 - 2007/8 – 5.0%
- Magnetic Resonance Imaging (MRI) funding included in agreement

Sonic IT

- Sonic has developed proprietary Pathology and Radiology software
- Sonic IT department staffed by ~60 IT professionals
 - Headed by Dr Alan Lloyd, Chief Systems Officer
- Pathology IT System (“Apollo”)
 - Sullivan & Nicolaides Pathology roll-out successful (May 2003)
 - Installation complete in Melbourne Pathology, Capital Pathology, Barratt & Smith Pathology
 - Remaining Pathology roll-out within 3 years
- Radiology IT System (RIS)
 - Sonic RIS currently being installed in Queensland X-Ray
 - Remaining Imaging roll-out within 3 years

Benefits of Proprietary Software

- Cost reductions
 - Software development
 - Standardisation
- Efficiency enhancements
- Facilitation of centralisation
- Benchmarking
- Flexibility
- Product differentiation
- Competitive advantage

UK Pathology Omnilabs Acquisition

- Omnilabs acquisition from MIA completed in July 2003
- TDL/Omnilabs merger
 - Partial merger scheduled for September 2003 (into TDL existing sites)
 - Full merger scheduled for December 2003 (new Whitfield St laboratory)
- Losses until merger complete
 - Incorporated into 2004 guidance
- ~£1M p.a. EBIT contribution from Omnilabs post-merger
 - Commences upon relocation to Whitfield St site
- Operations and merger planning proceeding smoothly
- Sonic/MIA alliance in UK for joint pathology/radiology tendering e.g. Diagnostic and Treatment Centres (DTCs)

Whitfield St Laboratory

- Floor space 3,400 m² in total
 - ~700m² for Autolab
 - Balance split between TDL and UCLH operations
- Consolidation of 5 existing TDL/Omnilabs sites
- Fitout of Whitfield St facility in progress
 - Relocation expected December 2003
- Significant excess capacity
 - TDL continues to pursue new expansion opportunities (NHS and Private)

TDL-UCLH Joint Venture

- Major strategic move for Sonic
- A significant Public Private Partnership in the NHS
- Joint venture agreement for automated pathology
 - First of its kind in the UK
- JV structured as a cost sharing arrangement
 - Cost savings from scale, automation, lab design, workflow etc
 - TDL savings estimated at £0.75 million in first full year
 - Savings are largely offset by additional cost of Whitfield St facility
- Significant upside from new work volume processed in the autolab

Sonic International Strategy

- To partner with established players in suitable offshore markets
- TDL platform an ideal base for expansion in UK
 - Private Pathology Market
 - NHS Market
 - Omnilabs and UCLH transactions provide evidence of incremental growth opportunities
- European pathology markets
 - Highly fragmented
 - Present opportunities for future growth and rationalisation

Sonic Healthcare Today

- Large and complex business
 - ~\$1 Billion annual revenue
 - > 11,000 employed staff
- Excellent customer services
- Image of practices underpins Sonic's value
- Operational management
 - Stable and experienced
 - Committed and passionate
 - Managing normal ebbs and flows
 - Pro-active
- Growth strategy
- Strong cashflow

Future Strategy

- Australia and New Zealand
 - Organic growth and marginal profit
 - Efficiency gains from existing operations
 - Synergistic “bolt-on” acquisitions
- UK pathology
 - TDL organic growth and marginal profit
 - TDL/Omnilabs/UCLH merger benefits
 - NHS and Private market expansion
- European pathology
 - Large, fragmented markets
 - Non-corporatised ownership

Thank you

