SONIC HEALTHCARE LIMITED

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FINANCIAL RESULTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2002

HIGHLIGHTS FOR THE PERIOD

- **Revenue of $485.5M, an increase of 19.4% over the previous period reflecting strong organic growth and recent acquisitions.**
- **Core Net Profit $48.5M, an increase of 39.7% flowing from revenue growth and higher margins.**
- **EBITA margins increased from 15.7% to 17%.**
- **Core EPS of 18.5 ¢ an increase of 26.8%.**
- **On target to achieve EBITA guidance for the full year of $172 – 176M.**
- **8 ¢ fully franked interim dividend to be paid 25 March 2003 (100% increase).**
- **Biotech subsidiary – SciGen Pte Limited demerged and distributed to Sonic shareholders in November 2002.**

COMMENTARY ON RESULTS

Sonic Healthcare today reported a core net profit for the six months to December 2002 of $48.5M (before amortisation of intangibles), an increase of 39.7% on the previous corresponding period. The result was achieved on revenues of $485.5M.

Sonic's Managing Director, Dr. Colin Goldschmidt, said the result, which was above guidance, reflected the benefits of the group's organic and acquisitional growth strategies and improved margins. He said the group remained on target to achieve the full year EBITA guidance of $172-176M. "Our senior management team is focused on improving efficiency and extracting synergies from the group's core businesses to provide better service to customers and value to shareholders. The first half result is evidence of a successful strategy that is set to continue", he said.

The group's UK operation, TDL, is performing well with significant growth in both revenue and EBITA. Plans for a new laboratory facility in central London are now at an advanced stage as are negotiations with National Health Service (NHS) entities in the UK.

Another major achievement during the period was the demerger of the group's biotech subsidiary, SciGen Pte Ltd. The demerger was one of the first under the Government's new tax legislation and resulted in the company being listed on the ASX in November 2002.

Dr. Goldschmidt said that the 100% increase in interim dividend (from 4 ¢ to 8 ¢ fully franked) was aimed at smoothing out the flow of returns to shareholders. Historically, Sonic's dividend payments have been heavily weighted to the final payment.

For further information regarding the first half result, please refer to Dr Goldschmidt's PowerPoint Presentation and the Summary and Explanation of Results both of which will be posted on the Sonic Healthcare website at 10.30am, 26th February 2003 (www.sonichealthcare.com.au).

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Summary and Explanation of the December 2002 Financial Results

1. Summary Financial Results

	Reference	6 Months Ended 31.12.02 $'000	6 Months Ended 31.12.01 $'000	Movement %
Total Revenue	(7.1)	**485,531**	**406,634**	**19.4%**
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) excluding SciGen		104,804	82,841	26.5%
SciGen EBITDA		(1,911)	(2,294)	(16.7)%
Total EBITDA		**102,893**	**80,547**	**27.7%**
Depreciation and Lease Amortisation	(7.3)	(20,537)	(16,836)	22.0%
Earnings before Interest, Tax and Intangibles Amortisation (EBITA), excluding SciGen	(7.2)	84,292	66,034	27.6%
SciGen EBITA	(7.1(b))	(1,936)	(2,323)	(16.7)%
Total EBITA		**82,356**	**63,711**	**29.3%**
Net Interest Expense	(7.4.1)	(18,196)	(16,719)	8.8%
Income Tax attributable to Operating Profit	(7.5)	(16,671)	(13,252)	39.4%
Net Loss attributable to Outside Equity Interests	(7.6)	1,017	971	4.7%
Core Net Profit attributable to shareholders of Sonic Healthcare Limited		**48,506**	**34,711**	**39.7%**
Amortisation of Intangibles	(7.4.2)	(29,405)	(22,623)	30.0%
Net Profit attributable to shareholders of Sonic Healthcare Limited		**19,101**	**12,088**	**58.0%**

2. Other Relevant Information

	Reference	6 Months Ended 31.12.02 $'000	6 Months Ended 31.12.01 $'000	Movement %
Cash generated from operations	(7.7)	66,167	41,878	58.0%
Core EPS (pre-intangibles amortisation) diluted earnings per share (cents)	(7.8)	18.5	14.6	26.8%

3. Margin Analysis

	6 Months Ended 31.12.02	6 Months Ended 31.12.01	12 Months Ended 30.06.02
EBITDA as a % of Revenue*	21.2%	19.8%	21.4%
EBITA as a % of Revenue*	17.0%	15.7%	17.1%

*including SciGen

Margins have improved substantially against the prior year first half reflecting:

- Revenue growth, rationalization and Sonic Amalgamation Team synergies.
- Melbourne Pathology turnaround.

The EBITA margin for the Pathology division increased from 17.6% to 18.9% half against half. Radiology margins also increased after adjusting for the impact of the acquisition of the lower margin SKG Radiology business.

The margins for the half year are slightly lower than those for the full year to 30 June 2002, due to seasonal variations.

4. Impact of SciGen on Margins

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

	6 Months Ended 31.12.02	6 Months Ended 31.12.01
EBITDA (Ex SciGen)	21.6%	20.4%
EBITA (Ex SciGen)	17.4%	16.3%

These margins will be the relevant comparatives going forward, as SciGen was demerged in November 2002 via a reduction of capital.

5. Revenue Growth

Organic (excluding acquisitions) revenue growth for the year was strong at around 6%. Growth in the Pathology division was ahead of market growth estimates and Radiology revenue growth is in line with market growth estimates.

6. Interim Dividend

The Board has declared an interim dividend of 8 cents per share (an increase of 100% on the prior year) fully franked (at 30%) to be paid on 25th March, 2003. The record date will be 11th March, 2003. The final dividend for the 2003 financial year is expected to be similar to the 2002 final dividend (16 cents per share).

The Company's Dividend Reinvestment Plan remains suspended for this dividend and until further notice.

7. Notes to the Financial Results

7.1 Revenue

		6 Months Ended 31.12.02 $'000	6 Months Ended 31.12.01 $'000	Movement %
Medical Diagnostic Revenue	(a)	479,946	400,616	19.8%
SciGen Revenue	(b)	1,233	577	113.7%
Other Revenue	(c)	4,352	5,441	(20.0)%
Total Revenue		**485,531**	**406,634**	**19.4%**

(a) Revenue growth of 19.4% was a reflection of organic growth (~6%) and the following acquisitions: SKG Radiology (November 2001), Clinipath Pathology (August 2001) and The Doctors Laboratory (April 2002).
(b) Sonic demerged the majority of its interest in SciGen Pte Ltd, a Singapore based bio-pharmaceutical company in November 2002. The loss at the EBITA line of $1,936,000 is partially offset by the minorities' share of $1,182,000.
(c) Other revenue comprises proceeds from sale of fixed assets, interest, rental and sundry income.

7.2 EBITA

EBITA growth of 29% reflects the acquisitions noted above (Note 7.1) and the continued strong performance of the group's operations.

7.3 Depreciation

Depreciation and leased asset amortisation expense has grown 22% over the prior year as a result of practice acquisitions and the investment by the company in new equipment and IT systems.

7.4 Guidance on Non Operating Expense Items for the Full 2003 Year

	RANGE $M		
Interest	36.8	–	37.3
Amortisation	59.0	–	59.5

(Assuming no further business acquisitions.)

7.4.1 Interest Expense

Net interest expense has increased 8.8% as a consequence of the debt funding components of acquisitions, particularly Sonic's expansion into Diagnostic Imaging and the equity injection of $30 million into SciGen prior to its demerger. Appropriate interest rate hedging arrangements are in place. Interest expense for the second half of the year is expected to be higher than in the first half mainly due to the full six month effect of the SciGen equity injection.

7.4.2 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 half year includes $2,328,000 for identifiable intangibles amortisation and $27,077,000 for goodwill amortisation. The cost values of identifiable intangibles and goodwill at 31 December 2002 are $198,259,000 and $1,115,911,000 respectively.

7.5 Tax Rate

The relatively high effective tax rate (48%) is essentially a function of the non-deductible intangibles amortisation, but has been reduced by prior period adjustments relating to research and development tax concessions and other over provisions.

7.6 Outside Equity Interests

The figure disclosed is largely the adjustment for the SciGen minorities' interest in the SciGen loss.

7.7 Cashflow from Operations

Cash generated from operations increased 58% compared to the prior period reflecting the group's strong cashflows.

7.8 Earnings per Share

Diluted earnings per share (before amortisation of intangibles) increased 27% due mainly to the positive effect of earnings growth and the gearing of acquisitions.