

SONIC HEALTHCARE EXPANDS INTO GERMANY

Acquisition of Majority Stake in Leading Pathology Group

Sonic Healthcare Limited (Sonic) is pleased to announce that it has signed an agreement to acquire a 55.9% interest in one of the leading companies in the German pathology market, the Schottdorf Group.

The agreement, which is conditional upon finalisation of finance documentation and German anti-trust approval, is expected to settle in late April. Sonic will acquire its equity interest from a German/French private investment fund.

The Schottdorf Group has annual revenues in the order of €105 million (~A\$170 million) and operates throughout Germany via a network of laboratories. The group's main facility is the largest in Europe and is located in Augsburg (near Munich).

The purchase price for Sonic's interest will be €28.46 million. Of this, €8.13 million will be deferred for one year and tied to the performance of the group for the fiscal year ending 31 December 2004. In addition, a total of 3 million Sonic options exercisable at \$6.75 over 5 years will be granted to Sonic's new partners, Dr. and Mrs. Schottdorf. Debt within the business is approximately €45 million, implying an enterprise value of €96 million and an enterprise value/EBITA multiple of between 5.8 and 6.2 (depending on the outcome of the performance payment).

The acquisition will be debt funded and will be immediately EPS accretive. The existing €45 million mezzanine debt will be refinanced by senior debt facilities of €40 million provided by Dresdner and ANZ banks (with recourse to Sonic limited to €10 million) and €5 million in the form of mezzanine finance.

Dr. Bernd Schottdorf, the founding pathologist and current Executive Chairman of the business, together with his CEO wife, Mrs. Gabriele Schottdorf, will remain actively involved in the business going forward. Mrs. Schottdorf will continue to oversee day-to-day operational management, while Dr. Schottdorf will be involved in marketing, business development and strategic planning. The Schottdorfs will continue to hold their 44.1% interest in the group.

Sonic's Managing Director, Dr. Colin Goldschmidt, said: "We are delighted to have the opportunity to partner with Dr. and Mrs. Schottdorf in a venture such as this. The achievements of the Schottdorf Group are extremely impressive, in terms of management, culture, quality and efficiency. We look forward to the active exchange of ideas and know-how which we believe will lead to benefits across the entire Sonic group". Dr. Goldschmidt said that he expected significant synergies to develop between Sonic's UK business, TDL, and the Schottdorf Group resulting in increased earnings for both organisations.

Dr. Goldschmidt added: "The acquisition of a majority stake in the Schottdorf Group is a significant strategic step for Sonic Healthcare. The Schottdorf transaction gives Sonic an excellent entry into the German pathology market, Europe's largest, and allows us to work alongside experienced and like-minded partners with a proven track record. It also provides Sonic with a platform for further expansion into other suitable markets in continental Europe".

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