



SONIC
HEALTHCARE

Interim Results

For the Half-year ended 31 December 2005

Dr Colin Goldschmidt
CEO and Managing Director

23 February 2006

Sonic Half-Year Summary

(1 July – 31 Dec 2005)

- Excellent first half performance
 - Revenue up 17%
 - EBITA up 22%
 - Net Profit up 29%
 - EPS up 24%
- Full-year guidance unchanged
 - Sonic tracking to guidance after 7 months
- Sonic operations performing well
 - Strong outcomes from large Australian businesses
 - Sonic's UK, German and USA operations solid

2006 Full-Year Guidance

	2006 Guidance (\$M)
Revenue	1,600 – 1,670
EBITA	300 – 320

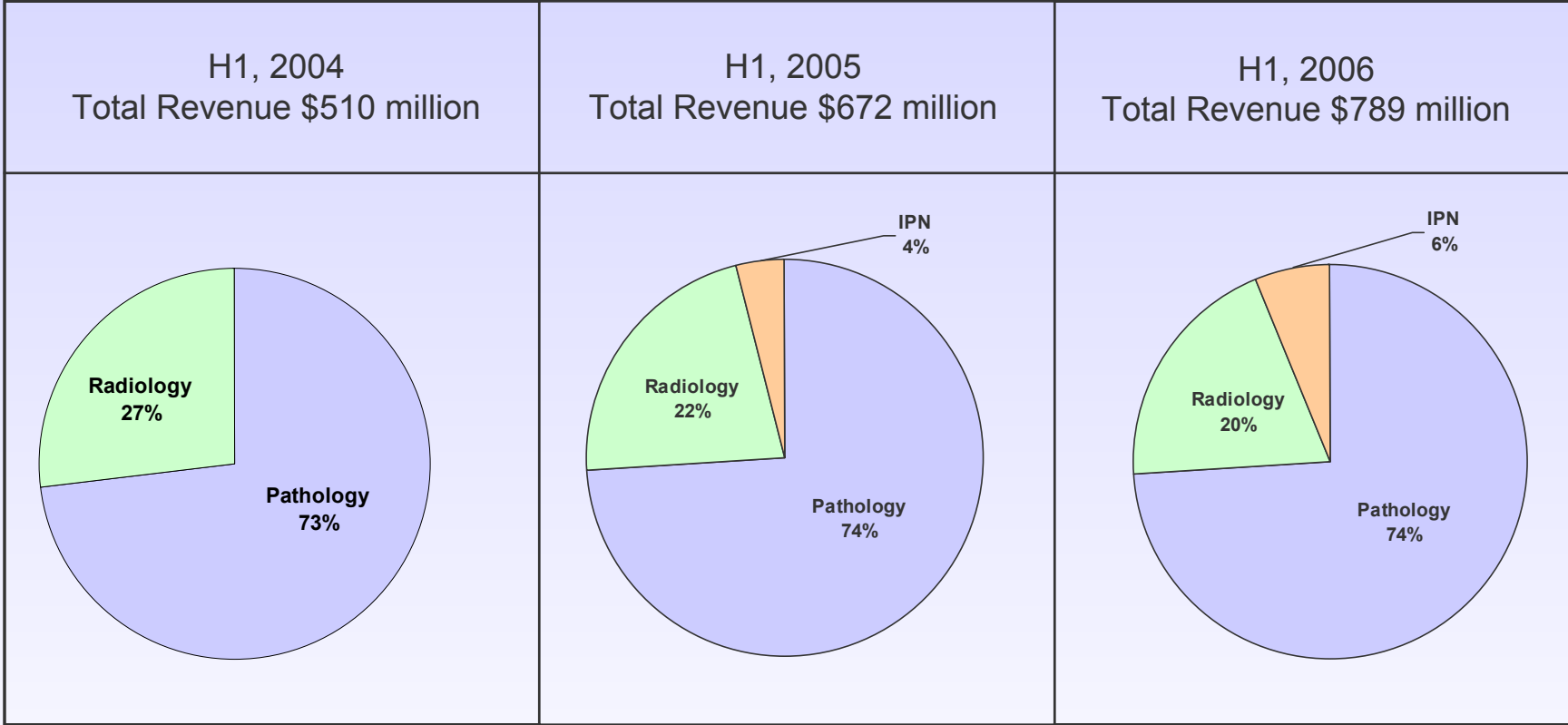
- Sonic 2006 guidance unchanged since 23 August 2005
- Sonic tracking to 2006 guidance range after 7 months
- Includes CPL acquisition from 1 October 2005
- Assumes no new acquisitions and constant currency exchange rates

Revenue Growth

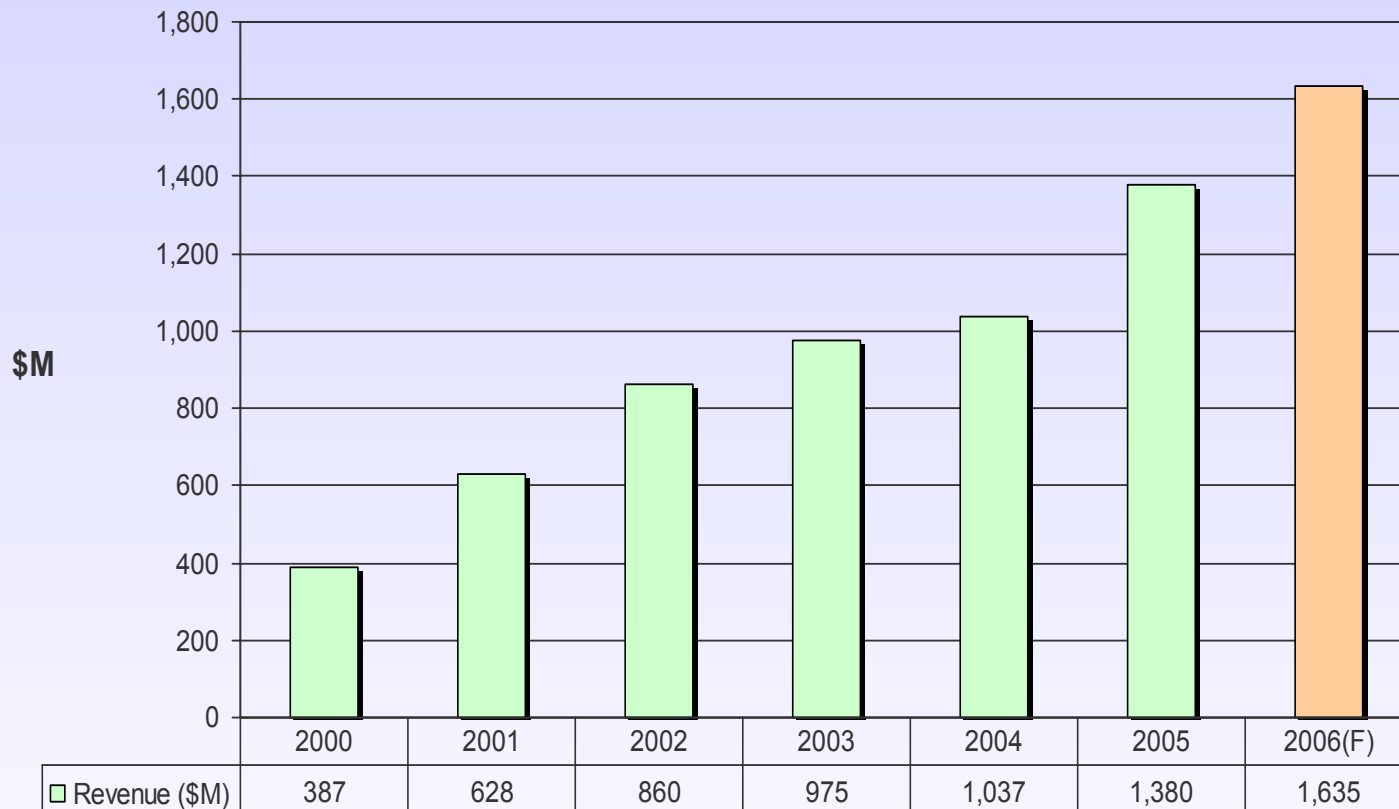
	6 Months ended 31.12.05 (\$M)	6 Months ended 31.12.04 (\$M)	Growth (%)
Total Revenue	788.7	672.1	17.3%

- Revenue growth of 17.3%
 - Global organic revenue growth (excluding acquisitions) ~ 7%
 - CPL (USA) acquisition on 1 October 2005
 - Australian pathology and radiology growth in line with market
- Notably robust revenue growth at
 - Douglass Hanly Moir Pathology (NSW, Australia)
 - Sullivan Nicolaides Pathology (Queensland, Australia)
 - Melbourne Pathology (Victoria, Australia)
 - Queensland X-Ray
 - TDL (UK)
- Solid organic revenue growth ongoing
- Second half revenue
 - CPL impact for full second half-year period

Sonic Revenue Split



Sonic Healthcare Annual Revenue



Forecast 2006 Revenue = \$1,600 - \$1,670 million

Earnings Growth

		6 Months ended 31.12.05	6 Months ended 31.12.04	Growth %
EBITA	(\$'000)	147,124	120,739	21.9%
NPAT	(\$'000)	83,195	64,278	29.4%
EPS	(cents)	29.0	23.4	23.9%
Cash Generation	(\$'000)	120,086	96,643	24.3%

NOTE: All comparatives have been adjusted to conform with IFRS standards, as required

EBITA Margins

	6 Months ended 31.12.05	6 Months ended 31.12.04
EBITA Margin	18.7%	18.0%

- Margin growth of 70 basis points, compared with previous corresponding period
 - Revenue growth with marginal profit
 - Accord Pathology acquisition and mergers with DHM (Sydney) and Clinipath (Perth)
 - Extraction of synergies
 - Efficiency improvements
 - IPN margin expansion
- Pathology and radiology divisions both contributing to margin expansion
- Margin expansion mitigated by low-margin acquisitions
 - IPN – lower than Sonic’s average EBITA margin (full 6 months)
 - CPL – lower than Sonic’s average EBITA margin
- Margin expansion set to continue

Interim Dividend

	2005 (\$)	2004 (\$)	Movement %
Interim Dividend	0.15	0.13	15.4%

- Dividend fully franked at 30%
- Record Date 6 March 2006
- Payment Date 20 March 2006
- Dividend Reinvestment Plan remains suspended

Senior Debt / Gearing

- Revised senior debt facility for \$1,000 million almost finalised
 - Increased headroom (~\$250 million)
 - Lower margins
 - More flexible covenant structure
 - Take out of CPL bridge facility
- Gearing ratios improved as result of capital raising and earnings growth
- Balance sheet set for growth

Capital Raisings

- Institutional Placement
 - 15,474,553 shares issued @ \$14.54 on 25 October 2005
 - \$225 million raising
 - Placement price set at 3% discount to market
- Shareholder Purchase Plan
 - 2,079,869 shares issued @ \$13.99 on 8 December 2005
 - \$29.097 million raising
 - Purchase price set at lesser of placement price and 3% discount to market
 - Maximum subscription per holder - \$5,000
- Proceeds to retire debt from CPL acquisition

Australia / New Zealand Operations

- Pathology
 - Strong results from Douglass Hanly Moir Pathology (New South Wales), Sullivan Nicolaides Pathology (Queensland), Melbourne Pathology (Victoria), Capital Pathology (Canberra)
 - Smaller NZ labs renegotiating contracts with District Health Boards
- Radiology
 - Queensland X-Ray solid performance
 - Sonic's new MRI licences (Queensland X-Ray and SKG Radiology) successfully launched
- Sonic IT
 - Clinipath and Bunbury Pathology (Western Australia) transition to Sonic's proprietary Apollo IT system
- Medicare funding
 - Ongoing analysis of growth drivers
 - Government initiatives and cost-shifting to be excluded from growth cap
 - No indication of fee adjustments in pathology or radiology

New Sonic “Super Lab” – Sydney

DHM Central Lab / Sonic Head Office

- Rationale
 - DHM and Sonic moved into current building in 1994
 - DHM’s revenue has increased 5-fold since 1994
 - Sonic’s revenue has increased from ~\$50 million to ~\$1,600 million since 1994
 - Space issues for both DHM and Sonic Headquarters
- Requirements
 - Facility to satisfy growth needs for next 20 years
 - Facility to support next phase of synergy / centralisation
 - Facility to support Sonic Healthcare head office
- Building
 - To be located at rear of current facility (95 Epping Road / Giffnock Avenue)
 - 17,000 sqm state-of-the-art laboratory and office space (80% increase on current)
 - 5 levels of lab and office, 3 levels of underground car parking
 - Expected cost ~ \$70 million
 - Scheduled commencement 15 March 2006
 - Scheduled completion second half of 2007
 - Existing building will be leased to outside parties

IPN

- Dr Malcolm Parmenter, newly appointed CEO
 - A General Practitioner with extensive business and management experience
 - Deep understanding of general practice and healthcare market
 - Smooth transition into organisational infrastructure
 - Has “hit the ground running”!
 - Strong positive reception from IPN doctors and staff
- IPN performing well
 - Profitable with significant growth prospects
 - Half year '06 revenue \$49 million (up 23%)
 - Half year '06 EBITDA \$6.4 million, NPAT \$2.9 million (up 267%)
- IPN Model
 - Medical Leadership / Medical Independence
 - Attractive to mainstream GPs
- Sonic – IPN relationship
 - Sonic holds 72% interest in IPN
 - IPN results consolidated into Sonic from 26.8.04

IPN Board

1. Mr Colin Jackson (Chairman) – Sonic
2. Dr Malcolm Parmenter (CEO)
3. Mr Mark Compton
4. Ms Verilyn Fitzgerald
5. Mr Ray Walker
6. Dr Colin Goldschmidt – Sonic
7. Mr Chris Wilks – Sonic
8. Mr Paul Alexander – Sonic

Ms Lesley Kennedy (Company Secretary)

UK Operations

- TDL core business performing strongly
- Esoteric referrals from TDL to Schottdorf delivering synergy benefits
- Sonic and TDL working on a range of other synergies
 - Purchasing and Warehouse management
 - IT
 - Lab design, workflow
 - Benchmarking
- NHS outsourcing – Ongoing review of NHS pathology
 - Independent Review of NHS Pathology Services – Lord Carter of Coles
 - Gather evidence on NHS pathology and other local and international laboratory operations
 - Call for evidence from UK operators – Sonic/TDL have participated
 - Report and make recommendations to Lord Warner (UK Health Minister) in mid-2006
 - “Managed Networks” one possible outcome

German Operations

- Schottdorf Group business tracking strongly
- Sonic synergies
 - Esoteric pathology specimens referred from TDL to Schottdorf daily
 - Additional revenue to Schottdorf
 - Lower testing costs for TDL
 - Better service delivery and turnaround times
- Acquisition opportunities in Germany
 - Consolidation of market with efficiency gains
 - Schottdorf infrastructure with Sonic's financial backing
 - Considering expansion opportunities in private and public sectors

Clinical Pathology Laboratories (CPL)

- Sonic acquired 82% of CPL from 1 October 2005 for ~US\$312 million
- CPL business performing strongly
- Earn out of US\$20.025 million likely to be paid in full (~June 2006)
- CPL offers Sonic a unique growth platform in world's largest market
- Sonic/CPL considering a range of expansion opportunities

Sonic Core Values

How we should behave

- Commit to service excellence
- Treat each other with respect and honesty
- Demonstrate responsibility and accountability
- Strive for continuous improvement
- Maintain confidentiality

Sonic Foundation Principles

What our customers want



Corporate Development

- A major new initiative within Sonic Healthcare
- Dedicated to fostering outstanding human and service attributes within Sonic
- Headed by Dr Gloria Armellin
 - Ms Rosemary Cooper, Ms Jillian Stevens, Ms Ingrid Slater
- Programs to be delivered throughout Sonic practices
 - Core Values
 - Foundation Principles
 - Leadership Training
 - Excellence in Service – “We Take It Personally”
 - Emotional Intelligence
- Recognition of the key attributes of Sonic’s success to date

Future

- Sonic Australian businesses in strong position
 - Excellent pathology and radiology businesses
 - Extensive infrastructure
 - Outstanding relationships with medical profession
- Strong offshore growth prospects
 - CPL opens a major new growth market in the USA
 - TDL/Sonic UK set for extended growth path
 - Schottdorf tracking well
 - Acquisitions in Germany, Europe and North America
- Sonic well-placed to drive superior shareholder value