



2010 ANNUAL GENERAL MEETING - CHAIRMAN'S ADDRESS

Ladies & gentlemen,

2010 has been a difficult year for Sonic Healthcare, and for our shareholders. Government actions, including fee cuts, have severely impacted the Australian private pathology industry, requiring Sonic to issue its first ever "profit warning" in May 2010. Our 2010 profit was around 10% lower than we had expected, but our share price has fallen about 25%. This reflects the uncertainty in the market created by the Government's ongoing review of Australian pathology funding. Sonic, in conjunction with our industry body, the AAPP, has been working hard to bring this uncertainty to a positive end, and we are optimistic that the Government will recognise the value and importance of the industry when they make their funding decisions in the months ahead.

Fortunately, despite the market's preoccupation with Australia pathology, Sonic is truly an international medical diagnostics company and over 60% of our pathology revenue comes from offshore. Sonic is now the largest pathology player in Europe, with operations in Germany, Switzerland, Belgium, the UK and Ireland. We are the third largest player in the massive US laboratory market, and the second largest player in New Zealand. Our Radiology operations in Australia and New Zealand, and Medical Centres in Australia complete our diversified revenue base.

This diversification is very important when operating in industries which are largely government funded.

Sonic's operations in Europe and the US performed strongly in 2010, delivering above market organic revenue growth and increasing profitability. Having invested heavily in building significant operations in Western Europe and the US over the last few years, we have now achieved "critical mass" and the return on that investment is starting to accelerate; through synergy capture and other cost initiatives.

Sonic's medical leadership culture and federation structure are proving just as successful in our offshore markets as they have been over the last two decades in Australia. Our culture and model are extremely important to the more than 22,000 staff we employ, as well as to our customers.

Despite the issues affecting our profit in 2010, Sonic's strong financial position enabled us to continue to grow the full year dividend to 59 cents per share.

At the AGM last year the point was made by a shareholder that the Sonic Board of Directors lacked female representation. As you can see, we have addressed this and I am delighted that Kate Spargo and Jane Wilson joined the Board in July. Kate and Jane bring a wealth of valuable experience to Sonic's Board, and their input and influence are already making a difference. I note that over 75% of Sonic's workforce is female and senior leadership roles are split about 50/50 between males and females.

As you are probably aware, Barry Patterson, your Chairman for the last 11 years, recently retired. Barry had been a director of Sonic since 1993, and the company's market value increased from around \$20 million to \$4.3 billion during his period of office. I wish to acknowledge Barry's enormous contribution to Sonic's success during his tenure and I am honoured to have the opportunity to take on the role as your Chairman going forward.

Following Barry's retirement, the Board consists of 4 independent directors and 4 executives. Our intention is to continue to work towards a majority of independent directors.

Sonic Healthcare enjoys strong market and financial positions, and stable, passionate management. From this powerful base shines a very bright future for the company and its shareholders.

I now ask our CEO, Dr Colin Goldschmidt, to give a more detailed view of the company's operations during the year.

Thank you.

Peter Campbell
18 November 2010