



SONIC
HEALTHCARE

Financial and Operational Review

Year to 30 June 2004

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23 August 2004

2004 Financial Highlights

- Revenue growth.....6.4%
- EBITA growth.....13.5%
- EBITA margin.....18.9% (up 110 bps)
- NPAT growth.....41.0%
- Core* EPS growth.....14.8%
- EPS growth.....38.2%
- Full year dividend growth.....20.0%

Core* = Before amortisation of intangibles



2004 Guidance Delivered

Full Year 2004	Sonic Guidance \$M	Actuals \$M
Revenue	1,020 - 1,035	1,037
EBITA	185 - 195	197

Sonic 2004 guidance unchanged since first released in August 2003



Revenue

	2004 (\$M)	2003 (\$M)	Growth (%)
Total Revenue	1,037.4	974.8	6.4%

- Acquisitions completed in FY 2004
 - Omnilabs, SDSG Radiology, Haskell Pathology, Schottdorf (29 June 2004)
- Organic revenue growth (excluding acquisitions) ~ 6%
 - Australian pathology revenue growth in line with market
 - Australian radiology revenue growth in line with market
 - U.K. pathology revenue growth at double digit (excluding Omnilabs)



Revenue

- Second half revenue in line with expected seasonality

	H1 \$M	H2 \$M
FY 2004	509.9	527.5
FY 2003	485.5	489.3

- Revenue will increase substantially in 2005
 - Schottdorf (full year)
 - IPN (consolidated from 26 August 2004)
 - Sonic organic growth
 - Possible new acquisitions



Earnings Growth

		FY 2004	FY 2003	Movement %
EBITA	(\$M)	196.6	173.1	13.5%
Core NPAT	(\$M)	117.0	99.5	17.6%
Core EPS	(cents)	43.4	37.8	14.8%
NPAT	(\$M)	57.6	40.9	41.0%
EPS	(cents)	21.7	15.7	38.2%
Cash Generation	(\$M)	156.3	137.4	13.8%

Nine consecutive years of double-digit EPS growth!

Core = Before Amortisation of Intangibles

Earnings

- Second half EBITA in line with expected seasonality

	H1 EBITA \$M	H2 EBITA \$M
FY 2004	93.5	103.1
FY 2003	82.4	90.8

- EBITA growth of 13.5% on revenue growth of 6.4%
 - EBITA added \$23.4 million
 - Revenue added \$62.6 million

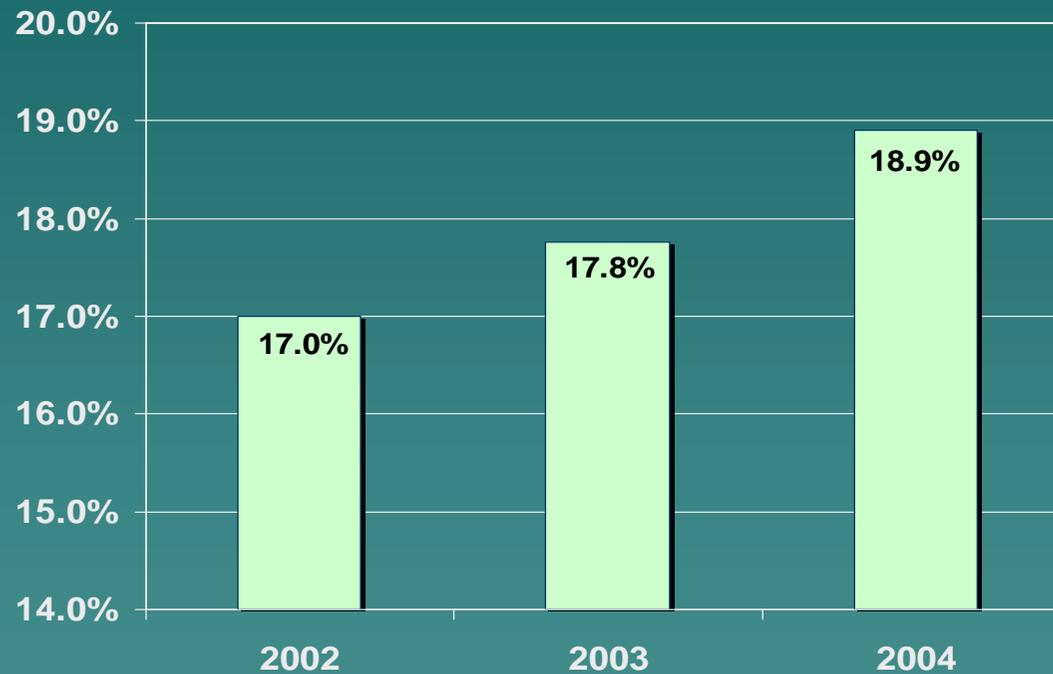


Earnings Margin Growth

	FY 2004 (%)	FY 2003 (%)	Movement (basis points)
EBITA Margin	18.9%	17.8%	+110 bps
EBITDA Margin	23.0%	21.9%	+110 bps

- Revenue growth with marginal profit
- Local entity cost management
 - Outstanding management teams throughout Sonic
 - Stability and commitment of CEOs, managers, pathologists/radiologists
- Central Sonic synergy initiatives
 - Benchmarking, IT, purchasing, centralisation of testing

Sonic EBITA Margin Expansion



FY 2005 margins will be diluted by Schottdorf and IPN



Final Dividend

	2004	2003	Change
Interim Dividend	\$0.10	\$0.08	25%
Final Dividend	\$0.20	\$0.17	18%
Full Year Dividend	\$0.30	\$0.25	20%

- Dividend fully franked at 30%
- Record Date
 - 6 September 2004
- Payment Date
 - 20 September 2004
- Dividend Reinvestment Plan remains suspended

Balance Sheet Summary

		30.6.04	30.6.03
Receivables (current)	\$M	145.6	104.7
Intangibles (net)	\$M	1,162.2	1,111.1
Total Interest-bearing Debt	\$M	641.3	561.3
Equity	\$M	847.8	831.3
Gearing (Net IB Debt / Equity)	%	74	64
Net Interest-bearing debt / EBITDA	X	2.62	2.50
Interest Cover (EBITDA / Net Interest)	X	6.98	5.93

Undrawn senior debt facilities ~\$ 90 million (after IPN consideration)

2005 Guidance

	2004 Actuals \$M	2005 Guidance \$M	Growth* %
Revenue	1,037	1,290 – 1,330	26.3%
EBITA	197	235 -245	21.8%

2005 Guidance

- Growth* calculated using mid-point of 2005 guidance
- Includes full year of Schottdorf
- Includes IPN estimate from 26.8.04
- Intangibles amortisation \$64 million
- Assumes no new acquisitions
- Assumes constant exchange rates



Pathology Operations

- Solid margin expansion in largest Australian entities
 - Sullivan Nicolaides Pathology (Queensland)
 - Melbourne Pathology (Victoria)
 - Douglass Hanly Moir Pathology (New South Wales)
- New Zealand pathology
 - Revenue growth rates lower than Australia
- Margin expansion set to continue
 - Synergies between Sonic entities
 - Cost management at local level
 - Ongoing organic revenue growth
- FY 2005 Margins
 - Omnilabs turnaround will benefit TDL margins in FY '05
 - Group pathology margins to be diluted by Schottdorf addition



Australian Pathology Funding Agreement

- Recent Government announcement
 - New Pathology Funding Agreement offer
 - Capped ~5% compound annual growth
 - 5 year term
- Pathology industry response to offer pending
- Previous 5% funding agreement (1999-2004)
 - Expired 30.6.04, official interim extension
 - Close monitoring and fine adjustments to fees over period
 - After 5 years, variance of \$3.4 million on \$6.2 billion total outlays
- Agreement is for funding of entire private pathology industry
 - Market share movements unaffected by funding agreement
 - Industry growth calculated on Medicare component of billing only



Radiology Operations

- Solid performance at larger practices
 - Queensland X-Ray
 - SKG Radiology
- Consolidation/closure of under-performing branches
- IT
 - Roll-out of new in-house radiology IT
 - Electronic report delivery, same platform as pathology, embraced by referrers
 - Computerised radiology – push towards soft copy reporting
- Ongoing upgrades to latest imaging equipment
- New CEO appointed at SKG Radiology
 - Dr Paul Sprague, founding radiologist of SKG



Radiology Industry

- Radiology Funding
 - Medicare growth for FY '04 = 4.1% (per HIC statistics)
 - Non-MRI imaging 3% rebate increase June '04
 - Nuclear Medicine 6% rebate increase Feb '04
 - Scope for further fee increases if trend continues
- MRI
 - Controlled expansion of MRI licences, preferable because funding capped
 - 23 new MRI licences to be issued in FY '05
 - MRI rebate reduced in August '04 to fund additional licences
- Trend to private billing increasing industry wide



The Schottdorf Group

- Founded by Dr Bernd Schottdorf in 1972
- Operates throughout Germany
- Nine major laboratory locations
- Seven satellite laboratories
- Head office and central laboratory in Augsburg (near Munich)
 - The largest single laboratory in Sonic group
 - Super-efficient, high quality
 - High volume routine testing
 - Broad range of in-house specialised testing
 - Histopathology outsourced
- Consistent growth of new referring doctors
- Currently services ~14,000 doctors and 160 hospitals



International health expenditure

Country	Amount spent per head \$A	Proportion of GDP %	Public sector contribution %
Australia	1,750	8.4	68.7
New Zealand	1,352	7.6	77.4
UK	1,347	6.7	84.5
Germany	2,339	10.4	77.4
USA	4,090	14.0	46.7
Canada	2,095	9.3	68.7

Ref: International health: how Australia compares, AIHW 1998, p127



Schottdorf Group – Key Personnel

- Dr Bernd Schottdorf – Executive Chairman
- Mrs. Gaby Schottdorf – CEO
- Mr. F. Schabert – Financial Controller
- Pathologists – Specialists in laboratory medicine
- Managers, scientists, ancillary staff
- Sales teams – spread throughout Germany
 - Each manages a geographic location
 - Maintain existing customer base
 - Introduce new tests
 - Introduce new customers



Schottdorf Group – Key Investment Features

- Leading market position
 - One of four major national operators
- Growth and profitability
 - Ongoing volume growth
 - Growth of new doctors
 - Revenue and earnings growth
- Strong reputation
- Long-standing customer relationships
- Efficient workflow and logistics network
- Outstanding management team
- Synergy potential
 - With TDL
 - With other Sonic labs
- Platform for future growth
 - Germany
 - Europe



Schottdorf Group – Acquisition Details

- Acquisition structure
 - Sonic equity 55.9%
 - Schottdorf equity 44.1%
- Purchase price ~€28.5 million
 - € 8.13 million earnout tied to current year performance (ending 31 December 2004)
- Options to Dr and Mrs. Schottdorf
 - 3 million SHL options
 - \$6.75 strike price
- Debt facilities
 - €45 million plus €3 million working capital
 - Existing mezzanine debt refinanced
 - €40 million senior debt (€30 million non-recourse to Sonic)
 - Lenders: Dresdner Bank and ANZ Bank
 - €5 million mezzanine debt



Schottdorf Group – Current Status

- Revenue €100-105 million (year to 31.12.04)
- Expect earnout to be triggered in full
 - Earnout payable ~ May'05
 - Earnout assumed as liability in Sonic's '04 accounts
- Business tracking strongly



U.K. Pathology - TDL

- TDL business stable and strong
 - Double digit revenue growth
 - Margin expansion in '05 post-Omnilabs merger
- Relocation to new laboratory and UCLH merger
 - Completed successfully in H2, FY '04
 - Capital and operational costs higher than normal
 - Staffing almost back to normal levels
- TDL – UCLH joint venture fully operational
 - State-of-the-art automated laboratory
 - Showcase for future public-private partnerships
- Growth
 - Private pathology market growth
 - New public-private opportunities
 - TDL – Schottdorf synergies



IPN

- Sonic's partial bid for IPN successful
 - Sonic equity now 72%
 - Acquisition cost ~\$43 million
- IPN to remain independent
 - Independently listed
 - Independently managed
 - Sonic Board representation
- Pathology referrals
 - Potential to capture additional pathology referrals
 - Potential for radiology referrals
- IPN to succeed in own right
 - IPN financials to be consolidated into Sonic's from 26.8.04
 - Sonic to work with IPN to capture synergies
 - Sonic to assist IPN's growth and competitiveness
 - Sonic/IPN in discussion with IPN's bankers regarding ongoing funding



Sonic IT

- Roll-out of Sonic proprietary software ongoing
 - Laboratory Information System – Apollo LIS
 - Radiology Information System – Apollo RIS
- Apollo LIS roll-out: Pathology
 - ~ 70 of Sonic Australian pathology now using Apollo
 - Remaining entities will launch in next 2 years
- Apollo RIS roll-out: Radiology
 - Queensland X-Ray, Castlereagh Imaging, Illawarra Radiology Group – successful launches through FY '04
- Long term benefits from Apollo software
 - Standardisation of systems
 - Standardisation of software development
 - Pooling of resources
 - Enhanced efficiency of centralisation of testing
 - Competitive advantage



Sonic FY '04 Summary

- Sonic growth FY '04 v FY '03
 - EBITA growth-----13.5%
 - Core NPAT growth-----17.6%
 - Core EPS growth-----14.8%
 - EBITA margin growth-----110bps
- Sonic exceeds FY '04 guidance
 - Revenue, EBITA, EBITA margin
- Offshore growth
 - TDL/Sonic UK set for extended growth path
 - Schottdorf, outstanding company, platform for further European growth
 - 25-30% of Sonic's earnings sourced offshore in FY '05



Future Growth

- Australia
 - Market growth in diagnostics ~5% p.a.
 - Market share growth, especially pathology
 - Synergistic acquisitions
 - Marginal profit from revenue growth
- New Zealand
 - Market growth
 - Market share growth
- U.K. - TDL
 - Ongoing private pathology growth
 - Further joint ventures with NHS
- Germany - Schottdorf Group
 - Well positioned for growth in German market
 - Platform for further European expansion





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