

Sonic Healthcare

Interim Results

For the Half-year ended 31 December
2006

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Half-Year Summary

(1 July – 31 Dec 2006)

- ▶ **Solid first half performance**
 - Revenue up 12%
 - Net Profit up 12%
 - EPS up 8%
- ▶ **Full-year guidance unchanged**
 - Sonic tracking to guidance after 7 months
- ▶ **Sonic operations**
 - Pathology division performing well
 - Australian pathology division delivers excellent result
 - Margin pressure in radiology – resolution underway
 - Notable record contribution from IPN
- ▶ **Growth**
 - Recent AEL acquisition in USA (January 2007)
 - Further Northern Hemisphere prospects in pipeline

2007 Full-Year Guidance

	2007 Guidance
Organic Revenue Growth	Approximately 5%
EPS Growth	Approximately 10%

- Sonic 2007 guidance unchanged since 22 August 2006
- Sonic tracking to 2007 guidance after 7 months
- Includes CPL acquisition from 1 October 2005 and AEL acquisition from 8 January, 2007
- Assumes no additional acquisitions
- Assumes constant currency exchange rates

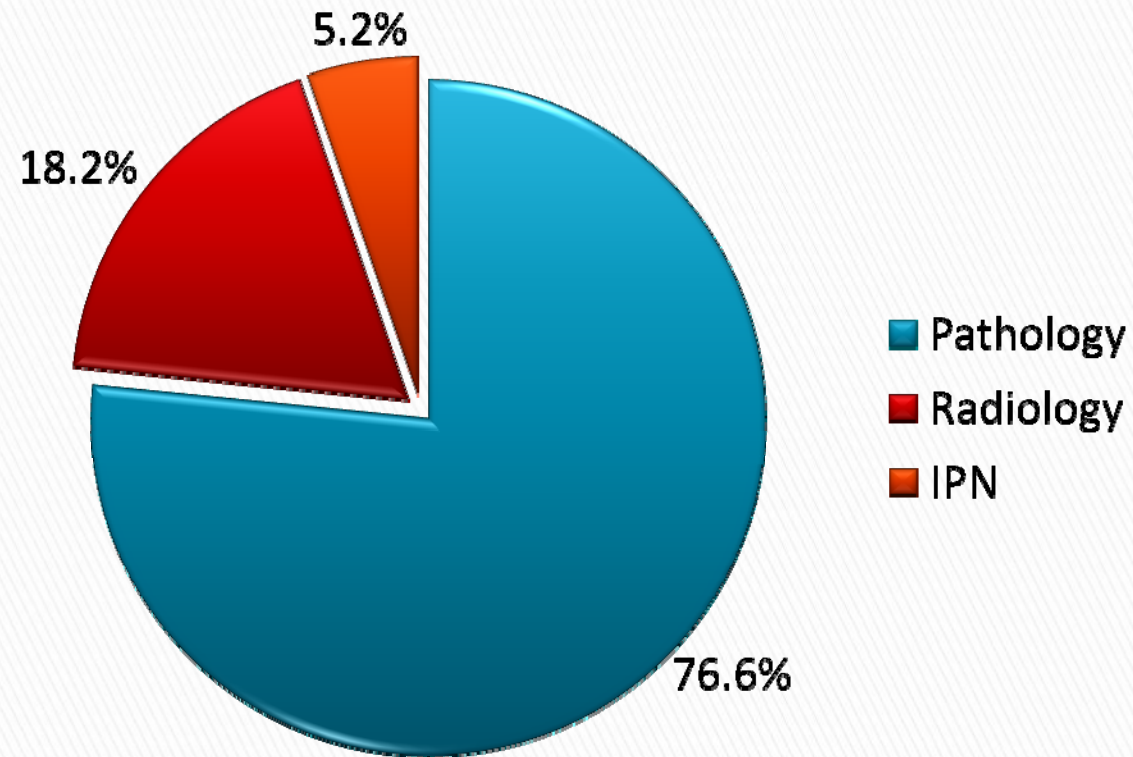
Revenue Growth

	6 Months ended 31.12.06 (\$M)	6 Months ended 31.12.05 (\$M)	Growth
Total Revenue	881.3	788.7	11.7%

- ▶ Total pathology revenue growth 16.4%
 - Includes CPL (acquired 1 October 2005)
 - Impacted by low growth rate of New Zealand market
 - Australian pathology revenue growth 7.4%
- ▶ Total imaging revenue growth 1.3%
 - Disposal of Hong Kong imaging business
 - Effects of MRI licence allocations
 - Competition from public hospitals
 - Rationalisation and restructure of Castlereagh Imaging

Sonic Revenue Mix

For half-year ended 31.12.06



Sonic's non-Australian revenue (including AEL) comprises almost 50% of total group revenue

Earnings Growth

		6 Months ended 31.12.06	6 Months ended 31.12.05	Growth %
EBITA	(\$'000)	160,191	147,124	8.9%
EBITDA	(\$'000)	190,280	172,131	10.5%
NPAT	(\$'000)	93,528	83,195	12.4%
EPS	(cents)	31.2	29.0	7.6%
Cash Generation	(\$'000)	138,118	120,086	15.0%

2nd Half EPS Growth

- ▶ Typical strong second-half seasonality
- ▶ AEL acquisition
- ▶ Ongoing earnings improvement strategies
 - Global procurement
 - Benchmarking
 - IT strategies
- ▶ Australian pathology fee increases
 - DVA increase from 1 November 2006
 - Private fee increases in 2nd half 2006

Earnings Margins

	6 Months ended 31.12.06	6 Months ended 31.12.05
EBITA Margin	18.2%	18.7%
EBITDA Margin	21.6%	21.8%

- ▶ Margin dilution due to
 - CPL acquisition – CPL has lower margins than average of Sonic's other businesses
 - Imaging margins – Low revenue growth and cost pressures associated with radiologists' remuneration restructuring
- ▶ EBITA margin expansion
 - Sonic group – excluding CPL and Imaging – up >50 basis points
 - Sonic pathology – up >50 basis points
 - Australian pathology – up >50 basis points

Interim Dividend

	2006	2005	Movement %
Interim Dividend	\$0.17	\$0.15	13%

- ▶ Dividend fully franked at 30%
- ▶ Record Date 14 March 2007
- ▶ Payment Date 28 March 2007
- ▶ Dividend Reinvestment Plan remains suspended

Debt / Capital Structure

- ▶ Current interest bearing debt ~A\$1.1 billion
 - Debt at 31 December 2006 – A\$812 million
 - Plus acquisitions of AEL and CPL minorities – A\$295 million
- ▶ Debt/EBITDA ratio ~2.7 (bank covenant <3.5)
- ▶ Current headroom ~A\$250 million plus bridge facility
- ▶ Over A\$50 million equity “raised” in CPL minorities transaction

Australian Pathology

- ▶ Australian pathology division tracking strongly
- ▶ Margin expansion of >50 basis points over first half last year
- ▶ Douglass Hanly Moir Pathology (New South Wales)
 - Ongoing strong organic growth and margin expansion
 - Market share gains in New South Wales
- ▶ Sullivan Nicolaides Pathology (Queensland)
 - Solid performance with good cost control
- ▶ Clinipath (Western Australia)
 - Market share growth and margin expansion
- ▶ Melbourne Pathology (Victoria)
 - Ongoing strong revenue growth
- ▶ Sonic holds formidable position in Australian pathology market

New DHM Lab and Sonic Head Office

- ▶ Construction progressing smoothly
 - On budget and ahead of schedule
- ▶ New lab will allow for enhanced efficiencies
 - Centralisation of testing
 - New autolab significantly more efficient than current lab
- ▶ Relocation will take place in late 2007

New Zealand Pathology

- ▶ Market growth rates lower than Sonic's other laboratory markets
- ▶ Tenders / RFP's have dominated market over past year
- ▶ DML
 - Subject to Judicial Review outcome
- ▶ Medlab South
 - Sonic has gained revenue
 - Christchurch status quo to remain, two community players
 - Nelson Marlborough, new contract won
 - Otago-Southland, contract lost
- ▶ Valley Diagnostic
 - JV formed with Medlab Wellington to form new lab, Aotea Pathology
 - Sonic (45%) will not consolidate financials – represents lost revenue
- ▶ Medlab Central
 - In progress, likely net gain of revenue

DML – Judicial Review

- ▶ Sonic/DML initiated legal action over loss of Auckland community laboratory contract to Labtests
- ▶ Hearing completed (12-23 February), outcome expected in weeks
- ▶ Sonic/DML position:
 - RFP process flawed – Sonic priced contract to maintain current services (as mandated in RFP), Labtests bid to materially reduce service levels (halving of collection centres, reducing pathologists, extending turnaround times)
 - Probity issues – Dr Tony Bierre, shareholder and CEO of Labtests, was a Board member of the DHB which awarded the contract to Labtests
 - General Practitioners were not consulted – DHB's are legally obliged to consult with GP's about changes affecting primary care
- ▶ DML pathologists and staff united and resolute
- ▶ Financial impact of potential loss unclear
 - Appeals are possible
 - Sonic will keep market informed

UK Pathology

- ▶ TDL continues to perform strongly
 - Solid revenue and earnings growth
 - Margin expansion
- ▶ UCLH joint venture robust and beneficial to both partners
- ▶ TDL wins Ealing pathology contract tender
 - Pathology provision for Ealing Hospital NHS Trust and Ealing Primary Care Trust
 - Multi-million pound contract over 5 years (commercial terms remain confidential)
 - First such contract since Lord Carter report on NHS pathology
 - Contract subject to documentation only
 - Ealing Trusts' press release posted on Sonic Healthcare website today
- ▶ Sonic/TDL progressing further outsourcing opportunities

European Pathology

- ▶ **Steady performance from Schottdorf Group**
 - Lower growth rates in German laboratory market
 - Provides excellent service for TDL esoteric tests
- ▶ **Acquisition opportunities**
 - Currently pursuing several transactions in Western Europe
 - German market fragmented, presents synergy potential with Schottdorf
 - Targeting acquisition and outsourcing opportunities
 - Expect significant rationalisation of market in next few years
- ▶ **Plan to establish Sonic Europe management structure**
 - Co-ordinate European operations
 - Drive synergies
 - Assist with acquisitions

US Pathology

- ▶ Sonic developing critical mass in US laboratory market
 - CPL acquisition in October 2005
 - AEL acquisition in January 2007
 - Annualised revenue approaching A\$400 million
 - Further acquisitions likely
- ▶ Sonic is the third-largest lab operator in the USA
- ▶ Sonic Healthcare model now widely recognised in USA market
 - Medical Leadership
 - Personalised service
 - “Federation” structure
 - Provides differentiation from competitors

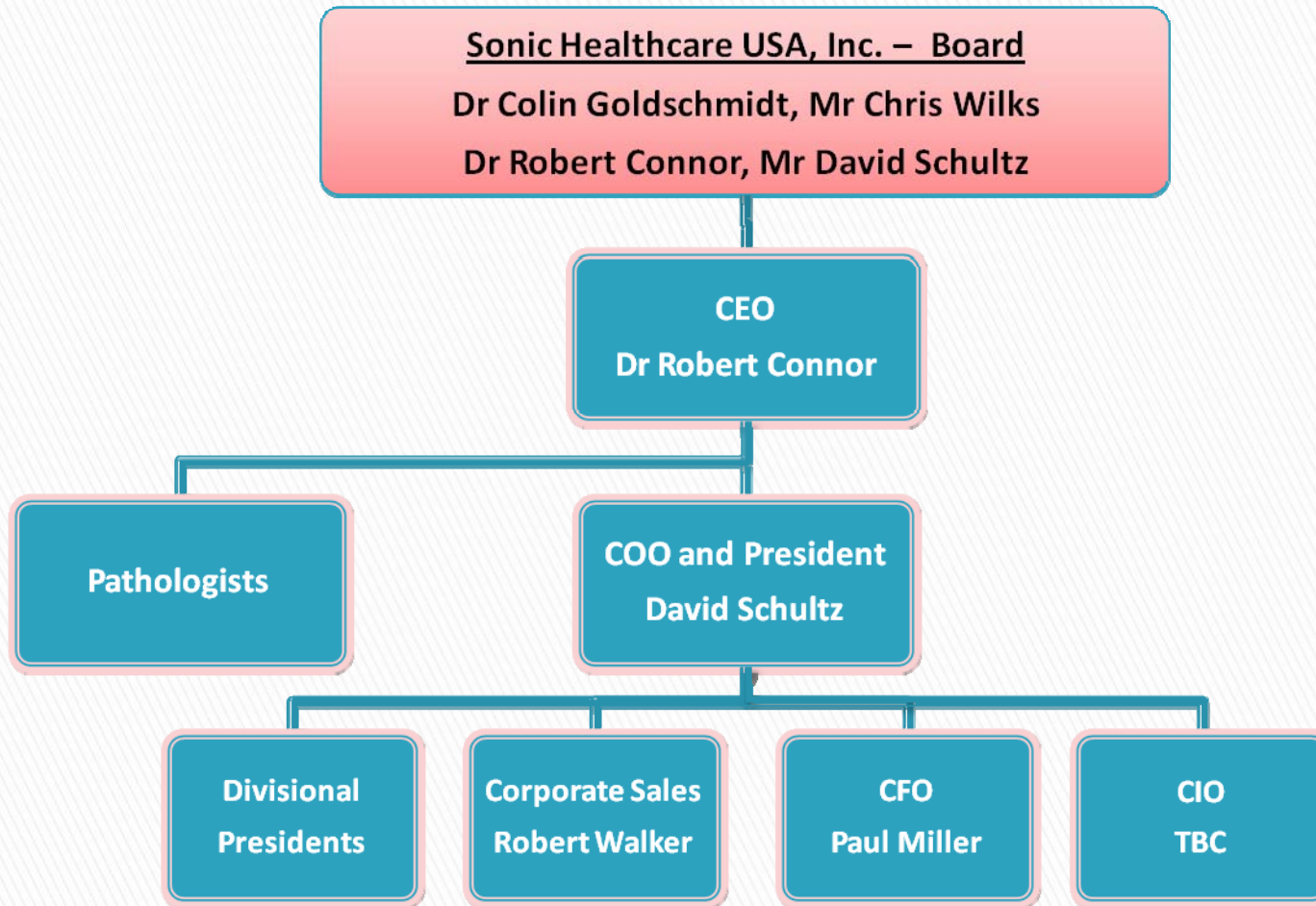
CPL

- ▶ CPL performing consistently and to expectation
 - Organic growth rate around 8%
- ▶ Sonic acquisition of CPL minority shareholders
 - Decision driven by AEL acquisition
 - Allows synergy capture between Sonic entities without conflict issues
 - Averts the need for minorities to put up capital for acquisitions
 - Total consideration US\$82.7 million
 - US\$41.6 in cash, balance as ~4 million SHL shares (issued at A\$12.52, a 5% discount to price on 8 Dec '06)
- ▶ CPL provides outstanding platform for growth
 - Culture, values, model very similar to Sonic's
 - Strong management input into Sonic's US operations
 - Excellent integration at all levels with Sonic Australia

AEL

- ▶ Sonic acquisition of AEL completed in January 2007
- ▶ Purchase price US\$180 million
- ▶ AEL annual revenues ~A\$130 million
- ▶ AEL is a full-service laboratory operation
- ▶ Four main laboratory centres
 - Memphis, Tennessee (market leader)
 - Morristown, Tennessee
 - Tyler, Texas (CPL overlap)
 - Dallas, Texas (CPL overlap)
- ▶ Employs >700 staff
- ▶ AEL's strong growth to date ongoing
- ▶ Significant overlap and synergy potential with CPL

Sonic Healthcare USA, Inc.



Sonic Healthcare USA, Inc.

- ▶ Sonic's US corporate entity
 - Based in Austin, Texas
 - Coordinate people and operations
 - Financial management
 - Drive growth, integration and synergy capture
 - Acquisitions
- ▶ Sonic's US operations
 - CPL and AEL are outstanding businesses
 - Further acquisitions in pipeline
- ▶ Sonic's US lab model presents clear differentiation
 - Medical Leadership
 - Personalised, regionalised services
 - "Federation" structure
- ▶ Outlook is for strong growth in US market

Imaging

- ▶ Revenue growth low
 - Rationalisation of Castlereagh Imaging
 - Public hospital competition
 - MRI licence allocations in Queensland in 2006
 - Sale of small, inherited Hong Kong business
- ▶ Margin contraction
 - EBITDA margin 22.2% (25.1% in prior year)
 - Low revenue growth
 - Cost pressure from Radiologists' remuneration restructure
- ▶ Outlook positive
 - Revenue turnaround and new markets in Queensland
 - New MRI licence in Townsville (from November 2006)
 - Restructure of Castlereagh business
 - Positive impact of incentive-based radiologists' remuneration plan
 - Productivity gains with roll-out of digital imaging applications
 - Changes will flow through in 12-18 months

IPN

- ▶ IPN delivers outstanding half-year result
 - Net profit up 63% to \$4.1 million
 - Revenue from continuing operations up 6% to \$44.7 million
 - Operating cash flow up 93% to \$6.1 million
 - Earnings per share up 39% to \$0.39 per share
- ▶ IPN pursuing organic and acquisitional growth
- ▶ Sonic support for expansion (\$30 million debt facility)
- ▶ CEO Malcolm Parmenter providing strong medical leadership
- ▶ Outlook for continued strong growth

Future Growth

- ▶ Sonic's core laboratory businesses tracking strongly
 - Solid infrastructure in growing markets
 - Margin expansion from ongoing growth
- ▶ Imaging turnaround expected in near term
- ▶ Acquisition and outsourcing opportunities
 - USA laboratory market presents great potential for Sonic
 - European laboratory acquisition opportunities in pipeline
 - Laboratory outsourcing in UK and Europe