2011 ANNUAL GENERAL MEETING – CHAIRMAN'S ADDRESS

Ladies and gentlemen,

There is no doubt that 2011 has been a challenging time, not only for Sonic Healthcare but for all of us due to global economic uncertainty. In uncertain times it is heartening to know that Sonic operates in essential service industries, is one of the largest (if not the largest) and most efficient operators in each of its markets, has stable, experienced management, geographic diversification, and a strong balance sheet. You could say: a safe place to weather the storm. This has been reflected in the share price, with Sonic outperforming the broader market by 10-15% over the last twelve months.

The challenges Sonic faced during the 2011 financial year included ongoing foreign currency headwind, weak economic conditions and extreme weather in many of our markets, as well as a full year's impact of regulatory changes in the Australian pathology market.

On the positive side, we met the earnings guidance we had given the market, our large German and US operations continued their trend of margin expansion, and our Australian Pathology operations had a substantial turnaround in performance in the second half, after normal rates of organic growth returned to the market. Our Imaging division and IPN also performed strongly.

Ignoring the effect of currency translation, Sonic's revenue grew 10%, EBITDA by 11% as a result of margin expansion, and net profit by 6%.

A very significant development occurred in the second half, being the signing of a new five year Pathology Funding Agreement between industry and the Australian Federal Government. This agreement restored stability and certainty to the industry, which was sorely lacking in the prior three years. Three of your Directors, Colin Jackson, who is President of the industry association, the AAPP, Colin Goldschmidt and Chris Wilks played major roles in achieving this outcome, and I commend them for their efforts.

In 2012 and onwards, the major focus of the company will be synergy capture and earnings growth, in order to drive shareholder returns. We invested heavily over the last six years to gain critical mass in the USA and select Western European pathology markets, and we are now at a point where realisation of the benefits of these acquisitions will accelerate over the coming years. Value accretive acquisition opportunities in our current markets will continue to be explored, using the highly successful model of medical leadership culture and a federated structure to consolidate these fragmented markets.

I thank my fellow Directors and Sonic's management teams and staff for their contributions which have allowed Sonic to reach its current position of strength. Your company is now very well placed to grow value for you, its shareholders, in coming years.

Introduction to Resolution 1 (by Mr Lou Panaccio)
As you are aware, Peter became your Chairman last year, but has been an integral part of the Board of Sonic and it's sub-Committees for almost twenty years. You have his biography in the back of the Notice of Meeting. A Chartered Accountant and Company Auditor by background, Peter brings financial and business experience to the Board, along with extensive corporate memory. Peter is an independent, non-executive director.

Introduction to Resolution 2 (by Mr Peter Campbell)
Like me, Lou's background is in Chartered Accounting, making him well suited to his role as Chairman of Sonic's Audit Committee. Lou brings a wealth of healthcare management expertise and strategy to the Board, including his past role for ten years as CEO of Melbourne Pathology. Lou has been on the Board as an independent, non-executive director since 2005.

Introduction to Resolution 3
Chris Wilks is Sonic's longest standing director, having joined the Board as a non-executive in 1989. He has been Sonic's Chief Financial Officer and Finance Director since 1993. Chris has worked closely with and supported our CEO Colin Goldschmidt throughout the company's rise from a "penny dreadful" stock to an ASX Top 50 Company. A recent Commsec study reports that under the management of Colin and Chris, Sonic has delivered a return to shareholders of 17,754% over the last twenty years, an average of 887% per year. Only one other company in the ASX 50 has done better. Chris Wilks' name is almost as synonymous with Sonic Healthcare as Colin Goldschmidt.

Introduction to Resolution 4
As you are all no doubt aware, Remuneration Reports are even more topical and controversial this year, given the application of the "two strikes" rule, which is described on page 8 of the Notice of Meeting. There will always be differences in views on individual elements of the Report and the pay structures it describes, but we would ask you to look at the Report as a whole. Sonic's 2011 Remuneration Report includes not only the required historical information for the 2011 year, but also details the proposed new arrangements for our CEO and CFO, Colin & Chris for the next five years as we considered it important to give shareholders this visibility.

In relation to the historic information, 2011 was the final year of a three year deal for Colin and Chris, during which time their base pay did not increase. The majority of the Long Term Incentive options approved by shareholders at the 2008 AGM did not vest as performance conditions were only partially met. Sonic achieved Total Shareholder Return for the three years at the 65.7% percentile of the comparator group. The options that did vest are still "out of the money" with an exercise price of $12.98.

The table shown on the screen – the detail of which is included in the Remuneration Report - shows the relationship between pay for the executive directors and top 5 highest paid executives and the company's performance over the last five years.

In the earlier years in this period, the company performed very strongly and the executives benefited from this, although not to the same extent as shareholders. You can clearly see that the weaker performance of the company in recent years, due mainly to foreign currency headwind and regulatory changes in the Australian pathology market, has significantly impacted the pay of the executives.

To develop the proposed remuneration arrangements for Colin and Chris for the next five years the Remuneration and Nomination Committee conducted a comprehensive review including engaging independent remuneration consultants. As part of their advice the consultants considered the level of total and individual components of remuneration and made detailed comparisons by percentile band to a core comparator group of twenty two ASX listed companies of comparable size and complexity to Sonic, as well as to all companies in the ASX 100.

Taking this into account a structure was developed which we believe adequately, but not overly, remunerates the executives compared to their peers, and incentivises them to create shareholder value. The structure includes base pay; a capped short term incentive (making up a maximum 26% of total remuneration) in the form of an annual bonus based on EBITDA growth and a qualitative assessment; and a long term incentive (just less than 40% of total remuneration) involving rights and options, which are the subject of Resolutions 6 and 7.

EBITDA growth was chosen as the major performance criteria for the Short Term Incentive as it is consistent with the way Sonic has given market guidance for the 2012 financial year and is likely to give future guidance, and it is a clearer measure of operational performance than net profit or earnings per share. The Short Term Incentive will be paid in cash, which was considered appropriate given the weighting of the total packages toward the Long Term Incentives, which are comprised totally of equity, and reflecting that Colin and Chris already hold substantial equity in Sonic following their long tenure with the company.

SONIC HEALTHCARE LIMITED ABN 24 004 196 909 • 14 GIFFNOCK AVENUE • MACQUARIE PARK • NSW 2113 • AUSTRALIA
LOCKED BAG 145 • NORTH RYDE • NSW 1670 • TELEPHONE (02) 98 555 444 • FACSIMILE (02) 9878 5066

The performance hurdles for vesting of the Long Term Incentives relate 50% to relative Total Shareholder Return and 50% to growth in Return On Invested Capital. Using relative Total Shareholder Return clearly aligns the interests of the executives with shareholders. Growth in Return on Invested Capital was chosen as a performance hurdle following the input of several of the Company's larger shareholders and potential shareholders who, along with the Board, believe that the Company's primary focus in coming years should be improvement in the return from the investments the Company has made in its offshore markets.

Feedback for the new remuneration structure from the major corporate governance advisory groups and major shareholders has been positive, as reflected in the Proxy Voting, and the advisory groups have recommended in favour of all resolutions on today's agenda. The Australian Shareholders' Association however have advised that they will vote against the remuneration related resolutions as there are three elements of the new structure with which they do not agree. The Sonic Board believes, as do the other advisory groups, that the many positive aspects of the proposed arrangements far outweigh these points. We have addressed the ASA's points in detail in a letter, copies of which are available for interested shareholders.

Introduction to Resolution 5

This resolution is one we put forward every three years, and enables options to be issued under our Employee Option Plan without counting towards the annual 15% limit on equity which can be issued without shareholder approval. In reality, it is unlikely that this will be an issue; however it is common practice to seek this approval to provide the Board with flexibility.

It has been brought to our attention that one of the provisions of our Plan is somewhat out of date, being the acceleration of vesting of all options in the event of a takeover bid, and the Board intends to amend the Plan to reflect current thinking on best practice in this area, including the need for the bid to actually result in a change of control for vesting to accelerate.

Introduction to Resolutions 6 and 7

As we have already discussed, part of the new remuneration arrangements for Colin and Chris involve granting rights and options as Long Term Incentives. Vesting of the rights and options is subject to challenging performance conditions. Whether you look at twenty years, five years or one year, Sonic's share price has outperformed the broader market and Colin and Chris have created enormous value for Sonic's shareholders over eighteen years. The Board wishes to incentivise them to continue to do so for years to come.

I note that in relation to potential acceleration of vesting for a takeover bid, vesting of these rights and options will only accelerate if the bid results in a change of control, and only the next tranche will vest, rather than potentially all three tranches.

Thank you.

Peter Campbell
18 November 2011

SONIC HEALTHCARE LIMITED ABN 24 004 196 909 • 14 GIFFNOCK AVENUE • MACQUARIE PARK • NSW 2113 • AUSTRALIA
LOCKED BAG 145 • NORTH RYDE • NSW 1670 • TELEPHONE (02) 98 555 444 • FACSIMILE (02) 9878 5066