Healthscope

# Financial Results
# for Year Ended 30 June 2007

Mr Bruce Dixon
Managing Director

22 August 2007

# Highlights

- **Financial results**
  - In line with “un-audited management accounts” released 6 August 2007
- **Final Dividend of 9.0 cents per share fully franked**
  - Total Dividends for FY2007 of 17.5 cents up 21 %
- **Outlook**
  - Symbion Health acquisition on track
  - Existing businesses  growth at least in line with industry growth, with further improvement in underlying margins
  - Further update at AGM (24 October 2007)

[1] Non-recurring items (NRI’s)

# Financial Highlights

- **Revenue (excluding prosthetics) up 24% to $1,224.2m**
- **Net Profit before NRI's[1] up 39% to $68.7m**
  - Net Profit after NRI's up 56% to 84.0M
- **EBITDA before NRI's up 34% to $177.6m**
- **EPS before NRI's up 30% to 29.1 cents**
  - EPS after NRIs up 43% to 35.7 cents
- **98% conversion of EBITDA to cashflow**
- **EBITDA Margins enhanced in both divisions**
  - Pathology: from 14.4% to 16.3%
  - Hospitals: from 14.1% to 14.8%
- **Final Dividend of 9.0 cents per share fully franked**
  - Total Dividends for FY2007 of 17.5 cents up 21 %

1 Non-recurring items (NRI's)

# Group Profit & Loss Summary – Before NRIs

| Before Non Recurring Items | FY2006 ($m) | FY2007 ($m) | Change (%) |
|---|---|---|---|
| Revenue[1] | 986.1 | 1224.4 | 24% |
| **EBITDA** | **132.9** | **177.6** | **34%** |
| D&A | (28.0) | (35.3) | 26% |
| **EBIT** | **104.9** | **142.3** | **33%** |
| Interest | (40.4) | (44.7) | 11% |
| **Net profit before tax** | **64.5** | **97.6** | **51%** |
| Income tax expense | (14.9) | (28.9) | 94% |
| **NPAT** | **49.6** | **68.7** | **39%** |

- Full Year impact of ex-Affinity hospitals (FY2006 – 8 months)
- Acquisition of Brisbane Private, Newcastle Private & DoctorsLab (Singapore)
- Campbelltown Private opened
  - Acquisitions funded from existing debt facilities
  - Profitable from day one
- Sale of 4 hospitals effective 1 Oct 06
- Path labs established at 5 HSP hospitals
- Improved margins in both business segments
- FY2007 tax Rate 30% (FY 2006 23%)

[1] Group revenues excludes $141m revenue from prosthetics (FY2006 $100m); FY2006 revenue excludes $29 m of revenue from Amdel (analytical business sold in Dec 05)

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# Group Profit & Loss Summary – After NRIs

| | FY2006 ($m) | FY2007 ($m) | Change (%) |
|---|---|---|---|
| **NPAT - Before NRIs** | **49.6** | **68.7** | **39%** |
| NRIs (after tax) | 5.3 | 15.6 | 194% |
| **NPAT – After NRIs** | **54.9** | **84.3** | **54%** |

**Non Recurring Items (net after tax)**

- Profit on sale of Hospitals: + $15.1m
- Gribbles acquisition provision (tax) adjustment +$8.2m
- Write down in carrying value of Labtests Auckland: ($4.3 m)
- Other items; ($3.4m)

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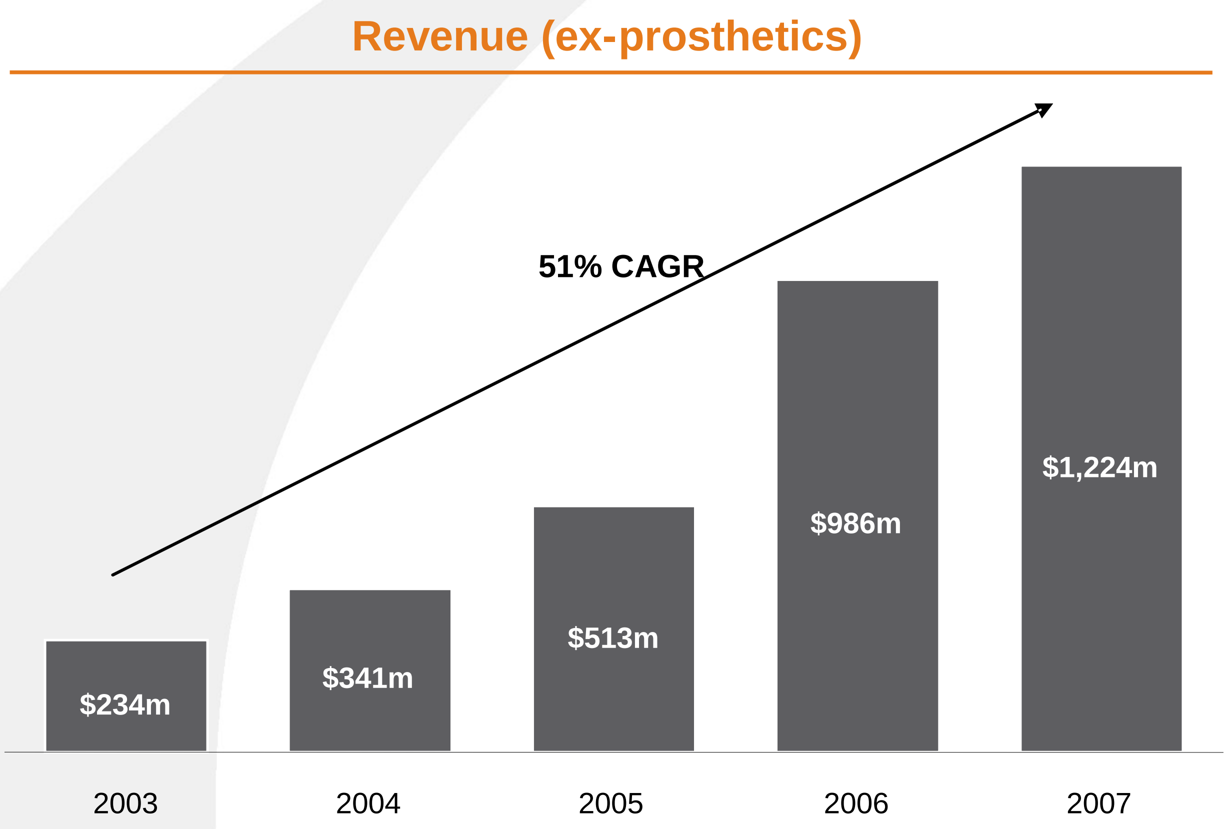
# 24% revenue growth year on year




- Hospitals revenue growth of 27% includes
  - Hospital acquisitions (Brisbane, Newcastle)
  - Full year Affinity hospitals contribution
  - 3 months of divested hospitals
- Underlying organic growth of 5 % across hospitals portfolio
- Australian Pathology revenue growth of 14%. International Pathology growth of 12%
- 5 Pathology laboratories established in hospitals

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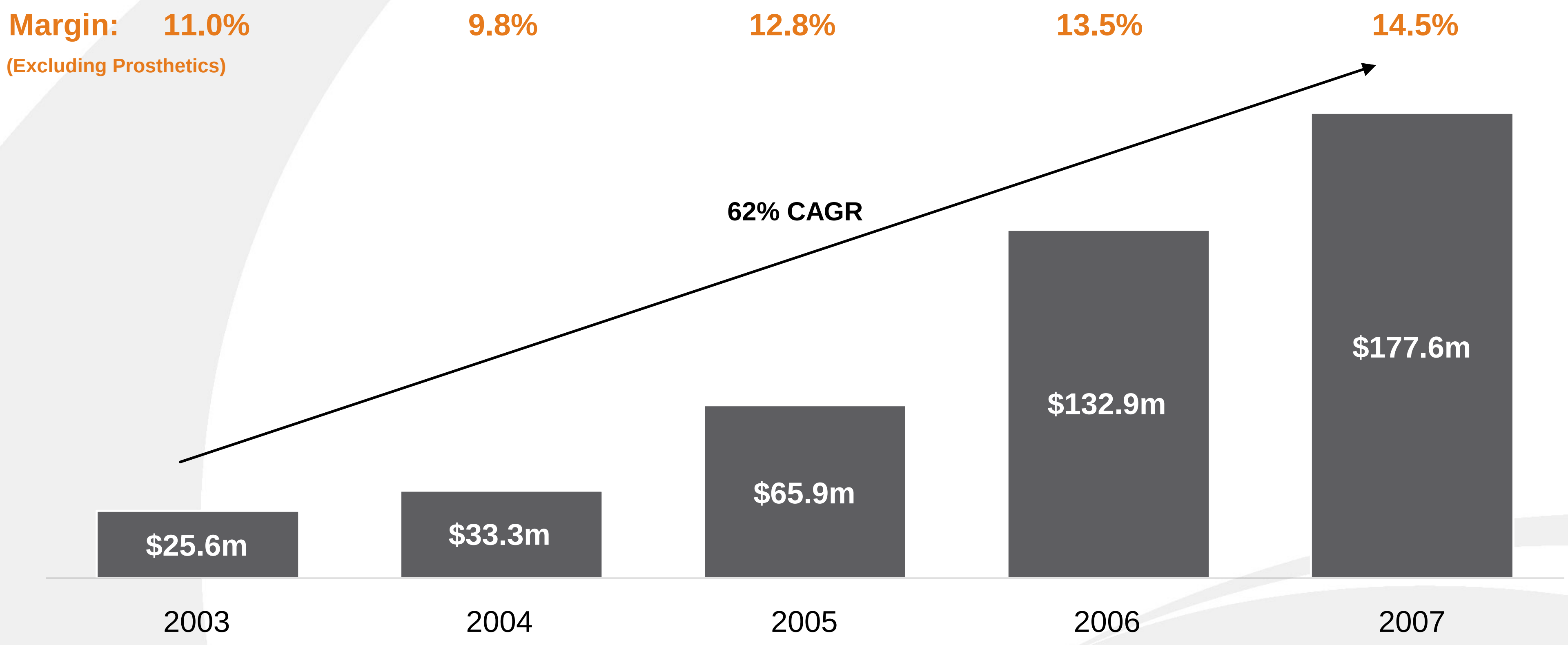
# 34% increase in EBITDA

## EBITDA (before NRI's)

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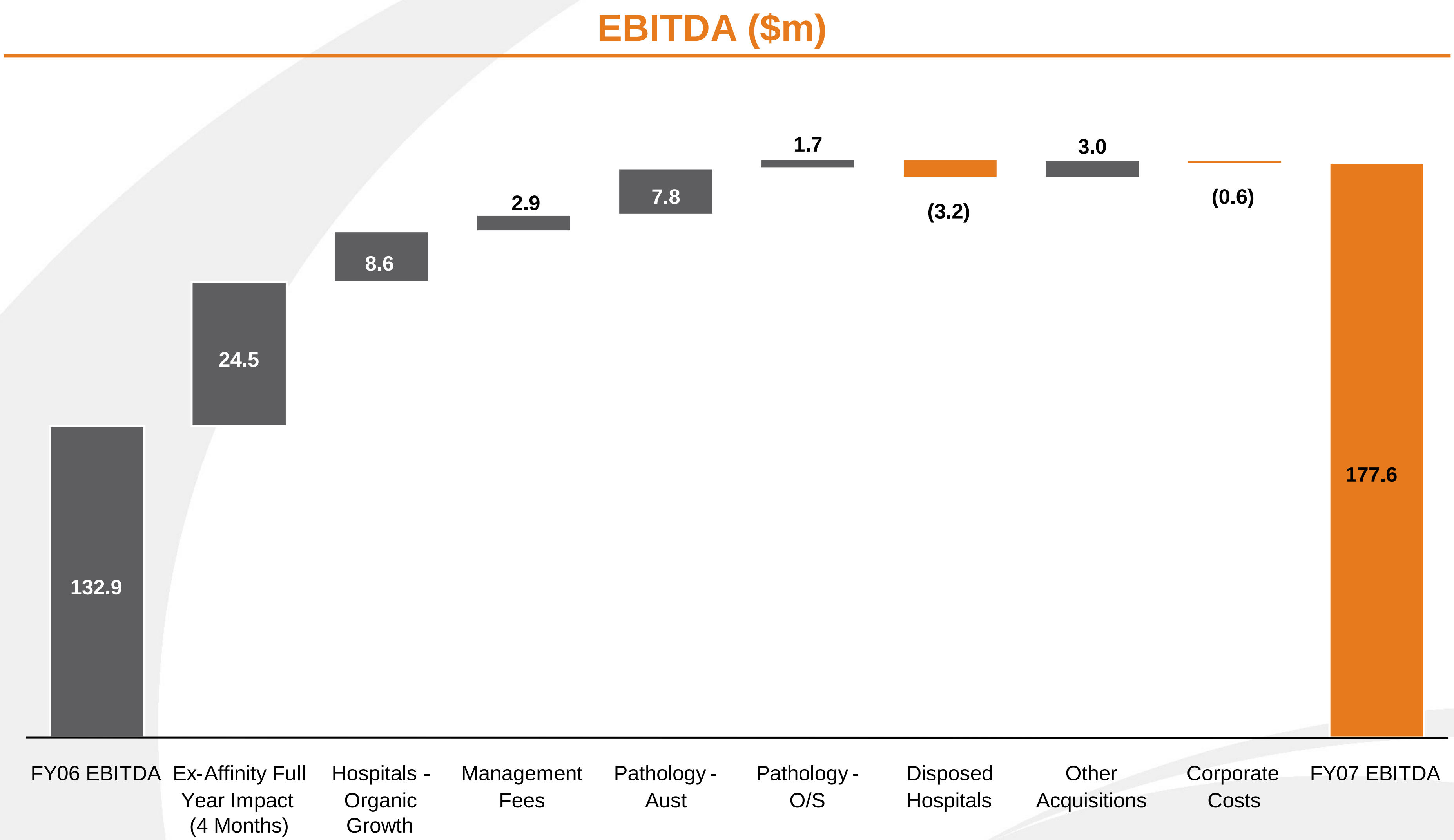
# FY07 EBITDA Attribution Analysis

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# Strong divisional revenue growth and margin improvement

| ($m Before NRIs) | FY06 | FY07 | Change (%) |
|---|---|---|---|
| Hospital Revenue[1] | 752.4 | 960.5 | 28.0% |
| Pathology Revenue | 233.6 | 263.7 | 12.9% |
| **Total** | **986.0** | **1,224.2** | **24.1%** |
| | | | |
| Hospital EBITDA[1] | 106.1 | 141.9 | 33.7% |
| Pathology EBITDA | 33.6 | 43.1 | 28.3% |
| Corporate | (6.8) | (7.4) | 8.8% |
| **Total** | **132.9** | **177.6** | **33.6%** |
| | | | |
| Hospital Margin[1] | 14.1% | 14.8% | 5.0% |
| Pathology Margin | 14.4% | 16.3% | 13.2% |
| **Group Margin (includes corporate costs)[1]** | **13.5%** | **14.5%** | **7.4%** |

[1] Excludes Prosthetics

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# Hospital Performance

- Full year contribution from Affinity hospitals (8 months in FY2006)
- Core hospital (ex Affinity) EBITDA growth of 12.5% year on year
- Normal seasonality in 2HY07
- Acquisitions and Greenfield commissioned in 2HY07 – with lower margins
  - Brisbane Private (Feb)
  - Newcastle Private (May)
  - Campbelltown Private (June)
- Three months of four divested hospitals in 1HY07
- Modbury handback effected 1 July 2007

| Hospital Performance | FY06 | 1HY07 | 2HY07 | FY07 |
|---|---|---|---|---|
| ($m Before NRIs) | | | | |
| Revenue[1] | 752.4 | 467.1 | 493.4 | 960.5 |
| EBITDA | 106.1 | 70.1 | 71.8 | 141.9 |
| EBITDA Margin | 14.1% | 15.0% | 14.6% | 14.8% |

[1] Excludes Prosthetics

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# Pathology Performance

- Episode growth of 9.2% - above rate of total industry growth
- Australian revenue growth of 14%
  - Driven by increased proportion of hospital & specialist work
  - Strategy is working
- Margins continue to expand

| Pathology Performance | FY06 | 1HY07 | 2HY07 | FY07 |
|---|---|---|---|---|
| ($m Before NRIs) | | | | |
| Revenue | 233.6 | 128.1 | 135.6 | 263.7 |
| EBITDA | 33.6 | 20.3 | 22.8 | 43.1 |
| EBITDA Margin | 14.4% | 15.9% | 16.8% | 16.3% |

[1] Excludes Prosthetics

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# 98% conversion of EBITDA into cash flow

| **Gross Operating Cash to EBITDA (pre – securitisation activities)** | **$m** |
|---|---|
| Cashflow from Operating Activities (Pre NRI's)[1] | 113.5 |
| Add back | |
| Interest paid | 43.3 |
| Income Tax paid | 18.0 |
| **Gross Operating Cash Flow** | **174.8** |
| **EBITDA (Pre NRI's)** | **177.6** |
| **Ratio of Gross Operating Cash to EBITDA** | **98%** |

[1] NRIs total $4.9m

- Strong, consistent positive cashflows from businesses.
- Continued tight management of working capital – significant improvement in debtor days
- Cashflow reported pre – securitisation of receivables (securitisation treated as a financing activity)
- Receivables sold into Securitisation Facility ($78.9 m) used to reduce long term debt.

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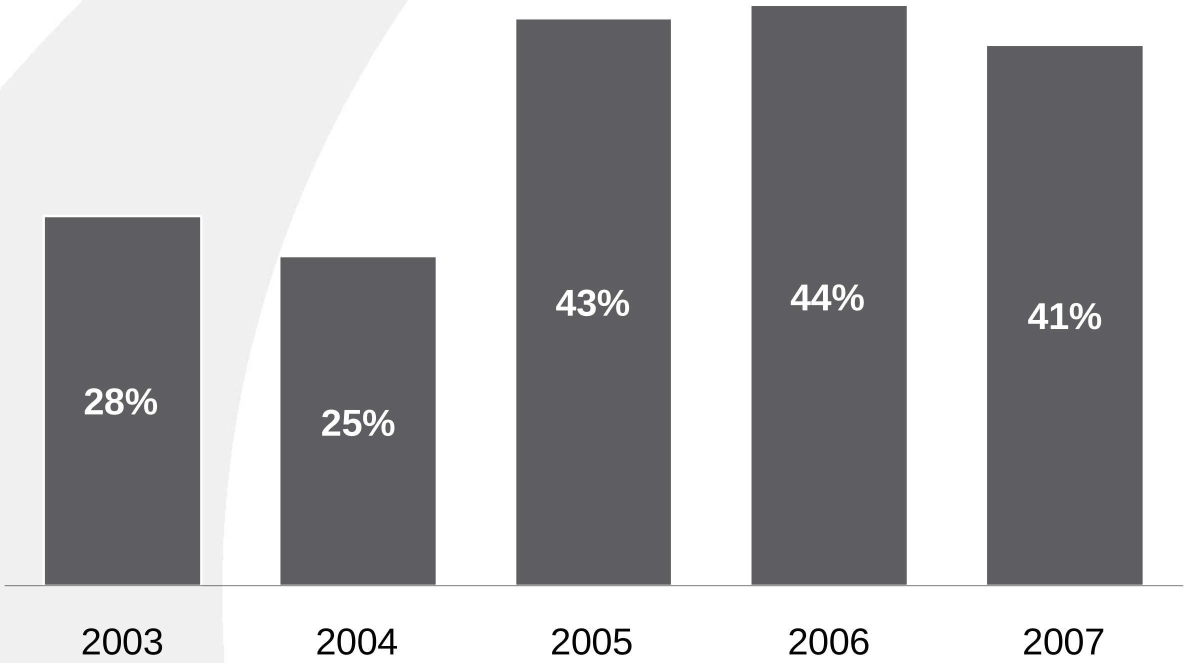
# Balance sheet strengthened

## Net Debt to Net Debt plus Equity




- Net Debt excluding Securitisation of $555m (FY 2006 - $576m)
- Net Debt including Securitisation of $634m. Debt/debt plus equity including Securitisation stands at 44%
- Acquisitions of $108.9 m and Greenfield Developments of $35.0 m funded from operating cashflows plus debt.
- Interest cover 4.1 times (FY 2006- 3.5 times)
- Securitisation Costs included in “net Finance Costs”
- Undrawn committed debt facilities of $55.0 m at 30 June 2007.

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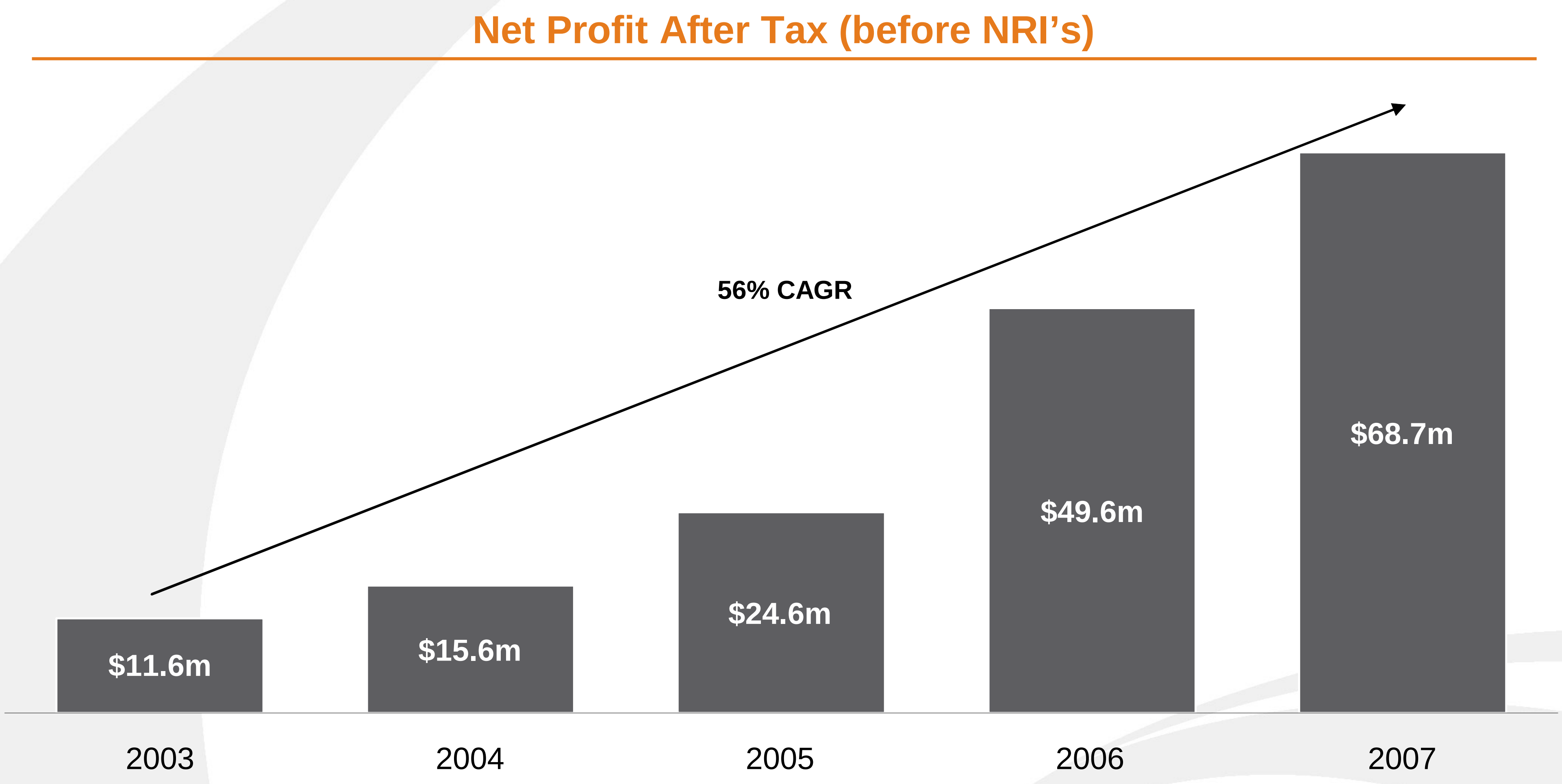
# 39% increase in Net Profit After Tax

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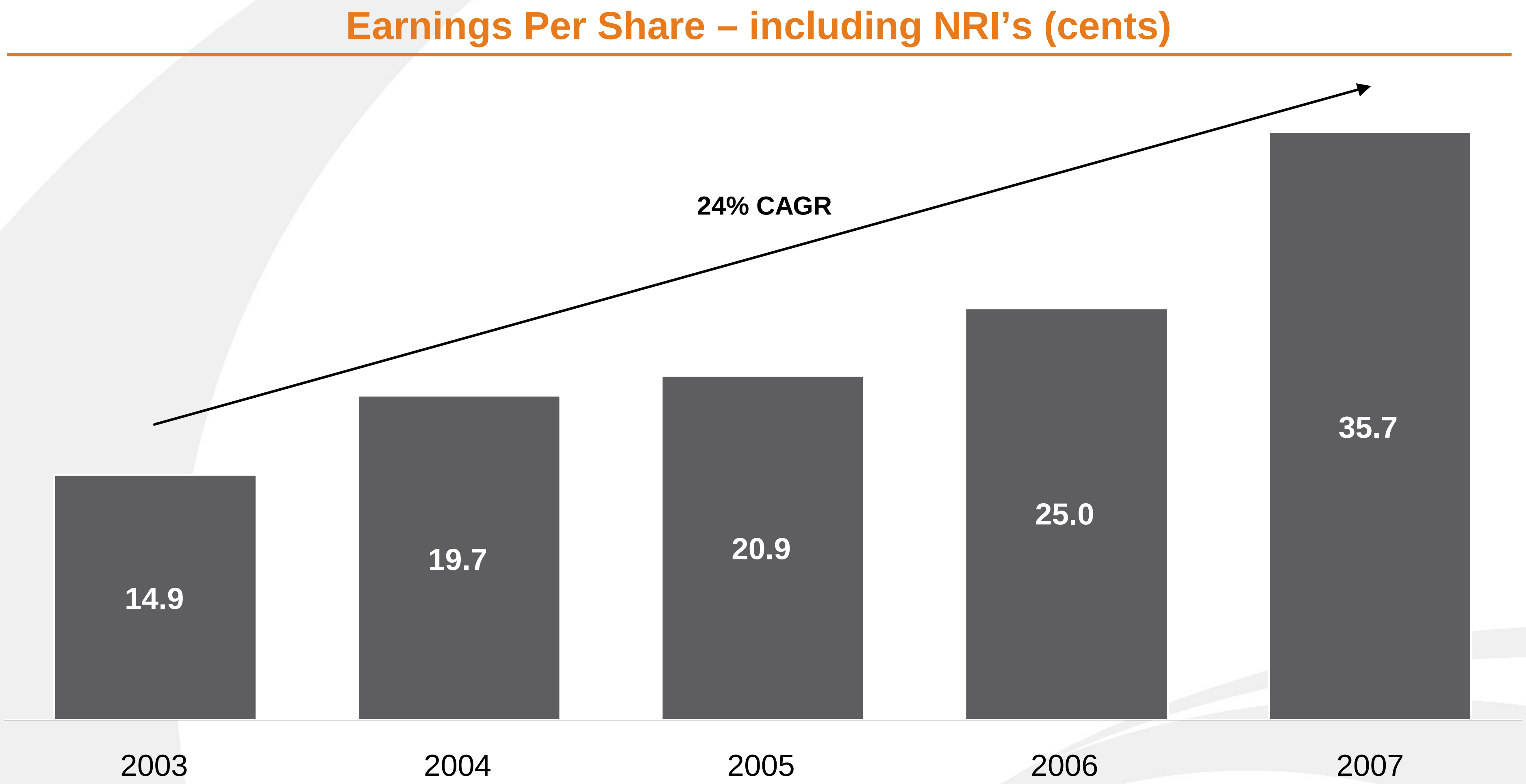
# 43% increase in earnings per share (including NRI's)

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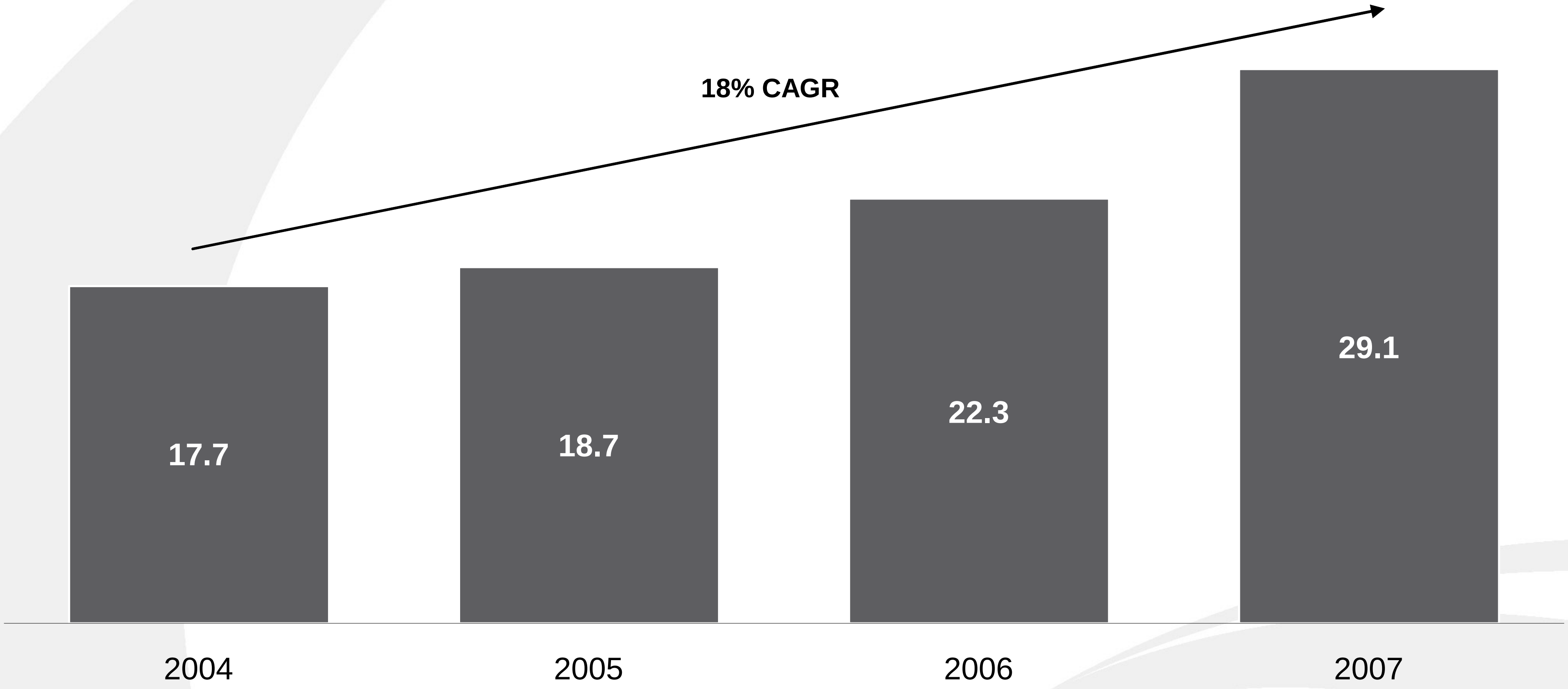
# 30% increase in earnings per share (before NRI's)

## Earnings Per Share – before NRI's (cents)

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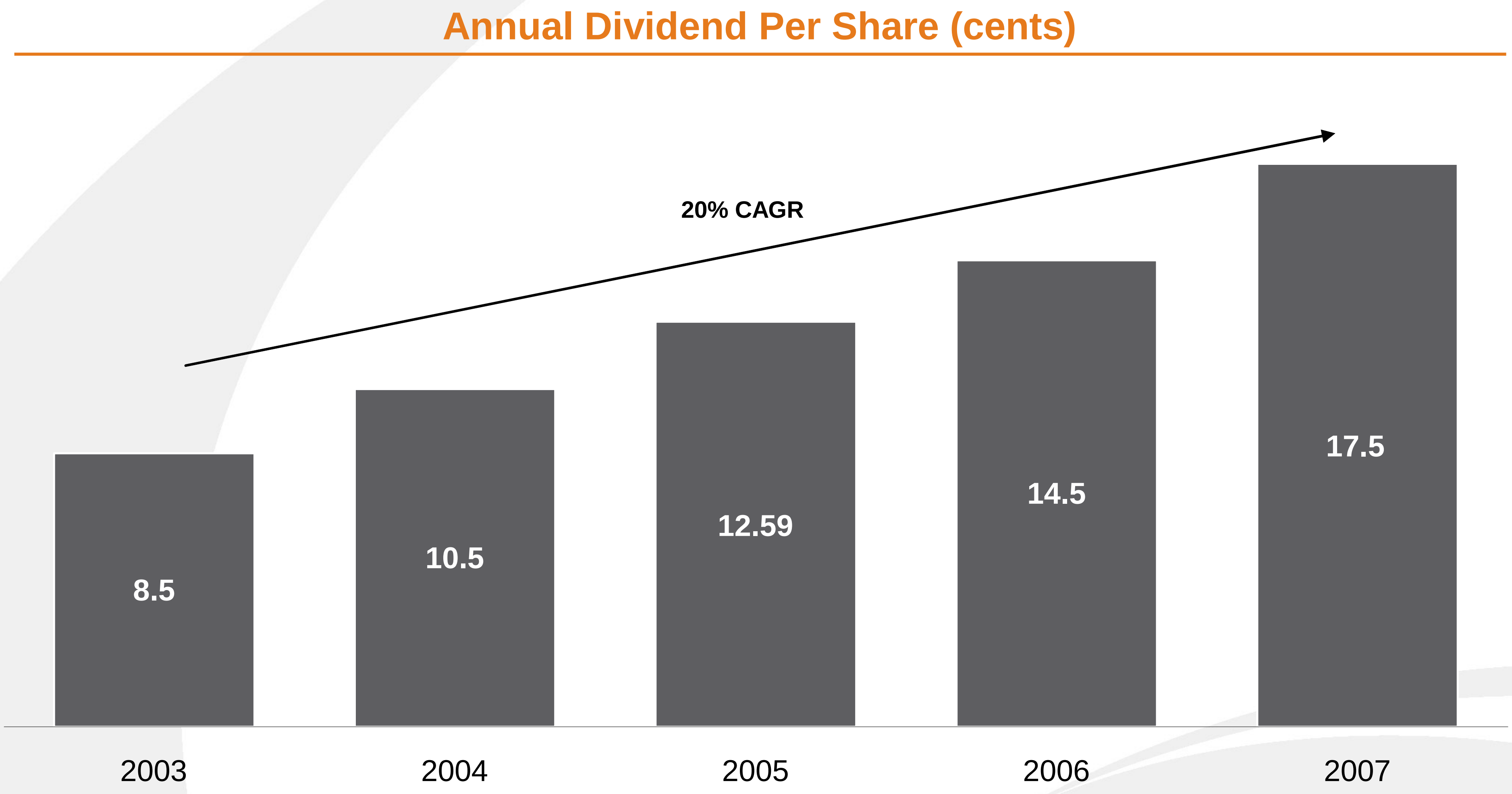
# Dividend Growth Continued



# Continued growth through acquisitions and development

**$108.9m in Acquisitions Completed**

- Brisbane Private Hospital (February 2007)
- Newcastle Private Hospital (May 2007)
- DoctorsLab – Pathology-Singapore (December 2006)
- Minority interests (42%) held in Gribbles Pathology Malaysia (August 2006)
- Skin Cancer Clinics (June 2007)

**$35.0m in Greenfield Developments Completed**

- Campbelltown Private Hospital (June 2007)
  - Profitable from opening
- Pathology lab development Auckland (May 2007) – ARDHB contract

**$9.0m in Brownfield Developments Completed**

- 5 pathology Labs at HSP hospitals
- Expansion of hospital services

# Continued investment in existing businesses (cont)

**$43.3m Investment in Existing Businesses**

- Hospitals – additional and replacement equipment,  infrastructure upgrade
- Pathology – laboratory equipment, IT equipment and infrastructure
- Corporate – Group IT equipment and communications facilities

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# Update on Growth Opportunities

## Greenfield Developments

- Campbelltown Private Hospital
  - Commissioned 1 May 2007
  - 50 beds, 4 operating theatres
- Norwest Project – North West Sydney
  - Estimated Cost $67.0M
  - Upgraded to 169 beds
  - Completion FY 2010

## $13.7m Brownfield Expansions Currently Underway

- The Mount – Perth
  - Additional theatres
  - Expanded recovery area
  - Infrastructure upgrade
  - Expected completion FY 2009
- Geelong Private – VIC
  - 19 bed expansion
  - Consulting suite expansion
  - Expected completion FY2009
- The Hills – NSW
  - Convert to accommodate new services
  - Refurbish existing rooms – 105 beds ongoing
  - Expected completion FY 2010
- Brisbane Waters – NSW
  - Expand day surgery
  - Expand recovery area
  - Expected completion 2008

# Outlook

### Symbion Health Acquisition

- Proposed acquisition announced 1 May 2007.
- ACCC clearance subject to divestments of $34m of revenues pa.
- Scheme meeting date of 11 September 2007.
- Implementation date of 28 September 2007.
- Healthscope integration and synergy capture planning well advanced.

### Continuing Operations

- Growth in existing businesses expected to be at least in line with industry growth.
- Further improvement in underlying margins in pathology and hospitals businesses expected

### Further Update

- Further update at AGM (24 October 2007)

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# for Year Ended 30 June 2007

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