



Healthscope Limited

Half Year Results Presentation

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Outline

- Overview
 - Operating highlights
 - Financial highlights
 - Company in transition
- Financial review
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- Operating review
 - Hospitals
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- Outlook

Overview

Operating highlights

- Business in transition: consolidation and integration of acquisitions proceeding well
- Hospital division now represents 75% of annualised revenue and performing strongly
 - The 14 ex-Affinity hospitals company transforming
 - Hold robust market positions
 - Trading to expectations
 - Full impact of ex-Affinity hospitals in 2nd half.
- Human Pathology Australia underperforming due to
 - Revenue shortfall in GP markets in Victoria & NSW
 - start up laboratory costs and market position in NSW
 - Pace of Synergy capture
 - Certain operational factors;
- Turnaround strategies implemented to improve performance in next half and FY '07
- Despite implementation issues integrated hospital pathology service strategy intact –
 - Anticipated ramp up of revenue synergy capture
- Pathology in New Zealand, Malaysia and Singapore all performing at or above expectations



Overview

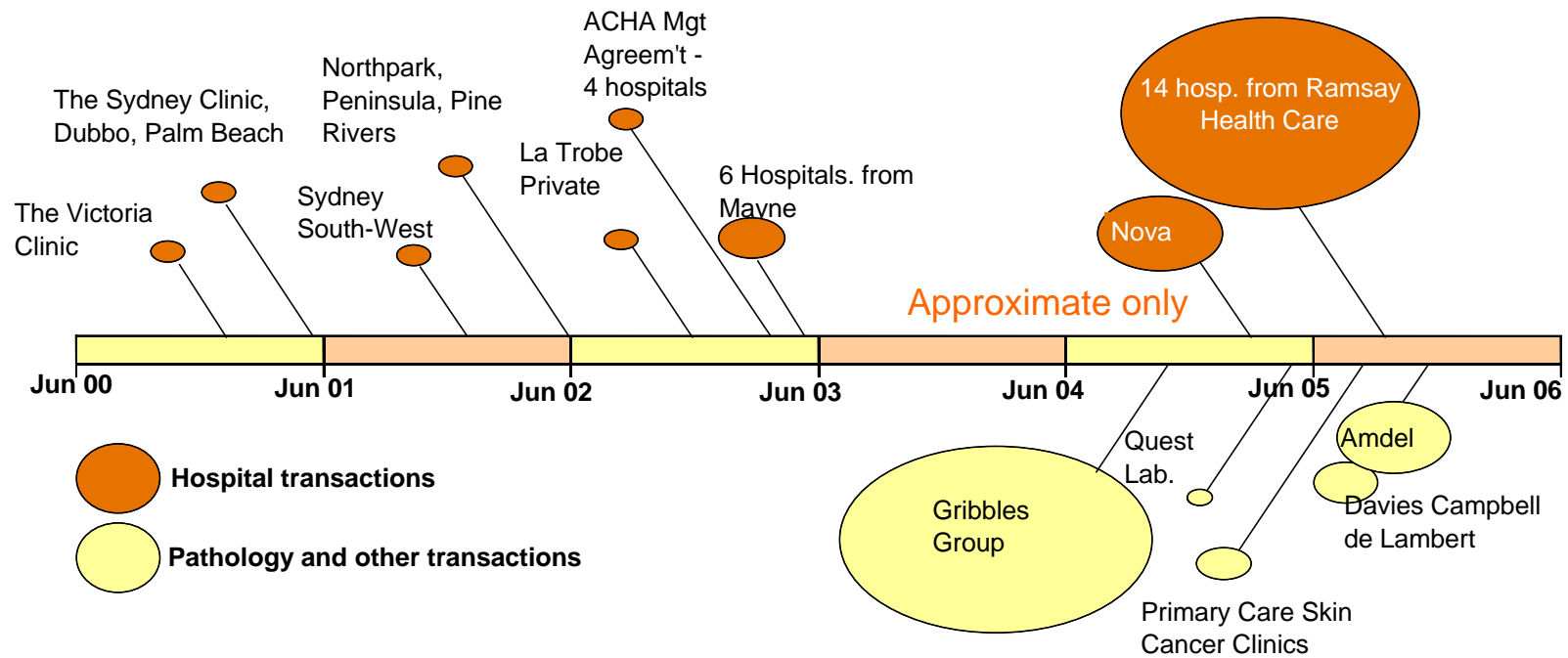
Key financial highlights

- Total revenues of \$484.8 million, up 141%
- EBITDA of \$58.8 million, up 153%
- Core EBITDA (before sale of Amdel & non-recurring items) of \$55.0 million
- Profit after tax for the half year of \$19.2 million, up 92%
 - Half year results affected by disappointing performance of Australian Human Pathology
 - Ex Affinity hospitals only 2 months
- Cash flows from operating activities of \$33.1 million, up 157%
- A fully franked interim dividend of 7.0 cents per share, up 16% on last year's interim dividend



Overview

Company transformed, a business in transition



Group Financial Review

Profit and loss review

	HY Dec 2005 (\$m)	HY Dec 2004 (\$m)	Variance %
Revenue	484.8	201.2	141%
EBITDA *	58.8	23.3	152%
Depreciation & amortisation	15.3	5.5	178%
EBIT	43.5	17.8	144%
Interest	(17.9)	(3.5)	408%
Income tax expense**	(5.8)	(4.3)	35%
Outside equity interest	(0.5)	-	N/A
Net profit after tax	19.7	10.0	98%
Net Profit attributable to Shareholders	19.2	10.0	92%

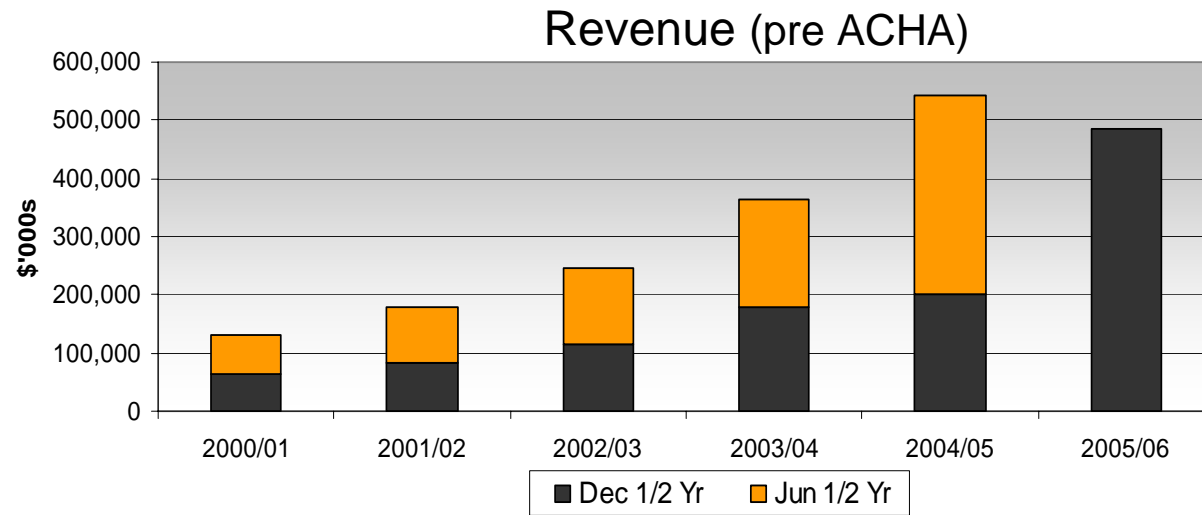
*EBITDA Includes:

- Includes \$5.6m gain on sale of Amdel
- Non-recurring costs of \$1.8 m

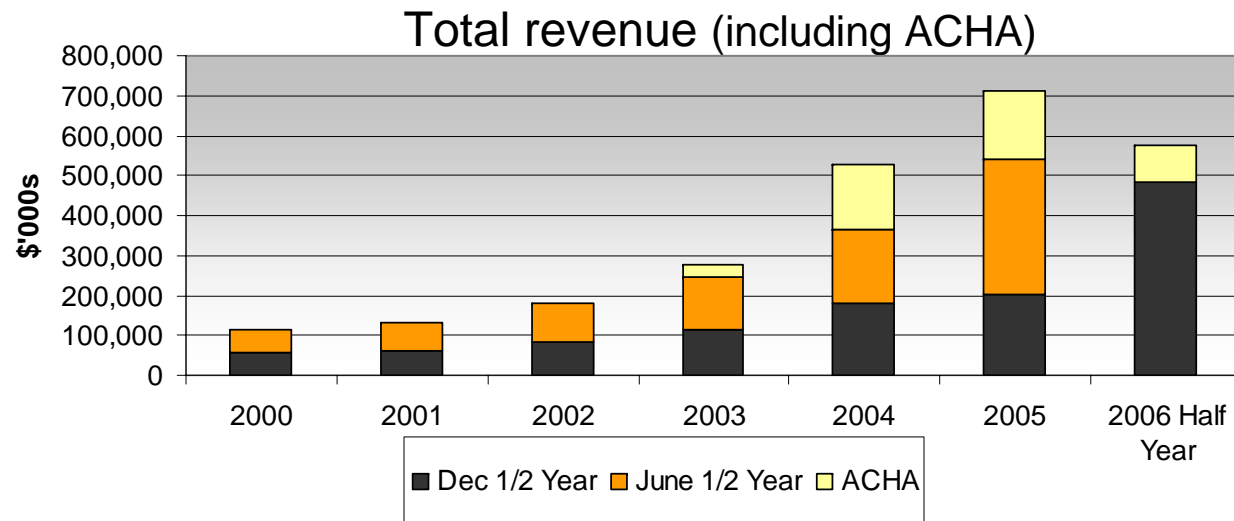
** Tax rate on operating profit (pre Amdel sale) of 30%

Group Financial Review

Acquisitions enhance revenue growth

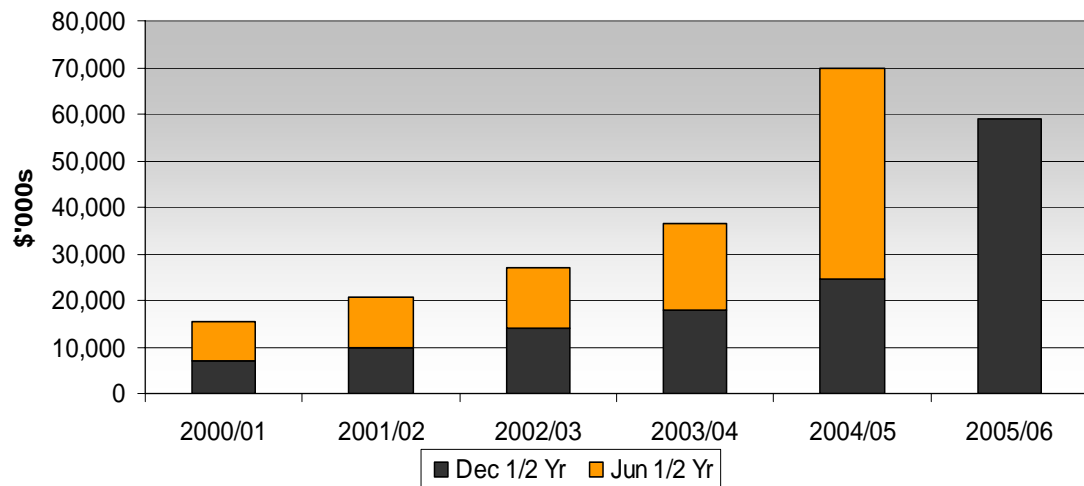


Core hospitals business performing strongly, but acquisition has transformed Healthscope revenues

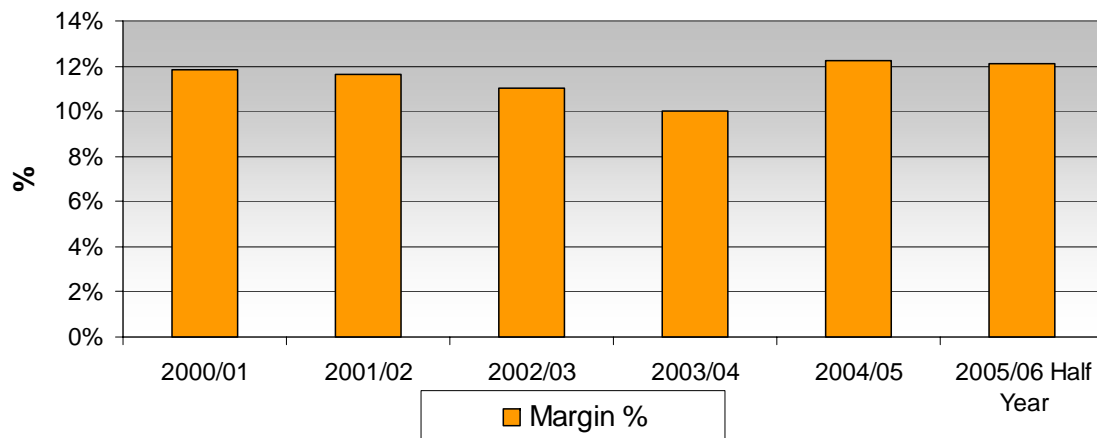


Group Financial Review

EBITDA growth strong, margins maintained



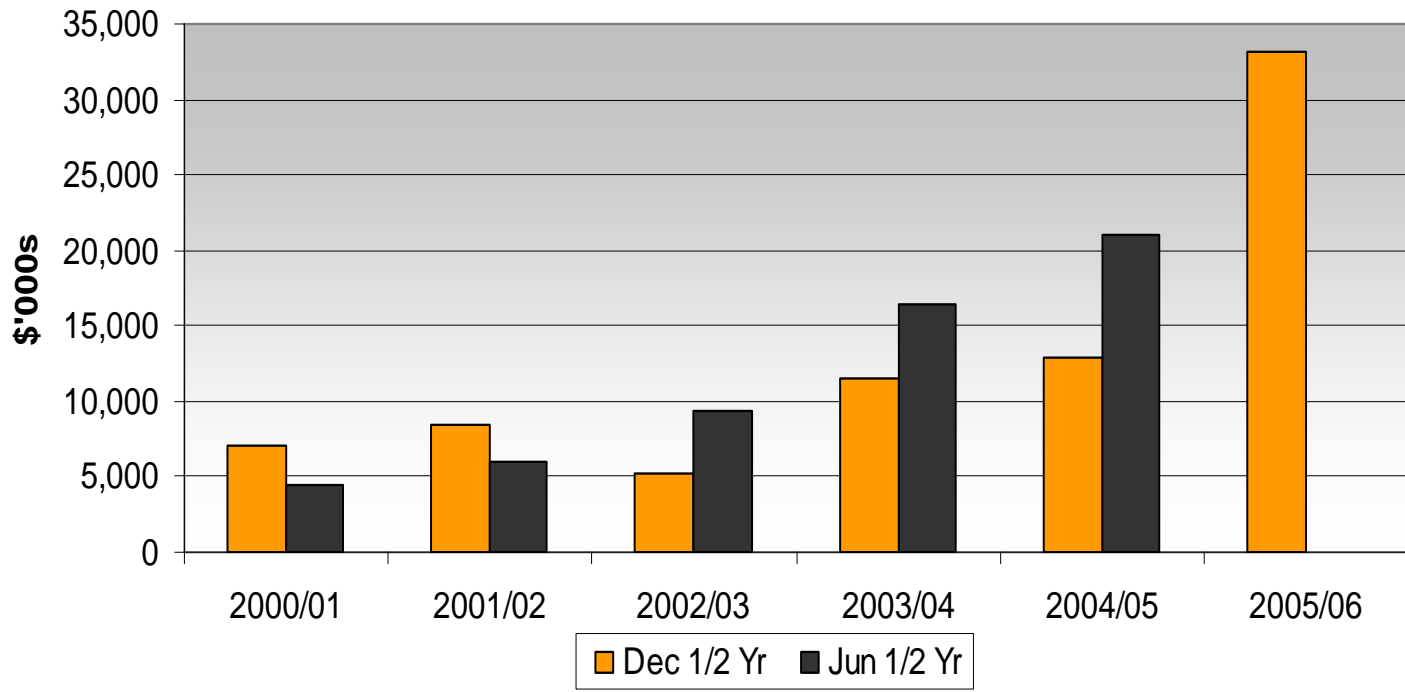
Strong EBITDA; core hospital business continues to grow



Overall EBITDA margins maintained through acquisitions

Group Financial Review

Strong cash-flow from operations



Strong cashflows available to service debt and fund required capital expenditure

Group Financial Review

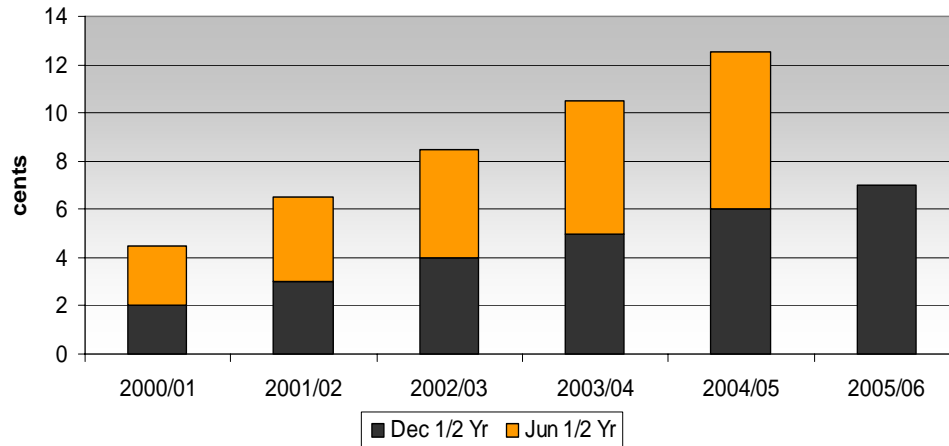
Cash flows – Key items

- Strong Cash flows to service debt, capital requirements and dividends
- Gross Operating Cash flows at 105% of EBITDA (before gain on sale of Amdel)
- Future Capex – generally in line with annual depreciation
- Acquisitions HY Dec 2005 – 14 Ex-Affinity Hospitals, Primary Skin Cancer Clinics, Davies Campbell De Lambert

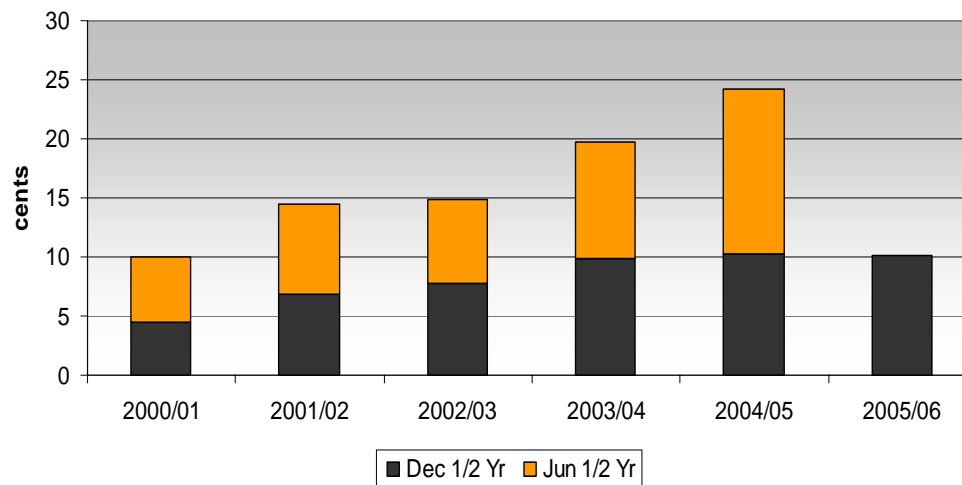
Cashflow	HY Dec 2005 (\$m)	HY Dec 2004 (\$m)
Gross Operating Cash flows	56.0	19.8
Cash flow from operations (After interest & tax)	33.1	12.9
Capex	(19.8)	(6.9)
Proceeds from investments and asset sales	60.5	2.1
Acquisitions	(573.1)	(97.3)

Group Financial Review

Shareholder returns



Progressive dividend policy maintained



EPS marginally down. Increased shares on issue following September Share Placement but Ex-Affinity hospitals only contributing for 2 months.



Group Financial Review

Financial Position

- Balance sheet reflects
 - Impact of acquisitions since December 2004 including Nova, 14 ex-Affinity hospitals, Primary Skin Cancer Clinics and Davies Campbell de Lambert
 - Divestment of Amdel
- Strong cash flow to service debt, capital requirements and dividends

	Dec 2005 (\$m)	Jun 2005 (\$m)	Dec 2004 (\$m)
Net assets	\$697.8	\$440.6	\$299.5
Interest bearing debt	\$607.6	\$333.5	\$298.2
Net Debt / (net debt+equity)*	45.9%	42.6%	49.9%
Intangibles	\$753.3	\$485.2	\$423.4

*Net debt = interest bearing liabilities minus cash

Segment Financial Performance

Revenue

- Revenue growth reflects transformation of the company
- Contains only 2 months of 14 ex- Affinity hospitals

Segment Reporting	HY Dec 2005 (\$m)	HY Dec 2004 (\$m)
Revenues		
- Hospitals	339.4	194.3
- Pathology	108.5	5.2
- Profit on sale of business	5.6	-
- Other	2.3	0.5
Sub Total	455.8	200.0
- plus analytical (sold 12/05)	29.0	1.2
Total	484.8	201.2

Segment Financial Performance

EBITDA

- Pathology margins are not reflective of target margins and impacted by losses in NSW
- Increased overheads reflect significant growth of Company operations.

Segment Reporting	HY Dec 2005 (\$m)	HY Dec 2004 (\$m)
EBITDA - Core		
- Hospitals	37.7	24.6
- Pathology	14.4	1.2
- Analytical	4.5	0.2
- Other	1.6	0.1
- Corporate	(3.2)	(1.1)
Total – Core	55.0	25.1
Non-recurring Items	(1.8)	(1.8)
Sale of Amdel	5.6	-
Total	58.8	23.3
EBITDA Margins		
- Hospitals ⁽¹⁾	12.5%	12.7%
- Pathology	13.3%	n.a.

1. Excluding prosthetics revenues of \$38.5m at nil margin

Current Operating Environment

Hospital Industry

- Industry has undergone dramatic restructure
 - Now 2 major for-profit hospital operators
 - Consolidation of hospital sector likely to continue due to funding pressures but incremental change rather than transformational
- Private health insurance participation remains steady at 43.1% and demand remains strong for well-positioned hospitals

Pathology Industry

- Consolidation likely to continue as operators seek scale benefits
- Pathology funding exceeding 5% growth cap due to Federal Government initiatives, such as Medicare Plus Safety Net
 - Any fee adjustment likely to be minimal, if at all

Review of Operations

Hospitals performance remains solid

- Major division represents approx 75% of annualised revenue
- Healthscope now second largest private hospital operator in Australia
- Overall strong performance in 1st half
 - Healthscope core hospitals performing strongly
 - Ex-Affinity hospitals performing at expectations, with no surprises. Acquisition transformed the company with all hospitals being excellent businesses
- Good depth of management talent and experience in the division
- Geographical coverage and quality of hospitals enables the company to provide a more comprehensive service to Health Funds, Doctors and patients

Review of Operations

Hospital portfolio structure transformed

- Following acquisitions the company now has flagship hospitals in every State/Territory of Australia
 - Excellent quality of ex-Affinity hospitals including state-of-the-art flagship hospitals; The Prince of Wales Private, The Mount, Knox Private and Melbourne Private
 - Nova hospital Allamanda, providing a major presence on the Gold Coast
- Refurbishment program of original core hospitals nearly complete
 - The expansion and total refurbishment of The Sydney Clinic anticipated to be complete Mar '06
- New hospitals development activity
 - Knox Private expansion and refurbishment on track for completion in April '06.
 - Victorian Rehabilitation Centre Eastern refurbishment completed
- A number of 'brownfield' opportunities now exist within the portfolio
Reviews currently underway to determine priorities

Review of Operations

Pathology

- Approx 25% of group revenue
- Revenues for Pathology of \$108.5m for 1st half, 7.4% more than same period last year
- Human Pathology Australia disappointing 1st half
- Human Pathology in NZ successful in renewing existing contract for a further 18 months
- Malaysia and Singapore trading above budget and continuing to grow market share
- Veterinary pathology continues to perform strongly in both Australia and New Zealand



Review of Operations

Pathology

Revenue and /or EBITDA impacted by:

Issue

- Losses incurred in the NSW business
- Competitive marketplace in GP sector, particularly in Victoria & various marketing schemes ceased
- Operational issues in the Clayton laboratory
- Establishment costs of new laboratories in hospitals/new markets.

Resolution

- Business restructured, based on acquisition of preeminent Davies, Campbell De Lambert
- Renewed and increased marketing program
- Management restructure and capital expenditure
- Breakeven in new laboratories being achieved in 3-6months as doctors transfer work



Review of Operations

Vertical integration works

- Pathology revenue synergies - timing issue, not structural.....
- The hospital/pathology vertical integration model remains valid and issue is timing of revenue capture
 - Approximately 30% of hospital and associated specialist referrals achieved to date; continues to build monthly
 - Excellent take-up in SA demonstrate that specialist clinicians support model
 - Early indications that doctors at 14 ex-Affinity hospitals receptive to model
- The issues
 - Services standard are critical. Take-up model is pull not push
 - In Victoria the Clayton laboratory simply could not meet specialists turnaround time for test results
 - Gribbles NSW business required complete restructure to meet specialist requirements

Review of Operations

Vertical integration works

Case study of take-up in SA ⁽¹⁾

- Hospital beds including ACHA : 417 beds
- Revenue synergies achieved in 1st half directly from SA hospitals: \$3.7m (\$7.4m annualised)
- Equivalent of approx. \$18,000 p.a. per bed of pathology revenue being generated

Why successful?

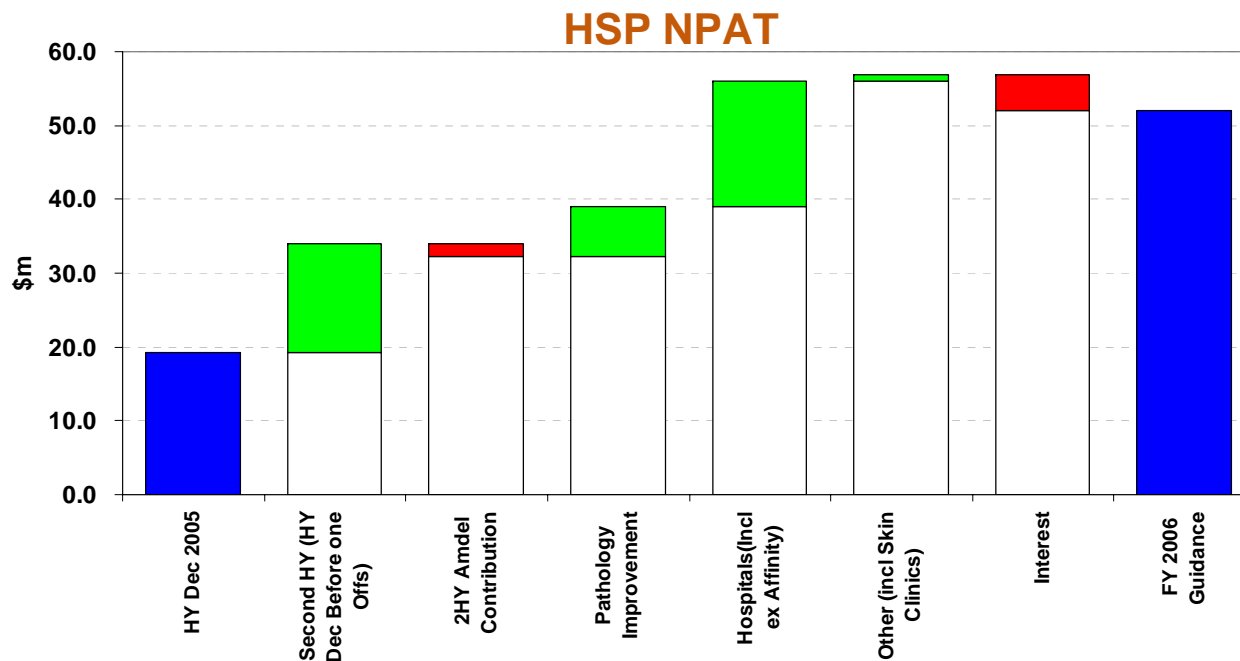
- Gribbles well established and laboratory service standards as required for Specialist work, ie turnaround times can be met
- Excellent Pathologists
- Strong hospital management

1) *Note: excludes Modbury (existing Gribbles service) and Flinders given service only commenced Dec '05.*



Outlook

- Forecast Net Profit After Tax for FY 2006 (inclusive of gain on Sale of Amdel and non-recurring restructure costs) of in excess of \$52.0 million
 - Second half improvement due to inclusion of ex-Affinity hospital profits for full year, and expected improvement in Human Pathology Australia results following operational management restructure



Major drivers of 2nd half improvement are full half year of Ex-Affinity hospitals and improved results from Pathology

Outlook

- Maintain focus on strong business operations from core business
 - Complete integration of ex Affinity hospitals into Healthscope
- Continued focus on operational issues particularly:
 - Turnaround in performance of Clayton laboratory to cater for hospital specialists
 - GP marketing
 - Consolidation of NSW pathology business into Davies Campbell de Lambert
- Continue to roll-out plans of collection centres and laboratories to capture hospital pathology synergies including ex-Affinity hospitals

Questions

Healthscope Limited

Half Year Results Presentation