



Healthscope

Healthscope Limited

HY2006 Results Presentation

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Healthscope

Main Features; business in good shape....

- Strong financial results; EBITDA (continuing operations) up 73% on corresponding period last year
- Continued strong margin improvement in both hospitals and pathology divisions
- Hospital networks benefit Doctors and patients and result in margin improvement
- Significant growth opportunities in brownfield and greenfield developments identified
- The only national network with flagship hospitals in every State/Territory with integrated national pathology footprint
- New Zealand pathology contract on track for commencement on 1 July 07
- Non-core/underperforming hospitals divested



Financialextracting value from acquisitions

- Revenue up 42%
- Net Profit up 144%
- EBITDA (continuing businesses) up 73%
- EPS up 99%
- Dividend up 21%
- Strong cashflow at 101% EBITDA

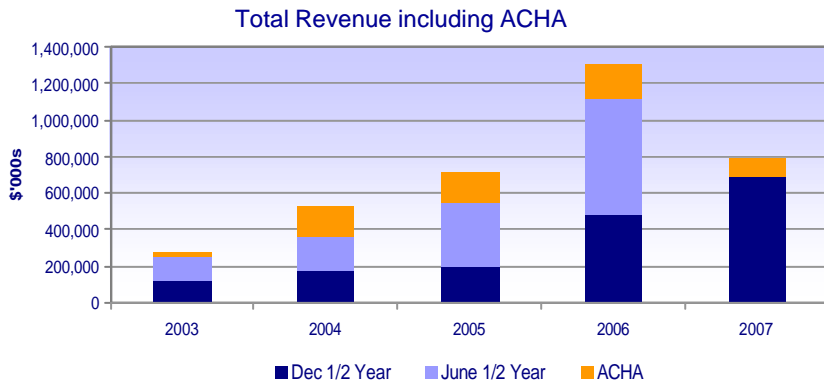


Group Profit & Loss

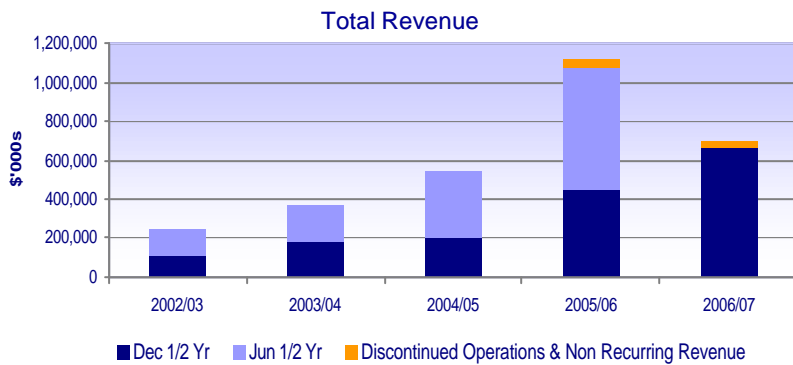
	Half Year End 31 Dec 2006	Half Year End 31 Dec 2005	Variance %
	\$Millions	\$Millions	
Revenue	690.0	484.8	42.3
EBITDA - from continuing operations	87.1	50.5	72.5
- from discontinued operations	15.6	8.3	87.9
Total EBITDA	102.7	58.8	74.7
Depreciation & amortisation	17.2	15.3	12.4
EBIT	85.5	43.5	96.6
Interest	23.6	17.9	31.8
Net profit before tax	61.9	25.6	141.8
Income tax expense	14.9	5.8	156.9
Net profit after tax	47.0	19.7	138.6
Outside equity interest	0.3	0.5	(40.0)
Net Profit attributable to Shareholders	46.7	19.2	143.2



80% revenues from hospitals....



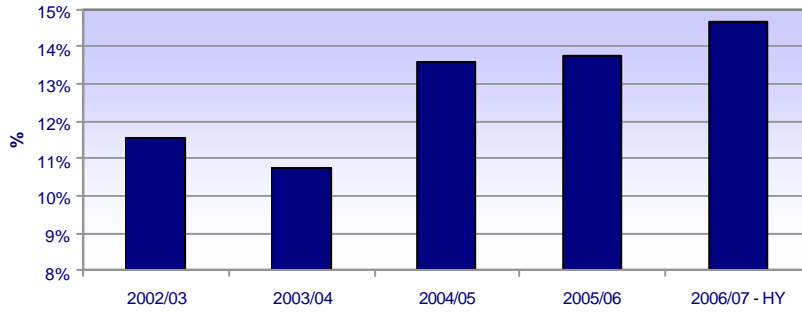
Company transformed last 2 years....





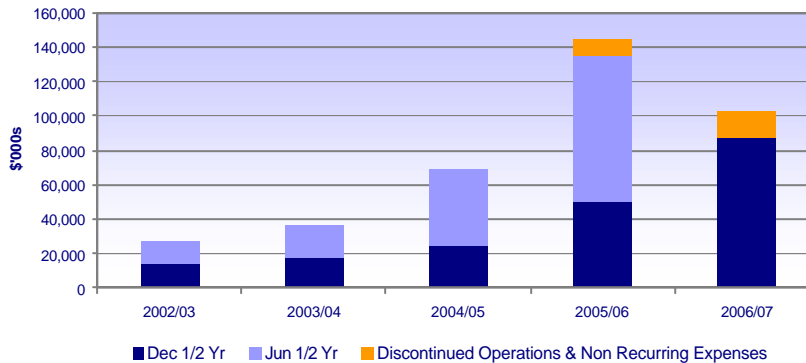
Improving margins....

EBITDA Margin (net of prosthetic expense)



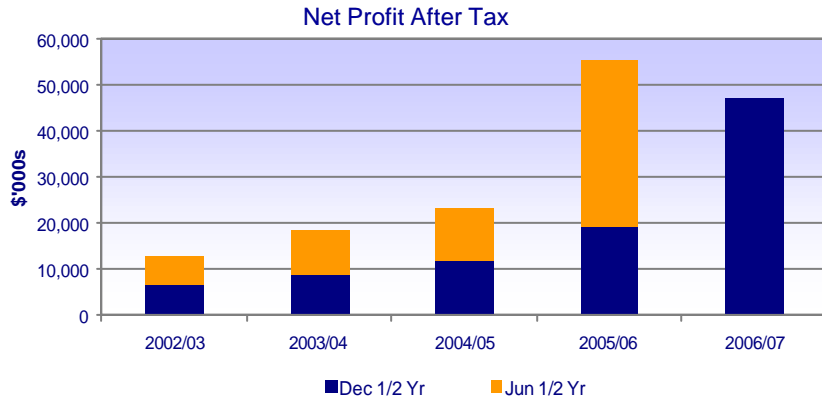
Significant improvement on prior year

EBITDA

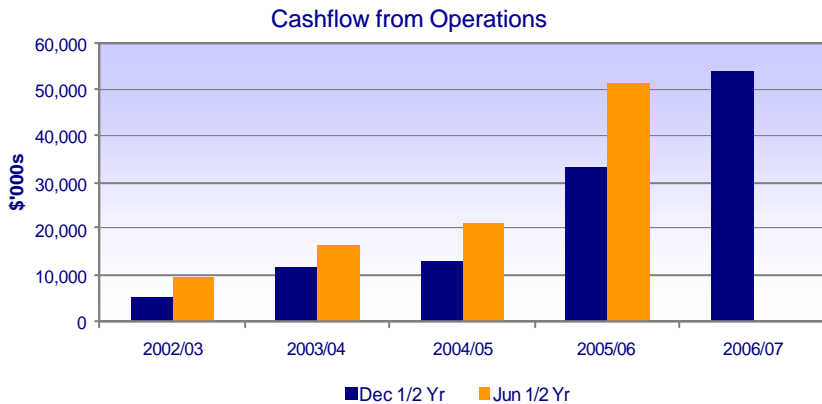




Positively impacted by hospital divestments....

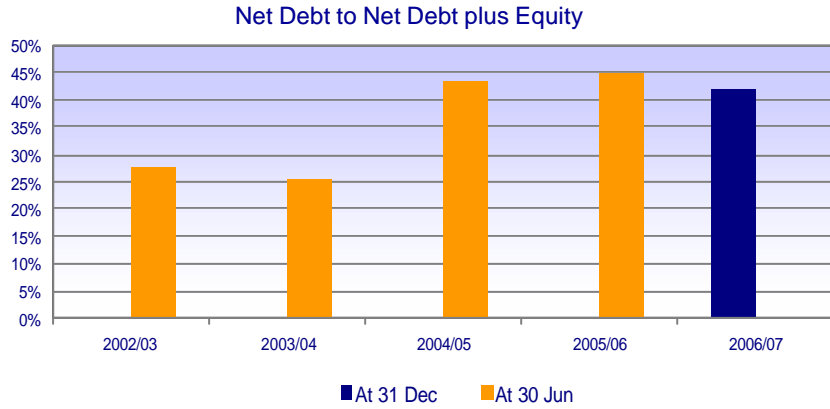


EBITDA translating into cashflow....

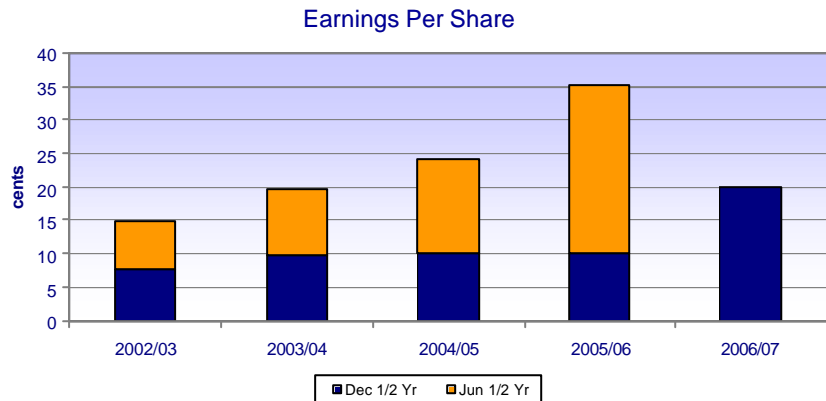




Balance sheet strengthening....

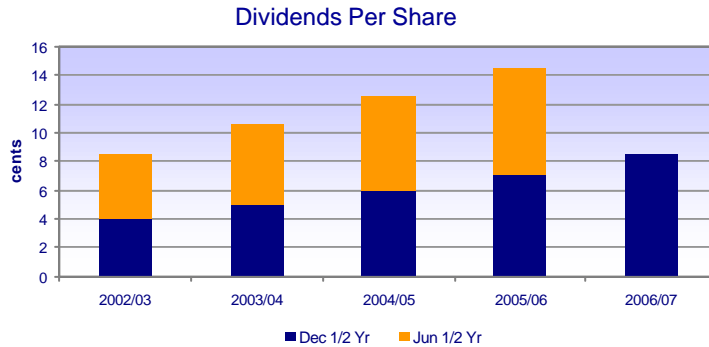


Improved EPS....





Increased each half for last 5 years....



Vertical integration working...

Half Year End	Revenue	EBITDA	Margin
31 Dec 2006	\$ Millions	\$ Millions	%
Hospitals (excl. Prosthetics)	467.1	70.1	15.0
Prosthetics	67.7	-	-
Pathology	128.1	20.3	15.9
Other	0.4	0.4	-
Corporate		(3.7)	-
Total - Core	663.3	87.1	13.1
Discontinued operations (including non-recurring)	26.7	15.6	N/A
Total	690.0	102.7	14.9

- Both Divisions continue to improve
- Vertical integration model working well
- Excluding prosthetics revenue provides true underlying margin performance
- Both Divisions now performing at similar EBITDA margins and expected to continue improvement



Strong EBITDA growth in both divisions...

EBITDA	Half Year End 31 Dec 2006 \$Millions	Half Year End 31 Dec 2005 \$Millions	Variance %
Continuing Operations			
Hospitals	70.1	37.7	85.9
Pathology	20.3	14.4	41.0
Corporate	(3.7)	(3.2)	15.6
Other	0.4	1.6	(75.0)
Sub-total	87.1	50.5	72.5
Discontinued Operations (including non-recurring)	15.6	8.3	87.9
Total EBITDA	102.7	58.8	74.7



Continued Margin Improvement

Improving margins reflects quality portfolio

EBITDA MARGINS			
	Half Dec '06	Half Dec '05	% Increase
Hospitals	15.0%	12.7%	18.1
Pathology	15.9%	13.3%	19.5
Divested Hospitals	13.1%	10.2%	
*Excludes Prosthetics			



Quality results reflected in cashflow....

Gross Operating Cash to EBITDA	\$ Millions
Cashflow from Operating Activities	53.8
Addback	
- Interest paid	23.2
-Income Tax paid	9.7
Total	<u>86.7</u>
EBITDA	102.7
Less	
Gain on Sale of Hospitals	(16.5)
Net operating EBITDA	<u>86.2</u>
Ratio of Gross Operating Cash to EBITDA	101%



Operations

Hospitals performing strongly....

- Hospital revenues now 81% of group revenues
- Excellent half year; EBITDA margins increased by 18% over corresponding period
- Portfolio enhanced by ex-Affinity hospitals. All trading at or above expectations
- ACHA contract performing well. All three hospitals trading at record levels. Management fee up 88% on last year. Plans for significant capital investment in hospitals in 2nd half
- Negotiations to exit Modbury contract still progressing with Government



Operations cont..

Pathology performs strongly....

- Good revenue and EBITDA growth
- Business increasing market share in all States except WA. WA will increase when The Mount comes on line in 2nd half
- Excellent growth recorded in VIC, SA, NSW, QLD & TAS
- Victoria now performing well; NSW consolidation/restructure tracking well with improved margins expected next 12 months
- Vertical integration roll out proceeding well; Laboratories to commence at The Mount, Newcastle Private, The Hills, Sunnybank and Brisbane Private in 2nd half
 - finalises our program to service hospital portfolio
- Auckland Laboratory development on schedule;
 - anticipate facility to be finalised in May;
 - testing May/June for contract commencement 1 July 2007
 - Judicial review commenced 12 February; decision expected early March
 - Strong relationship held with all key stakeholders



Portfolio enhanced by acquisitions....

- Brisbane Private – flagship hospital
- DoctorsLab – Singapore – now hold over 50% market share
- Buy-out of our joint-venture partner in Malaysia/Singapore – now hold 100% of business in key growth markets
- Newcastle Private – major tertiary hospital in growth region
- Auckland pathology contract on track for commencement 1 July 2007 – monopoly contract valued at over \$560M over 8 years



Brisbane Private Acquisition

- Flagship hospital in Brisbane
- Acquisition price of \$72.5M includes significant land holding, consulting suites and carpark
- Consulting suites contribute income stream in excess of \$1.5M per annum
- Completes national footprint for Healthscope
- 155 beds, 10 theatres, 21 chair day surgery, 7 bed ICU unit, 16 bed drug and alcohol unit
- Includes over 6000m² consulting suites and carparking
- Provides opportunity to establish pathology laboratory servicing the hospital, the consulting suites and broader Brisbane market
- EPS accretive immediately



Portfolio of Quality Hospitals

- Strategic review completed and divestment of underperforming hospitals and/or non-core facilities
- Quality portfolio of hospitals with flagship facilities in every State and Territory of Australia
- Only operator with national geographic/service coverage
- Quality, geographic coverage and service lines important in health fund contract negotiations
- Opportunities to expand flagship facilities over next 2-3 years
- Portfolio maximisation will provide margin uplift and improve return on equity



Quality Hospital Portfolio...

Flagship facilities with geographical and service spread

Medical / Surgical

- The Prince of Wales – Sydney
- Melbourne Private – Melbourne
- The Mount – Perth
- Knox Private – Melbourne
- John Fawcner – Melbourne
- Allamanda – Gold Coast
- Flinders Private – Adelaide
- Ashford – Adelaide
- Memorial – Adelaide
- The National Capital – Canberra
- Darwin Private – Darwin
- Newcastle Private – Newcastle
- Brisbane Private – Brisbane (Feb '07)
- Hobart Private – Hobart
- Geelong Private - Geelong

Psychiatry

- The Melbourne Clinic - Victoria
- The Victoria Clinic - Victoria
- The Sydney Clinic – New South Wales
- Pine Rivers Clinic – Queensland
- St Helen's – Tasmania

Rehabilitation

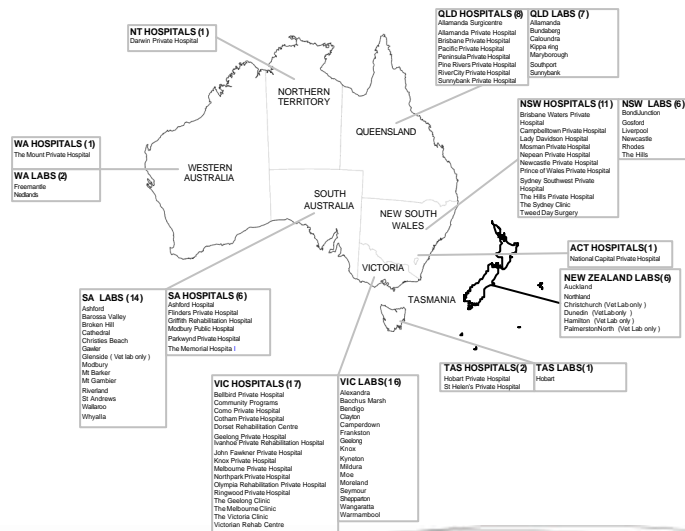
- The Victorian Rehabilitation Centre – Victoria
- Lady Davidson – New South Wales
- Griffith Rehabilitation – South Australia

New Developments

- Norwest Private – New South Wales
- Campbelltown Private – New South Wales

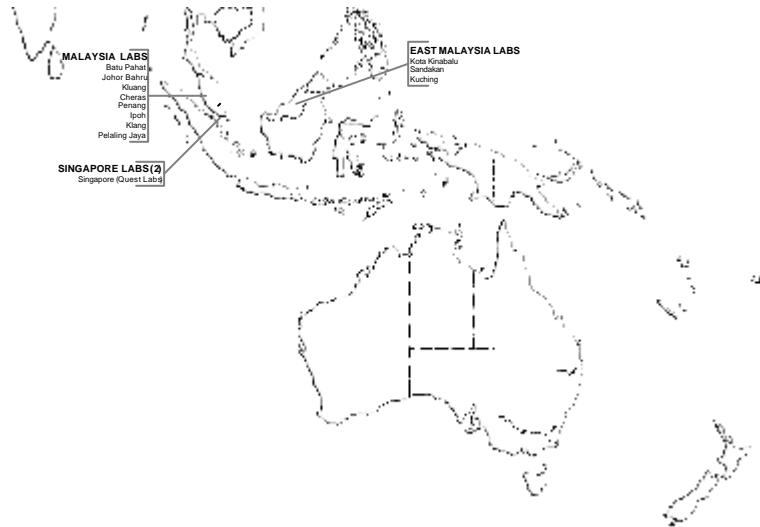


Fully integrated business throughout Australia...





Off shore growth opportunities

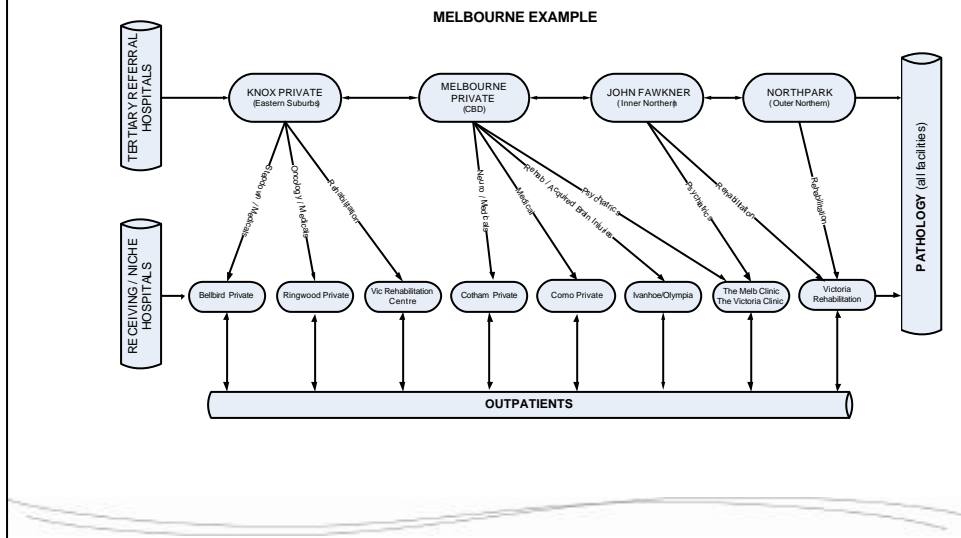


Healthscope Healthcare Networks established

Advantages of networks

- Strategy to establish networks in each State to maximise strength and positioning of portfolio
 - Referrals stay within group
 - Provides Doctors opportunities to expand practice within Healthscope
 - Maximises bed capacity within group
 - Complementary facilities, with variable cost structures
 - Maximises funding arrangements, ie new out of hospital service provision
 - Provides total coverage / service provision for health funds
 - Market leadership
 - Improve occupancy rates
 - Margin improvement

Healthscope Healthcare Networks



Growth Opportunities

Brownfield Expansions:

Projects currently underway

- **The Mount** – Perth : Estimated cost \$6M
 - Additional theatres
 - Expanded recovery area
 - Infrastructure upgrade
 - Completion 2008 / 09
- **Geelong Private** : Estimated cost \$3.3M
 - 19 bed expansion
 - 1300 m2 consulting suite expansion
 - Completion 2009
- **The Hills** – NSW : Estimated cost \$2.75M
 - Refurbish existing rooms
 - Convert to accommodate new services; 105 beds on-going
 - Completion 2009 (when Norwest completed)



Growth Opportunities cont....

Brownfield Expansions:

Projects currently underway

- **Ashford Private & Flinders Private** – Adelaide : Estimated cost \$3.5M
 - Additional catheterisation laboratories
 - Completion 2007 / 08

- **Brisbane Waters** - NSW : Estimated cost \$2.0M
 - Expand day surgery
 - Expand recovery area
 - Completion 2008



Growth Opportunities....new developments

- **Number of brownfield expansions to key flagship hospitals currently being assessed**

- **Campbelltown Private** – Sydney : Estimated cost \$14M
 - On track, on budget
 - Opening April 2007
 - Demand exceeding original plans; 2 additional theatres being commissioned
 - 50 beds; 5 theatres
 - Future opportunity to expand bed capacity by 50 beds
 - Win / win for operator and developer

- **Norwest Private** – Sydney : Estimated cost \$52M
 - Plans being finalised; in principle agreement reached
 - Facility proposed is 142 beds; 10 theatres
 - High acuity medical / surgical services
 - Serving all north western suburbs of Sydney
 - Services to be transferred from The Hills
 - The Hills to develop complementary services for Norwest
 - Completion 2009



The next 6 months....

- Focus on continuing to extract value from acquisitions
- Continue margin improvement in both divisions
- Review major brownfield opportunities
- 2nd half trading impacted by seasonality of hospitals
- Margin and operating improvement will continue in the 2nd half



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