

# Healthscope and Symbion Health

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Healthscope and Symbion Health to create Australia's pre-eminent healthcare services provider

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# Agenda

Welcome	Bruce Dixon	Healthscope Managing Director
Transaction Overview	Bruce Dixon	
Benefits for Symbion Health	Robert Cooke	Symbion Health Managing Director and CEO
Profile of the new Healthscope	Bruce Dixon	
Questions	Bruce Dixon and Robert Cooke	

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# Welcome

## Bruce Dixon

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# Introduction

- Creation of Australia's leading healthcare provider will benefit shareholders, clinicians, staff and patients
  - #1 pathology provider
  - #2 private hospital operator
  - Leading positions in diagnostic imaging and medical centres
- Compelling proposal for both sets of shareholders
- Expected cost synergies of \$79m per annum to be realised over three years
- EPS accretive in first full year following completion (FY09)
- Potential for revenue synergies and other significant strategic benefits identified from integration of hospitals with diagnostic imaging and medical centres, increased collection centre throughput and enhanced brand utilisation

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# Transaction Overview

## Bruce Dixon

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# Transaction Overview

## The Proposal

- Healthscope will acquire all Symbion Health shares under a scheme of arrangement
- Pharmacy Services and Consumer businesses will be divested to the private equity consortium comprising Ironbridge Capital and Archer Capital (the “IAC Consortium”)

## Key Offer Terms

- Implied offer value of between \$4.30 and \$4.50 per share<sup>1</sup>
- Symbion Health shareholders can elect to receive their consideration as cash or shares, or a combination of both, subject to a scale-back to ensure a total cash consideration of \$1,196m<sup>2</sup>
- Assuming Symbion Health shareholders elect to receive cash and shares, at an implied offer price of
  - \$4.30 per share, Symbion Health shareholders will receive consideration of \$1.84<sup>2</sup> in cash plus \$2.46 in Healthscope shares
  - \$4.50 per share, Symbion Health shareholders will receive consideration of \$1.84<sup>2</sup> in cash plus \$2.66 in Healthscope shares

<sup>1</sup> Assumes that the average of the daily volume weighted average prices for Healthscope shares for the 10 trading days immediately prior to the Symbion Health scheme meeting (“Scheme VWAP”) is between \$5.30 and \$6.51. The final implied value of the offer will be determined by the Scheme VWAP. <sup>2</sup> The cash component of consideration will be reduced by the amount of any dividend paid by Symbion Health prior to completion of the transaction

# Transaction Highlights

## Transaction Highlights

- Offer range<sup>1</sup> attributes an enterprise value of between \$3,581m and \$3,711m and an equity value of between \$2,794m and \$2,924m to Symbion Health
- Offer range<sup>1</sup> represents
  - Last twelve months<sup>2</sup> EV/EBITDA multiple of 15.1x to 15.7x
  - Premium of between 23% and 29% to Symbion Health's undisturbed trading VWAP<sup>3</sup>
- Healthscope has identified significant cost synergies of \$79m per annum to be realised over three years
- Healthscope estimates the cost of achieving these synergies at \$51m
- Healthscope expects the transaction to be EPS accretive for Healthscope shareholders in the first full year following completion (FY09)

<sup>1</sup> Of between \$4.30 and \$4.50 per share <sup>2</sup> Last twelve months ended 31 December 2006 <sup>3</sup> Being \$3.49, the volume weighted average price of Symbion Health shares over the 3 months prior to 29 January 2007, the day on which Symbion Health announced that it had received a non-binding, indicative proposal from Primary Health Care.

# Strategic Rationale

- Transaction will create Australia's pre-eminent healthcare services provider and is a further step in the consolidation of the Australian healthcare industry
- Combination of complementary businesses will result in an integrated hospitals and diagnostics provider with powerful brands in each state
- Realisation of significant cost synergies expected by Healthscope will result in improved efficiency of the combined group
- Healthscope anticipates further upside potential from revenue synergies and other significant strategic benefits which are not factored into the financial analysis
- Experienced management pool from both Healthscope and Symbion Health with proven ability at integrating acquisitions
- The combined group will be a top 80 ASX 100 company<sup>1</sup> with market leading positions in healthcare services

<sup>1</sup> New Healthscope market capitalisation assumes a Scheme VWAP of \$5.88, being the average of the daily volume weighted average price for Healthscope shares over the 10 trading days prior to 28 May 2007, 100% election of the Cash and Shares consideration option, and a Healthscope share price of \$5.84.

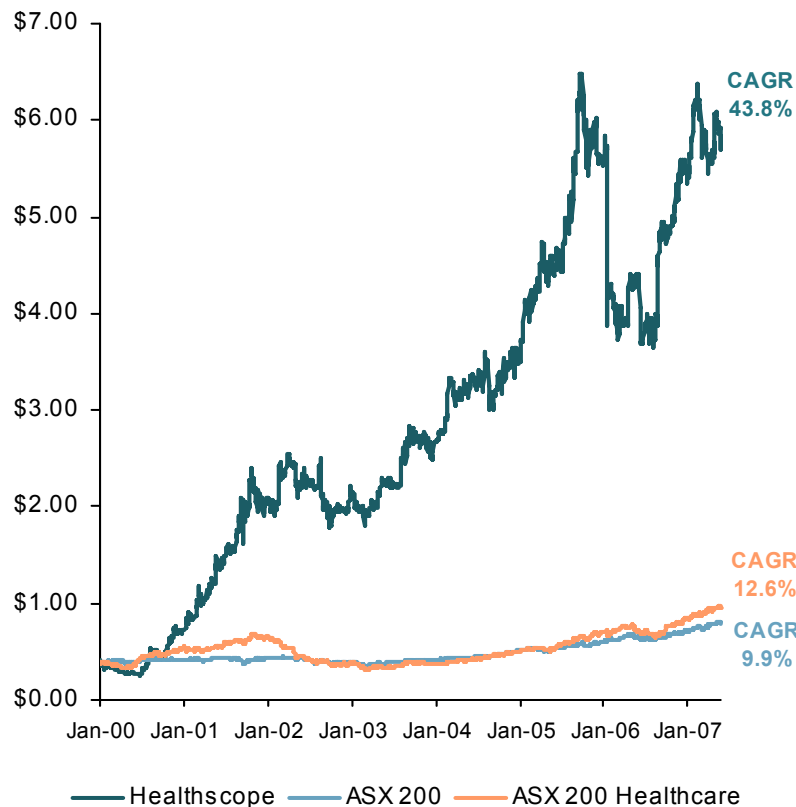
# Healthscope's Acquisition of Diagnostics

- Healthscope to acquire Symbion Health's Pathology, Diagnostic Imaging and Medical Centre businesses
- Enterprise value of between \$2,538m and \$2,668m<sup>1</sup>
  - Includes assumption of \$465m of Symbion Health's average net debt
- Healthscope to issue between 266m and 302m shares to Symbion Health shareholders
  - Represents pro-forma Symbion Health ownership of between 53% and 56%
- Combined pro-forma FY06 revenues of ~\$2,000m and EBITDA of ~\$370m<sup>2</sup>
- Implied last 12 months<sup>3</sup> EV/EBITDA multiples of between
  - 16.6x and 17.4x pre-synergies
  - 10.9x and 11.5x post-synergies<sup>4</sup>

<sup>1</sup> Assumes an implied offer price of between \$4.30 and \$4.50 per Symbion Health share <sup>2</sup> Assumes full run-rate of synergies, 100% of Healthscope's and Symbion Health's unallocated overhead costs in FY06 <sup>3</sup> Last 12 months ended 31 December 2006 and including 100% of Symbion Health unallocated costs <sup>4</sup> Assumes full run-rate of cost synergies

# Healthscope's Track Record of Value Creation

## Healthscope's Share Price Performance<sup>1</sup>



- 43.8% compound annual growth since January 2000
- Outperformed ASX 200 Index (by 33.9% p.a.)
- Outperformed ASX 200 Healthcare Index (by 31.2% p.a.)
- In addition, total dividends of \$98m distributed to shareholders since January 2000 (100% franked)

<sup>1</sup> To 25<sup>th</sup> May 2007

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# Benefits for Symbion Health

## Robert Cooke

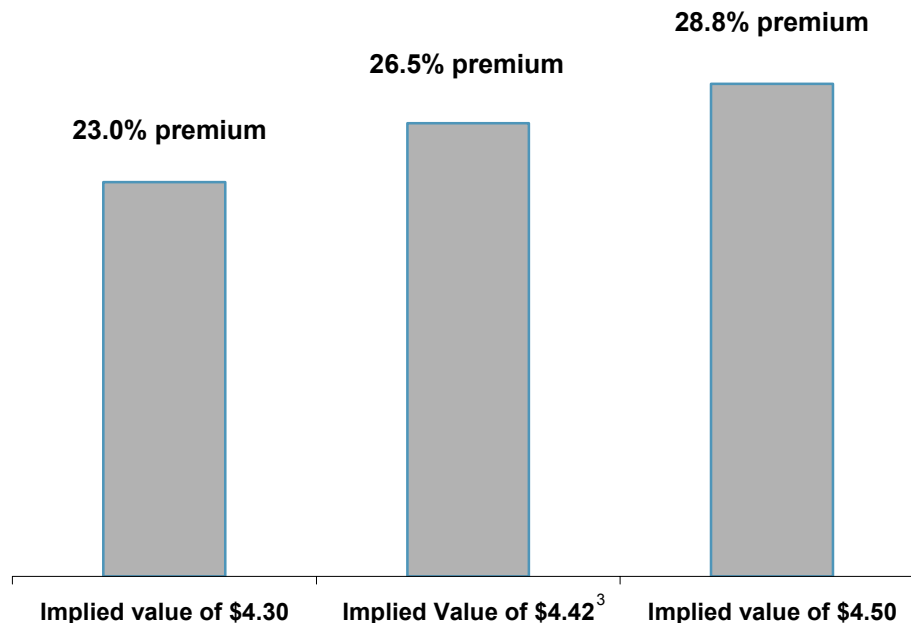
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# Attractive Offer Price

- Implied value of between \$4.30 and \$4.50 per share represents an attractive premium to Symbion Health's three month undisturbed trading VWAP<sup>1</sup>

Attractive premium to 3 month undisturbed trading VWAP<sup>1</sup>

Symbion Health shareholders to own between 53% and 56% of the combined group<sup>2</sup>



Existing Healthscope shareholders  
44-47%



Existing Symbion Health shareholders  
53-56%

<sup>1</sup> Being \$3.49, the volume weighted average price of Symbion Health shares over the 3 months prior to 29 January 2007, the day on which Symbion Health announced that it had received a non-binding, indicative proposal from Primary Health Care. <sup>2</sup> Assumes a Scheme VWAP between \$5.30 and \$6.51 <sup>3</sup> Based on a Healthscope share price of \$5.88, being the average of the daily volume weighted average prices for Healthscope shares over the last 10 trading days which is cum any Healthscope final dividend for 2007. The Healthscope shares that will be issued pursuant to the scheme will be ex any Healthscope final dividend for 2007.

# Additional Benefits to Symbion Health Shareholders

- Opportunity to participate in realisation of estimated Healthscope cost synergies of \$79m through a substantial scrip component
- Symbion Health shareholders offered some flexibility in amount of cash and scrip they receive
- Attractive value realisation of the Pharmacy Services and Consumer businesses
- Australian resident shareholders may be entitled to 'scrip for scrip' CGT rollover relief
- Many of the strategies Symbion Health is pursuing as a standalone company will be facilitated as part of a larger, integrated healthcare company

# Divestment of Pharmacy Services and Consumer Businesses

- Following the acquisition of Symbion Health by Healthscope, Symbion Health's Pharmacy Services and Consumer businesses will be divested to the IAC Consortium for \$1,043m
- Immediate realisation of an attractive value for these businesses for Symbion Health shareholders
- Valuation reflects the significant operational and earnings improvements achieved in these businesses over the past 18 months
- Sale allows the new Healthscope to focus on
  - Core hospitals and diagnostics businesses
  - Integration and realisation of the cost synergies and capturing upside from revenue and strategic synergies

# Benefits to Employees and Customers

- Symbion Health's leading diagnostics brands will continue under Healthscope ownership
  - Pathology: QML (Queensland); Lavery (New South Wales); Dorevitch (Victoria) and Western Diagnostics (Western Australia and Northern Territory)
  - Diagnostic Imaging brands include QDI, Sydney X-ray, Rayscan Imaging
- Opportunity for Symbion Health management, doctors and employees to be part of a leading pure play diagnostics and hospitals company
  - A diverse skill base
  - Large network of facilities collaborating to ensure the highest standard of patient care
  - A platform for attracting top clinical expertise
  - An established culture of superior clinical standards and integrity
- Customers to benefit from an integrated Australia-wide network with clinical excellence across Pathology, Hospitals, Diagnostic Imaging and Medical Centres

# Summary of Benefits for Symbion Health

- Offer of between \$4.30 to \$4.50<sup>1</sup> represents an attractive multiple of Symbion Health's earnings and a premium to Symbion Health's three month undisturbed average share price
- Symbion Health shareholders will have the opportunity to participate in the realisation of substantial cost synergies expected by Healthscope through the scrip component of the consideration
- Immediate value realisation for Symbion Health shareholders of the significant operational and earnings improvement achieved in the Pharmacy Services and Consumer businesses
- Symbion Health's Board unanimously recommends the transaction to Symbion Health shareholders, in the absence of a superior proposal and subject to receipt of an independent expert's report confirming that the transaction is in the best interests of Symbion Health shareholders

<sup>1</sup> Assumes that the average of the daily volume weighted average prices for Healthscope shares for the 10 trading days immediately prior to the Symbion Health scheme meeting ("Scheme VWAP") is between \$5.30 and \$6.51. The final implied value of the offer will be determined by the Scheme VWAP.

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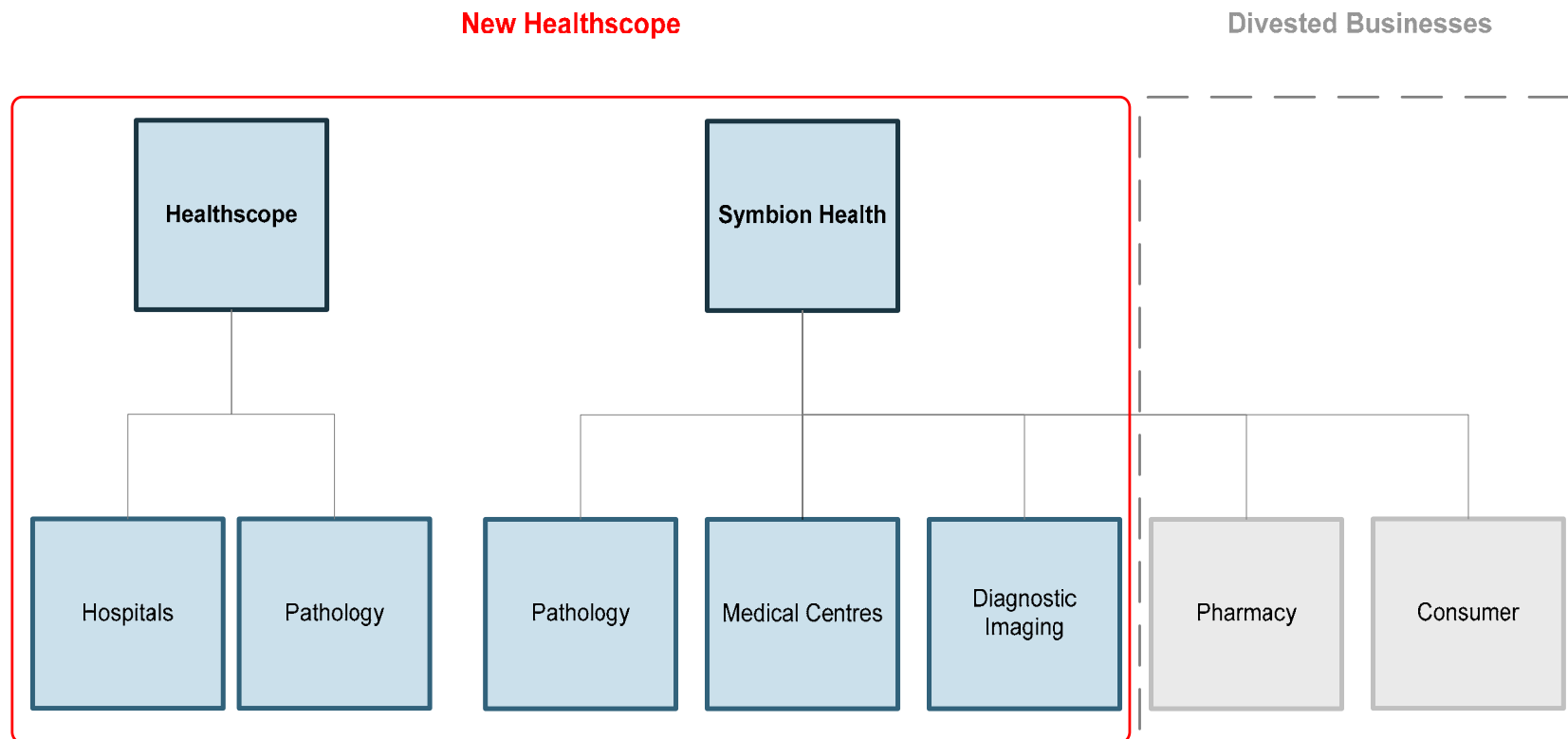
# Profile of the New Healthscope

## Bruce Dixon

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# Overview of the New Healthscope

- Transaction will allow management of the new Healthscope to focus on extracting full value from attractive sectors of the healthcare market



# New Healthscope Management Structure

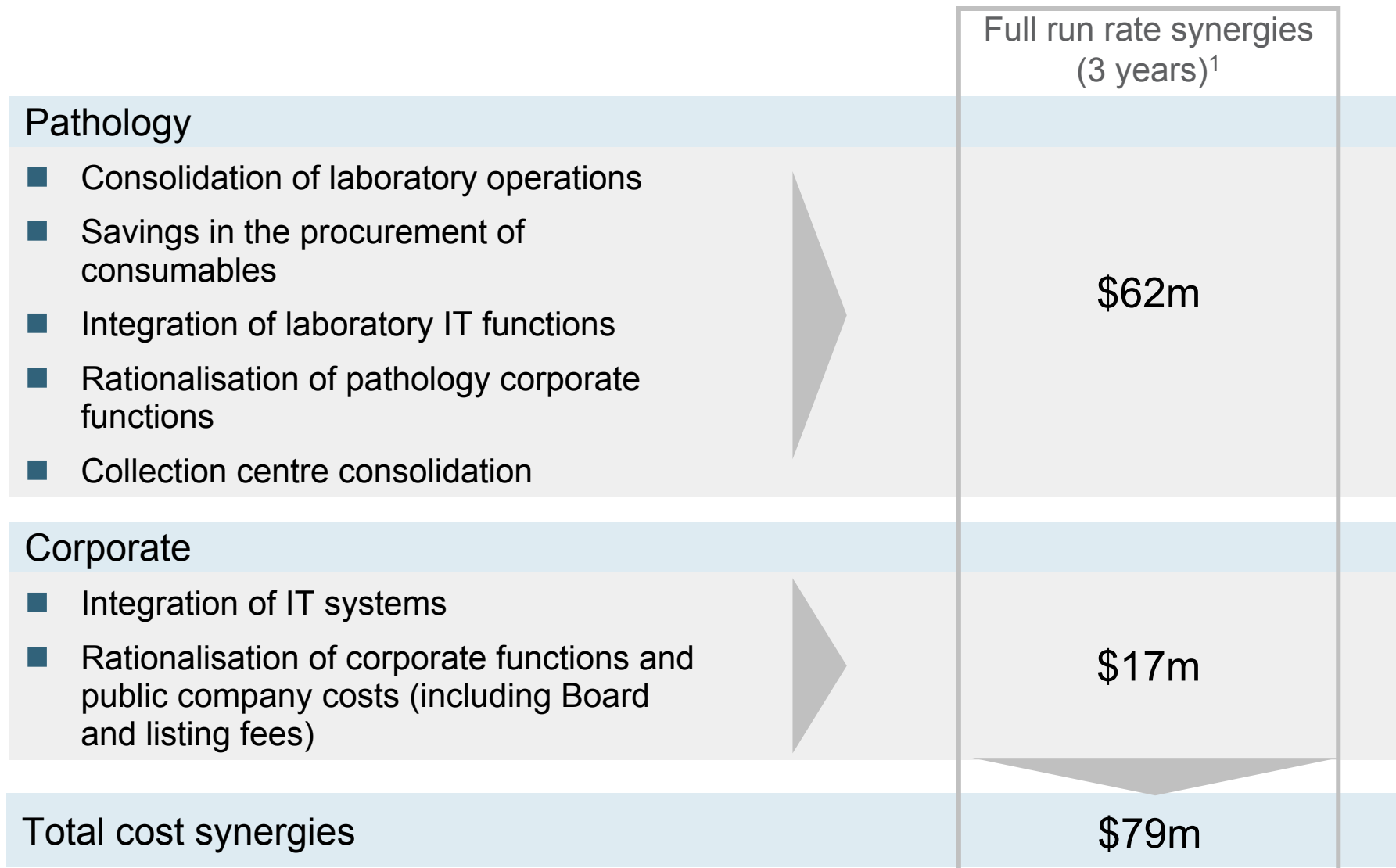
- Combining existing Healthscope and Symbion Health management structures will result in an exceptional management team well positioned to lead the new Healthscope
- Board of Directors
  - Kevin McCann will continue as Healthscope Chairman, leading the existing Healthscope Board
  - Additions to Healthscope Board being contemplated to reflect increased size of the company
- Managing Director
  - Bruce Dixon will continue as Healthscope Managing Director
- Executive and divisional management
  - Strong combined talent pool of existing Healthscope and Symbion Health leaders
- Consultants
  - Symbion Health's current CEO, Robert Cooke, and Group Manager for Strategy and Business Development, John Hickey, will be consultants to the combined group

# Key Attributes of the New Healthscope

- Improved efficiency via significant cost synergies
- Market leading positions with improved competitive standing
- Integrated healthcare services model
- Geographical and service diversity with strong local brands
- Attractive business mix
- Top 80 ASX 100 company<sup>1</sup>
- Improved financial profile

<sup>1</sup> New Healthscope market capitalisation assumes a Scheme VWAP of \$5.88, being the average of the daily volume weighted average price for Healthscope shares over the 10 trading days prior to 28 May 2007, 100% election of the Cash and Shares consideration option, and a Healthscope share price of \$5.84.

# Healthscope's Identified Cost Synergies Total \$79m



<sup>1</sup>Expected phasing: FY08: 34%, FY09: 91%, FY10: 100%. Restructuring costs expected to total \$51m comprising \$34m in operating expenditure and \$17m in capital expenditure.

# Synergy Execution

- Synergy opportunities are clearly identified
- Integration team identified with well developed synergy execution plan
  - Includes key executives from both Healthscope and Symbion Health
- Combined Symbion Health and Healthscope pathology teams have significant experience in integrating laboratories
- This, combined with Healthscope and Symbion Health's significant acquisition experience across healthcare services, gives comfort in ability to execute

# Impressive Market Presence and Position

- The new Healthscope will have substantial presence and leading positions in attractive sectors of the Australian healthcare industry

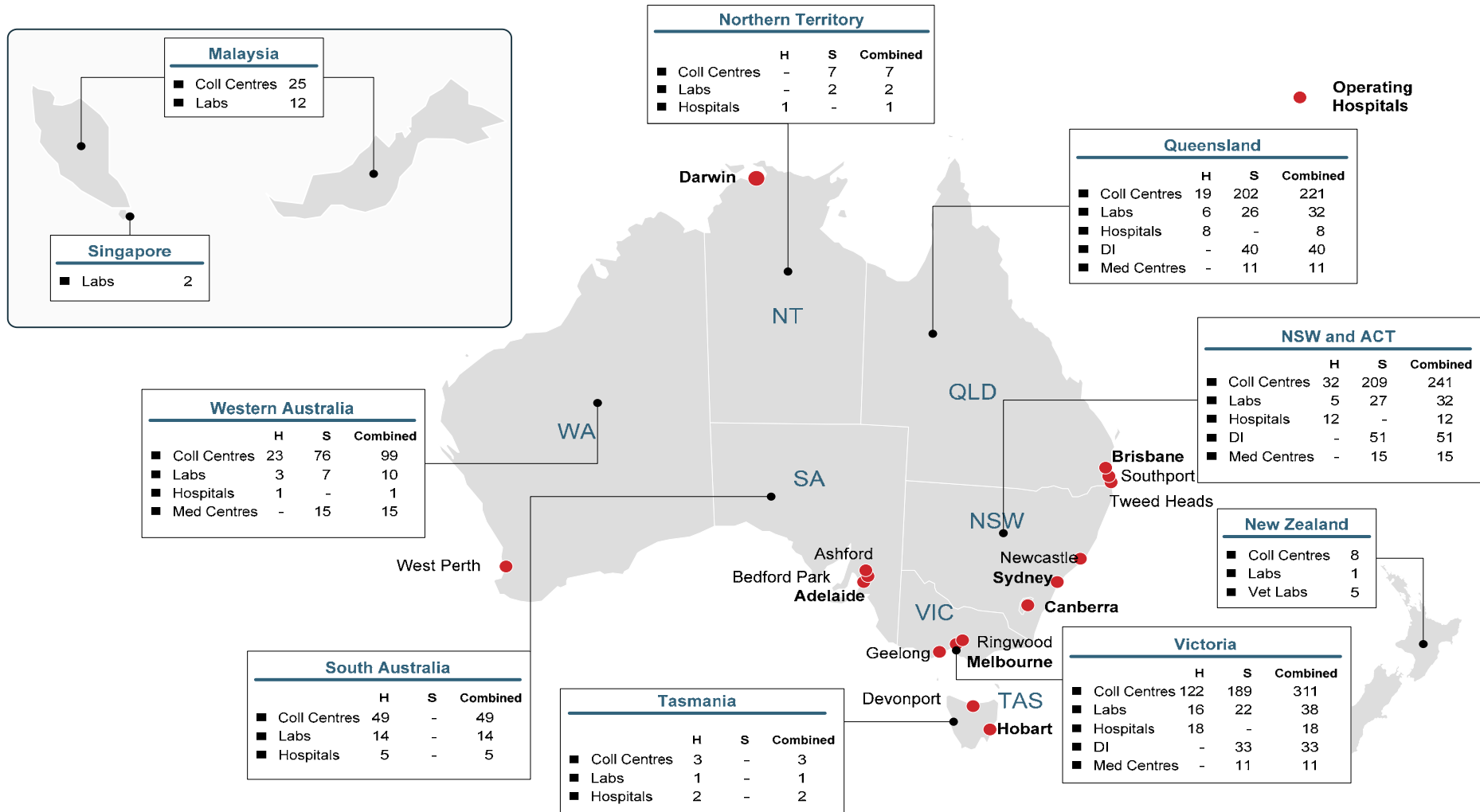
	Pathology	Hospitals	Medical Centres	Diagnostic Imaging
Victoria	✓	✓	✓	✓
New South Wales	✓	✓	✓	✓
Queensland	✓	✓	✓	✓
South Australia	✓	✓		
Western Australia	✓	✓	✓	
Northern Territory	✓	✓		
Tasmania	✓	✓		
<b>National Position<sup>1</sup></b>	<b>#1</b>	<b>#2</b>	<b>#3</b>	<b>#3</b>

<sup>1</sup> Based on revenue

# Integrated Operating Model

- The integrated model
  - May enable capture of hospital and medical centre referrals to feed into Pathology and Diagnostic Imaging
  - Is consistent with USA, European and Asian healthcare providers
  - Clinical operating model used by the majority of Australian public hospitals who retain both pathology and diagnostic imaging in-house
- Healthscope is already successfully achieving hospital and pathology integration
- Integration of Symbion Health's Diagnostic Imaging businesses will provide further benefits and will underpin the development of a hub and spoke network model
- Healthscope management possess significant expertise in hospital and pathology integration and will work with Symbion Health management to ensure the successful integration of each of Symbion Health's businesses

# Geographical and Service Diversity

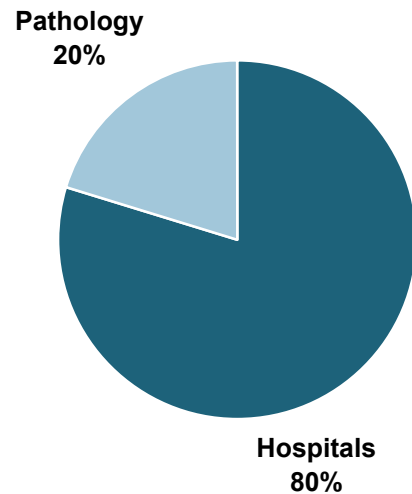


# Attractive Business Mix

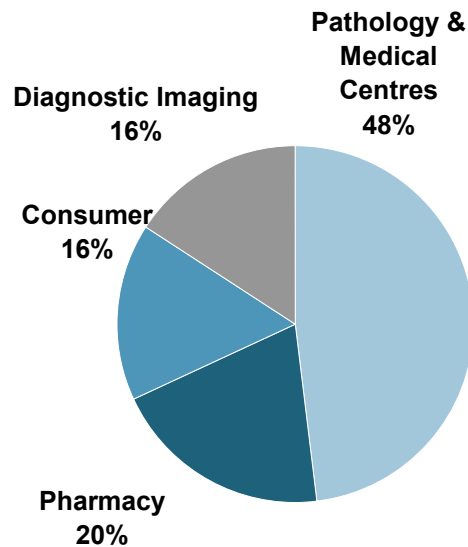
- Transaction will weight the new Healthscope to attractive sectors of the healthcare industry

EBIT FY06

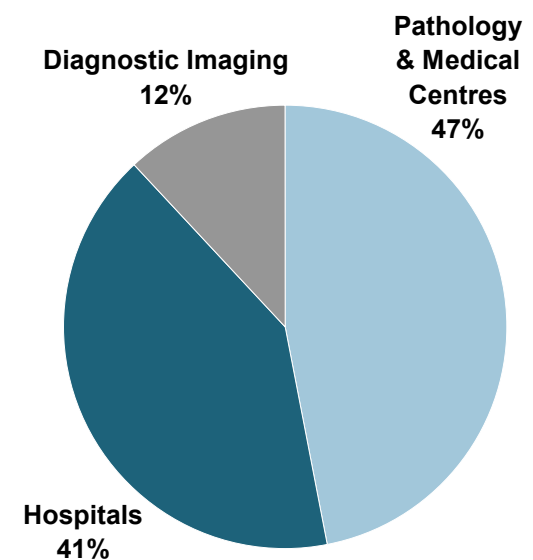
Healthscope



Symbion Health



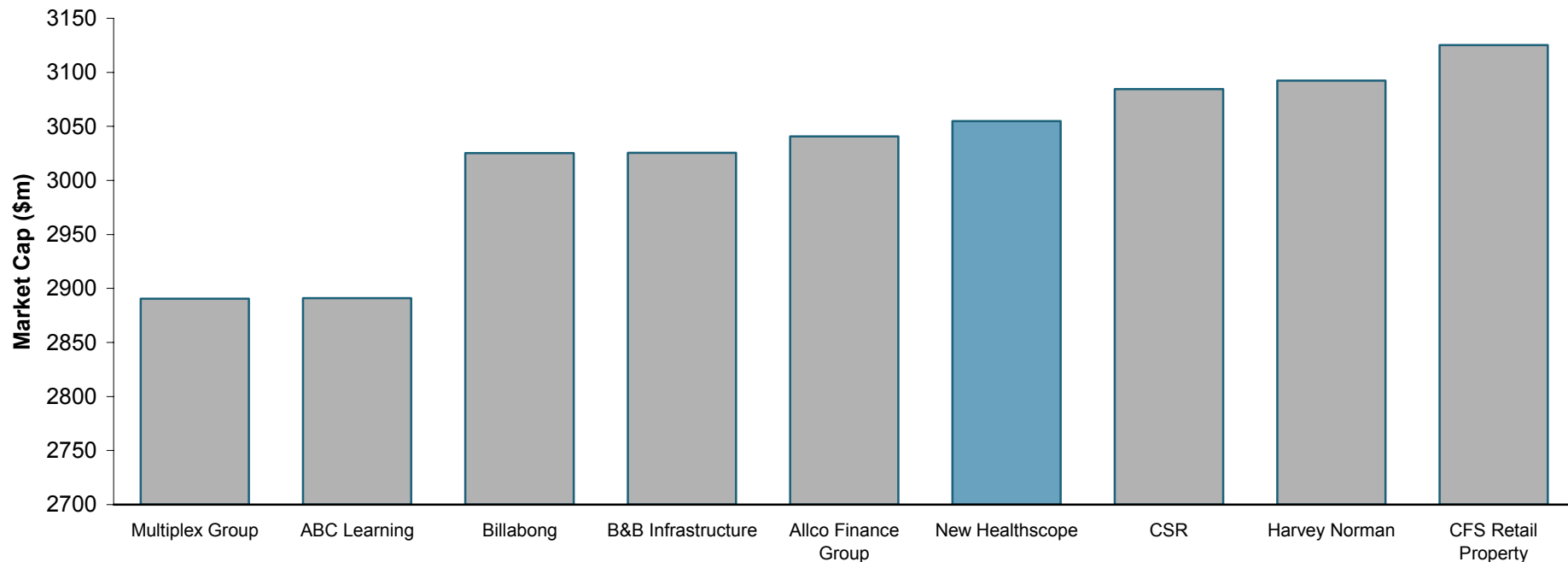
New Healthscope (pro-forma)



# Top 80 ASX 100 Company

- The new Healthscope will have a combined market capitalisation of c.\$3,055m, placing it in the top 80 companies in the ASX 100

ASX 100 Companies by Market Capitalisation<sup>1</sup>



<sup>1</sup> New Healthscope market capitalisation assumes a Scheme VWAP of \$5.88, being the average of the daily volume weighted average price for Healthscope shares over the 10 trading days prior to 28 May 2007, 100% election of the Cash and Shares consideration option, and a Healthscope share price of \$5.84.

# Improved Financial Profile

- Pro-forma FY06 scale
  - Revenues of ~ \$2,000m
  - EBITDA of ~ \$370m<sup>1</sup>
- Healthscope expects
  - EPS accretion in first full year (FY09)
  - Significant opportunity for margin expansion as synergies are realised
  - Further potential upside from revenue synergies and other strategic benefits which are not factored into the financial analysis
- Balance sheet not constrained post transaction
  - Ability to fund further greenfield and brownfield projects across all business units

<sup>1</sup>Assumes full run-rate of cost synergies, 100% of Healthscope's and Symbion Health's unallocated overhead costs in FY06

# Indicative Transaction Timeline

First court hearing

June-July 2007

Distribute scheme documents to shareholders

July 2007

Scheme meeting

August 2007

Second court hearing

August 2007

Transaction closure

August 2007

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# Questions

## Bruce Dixon and Robert Cooke

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# Appendix: Transaction Specifics

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# Transaction Funding

\$m	Healthscope		IAC Consortium	Total	
<b>Implied Offer Value</b>	<b>\$4.30</b>	<b>\$4.50</b>		<b>\$4.30</b>	<b>\$4.50</b>
<b>Implied Enterprise Value</b>	<b>2,538</b>	<b>2,668</b>	<b>1,043</b>	<b>3,581</b>	<b>3,711</b>
Average Net Debt Assumed <sup>1</sup>	465	465		465	465
Net Working Capital Allowance <sup>1</sup>			76	76	76
Average Securitisation Assumed <sup>1</sup>			246	246	246
<b>Equity Value</b>	<b>2,073</b>	<b>2,203</b>	<b>721</b>	<b>2,794</b>	<b>2,924</b>
<b>Consideration</b>					
Cash	474 23%	474 22%	721	1,196 43%	1,196 41%
Scrip	1,598 77%	1,729 78%		1,598 57%	1,729 59%
<b>Total</b>	<b>2,073</b>	<b>2,203</b>	<b>721</b>	<b>2,794</b>	<b>2,924</b>

- The estimated pro-forma net debt of the new Healthscope at FY07 is:

Healthscope stand-alone net debt <sup>1</sup>	640
+ Symbion stand-alone net debt <sup>1,2</sup>	711
- IAC Share of Symbion stand-alone net debt <sup>1,2</sup>	246
+ Additional debt to finance transaction <sup>1</sup>	474
= Pro-forma net debt for merged group	\$1,579

<sup>1</sup> Indicative values only excluding transaction costs. Final values will depend on balances at transaction completion <sup>2</sup> Symbion Health net debt includes securitisation.

# Offer Pricing Structure

- Parties have agreed a “double-collar” pricing mechanism in order to achieve specific objectives<sup>1</sup>:
  - Provide an offer to Symbion Health shareholders with an implied value of no less than \$4.30 per share
  - Provide Symbion Health shareholders with the ability to reach an implied value of \$4.50 per share in the event that Healthscope’s share price rises post announcement
  - Provide Healthscope with the opportunity to enhance its EPS accretion once the implied value per Symbion Health share has reached \$4.50
- Final implied value of the offer will be determined by the “Scheme VWAP” being the average of the 10 daily Healthscope VWAP’s prior to the Scheme meeting
- The implied value of the Healthscope offer is inclusive of the 2007 Symbion Health final dividend. Symbion Health will not be entitled to the 2007 Healthscope final dividend

## Offer Pricing Structure Illustration<sup>2</sup>

Scheme VWAP (\$)	5.30	5.40	5.50	5.60	5.70	5.80	5.90	6.00	6.06	6.20	6.30	6.40	6.51	6.60
Implied value of Healthscope Offer (\$)	4.30	4.30	4.30	4.30	4.34	4.39	4.43	4.48	4.50	4.50	4.50	4.50	4.50	4.54
Exchange Ratio	0.4642x	0.4556x	0.4473x	0.4393x	0.4393x	0.4393x	0.4393x	0.4393x	0.4393x	0.4290x	0.4222x	0.4156x	0.4086x	0.4086x
Pro-forma Symbion Health ownership	55.9%	55.5%	55.0%	54.6%	54.6%	54.6%	54.6%	54.6%	54.6%	54.0%	53.6%	53.2%	52.8%	52.8%

<sup>1</sup>Applies when the Healthscope Scheme VWAP is between \$5.30 and \$6.51 <sup>2</sup> Pricing values in the table have been rounded

# Consideration Mix and Scale-back

- Symbion Health shareholders may elect to receive a different proportion of cash and Healthscope shares
  - Subject to a scale back to ensure the total cash consideration is \$1,196m<sup>1</sup>
- Symbion Health shareholders can elect one of three options
  - Cash and Shares - they will receive \$1.84<sup>1</sup> cash plus between 0.4086<sup>2</sup> and 0.4642<sup>2</sup> Healthscope shares
  - Maximum Cash - they will receive cash in lieu of their share component, to the extent that other Symbion Health shareholders have elected to receive maximum shares in lieu of the cash component of their consideration
  - Maximum Shares - they will receive Healthscope shares in lieu of their cash component, to the extent that other Symbion Health shareholders have elected to receive maximum cash in lieu of the share component of their consideration

<sup>1</sup>The cash component of consideration will be reduced by the amount of any final dividend paid by Symbion Health prior to completion of the transaction <sup>2</sup>The final number of Healthscope shares received by Symbion Health shareholders will depend on the Scheme VWAP.

# Transaction Status

- Healthscope has undertaken due diligence on Symbion Health
- Symbion Health has undertaken due diligence on Healthscope
- The parties have signed a Scheme Implementation Deed (SID)
  - SID includes deal protections, including break fee of approximately 1% of transaction equity value<sup>1</sup>
- Healthscope has approached the ACCC and sought informal clearance in relation to the transaction
  - ACCC has commenced market enquires and is currently considering the matter
- Transaction has been unanimously recommended by the Symbion Health Board in the absence of a superior proposal and an independent expert deeming the transaction is in the best interests of Symbion Health shareholders
- Transaction is subject to Symbion Health shareholder approval, Court approval and other regulatory consents, including approval of the new Healthscope shares for official quotation by ASX

<sup>1</sup> The maximum break fee payable is \$27.86 million. This fee is reciprocal.