Healthscope

Financial Results

Half Year Ended 31 December 2007

Mr Bruce Dixon
Managing Director

21 February 2008

Highlights

- **Financial results**
  - Net Operating Profit after Tax before Significant Items of $37.1m – up 17% on pcp
- **Significant Items**
  - Significant Items charge of $21.4 m after tax
    - relating to proposed Symbion Health acquisition
    - expected to be substantially recovered in second half following decision on Symbion Health.
- **Interim Dividend**
  - Interim Dividend of 9.5 cents, fully franked up 12 % on FY2007.
- **Outlook**
  - Underlying earnings in second half of FY2008 to at least match that of first half

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Financial Highlights

- **Revenue (including prosthetics) up 17% to $726.2m**
- **Net Profit before Significant Items up 17% to $37.1m**
- Significant Items charge of $21.4 m after tax taken to cover Symbion acquisition & related costs
  - Net Profit after tax post Significant Items of $15.7 m
- **EBITDA from operations up 13% to $96.1m**
- **EPS before Significant items up 13% to 15.6 cents**
  - EPS after Significant Items of 6.6 cents
- **Cashflow from continuing operations of $61.2 m up 14%**
  - 104% conversion of EBITDA to cashflow
- **Interim Dividend of 9.5 cents per share fully franked up 12%**

Symbion Acquisition

- Notice given by Healthscope to close out the equity swap with GSJBWere over 77.1 m Symbion shares (11.91% of Symbion issued capital) established at a cost per Symbion share of $4.0874.

Net Outcome for Healthscope at 30 June 2008

- Reversal of Mark to Market charge taken in the H/Y Dec 2007 of $8.3 m (nil tax effect).
- Demand made to Symbion for Break fee of $19.6m –after advisers fees, the net benefit of $13.1m ($9.1m after tax) will largely offset acquisition charge taken in H/Y Dec 2007 of $10.8m after tax.
- Further charge to be booked in 2nd Half FY2008 to cover swap holding costs until effective close-out.
- Net residual costs of $7.1m
- Healthscope businesses are in excellent shape and balance sheet is appropriately geared, particularly given current market conditions. Company is well placed to pursue opportunistically value accretive acquisitions at the right price.

Healthscope will now focus on organic growth and increasing profitability from existing businesses and pursue other growth options

Profit & Loss from Continuing Operations – Before Significant Items

	HY Dec 2007 ($m)	HY Dec 2006 ($m)	Change (%)
Revenue[1]	726.2	623.6	17%
EBITDA	**96.1**	**84.9**	**13%**
D&A	(20.9)	(16.6)	(26%)
EBIT	**75.2**	**68.3**	**10%**
Interest	(24.4)	(23.6)	(3%)
Net profit before tax	**50.8**	**44.7**	**14%**
Income tax expense	(13.7)	(13.1)	(5%)
NPAT	**37.1**	**31.6**	**17%**

[1] Group revenues includes $83.2m revenue from prosthetics (HY2007 $69.0m)

- Strong performance of Hospitals – EBITDA up 18%
- Full Half Year impact of FY2007 acquisitions:
  - Brisbane Private, (Feb 2007)
  - Newcastle Private (May 2007)
  - DoctorsLab (Singapore) (Dec 2006)
- Campbelltown Private opened June 2007.
- Negligible Contribution from FY2008 acquisitions:
  - NM&IG Medical (Nov 2007)
  - NZDG (Dec 2007)
- Interest up 3%:
  - Core bank Debt -$21.5 m
  - Securitisation expense - $2.9m
- HY Dec 2007 tax Rate 27% (HY Dec 2006 29%)
  - reduced rate due to capture of revenue losses from Brisbane Pte and increased R&D claims

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Profit & Loss
– After Significant Items & Discontinued Operations

	HY Dec 2007 ($m)	HY Dec 2006 ($m)	Change (%)
NPAT - Before Significant Items & Discontinued Operations	**37.1**	**31.6**	**17%**
Significant Items (after tax)	(21.4)	(1.5)	-
Discontinued operations (after tax)	-	17.0	**-**
NPAT – After Significant Items & Discontinued Operations	**15.7**	**47.1**	**(67%)**

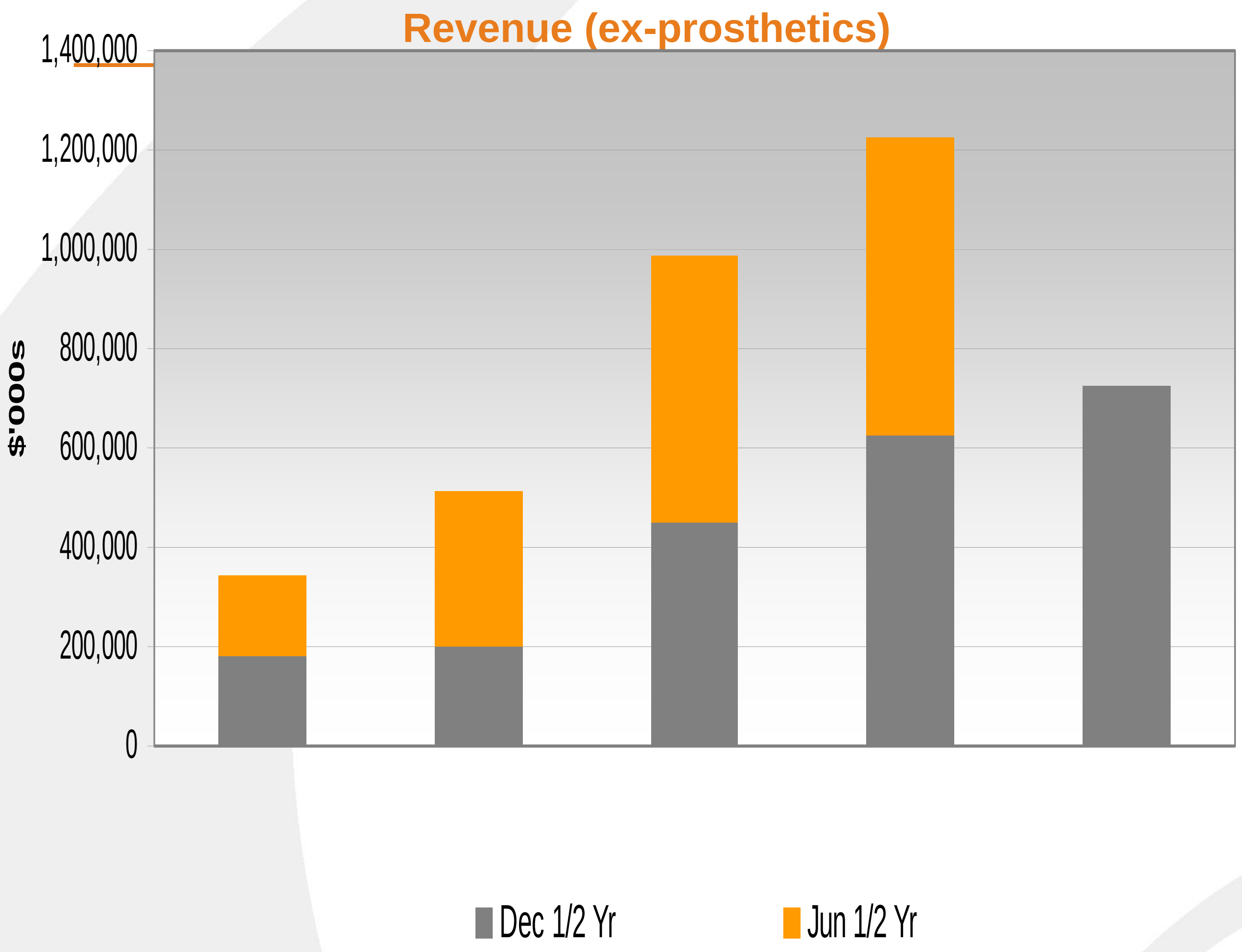
Significant Items (net after tax)

- Symbion Acquisition Items
  - Acquisition & DD costs - $10.8m
  - Mark to Market of equity swap - $8.3m
  - Carrying costs of equity swap - $1.6m
- Other items - minus $0.7m (minus $1.5 HY Dec 2006) - loss on sale of Olympia Rehabilitation Hospital.

Discontinued Operations (net after tax)

- HY Dec 2006; 4 sold hospitals (1 Oct 2006) and Modbury Management Contract(30 June 2007)

17% revenue growth over 1st Half 2007



- Hospitals revenue growth of 17.5% includes
  - Growth from new hospitals of 7.7%
  - Underlying growth of 9.8% from core hospitals
- Pathology revenue growth of 10.6%.
  - Australian path growth at 5.0%, lower than industry due to loss of 15% volume in WA.
  - Strong growth (28%) in Malaysia/Singapore due organic growth and acquisition.

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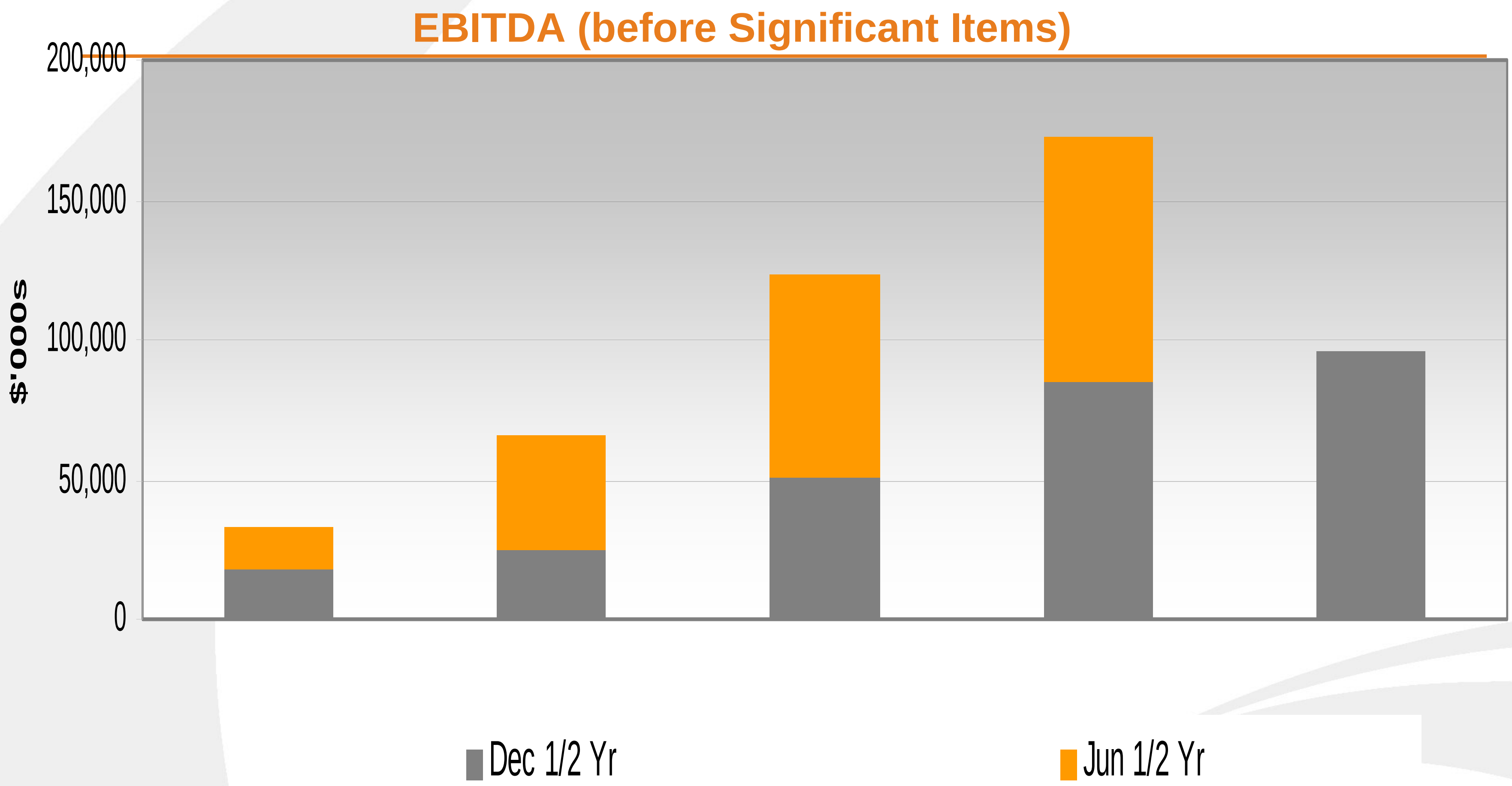
13% increase in EBITDA over 1st Half 2007

EBITDA growth driven by strong Hospitals performance



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Hospitals

- Revenue Growth of 17.5%
  - 9.8% growth from existing portfolio
  - 7.7% from new hospitals (Brisbane Private, Newcastle Private and Campbelltown Private)
- Margins
  - Impact of acquisitions and greenfield with lower margins has offset strong margin growth of core hospitals
  - On a “like for like” basis core hospitals EBITDA margins increased from 15.9% to 16.5% - a 60bps increase
  - HY December 2006 margins have been restated from then reported 14.8% to 15.9% to eliminate impact of discontinued Modbury management contract. Modbury hand back effected 1 July 2007

Hospital Performance	HY Dec 2007	HY Dec 2006	Change
Revenue[1]	502.5	427.5	17.5%
EBITDA	79.9	67.9	17.7%
EBITDA Margin	15.9%	15.9%	-
EBITDA Margin – “like for like”	16.5%	15.9%	60 bps

[1] Excludes Prosthetics

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Pathology

- Revenue Increase of 10.6%
  - Australian Pathology – revenue up 5% - below industry growth rate due to 15% volume losses in WA.
  - New Zealand – revenue up 1% - human pathology up 10% but veterinary pathology offset the gain due to drought and increased competition.
  - Malaysia/Singapore – revenue up 28% - growth from DoctorsLab acquisition (17%) and strong organic growth in Malaysia despite impact of stronger $A
  - Medical Centres/Skin Clinics – revenue up 148% - impact of new acquisitions (NMIG, Skin Alert)
- Margins down by 50 bps
  - Impact of weaker WA performance due to volume loss of 15%
  - Skin & Medical clinics acquisitions operating at lower margins.
- Australian Pathology margin improvement now evident and expected with a flow thru to stronger 2nd half results

Pathology Performance	**HY Dec 2007**	**HY Dec 2006**	**Change**
Revenue	141.6	128.1	10.6%
EBITDA	21.7	20.3	6.9%
EBITDA Margin	15.3%	15.8%	50 bps

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104% conversion of EBITDA into cash flow

Gross Operating Cash to EBITDA	$M
Cashflow from Operating Activities	61.2
Add back	
Interest paid	24.4
Income Tax paid	14.6
Gross Operating Cash Flow	**100.2**
EBITDA	**96.1**
Ratio of Gross Operating Cash to EBITDA	**104%**

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- Strong, consistent positive cashflows from businesses.
- Continued tight management of working capital – further improvement in debtor days
- Cashflows reported pre – securitisation of receivables (securitisation treated as a financing activity)

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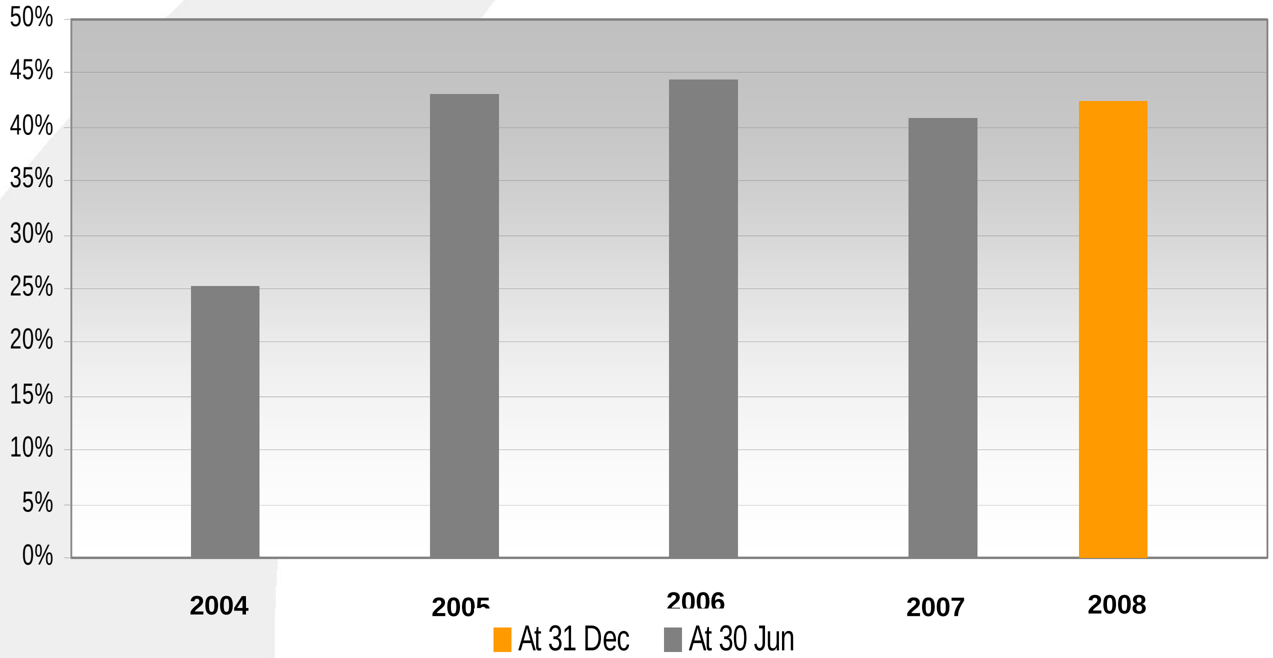
Balance sheet remains strong

Net Debt to Net Debt plus Equity



- Net Debt excluding Securitisation of $594.3 m (30 June 2007 - $552.5m)
- Debt/debt plus equity pre Securitisation stands at 42.3%
- Secuitisation balance at 31 Dec 2007 of $89.1m. Net Debt including Securitisation of $683.4m.
- Interest cover, including securitisation costs, is 3.0 times. Securitisation Costs included in “Finance Costs”
- Undrawn committed debt facilities of $115.0 m at 31 Dec 2007.
- Core Debt facility (Bank Syndicated Loan) increased by $100m to $700 m and term extended to Sept 2009 with no increase in margins or change to financial covenants.
- Interest rate swaps in place fixing rates for $350m of debt for term of facility.

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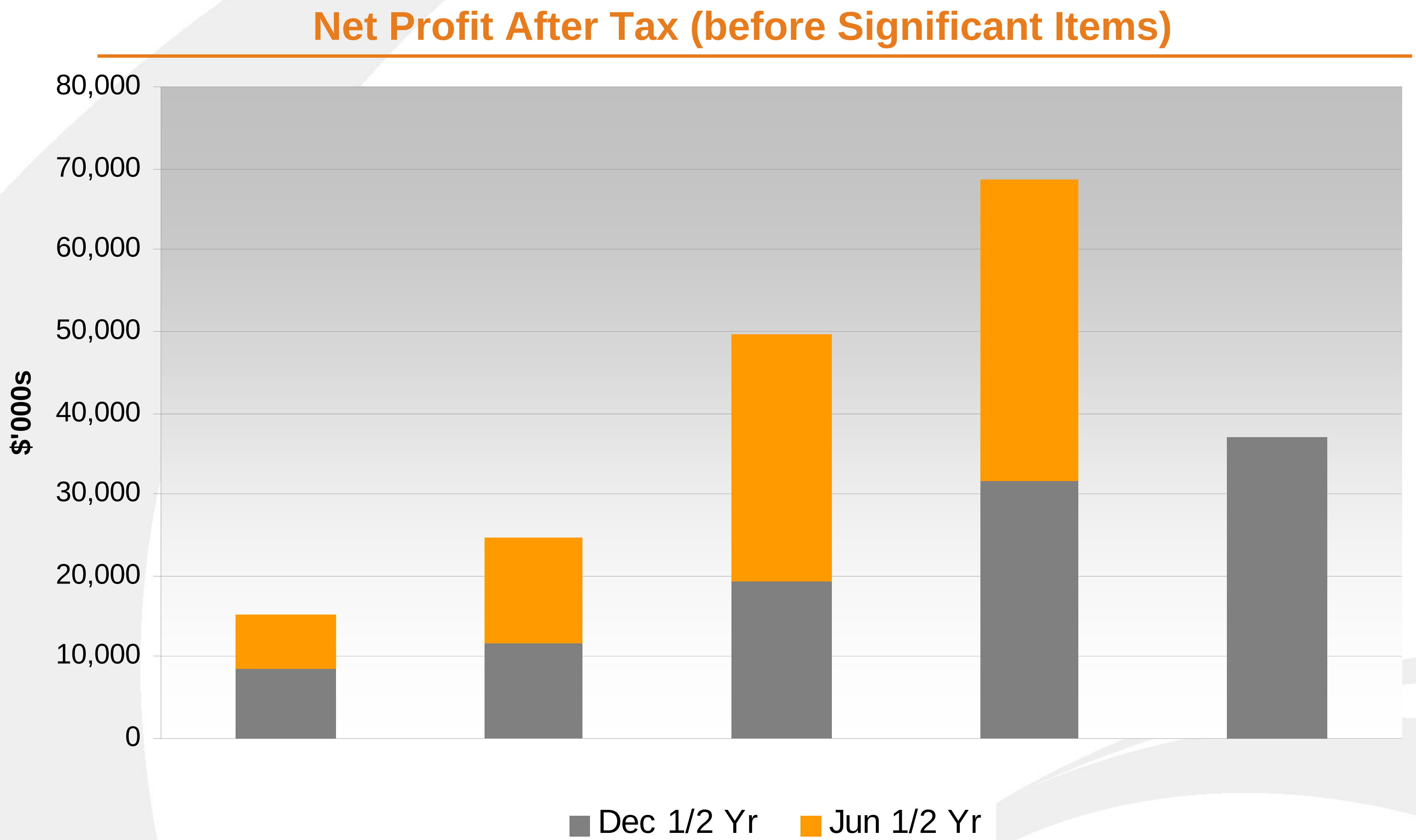
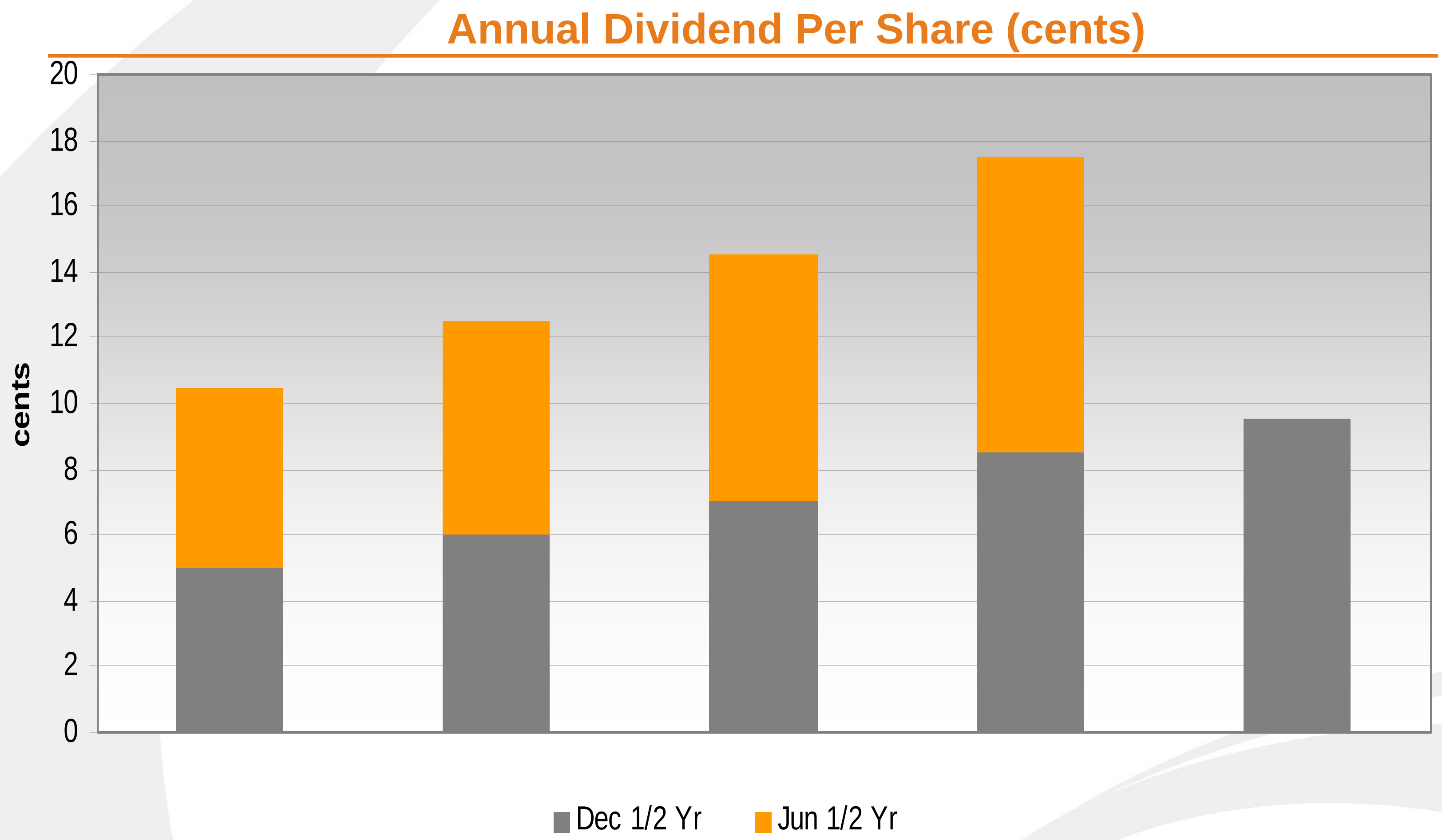
17% increase in Net Profit After Tax before Significant Items over 1st Half FY2007



Dividend Growth Continued

12% increase over FY2007 interim dividend



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Growth through acquisitions and developments

New Acquisitions in H/Y 2007

- 75% of NM&IG Medical Pty Ltd
  - 25% already owned through Gribbles
  - acquisition cost of $23.4 m
  - Annual net revenues of $18.5 m
- New Zealand Diagnostics Group Pty Limited
  - Second largest private pathology operator in NZ
  - Annual revenues of NZ$48 m
  - Acquisition cost of $28.0 m

Status of Greenfield Developments

- Norwest Development – 169 Beds
- Site Preparation underway with completion expected by December 2009

Brownfield Developments

- Hospital brownfields
  - opportunities to expand bed stock by >10% (430 beds covering 14 hospitals) over next 2-3 years identified and work underway to secure approvals
  - First two projects now in process of securing development approvals
    - Knox Private (60 bed expansion, commercial car park)
    - Melbourne Clinic (48 bed expansion , consulting rooms, commercial car park)

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Other Growth Options

- Brownfield/Greenfield developments
- Medical Centres
- Bolt-on acquisitions in pathology/hospitals at “right prices”
- Offshore acquisition opportunities

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Outlook

Net operating profit after tax before significant items

"Underlying earnings in the second half to at least match that of the first half"

- Expected improvements in earnings from Australian pathology and new acquisitions expected to offset normal seasonal second half reduction in hospital earnings and interest rate increases

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