Healthscope Limited

FY2006 Results Presentation

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Outline

- Overview
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  - Financial highlights
- Financial review
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- Operating review
  - Hospitals
  - Pathology
- Outlook

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Overview

Highlights

- A company transformed
- Strong 2nd-half in all Divisions
- Margins improved in all Divisions
- Successful integration of new business
- Delivered on profit guidance

Overview
Operating highlights: A company transformed

- Business consolidating - delivering on integration

- Hospital division now represents 78% of annualised revenue and earnings and is performing strongly

  - The 14 ex-Affinity hospitals
    - Deliver quality and financial strength to overall portfolio
    - Trading at or above expectations

  - Core hospitals – improving in both activity and margins

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Overview

Operating highlights: A company transformed

- Human Pathology Australia has stabilised and is now growing on strengthened platform
  - NSW business restructured with Davies Campbell de Lambert acquisition
  - Clayton laboratory upgraded and restructured
  - Synergy capture and expansion into ex-Affinity hospitals is continuing
- Despite implementation issues with integration, slowing the rate of synergy capture, the hospital/pathology service strategy remains compelling
- Pathology in New Zealand, Malaysia and Singapore all performing at or above expectations
- Award of Auckland Regions District Health Board's 8 year community pathology contract effective from 1 July 2007

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Overview

Key financial highlights: Healthscope delivers on guidance

"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"

- Total revenues of $1,125 million, up 110%
- EBITDA of $144.8 million, up 113%
- Core EBITDA (excluding sale of Amdel & non-recurring items) of $139.8 million
- Net Profit after tax of $54.9 million, up 97%
- Net Profit attributable to HSP shareholders of $53.7million
- EPS of 25.0 cents – growth of 20% on FY2005
- Cash flows from operating activities of $85.0 million, up 149%; operating cashflow to EBITDA 100%
- A fully franked final dividend of 7.5 cents per share, up 16% on last year's final dividend

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Group Financial Review
Profit and Loss

	FY2006 $M	FY2005* $M	Variance %
Revenue	1125.0	534.8	110
EBITDA**	**144.8**	**67.9**	**113**
Depreciation & amortisation	(29.9)	(16.8)	78
EBIT	**114.9**	**51.1**	125
Interest	(42.8)	(17.4)	146
Income tax expense	(17.2)	(5.9)	191
Net profit after tax	**54.9**	**27.8**	**97**
Outside equity interest	(1.2)	(0.4)	248
Net Profit attributable to Shareholders	**53.7**	**27.4**	**95**

*FY2005 restated under A-IFRS

**EBITDA Includes: Includes non-recurring items of $5.0 m ($1.6M – FY2005)

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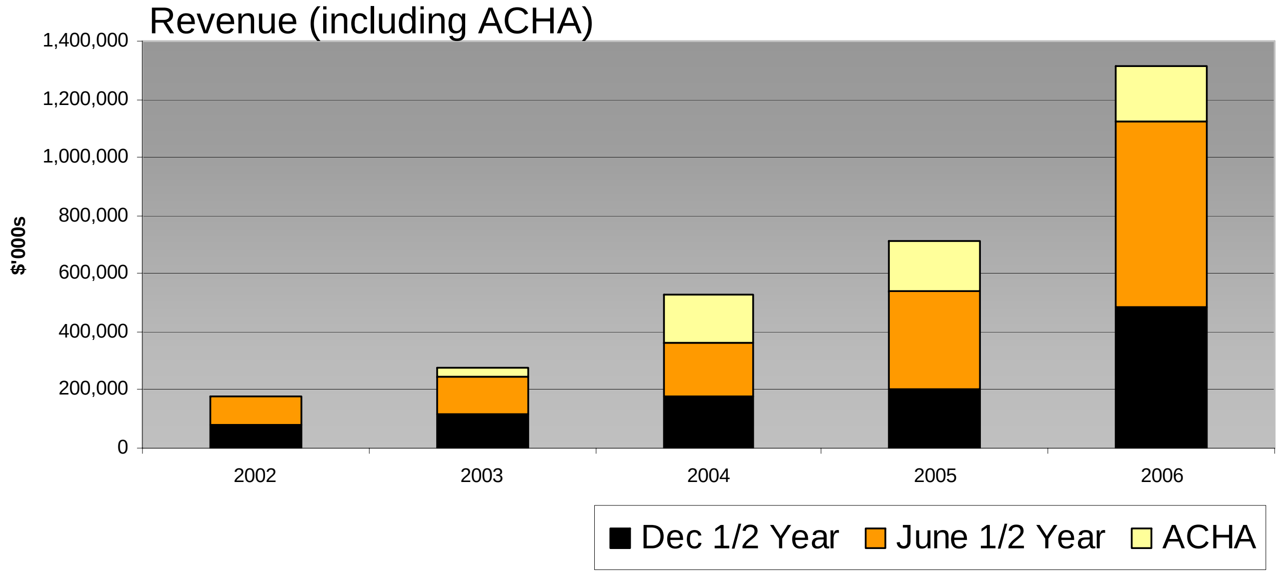
Group Financial Review

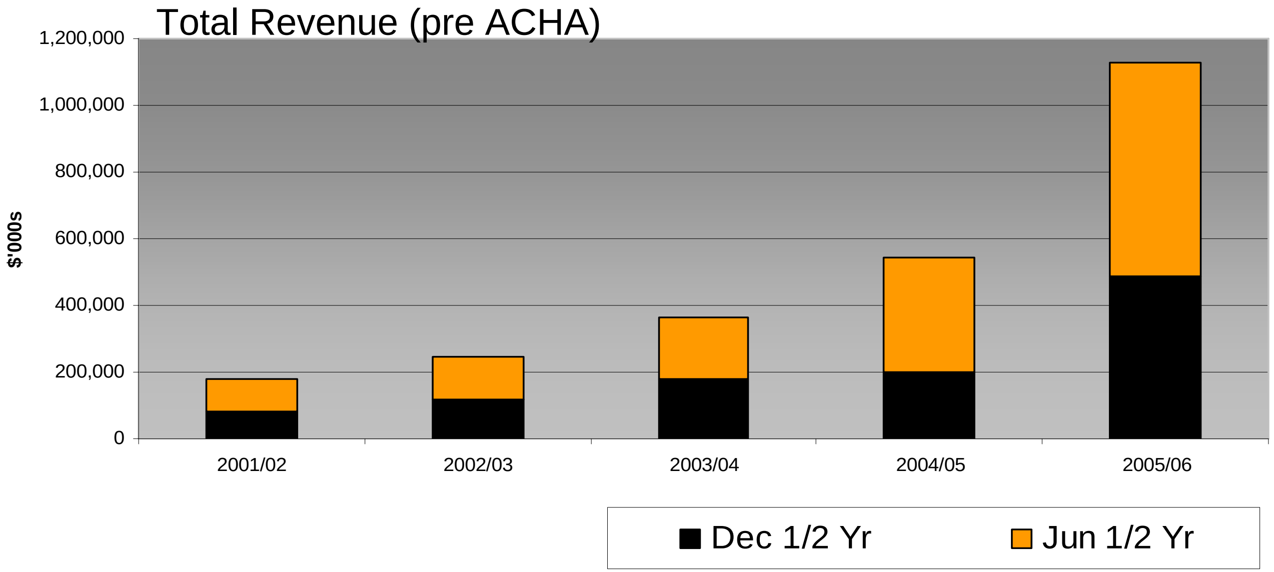
Acquisitions enhance revenue growth



FY 2006 Revenues

Revenue base is in excess of $1,125 m – growth y-o-y over 50%.

- Including ACHA revenues exceeded $1.3M
- 2nd Half Revenue - $640m



Revenue Split
Hospitals – 78%
Pathology – 22%

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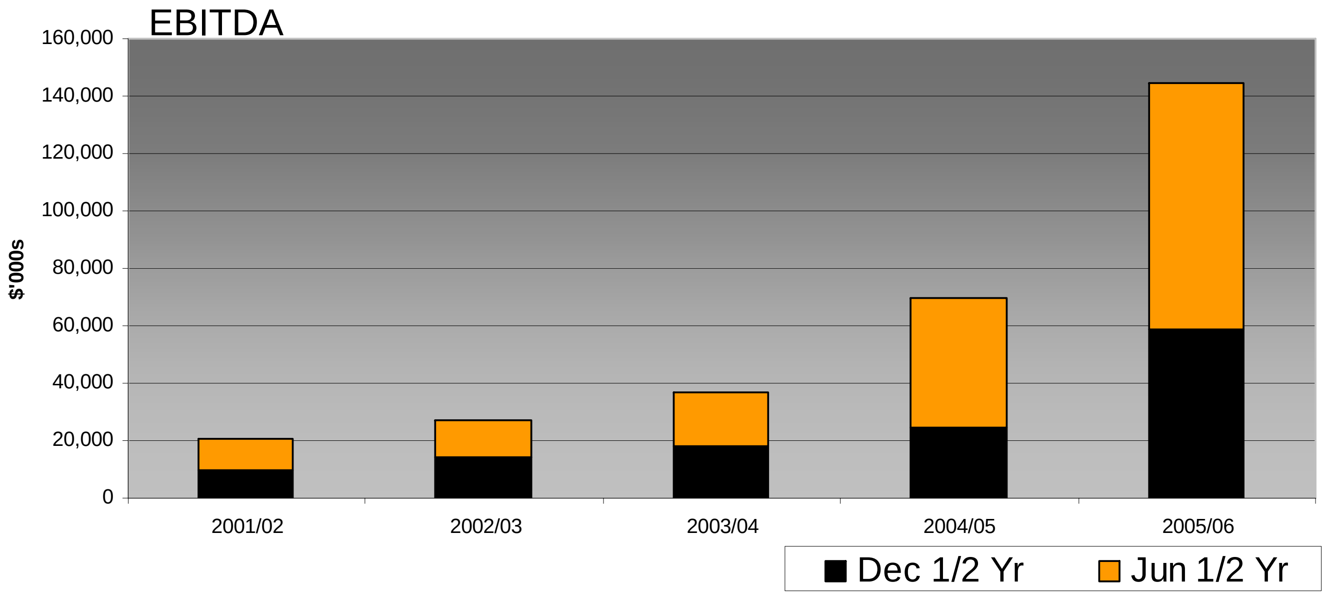
Group Financial Review

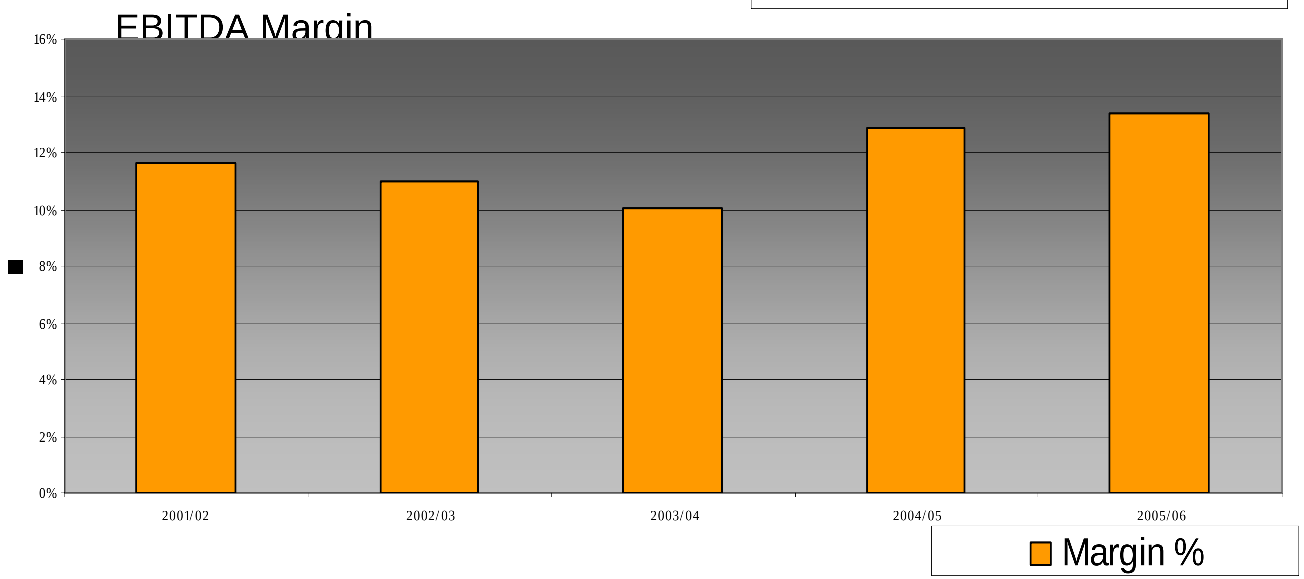
EBITDA growth strong, margins maintained



EBITDA growth reflects acquisitions over past 20 months

Stronger performance in 2nd-half due to:

- Affinity acquisition
- Core hospital's performance
- Pathology improvement



Overall EBITDA margins maintained YoY

Significant growth in 2nd-half

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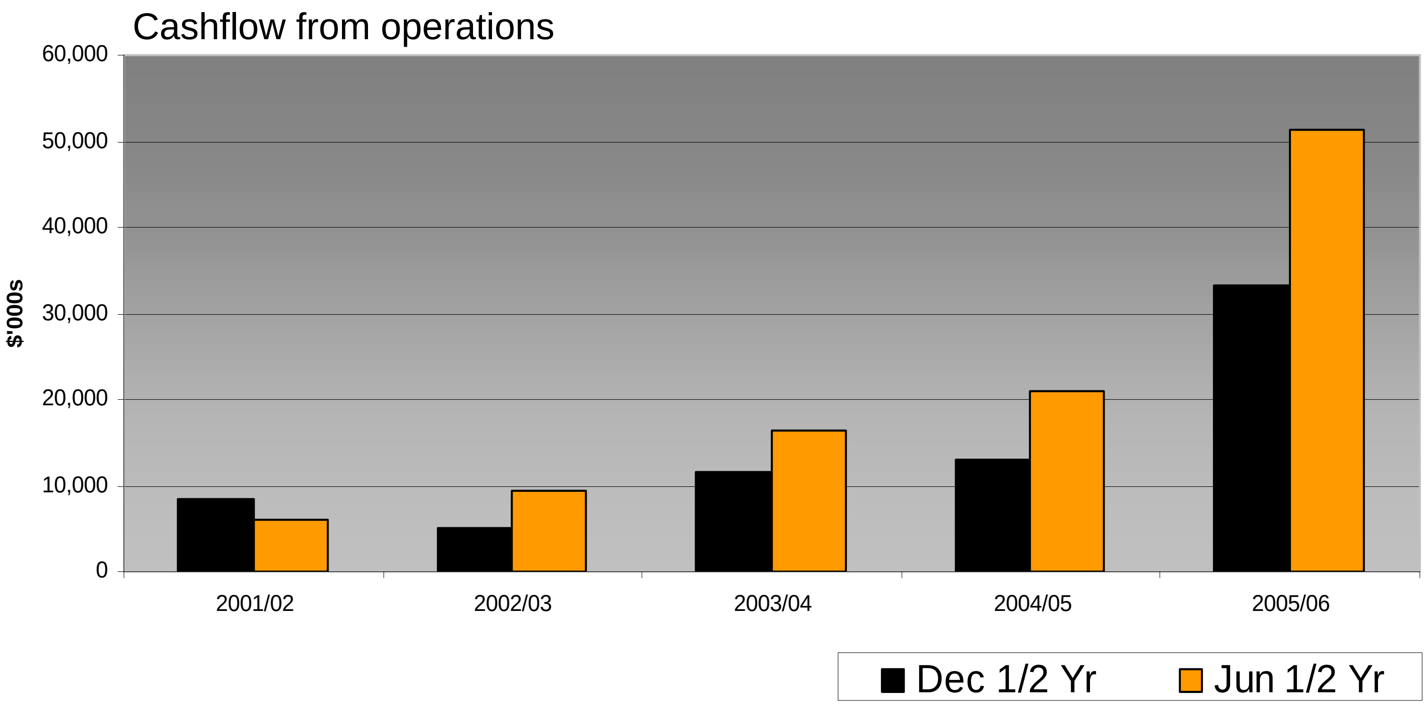
Group Financial Review
Strong cash-flow from operations



Strong cash-flows available to service debt, fund required capital expenditure and potential investments

Group Financial Review
Cashflows

- Strong Cash flows to service debt, capital requirements and dividends
- Future Capex, excluding major expansion – generally in line with annual depreciation
- Acquisitions HY Dec 2005 – 14 Ex-Affinity Hospitals, Primary Skin Cancer Clinics, Davies Campbell De Lambert

CASHFLOW	2006 $M	2005 $M
Gross Operating Cash flows	137.8	55.8
Cash flow from operations (After interest & tax)	84.6	34.0
Capex	46.6	21.3
Proceeds from investments and asset sales	60.0	11.5
Acquisitions	581.9	398.8

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Group Financial Review
Quality of Results

Operating Cash to EBITDA	$M	$M
Cashflow from operating activites	84.6	
Add		
Interest expense	41.5	
Income tax paid	11.7	137.8
EBITDA	144.8	
Less gain on sale of Amdel, PP&E*	-7.6	137.2
Ratio of operating cash to EBITDA		100%

*Cashflow of these items included in "cashflow" from Investing Activities

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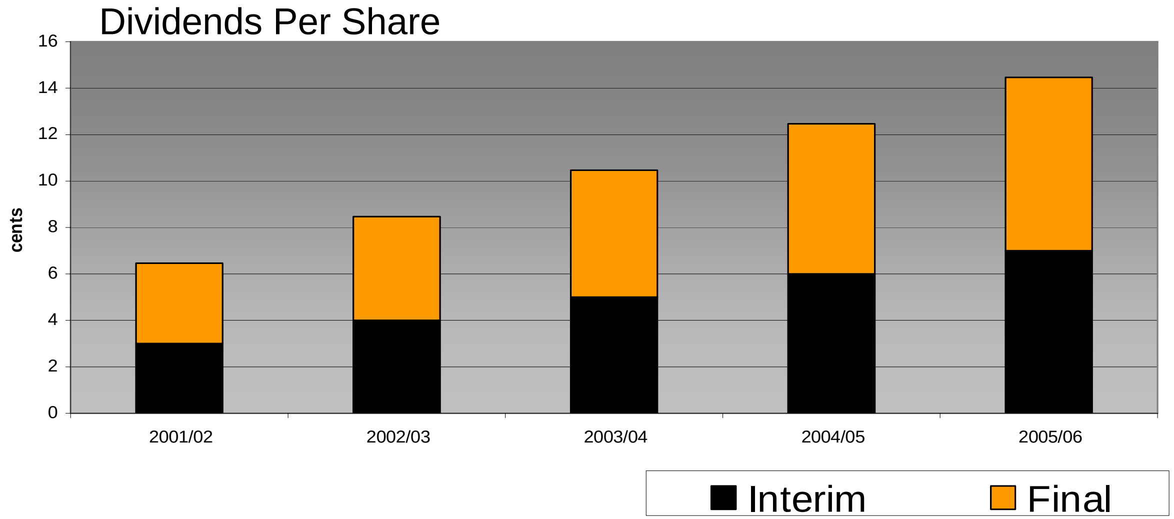
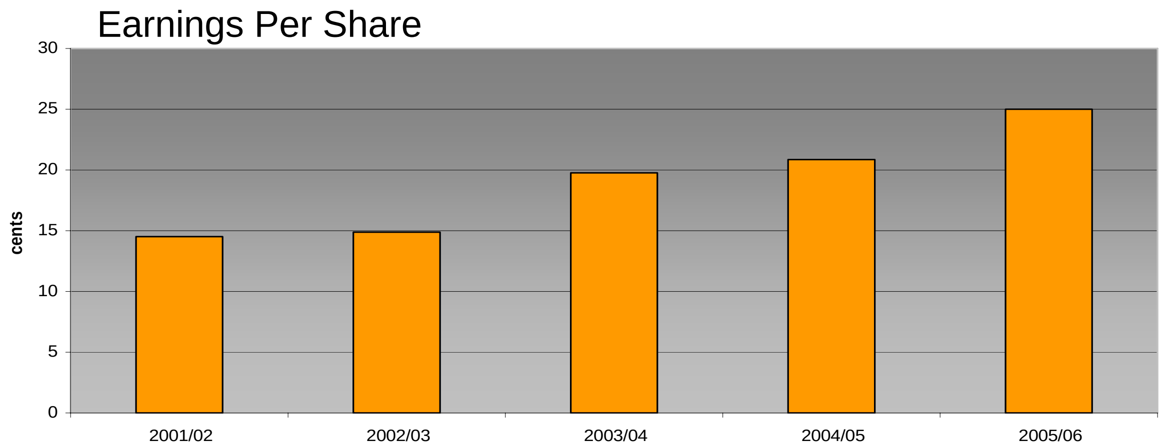
Group Financial Review
Shareholder returns



Progressive dividend policy maintained



FY2006 EPS growth of 20%

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Group Financial Review

Financial Position

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

	30 June 2005 $M	31 Dec 2005 $M	30 June 2006 $M
Net assets	432.0	697.8	731.2
Interest bearing debt	333.5	607.6	586.0
Net Debt / (net debt+equity)*	43.1%	45.9%	44.1%

**Net debt = interest bearing liabilities minus cash*

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Segment Financial Performance
Revenue

- Growth reflects transformation of the Company
- FY2006 – 8 months of 14 ex-Affinity hospitals

Segment Reporting	2006 $M	2005 $M
Revenues		
- Hospitals	852.4	387.8
- Pathology	233.6	112.7
- Other	2.4	1.6
Sub Total	**1088.4**	**502.1**
- plus Analytical (sold 12/05)	29.0	27.8
- Non-recurring items	7.6	4.8
Total	**1125.0**	**534.7**

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Segment Financial Performance

EBITDA

- Pathology margins are not reflective of current margins and impacted by losses in NSW in first-half of year
- Increased overheads reflect significant growth of Company operations

Segment Reporting	2006 $M	2005 $M
EBITDA		
- Hospitals	106.1	45.1
- Pathology	33.6	17.4
- Other	2.3	2.8
- Corporate	(6.8)	(2.9)
Total	**135.2**	**62.4**
- Non-recurring Items	5.0	1.6
- Discontinued operations (Analytical)	4.6	4.0
Total	**144.8**	**68.0**
EBITDA Margins		
- Hospitals	12.4%	11.6%
- Pathology	14.4%	15.5%

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Segment Financial Performance
EBITDA: Strong 2nd-half performance

- Margins strengthened in all segments

	HYDec 2005 $M	HYJune 2006 $M	Total $M
Revenue			
Core	479.2	638.1	1117.4
Non-recurring	5.6	2.0	7.6
	484.8	640.1	1125.0
EBITDA			
Core	55.0	84.8	139.8
Non-recurring	3.8	1.2	5.0
	58.8	86.0	144.8
EBIDA Margins	%	%	%
Total Core	11.5	13.3	12.5
Hospitals	11.1	13.3	12.4
Pathology	13.3	15.4	14.4

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Operating Review
Current Operating Environment

Private Hospital Industry

- Industry continues to consolidate
- Private health insurance participation remains steady at 43.0% (PHIAC – June Quarter 2006) and demand remains strong for well-positioned hospitals
- Privatisation/Sale of Medibank may create impetus for consolidation in Health Insurance sector
- Healthscope has sought increases from Insurers to cover nurse wage increases in Queensland of approximately 30% over three years - negotiations successfully completed with most insurers

Pathology Industry

- Market remains extremely competitive
- Proposed amendments to Heath Insurance Act aimed at eliminating questionable marketing practices is welcomed by Healthscope
- Pathology funding exceeding 5% growth cap agreed with Federal Government
  - Growth rate needs to be adjusted to reflect Government initiatives driving demand, i.e. safety net
  - Fee adjustment unlikely this financial year

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Operating Review

Hospitals performance: Growth and Improvement

- Hospital division represents approx 78% of annualised revenue
- Size and Quality of acquisitions has delivered significant scale benefits
  - Health Funds
  - Supply and Service Contracts
- Healthscope now second largest private hospital operator in Australia
- Overall strong performance especially in 2nd half
  - Healthscope core hospitals continue to improve earnings and margins
  - Ex-Affinity hospitals at or better than expectations.
- Integration of 14 ex-Affinity hospitals largely complete
  - Legal completion expected shortly for last 2 hospitals (Melbourne Private, Prince of Wales Private)

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Operating Review
A portfolio of quality Hospitals

- Healthscope now has a portfolio of quality hospitals in every State/Territory of Australia including :
  - Medical/ Surgical – state-of-the-art hospitals; i.e. The Prince of Wales Private, The Mount, Knox Private, Melbourne Private, Allamanda, Flinders and Ashford
  - Psychiatric – major clinics across the eastern seaboard including The Melbourne Clinic, and The Sydney Clinic
  - Rehabilitation - Flagship Victorian Rehabilitation Centre Eastern and Lady Davidson
- Refurbishment and expansion program of psychiatric hospitals has been completed.
  - Refurbishments and expansions programs at The Melbourne Clinic and The Sydney Clinic are now delivering increased activity
- Hospitals' development activity
  - Knox Private expansion and refurbishment completed in April '06.
  - Victorian Rehabilitation Centre Eastern refurbishment completed
- A number of further 'brownfield' expansion opportunities across the portfolio are being reviewed.
- Newcastle acquisition and Campbelltown development on track.

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Operating Review
Pathology: A stronger, more stable platform

- Approx 22% of group revenue
- **Australian Human Pathology**
  - Revenues up by 7% on FY2005
  - Consolidation of NSW operations into Davies Campbell de Lambert complete focus now on achieving planned cost synergies
  - Clayton laboratory restructure and upgrade completed
  - Victorian GP position stabilised and now improving
  - Hospital Synergy capture strategy proceeding with focus now on ex-Affinity hospitals
- **New Zealand Human Pathology**
  - Northland contract in New Zealand renewed
  - Auckland Districts contract secured – 8 years from 1 July 2007
    - Revenues in excess of NZ$560M
    - Contract for all community pathology in Auckland region
- **Malaysia and Singapore**
  - Continuing to grow market share and prospect of further organic growth
- **Veterinary Pathology**
  - Performing strongly in both Australia and New Zealand

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Outlook

- **Key focus in 2007 is on value extraction from acquisitions of past two years**
- **Hospitals**
  - Further opportunities for margin improvements across the portfolio
  - Increase activity levels targeted
  - Newcastle Private acquisition completion
  - Campbelltown development completion
  - Brownfield expansion opportunities
- **Pathology**
  - GP marketing
  - Growth and margin improvement of pathology business, particularly in NSW, Victoria and Queensland
  - Continue to capture hospital pathology synergies including ex-Affinity hospitals
  - Auckland Pathology contract – 1 July 2007
    - Implementation plans well advanced
    - Key staff appointed
- **Group**
  - Enhancing EPS and Return on Equity

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Outlook
FY2006

"The pleasing results in the second half of FY2006 give the Company confidence that the strong financial and operational performance will be maintained in the year ahead."

Further update

AGM – 23rd October 2006

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Questions

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Managing Director

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