Healthscope

Financial Results
for Year Ended 30 June 2008

Mr Bruce Dixon
Managing Director

21 August 2008

Highlights

- **Financial results**
  - Net Profit After Tax before NRI's of $74.9m.
- Operations
  - Hospitals continue to perform strongly
  - Domestic Pathology significantly improved in second half of FY 2008
  - Singapore & Malaysia experience solid revenue growth
- **Dividends**
  - Final Dividend of 10.0 cents per share fully franked
  - Total Dividends for FY2008 of 19.5 cents up 11 % on prior year
- **Outlook**
  - Positive
  - Good start to new year - further update at AGM (17 October 2008)

[1] Non-recurring items (NRI's)

Financial Highlights

- **Net Operating Profit after Tax before Non Recurring Items of $74.9m – up 14% on FY2007**
- **Non Recurring Items of $(10.4)m after tax**
  - Net Profit after tax after NRI's of $64.4m
- **Revenue (including prosthetics) up 16% to $1,488.7m**
- **EBITDA from operations up 15% to $197.9m**
- **EPS before Significant items up 12% to 31.2 cents**
  - EPS after Significant Items of 26.8 cents
- **Cashflow from operating activities of $124.2m up 14%**
  - 103% conversion of EBITDA to cashflow
- **Final Dividend of 10.0 cents per share fully franked.**
  - Total Dividends for FY2008 of 19.5 cents - up 11%

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Profit & Loss from Continuing Operations – Before Non Recurring Items

	FY2008 ($m)	FY2007 ($m)	Change (%)
Revenue[1]	1,488.7	1,279.2	16%
EBITDA	**197.9**	**172.6**	**15%**
D&A	(43.4)	(34.5)	26%
EBIT	**154.6**	**138.1**	**12%**
Interest	(50.1)	(44.7)	12%
Net profit before tax	**104.5**	**93.4**	**12%**
Income tax expense	(29.6)	(27.7)	7%
NPAT	**74.9**	**65.7**	**14%**

[1] Group revenues includes $169.7m revenue from prosthetics (FY2007 $139.1m)

- Strong performance of Hospitals –EBITDA up 14% with improved margins
- Improved 2nd half from Pathology
- Full Year impact of FY2007 acquisitions:
- Campbelltown Private opened June 2007
- Part Year Contribution from FY2008 acquisitions
- Interest up 12%
  - Interest on core debt -$43.7m
  - Securitisation expense - $6.4m
  - Average level of Debt including Securitisation FY2008 - $679.8m (FY2007- $594.7m)
- FY 2008 tax Rate 28% (2007 - 30%)
  - reduced rate due to capture of revenue and capital losses and increased R&D claims.

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Profit & Loss
– After NRI's & Discontinued Operations

	FY2008 ($m)	FY 2007 ($m)	Change (%)
NPAT - Before NRI's & Discontinued Operations	**74.9**	**65.7**	**14%**
NRI's (after tax)	(10.4)	0.6	-
Discontinued operations (after tax)	-	18.0	**-**
NPAT – After NRI's & Discontinued Operations	**64.4**	**84.3**	**(23)%**

Non Recurring Items (net after tax)

- Symbion Health acquisition Items
  - Acquisition & Due Diligence costs - $(11.1)m
  - Symbion Health Break Fee – gross of $19.6 - net (after tax) to Healthscope$11.6m – balance to Goldman Sachs
  - Carrying costs of equity swap net of dividends received - $(5.3)m
- Other items
  - Medical Malpractice- single claim made in FY2008 relating a 1997 event when insured with FAI/HIH – ($2.9m). No other material FAI/HIH claims identified or expected in future.
  - Acquired Businesses restructure costs - $(2.0)m
  - Unamortised prior bank facility costs. – $(0.7)m

Discontinued Operations (net after tax) – FY2007

- 4 sold hospitals (1 Oct 2006) and Modbury Management Contract(30 June 2007) - $2.9m
- Gain on Sale of 4 hospitals - $15.1m

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Solid divisional revenue growth and earnings growth

Continuing Operations Before NRIs	FY08 $M	FY07 $M	Change (%)
Hospital Revenue[1]	1,000.1	876.4	14.2
Pathology Revenue	318.8	263.7	20.9
Total	**1318.9**	**1,140.1**	**15.7**
Hospital EBITDA[1]	156.5	136.9	14.4
Pathology EBITDA	51.2	43.1	18.8
Corporate	(9.8)	(7.4)	32.9
Total	**197.9**	**172.6**	**14.7**

[1] Excludes Prosthetics

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Hospital Performance

- Hospitals account for 76% of revenues of group
- Revenue growth of 14.2%
  - Growth from new hospitals of 8.9%
  - Underlying growth of 5.3% from core hospitals
- Full Year of acquisitions and green field commissioned in 2HY07 – at lower margins than core hospitals
  - Brisbane Private (Feb 07), Newcastle Private (May 07), Campbelltown Private (June 07)
- Core hospital EBITDA growth of 9.9% year on year
- Margins in 2HY08 reflect normal second half earnings seasonality
- Margin growth on "like for like" basis shows margin improvement of 30 bps
- FY 2007 figures restated to exclude Modbury and 4 divested hospitals.

Hospital Performance	**FY07**	**1HY08**	**2HY08**	**FY08**
($m Before NRIs)				
Revenue[1]	876.4	502.5	497.7	1000.2
EBITDA	136.9	79.9	76.6	156.5
EBITDA Margin	15.6%	15.9%	15.4%	15.7%
EBITDA Margins – Like for Like - excludes new hospitals	15.6%	16.5%	15.8%	15.9%

[1] Excludes Prosthetics

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Hospital Operating Performance

- Hospital networks within the Group working well- good retention of patient flow within the network
- Excellent relations with doctors
- Excellent clinical outcomes being achieved - reflected in low medical malpractice claims and premiums
- Good relationships with public hospitals and State Health Departments with acute hospitals in Victoria, NSW, Queensland and Tasmania undertaking public lists to assist in reducing hospital waiting lists

Pathology Performance

- Significant margin improvement in 2nd half
- Australian Pathology revenue growth of 6.5% for year
  - 1st half impacted by Western Australian revenue losses
  - Above market growth in in 2nd half
  - Strong performance in Victoria and New South Wales
- Singapore and Malaysian business performing strongly with revenue growth of 17.9% despite impact of stronger A$ - A$(2.2)m impact.
- NZDG acquisition (Dec 2007) resulted in additional A$20.9 m in revenue but at significantly lower margins than balance of the pathology business.
- Medical Clinics undergoing restructuring to drive synergies and operating efficiencies.

Pathology Performance	**FY07**	**1HY08**	**2HY08**	**FY08**
($m Before NRIs)				
Revenue	263.7	141.6	177.2	318.8
EBITDA	43.1	21.7	29.5	51.2
EBITDA Margin	16.3%	15.3%	16.6%	16.1%
EBITDA Margins “like for Like” -excludes new acquisitions	16.3%	15.3%	16.9%	16.1%

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103% conversion of EBITDA into cash flow

Gross Operating Cash to EBITDA	**$m**
Cashflow from Operating Activities (Pre NRI's)[1]	125.8
Add back	
Interest paid	57.9
Income Tax paid	20.7
Gross Operating Cash Flow	**204.4**
EBITDA (Pre NRI's)	**197.9**
Ratio of Gross Operating Cash to EBITDA	**103%**

[1] NRIs cashflow items total $1.6m

- Strong, consistent positive cashflows from businesses.
- Continued focus management of working capital

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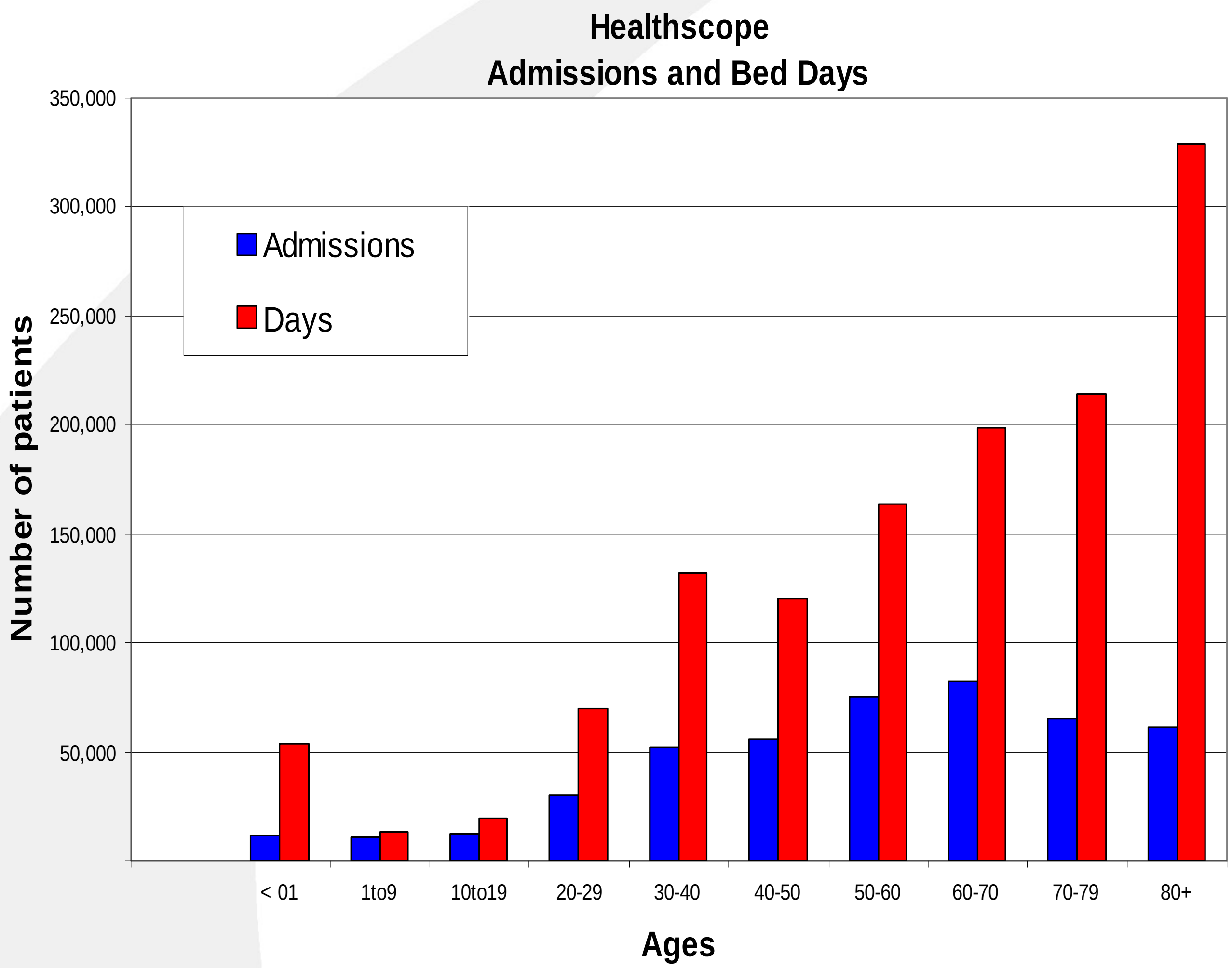
Impact of Government Policy Matters

- The change to the Medicare Surcharge Levy threshold is not expected to have any significant impact on earnings of Healthscope hospitals over the next two years
  - Underlying demand and volume growth remains strong
  - 62% of hospital admissions are by + 50 year olds – “baby boomers & golden oldies”
  - Number of over 80 year olds expected to double by 2020. These are heavy users of hospital facilities
  - Health Fund contracts are in place with most of the major health funds for next 1 to 3 years
- Federal Budget Changes to certain Pathology schedules will reduce revenue by an estimated $4.0m in FY2009
- The current Pathology MOU expires on 30 June 2009
  - Industry (AAPP) in negotiations with government

Utilisation of Hospitals



- Private health predominantly services an ageing population
- Minimal impact on demand expected from changes to Medicare Levy threshold
- Healthfund members over 60 unlikely to terminate health cover participation

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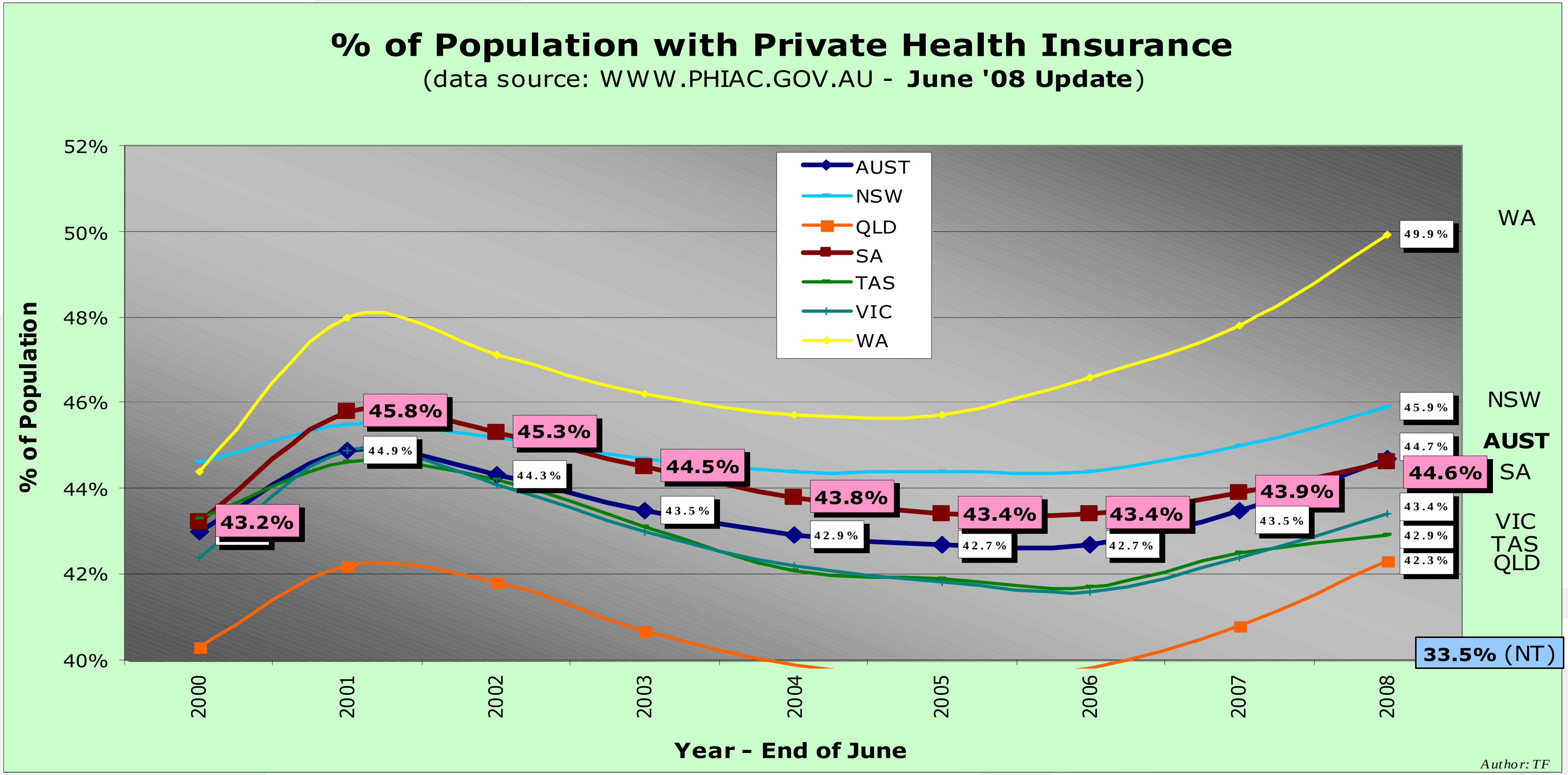
Private Health Insurance Participation

- steady increase in the number of Australians taking out private health cover in every quarter since June 2005.
- the largest increase was in the 25-34 age group with an increase of 19,829 people since the end March this year.



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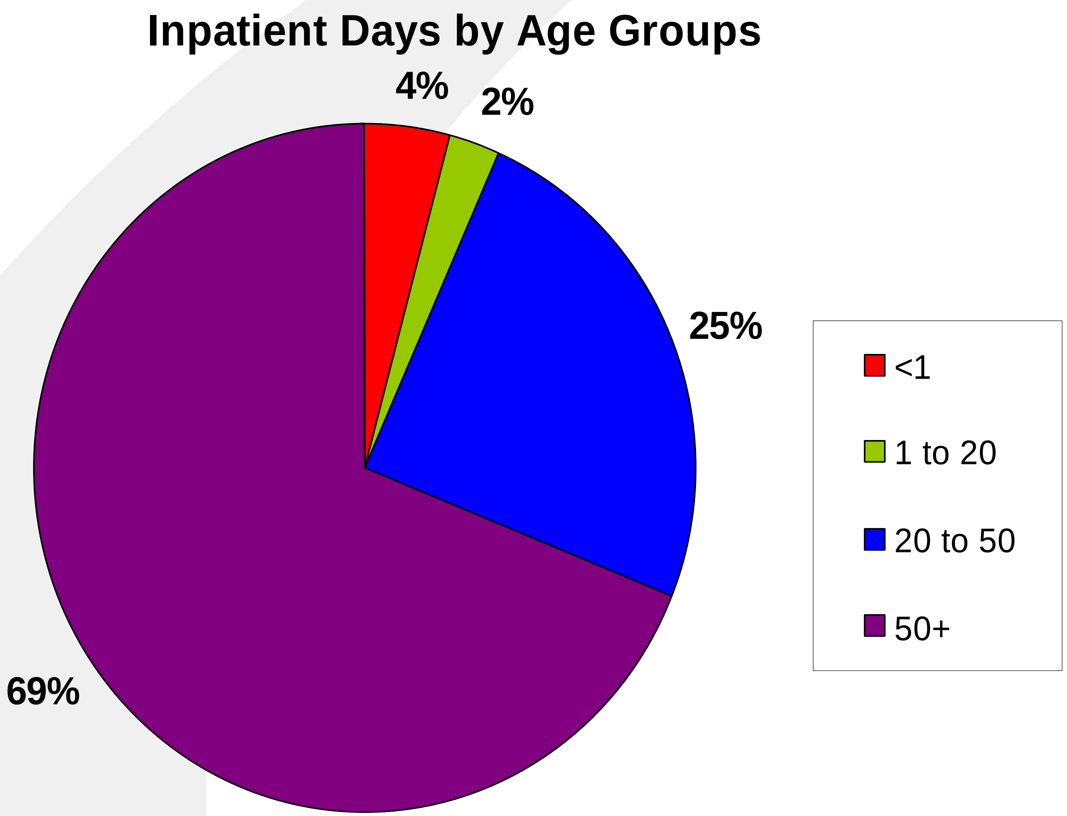
Growth Options

- Brownfield developments in hospitals
  - A number of hospitals are at or are approaching full capacity
  - Underlying demand continues to be strong, especially in key growth areas
  - Financial returns on incremental expansions are compelling
- Bolt-on acquisitions in pathology
- Acquisitions of medical centres
- Offshore acquisition opportunities

Demand Growth comes from ageing population



- Impact of ageing population on hospital utilisation is evident
- In excess of 2/3s of all patient days comes from patients 50 years or older
- Demand for services from +50 year olds will continue to grow dramatically in medium to near term
- Increasing demand underpins brownfields capacity expansion plans

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Brownfields Developments Underpinned by Existing Demand

- All hospitals where developments planned have bed and/or operating theatre capacity constraints; many operating at 100% capacity
- The identified hospitals are all well positioned to take advantage of growing demand and aging population
- The hospitals have excellent clinical reputations, with Doctors seeking to relocate from competitors when capacity available
- The economics of incremental expansions are compelling
- Any tightening in health fund rates paid to hospitals will not threaten brownfield rationale. We expect it will lead to further consolidation in the hospital sector - particularly in the stand-alone and not-for-profit hospitals
- Health Funds are likely to reduce the number of contracted hospitals in the future as they endeavour to reduce their cost base – thereby increasing demand in contracted hospitals

Update on Brownfield Expansion Plans

	CAPITAL $m	BEDS	THEATRES
Scheduled to Commence in FY 2009			
Allamanda Stage 1	12.0	24	2
Campbelltown	22.0	59	2
Knox	30.0	66	
The Melbourne Clinic	18.0	48	
Vic Rehabilition	7.5	30	
Feasibility Studies under Development			
Brisbane Private	TBD	45	3
Northpark	TBD	50	2
Lady Davidson	TBD	54	
Allamanda Stage 2	TBD	75	
Newcastle	TBD	58	2
John Fawkner	TBD	300	8
Hills (conversion)	TBD	100	
Sunnybank	TBD	64	4
Total Project Beds/Theatres		**973**	**23**

- Brownfield capacity expansion plans are well developed.
- 5 projects likely to commence in FY 2009 providing an additional 227 beds and 4 theatres
- Programme expected to be complete over next 3 years but timing is dependent on completion of feasibility studies and Planning Approvals required from local authorities
- Expenditure of $59.6m expected in FY2009

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Capital Expenditure - Continued investment during FY2008 in existing businesses

Greenfield Development - Norwest Project – North West Sydney

- Expenditure in FY2008 of $9.2m
- Estimated total Cost $67.0m
- Completion by November 2009

Investment in Existing Businesses $69.0m

- Hospitals - $51.6m
  - additional and replacement plant & equipment

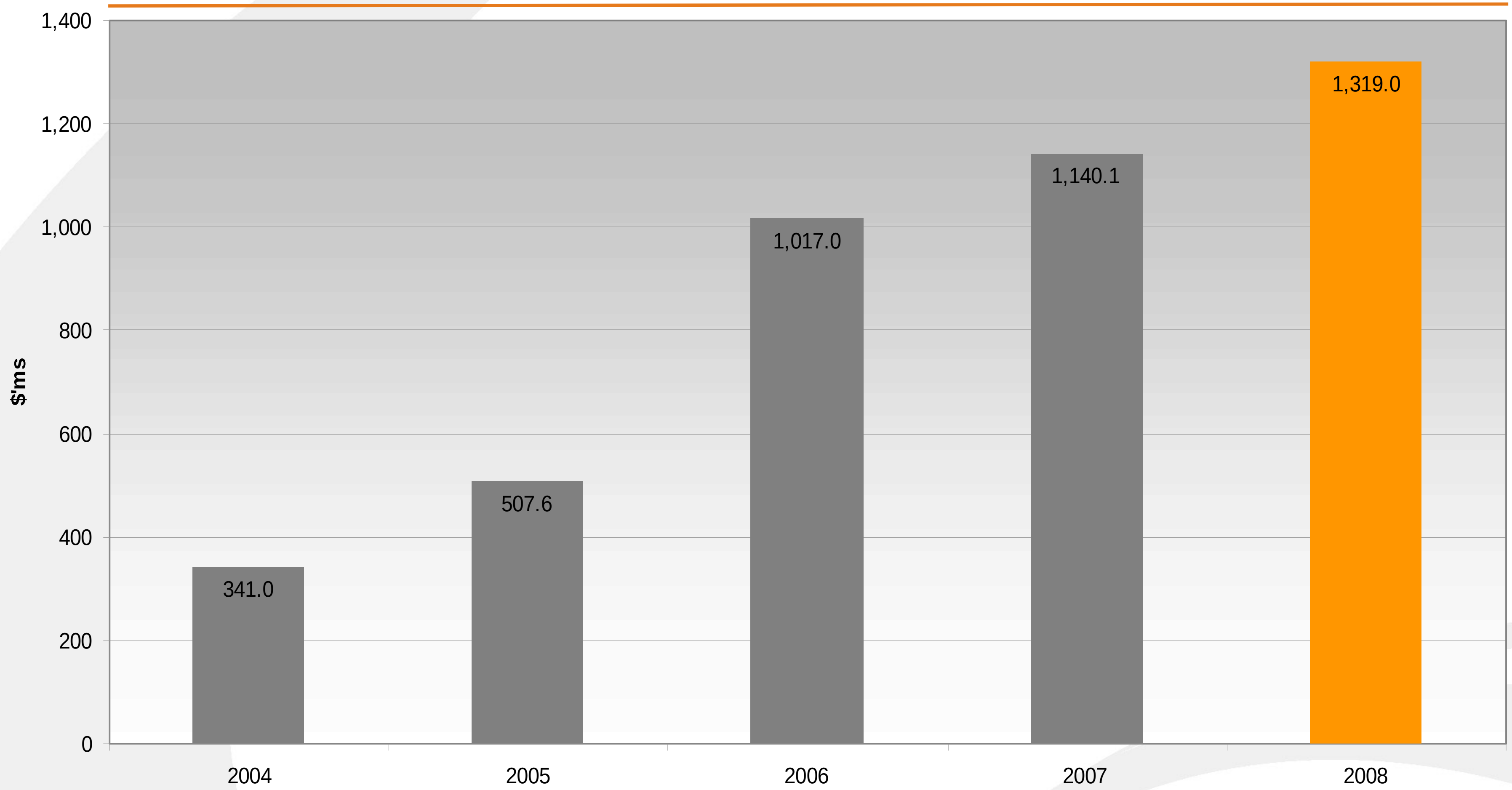
  Exceeds annual depreciation expense due to:
  - Continuation of infrastructure upgrades at Ex Affinity Hospitals (now largely complete)
  - Additional rehabilitation and psychiatric capacity at existing hospitals (25 beds)
  - 3 additional ABI Community Houses
- Pathology - $6.4m
  - laboratory equipment and infrastructure
- Group IT - $7.6m
  - equipment and communications facilities
  - Systems upgrades
- Corporate - $3.4 m
  - Office and infrastructure

Depreciation expense for FY2009 is forecast to increase by ~10% over FY2008 levels

16% revenue growth over FY2007

- Hospitals revenue growth of 14.1%
- Pathology revenue growth of 20.9%.

Revenue (ex-prosthetics)



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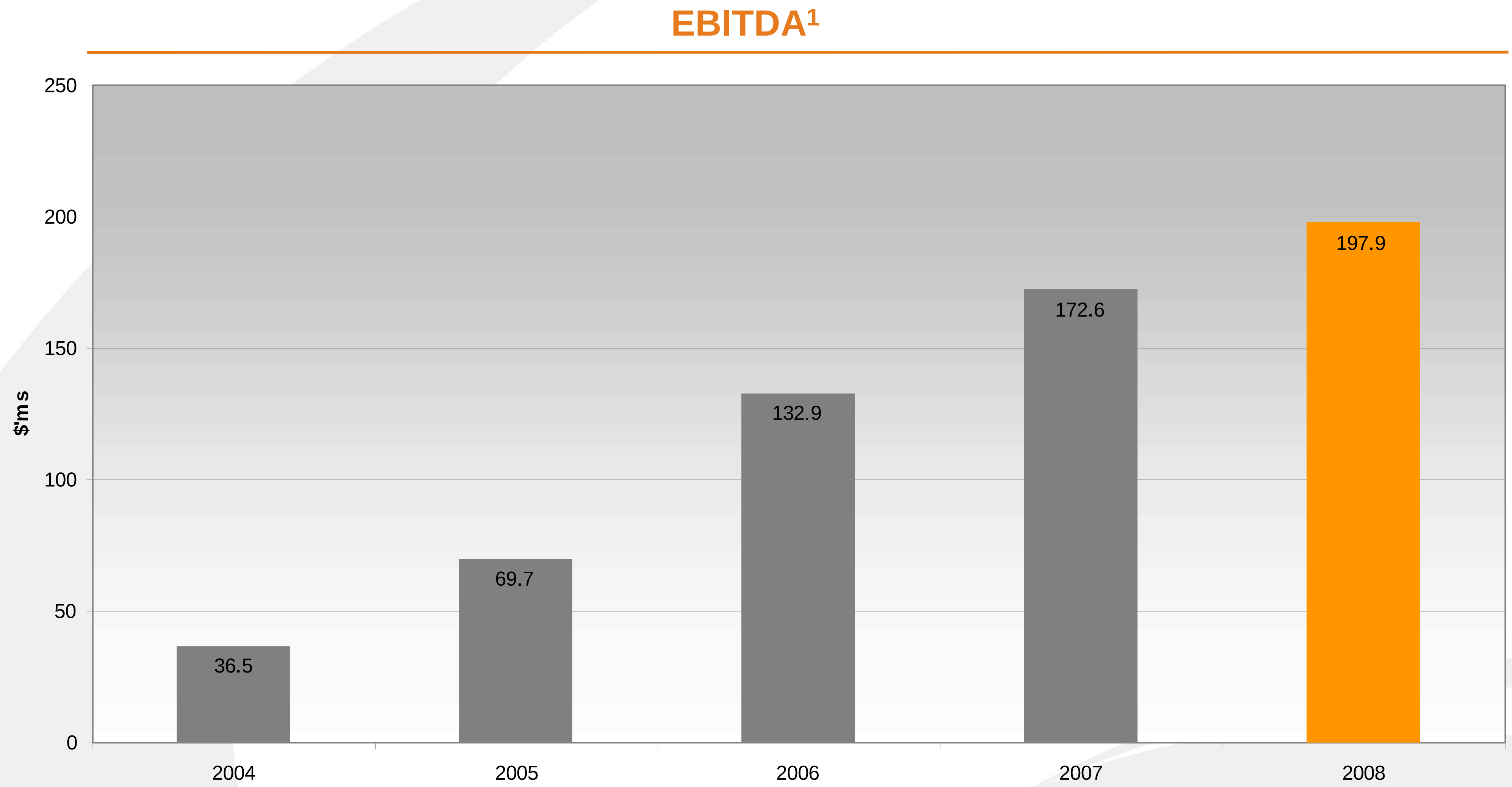
15% increase in EBITDA[1] over FY 2007



[1] From Continuing Operations, before NRI's

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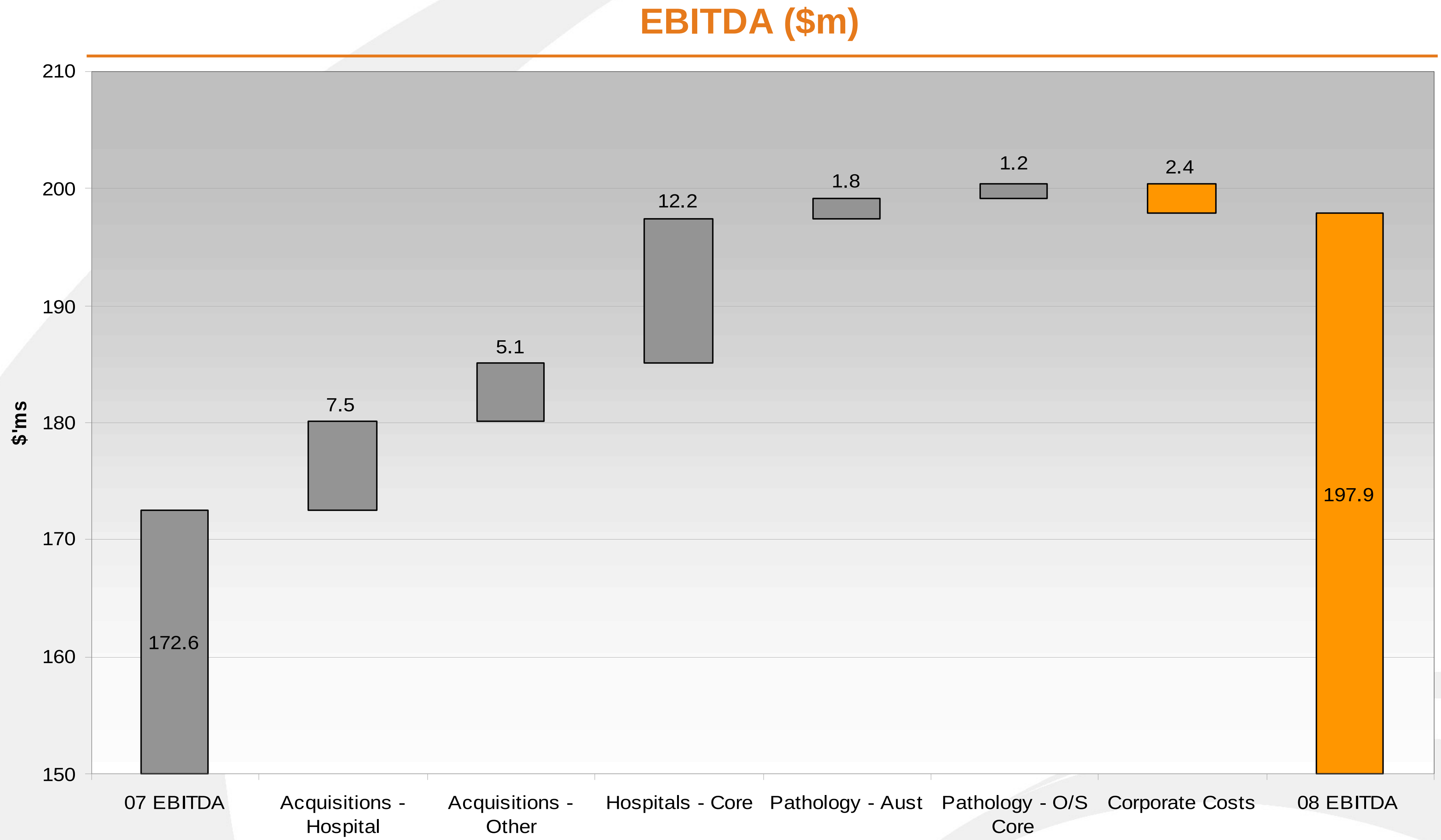
FY20008 EBITDA Attribution Analysis



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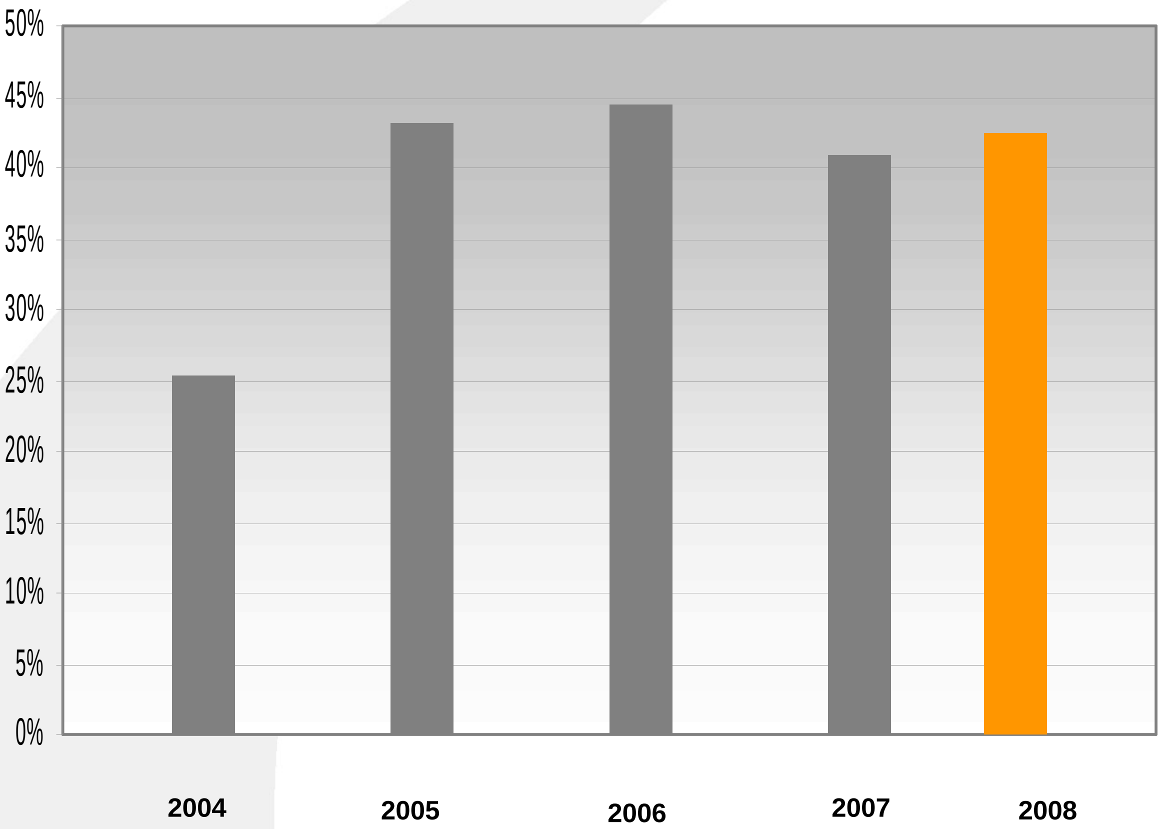
Balance sheet remains strong

Net Debt to Net Debt plus Equity



- New $850 m, 3 year Syndicated Debt facility established in June 2008. Undrawn committed debt facilities of $280.0m at 30 June 2008
- Net Debt excluding Securitisation of $597.2m (30 June 2007 - $552.5m)
- Securitisation balance at 30 June 2008 of $91.1m. Net Debt including Securitisation of $688.5m
- Debt/debt plus equity stands at 41.3% (44.8% incl secuitisation)
- Securitisation Costs included in "Interest" expense
- Interest cover, including securitisation costs, is 4.0 times before NRIs and 3.6 times after NRI's
- Interest rate swaps in place fixing rates for $315m of debt for term of facility
- FY2009 interest expense expected to increase by ~ 19% above FY2008 due to higher expected underlying interest rates, higher credit margins and higher average debt levels
- 1% variation in interest rates will result in +/- $3.3m profit before tax impact

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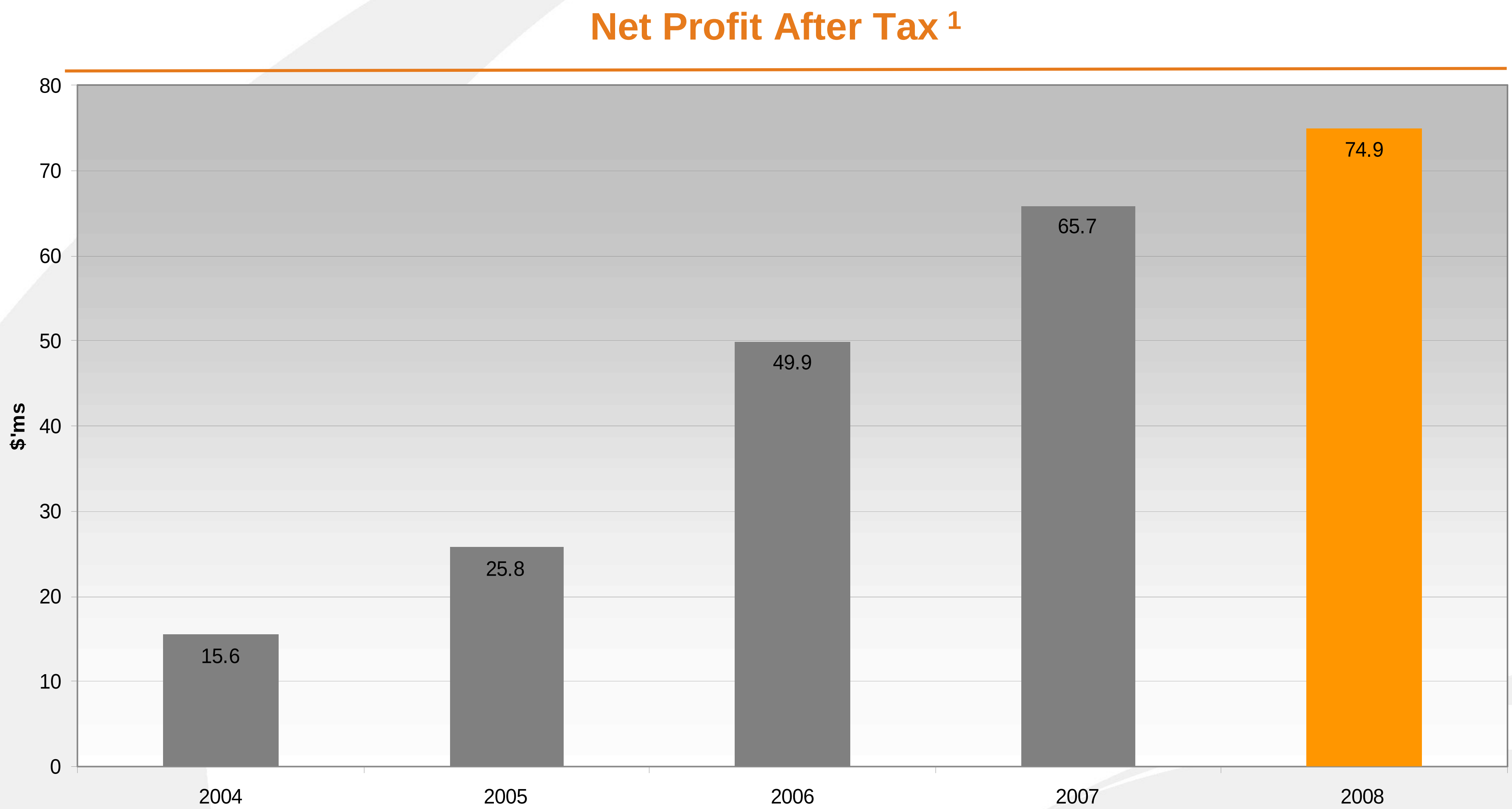
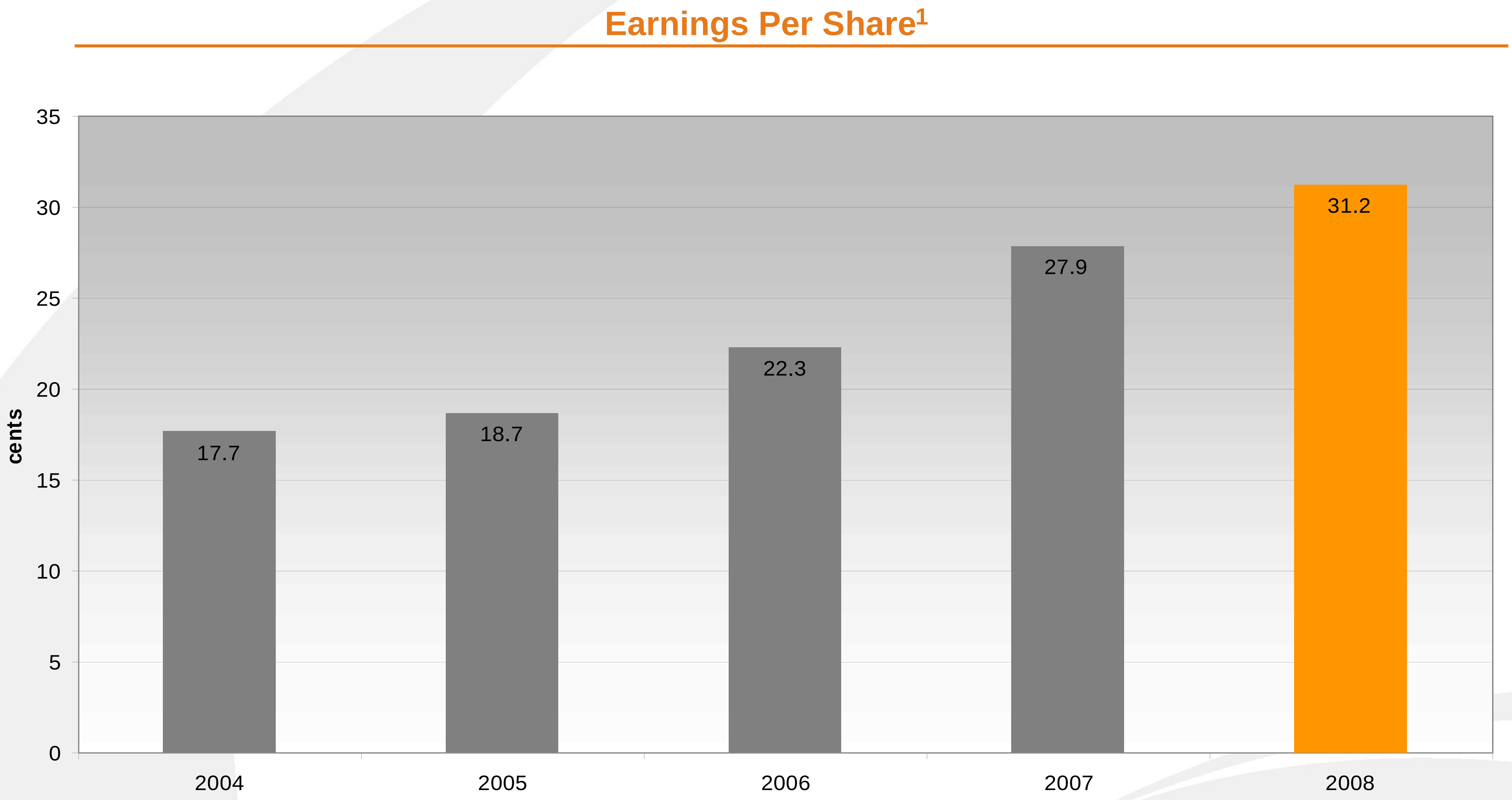
14% increase in Net Profit After Tax[1] over FY2007



[1] From Continuing Operations, before NRI's

EPS[1]– increase of 12% over FY2007



[1]From Continuing Operations, before NRI's

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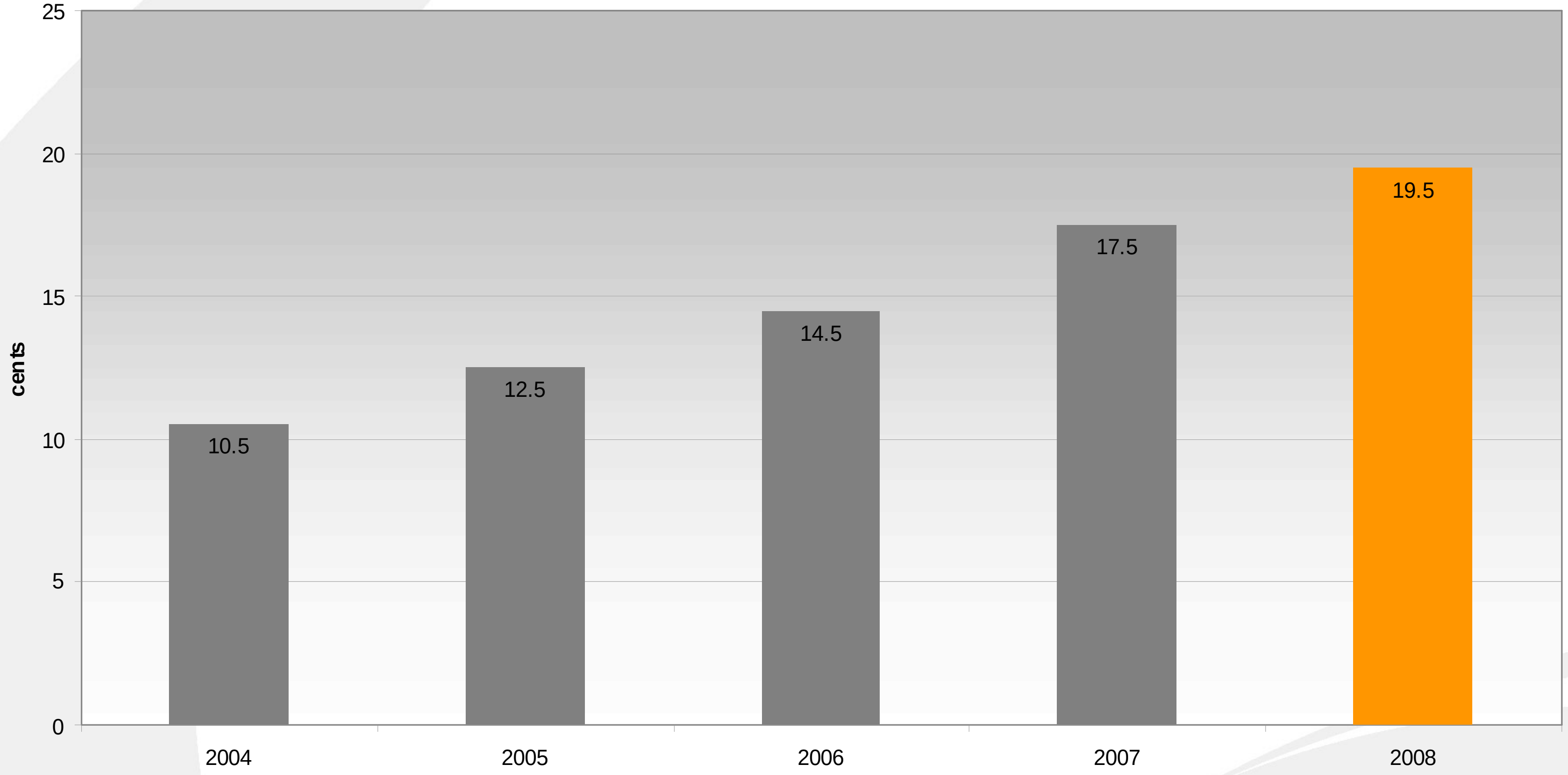
Dividend Growth Continued

- Final Dividend of 10.0 cents per share fully franked
- Total Dividends for FY2008 of 19.5 cents - up 11%

Annual Dividend Per Share (cents)



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Healthscope in Good Shape

Strong Defensive Characteristics

- Strong operational performance of FY2008 continuing in FY2009

- History of strong, stable cashflows

- Refinancing of Debt facilities completed – with additional, undrawn committed debt capacity of $280 million

- Majority of health fund contracts in place for periods of 1 to 3 years

- Majority of EBAs finalised in all States on satisfactory terms

Outlook

- The new year has started well with hospitals experiencing strong demand and the pathology group building on the significant improvement of the 2nd half of FY2008

- Further guidance will be provided at the Company's AGM on 17th October 2008

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Financial Results for Year Ended 30 June 2008

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Managing Director

21 August 2008