



Financial Results

for the Half Year Ended 31 December 2009

**Private Hospitals, Pathology & Medical Centres
Australia, NZ, Malaysia & Singapore**

Mr Bruce Dixon
Managing Director

Mr Gary Kent
Chief Financial Officer

15 February 2010



Highlights

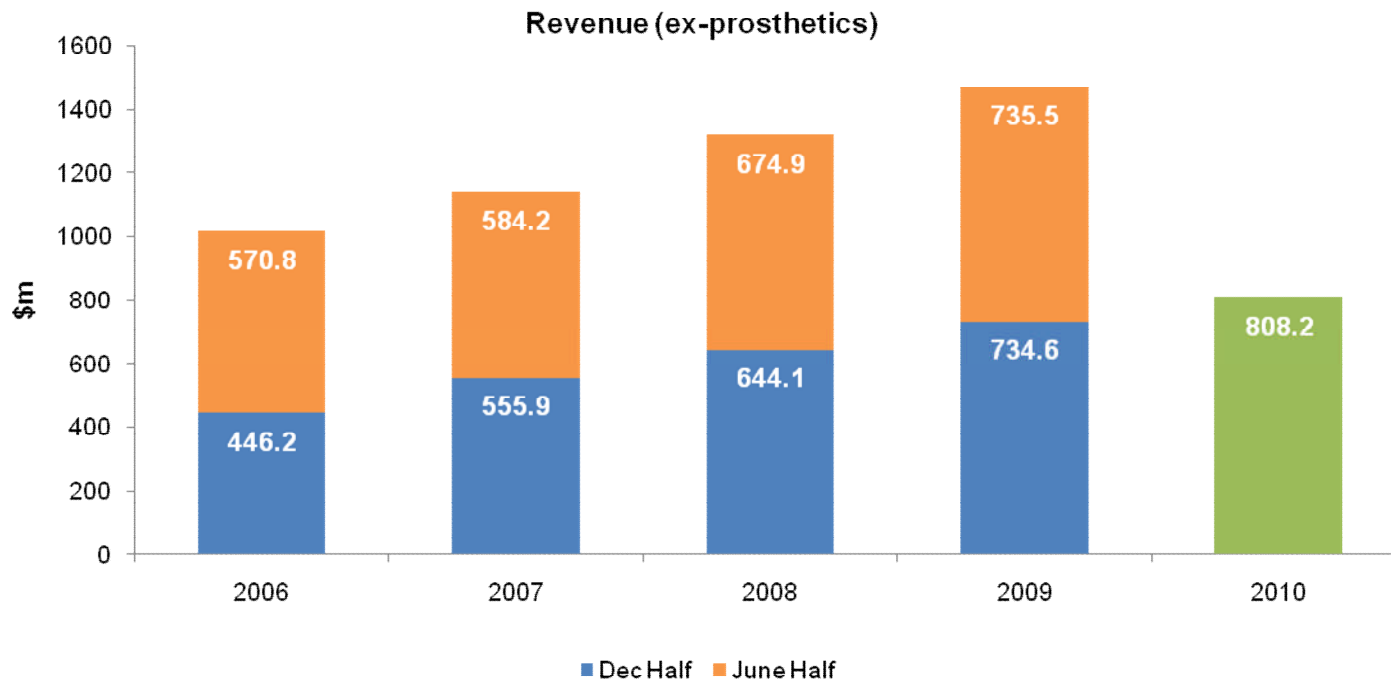
- ▶ Hospitals delivering strong revenue growth and margin growth
- ▶ Rapid uptake of the newly opened Norwest private hospital exceeding expectations
- ▶ Hospital expansion program building momentum with 3 major expansion projects completed on time on budget and meeting targets
- ▶ A further 7 expansion projects are in construction and will add 157 beds and 10 theatres
- ▶ Pathology Australia revenue up 16.3% and underlying growth of 7.4% ahead of market growth
- ▶ Pathology Australia margins increased despite government fee changes
- ▶ ARL integration completed ahead of schedule and cost synergies realised
- ▶ Labtests NZ fully operational and meeting performance standards

Financial Results

- ▶ Net Operating Profit after Tax before Non-Recurring items (NRI's) of \$46.7m – up 16% on HY Dec 2009
- ▶ Revenue (including prosthetics) up 9% to \$905.0m
- ▶ EBITDA from operations up 8% to \$120.4m
- ▶ EPS before NRI's up 4% to 17.1 cents
- ▶ EPS after NRI's up 6% to 16.5 cents
- ▶ Cashflow from operating activities of \$59.3m
 - 87% conversion of EBITDA to cashflow
 - Cash conversion of 97% after adjusting for two one off items
- ▶ Interim Dividend of 11.5 cents per share fully franked
 - Interim Dividend up 10% on HY Dec 2008

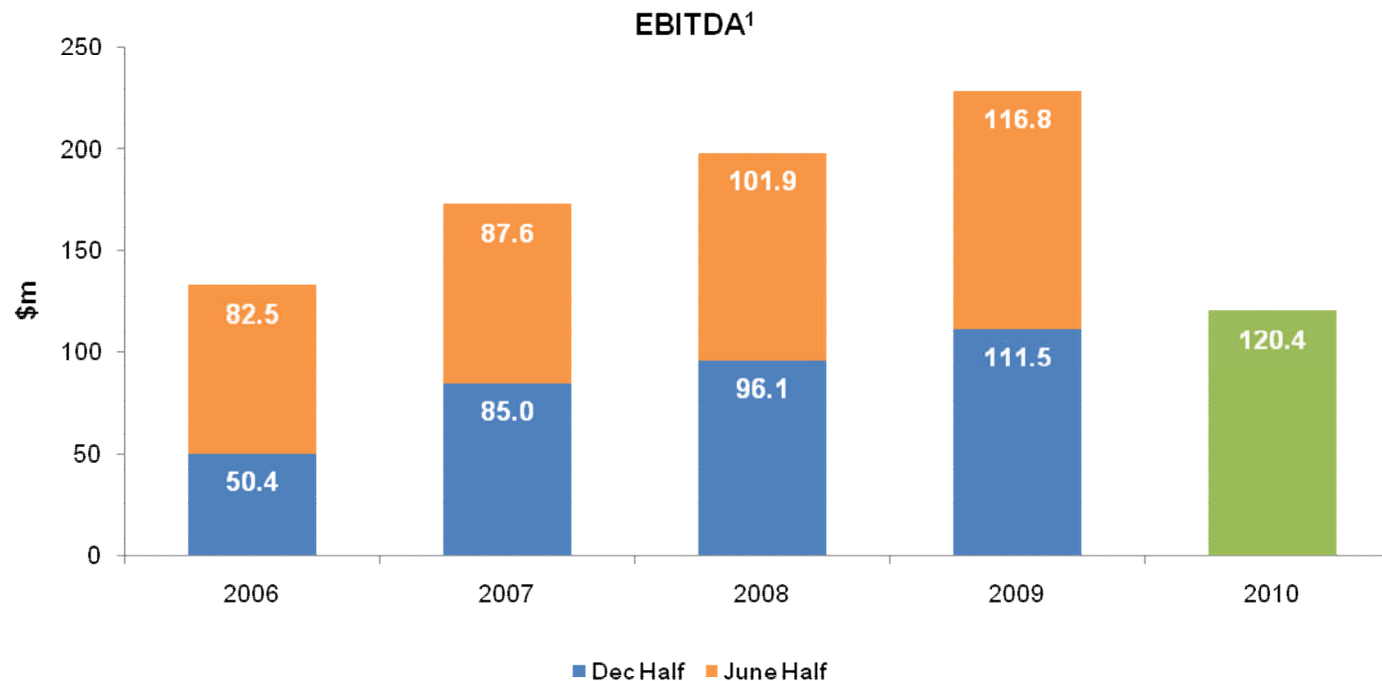
10%¹ Revenue Growth over HY Dec 2008

- ▶ Hospitals revenue growth of 7.0%¹
- ▶ Pathology revenue growth of 16.3%
- ▶ International revenue growth of 27.3%



1. Excluding prosthetics

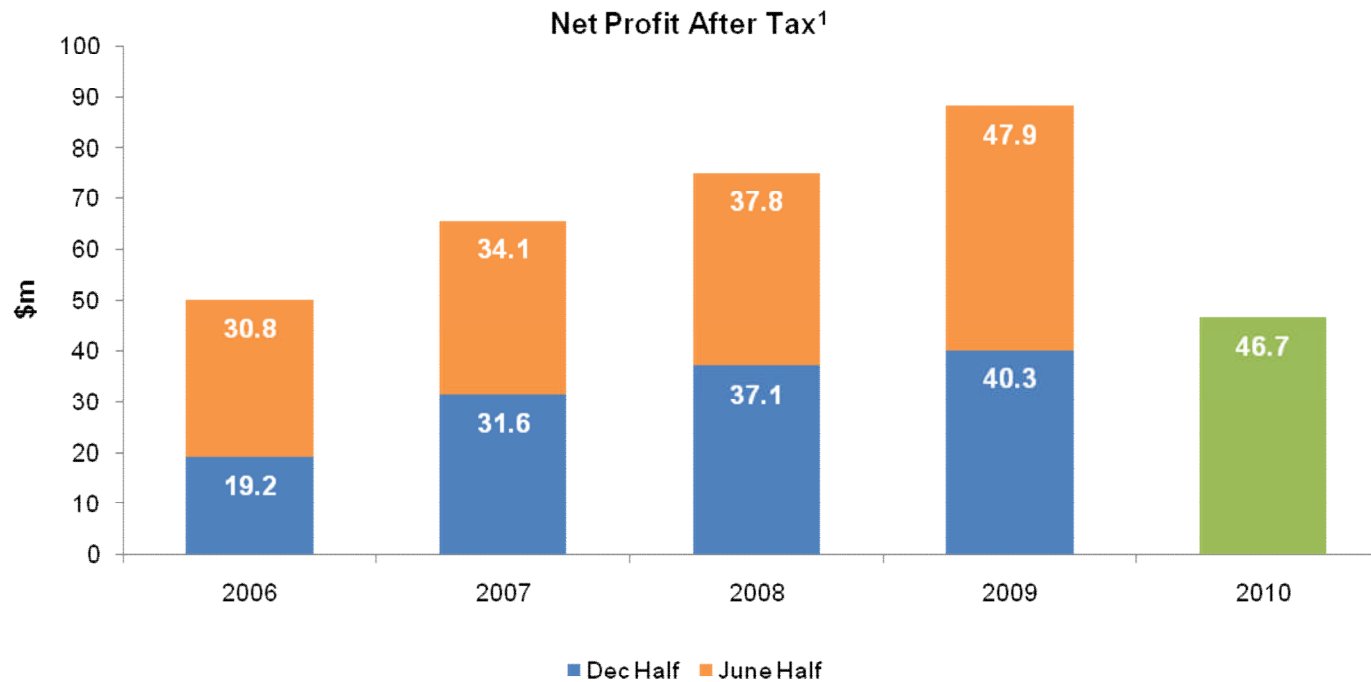
8% Increase in EBITDA¹ over HY Dec 2008



1. Before NRI's

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16% Increase in Net Profit After Tax¹ over HY Dec 2008



1. Before NRI's

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Operating Cashflow

- ▶ 87% conversion of EBITDA into cash flow

Gross Operating Cash to EBITDA	A\$ million
Cashflow from Operating Activities	59.3
Add back	
– Interest paid	25.2
– Income tax paid	16.5
– NRI's cash items	4.0
Gross Operating Cash Flow	105.0
EBITDA (pre NRI's)	120.4
Ratio of Gross Operating Cash to EBITDA	87%
Cash conversion after adjusting for one off items	97%

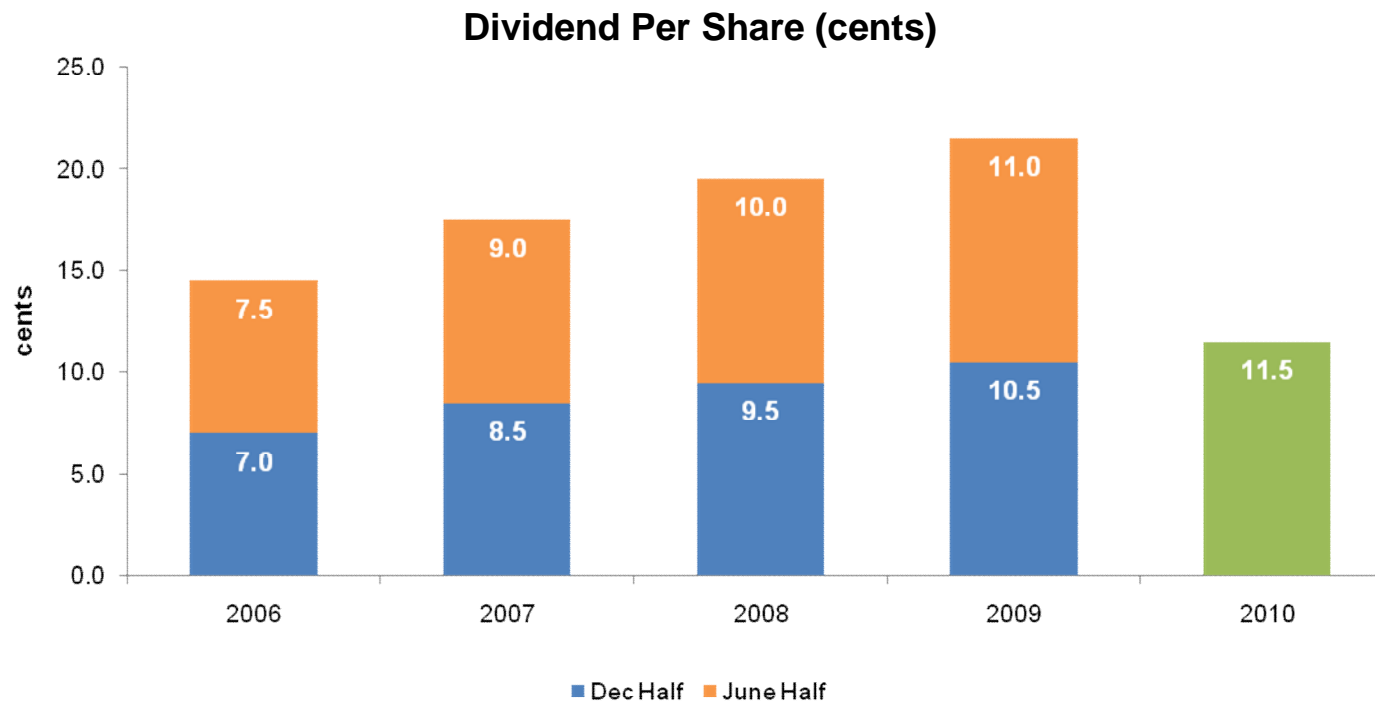
Balance Sheet and Debt

	31 Dec 2009	30 Jun 2009
Debt	\$646.5m	\$663.0m
Gearing	35.7%	42.3%
Interest Cover	4.8x ¹	3.9x ¹
Securitisation	\$101.2m	\$95.0m

- ▶ Syndicated debt facilities of \$850m with maturity in July 2011
- ▶ Headroom of \$235m to fund future growth
- ▶ Working capital facility of \$25m, with \$5m drawn down at 31 Dec 2009
- ▶ Interest rates fixed on \$395m of debt at 6.9%² to July 2011. The balance is at BBSW plus margin

1. Interest cover is EBITDA/Interest Expense after NRIs
2. Total cost of funds 6.9% plus margin

Interim Dividend up 10% to 11.5 cents per share



Hospital Performance

- ▶ Revenue growth of 7.0%¹
 - Strong underlying demand
 - Developments at Norwest and Campbelltown completed and performing ahead of expectations
- ▶ Margin growth of 60bps (excluding ACHA) driven by rates and leveraging volume
- ▶ Infrastructure expansions completed on time adding a further 140 beds

Hospital Performance	1HY10	1HY09	Change
(\$m before NRIs)			
Revenue ¹	587.3	549.0	7.0%
EBITDA	97.2	91.3	6.5%
EBITDA Margin	16.6%	16.6%	0 bps
EBITDA Margin – excl ACHA Mgt Fee	16.0%	15.4%	60bps

1. Excludes Prosthetics

Pathology Australia Performance

- ▶ Revenue growth of 16.3%
 - Underlying revenue growth (like for like) of 7.4%
- ▶ ARL integration completed ahead of schedule and synergies delivered
- ▶ Increase in EBITDA margins achieved despite government fee changes from 1 November 2009
- ▶ Focus for second half
 - Growing volume
 - Maintain current level of private billing
 - Manage costs

Pathology Australia Performance	1HY10	1HY09	Change
Revenue	154.1	132.5	16.3%
EBITDA	21.0	17.9	17.3%
EBITDA Margin	13.6%	13.5%	10 bps

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Pathology International Performance

- ▶ Labtests NZ fully operational and meeting performance standards
- ▶ Lower volumes in Malaysia due to impacts of the Global Financial Crisis
- ▶ Stronger AUD negatively impacted revenue in Malaysia and Singapore

Pathology International Performance	1HY10	1HY09	Change
Revenue	66.7	52.4	27.3%
EBITDA	10.8	9.1	18.7%
EBITDA Margin	16.2%	17.4%	(120 bps)

Future Growth

- ▶ Healthscope continues to focus on expanding its existing hospitals through brownfields and greenfields developments
- ▶ A number of projects are in various stages of consideration or development
- ▶ Healthscope will also pursue strategic bolt-on acquisitions in pathology and medical centres
- ▶ Considering complementary areas of growth including aged care
- ▶ Healthscope expects the capital expenditure requirements for brownfields and greenfields projects, and any bolt-on acquisitions, would be funded from external debt capacity and operating cash flow

Status of Infrastructure Projects

Project	Capital (\$m)	Completion	Beds	Theatres
Complete				
Norwest	74	Complete	186	10
The Melbourne Clinic ¹	20	Complete	48	
Victoria Rehabilitation Centre	8	Complete	30	
The Hills (conversion – stage 1)	7	Complete	62	
In construction				
Knox (stage 1) ¹	35	Nov 2010	66	
Brisbane (stage 1 and 2)	14	Feb 2010	20	3
Allamanda (stage 1)	9	Feb 2010		2
Cotham	4	Apr 2010		1
Geelong	4	Feb 2010		1
The Hills (conversion – stage 2)	3	Jun 2010	30	
North Park ¹	35	TBC	41	3
Development approval phase				
Knox (stage 2)	9	Nov 2010		2
Prince of Wales	10	Jul 2010		2
Newcastle ¹	TBC	TBC	58	2
Brisbane (stage 3) ¹	TBC	TBC	30	
Nepean	9	TBC		2
Pine Rivers	TBC	TBC	12	
Feasibility phase				
Sunnybank ¹	TBC	TBC	30	3
Lady D	TBC	TBC	54	TBC
John Fawkner	TBC	TBC	TBC	TBC
Sydney South West	TBC	TBC	TBC	TBC
Norwest (stage 2)	TBC	TBC	TBC	TBC

1. Includes car parking and consulting suites

Outlook

- ▶ Earnings for the second half of the year are expected to be stronger than the first half due to:
 - Contributions from hospital infrastructure projects completed in the first half of the year
 - Full 6 months contribution from ARL Pathology and NZ Labtest contract
 - Continued focus on growing pathology and medical centres market share to compensate for Medicare fee cuts in Pathology
- ▶ Proposed legislation to remove the cap on collection centre licences from 1 July 2010 will provide further opportunities to increase Pathology market share in FY11

Questions