



Austock Presentations

Singapore/Malaysia April 2009

Agenda

- ▶ **Australian Economy and Healthcare Sector**
- ▶ **Healthscope Overview**
- ▶ **Business Model and Performance**
- ▶ **Opportunities and Challenges**

Healthscope in Good Shape

Strong Defensive Characteristics

- ▶ Operates in a private health sector with solid industry fundamentals
- ▶ History of strong cashflows and shareholder returns
- ▶ An integrated healthcare network to leverage synergies
- ▶ Debt Facilities with undrawn capacity of \$280m not due to be refinanced until 2011
- ▶ Opportunities to expand through both organic and non organic growth
- ▶ Strong Operational performance of FY2008 continuing in FY2009

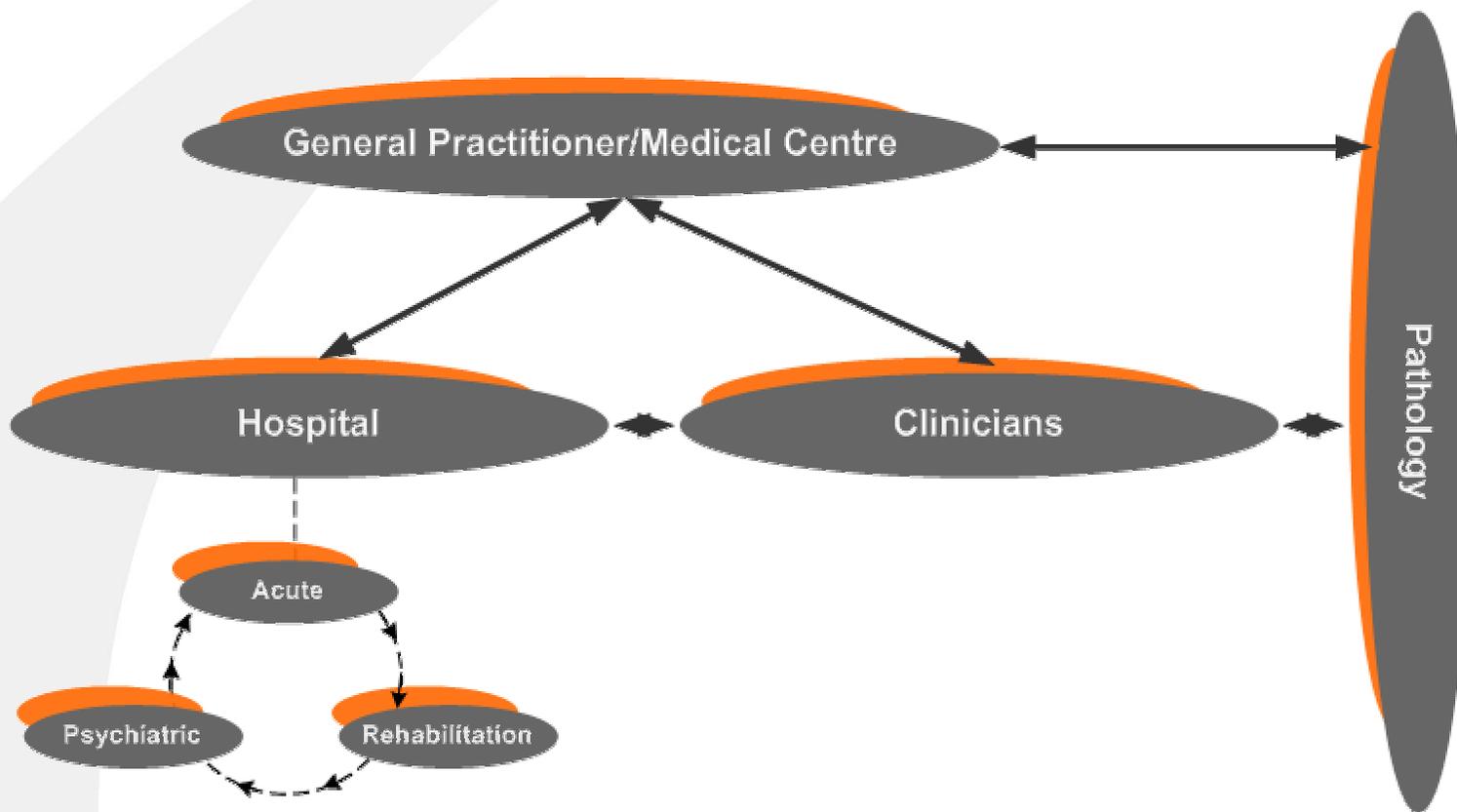
Australian Private Healthcare Sector

- ▶ Strong and stable industry underpinned by government policy and ageing demographics
- ▶ Hospitals funded by insurers and Pathology funded by Federal government
- ▶ High proportion (44%) of population have private health cover
- ▶ Supported by:
 - Government rebate 30% of premiums
 - Medicare surcharge levy of 1% for those without insurance earning more than \$70,000
 - Lifetime Health Cover
- ▶ Growth rates for revenue forecast to continue in the range of 4-6%
- ▶ High utilisation rates particularly in metropolitan hospitals (56% of all elective surgery is performed in private hospitals)
- ▶ Capacity for incremental margin growth from volume growth

Healthscope Snapshot

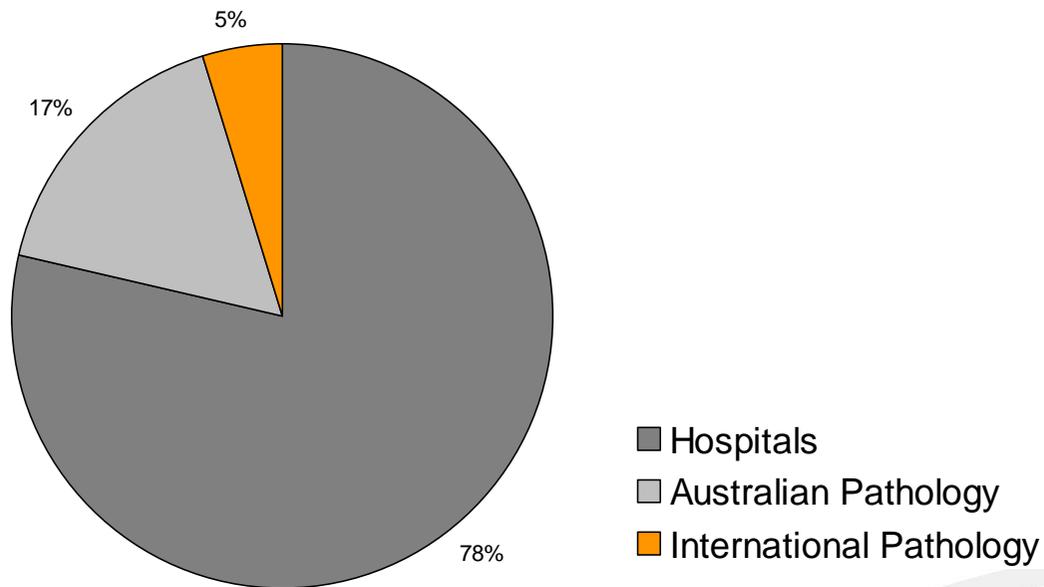
- ▶ Publicly-listed company on Australian Stock Exchange
 - Formed in 1985 and listed on ASX in 1994
 - Market cap in excess of AUS\$1bn
- ▶ Second largest private hospital operator in Australia with 45 hospitals across every State and Territory in Australia
 - 32 medical / surgical, 6 rehabilitation and 7 psychiatric
- ▶ Third largest private pathology operator in Australia
- ▶ Pathology operations in New Zealand, Malaysia and Singapore
- ▶ Annual revenues of \$1.5bn
- ▶ Vertical integration model differentiates Healthscope from competitors
- ▶ One of the fastest growing industrial stocks on ASX over past five years
- ▶ Employees – 18,000 worldwide

Integrated Healthcare Network



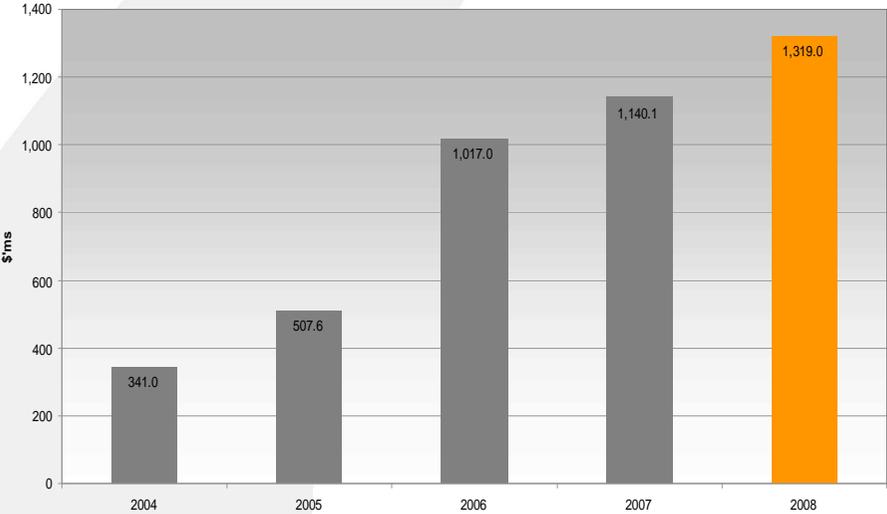
Company structured in four operating divisions

- ▶ Hospitals - Major hospitals in every State and Territory throughout Australia
- ▶ Pathology - Laboratories in every State
- ▶ Medical Centres (including Skin Cancer Clinics)
- ▶ Off-shore pathology

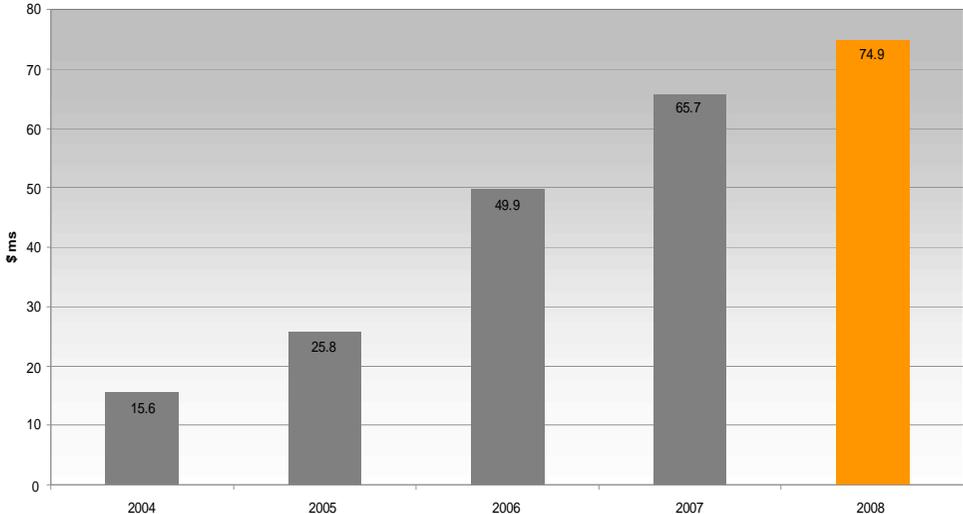


Consistent Revenue & Profitability growth

Revenue (ex-prosthetic) 44% CAGR



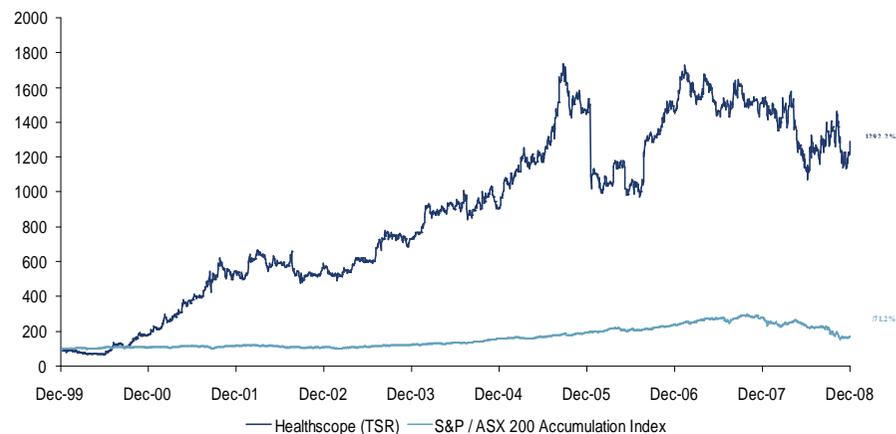
Net Profit After Tax 51% CAGR (before NRI's)



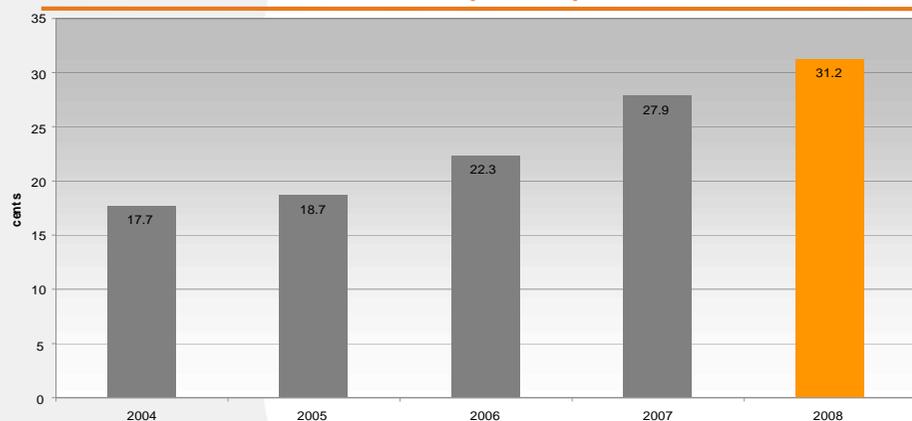
History of strong returns to shareholders

- ▶ Share price outperforming ASX 200 since January 2000
- ▶ Progressive dividend policy maintained, reflective of increases in earnings per share

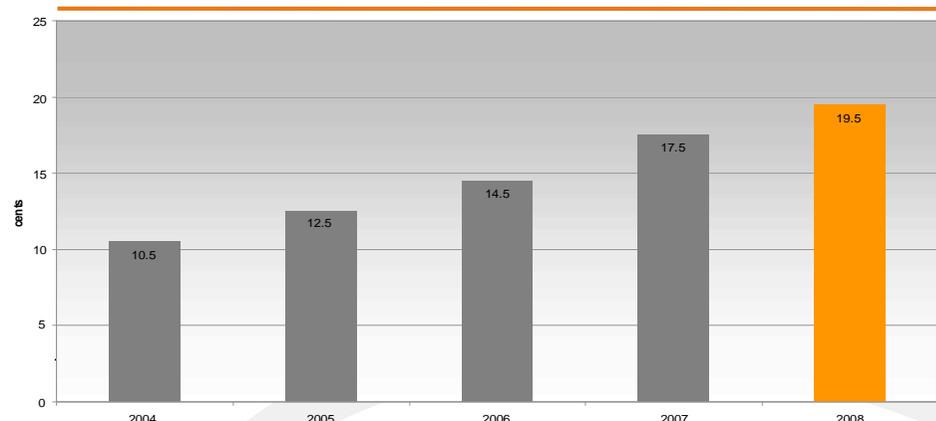
Total Shareholder Return 1 Jan 2000 to 31 Dec 2008



Strong Growth in Earnings Per Share – excluding NRI's (Cents)

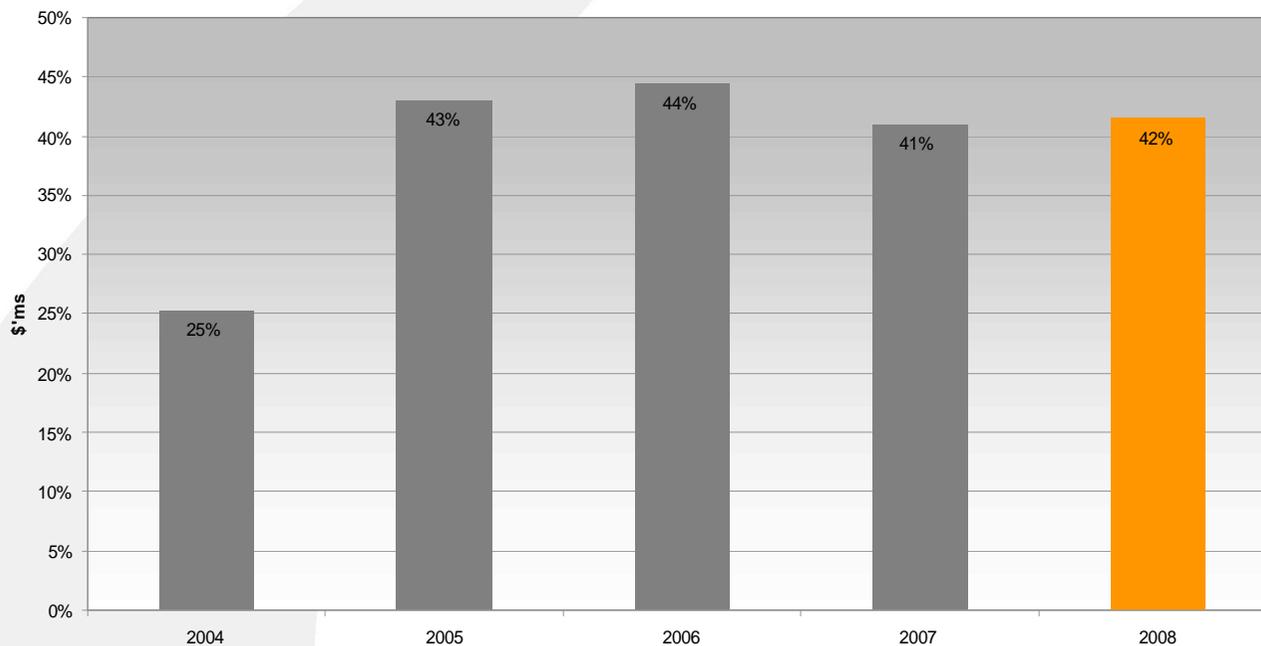


Dividends Per Share Increased Last 5 years



Balance sheet remains strong

Net Debt to Net Debt plus Equity



- ▶ New \$850m 3 year syndicated Debt Facility for a term of 3 years to 30 June 2011
- ▶ Primarily funded by 3 domestic banks (ANZ, Westpac, CBA) and supported by 4 International banks (HSBC, UOB, BOS, Sumitomo Mitsui)
- ▶ Undrawn committed debt facilities of \$280.0 m at 30 June 2008.
- ▶ Debtors days average below 30 days, and bad debts are minimal.

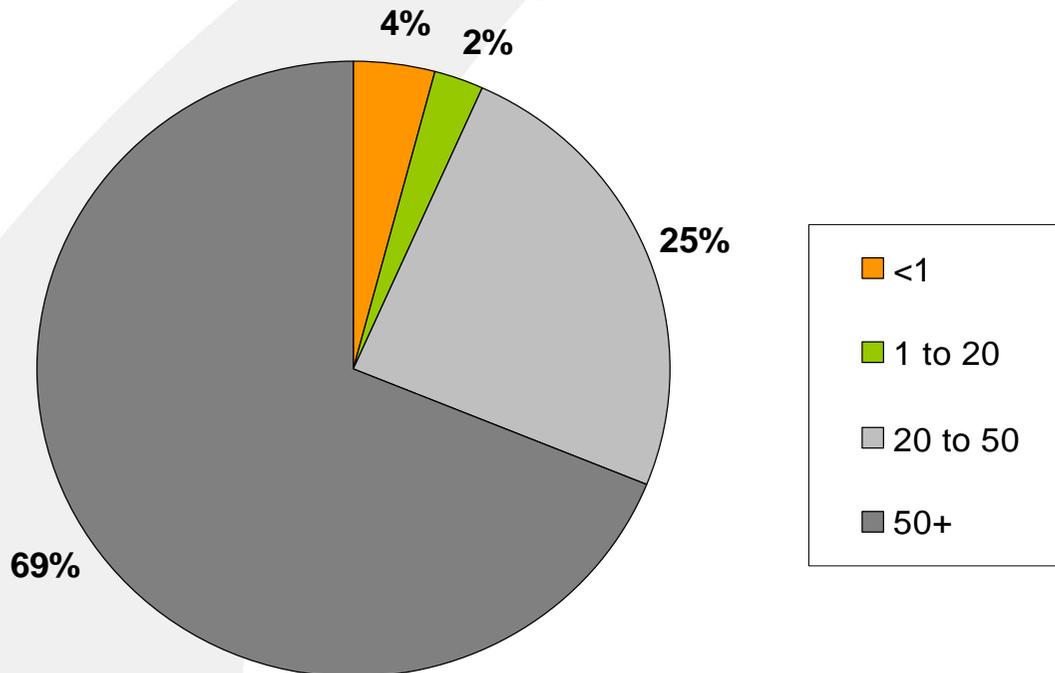
Solid divisional revenue growth and earnings growth

Continuing Operations Before NRIs)	FY08 \$M	FY07 \$M	Change (%)
Hospital Revenue ¹	1,000.1	876.4	14.1
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

Demand Growth comes from ageing population

Inpatient Days by Age Groups



- ▶ 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

Hospitals

Quality Portfolio and a Quality Team

- ▶ Quality portfolio of hospitals with flagship facilities in every state and territory of Australia
- ▶ Only operator with national geographic and service coverage
- ▶ Health fund contracts in place for next 1-3 years with positive outcomes
- ▶ Further consolidation of Health funds will support demand for contracted hospitals with geographic coverage and services
- ▶ Hospital networks within the group working well –retention of patient flow within the network
- ▶ Excellent relations with doctors
- ▶ Excellent clinical outcomes-low level of medical malpractice claims
- ▶ Five projects underway in FY09 to expand existing capacity
- ▶ Recently acquired hospitals performing to plan

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 5.2% 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)¹
- ▶ Core hospital EBITDA growth of 9.9% year on year
- ▶ Normal seasonality in 2HY08
- ▶ Margin growth on “like for like” basis shows margin improvement of 30 bps
- ▶ FY 2007 figures adjusted to exclude Modbury and 4 divested hospitals.

Hospital Performance	FY07	1HY08	2HY08	FY08
(\$m Before NRIs)				
Revenue ¹	876.4	502.5	500.7	1000.2
EBITDA	136.9	79.9	76.6	156.5
EBITDA Margin	15.6%	15.9%	15.3%	15.7%
EBITDA Margins – Like for Like	15.6%	16.5%	15.8%	15.9%

¹ Excludes Prosthetics

Australian Pathology & Medical Centres

Human Pathology in Australia

- ▶ The acquired Gribbles business is now growing on a strengthened platform
- ▶ NSW business restructured with Davies Campbell de Lambert acquisition
- ▶ Clayton laboratory upgraded and restructured
- ▶ Synergy capture and expansion is continuing

Skin Clinics

- ▶ Provider of skin cancer detection and treatment services with a network of 20 clinics
- ▶ Over 120,000 patients per year and growing

Veterinary Pathology

- ▶ Leading provider of veterinary pathology services in VIC and SA

Medical Centres

- ▶ Continuing to expand the medical centre network

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 2nd half
 - Strong performance in key markets especially 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 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"	16.3%	15.3%	16.9%	16.1%

International Pathology

- quality operations with strong growth that provides platform for the future

Malaysia

- ▶ Healthscope (trading as Gribbles Pathology) is the largest provider of community pathology services, with market share >40%
- ▶ 40 regional labs and collection centres (8 in hospitals), 500 staff
- ▶ Annual revenues ~RM 68m

Singapore

- ▶ Healthscope (trading as Quest Laboratories) is the largest provider of community pathology services in Singapore, with market share ~54%
- ▶ 3 Labs in total, (1 in hospital), 220 staff
- ▶ Annual revenues of S\$20m

New Zealand

- ▶ One of the largest pathology providers in New Zealand
 - Healthscope's Northland Pathology and Southern Community Laboratories have monopoly provider positions for community pathology with 5 District Health Boards
 - Healthscope's Gribbles Veterinary Pathology is the leading provider of veterinary pathology services in New Zealand, with a market share of over 80% across 5 Labs
 - Current annual revenues of ~NZ\$72m
- ▶ Healthscope's Labtests has won contract to provide Community pathology services to Auckland Region with operations due to commence in August 2009 – annual revenues of ~NA\$70m

Strategic direction

▶ Organic growth

- Increasing occupancy and yield
- Improving utilization with day surgery and length of stay
- Improving service to gain share in pathology

▶ Non Organic growth

- Brownfields developments in hospitals
- Expansion of services within integrated network (Eg Imaging)
- Bolt on acquisitions in pathology
- Acquisitions of Medical centres
- Expansion in NZ pathology
- Domestic and Offshore acquisition opportunities

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 their practices 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.

Outlook

Remain on track to deliver a strong full-year result

- ▶ **Strong first half performance has continued in the second half**
- ▶ **Focus will remain on winning market share whilst maintaining margins in both sectors**
- ▶ **Continued investment and organic growth via expansion of existing facilities**
- ▶ **Strong cash generation to continue**
- ▶ **Challenging market conditions – rising unemployment and fiscal pressure on the Federal Government**
- ▶ **Forecast strong year end results**