



**SONIC
HEALTHCARE
LIMITED**

15 December 2006

SONIC HEALTHCARE TO ACQUIRE AMERICAN ESOTERIC LABORATORIES, INC.

Sonic Healthcare Limited ("Sonic") (SHL.AX) is pleased to announce that it has signed an agreement to acquire 100% of American Esoteric Laboratories, Inc. ("AEL").

AEL has annual revenues in the order of US\$100 Million (~A\$130 Million) and employs over 700 staff.

AEL provides predominantly routine laboratory services, together with esoteric testing, from laboratories based in Tennessee (Memphis and Morristown) and Texas (Dallas and Tyler). In addition, AEL also reaches into parts of Arkansas, Louisiana, Mississippi and Missouri.

AEL was founded by Brian Carr (the current Chairman and CEO) and James Billington (President and COO) in June 2003 and, with the support of two private equity investment groups, ABS Capital Partners ("ABS") and Oak Investment Partners ("Oak"), has acquired a number of clinical laboratories. AEL is owned ~80% by ABS and Oak, with the balance by management.

The purchase price will be ~US\$180 Million and reflects a prospective EBITDA multiple of ~9.4 times. Settlement is expected in the second week of January 2007 and is conditional upon US anti-trust approval. The acquisition will be funded in US dollars via a six month debt facility to be provided by Citigroup and Commonwealth Bank of Australia. Sonic will consider a number of alternatives to refinance this facility over coming months, including extension of its existing syndicated facility.

The acquisition will be immediately earnings per share accretive. AEL is currently in the process of rationalising its Dallas operations with its most recently acquired laboratory (in Tyler, Texas) and therefore the full earnings contribution of AEL will only impact Sonic's 2008 financial year. Further potential synergies between the Dallas operations of both AEL and Sonic's Texas-based laboratory, CPL, will likewise only impact in FY 2008.

Sonic Healthcare's CEO and Managing Director, Dr Colin Goldschmidt said: "The acquisition of AEL represents an important second step in Sonic's US laboratory expansion strategy. When combined with CPL, AEL's size and geographical locations provide Sonic with the critical mass and reach to further accelerate its growth. AEL's operations are located in high population growth areas of the US where there is potential for significant revenue growth at both organic and acquisition levels."

Dr Goldschmidt added that: "Following completion of the transaction, Dr Robert Connor, CEO of Sonic's CPL, will assume the CEO role for Sonic's US laboratory operations and Mr David Schultz, President and COO of CPL, will assume the COO role for Sonic in the US. Mr Brian Carr will be retained by Sonic on a consultancy basis.

Sonic intends to operate its major US subsidiaries using its proven “federation” model, leaving management autonomy and regionalised services in place.”

Dr Goldschmidt also said: “The combination of the Sonic/CPL medical leadership model and the strong management teams in place at CPL and AEL will create a powerful force in the US laboratory market. I look forward to working with this highly talented group to foster staff fulfilment, enhance regional services to customers and to create value for Sonic’s shareholders.”

For further information regarding this announcement, please contact:

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