

20 November 2007

Dear Symbion Health shareholder

You should have recently received a supplementary explanatory memorandum dated 13 November 2007 ("**First Supplementary Explanatory Memorandum**"), which you should consider along side the explanatory memorandum dated 26 October 2007 ("**Original Explanatory Memorandum**").

As stated in my letter of 13 November 2007, Symbion Health undertook to despatch a Second Supplementary Memorandum to provide Symbion Health shareholders with further information about Primary Health Care's proposed takeover offer ("**Primary's Proposed Offer**") and to seek confirmation from the Symbion Health Independent Expert that its opinions in respect of each of the Diagnostics Transaction (with Healthscope Limited) and the C&P Scheme (with a consortium comprising of companies controlled by funds managed or advised by Ironbridge Capital and Archer Capital) remain unchanged.

The enclosed Second Supplementary Memorandum contains a summary of the key features of Primary's Proposed Offer which the Symbion Health Board considers that Symbion Health shareholders should have regard to when deciding how to vote at the Symbion Health shareholder meetings, which are scheduled to take place on 30 November 2007. It also contains an update to the Symbion Health Independent Expert's report.

**The Symbion Health Independent Expert has confirmed that its opinions that:**

- the Diagnostics Transaction is fair and reasonable to Symbion Health shareholders; and
  - the C&P Scheme is in the best interests of Symbion Health shareholders,
- remain unchanged despite Primary's Proposed Offer.

**No amendments have been made to the terms of the Diagnostics Transaction or the C&P Scheme as described in the Original Explanatory Memorandum.**

The Symbion Health Board continues to unanimously recommend that:

- Symbion Health shareholders **vote in favour of each of the Diagnostics Transaction and the C&P Scheme** at the Symbion Health shareholder meetings, in the absence of a Superior Proposal. The Symbion Health Board intends to vote all of the Symbion Health shares they own or control in favour of each of the Transactions, in the absence of a Superior Proposal.
- Symbion Health shareholders **reject the proposed takeover offer announced by Primary Health Care on 8 November 2007**. To reject Primary's Proposed Offer, Symbion Health shareholders should take no action in relation to all documents received from Primary Health Care. Symbion Health shareholders should wait until they receive the Target's Statement before taking any action in response to Primary's Proposed Offer (which will only be required if Primary Health Care despatches its Bidder's Statement, which Primary Health Care has indicated it intends to do on 4 December 2007).

**The enclosed Second Supplementary Explanatory Memorandum is not the target's statement that Symbion Health may be required by law to despatch to Symbion Health shareholders in connection with Primary's Proposed Offer.**

Symbion Health shareholders should note that Primary's Proposed Offer will not proceed if the Diagnostics Transaction is approved by Symbion Health shareholders and satisfactory ATO rulings are received, unless Primary Health Care waives the relevant conditions of the offer, which the Symbion Health Board considers unlikely.

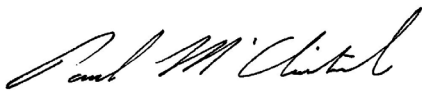
In these circumstances it is unlikely that the Bidder's Statement will continue to be a relevant document for consideration by Symbion Health shareholders after that date.

I encourage you to read the enclosed document, the First Supplementary Explanatory Memorandum and the Original Explanatory Memorandum in their entirety when deciding how to vote on the resolutions to be put to Symbion Health shareholders at the Symbion Health shareholder meetings. The Symbion Health shareholder meetings are scheduled to take place on Friday 30 November 2007.

If there is a significant change in respect of a matter set out in the enclosed document, the First Supplementary Explanatory Memorandum or in the Original Explanatory Memorandum, Symbion Health will make further supplementary disclosure. As the Symbion Health shareholder meetings to vote on the Transactions are scheduled to be held on 30 November 2007, and subject to any legal requirements which might require otherwise, any further supplementary disclosure to Symbion Health shareholders is now likely to be made by announcement to the ASX and posting the supplementary disclosure to Symbion Health's website. **You should check the company announcements for Symbion Health at [www.asx.com.au](http://www.asx.com.au) and Symbion Health's website at [www.symbionhealth.com](http://www.symbionhealth.com), and should consider any announcements made by Symbion Health when deciding how to vote at the Symbion Health shareholder meetings.**

On behalf of the Symbion Health Board, I strongly encourage you to vote at the Symbion Health shareholder meetings, either by attending in person on Friday 30 November 2007 at The River Room, Level 1, Crown Towers, 8 Whiteman Street, Southbank, Victoria, commencing from 10.30am or by completing the proxy forms enclosed with the Original Explanatory Memorandum and returning them as indicated on the form, or lodging the completed forms online at [www.symbionhealth.com](http://www.symbionhealth.com), by the deadline indicated on each form. If Symbion Health shareholders have any questions in relation to the Transactions, they can call the Symbion Health shareholder information line on 1800 628 703 or (02) 8280 7513 (from within Australia) or (612) 8280 7513 (from outside Australia) between 9.00am and 5.00pm (Melbourne time) on Monday to Friday.

Yours sincerely

A handwritten signature in black ink, appearing to read "Paul McClintock". The signature is fluid and cursive, written in a professional style.

Paul McClintock  
Chairman  
Symbion Health Limited

# Symbion Health Limited ACN 004 073 410

## Second Supplementary Explanatory Memorandum

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**This document supplements, and should be read together with, the explanatory memorandum dated 26 October 2007 including the amended page 390 issued on 15 November 2007 ("Original Explanatory Memorandum") and the Supplementary Memorandum dated 13 November 2007 ("First Supplementary Explanatory Memorandum" and, together with the Original Explanatory Memorandum, the "Explanatory Memorandum") in respect of the proposed acquisition of the Diagnostics Businesses of Symbion Health Limited ("Symbion Health") by Healthscope Limited ("Healthscope") and the scheme of arrangement in relation to the proposed acquisition of Symbion Health by a company controlled by funds managed or advised by Ironbridge Capital and Archer Capital.**

**This document is dated 20 November 2007.**

### 1. What is this document for?

This document supplements information contained in the Explanatory Memorandum, including in respect of certain matters which have arisen or which have changed since the date of the Explanatory Memorandum

In particular, this document updates Symbion Health shareholders regarding the proposed takeover offer announced by Primary Health Care on 8 November 2007 ("**Primary's Proposed Offer**"). **However this document is not the target's statement that Symbion Health may be required by law to despatch to Symbion Health shareholders in connection with Primary's Proposed Offer.**

**Importantly, no amendments have been made to the terms of the Diagnostics Transaction or the C&P Scheme as described in the Explanatory Memorandum.**

This document, together with the Explanatory Memorandum, is the explanatory statement in relation to the C&P Scheme required to be sent to Symbion Health shareholders by section 412(1) of the Corporations Act. To the extent that there is any inconsistency between this document and the Explanatory Memorandum, this document prevails.

**You should read this document and the Explanatory Memorandum in their entirety when deciding how to vote on the resolutions to be put to Symbion Health shareholders at the Symbion Health Transaction Meetings.** If there is a significant change in respect of a matter set out

in this document, or in the Explanatory Memorandum, Symbion Health will make further supplementary disclosure as described in section 5.24 of the Original Explanatory Memorandum.

In this context, the Symbion Health Board notes in particular that on 15 November 2007, the Federal Court of Australia heard proceedings commenced by a wholly owned subsidiary of Primary Health Care against Symbion Health and the Symbion Health directors, and judgement in those proceedings is expected shortly. If judgment is received before the day of the Symbion Health Transaction Meetings, Symbion Health will inform shareholders of the judgment and its effect, if any, on the Transactions. Section 8 of this document also sets out other potential future developments which may also result in further supplementary disclosure.

As the Symbion Health Transaction Meetings are scheduled to be held on 30 November 2007, and subject to any legal requirements which might require otherwise, any further supplementary disclosure to Symbion Health shareholders is now likely to be made by announcement to the ASX and posting the supplementary disclosure to Symbion Health's website ([www.symbionhealth.com](http://www.symbionhealth.com)).

This document, insofar as it relates to the C&P Scheme, is despatched to Symbion Health shareholders pursuant to orders made by the Supreme Court of Victoria on 20 November 2007.

Words and phrases used in this document (other than in Appendix 1) that are not otherwise defined have the meanings given to them in section 9 of the Original Explanatory Memorandum.

### 2. What do I need to do?

Symbion Health shareholders should read this document and the Explanatory Memorandum in their entirety.

The Symbion Health Transaction Meetings are scheduled to take place on Friday 30, November 2007.

**The Symbion Health Board continues to unanimously recommend that Symbion Health shareholders vote in favour of each of the Diagnostics Transaction and the C&P Scheme at the Symbion Health Transaction Meetings, in the absence of a Superior Proposal. The Symbion Health Board intends to vote all of the Symbion Health shares they own or control in favour of each of the Transactions, in the absence of a Superior Proposal.**

The Symbion Health Board encourages Symbion Health shareholders to vote at the Symbion Health Transaction Meetings, either by attending in person on Friday 30 November 2007 at The River Room, Level 1, Crown Towers, 8 Whiteman Street, Southbank, Victoria, commencing from 10.30am or by completing the proxy forms enclosed with the Original Explanatory Memorandum. If Symbion Health shareholders require replacement proxy forms, they can call the Symbion Health shareholder information line on 1800 628 703 or (02) 8280 7513 (from within Australia) or (612) 8280 7513 (from outside Australia) between 9.00am and 5.00pm (Melbourne time) on Monday to Friday. Proxy forms should be returned as indicated on the form, or lodged online at [www.symbionhealth.com](http://www.symbionhealth.com), by the time indicated on the form.

As discussed below, the Symbion Health Board has recommended that Symbion Health shareholders reject Primary's Proposed Offer in an ASX announcement dated 8 November 2007. Symbion Health shareholders should wait until they receive Symbion Health's target's statement (which, based on Primary Health Care's statement that it will despatch its bidder's statement on 4 December 2007, Symbion Health expects to send to shareholders in December) before taking any action in response to Primary's Proposed Offer.

### 3. Background to the matters set out in this document

On 8 November 2007, Primary Health Care announced an intention to make a highly conditional cash takeover offer for Symbion Health of \$4.10 per Symbion Health share. Primary Health Care also lodged its bidder's statement in respect of Primary's Proposed Offer ("**Bidder's Statement**") with ASIC, released a copy to the ASX, and served it on Symbion Health on 8 November 2007.

The Symbion Health Board considered Primary's Proposed Offer and announced to the ASX on 8 November 2007 that it recommended that Symbion Health shareholders reject it.

Primary Health Care has stated that it does not intend to despatch the Bidder's Statement and make the takeover offers to Symbion Health shareholders until 4 December 2007. Yet having announced on 8 November 2007 its intention to make the takeover offer, Primary Health Care would have been entitled to despatch its offers as early as 22 November 2007. However, were Primary Health Care to despatch its offers on this date, or indeed on any business day after 22 November 2007 but prior to 3 December 2007, it would have been required by law to have offered at least \$4.17 per Symbion Health share, being the highest implied price paid by Primary Health Care for a Symbion Health share in the 4 months prior to making the takeover offer<sup>1</sup>.

The Symbion Health Transaction Meetings are scheduled for 30 November 2007. Notwithstanding Primary's Proposed Offer, the Symbion Health Board continues to unanimously recommend that Symbion Health shareholders vote in favour of each of the Diagnostics Transaction and the C&P Scheme, in the absence of a Superior Proposal. The Symbion Health Board intends to vote all of the Symbion Health shares they own or control in favour of each of the Transactions, in the absence of a Superior Proposal.

As Primary Health Care has chosen not to send the Bidder's Statement to Symbion Health shareholders before the scheduled date for the Transaction Meetings, Symbion Health sets out in this document a summary of Primary's Proposed Offer and Symbion Health's response to Primary's Proposed Offer. Symbion Health is doing so to ensure that Symbion Health shareholders are fully informed about both the Revised Proposal and Primary's Proposed Offer, before voting in respect of the Revised Proposal at the Symbion Health Transaction Meetings scheduled to be held on 30 November 2007.

If Primary Health Care does proceed to despatch the Bidder's Statement and make its takeover offer to Symbion Health shareholders as indicated, Symbion Health will be obliged by law to send to its shareholders a target's statement within 15 days ("**Target's Statement**"). The Target's Statement must set out the recommendation of each of the Symbion Health directors in relation to Primary's Proposed Offer and must include all material information known to the directors of Symbion Health that shareholders need to make an assessment of Primary's Proposed Offer. Symbion Health shareholders should take no action in relation to Primary's Proposed Offer before they receive the Target's Statement.

However, Symbion Health shareholders should note that Primary's Proposed Offer will not proceed if the Diagnostics Transaction is approved by Symbion Health shareholders and satisfactory ATO rulings are received, unless Primary Health Care waives the relevant conditions of Primary's Proposed Offer, which the Board of Symbion Health considers Primary Health Care unlikely to do.

In these circumstances, it is unlikely that the Bidder's Statement will continue to be a relevant document for consideration by Symbion Health shareholders after that date. Primary's Proposed Offer is conditional upon (amongst other things) the following factors:

- The Diagnostics Transaction is not approved by Symbion Health shareholders nor is capable of being approved by Symbion

Health shareholders as contemplated in the Original Explanatory Memorandum; and

- Approval of the Diagnostics Transaction not being put to a vote by the chairman of the meeting of Symbion Health shareholders unless favourable ATO rulings have already been obtained 5 Business Days prior to the Diagnostics Transaction being put to a vote.

If the Diagnostics Transaction is approved by Symbion Health shareholders or is capable of being approved by Symbion Health shareholders as contemplated in the Original Explanatory Memorandum, or if Symbion Health proceeds with the Symbion Health Transaction Meetings notwithstanding the fact that favourable ATO rulings have not been obtained 5 Business Days prior to the Symbion Health Transaction Meetings, as foreshadowed in the First Supplementary Explanatory Memorandum, the conditions to Primary's Proposed Offer will be defeated. Primary Health Care has the ability to waive these defeating conditions, should it wish to do so.

See section 8 for further information.

## 4. Primary's Proposed Offer

### 4.1 Introduction

Set out below is a summary of the key features of Primary's Proposed Offer which the Symbion Health Board considers that Symbion Health shareholders should have regard to before deciding how to vote at the Symbion Health Transaction Meetings. This is a summary only of certain parts of the Bidder's Statement. Shareholders should read the Bidder's Statement, as well as the Target's Statement, in their entirety before making any decision in relation to Primary's Proposed Offer. The Bidder's Statement can be viewed or downloaded from the company announcements for Symbion Health at [www.asx.com.au](http://www.asx.com.au).

### 4.2 Details of the offer

Primary Health Care has announced an intention to make a takeover offer for all Symbion Health shares for cash consideration of \$4.10.

Primary Health Care's announcement on 8 November 2007 stated that it did not intend to despatch Primary's Proposed Offer to Symbion Health shareholders until 4 December 2007, in which case the expected closing date would be 5 January 2008 (subject to extension in accordance with the Corporations Act).

### 4.3 Conditions of Primary's Proposed Offer

Primary's Proposed Offer is subject to 15 detailed conditions. A summary of these is set out below:

- (i) 90% minimum acceptance condition;
- (ii) no material adverse change to Symbion Health;
- (iii) the Diagnostics Transaction not being approved or being capable of being approved by Symbion Health shareholders;
- (iv) approval of the Diagnostics Transaction not being put to a vote by the chairman of the meeting of Symbion Health shareholders unless favourable ATO rulings have already been obtained 5 Business Days prior to the Diagnostics Transaction being put to a vote;
- (v) the Diagnostics Transaction Implementation Deed and the C&P Scheme Implementation Deed being terminated or capable of termination at no cost to Symbion Health;
- (vi) no break fees being paid or becoming payable by Symbion Health;
- (vii) Primary Health Care being granted equal access to Symbion Health information provided to other parties;
- (viii) no Symbion Health distributions being declared or announced;

- (ix) satisfaction of debt and equity financing conditions;
- (x) the S&P/ASX 200 Index not falling below 15% on any Trading Day;
- (xi) Primary Health Care receiving all necessary regulatory approvals;
- (xii) no restraining orders on Primary Health Care's right to acquire Symbion Health shares;
- (xiii) no material acquisitions, disposals or new commitments by Symbion Health;
- (xiv) no exercise of rights by another party as a result of Primary's Proposed Offer; and
- (xv) no Symbion Health prescribed occurrences.

The full text of these conditions (as set out in the Bidder's Statement) is set out in Appendix 1 to this document.

Set out in section 5.5 of this document is the Symbion Health Board's assessment of the likelihood of some of these conditions being satisfied.

#### **4.4 Reasons why Primary Health Care says you should accept Primary's Proposed Offer**

Set out below in italics is a summary of the reasons why Primary Health Care states in the Bidder's Statement that Symbion Health shareholders should accept Primary's Proposed Offer. These reasons are set out in full in the section of the Bidder's Statement entitled "Why you should accept Primary Health Care's all cash offer" starting on page 4.

##### **We note that these are the views of Primary Health Care and not the views of the Symbion Health Board.**

##### **(a) *Primary Health Care states that its "cash offer represents an attractive premium for your Symbion shares"***

*Primary Health Care is offering cash consideration of \$4.10 for each Symbion Health share. Primary Health Care states that this represents a:*

- *premium of 22% to the 6 month volume weighted average price of Symbion Health shares prior to the announcement of Primary Health Care's original proposal on 29 January 2007 ("undisturbed volume weighted average price");*
- *premium of 18% to the 3 month undisturbed volume weighted average price of Symbion Health shares; and*
- *premium of 11% to the 1 month undisturbed volume weighted average price of Symbion Health shares.*

*The Symbion Health Independent Expert<sup>2</sup> has assessed a control value range for Symbion Health shares of between \$3.52 to \$3.91 per share.*

*Primary Health Care states that Primary's Proposed Offer of \$4.10 per Symbion Health share represents a premium of between 5% and 16% to the Symbion Health Independent Expert's assessment of value for Symbion Health (including a premium for control). Primary Health Care also states that Primary's Proposed Offer represents a premium to the mid-point of the Symbion Health Independent Expert's valuation range for the Revised Proposal of approximately \$4.00 per Symbion Health share.*

##### **(b) *Primary Health Care states that its "cash offer provides certainty of value for your Symbion shares"***

*Primary Health Care states that by accepting Primary's Proposed Offer, Symbion Health shareholders will:*

- *receive \$4.10 cash for each Symbion Health share they own (subject to the conditions of Primary's Proposed Offer being satisfied or waived); and*
- *be paid on or before the earlier of:*
  - *1 month after accepting Primary's Proposed Offer or Primary's Proposed Offer being declared unconditional (whichever is*

*later); and*

- *21 days after the end of the offer period, provided that Primary's Proposed Offer has become unconditional.*

*Primary Health Care states that if Symbion Health shareholders accept Primary's Proposed Offer and it becomes unconditional, they will cease to be exposed to the risks associated with an investment in Symbion Health including:*

- *risks associated with Symbion Health's business including loss of health care professionals and key personnel, rising medical wages and changes in government policies and regulations;*
- *significant risks and uncertainties associated with the Revised Proposal (discussed below); and*
- *potential share price volatility due to any number of factors including those mentioned above and general stock market risk.*

##### **(c) *Primary Health Care states that Primary's Proposed Offer is "significantly superior" to the Revised Proposal***

*Primary Health Care states that it believes there are significant risks associated with the Revised Proposal. In particular:*

##### **(i) *Implementation risks***

*Primary Health Care states that the Revised Proposal is conditional on (amongst other conditions):*

- *favourable ATO rulings being obtained in respect of capital gains tax rollover and demerger relief; and*
  - *approval of Symbion Health shareholders,*
- each of which may not be forthcoming. This is particularly so in the case of the C&P Scheme given Primary Health Care intends to vote its 20% shareholding against the Revised Proposal (absent a material change in circumstances or in the structure of the Revised Proposal).*

##### **(ii) *Healthscope related risks***

*Primary Health Care states that if the Diagnostics Transaction is implemented, Symbion Health shareholders will become shareholders in Healthscope which, in Primary Health Care's view, carries significant risks, including:*

- *Healthscope's share price;*
- *likely overhang of Healthscope shares;*
- *risks associated with the fundamental change in Healthscope's business mix; and*
- *risks associated with Healthscope's ability to integrate the Symbion Health businesses and achieve the estimated synergies.*

##### **(iii) *C&P Scheme risks***

■ *Primary Health Care has stated that it intends to vote against the C&P Scheme (absent a material change in circumstances or in the structure of the Revised Proposal). Accordingly, Primary Health Care states that approval to proceed with the C&P Scheme is far from certain. Primary Health Care states that if the C&P Scheme does not proceed, Symbion Health shareholders will remain as shareholders in a much smaller Symbion Health, which will only hold the C&P Businesses. In this event, Primary Health Care states that Symbion Health C&P's share price is likely to fall below the \$1.77 per share control value implied by the C&P Scheme given that:*

- *Symbion Health would trade on a portfolio basis (i.e. without any premium for control);*
- *Symbion Health's business would lack size and scale without the Diagnostics Businesses and yet would still have an overhead and administrative structure in a number of respects reflective of a much larger business;*
- *Symbion Health would continue to carry costs associated with being a public company;*
- *Symbion Health's business would be more risky without the*

#### Note

2. Ernst & Young was appointed as the Symbion Health Independent Expert in connection with the Revised Proposal. Its report was published in the Original Explanatory Memorandum.



*Diagnostics Businesses given its smaller size and scale and given the reduced diversity of its cash flows;*

- *Symbion Health would be removed from the S&P/ASX 200 Index. This could reasonably be expected to reduce the desirability of Symbion Health shares to many investors; and*
  - *Symbion Health's shares may be subject to a significant overhang of shares from those Symbion Health shareholders who do not wish to be exposed to a very different investment proposition referred to above.*
  - *The Symbion Health Independent Expert has valued Symbion Health's shares in the range of \$1.35 to \$1.77 per share if the C&P Scheme is not approved.*
- (d) **Primary Health Care states that Symbion Health's share price "is likely to fall" if Primary's Proposed Offer does not proceed and the Revised Proposal cannot be implemented**

*Primary Health Care states that if neither Primary's Proposed Offer nor the Revised Proposal proceeds, and no other proposal is received, Symbion Health shares may trade at a substantial discount to Primary's Proposed Offer price.*

*The Symbion Health Independent Expert has assessed a control value range for Symbion Health shares of between \$3.52 to \$3.91 per share. Primary Health Care states that it would typically be expected that trading on a portfolio basis would be below this.*

*Prior to announcement of Primary's Proposed Offer on 29 January 2007, Symbion Health shares were trading at a price level of around \$3.34. More recently, the price of Symbion Health shares has traded at around \$4.00.*

- (e) **Primary Health Care states that "No brokerage will be payable"**

*The Bidder's Statement states that no brokerage or stamp duty will be payable by Symbion Health shareholders on acceptance of Primary's Proposed Offer.*

#### 4.5 Intentions of Primary Health Care

Section 4 of the Bidder's Statement sets out Primary Health Care's current intentions in relation to the continuation of the business of Symbion Health, any major changes to be made to the business of Symbion Health and the future employment of the present employees of Symbion Health. These intentions are disclosed both on the basis that Primary Health Care acquires 90% or more of Symbion Health shares and on the basis that Primary Health Care gains control of Symbion Health but acquires less than 90% of Symbion Health shares. The description in the Bidder's Statement of the debt and equity funding arrangements that Primary Health Care has put in place in respect of Primary's Proposed Offer states that Primary Health Care has committed funding even if it was to choose to declare Primary's Proposed Offer unconditional at a time when it had a relevant interest in 50.1% or more of Symbion Health shares.

In circumstances where Primary Health Care gains control of Symbion Health but acquires less than 90% of Symbion Health shares, Primary Health Care states that its present intention is that it will attempt to procure that the Symbion Health Board implements the objectives and goals which Primary Health Care says it would pursue if it acquired more than 90% of Symbion Health shares, to the extent possible and appropriate. Primary Health Care states that this may include, subject to appropriate approvals, limitations and processes and upon arm's length terms, attempting to procure that the Symbion Health Board causes Symbion Health to:

- divest the C&P Businesses;
- acquire Primary Health Care's pathology business;
- divest Symbion Health's medical centre management businesses to Primary Health Care;
- agree to share radiology resources and infrastructure with Primary Health Care; and
- agree to the supply of IT services and infrastructure by Primary Health Care to Symbion Health.

Symbion Health notes that a number of these transactions or arrangements will require the approval of minority shareholders (where Primary Health Care will be excluded from voting) under the related party provisions of the Corporations Act or the ASX Listing Rules. There is therefore no certainty that Primary Health Care will be able to achieve these objectives and goals.

Primary Health Care also contemplates that in these circumstances, it may attempt to procure that the Symbion Health Board, subject to any legal requirements and the directors' fiduciary duties, effects a capital return, either from the proceeds of the divestment of the C&P Businesses or a recapitalisation facility which Primary Health Care has negotiated for Symbion Health to enter into. Primary Health Care states that the purpose of this facility is to retire or refinance existing indebtedness of the Symbion Health Group and recapitalise Symbion Health to give effect to a capital return. Primary Health Care may use the proceeds of any such capital return to reduce its gearing ratio under the debt facility which it would use to fund its obligations under Primary's Proposed Offer, which it is required to do within 180 days of first draw down.

#### 4.6 Funding of Primary's Proposed Offer

The Bidder's Statement states that funding for Primary Health Care to satisfy its payment obligations under Primary's Proposed Offer will be sourced as follows:

- in part by the proceeds of equity raisings of \$1,410,000,000 jointly underwritten by Credit Suisse (Australia) Limited, ABN AMRO Rothschild and Deutsche Bank AG (Sydney Branch) ("**Equity Commitment**"); and
- the balance from the proceeds of debt facilities jointly underwritten by ABN AMRO Bank N.V. (Australian Branch), Calyon Australia Limited, Credit Suisse (Sydney Branch), National Australia Bank Limited and Deutsche Bank AG (Sydney Branch) ("**Debt Facilities**").

Primary's Proposed Offer is conditional on:

- each of the preconditions to the availability of the Debt Facilities and the Equity Commitment being and remaining satisfied; and
- there being no event of default or termination event, or potential event of default or termination event, under the Debt Facilities or the Equity Commitment.

The Debt Facilities and the Equity Commitment are subject to a number of conditions which are summarised in Section 6 of the Bidder's Statement.

#### 4.7 Taxation considerations

Section 7 of the Bidder's Statement sets out the principal Australian income tax consequences of accepting Primary's Proposed Offer for certain Symbion Health shareholders. Some additional tax considerations are set out in section 5.7 of this document.

### 5. Symbion Health's recommendation in relation to the Revised Proposal in light of Primary's Proposed Offer

#### 5.1 Directors' recommendation

The Symbion Health Board has unanimously recommended that Symbion Health shareholders reject Primary's Proposed Offer by ASX announcement on 8 November 2007 and, notwithstanding Primary's Proposed Offer, continues to recommend that Symbion Health shareholders vote in favour of each of the Diagnostics Transactions and the C&P Scheme, in the absence of a Superior Proposal.

Symbion Health shareholders should note that:

- Primary's Proposed Offer will not proceed if the Diagnostics Transaction is approved by Symbion Health shareholders unless Primary Health Care waives the relevant conditions of the offer; and
- if the Diagnostics Transaction is approved by Symbion Health shareholders on the scheduled date of 30 November 2007, it is unlikely that the Bidder's Statement will continue to be a relevant document for consideration by Symbion Health shareholders after that date.

Symbion Health shareholders should wait until they receive Symbion Health's Target's Statement (which will only be required if Primary Health Care despatches its Bidder's Statement, which Primary Health Care has indicated it intends to do on 4 December 2007) before taking any action in response to Primary's Proposed Offer.

## 5.2 Why the Symbion Health Board continues to recommend that Symbion Health shareholders vote in favour of each of the Diagnostics Transaction and the C&P Scheme, notwithstanding Primary's Proposed Offer

The Symbion Health Board continues to recommend that Symbion Health shareholders vote in favour of the Diagnostics Transaction and the C&P Scheme, in each case in the absence of a Superior Proposal, as the Symbion Health Board intends to do in respect of all of the Symbion Health shares they own or control. The Symbion Health Independent Expert has confirmed its opinions that the Diagnostics Transaction is fair and reasonable to Symbion Health shareholders and that the C&P Scheme is in the best interests of Symbion Health shareholders, notwithstanding the announcement of Primary's Proposed Offer.

The Symbion Health Board believes that the Healthscope / IAC Consortium Revised Proposal is superior to Primary's Proposed Offer.

### Comparison of Healthscope/IAC Revised Proposal to Primary's Proposed Offer

HEALTHSCOPE / IAC CONSORTIUM REVISED PROPOSAL	PRIMARY'S PROPOSED OFFER
<ul style="list-style-type: none"> <li>● <b>VALUE</b> <ul style="list-style-type: none"> <li>◆ \$4.23 to \$4.43<sup>3</sup> per Symbion Health share</li> <li>◆ 9.2% to 14.4% premium<sup>4</sup></li> <li>◆ Expected increase in earnings per share ("EPS") attributable to Symbion Health shareholders (increase in pro-forma EPS (pre non-recurring items) of approximately 33.3%<sup>5</sup>)</li> </ul> </li> <li>● <b>ABILITY TO PARTICIPATE IN UPSIDE</b> <ul style="list-style-type: none"> <li>◆ Symbion Health shareholders will share in the benefits of any synergies derived from the merger of Symbion Health's Diagnostics Businesses with Healthscope through the ownership of shares in the Healthscope/Symbion Health merged group<sup>7</sup></li> <li>◆ Symbion Health shareholders will own 53-56%<sup>8</sup> of the Healthscope/Symbion Health merged group</li> </ul> </li> <li>● <b>SHAREHOLDER APPROVAL REQUIREMENTS</b> <ul style="list-style-type: none"> <li>◆ at least 50% of the votes cast at the Symbion Health Diagnostics General Meeting</li> <li>◆ by a majority in number of Symbion Health shareholders present and voting at the C&amp;P Scheme Meeting and at least 75% of the total number of Symbion Health shares voted at the C&amp;P Scheme Meeting</li> </ul> </li> <li>● <b>OTHER CONDITIONS</b> <ul style="list-style-type: none"> <li>◆ Other conditions including receipt of satisfactory tax rulings</li> </ul> </li> <li>● <b>TIMING</b><sup>9</sup> <ul style="list-style-type: none"> <li>◆ Vote scheduled to occur on 30 November 2007</li> <li>◆ New Healthscope Shares scheduled to be distributed to Symbion Health shareholders on 12 December 2007</li> <li>◆ C&amp;P Scheme Consideration scheduled to be despatched on 2 January 2008</li> </ul> </li> <li>● <b>TAX</b> <ul style="list-style-type: none"> <li>◆ Ability for certain Symbion Health shareholders to defer realising a taxable gain on the receipt of New Healthscope Shares (subject to the receipt of satisfactory tax rulings)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>● <b>VALUE</b> <ul style="list-style-type: none"> <li>◆ \$4.10 per Symbion Health share</li> <li>◆ 5.9% premium<sup>6</sup></li> </ul> </li> <li>● <b>ABILITY TO PARTICIPATE IN UPSIDE</b> <ul style="list-style-type: none"> <li>◆ Symbion Health shareholders will not share in the benefits of any synergies derived from the combination of Symbion Health's Diagnostics Businesses with Primary Health Care given that Primary Health Care is only offering cash to Symbion Health shareholders</li> <li>◆ Symbion Health shareholders will not gain any interest in the Primary Health Care/Symbion Health merged group by accepting Primary's Proposed Offer</li> </ul> </li> <li>● <b>SHAREHOLDER APPROVAL REQUIREMENTS</b> <ul style="list-style-type: none"> <li>◆ Primary Health Care acquires a relevant interest in 90% of Symbion Health shares (unless waived by Primary Health Care)</li> </ul> </li> <li>● <b>OTHER CONDITIONS</b> <ul style="list-style-type: none"> <li>◆ 15 conditions, including a number of conditions that appear unlikely to be, or incapable of being, satisfied</li> </ul> </li> <li>● <b>TIMING</b><sup>10</sup> <ul style="list-style-type: none"> <li>◆ Primary's Proposed Offer may never open if the Diagnostics Transaction is implemented</li> <li>◆ Offer scheduled to open 4 December 2007</li> <li>◆ Earliest date the offer to close is 4 January 2008</li> <li>◆ Unlikely to receive cash prior to February at the earliest</li> </ul> </li> <li>● <b>TAX</b> <ul style="list-style-type: none"> <li>◆ Capital gains tax liability for certain Symbion Health shareholders, given Primary Health Care is offering cash</li> </ul> </li> </ul>

#### Notes

3. The total implied value of \$4.23 to \$4.43 per Symbion Health share assumes that both the Diagnostics Transaction and the C&P Scheme are implemented, that tax rulings are obtained in the form set out in the conditions precedent to the Diagnostics Transaction Implementation Deed as set out on page 306 of the Original Explanatory Memorandum and that the average of the volume weighted average share prices of Healthscope shares traded on ASX in the 10 trading days prior to the Symbion Health shareholder meetings ("Healthscope VWAP") is between \$5.30 and \$6.51 and that the New Healthscope shares are valued at a price equal to the Healthscope VWAP. The actual value of the consideration will be determined by the Healthscope VWAP and the price at which New Healthscope shares trade.
4. Premium is to \$3.87, the closing price of Symbion Health on ASX on 29 January 2007, the day on which Primary Health Care first announced that it had acquired shares in Symbion Health. The S&P/ASX 200 has increased in value by 13.3% between the close of trading on 29 January 2007 and 15 November 2007.
5. Based on the assumptions detailed in section 1.2(c) of the Original Explanatory Memorandum. As noted in the Appendix 3B lodged by Healthscope on 2 November 2007, since the Original Explanatory Memorandum, Healthscope has issued 155,660 new performance rights.
6. Premium is to \$3.87, the closing price of Symbion Health on ASX on 29 January 2007, the day on which Primary Health Care first announced that it had acquired shares in Symbion Health. The S&P/ASX 200 has increased in value by 13.3% between the close of trading on 29 January 2007 and 15 November 2007.
7. Assuming that Symbion Health shareholders (other than any Ineligible Overseas shareholders which will receive the net proceeds of sale of the New Healthscope Shares attributable to them) retain the New Healthscope Shares distributed to them.
8. These percentages do not take into account the New Healthscope Shares attributable to any Ineligible Overseas Shareholders, which will be sold by the Nominee. Any Ineligible Overseas Shareholders will receive the net proceeds of sale of the New Healthscope Shares attributable to them.
9. Assumes no delay to expected timetables, as set out in the Original Explanatory Memorandum and Primary Health Care's Bidder's Statement. Distribution of the New Healthscope Shares is conditional on implementation of the Diagnostics Transaction and despatch of the C&P Scheme Consideration is conditional on implementation of both the Diagnostics Transaction and the C&P Scheme.
10. Assumes no delay to expected timetables, as set out in the Original Explanatory Memorandum and Primary Health Care's Bidder's Statement.

Symbion Health appointed Ernst & Young as an independent expert to provide its opinion as to whether the Diagnostics Transaction was fair and reasonable to Symbion Health shareholders, and whether the C&P Scheme was in the best interests of Symbion Health shareholders.

The opinion of the Symbion Health Independent Expert is that:

- the Diagnostics Transaction is fair and reasonable to Symbion Health shareholders; and
- the C&P Scheme is in the best interests of Symbion Health shareholders.

The Symbion Health Independent Expert has confirmed these opinions, notwithstanding that Primary Health Care has announced its intention to make its proposed offer. See section 7 of this document for additional information.

The reasons why the Symbion Health Board considers that the Revised Proposal is superior to Primary's Proposed Offer are set out below.

- **Reason 1:** the Revised Proposal has a higher implied value to Symbion Health shareholders than Primary's Proposed Offer;
- **Reason 2:** Primary's Proposed offer does not provide Symbion Health shareholders with the opportunity to benefit from the synergies that Primary Health Care expects to realise;
- **Reason 3:** Primary's Proposed Offer is highly conditional;
- **Reason 4:** Symbion Health's Diagnostics Businesses have a strong track record and further opportunity for growth which Symbion Health shareholders will no longer benefit from if they accept Primary's Proposed Offer; and
- **Reason 5:** Primary's Proposed Offer may create a significant tax liability for some Symbion Health shareholders.

Having considered these reasons as to why the Revised Proposal is superior to Primary's Proposed Offer, the Symbion Health Board continues to recommend that Symbion Health shareholders vote in favour each of the Diagnostics Transactions and the C&P Scheme, in the absence of a Superior Proposal.

### 5.3 Reason 1 - the Revised Proposal has a higher implied value to Symbion Health shareholders than Primary's Proposed Offer

The implied value of the Revised Proposal is \$4.23 to \$4.43<sup>11</sup> per Symbion Health share. As a comparison, Primary's Proposed Offer is worth only \$4.10 per Symbion Health share.

In addition, Symbion Health shareholders who retain the New Healthscope Shares they receive as a result of the Diagnostics Transaction being implemented are expected to benefit from an uplift in earnings per share (EPS).<sup>12</sup> In contrast, the Primary's Proposed Offer is a cash offer.

### 5.4 Reason 2 - Primary's Proposed Offer does not provide Symbion Health shareholders with the opportunity to benefit from the synergies that Primary Health Care expects to realise

The Symbion Health Board believes that the Revised Proposal is

superior to Primary's Proposed Offer because Symbion Health shareholders will participate in the benefits of any synergies realised by Healthscope following implementation of the Revised Proposal. According to the Healthscope Information, Healthscope expects to achieve total cost synergies of \$77 million per annum<sup>13</sup>. In contrast, Primary's Proposed Offer does not provide Symbion Health shareholders with the opportunity to participate in the benefit of the synergies that Primary Health Care expects to achieve from the acquisition of Symbion Health.

Primary Health Care expects that the integration of Symbion Health's Diagnostics Businesses with Primary Health Care will deliver significant increased profitability through cost savings and additional revenue. Primary Health Care expects these synergies to be between \$95 and \$105 million per annum.<sup>14</sup>

Symbion Health estimates the value of these synergies to be approximately \$1.40 to \$1.80<sup>15</sup> per Symbion Health share.

These benefits will accrue to Primary Health Care shareholders only.

The Symbion Health Board believes that Symbion Health shareholders should be paid a fair share of the value of these synergies as the synergies will only be available to Primary Health Care if Primary Health Care combines Symbion Health's Diagnostics Businesses with Primary Health Care.

### 5.5 Reason 3 - Primary's Proposed Offer is highly conditional

The Symbion Health Board believes that the Revised Proposal is superior to Primary's Proposed Offer because Primary's Proposed Offer is highly conditional.

The offer made by Primary Health Care is subject to 15 different conditions<sup>16</sup>.

The Symbion Health Board believes that there is a high risk that a number of those conditions will not be, or are incapable of being, satisfied. These include the following:

	CONDITION	LIKELY TO BE SATISFIED
<b>Condition 1</b>	◆ During or at the end of the Offer Period, Primary Health Care's existing shareholding plus acceptances it has received under its takeover offer is <u>at least 90%</u> of the total number of Symbion Health shares on issue	?
<b>Condition 4</b>	◆ Approval of the Healthscope Diagnostics Transaction is not put to a vote of Symbion Health shareholders unless favourable ATO rulings have already been obtained 5 business days prior	X

#### Notes

11. The total implied value of \$4.23 to \$4.43 per Symbion Health share assumes that both the Diagnostics Transaction and the C&P Scheme are implemented, that tax rulings are obtained in the form set out in the conditions precedent to the Diagnostics Transaction Implementation Deed as set out on page 306 of the Original Explanatory Memorandum and that the average of the volume weighted average share prices of Healthscope shares traded on ASX in the 10 trading days prior to the Symbion Health shareholder meetings ("Healthscope VWAP") is between \$5.30 and \$6.51 and that the New Healthscope Shares are valued at a price equal to the Healthscope VWAP. The actual value of the consideration will be determined by the Healthscope VWAP and the price at which New Healthscope Shares trade.
12. Based on the assumptions detailed in section 1.2(c) of the Original Explanatory Memorandum. As noted in the Appendix 3B lodged by Healthscope on 2 November 2007, since the Original Explanatory Memorandum Healthscope has issued 155,660 new performance rights.
13. Section 4 of the Original Explanatory Memorandum and section 6 of the Healthscope Explanatory Memorandum.
14. Primary Health Care investor presentation, 8 November 2007.
15. The estimated value of synergies is based on a DCF valuation as at 1 July 2008, assuming between \$95 million and \$105 million of synergies are achieved, with 65% of the synergies achieved in the first full year and 100% achieved in the second full year after acquisition. Thereafter the synergies are assumed to grow at 5% per annum for the following 13 years, in line with recent growth rates in the healthcare services sector and are assumed to grow at 3% per annum thereafter. The low end of the value range assumes \$95 million of synergies are achieved and a discount rate of 11% per annum. The top end of the value range assumes \$105 million of synergies are achieved and a discount rate of 10% per annum. One off capital expenditure to achieve synergies (estimated by Primary Health Care to be \$44 million) is depreciated in a straight line, over 5 years. The assumed discount rate of 10% to 11% is consistent with the range applied by the Symbion Health Independent Expert in valuing Healthscope's expected synergies under the Diagnostics Transaction. The synergy range of \$95 million to \$105 million is based on Primary Health Care's announcement dated 8 November 2007 and is in no way a reflection of Symbion Health's view as to what actual synergies are likely to be achieved.
16. A full list of the conditions is detailed in Appendix 1 to this document.



CONDITION	LIKELY TO BE SATISFIED
<b>Condition 5</b> ♦ All agreements in relation to the Diagnostics Transaction and C&P Scheme are terminated or capable of termination at <u>no cost to Symbion Health</u>	X
<b>Condition 6</b> ♦ No break fees are paid or become payable to Healthscope under the Diagnostics Transaction Implementation Deed or to the IAC Consortium under the C&P Scheme Implementation Deed	?
<b>Condition 7</b> ♦ Primary Health Care being granted access to all confidential information provided by Symbion Health to other parties	X
<b>Condition 9</b> ♦ Satisfaction of the conditions to Primary Health Care's debt and equity financing and no event of default or termination event occurring (details of which have not been specified)	?
<b>Condition 14</b> ♦ No person exercises their rights under an agreement to which Symbion Health is party which has the effect of terminating such a contract, adversely affecting the business of Symbion Health or causing money borrowed to become payable	?

**Even if you accept Primary's Proposed Offer, you will only be paid if all the conditions are satisfied or waived.**

**5.6 Reason 4 - Symbion Health's Diagnostics Businesses have a strong track record and further opportunity for growth which Symbion Health shareholders will no longer benefit from if they accept Primary's Proposed Offer**

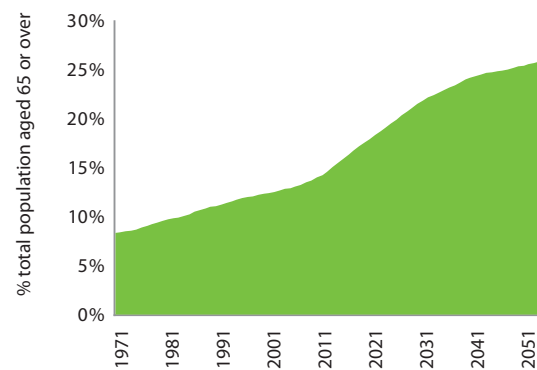
The Symbion Health Board believes that the Revised Proposal is superior to Primary's Proposed Offer because under the Revised Proposal Symbion Health shareholders will remain exposed to Symbion Health's Diagnostics Businesses, which it believes have a strong track record and further opportunity for growth. If Symbion Health shareholders accept Primary's Proposed Offer, Symbion Health shareholders will have no exposure to this going forward.

The Symbion Health Board is confident of the future of Symbion Health's Diagnostics Businesses and believes that the long term fundamentals underpinning them are strong. In particular, growth is expected to be driven by:

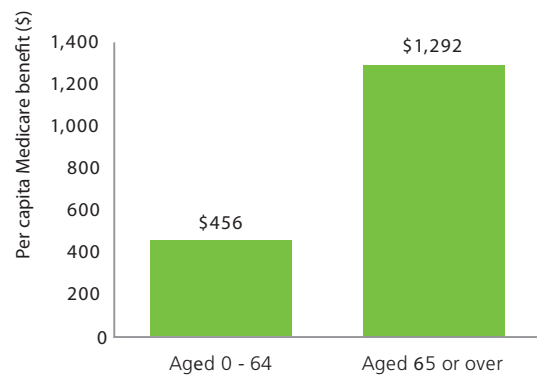
- demographic factors such as the aging population which are likely to drive demand for Symbion Health's pathology, imaging and medical centres businesses;
- advances in technology which increase the range of diagnostics and pathology tests that can be provided;
- legislated growth in reimbursement of pathology and radiology under 5 year agreements with the Federal Government; and
- increased recognition of the role of imaging and pathology in early detection.

As illustrated below, the 'over-65' demographic consumes approximately 3 times the value of health care services than the rest of the population<sup>17</sup>.

**Ageing population<sup>18</sup>**



**Per capita health care services consumption – FY2007<sup>19</sup>**

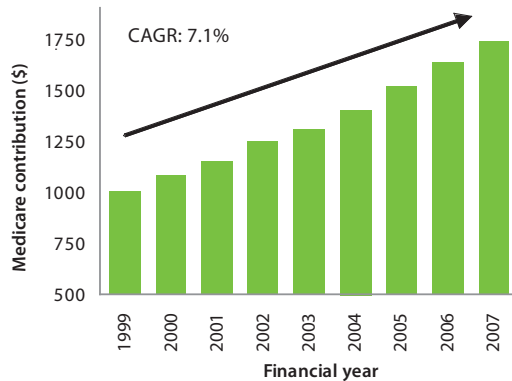


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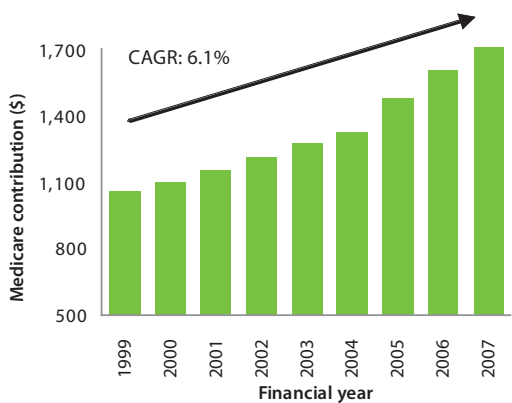
17. Medicare Australia, Medicare Benefits Schedule, Group Statistics Reports, Medicare contribution to healthcare services (excluding cleft lip and cleft palate services) and Australian Bureau of Statistics, Population Projections Series B.  
 18. Australian Bureau of Statistics. Forecasts obtained from Australian Bureau of Statistics, Population Projections Series B.  
 19. Medicare Australia, Medicare Benefits Schedule, Group Statistics Reports, Medicare contribution to healthcare services (excluding cleft lip and cleft palate services) and Australian Bureau of Statistics, Population Projections Series B.

The Medicare contribution to pathology services and diagnostic imaging services have grown at a compound annual growth rate of 7.1% and 6.1% respectively.

#### Medicare contribution to services – pathology<sup>20</sup>

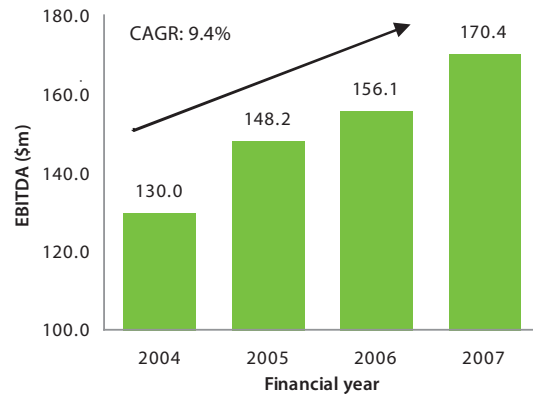


#### Medicare contribution to services – imaging<sup>21</sup>

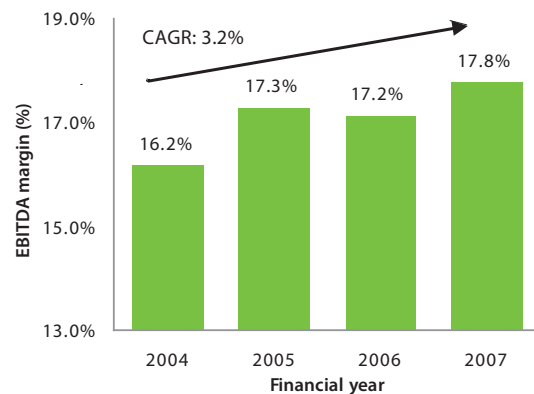


In addition, earnings from Symbion Health’s Diagnostics Businesses have grown considerably and have achieved a compound annual growth rate in EBITDA of approximately 9.4% from the year ended 30 June 2003 to the year ended 30 June 2007, with margins also increasing considerably over that period.

#### Historical EBITDA growth<sup>22</sup>



#### Historical EBITDA margin improvement<sup>23</sup>



### 5.7 Reason 5 - Primary’s Proposed Offer may create a significant tax liability for some Symbion Health shareholders

The Symbion Health Board believes that the Revised Proposal is superior to Primary’s Proposed Offer because Primary’s Proposed Offer may create a significant tax liability for some Symbion Health shareholders.

Primary’s Proposed Offer of \$4.10 cash per Symbion Health share may crystallise a capital gains tax (“CGT”) liability for some Symbion Health shareholders, which will reduce the after tax value received by those Symbion Health shareholders.

Any Symbion Health shareholder with a tax cost base of less than \$4.10 in their Symbion Health shares will derive a capital gain equal to the difference between \$4.10 and their tax cost base. No CGT roll-over relief will be available.

For example, Simon, a Symbion Health shareholder, originally acquired 2,000 post-CGT shares in Mayne Group Limited prior to the demerger of Mayne Pharma Limited in November 2005. The shares in Mayne Group Limited were acquired for \$4.76 each, with a total cost base of \$9,520.

#### Notes

20. Medicare Australia. Medicare Benefits Schedule, Group Statistics Reports, Medicare contribution to pathology services.
21. Medicare Australia. Medicare Benefits Schedule, Group Statistics Reports, Medicare contribution to diagnostics imaging services (including MRI).
22. Symbion Health Annual Reports for the years ended 30 June 2004, 30 June 2005, 30 June 2006 and 30 June 2007. All years exclude unallocated corporate charges, relate to the Diagnostic Businesses only and exclude discontinued businesses. Due to AIFRS changes and for comparative purposes, amortisation for the year ended 30 June 2004 is assumed to equal amortisation for the year ended 30 June 2005 after adjusting for AIFRS.
23. Symbion Health Annual Reports for the years ended 30 June 2004, 30 June 2005, 30 June 2006 and 30 June 2007. All years exclude unallocated corporate charges, relate to the Diagnostic Businesses only and exclude discontinued businesses. Due to AIFRS changes and for comparative purposes, amortisation for the year ended 30 June 2004 is assumed to equal amortisation for the year ended 30 June 2005 after adjusting for AIFRS.

After the demerger of Mayne Pharma Limited, the same shareholder held:

- 2,000 shares in the newly demerged Mayne Pharma Limited, with a CGT cost base in total of \$4,209.46 (or approximately \$2.10 per share) – being 44.217% of the original cost base; and
- The original 2,000 shares in Mayne Group Limited (now Symbion Health) with a CGT cost base in total of \$5,310.54 (or approximately \$2.66 per share) – being 55.783% of the original cost base.

Simon sells all of his Symbion Health shares to Primary Health Care for \$4.10 per share. Simon will have a CGT gain of \$2,889.46 (or approximately \$1.44 per share). As Simon is an individual shareholder, the 50% CGT discount concession will be available (because the shares were acquired more than 12 months ago under our assumed example). Accordingly, Simon's net CGT gain would be \$1,444.73.

In contrast to Primary's Proposed Offer, the Revised Proposal with Healthscope and the IAC Consortium, if implemented following the receipt of satisfactory tax rulings, will provide eligible Symbion Health shareholders with the opportunity to defer realising a taxable gain on the receipt of New Healthscope Shares under the Revised Proposal because of demerger roll-over relief.

A detailed discussion of the implications of choosing demerger roll-over relief is included in section 6.2 of the Original Explanatory Memorandum.

## 6. Other observations in relation to Primary's Proposed Offer relevant to Symbion Health shareholders' consideration of the Revised Proposal

The Symbion Health Board also makes the following observation in relation to Primary's Proposed Offer, which observations the Symbion Health Board regards as relevant for shareholders to take into account when deciding how to vote on the Revised Proposal.

### 6.1 Observation 1 - Primary's Proposed Offer represents an inadequate premium for control of Symbion Health

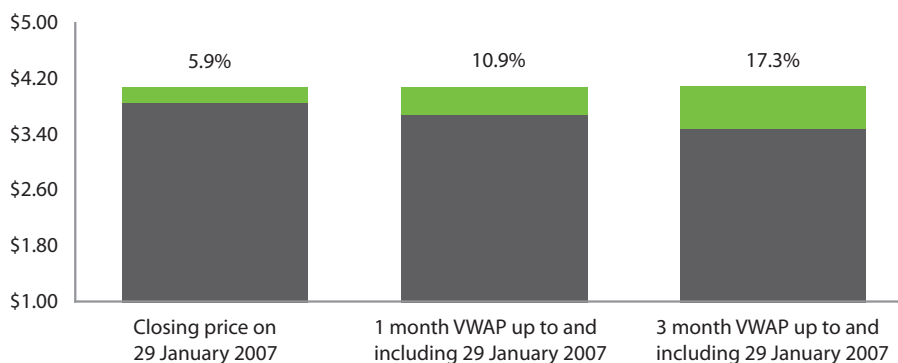
Primary's Proposed Offer of \$4.10 cash per Symbion Health share is too low.

Primary's Proposed Offer of only \$4.10 cash per Symbion Health share represents only a small premium to the trading price of Symbion Health up to and including 29 January 2007, the day on which Primary Health Care first announced that it had acquired shares in Symbion Health. The closing price of Symbion Health shares on 29 January 2007 was \$3.87<sup>24</sup>. Since 29 January 2007, the S&P/ASX 200 index has increased by approximately 13.3%<sup>25</sup>.

As shown in the chart below, Primary's Proposed Offer represents:

- a premium of only 5.9% to the closing price of Symbion Health shares on 29 January 2007<sup>26</sup>;
- a premium of only 10.9% to the one month volume weighted average price of Symbion Health shares up to, and including, 29 January 2007<sup>27</sup>; and
- a premium of only 17.3% to the three month volume weighted average price of Symbion Health shares up to, and including, 29 January 2007<sup>28</sup>.

#### Low premium to historical trading<sup>29</sup>



#### Notes

24. 29 January is the day on which Primary Health Care first announced that it had acquired shares in Symbion Health. The S&P/ASX 200 has increased in value by 13.3% between the close of trading on 29 January 2007 and 15 November 2007.

25. Increase in value of the S&P / ASX 200 index between close of trading on 29 January 2007 and 15 November 2007.

26. 29 January is the day on which Primary Health Care first announced that it had acquired shares in Symbion Health. The S&P/ASX 200 has increased in value by 13.3% between the close of trading on 29 January 2007 and 15 November 2007.

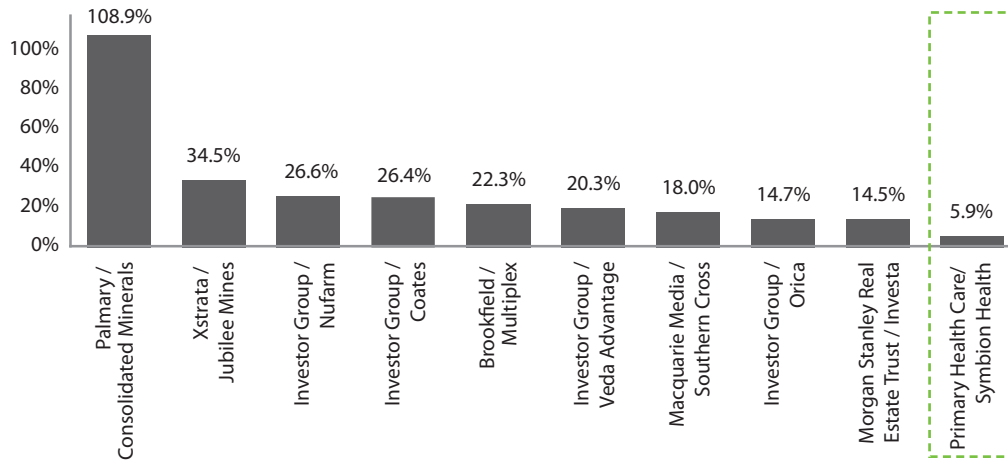
27. 29 January is the day on which Primary Health Care first announced that it had acquired shares in Symbion Health. The S&P/ASX 200 has increased in value by 13.3% between the close of trading on 29 January 2007 and 15 November 2007.

28. 29 January is the day on which Primary Health Care first announced that it had acquired shares in Symbion Health. The S&P/ASX 200 has increased in value by 13.3% between the close of trading on 29 January 2007 and 15 November 2007.

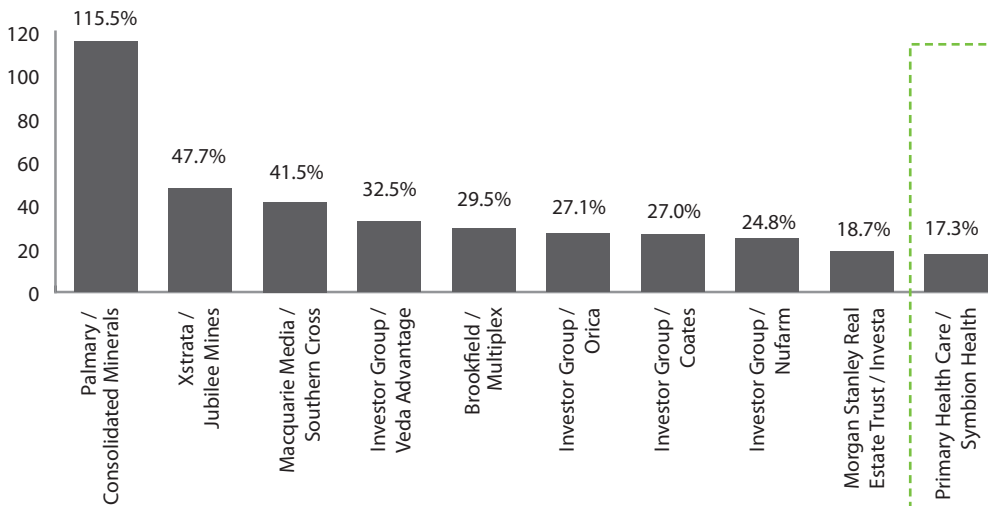
29. Based on closing prices of Symbion Health up to and including 29 January 2007, the day on which Primary Health Care first announced that it had acquired shares in Symbion Health. The S&P/ASX 200 has increased in value by 13.3% between the close of trading 29 January 2007 and 15 November 2007.

Primary's Proposed Offer premium is low compared to other recent cash takeover offers as shown in the charts below.

Recent cash takeover premium to last undisturbed share price prior to announcement<sup>30,31</sup>



Recent cash takeover premium to three month VWAP<sup>30,31</sup>



Notes

30. A sample of cash only transactions involving listed Australian targets, with a value of more than \$500 million, announced between 1 November 2006 and 8 November 2007.

Excludes the acquisition of the Macquarie ProLogis Trust by ProLogis as that transaction involved a consolidation of a listed property trust and property management company, rather than a change of control transaction between two unrelated parties.

31. Coates Hire Limited premium calculated up to and including 30 April 2007, the day prior to the announcement of a strategic review. Southern Cross Broadcasting (Australia) Limited premium calculated up to and including 18 October 2006, the day prior to the announcement of the commencement of exploratory discussions. Multiplex Limited premium calculated up to and including 24 January 2007, the day prior to the announcement of discussions with unnamed parties which may lead to an offer. Nufarm Limited premium calculated up to and including 30 November 2007, the day prior to significant takeover speculation in Nufarm Limited shares. Symbion Health premium calculated up to and including 29 January 2007, the day on which Primary Health Care first announced it had acquired shares in Symbion Health.

All premiums calculated to ultimate share price offered unless otherwise specified. Coates Hire Limited offer price of \$6.70, inclusive of an \$0.11 final dividend. Nufarm Limited offer price of \$17.55, inclusive of a maximum dividend of 30 cents per share. Consolidated Minerals Ltd offer price of \$4.70, being the current offer price as at 15 November 2007. Southern Cross Broadcasting (Australia) Limited offer price of \$17.41, inclusive of a \$0.36 special dividend. Investa Property Group offer price of \$3.08, which is cum distribution for the half year ended 30 June 2007. Veda Advantage Limited offer price of \$3.61 used, which is cum the fully franked special dividend.



**6.2 Observation 2 - Primary Health Care is not paying enough for the strategic value that Symbion Health’s Diagnostics Businesses can deliver**

Primary Health Care has indicated that it has coveted Symbion Health’s Diagnostics Businesses for more than 5 years.

“We have been considering these assets for more than five years”

“We have grown to a size where we have the ability to do it as indicated by our funding (and) we have developed the management to do it”

Primary Managing Director Edmund Bateman, during a conference call with reporters on 8 November 2007 (source: Dow Jones)

Primary Health Care has indicated that Symbion Health is a strategic target for Primary Health Care given that Symbion Health would provide Primary Health Care with improved scale and service mix in the Australian healthcare market.

The strategic importance of the Symbion Health’s businesses is evidenced by the level of interest that has been shown by different parties over the last 12 months.

Primary Health Care itself has highlighted to its shareholders the strategic benefits that an acquisition of Symbion Health can deliver.<sup>32</sup>

**(i) The ability for Primary Health Care to become one of Australia’s pre-eminent healthcare companies with strengthened market positions across the medical centre, pathology and diagnostic imaging sectors<sup>33</sup>**

According to Primary Health Care, an acquisition of Symbion Health would also provide Primary Health Care with the ability to transform it into one of Australia’s leading healthcare companies<sup>34</sup> with the following market positions:

- number 1 in medical centres;
- number 1 in pathology; and
- a leading position in diagnostic imaging.

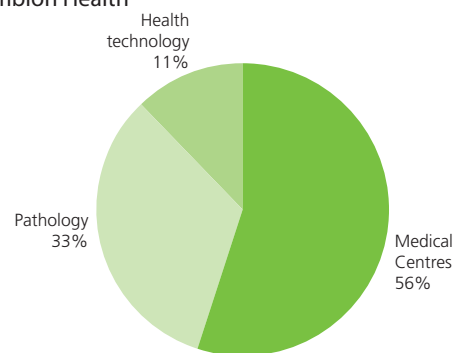
**(ii) Enlarged and diversified earnings base<sup>35</sup>**

According to Primary Health Care, an acquisition of Symbion Health also provides Primary Health Care with scale and size, including a position as an ASX top 100 company.

	BEFORE <sup>36</sup>	AFTER <sup>37</sup>
2007 Revenue (\$m)	274.4	1,232.2
2007 EBITDA (\$m)	108.3	369.5
ASX top 100 company	X	√

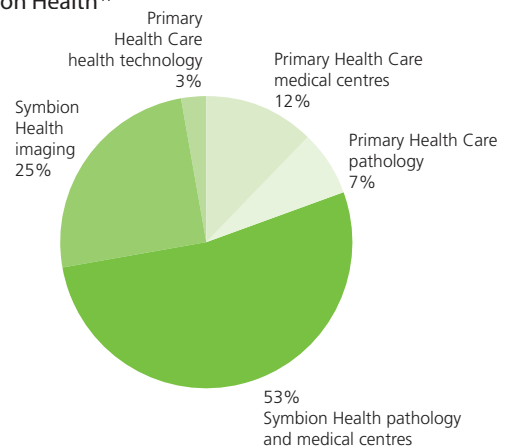
Symbion Health would also provide Primary Health Care with an improved business mix. Currently 56% of Primary Health Care’s revenues are derived from medical centres, 33% from pathology and 11% from health technology<sup>38</sup>.

**Sources of Primary Health Care’s revenue – before the acquisition of Symbion Health<sup>39</sup>**



If Primary Health Care acquired Symbion Health, it would benefit from a more diversified earnings base. The relative contribution by medical centres would drop significantly, pathology revenues would increase and imaging revenues would be added into the mix<sup>40</sup>.

**Sources of Primary Health Care’s revenue – after the acquisition of Symbion Health<sup>41</sup>**



Notes

32. Primary Health Care ASX announcement, 8 November 2007.

33. Primary Health Care investor presentation, 8 November 2007.

34. Primary Health Care investor presentation, 8 November 2007.

35. Primary Health Care investor presentation, 8 November 2007.

36. Primary Health Care revenue and EBITDA for the year ended 30 June 2007, as set out in section 2.4 of the Bidder’s Statement.

37. Pro-forma revenue for the year ended 30 June 2007. Pro-forma revenue based on Primary Health Care revenue and EBITDA for the year ended 30 June 2007, as set out in section 2.4 of the Bidder’s Statement adjusted to remove the impact of \$6.0 million profit on the sale of investments and Symbion Health’s revenue and EBITDA for the year ended 30 June 2007 for the Diagnostics Businesses only, as set out in section 4 of the Original Explanatory Memorandum. Pro forma EBITDA also includes \$100 million of synergies, the mid-point of the range of possible synergies that Primary Health Care has indicated it expects to receive, as set out in the investor presentation lodged on 8 November 2007. Pro forma revenue and EBITDA excludes the C&P Businesses that Primary Health Care has indicated that it will divest. Statement regarding Primary Health Care becoming an ASX top 100 company based on Primary Health Care’s investor presentation, 8 November 2007.

38. Section 2.2 of the Bidder’s Statement.

39. Section 2.2 of the Bidder’s Statement.

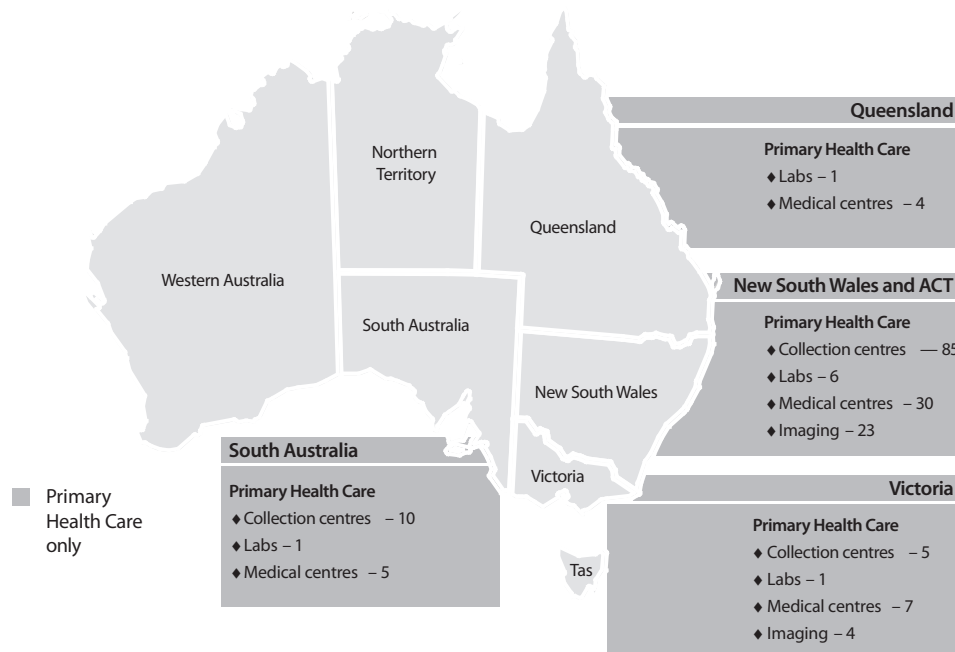
40. Assumes sale of the C&P Businesses that Primary Health Care has indicated that it will divest.

41. Pro-forma revenue for the year ended 30 June 2007. Pro-forma revenue based on Primary Health Care revenue for the year ended 30 June 2007, as set out in section 2.2 of the Bidder’s Statement and Symbion Health’s revenue for the year ended 30 June 2007 for the Diagnostics Businesses only, as set out in section 4 of the Original Explanatory Memorandum. Pro forma revenue excludes the C&P Businesses that Primary Health Care has indicated that it will divest.

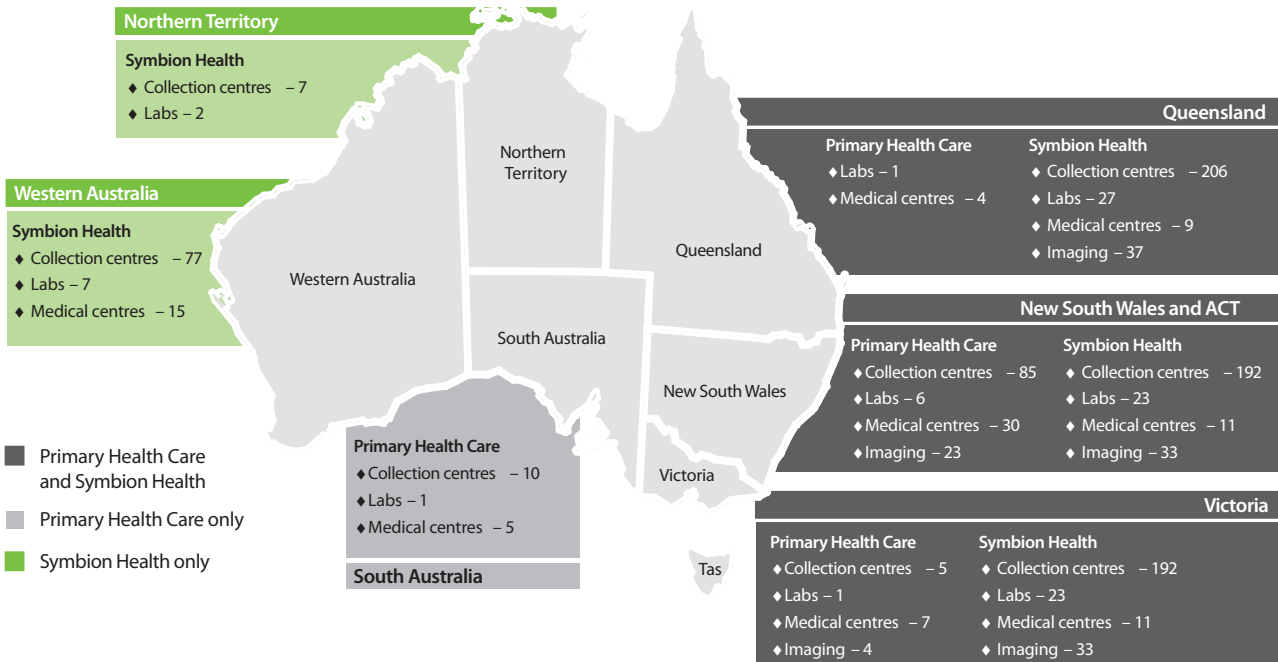
**(iii) Expanded geographic coverage<sup>42</sup>**

If Primary Health Care acquired Symbion Health, it would have a network throughout Australia. Currently, Primary Health Care has no presence in Western Australia or the Northern Territory and has only small operations in Victoria and Queensland. Symbion Health would provide Primary Health Care with a truly national network of scale of medical centres, pathology labs and collection centres and imaging sites.

**Primary Health Care 's geographic coverage without Symbion Health<sup>43</sup>**



**Primary Health Care's geographic coverage with Symbion Health<sup>44</sup>**



The Symbion Health Board believes Primary's Proposed Offer of \$4.10 cash per Symbion Health share does not adequately compensate Symbion Health shareholders for the value that a national network of scale would provide Primary Health.

Notes

42. Primary Health Care investor presentation, lodged 8 November 2007.

43. Assumes that Primary Health Care's pathology collection centres and laboratories, medical centres and imaging centres in each state are equal to the difference between the details provided on page 13 of Primary Health Care's investor presentation lodged on 8 November 2007 and the Symbion Health pathology collection centres and laboratories, medical centres and imaging centres.

44. Assumes that Primary Health Care's pathology collection centres and laboratories, medical centres and imaging centres in each state are equal to the difference between the details provided on page 13 of Primary Health Care's investor presentation lodged on 8 November 2007 and the Symbion Health pathology collection centres and laboratories, medical centres and imaging centres.

### 6.3 Observation 3 - Primary Health Care can afford to pay more for Symbion Health

At the current offer price of \$4.10 per Symbion Health share, Primary Health Care has stated that it expects the transaction to be EPS accretive in the first full year following the transaction.

Primary Health Care can afford to pay significantly more than the \$4.10 cash it is currently offering.

EPS accretion is a common basis on which acquisitions are analysed. EPS accretion means that the acquirer's EPS after an acquisition is expected to be higher than it would have been if the acquisition did not take place. It provides an indication of an acquirer's capacity to pay. Acquisitions are not always accretive – especially in the first year after completion of an acquisition.

Based on the illustrative pro forma case set out below, it appears that Primary Health Care can offer a lot more than \$4.10 for each Symbion Health share and the transaction will still be significantly EPS accretive for Primary Health Care.

The illustrative pro-forma analysis below is based on historical financial information – the results for the 12 months to 30 June 2007 for both Symbion Health's Diagnostics Businesses and Primary Health Care. The illustrative pro-forma analysis includes \$100 million or the mid-point of synergies that Primary Health Care has indicated that it expects to achieve.

#### Illustrative pro-forma

2007 EPS accretion	\$4.10	\$4.30	\$4.50	\$4.70	\$4.90
Pro-forma 2007 EPS pre-transaction (cents)	41.6	41.6	41.6	41.6	41.6
Pro-forma 2007 EPS pre-transaction (cents) <sup>45</sup>	38.8	38.7	38.6	38.5	38.4
Pro-forma 2007 EPS post-transaction (cents)	46.9	45.0	43.2	41.5	40.0
Pro-forma accretion (cents)	8.1	6.3	4.6	3.0	1.6
Pro-forma accretion (%)	20.9	16.3	12.0	7.9	4.0

The key assumptions to this table are set out in Appendix 2 to this document.

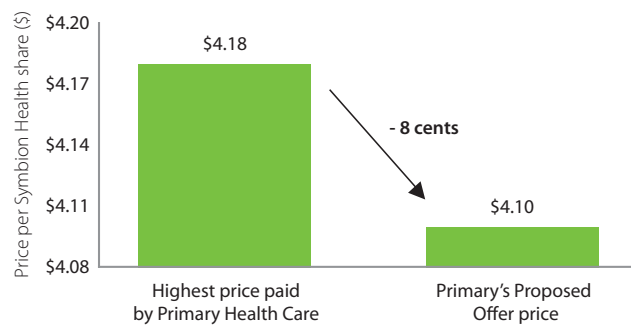
**Primary Health Care can afford to pay significantly more than the \$4.10 cash per Symbion Health share it is currently offering.**

### 6.4 Observation 4 - Primary Health Care was prepared to pay up to \$4.18<sup>46</sup> to buy Symbion Health shares on ASX, but is only offering Symbion Health shareholders \$4.10 per Symbion Health share

Primary Health Care was willing to pay more than \$4.10 per Symbion Health share for the 20% shareholding it acquired in Symbion Health.

The \$4.10 cash offered by Primary Health Care is 8 cents less than the highest price paid by Primary for the Symbion Health shares it acquired during July and August 2007 of \$4.18<sup>47</sup>.

### Price paid by Primary Health Care for Symbion Health stake



## 7. Symbion Health Independent Expert's Report

### 7.1 Symbion Health Independent Expert's assessment

Symbion Health appointed Ernst & Young as an independent expert to provide its opinion as to whether the Diagnostics Transaction is fair and reasonable to Symbion Health shareholders, and whether the C&P Scheme is in the best interests of Symbion Health shareholders.

A copy of the Symbion Health Independent Expert's report dated 26 October 2007 is set out in full in section 8 of the Original Explanatory Memorandum. The first Supplementary Explanatory Memorandum dated 13 November 2007 that has been despatched to shareholders contained summary information from the Symbion Health Independent Expert's report.

Symbion Health has also commissioned the Symbion Health Independent Expert to provide an update to its opinions in relation to the Diagnostics Transaction and the C&P Scheme, in light of Primary's Proposed Offer. This Supplementary Independent Expert's Report is included in Appendix 3 to this document. This section refers to, and should be read in conjunction with, the full report set out in section 8 of the Original Explanatory Memorandum and the update report provided in Appendix 3 to this document.

### 7.2 Symbion Health Independent Expert's conclusion

Taking into consideration its valuations set out below, and the other matters detailed in the Symbion Health Independent Expert's Report, the opinion of the Symbion Health Independent Expert is that:

- the Diagnostics Transaction is fair and reasonable to Symbion Health shareholders; and
- the C&P Scheme is in the best interests of Symbion Health shareholders.

In considering its opinion in relation to the Diagnostics Transaction in light of Primary's Proposed Offer, the Symbion Health Independent Expert noted that the Diagnostics Transaction and Primary's Proposed Offer are mutually exclusive. The Symbion Health Independent Expert concluded that the inferred value of Primary's Proposed Offer for the Diagnostics Business is \$2.33, while the value of the Diagnostics Transaction is between \$2.19 and \$2.68, and noted that the total value of Primary's Proposed Offer is \$4.10 while the overall value of the Revised Proposal is between \$3.96 and \$4.45. The Symbion Health Independent Expert also identified a number of other factors which should be considered, including the tax implications of Primary's Proposed Offer, the sharing of synergies and the potential in the Diagnostics Transaction for synergy upside (or downside).

#### Notes

45. Adjusted to reflect the theoretical ex-rights price of Primary Health Care's shares as a result of the entitlement offer.

46. Represents the price paid by Primary Health Care for Symbion Health shares on 20 July 2007 of \$4.23 per Symbion Health share reduced by the \$0.05 Symbion Health final dividend that was paid on 28 September 2007. Details of the price paid by Primary Health Care for Symbion Health shares as set out in section 5.4 of the Bidder's Statement.

47. Represents the price paid by Primary Health Care for Symbion Health shares on 20 July 2007 of \$4.23 per Symbion Health share reduced by the \$0.05 Symbion Health final dividend that was paid on 28 September 2007. Details of the price paid by Primary Health Care for Symbion Health shares as set out in section 5.4 of the Bidder's Statement.

As a result, taking into consideration these factors and the matters summarised in section 7.5 below and in the Supplementary Independent Expert's Report, **the Symbion Health Independent Expert has concluded that the Diagnostics Transaction remains fair and reasonable to Symbion Health shareholders in the absence of a superior offer.**

In considering its opinion in relation to the C&P Scheme in light of Primary's Proposed Offer, the Symbion Health Independent Expert has noted that the Primary Bidder's Statement states that Primary Health Care intends to divest the C&P Business if Primary's Proposed Offer proceeds, and that the IAC Consortium has written a letter to Symbion Health stating it would remain interested in acquiring the C&P Business if the Diagnostics Transaction does not proceed. Taking into consideration these factors and the matters summarised in section 7.5 below and in the Supplementary Independent Expert's Report, **the Symbion Health Independent Expert has concluded that the C&P Scheme remains in the best interests of Symbion Health shareholders, in the absence of a superior offer.**

### 7.3 Symbion Health Independent Expert's valuation of the Revised Proposal

The Symbion Health Independent Expert has considered the overall value of the Revised Proposal to Symbion Health shareholders. This overall value will only be achieved if both the Diagnostics Transaction and the C&P Scheme proceed. The following table summarises the overall value of Symbion Health on a control basis, as determined by the Symbion Health Independent Expert, and compares this to the value of the consideration being offered by Healthscope and the IAC Consortium, as determined by the Symbion Health Independent Expert:

Valuation Conclusion	Value per Symbion Health share (\$)	
	Low	High
<b>Value of Symbion Health on a control basis</b>	3.52	3.91
Value of consideration offered		
- New Healthscope scrip	2.19	2.68
- Cash	1.77	1.77
<b>Total value of consideration offered</b>	3.96	4.45

The Symbion Health Independent Expert notes that the range of values of the consideration offered is in excess of the value of Symbion Health.

On a per share basis, Symbion Health notes that the Symbion Health Independent Expert has assessed the value of the consideration offered (being New Healthscope Shares) as between \$2.19 to \$2.68 per Symbion Health share. Symbion Health notes that, assuming New Healthscope Shares are valued at the Healthscope VWAP, the Healthscope VWAP would need to be as low as \$4.72 before the implied value of the New Healthscope Shares received under the Diagnostics Transaction was \$2.19 per Symbion Health share. Healthscope shares have not traded at or below \$4.72 since 4 October 2006.

### 7.4 Symbion Health Independent Expert's valuation of the Revised Proposal if the C&P Scheme does not proceed

The Symbion Health Independent Expert notes that the C&P Scheme can only proceed if the Diagnostics Transaction (or a similar transaction with a Third Party who makes a Superior Proposal for the Diagnostics Businesses) has previously been completed, and that Primary Health Care has publicly stated that it intends to vote against both the Diagnostics Transaction and the C&P Scheme (absent a material change in circumstances or in the structure of the Revised Proposal). The Symbion Health Independent Expert has therefore considered the potential value to a Symbion Health shareholder after the Diagnostics Transaction has completed and taking into consideration the range of potential outcomes under the C&P Scheme.

For the purposes of this analysis, the Symbion Health Independent Expert has compared the value of Symbion Health including a premium for control, with New Healthscope Shares on a minority interest basis and a range of values for Symbion Health C&P (at the low end, being on a low multiple and minority interest basis and at the high end, taking into consideration the IAC Consortium offer). The following table summarises the Symbion Health Independent Expert's findings in this regard:

Valuation Conclusion	Value per Symbion Health share (\$)	
	Low	High
<b>Value of Symbion Health on a control basis</b>	3.52	3.91
Value attributable to a Symbion Health shareholder after Diagnostics Transaction		
- New Healthscope (minority)	2.19	2.68
- Symbion Health C&P (low multiple and minority discount high - IAC offer)	1.35	1.77
<b>Total value</b>	3.54	4.45

The above table does not form the basis of the Symbion Health Independent Expert's conclusion that the Diagnostics Transaction is fair and reasonable to Symbion Health shareholders, nor does it form the basis of the conclusion that the C&P Scheme is in the best interests of Symbion Health shareholders.

The lower end of the valuation range of \$3.54 to \$4.45 per Symbion Health share in the above table refers to a situation where the Diagnostics Transaction completes and the C&P Scheme does not. The Symbion Health Independent Expert states that *"the bottom end of this range reflects Symbion Health C&P on a minority stand-alone basis and hence assumes that Primary Health Care votes against the C&P Scheme (after the Diagnostics Proposal has previously been approved), that no alternative bidder for Symbion Health C&P emerges, and that any speculation in relation to an alternative bidder disappears, which we believe to be unlikely"* (emphasis added).

In this regard Symbion Health notes that it has received a letter from the IAC Consortium in which it expresses an interest to develop an alternative proposal to acquire the C&P Businesses for the same consideration as provided for by the C&P Scheme, in the event that the C&P Scheme does not proceed. In the event that the C&P Scheme does not proceed, Symbion Health shareholders would retain the benefit of the C&P Businesses including any control premium which might arise.

The lower end of the valuation range of \$3.54 to \$4.45 per Symbion Health share is a combination of the low end of the Symbion Health Independent Expert's **transaction** valuation of the Diagnostics Transaction and a **trading** valuation for Symbion Health C&P at a low multiple (**and which trading valuation does not include a premium for control**). This trading valuation for the C&P Businesses was determined by the Symbion Health Independent Expert on the basis that the C&P Scheme is not implemented. If the C&P Scheme is not implemented, it will not affect the value of the consideration that Symbion Health shareholders will receive under the Diagnostics Transaction. Furthermore the attractiveness and future prospects of Symbion Health C&P would not be impacted simply by Symbion Health shareholders voting against the C&P Scheme.

**The Symbion Health Independent Expert has also confirmed that its conclusion in relation to the Diagnostics Transaction "would still be that it is fair and reasonable, irrespective of the voting intentions of Primary Health Care in relation to the C&P Scheme".**

Subsequently on 8 November 2007, in comparing the Revised Proposal to Primary Health Care's offer of \$4.10 per share, Primary Health Care has represented that the Symbion Health Independent Expert's valuation of the Revised Proposal is between \$3.54 to \$4.45 per



Symbion Health share. Symbion Health considers this representation to be misleading, having regard to the fact that in a presentation to the market on 8 November 2007, Primary Health Care's Managing Director indicated that if Primary's Health Care's proposed offer is successful, it may sell Symbion Health's C&P Businesses, and referred to the price the IAC Consortium was prepared to pay for this business as a relevant measure of value. This is inconsistent with Primary Health Care's previous criticism of the value of the C&P Businesses (including the Symbion Health Independent Expert's valuation of the C&P Businesses) and its stated intention to vote against the C&P Scheme<sup>48</sup>.

## 7.5 Comparison of the Revised Proposal with Primary's Proposed Offer

### (a) Evaluation of the Diagnostics Transaction

In determining whether the Diagnostics Transaction remains "fair" having taken into consideration Primary's Proposed Offer and the associated conditions, the Symbion Health Independent Expert's conclusion on the value of the Diagnostics Transaction remains unchanged. As outlined in section 9.2 of the Symbion Health Independent Expert's Report, the Symbion Health Independent Expert concluded that the range of values of the consideration offered by Healthscope for the Diagnostics Business of between \$2.19 and \$2.68 is above the range of values for the Diagnostics Business (inclusive of a premium for control) of between \$1.91 and \$2.15.

The Symbion Health Independent Expert has inferred that the element of Primary's Proposed Offer of \$4.10 attributable to the C&P Business is approximately \$1.77 and that the value of the Diagnostics Businesses element of Primary's Proposed Offer represents the balance of the offer of \$2.33 per Symbion Health share on the basis that

- the IAC Consortium has submitted a cash offer to Symbion Health for the C&P Business of \$1.77 per Symbion Health share;
- in the event the Revised Proposal does not proceed, the IAC Consortium has written a letter to Symbion Health expressing that it would remain interested in acquiring the C&P Business; and
- the Bidder's Statement states that in the event the Primary Health Care acquisition proceeds, Primary Health Care intends to divest the C&P Business.

In assessing each of the Diagnostics Transaction and Primary's Proposed Offer, the Symbion Health Independent Expert has taken into consideration a range of other qualitative factors including:

- the \$2.33 inferred value of Primary's Proposed Offer has the potential to be diluted as a result of any capital gains tax payable by individual Symbion Health shareholders;
- the range of values of the New Healthscope Shares provides additional potential upside (or downside) associated with better (or worse) than expected synergy realisation, whereas Primary's Proposed Offer is for cash.

Other matters specifically considered by the Symbion Health Independent Expert are set out in section 4.2 of the Supplementary Independent Expert's Report. These matters include, but are not limited to, the following:

#### (i) *Exposure to the healthcare sector*

Under Primary's Proposed Offer, Symbion Health shareholders will receive cash for their Symbion Health shares and will no longer be exposed to the healthcare sector. The Symbion Health Independent Expert regards the loss of exposure as a potential disadvantage given that

- by owning Symbion Health shares, shareholders are implicitly

supportive of the existing investment profile within the healthcare sector;

- by 99.2% of votes cast other than Primary Health Care voting in favour of the Original Scheme, Symbion Health shareholders (other than Primary Health Care) have indicated support for the investment profile envisaged under the Revised Proposal; and
- by exiting the investment Symbion Health shareholders will lose the opportunity to participate in any perceived growth and margin opportunities in the healthcare sector.

#### (ii) *Benefits of synergies*

The Diagnostics Transaction provides Symbion Health shareholders with the ability to share in any potential upside (or downside) associated with the realisation of synergies in excess of (or lower than) the anticipated amount. The Symbion Health Independent Expert notes that the revenue synergies anticipated by Healthscope have not been considered in its valuation of the New Healthscope Shares and, to the extent that such synergies are realised, these represent additional upside to Symbion Health shareholders. By comparison, Primary's Proposed Offer provides no ongoing exposure to the potential upside (or downside) risks and returns associated with the realisation of synergies anticipated by Primary Health Care.

#### (iii) *Primary Health Care's intentions regarding the C&P Business*

Primary Health Care has indicated in the Bidder's Statement that, if it is successful in acquiring Symbion Health, it intends to sell the C&P Business. The Symbion Health Independent Expert notes that this appears to be inconsistent with Primary Health Care's intention to vote against the C&P Scheme. The Symbion Health Independent Expert continues to regard the low end of the hypothetical valuation range outlined in section 9.8 of the Symbion Health Independent Expert's Report, dated 26 October 2007 (\$3.54) as unlikely, and not an appropriate basis for comparison with Primary's Proposed Offer.

### (b) Evaluation of the C&P Scheme

In determining whether the C&P Scheme remains in the best interests of Symbion Health shareholders, having taken into consideration Primary's Proposed Offer and the associated conditions, the Symbion Health Independent Expert's conclusion remains unchanged.

The Symbion Health Independent Expert has concluded the value of the consideration offered by the IAC Consortium of \$1.77 is in excess of the full control value of the C&P Business, which the Symbion Health Independent Expert has valued in the range of \$1.56 to \$1.71 per Symbion Health share.

Given the existing IAC Consortium cash offer to Symbion Health for the C&P Business and their stated desire to pursue this acquisition, the Symbion Health Independent Expert has assumed that, in the event the Revised Proposal does not proceed and that instead Primary's Proposed Offer is accepted, the IAC Consortium would be likely to remain interested in acquiring these assets, at a price consistent with the existing \$1.77 per share offer. The Symbion Health Independent Expert therefore regards the likely outcomes of the C&P Scheme and this element of Primary's Proposed Offer as being similar for Symbion Health shareholders.

## 7.6 The Symbion Health Board's view

The Symbion Health Board agrees with the conclusion of the Symbion Health Independent Expert that the Diagnostics Transaction is fair and reasonable to Symbion Health shareholders.

The Symbion Health Board also agrees with the conclusion of the Symbion Health Independent Expert that the C&P Scheme is in the best interests of Symbion Health shareholders.

The Symbion Health Independent Expert has valued the Diagnostics Transaction at between \$2.19 and \$2.68 per Symbion Health share.

Note

48. Absent a material change in circumstances or in the structure of the Revised Proposal.

It is important to note that this valuation is the view of the Symbion Health Independent Expert and is not necessarily the view of the Symbion Health Board.

The Symbion Health Board believes that in order to assess the implied value of the Revised Proposal it is important for Symbion Health shareholders to have regard to the actual trading values of Healthscope shares and the \$1.77 cash per Symbion Health share to be received by shareholders under the C&P Scheme, which are observable facts, as well as the Symbion Health Independent Expert's valuations.

If both the Diagnostics Transaction and the C&P Scheme are implemented, the implied value of the Transactions is between approximately \$4.23 and \$4.43 per Symbion Health share, based on the following assumptions:

- that tax rulings are obtained in the form set out in the conditions precedent to the Diagnostics Transaction Implementation Deed as set out on page 306 of the Explanatory Memorandum;
- the Healthscope VWAP is between \$5.30 and \$6.51 (being the range within which the cap and collar arrangement operates as agreed with Healthscope). However, the upper end of the implied value range of \$4.43 is reached when the Healthscope VWAP is \$6.06; and
- New Healthscope Shares are valued at a price equal to the Healthscope VWAP (an observable measure of value that relies on the prices that prevail on ASX in the 10 trading days leading up to the Symbion Health shareholder meetings).

The Symbion Health Independent Expert has also valued Symbion Health on a fully diluted basis, inclusive of a premium for control, at between \$3.52 and \$3.91 per share. The Symbion Health Board does not agree that this value range represents fair or adequate value in the context of an offer from Primary Health Care or another party which has the opportunity to derive very significant strategic benefits and synergies from a combination of its business with Symbion Health.

## 8. Future developments

### 8.1 Introduction

There is now less than two weeks before the Symbion Health Transaction Meetings, which are scheduled to take place on Friday 30 November 2007. In these circumstances, if Symbion Health becomes aware of significant new matters that it considers to be material to the decision of a Symbion Health shareholder as to how to vote at the Symbion Health Transaction Meetings, there will not be sufficient time before the date of the meetings to allow Symbion Health to mail to its shareholders further supplementary information in relation to any such new matters. Instead, and as foreshadowed in section 5.24 of the Original Explanatory Memorandum, Symbion Health will make an announcement to ASX and on Symbion Health's website in relation to any such new matter.

**Symbion Health shareholders should check the company announcements for Symbion Health at [www.asx.com.au](http://www.asx.com.au) and Symbion Health's website at [www.symbionhealth.com](http://www.symbionhealth.com), and should consider any announcements made by Symbion Health, along with this document and the Explanatory Memorandum, when deciding how to vote at the Symbion Health Transaction Meetings.**

Symbion Health believes that postponing the Symbion Health Transaction Meetings is undesirable for reasons including the following:

- almost seven months have elapsed since the Original Scheme was announced and Symbion Health shareholders are yet to receive the benefits from the proposed merger of the Diagnostics Businesses with Healthscope and the proceeds from sale of the C&P Businesses; and

- time devoted to the Transactions is an ongoing distraction for Symbion Health's senior management.

However, Symbion Health will postpone the Symbion Health Transaction Meetings if the Symbion Health Board considers it to be in the interests of Symbion Health shareholders in the circumstances. Such circumstances may include those specified in section 8.2 below.

### 8.2 Competing Proposals

It is the current intention of the Symbion Health Board that the Symbion Health Transaction Meetings scheduled to take place on Friday, 30 November 2007 will not be deferred, postponed or adjourned by reason only of:

- (a) Primary Health Care announcing that:
  - (i) it will increase the cash price offered to Symbion Health shareholders under Primary's Proposed Offer; and/or
  - (ii) Primary's Proposed Offer will no longer be subject to any or all of the conditions set out in Appendix 1 to this document; and/or
  - (iii) it will otherwise vary Primary's Proposed Offer (for example, by introducing an alternative form of offer consideration); and/or
- (b) a Third Party making a Competing Proposal.

If any of these events occur, Symbion Health will make an announcement to ASX and on Symbion Health's website.

If Symbion Health receives a Competing Proposal (as contemplated in sections 8.2(a) and 8.2(b) above) that it considers is a Superior Proposal, Symbion Health will defer, adjourn or postpone the Symbion Health Transaction Meetings. However, if Symbion Health receives a Competing Proposal (as contemplated in sections 8.2(a) and 8.2(b) above) that it considers is not a Superior Proposal, Symbion Health will only defer, adjourn or postpone the Symbion Health Transaction Meetings if the Symbion Health Board considers that it is in the best interests of Symbion Health shareholders to do so, or if otherwise required by law.

Since the Original Scheme was announced on 29 May 2007, there has been a significant period of time for Third Parties to make an offer for some or all of Symbion Health. The Symbion Health Board believes that the value which will be generated for Symbion Health shareholders under the Revised Proposal may be compromised if the Symbion Health Transaction Meetings are delayed unnecessarily.

### 8.3 ATO rulings

One of the 15 detailed conditions to Primary's Proposed Offer is that approval of the Diagnostics Transaction is not put to a vote by the chairman of the meeting of Symbion Health shareholders unless favourable ATO rulings have been obtained 5 Business Days prior to the Diagnostics Transaction being put to a vote.

Primary Health Care decided to include this condition in its Proposed Offer which was announced on 8 November 2007, notwithstanding that the Diagnostics Transaction Implementation Deed expressly permits Symbion Health to proceed (with the agreement of Healthscope) to hold the Symbion Health Diagnostics General Meeting without having first received the relevant ATO rulings. The Diagnostics Transaction Implementation Deed has been publicly available since the Revised Proposal was announced on 8 October 2007.

As stated in the First Supplementary Explanatory Memorandum, Symbion Health reserves the right to hold the Symbion Health Diagnostics General Meeting notwithstanding that it has not received the relevant tax rulings by 5pm on the day which is 5 Business Days before the date on which the Symbion Health Diagnostics General Meeting is held, but will only do so on the condition that any tax ruling received after that meeting is in the form of the conditions precedent to the Diagnostics Transaction

Implementation Deed as set out on page 306 of the Explanatory Memorandum.

#### 8.4 Other

Symbion Health continues to have an ability to defer, adjourn or postpone the Symbion Health Transaction Meetings in the circumstances described in sections 2.3(c) and 3.3(c) of the Original Explanatory Memorandum and in section 6 of the First Supplementary Explanatory Memorandum.

### 9. Broker handling fees

#### 9.1 Introduction

On 16 November 2007, and as contemplated by section 5.3 of the Original Explanatory Memorandum, Symbion Health announced that it would pay a broker handling fee ("**Handling Fee**") to brokers in respect of valid proxy forms received from Symbion Health shareholders to vote all shares they hold at the Symbion Health Diagnostics General Meeting, the C&P Scheme Meeting and the C&P General Meeting.

The Handling Fee will be paid to brokers who are participating organisations of ASX in respect of valid proxy forms received from Symbion Health shareholders holding 1,000 or more Symbion Health shares, where such proxy forms are from clients of the broker and were procured by the broker.

**The fee will only be paid if both proxy forms are received for the Symbion Health Diagnostics General Meeting and the C&P Meetings from each shareholder.**

#### 9.2 Size of Handling Fee

The Handling Fee will be 0.75% of \$4.33<sup>49</sup>, being the midpoint of the implied value of the consideration payable under both of the Transactions, per Symbion Health share that the proxy forms relate to, with a minimum amount of \$50 and a cap of \$750 for each Symbion Health shareholder in respect of whom proxy forms for all the Symbion Health Transaction Meetings are submitted.

#### 9.3 Requirements to obtain a Handling Fee

The Handling Fee will only apply to proxy forms received by Symbion Health after 16 November 2007 and before 10.30am (Melbourne time) on Wednesday, 28 November 2007. **Both the proxy form in respect of the Symbion Health Diagnostics General Meeting and the proxy form in respect of the C&P Meetings must be received by Symbion Health from the one broker on behalf of the relevant Symbion Health shareholder for the Handling Fee to become payable.**

The Handling Fee is payable to brokers only, not to Symbion Health shareholders, and will not be paid in respect of shares held by the broker or an associate on its own account.

A Handling Fee will only be payable to a broker who faxes to Link Market Services Limited ("**Link**"):

- a copy of the valid and duly completed proxy forms which bears the brokers' stamp; and
- a copy of a valid and duly completed claim forms ("**Claim Form**") which sets out the broker's Participant Identification Number and a representation that neither the broker nor its associate is the Symbion Health shareholder who has submitted the proxy forms, and that the fee will not be passed on or otherwise shared directly or indirectly with any Symbion Health shareholder.

Proxy forms and Claim Forms must be faxed to:

Link Market Services Limited  
Attention: Stephen Buckley  
Fax number: (02) 9287 0303

Claim Forms can be obtained by calling the Symbion Health shareholder information line on 1800 628 703 or (02) 8280 7513.

No Handling Fee will be paid in respect of any proxy form for which more than one broker tenders a proxy form. No Handling Fee is payable in respect of a proxy form where a proxy form has been sent to Link directly by the Symbion Health shareholder or through another agent. No Handling Fee is payable in respect of proxy forms that are not treated as valid by Symbion Health. No Handling Fee is payable in respect of proxy forms where a Symbion Health shareholder does not vote all the shares they hold. Symbion Health reserves the right to aggregate any proxy forms in determining the Handling Fees payable to any broker if Symbion Health reasonably believes that a party has structured holdings of Symbion Health shares to take advantage of the Handling Fees. Symbion Health may in its discretion determine any disputes regarding whether a Handling Fee is payable. Symbion Health reserves the right to not pay the Handling Fee if it reasonably believes that to do so is likely to involve a breach of the Corporations Act by Symbion Health or any of its directors, officers, employees or agents.

#### 9.4 Payment of Handling Fees

Subject to the terms set out in this announcement, payment of the Handling Fee in respect of any proxy forms will be despatched by cheque on 14 December 2007.

### 10. Board recommendation

**None of the matters addressed in this Second Supplementary Explanatory Memorandum changes the unanimous recommendation of the Symbion Health Board that Symbion Health shareholders vote in favour of each of the Diagnostics Transaction and the C&P Scheme, in the absence of a Superior Proposal. The Symbion Health Board intends to vote all of the Symbion Health shares they own or control in favour of each of the Transactions, in the absence of a Superior Proposal.**

### 11. Important Notices

#### 11.1 General

Symbion Health shareholders should read the Explanatory Memorandum and this document in their entirety when making a decision as to how to vote on the resolutions to be considered at the Symbion Health Transaction Meetings.

#### 11.2 Forward looking statements

Certain statements in this document relate to the future. These forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievements of Symbion Health, Healthscope, Lantern or the Merged Group to be materially different from future results, performance or achievements expressed or implied by such statements. Such risks, uncertainties, assumptions and other important factors include, among other things, general economic conditions, exchange rates, interest rates, the regulatory environment, competitive pressures, selling price and market demand. The forward looking statements in this document reflect views held only at the date of this document.

#### Note

49. \$4.33 per share is the mid-point of the implied value of the Transactions, being \$4.23 to \$4.43 per Symbion Health share adjusted for \$0.05 per share 2007 final dividend paid by Symbion Health on 28 September 2007. This implied value assumes that both the Diagnostics Transaction and the C&P Scheme are implemented, that tax rulings are obtained in the form set out in the conditions precedent in the Diagnostics Transaction Implementation Deed as set out on page 306 of the Original Explanatory Memorandum, that the average of the daily volume weighted average price for Healthscope shares on ASX for the 10 trading days prior to the Symbion Health scheme meeting ("Healthscope VWAP") is between \$5.30 and \$6.51 and that the new Healthscope shares are valued at a price equal to the Healthscope VWAP. The actual value of the consideration will be determined by the Healthscope VWAP and the price at which the new Healthscope shares trade.

Other than as required by law, neither Symbion Health, Healthscope, Lantern, nor any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this document will actually occur.

Subject to any continuing obligations under law or the Listing Rules or as contemplated by section 5.24 of the Explanatory Memorandum, Symbion Health, Healthscope, Lantern and their respective directors disclaim any obligation or undertaking to disseminate after the date of this document any updates or revisions to any forward looking statements to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any such statement is based.

### **11.3 Effect of rounding**

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this document, including but not limited to those in respect of the New Healthscope Shares (the "**Figures**"), are subject to the effect of rounding. Accordingly, the actual calculation of these Figures may differ from the Figures set out in this document. For further information, refer to question 10 of the section entitled "Frequently asked questions" in the Explanatory Memorandum.

### **11.4 Investment decisions**

This document does not take into account the investment objectives, financial situation or particular needs of any shareholder or any other person. This document should not be relied upon as the sole basis for any investment decisions in relation to Symbion Health shares or any other securities, and independent financial and taxation advice should be sought before making any such investment decision.



## Appendix 1 - Conditions of Primary's Proposed Offer

Primary's Proposed Offer and the contracts resulting from acceptance of Primary's Proposed Offer are subject to the fulfilment of the following conditions:

### (a) 90% Minimum Acceptance

During or at the end of the Offer Period the aggregate of the number of Symbion Shares held by Primary or an associate of Primary (other than as a result of acceptances of this Offer) and the number of Symbion Shares in respect of which acceptances have been received by Primary, as a percentage of the total number of Symbion Shares on issue, is at least 90%.

### (b) Material Adverse Effect

Between the Announcement Date and the end of the Offer Period, no event, change or condition occurs, is announced or becomes known to Primary (whether or not it becomes public) where that event, change or condition has had, or could reasonably be expected to have the effect of reducing:

- (i) the consolidated net profits after tax of Symbion, by more than \$5 million for the year ending 30 June 2008; or
- (ii) the net assets of Symbion, by more than \$40 million; except for events, changes and conditions publicly announced by Symbion or otherwise disclosed to ASX by Symbion prior to the Announcement Date, where that disclosure provides adequate information on the extent and implication of the relevant event, change or condition.

### (c) Healthscope Diagnostics Proposal

The Healthscope Diagnostics Proposal is not approved by Symbion Shareholders nor capable of being approved by Symbion Shareholders as contemplated in the Explanatory Memorandum.

### (d) Symbion Shareholder Meeting

Approval of the Healthscope Diagnostics Proposal is not put to a vote by the chairman of the meeting of Symbion Shareholders unless favourable ATO Rulings have already been obtained 5 Business Days prior to the Healthscope Diagnostics Proposal being put to a vote.

### (e) Termination of Agreements

The Transaction Implementation Deed, the Scheme Implementation Deed and any other arrangements relating to the Healthscope Led Proposal are terminated or capable of termination at no cost to Symbion.

### (f) Break Fees

No break-fees being paid or becoming payable to:

- (i) Healthscope pursuant to clause 13.9 of the Transaction Implementation Deed; or
- (ii) the IAC Consortium pursuant to clause 9.7 of the Scheme Implementation Deed; or
- (iii) any other party pursuant to any arrangements entered into between that party and Symbion in relation to a Competing Proposal, (together the "Break-Fees"), or the recipient of the relevant Break-Fee becomes unable to exercise their rights in relation to payment of the Break-Fee as a result of an order by a court or regulatory authority.

### (g) Equal Access to Information

During the period from the Announcement Date to the end of the Offer Period, Symbion promptly provides Primary a copy of all information that is generally not available (within the meaning of the Corporations Act) relating to Symbion or any Subsidiary of Symbion or any of their respective business operations that has been or is provided by Symbion or any Subsidiary of Symbion or any of their

respective officers, employees, advisers or agents to any person (other than Primary or any other member of the Primary Group) for the purpose of, or in connection with, soliciting, encouraging or facilitating a proposal or offer by that person, or by any other person under which:

- (i) Any person (together with its associates) may acquire voting power of 10% or more in Symbion or any Subsidiary of Symbion;
- (ii) Any person may acquire directly or indirectly, any interest in all, or a substantial part of the business or assets of the Symbion Group; or
- (iii) That person may otherwise acquire control of or merger or amalgamate with Symbion or any Subsidiary of Symbion.

### (h) No Distributions

During the period commencing on the Announcement Date and ending at the end of the Offer Period, Symbion does not make or declare, or announce an intention to make or declare, any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie) except for any distribution which has been publicly announced by Symbion on ASX before the Announcement Date.

### (i) Funding Conditions

During, and at the end of the Offer Period:

- (i) each of the preconditions to the availability of the Debt Facilities and the Equity Commitment is and remains satisfied<sup>50</sup>; and
- (ii) there is no event of default or termination event, or potential event of default or termination event, under the Debt Facilities or the Equity Commitment.

### (j) Index Decline

That between the Announcement Date and the end of the Offer Period the S&P/ASX 200 Index does not fall below 15% on any trading day.

### (k) Regulatory Approvals

All appropriate waiting and other time periods (including any extensions of such waiting and other time periods) under applicable laws or regulations of any relevant jurisdiction having expired, lapsed or been terminated (as appropriate) and all regulatory obligations in any relevant jurisdiction having been complied with in each case in respect of this Offer or any matter arising from the proposed acquisition of Symbion by Primary.

### (l) No Restraining Orders

That between the Announcement Date and the end of the Offer Period:

- (i) there is not in effect any preliminary or final decision, order or decree issued by a Public Authority; and
- (ii) no application is made to any Public Authority (other than by any member of the Primary Group), or action or investigation is announced, threatened or commenced by a Public Authority,

in consequence of, or in connection with, this Offer (other than a determination by ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act); which:

- (iii) restrains or prohibits (or if granted could restrain or prohibit), or otherwise materially adversely impacts on, the making of this Offer or the completion of any transaction contemplated by the Offer (whether subject to conditions or not) or the rights of Primary in respect of Symbion and the Symbion Shares to be acquired under this Offer; or

Note

50. Availability of the debt and equity facilities is subject to a number of customary preconditions for transactions of this nature which will be set out in the Bidder's Statement.

- (iv) requires the divestiture by Primary of any Symbion Shares, or the divestiture of any assets of the Symbion Group, the Primary Group or otherwise.

**(m) No Material Acquisitions, Disposals or New Commitments**

Except for any proposed transaction publicly announced by Symbion before the Announcement Date, none of the following events occurs during the period from the Announcement Date to the end of the Offer Period:

- (i) Symbion or any Subsidiary of Symbion acquires, offers to acquire or agrees to acquire one or more companies, businesses or assets (or any interest in one or more companies, businesses or assets) for an amount in aggregate greater than \$40 million or makes an announcement in relation to such as acquisition, offer or agreement;
- (ii) Symbion or any Subsidiary of Symbion disposes of, offers to dispose of or agrees to dispose of one or more companies, businesses or assets (or any interest in one or more companies, businesses or assets) for an amount, or in respect of which the book value (as recorded in Symbion's statement of financial position as at 30 June 2007) is, in aggregate, greater than \$40 million or makes an announcement in relation to such a disposition, offer or agreement;
- (iii) Symbion or any Subsidiary of Symbion enters into, or offers to enter into or agrees to enter into any agreement, joint venture, partnership, managed agreement or commitment which would require expenditure, or the foregoing of revenue, by Symbion and/or its subsidiaries of an amount which is, in aggregate, more than \$40 million, other than in the ordinary course of business, or makes an announcement in relation to such an entry, offer or agreement.

**(n) No Exercise of Rights**

After the Announcement Date and before the end of the Offer Period, no person exercises or purports to exercise, or states an intention to exercise, any rights under any provision of any agreement or other instrument to which Symbion or any Subsidiary of Symbion is a party, or by or to which Symbion or any Subsidiary of Symbion or any of its assets may be bound or be subject, which results, or could result, to an extent which is material in the context of Symbion or Symbion and its Subsidiaries taken as a whole, in:

- (i) any monies borrowed by Symbion or any Subsidiary of Symbion being or becoming repayable or being capable of being declared repayable immediately or earlier than the repayment date stated in such agreement or other instrument;
- (ii) any such agreement or other instrument being terminated or modified or any action being taken or arising thereunder;
- (iii) the interest of Symbion or any Subsidiary of Symbion in any firm, joint venture, trust, corporation or other entity (or any arrangements relating to such interest) being terminated or modified; or

- (iv) the business of Symbion or any Subsidiary of Symbion with any other person being adversely affected, as a result of the acquisition of Symbion Shares by Primary.

**(o) No Prescribed Occurrence**

Except with the prior written consent of Primary, none of the following events happens during the period beginning on the Announcement Date and ending at the end of the Offer Period:

- (i) Symbion converts all or any of its shares into a larger or smaller number of shares;
- (ii) Symbion or a Subsidiary of Symbion resolves to reduce its share capital in any way;
- (iii) Symbion or a Subsidiary of Symbion:
  - A. enters into a buy-back agreement; or
  - B. resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
- (iv) Symbion or a Subsidiary of Symbion issues shares or grants an option over its shares, or agrees to make such an issue or grant such an option;
- (v) Symbion or a Subsidiary of Symbion issues, or agrees to issue, convertible notes;
- (vi) Symbion or a Subsidiary of Symbion disposes, or agrees to dispose, of the whole or a substantial part, of its business or property;
- (vii) Symbion or a Subsidiary of Symbion charges, or agrees to charge, the whole, or a substantial part, of its business or property;
- (viii) Symbion or a Subsidiary of Symbion resolves to be wound up;
- (ix) a liquidator or provisional liquidator of Symbion or of a Subsidiary of Symbion is appointed;
- (x) a court makes an order for the winding up of Symbion or of a subsidiary of Symbion;
- (xi) an administrator of Symbion, or of a Subsidiary of Symbion, is appointed under section 436A, 436B or 436C of the Corporations Act;
- (xii) Symbion, or a Subsidiary of Symbion, executes a deed of company arrangement; or
- (xiii) a receiver, or a receiver and manager, is appointed in relation to the whole, or substantial part, of the property of Symbion or of a Subsidiary of Symbion.

Words and phrases used in this Appendix 1 that are not otherwise defined have the meanings given to them in Section 9 of the Bidder's Statement.

## **Appendix 2 – Key assumptions to illustrative pro-forma EPS accretion for Primary Health Care set out in section 6.3**

1. The analysis is illustrative and pro-forma in nature and is provided so that Symbion Health shareholders are aware of the analysis of possible scenarios. It is included to show an indication of the possible impact of an acquisition of Symbion Health on Primary Health Care – it does not purport to forecast the precise actual impact on Primary Health Care. The actual impact may differ to that shown in the illustrative pro-forma analysis for various reasons including matters relating to the cost of any acquisition, the timing of any acquisition, the financial position of Primary Health Care and Symbion Health at the time of any acquisition, the financial performance of Primary Health Care and Symbion Health after any acquisition has been completed, the amount, timing and cost to achieve synergy benefits, the costs and method of funding any acquisition and the impact of any other relevant transactions.
2. The illustrative pro-forma analysis assumes that Primary Health Care acquired Symbion Health on 1 July 2006. Primary Health Care is assumed to have acquired 520.2 million Symbion Health shares at the Primary's offer price and 129.4 million shares (approximately 20% of Symbion Health's issued capital) at a total acquisition cost of \$534.8 million (being the price paid by Primary Health Care for its 20% shareholding in Symbion Health). It is also assumed that on 1 July 2006 Primary Health Care divested the C&P Businesses and the associated debt and securitisation to a third party for \$713.3 million cash (equivalent to the consideration being offered by IAC under the C&P Scheme less the net of the cash equivalents and interest bearing liabilities of the C&P Businesses as disclosed in the pro-forma C&P balance sheet in the Original Explanatory Memorandum) on substantially the same commercial terms as the IAC Consortium would have if the C&P Scheme were implemented.
3. The financial profile of Primary Health Care used in the analysis is as set out in the Primary Health Care financial report for the year ended 30 June 2007. Primary Health Care's NPAT has been adjusted to exclude the after tax gain on the sale of investments. The financial profile for Symbion Health, excluding the C&P Businesses, used in the analysis is as per the pro-forma income statement and pro-forma balance sheet of Symbion Diagnostics as disclosed in the Symbion Health Explanatory Memorandum, adjusted for minority interests. This financial profile incorporates the borrowing cost of the existing Symbion Health net debt, excluding that attributed to the C&P Businesses.
4. Primary Health Care's Investor Presentation lodged on ASX on 8 November 2007 states that Primary Health Care expects to achieve between \$95 million and \$105 million per year as a result of acquiring Symbion Health. Primary Health Care also estimates that it will cost \$44.0 million to achieve these synergies. The illustrative pro-forma analysis includes \$100 million of synergies, the mid-point of the range provided by Primary Health Care. The profit and loss impact of the one-off \$44 million costs to achieve the synergies has been excluded from the illustrative pro-forma accretion analysis reflecting standard market practice however, the impact of the after-tax interest expense which is incurred on additional debt incurred to fund the \$44.0 million cost to achieve the synergies has been taken into account in calculating the EPS accretion.
5. In each scenario Primary Health Care is assumed to fund the acquisition of Symbion Health 74% through the issue of new equity and 26% through debt facilities. The equity component of the funding is assumed to be partly by the placement of 15.5 million shares at \$11.90 per Primary Health Care share (consistent with the placement which Primary Health Care undertook on 12 November 2007) and partly by an entitlement offer at \$10.46 (a 15.0% discount to the Primary Health Care closing price on 15 November of \$12.31). Primary Health Care is also assumed to fund transaction costs equal to 1.0% of the total funds required. At an offer price of \$4.10 per Symbion Health share, the total new equity issued is equal to \$1,407 million, equivalent to the size of Primary Health Care's equity commitment as disclosed in its Bidder's Statement.
6. The cost of debt funding for the acquisition of all Symbion Health shares, transaction costs and costs to achieve synergies, is assumed to be 8.0% per annum (Primary Health Care's interest rate on its commercial bills is 7.0% per annum in its 2007 annual report plus a buffer of 1.0% has been factored in to reflect increased leverage and the movement in credit markets since the 2007 financial year).
7. The acquisition adjustments made to reflect the synergies and interest costs are tax effected at 30.0%.
8. Standalone EPS in the second row of the table for Primary Health Care is adjusted to reflect the theoretical ex-rights price of the shares as a result of the entitlement offer.
9. The impact on interest expense (and associated tax impact) of incremental cash flows generated during the period have been excluded from the analysis.
10. Illustrative pro-forma EPS excludes the impact of any fair value accounting adjustments and associated depreciation and amortisation impacts which may arise following an acquisition of Symbion Health by Primary Health Care. The illustrative pro-forma EPS also excludes the impact of any depreciation arising in relation to any part of the \$44 million cost to achieve synergies that is capital in nature.



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### PART 1 – SUPPLEMENTARY INDEPENDENT EXPERT'S REPORT

20 November 2007

The Directors  
Symbion Health Limited  
Level 7, 5 Queens Road  
MELBOURNE VIC 3004

Dear Directors

#### Supplementary Independent Expert's Report

##### 1. Introduction

Symbion Health Limited ("Symbion Health") has requested that Ernst & Young Transaction Advisory Services Limited ("Ernst & Young Transaction Advisory Services") provide an update ("the Supplementary Independent Expert's Report") to our independent expert's report dated 26 October 2007 ("the Independent Expert's Report") in relation to a proposal by Healthscope Limited ("Healthscope") and a consortium comprising Ironbridge Capital and Archer Capital ("the IAC Consortium"). This Supplementary Independent Expert's Report addresses the extent of any impact on our conclusions contained in the Independent Expert's Report, dated 26 October 2007, following an announcement by Primary Health Care Limited ("Primary"), on 8 November 2007 advising its intention to make an all cash offer of \$4.10 per Symbion Health share.

We understand that this Supplementary Independent Expert's Report will be included in a Supplementary Explanatory Memorandum to be sent to shareholders of Symbion Health.

On 26 October 2007, Ernst & Young Transaction Advisory Services issued its Independent Expert's Report in relation to a proposal announced on 8 October 2007, comprising:

- the sale of a Symbion Health subsidiary containing Symbion Health's Pathology, Medical Centres and Diagnostic Imaging businesses (collectively "the Diagnostics Business"), to Healthscope in exchange for Healthscope scrip and an agreement by Healthscope to refinance the Diagnostics Business' existing debt ("Healthscope's Diagnostics Transaction"); and
- the sale of shares in Symbion Health, containing the remaining Symbion Health businesses, being the Consumer and Pharmacy Services businesses (collectively "Symbion Health C&P") to the IAC Consortium in exchange for cash by way of a Scheme of Arrangement ("the IAC Consortium C&P Scheme").



These two separate transactions are collectively referred to as “the Healthscope and IAC Consortium Proposal”.

Taking into consideration the matters detailed in our Independent Expert’s Report, Ernst & Young Transaction Advisory Services concluded that:

- Healthscope’s Diagnostics Transaction was fair and reasonable to Symbion Health shareholders; and
- the IAC Consortium C&P Scheme was in the best interests of Symbion Health shareholders.

Subsequent to the publication of the Explanatory Memorandum containing our Independent Expert’s Report, on 8 November 2007 Primary announced its intention to make an all cash offer of \$4.10 per share for all of the outstanding shares in Symbion Health (“the Intended Primary Offer”). Primary currently owns approximately 20% of the issued shares in Symbion Health.

In view of the relevance of this subsequent development to the decisions being made by Symbion Health shareholders, Ernst & Young Transaction Advisory Services has prepared this Supplementary Independent Expert’s Report, to address this matter.





## 2. Intended Primary Offer

On 8 November 2007, Primary announced its intention to make an all cash offer of \$4.10 per share for all of the outstanding shares in Symbion Health on 4 December 2007.

### 2.1 Conditions associated with the Intended Primary Offer

As set out in the Primary ASX release dated 8 November 2007, the Intended Primary Offer will be subject to the following conditions<sup>1</sup>:

1. **A minimum acceptance condition of 90%.** During or at the end of the offer period the aggregate of the number of Symbion Health shares held by Primary or an associate of Primary (other than as a result of acceptances of the offer) and the number of Symbion Health shares in respect of which acceptances have been received by Primary, as a percentage of the total number of Symbion Health shares on issue, is at least 90%.
2. **Healthscope's Diagnostics Proposal.** Healthscope's Diagnostics Proposal is not approved by Symbion Health shareholders, nor capable of being approved by Symbion Health shareholders, as contemplated in the Explanatory Memorandum.
3. **Symbion shareholder meeting.** Approval of the Healthscope Diagnostics Proposal is not put to a vote by the chairman of the meeting of Symbion Health shareholders unless favourable Australian Taxation Office ("ATO") rulings have already been obtained 5 business days prior to the Healthscope Diagnostics Proposal being put to a vote.
4. **Material adverse effect.** Between the announcement date and the end of the offer period, no event, change or condition occurs, is announced or becomes known to Primary (whether or not it becomes public) where that event, change or condition has had, or could reasonably be expected to have the effect of reducing:
  - the consolidated net profits after tax of Symbion Health, by more than \$5 million for the year ending 30 June 2008; or
  - the net assets of Symbion Health, by more than \$40 million;except for events, changes and conditions publicly announced by Symbion Health or otherwise disclosed to the Australian Securities Exchange Limited ("ASX") by Symbion Health prior to the announcement date, where that disclosure provides adequate information on the extent and implication of the relevant event, change or condition.
5. **Termination of agreements.** The Transaction Implementation Deed, the Scheme Implementation Deed and any other arrangements relating to the Healthscope and IAC Consortium Proposal are terminated or capable of termination at no cost to Symbion Health.
6. **Break fees.** No break-fees being paid or becoming payable.
7. **Equal access to information.** Symbion Health promptly provides Primary a copy of all information that is generally not available and that has been provided to another party in connection with a potential transaction with Symbion Health.

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<sup>1</sup> Source: Primary ASX release, 8 November 2007



8. **No distributions.** During the period commencing on the announcement date and ending at the end of the offer period, Symbion Health does not make or declare, or announce an intention to make or declare, any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie) except for any distribution which has been publicly announced by Symbion Health on the ASX before the announcement date.
9. **Funding conditions.** During, and at the end of the offer period:
  - each of Primary’s preconditions to the availability of the debt facilities and the equity commitment is and remains satisfied; and
  - there is no event of default or termination event, or potential event of default or termination event, under the debt facilities or the equity commitment.
10. **Index decline.** That between the announcement date and the end of the offer period the S&P/ASX 200 Index does not fall below 15% on any trading day.
11. **Regulatory approval.** All appropriate waiting and other time periods (including any extensions of such waiting and other time periods) under applicable laws or regulations of any relevant jurisdiction having expired, lapsed or been terminated (as appropriate) and all regulatory obligations in any relevant jurisdiction having been complied with in each case in respect of the Intended Primary Offer or any matter arising from the proposed acquisition of Symbion Health by Primary.
12. **No restraining orders.**
13. **No material acquisitions, disposals or new commitments.**
14. **No exercise of rights.**
15. **No prescribed occurrence.**

For full disclosure of the conditions of the Intended Primary Offer, reference should be made to the Primary ASX release dated 8 November 2007 and the Primary Bidder’s Statement dated 8 November 2007 (“the Primary Bidder’s Statement”).

## 2.2 Primary’s intentions on acquisition of Symbion Health

The Primary Bidder’s Statement discloses current intentions in the circumstances where Primary acquires 90% or more of the Symbion Health shares and is therefore then entitled to proceed to compulsory acquisition of the outstanding Symbion Health shares. These intentions include:

- Compulsory acquisition of any outstanding Symbion Health shares and performance rights;
- Divestment of the Symbion Health C&P Business with a view to maximising the value of that business;
- Review of Symbion Health’s operations to identify strategic and operational opportunities to enhance the performance of, and expand, the combined group’s business;
- Replacement of all members of the Symbion Health Board;
- Removal of Symbion Health from the official ASX list; and
- Consolidation and rationalisation of the Symbion Health head office functions.

Primary has also stated its intentions in the event it acquires less than 90% of the Symbion Health shares. These intentions are detailed fully in the Primary Bidder’s Statement.



### 3. Basis of Evaluation

In our Independent Expert's Report dated 26 October 2007, Ernst & Young Transaction Advisory Services considered whether:

- Healthscope's Diagnostics Proposal was "fair and reasonable" to Symbion Health shareholders; and
- The IAC Consortium C&P Scheme was "in the best interests" of Symbion Health shareholders.

For an explanation of the reasons for the preparation of an independent expert's report in relation to each of these proposals and the basis upon which we have evaluated these proposals, refer to Section 2 of our Independent Expert's Report dated 26 October 2007.

In considering whether Healthscope's Diagnostics Proposal remains "fair" in the light of the Intended Primary Offer, we have compared the value of the scrip being offered by Healthscope with the value of the Diagnostics Business (including a premium for control). We note that the Intended Primary Offer has not impacted our value conclusions, which therefore remain as outlined in Section 9.2 of our Independent Expert's Report, dated 26 October 2007.

As outlined in Section 2.3 of our Independent Expert's Report dated 26 October 2007, if a proposal is fair, it is also reasonable. In order to form an opinion as to whether the Diagnostics Transaction is still "reasonable" in light of the Intended Primary Offer, we have also considered differences in the qualitative aspects of the Healthscope and IAC Consortium Proposal, and the Intended Primary Offer. On the basis of this analysis, we have then concluded on whether the Intended Primary Offer is superior to the Healthscope and IAC Consortium Proposal, and have then determined whether or not Healthscope's Diagnostics Proposal remains fair and reasonable to Symbion Health shareholders.

In considering whether the IAC Consortium C&P Scheme remains in the best interests of Symbion Health shareholders in the light of the Intended Primary Offer, we note that our conclusion in relation to the value of the IAC Consortium C&P Scheme, as detailed in our Independent Expert's Report, dated 26 October 2007, remains unchanged. In order to form an opinion as to whether the IAC Consortium C&P Scheme is still in the best interests of Symbion Health shareholders in light of the Intended Primary Offer, we have also considered differences in the qualitative aspects of the Healthscope and IAC Consortium Proposal, and the Intended Primary Offer. On the basis of this analysis, we have then concluded on whether the Intended Primary Offer is superior to the Healthscope and IAC Consortium Proposal, and have then determined whether or not the IAC Consortium C&P Scheme remains in the best interests of Symbion Health shareholders.



## 4. Evaluation of Healthscope's Diagnostics Transaction

### 4.1 Comparison of values

In determining whether Healthscope's Diagnostics Proposal remains "fair", having taken into consideration the Intended Primary Offer and the associated conditions, our conclusion on the value of Healthscope's Diagnostics Proposal detailed in our Independent Expert's Report, dated 26 October 2007, remains unchanged. As outlined in Section 9.2 of our Independent Expert's Report, dated 26 October 2007, we conclude that the range of values of the consideration offered by Healthscope for the Diagnostics Business of between \$2.19 and \$2.68 per Symbion Health share is above the range of values for the Diagnostics Business (inclusive of a premium for control) of between \$1.91 and \$2.15, as detailed below:

Valuation Conclusion	Total value \$ million		Value per Symbion Health share \$	
	Low	High	Low	High
<b>Value of Diagnostics Business</b> (inclusive of a premium for control)	1,237	1,397	1.91	2.15
<b>Value of consideration offered - Healthscope scrip</b> (minority basis)	1,424	1,744	2.19	2.68

This range is reflective of the combination of two factors:

- Our range of values for the equity of New Healthscope; together with
- The possible range of number of shares which could be on issue in New Healthscope. This factor is dependent on the Healthscope VWAP, which will be known on the date of the meetings for Symbion Health shareholders to vote on the Healthscope and IAC Consortium Proposal, currently scheduled for 30 November 2007.

The IAC Consortium has submitted a cash offer to Symbion Health for this business of \$1.77 per Symbion Health share. In the event the Healthscope and IAC Consortium Proposal does not proceed, the IAC Consortium has written a letter to Symbion Health expressing that it would remain interested in acquiring the C&P Business, at a price consistent with the existing \$1.77 per share offer. The Primary Bidder's Statement states that in the event the Primary acquisition proceeds, Primary intends to divest the C&P Business. As a result, it is reasonable to infer that the element of the Intended Primary Offer of \$4.10 attributable to the C&P Business is approximately \$1.77 and that the value of the Diagnostics element of Primary's offer represents the balance of the offer of approximately \$2.33 per Symbion Health share. In assessing each of the two elements of the Healthscope and IAC Consortium Proposal, we have therefore considered these in the context of the inferred value of the two elements of the Intended Primary Offer.

Ernst & Young Transaction Advisory Services notes that the inferred value of the consideration being offered by Primary for the Diagnostics Business is \$2.33. As outlined above, our valuation of the Healthscope offer for the Diagnostics Business is \$2.19 to \$2.68. In assessing each of these, a range of other qualitative factors should also be taken into consideration including:

- the \$2.33 inferred value of the Intended Primary Offer has the potential to be diluted as a result of any capital gains tax payable by individual Symbion Health shareholders; and



- the range of values of the New Healthscope scrip provides additional potential upside (or downside) associated with better (or worse) than expected synergy realisation, whereas the Intended Primary Offer is for cash.

## **4.2 Other matters**

### **4.2.1 Capital gains tax**

The specific tax consequences of the Diagnostics Proposal for individual Symbion Health shareholders will differ depending on their individual circumstances. In addition, we note that the tax consequences for each Symbion Health shareholder will vary under Healthscope's Diagnostics Proposal relative to the Intended Primary Offer. In particular we note that, under Healthscope's Diagnostics Proposal, many Symbion Health shareholders have the opportunity to obtain demerger rollover relief<sup>2</sup> in relation to any capital gain. Under the Intended Primary Offer (and under the IAC Consortium C&P Scheme), no such relief would be available and hence all Symbion Health shareholders would be exposed to the potential need to pay capital gains tax on any capital gains. The specific tax consequences of both Healthscope's Diagnostics Proposal and the Intended Primary Offer need to be borne in mind by each Symbion Health shareholder in weighing up the relative merits of Healthscope's Diagnostics Proposal and the Intended Primary Offer.

### **4.2.2 Exposure to the healthcare sector**

We note that, if the Diagnostics Transaction is approved under the Healthscope and IAC Consortium Proposal, a Symbion Health shareholder will remain exposed to several different sectors of the healthcare industry. If Healthscope's Diagnostics Proposal proceeds, Symbion Health shareholders will end up with shares in two businesses (being New Healthscope and, until any divestment, Symbion Health C&P) with different specialisations within the overall healthcare industry. If the IAC Consortium C&P Scheme is subsequently approved, Symbion Health shareholders will still retain exposure to the healthcare sector through their shares in New Healthscope, but will have received cash for their Symbion Health C&P shares.

Under the Intended Primary Offer, Symbion Health shareholders will receive cash for their Symbion Health shares and will no longer be exposed to the healthcare sector. Individual Symbion Health shareholders may regard the relative merits of continued exposure to the healthcare sector compared to no such exposure differently, depending on their investment preferences.

We regard the loss of exposure to the healthcare sector under the Intended Primary Offer as a potential disadvantage given that:

- by owning Symbion Health shares, Symbion Health shareholders are implicitly supportive of the existing investment profile within the healthcare sector;
- by 99.2% of votes cast other than Primary voting in favour of the Original Proposal, this indicates implicit support by Symbion Health shareholders (other than Primary) for the investment profile envisaged under the Healthscope and IAC Consortium Proposal; and
- by exiting the investment Symbion Health shareholders will lose the opportunity to participate in any perceived growth and margin opportunities in the healthcare sector.

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<sup>2</sup> Assuming such relief is confirmed by the ATO – refer to Section 9.4.1 of the Independent Expert's Report





However, we note that individual Symbion Health shareholders may choose to re-invest the cash they receive on the sale of their Symbion Health shares under the Intended Primary Offer so that they maintain an investment profile similar to that which they have prior to the sale of their Symbion Health shares. However we further note that the amount available for reinvestment would be diminished by the amount of any capital gains tax payable on the cash proceeds, which would dilute exposure to this industry relative to the Healthscope Diagnostics Proposal.

#### **4.2.3 Shareholder entry and exit costs**

We note that under the Intended Primary Offer Symbion Health shareholders will end up with cash whilst under Healthscope's Diagnostics Proposal, Symbion Health shareholders will end up with shares in New Healthscope. To the extent that individual Symbion Health shareholders end up with consideration in a form which does not suit their preference, they will incur transaction costs in order to achieve their preference. This may be an advantage or a disadvantage depending on individual shareholder preference.

#### **4.2.4 Benefits of synergies**

We note that, under Healthscope's Diagnostics Proposal, Healthscope anticipates generating cost saving synergies of approximately \$77 million per annum. Primary has stated that it expects to achieve between \$95 million and \$105 million per annum in synergies and operational improvements, which includes both revenue and cost synergies. Neither Healthscope nor Primary can achieve these synergies without acquiring the Diagnostics Business.

Healthscope's Diagnostics Proposal provides Symbion Health shareholders with the ability to share in any potential upside (or downside) associated with the realisation of synergies in excess of (or lower than) the anticipated amount. We note that revenue synergies anticipated by Healthscope have not been considered in our valuation of the New Healthscope scrip and, to the extent that such synergies are realised, these represent additional upside to Symbion Health shareholders. By comparison, the Intended Primary Offer provides no ongoing exposure to the potential upside (or downside) risks and returns associated with the realisation of the synergies anticipated by Primary.

Individual Symbion Health shareholders' preferences in relation to the above will depend upon:

- Their appetite for exposure to the risks and returns associated with Healthscope's Diagnostics Proposal and in particular, realisation of the synergies anticipated by Healthscope; and
- The extent to which they believe that there has been a suitable sharing of the potential benefits associated with each potential acquiror's realisation of synergies from the acquisition of the Diagnostics Business.

#### **4.2.5 Uncertainty associated with the offers**

In Section 9.4.1 of our Independent Expert's Report, dated 26 October 2007, we noted that the ATO has not confirmed the availability of roll-over relief for Symbion Health and demerger relief for Symbion Health shareholders. We note that Symbion Health anticipates clarification of these matters by the ATO prior to 30 November 2007. Our conclusions in relation to Healthscope's Diagnostics Proposal assume that the ATO agrees to these exemptions.



On 26 October 2007 a wholly owned subsidiary of Primary commenced proceedings against Symbion Health in the Federal Court of Australia regarding certain matters related to the Healthscope and IAC Consortium Proposal. Further details regarding this action are provided in the Explanatory Memorandum, dated 26 October 2007. The outcome of these proceedings is uncertain. This Supplementary Independent Expert's Report and our opinion is based on the Healthscope and IAC Consortium Proposal as it currently stands and makes no allowance for any changes that may or may not occur as a result of this action.

The Intended Primary Offer is not due to be made until 4 December 2007. In addition, the Intended Primary Offer is subject to a number of conditions as outlined in Section 2 of this Supplementary Independent Expert's Report. Consequently, there is no certainty, in the event Symbion Health shareholders vote against Healthscope's Diagnostics Proposal, that an offer will be made by Primary. The combination of the lack of an offer and the existence of numerous conditions creates uncertainty as to whether the Intended Primary Offer will in fact eventuate.

To the extent that these respective uncertainties remain outstanding at the time of the shareholder meeting on 30 November 2007, these matters will need to be borne in mind by shareholders in considering the merits of Healthscope's Diagnostics Proposal.

#### **4.2.6 Primary's intentions regarding the C&P Business**

We note that Primary has previously indicated that it would vote against the IAC Consortium C&P Scheme, irrespective of the outcome of the vote on Healthscope's Diagnostics Proposal, absent a material change in circumstances or in the structure of the Healthscope and IAC Consortium Proposal. In Section 9.8 of our Independent Expert's Report, dated 26 October 2007, we previously questioned whether such an intention made commercial sense, given that all that would remain in Symbion Health would be approximately 68 cents per share of surplus capital and the C&P Business, which Primary have now indicated in the Primary Bidder's Statement that they would sell (in the event it is successful in acquiring Symbion Health).

Notwithstanding this, for the purposes of our analysis, in Section 9.8 of our Independent Expert's Report, dated 26 October 2007, we considered the hypothetical value of the Healthscope and IAC Consortium Proposal under the circumstances where Healthscope's Diagnostics Transaction was approved but the IAC Consortium C&P Scheme was not approved, and assuming that no alternative buyer for the Symbion Health C&P Business emerged. The low end of this hypothetical valuation range was \$3.54. This value assumes the low end of our valuation range for both the New Healthscope scrip and Symbion Health C&P (using our low end multiples for both), and does not incorporate any premium for control. We stated that, under the circumstances, we considered the low end of this hypothetical valuation range to be unlikely, given the strong market interest in the C&P Business and the other assumptions that would need to align.

As stated above, Primary has now indicated in the Primary Bidder's Statement that, if it is successful in acquiring Symbion Health, it intends to sell the C&P Business. For the reasons outlined above, we continue to regard the low end of the hypothetical valuation range outlined in Section 9.8 of our Independent Expert's Report, dated 26 October 2007 (\$3.54) as unlikely, and not an appropriate basis for comparison with the Intended Primary Offer.



Ernst & Young Transaction Advisory Services believes that it is more appropriate to compare the overall value of the Healthscope and IAC Consortium Proposal with the Intended Primary Offer. In Section 9.2 of our Independent Expert's Report, dated 26 October 2007, we concluded that the overall value range for the Healthscope and IAC Consortium Proposal was \$3.96 to \$4.45. This range is reflective of the combination of two factors:

- Our range of values for the equity of New Healthscope; together with
- The possible range of number of shares which could be on issue in New Healthscope. This factor is dependent on the Healthscope VWAP, which will be known on the date of the meetings for Symbion Health shareholders to vote on the Healthscope and IAC Consortium Proposal, currently scheduled for 30 November 2007.

In comparison, the Intended Primary Offer is \$4.10 per Symbion Health share. As outlined in Section 4.1, the comparison of these should be done after considering the qualitative factors relevant to each.

### **4.3 Conclusion**

We note that Healthscope's Diagnostics Proposal and the Intended Primary Offer are mutually exclusive. In the above analysis, we have concluded that the inferred value of the Intended Primary Offer for the Diagnostics Business is \$2.33. We have concluded that the value of Healthscope's offer for the Diagnostics Proposal is between \$2.19 and \$2.68. Furthermore, we note that the total value of the Intended Primary Offer for Symbion Health is \$4.10 and that the overall value of the Healthscope and IAC Consortium Proposal is between \$3.96 and \$4.45. We have also identified a number of other factors which should be considered, including the tax implications of the Intended Primary Offer, the sharing of synergies and the potential in Healthscope's Diagnostics Proposal for synergy upside (or downside). As outlined in Section 4.2 above, the qualitative assessment of the relative merits of these two offers will depend to a significant extent on the individual characteristics and preferences of Symbion Health shareholders.

On the basis of the above analysis, we do not consider the Intended Primary Offer to be superior to Healthscope's Diagnostics Proposal. As a result, taking into consideration the matters summarised above and in our Independent Expert's Report, dated 26 October 2007, the Diagnostics Transaction remains, in the opinion of Ernst & Young Transaction Advisory Services, fair and reasonable to Symbion Health shareholders in the absence of a superior offer.



## 5. Evaluation of the IAC Consortium C&P Scheme

### 5.1 Consideration of value

In determining whether the IAC Consortium C&P Scheme remains in the best interests of Symbion Health shareholders, having taken into consideration the Intended Primary Offer and the associated conditions, our conclusion on the value of the IAC Consortium C&P Scheme detailed in our Independent Expert's Report, dated 26 October 2007 remains unchanged. We conclude that the value of the consideration offered by the IAC Consortium of \$1.77 is in excess of the full control value of the Symbion Health C&P Business, which we have valued in the range of \$1.56 to \$1.71 per Symbion Health C&P share, as detailed below:

Valuation Conclusion	Total value \$ million		Value per share \$	
	Low	High	Low	High
<b>Value of Symbion Health C&amp;P Business</b> (inclusive of a premium for control)	1,016	1,108	1.56	1.71
<b>Value of cash consideration offered</b>	1,148	1,148	1.77	1.77

As outlined in Section 10.5 of our Independent Expert's Report, dated 26 October 2007, we note that the current offer by the IAC Consortium is the result of a process which has included the opportunity for third parties to submit a superior offer. At this time, no such superior offer has eventuated.

The Primary Bidder's Statement states that, in the event the Primary acquisition proceeds, Primary intends to divest the C&P Business. We note that the IAC Consortium has written a letter to Symbion Health stating that it would remain interested in acquiring the C&P Business if Healthscope's Diagnostics Proposal does not proceed. Given the existing IAC Consortium cash offer to Symbion Health for this business and their stated desire to pursue this acquisition, we assume that, in the event the Healthscope and IAC Consortium Proposal does not proceed and that instead the Intended Primary Offer is accepted, the IAC Consortium would be likely to remain interested in acquiring these assets, at a price consistent with the existing \$1.77 per share offer. We therefore regard the likely outcomes of the IAC Consortium C&P Scheme and this element of the Intended Primary Offer as being similar for Symbion Health shareholders.

### 5.2 Other matters

We note that the previous discussion in relation to uncertainties and in relation to Primary's intentions regarding the C&P Business, as set out in Sections 4.2.5 and 4.2.6 respectively, are also relevant to the consideration of the IAC Consortium C&P Scheme.

As outlined in Section 10.4.2 of our Independent Expert's Report, dated 26 October 2007, the IAC Consortium C&P Scheme will create taxable events for many Symbion Health shareholders. On the basis that the Intended Primary Offer will also have such tax consequences, this matter is likely to be similar under both alternatives.

### 5.3 Conclusion

Taking into consideration the matters summarised above and in our Independent Expert's Report, dated 26 October 2007, the IAC Consortium C&P Scheme remains, in the opinion of Ernst & Young Transaction Advisory Services, in the best interests of Symbion Health shareholders, in the absence of a superior offer.



## 6. Other matters

This letter should be read in conjunction with our Independent Expert's Report, dated 26 October 2007 as contained in the Symbion Health Explanatory Memorandum, dated 26 October 2007. This Supplementary Independent Expert's Report has been prepared specifically for the directors and shareholders of Symbion Health. Neither Ernst & Young Transaction Advisory Services, Ernst & Young, nor any member or employee thereof undertakes responsibility to any person, other than the Symbion Health shareholders, in respect of this Supplementary Independent Expert's Report, including any errors or omissions howsoever caused.

This Supplementary Independent Expert's Report constitutes general financial product advice only and has been prepared without taking into consideration the individual circumstances of Symbion Health shareholders. The decision to accept or reject Healthscope's Diagnostics Transaction and the IAC Consortium C&P Scheme is a matter for individual Symbion Health shareholders. Symbion Health shareholders should consider the advice in the context of their own circumstances, preferences and risk profiles. Symbion Health shareholders should have regard to the Explanatory Memorandum and Supplementary Explanatory Memorandum prepared by the directors and management of Symbion Health in relation to Healthscope's Diagnostics Transaction and the IAC Consortium C&P Scheme. Symbion Health shareholders should also consider the taxation implications in relation to Healthscope's Diagnostics Transaction and the IAC Consortium C&P Scheme. The Explanatory Memorandum dated 26 October 2007 contains general information in relation to the taxation implications of Healthscope's Diagnostics Transaction and the IAC Consortium C&P Scheme. Symbion Health shareholders who are in doubt as to the action they should take in relation to Healthscope's Diagnostics Transaction and the IAC Consortium C&P Scheme should consult their own professional adviser.

Ernst & Young Transaction Advisory Services will receive a professional fee of approximately \$50,000 (exclusive of GST and expenses) for the preparation of this Supplementary Independent Expert's Report. Ernst & Young Transaction Advisory Services will not be entitled to any other pecuniary or other benefit whether direct or indirect, in connection with the preparation of this report.

Other than its inclusion in the Supplementary Explanatory Memorandum to be sent to shareholders of Symbion Health Limited and any reliance by any person that arises as a result thereof, this Supplementary Independent Expert's Report may not be provided to, used by or relied upon by any other party without our prior written consent.

We disclaim any responsibility to any other party for any costs, expenses, loss or liability that any party (other than shareholders of Symbion Health Limited) may suffer or incur arising from or relating to or in any way connected with the contents of Supplementary Independent Expert's Report, the provision of our Supplementary Independent Expert's Report to the other party or the reliance upon our Supplementary Independent Expert's Report by the other party.

Yours sincerely

Ernst & Young Transaction Advisory Services Limited

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Representative

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Director and Representative



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<p style="text-align: center;"><b>THIS FINANCIAL SERVICES GUIDE FORMS PART OF THE INDEPENDENT EXPERT'S REPORT</b></p>
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**PART 2 – FINANCIAL SERVICES GUIDE**

Issue date: 15 February 2005 (version 1)

**1. Ernst & Young Transaction Advisory Services**

Ernst & Young Transaction Advisory Services Limited (“Ernst & Young Transaction Advisory Services” or “we,” or “us” or “our”) has been engaged to provide general financial product advice in the form of an Independent Expert’s Report (“Report”) in connection with a financial product of another person. The Report is set out in Part 1.

**2. Financial Services Guide**

This Financial Services Guide (“FSG”) provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

**3. Financial services we offer**

We hold an Australian Financial Services Licence which authorises us to provide the following services:

- financial product advice in relation to securities, derivatives, general insurance, life insurance, managed investments, superannuation, and government debentures, stocks and bonds; and
- arranging to deal in securities.

**4. General financial product advice**

In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged to issue a Report in connection with a financial product of another person. Our Report will include a description of the circumstances of our engagement and identify the person who has engaged us. Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.



## **5. Remuneration for our services**

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Ernst & Young Transaction Advisory Services is ultimately owned by Ernst & Young, which is a professional advisory and accounting practice. Ernst & Young may provide professional services, including audit, tax and financial advisory services, to the person who engaged us and receive fees for those services.

Except for the fees and benefits referred to above, neither Ernst & Young Transaction Advisory Services, nor any of its directors, employees or associated entities receive any fees or other benefits, directly or indirectly, for or in connection with the provision of a Report.

## **6. Associations with product issuers**

Ernst & Young Transaction Advisory Services and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

## **7. Responsibility**

The liability of Ernst & Young Transaction Advisory Services is limited to the contents of this Financial Services Guide and the Report.

## **8. Complaints process**

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. All complaints must be in writing and addressed to the Compliance and Legal Manager and sent to the address below. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Industry Complaints Service or the Insurance Brokers Disputes Limited for general insurance product advice.

<b>Contacting Ernst &amp; Young Transaction Advisory Services</b>	<b>Contacting the Independent Dispute Resolution Schemes:</b>
Compliance and Legal Manager Ernst & Young 680 George Street Sydney NSW 2000  Telephone: (02) 9248 5555	Financial Industry Complaints Service Limited PO Box 579 – Collins Street West Melbourne VIC 8007 Telephone: 1800 335 405  Insurance Brokers Disputes Limited Level 10 99 William Street Melbourne VIC 3000 Telephone 1800 064 169

This Financial Services Guide has been issued in accordance with ASIC Class Order CO 04/1572