MAYNE GROUP LIMITED

ABN 56 004 073 410

Half-year Report under listing rule 4.2A
Financial half-year ended 31 December 2003

Contents

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Half-year Report
Financial Half-year ended 31 December 2003

For announcement to the market

			$A'000
Revenues from ordinary activities	2.1 % down	to	3,240,960
Sales revenue	18.2 % down	to	2,332,122
Profit (loss) from ordinary activities after tax (before amortisation of goodwill) attributable to members	n/a % up	to	86,002
Profit (loss) from ordinary activities after tax attributable to members	n/a % up	to	48,715
Profit after tax before significant items attributable to members	64.0 % up	to	54,702

Dividends	Amount per security	Franked amount per security
Interim dividend paid 30 September 2003	6.0¢	0.0¢
Interim dividend payable 31 March 2004	4.5¢	0.0¢
Previous corresponding period	4.0¢	0.0¢

Record date for determining entitlements to the dividend	5 March 2004

Please refer to the attachments (Attachment A - Media Release and Attachment B - Information Compendium) for further commentary on the results for the period.

Mayne Group Limited

Discussion and Analysis on the Consolidated Statement of Financial Performance
for the financial half-year ended 31 December 2003

- **Total revenue decreased by $68.3 million** due to the inclusion of sales revenue and sale proceeds for the Logistics businesses in the prior corresponding period, and the inclusion of only 5 months of sales revenue for the Hospitals business in the current half-year, offset by the proceeds of sale of the Hospitals business in the current period.

- Reported **total sales revenue decreased by 18.2% to $2.3 billion.** However**, sales revenue from the continuing business rose 11.7% over the prior comparable half-year.** The Pharmaceuticals and Pharmacy businesses generated organic growth in revenues.The acquisitions of Queensland Medical Laboratories(QML) (pathology), Queensland Diagnostic Imaging (QDI) and the assets of Pacific Healthcare (both Imaging) contributed to the increase in Diagnostic Services revenue in the half-year. This was offset by a decrease in Consumer Brands due to the impact of the Pan Pharmaceuticals recall and to the product rationalization plan that occurred both prior to and after the Pan Pharmaceuticals recall. Discontinued sales revenue in the half-year was $559.1 million, primarily from the Hospitals business sold during the half-year.

- Excluding the impact of the significant items the **earnings before interest and tax (EBIT) for the continuing businesses has increased by 5.8% to $70.9 million**. This reflects a combination of the acquisition activity noted above and improved results in Pharmacy and Medical Centres. The Pharmaceuticals result declined, as expected, reflecting the weaker new product pipeline in fiscal 2004 and the strengthening of the Australian dollar. The result in comparison to the previous corresponding period continued to be adversely impacted by the performance in the Consumer Brands division that suffered as a result of the Pan Pharmaceuticals recall.

- **Significant items generated a $6.0 million loss.** This compares to a loss after tax of $90.8 million in the prior comparable half-year. The significant items are as follows:

  - A $0.5 million profit related to the sale of the Hospitals business
  - A $6.5 million write-down in the carrying value of deferred tax assets as a consequence of entering the Australian tax consolidations regime.

- The **net interest expense has decreased to $10.7 million from $17.3 million**. This reflects the lower net debt levels due to the proceeds received from divestments during the half-year.

- Stripping out the impact of the significant items on the tax expense for the half-year, **the underlying income tax expense is $41.1m compared to $41.0 million** in the prior comparable half-year.

- **Profit attributable to outside equity interests has increased by $0.6 million to $2.0 million**. The outside equity interest for the current half year largely reflects the minority interests share of diagnostic imaging joint ventures that have improved their performance over the prior comparable half-year.

MAYNE GROUP LIMITED
Consolidated Statement of Financial Performance
for the financial half-year ended 31 December 2003

	Note	December 2003 $'000	December 2002 $'000
Revenues from ordinary activities	4	**3,240,960**	3,309,246
Employee expense		**(629,029)**	(836,787)
Subcontractor expense		**(8,656)**	(240,411)
Purchases of materials and trading stocks		**(1,144,478)**	(1,228,673)
Change in inventories		**63,723**	113,168
Consumables expense		**(134,112)**	(184,659)
Depreciation and amortisation		**(83,239)**	(111,827)
Marketing costs		**(16,679)**	(14,306)
Fleet operation and distribution costs		**(7,834)**	(61,941)
Occupancy costs		**(98,744)**	(76,611)
Borrowing costs		**(30,430)**	(26,939)
Other expenses from ordinary activities		**(1,053,123)**	(680,467)
Share of net profits / (losses) of associates accounted for using the equity method		**(9)**	542
Profit / (loss) from ordinary activities before income tax expense		**98,350**	(39,665)
Income tax expense	8	**(47,602)**	(16,634)
Net profit / (loss)		**50,748**	(56,299)
Net (profit) / loss attributable to outside equity interests		**(2,033)**	(1,403)
Net profit / (loss) attributable to members of Mayne Group Limited		**48,715**	(57,702)
Non-owner transaction changes in equity:			
Net exchange difference on translation of financial statements of self-sustaining foreign operations		**(4,823)**	(34,104)
Total revenues, expenses and valuation adjustments attributable to members of Mayne Group Limited and recognised directly in equity		**(4,823)**	(34,104)
Total changes in equity from non-owner related transactions attributable to members of the parent entity		**43,892**	(91,806)
Basic earnings per share		**6.4c**	(7.1)c
Diluted earnings per share		**6.4c**	(7.1)c
Dividends per share:			
Interim Paid 30 September 2003		**6.0c**	0.0c
Interim payable 31 March 2004		**4.5c**	4.0c

The statement of financial performance is to be read in conjunction with the discussion and analysis on page 3 and the notes to these financial statements.

Mayne Group Limited

Discussion and Analysis on the Consolidated Statement of Financial Position as at 31 December 2003

- **Cash and deposits** . The increase in cash and deposits, by $516.6 million to $771.8 million, reflects the receipt of proceeds for the sale of the Hospitals business, offset by repayment of borrowings, payments for acquisitions made during the half-year, capital expenditure and continuation of the share buy-back program. Further details are set out in the statement of cash flows.

- **The reduction in current receivables of $159.9 million** relates largely to trade receivables and reflects the divestment activity during the half-year partially offset by higher debtors balances in the continuing businesses reflecting ongoing revenue growth.

- **Inventory has increased by $61.5 million to $443.1 million** due to acquisitions in the Pharmaceuticals businesses in the current half, as well as higher inventory balances in Pharmacy and Consumer Products. Trade creditors also increased keeping the net impact on working capital relatively unchanged.

- **Assets held for resale of $ 35.3 million** at June 2003 comprised hospital assets where the sale has since been completed.

- **Plant, property and equipment has decreased by $670.3 million** primarily due to the sale of the Hospitals business. This has been partially offset by the business acquisitions undertaken during the period and capital expenditure for the half-year of $74.8 million.

- The increase in **intangible assets of $87.3 million** is primarily due to goodwill and intangible assets acquired by the Pharmaceuticals business in the USA, partially offset by the goodwill amortisation.

- **Deferred tax assets have reduced by $81.0 million** due primarily to the sale of the Hospitals businesses and to the write-down of tax assets on adoption of the tax consolidations regime in Australia.

- The reduction in **payables of $72.2 million** largely reflects the divestment activity during the period offset by an increase in trade creditors in the continuing businesses as noted above.

- **Interest bearing liabilities have decreased by $34.4 million** due to the repayment of short term borrowings in Australia partially offset by new borrowings by the Pharmaceuticals business in the USA to fund acquisitions and working capital requirements.

- **Provisions (both current and non current)** have reduced primarily due to the sale of the Hospitals business.

- **Contributed equity decreased by $93.5 million** due primarily to shares acquired by the company during the half-year as part of the share buy-back program.

MAYNE GROUP LIMITED

Consolidated Statement of Financial Position as at 31 December 2003

	Note	December 2003 $'000	June 2003 $'000
Current Assets			
Cash and deposits		**771,780**	255,192
Receivables		**689,994**	849,854
Inventories		**443,111**	381,576
Prepayments		**23,900**	32,254
Assets held for resale		**-**	35,311
Total Current Assets		**1,928,785**	1,554,187
Non-Current Assets			
Deposits		**603**	675
Receivables		**7,154**	12,549
Investments accounted for using the equity method		**1,353**	8,506
Other financial assets		**5,447**	17,405
Property, plant & equipment		**403,789**	1,074,061
Intangibles		**1,852,068**	1,764,814
Deferred tax assets		**117,735**	198,300
Other		**8,335**	28,058
Total Non-Current Assets		**2,396,484**	3,104,368
Total Assets	15	**4,325,269**	4,658,555
Current Liabilities			
Payables		**541,498**	613,757
Interest-bearing liabilities		**28,521**	69,619
Current tax liabilities		**12,136**	34,886
Provisions		**246,393**	321,643
Total Current Liabilities		**828,548**	1,039,905
Non-Current Liabilities			
Payables		**6,348**	6,176
Interest-bearing liabilities		**566,866**	560,140
Deferred tax liabilities		**18,100**	41,333
Provisions		**10,698**	23,209
Total Non-Current Liabilities		**602,012**	630,858
Total Liabilities	15	**1,430,560**	1,670,763
Net Assets		**2,894,709**	2,987,792
Equity			
Mayne Group Limited Interest			
Contributed equity	12	**3,199,011**	3,292,514
Reserves		**(35,200)**	(30,377)
Retained profits	9	**(276,049)**	(278,665)
Total Mayne Group Limited equity interest		**2,887,762**	2,983,472
Outside Equity Interests		**6,947**	4,320
Total Equity	13	**2,894,709**	2,987,792

The statement of financial position is to be read in conjunction with the discussion and analysis on page 5 and the notes to these financial statements.

Mayne Group Limited

Discussion and Analysis of the Consolidated Statement of Cash Flows for the financial half-year ended 31 December 2003

Net operating cash flow for the half-year was $138.2 million.

The most significant sources of cash generation other than from operating activities during the financial year were:

- Net proceeds from the sale of the Hospitals business, $795.0 million;
- Net proceeds from borrowings of $65.1 million.

These funds were primarily utilised as follows:

- Payments made under the share buy-back program of approximately $100.3 million.
- Payments for the acquisition of operating rights and licences of $177.8 million;
- Net payments for property, plant and equipment of $74.6 million;
- Payments made on disposal of entities and businesses of $51.2 million; and
- Dividends paid of $33.7 million

Overall, the net cash position of the group increased by $516.5 million, excluding an adjustment for foreign exchange rate changes of $0.1 million.

MAYNE GROUP LIMITED

Consolidated Statement of Cash Flows for the financial half-year ended 31 December 2003

	December 2003 $'000	December 2002 $'000
Cash Flows from Operating Activities		
Cash receipts from customers	**2,389,900**	3,002,931
Cash payments to suppliers and employees	**(2,228,912)**	(2,881,423)
Dividends received	**103**	-
Interest received	**15,130**	7,688
Borrowing costs paid	**(32,832)**	(24,506)
Income taxes paid	**(5,143)**	(35,568)
Net operating cash flows	**138,246**	69,122
Cash Flows from Investing Activities		
Proceeds on disposal of entities and businesses	**795,000**	-
Payments for acquisition of entities	**(6,573)**	(257,437)
Proceeds from sale of property, plant and equipment	**194**	11,587
Payments for property, plant and equipment	**(74,790)**	(102,736)
Proceeds from sale of investments	**5,753**	41,791
Payments for investments	**-**	(380)
Payments for operating rights and licenses	**(177,783)**	-
Payments for amounts capitalised into goodwill	**(9,449)**	-
Payments made on disposal of entities	**(51,203)**	(26,234)
Net investing cash flows	**481,149**	(333,409)
Cash Flows from Financing Activities		
Proceeds from issue of shares	**471**	20
Proceeds from borrowings	**125,093**	60,346
Proceeds from debtors securitisation	**-**	85,000
Repayments of borrowings	**(60,000)**	-
Finance lease principal	**(1,960)**	(4,850)
Dividends paid	**(33,693)**	(52,016)
Payments made on share buy back	**(100,286)**	(32,680)
Realised foreign exchange gains / (losses)	**(32,550)**	(4,459)
Net financing cash flows	**(102,925)**	51,361
Net increase / (decrease) in cash held	**516,470**	(212,926)
Cash at the beginning of the period	**255,192**	425,411
Effect of exchange rate changes on cash held	**118**	4,157
Cash at the end of the period	**771,780**	216,642

The statement of cash flows is to be read in conjunction with
the discussion and analysis on page 7 and the notes to these financial statements.

1. Basis of preparation of the half-year financial report:

The half-year consolidated financial report is a general purpose financial report which has been prepared in accordance with the requirements of Accounting Standard AASB 1029 "Interim Financial Reporting", the recognition and measurement requirements of applicable AASB standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. This half-year financial report is to be read in conjunction with the 30 June 2003 Annual Financial Report and any public announcements by Mayne Group Limited and its Controlled Entities during the half-year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or current valuations of non-current assets.

These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy, are consistent with those applied in the 30 June 2003 Annual Financial Report.

The carrying amounts of non-current assets are reviewed to determine whether they are in excess of their recoverable amount at the end of the half-year. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower amount. In assessing recoverable amounts the relevant cash flows have been discounted to their present value.

The half-year report does not include full note disclosures of the type normally included in an annual financial report.

2. Reclassification of financial information

Segmental Reporting:

In the segmental reporting note 15, business segment disclosures for the prior comparable periods have been restated to reflect the current segment structure.

The consolidated entity operates predominantly in the following business segments:

"Pharmaceuticals" comprises the development, manufacture and distribution of injectible pharmaceuticals and of health and personal care products.

"Diagnostic Services" comprises pathology and diagnostic imaging services and the management of medical centres.

"Pharmacy" comprises the provision of distribution and retail management services to pharmacies.

"Hospitals" comprises the management of stand alone and co-located private hospitals and public hospital management. The hospitals businesses were divested during the period and have been disclosed as discontinued.

"Logistics " comprises warehousing and distribution, distribution fleet management, armoured cars, priority and specialised express freight, couriers and messengers. The logistics businesses were divested during the prior comparable period and have been disclosed as discontinued.

"Unallocated" comprises expenditure which is not recovered from the operating businesses, cash deposits, investments, borrowings and tax balances not attributed to the operating businesses.

There are no material inter-entity sales.

3. Changes in accounting policy

Changes in accounting policy **:**

There are no new or revised accounting standards applicable for the first time as at 31 December 2003.

The parent entity and applicable Australian controlled entities have elected during the period to enter into the Australian tax consolidation regime with effect from 1 July 2002. These entities have therefore applied UIG 52 "Income Tax Accounting Under the Tax Consolidation System" for the first time from 1 July 2003.

	Dec 2003 $'000	Dec 2002 $'000
4. Revenue		
Revenue from operating activities:		
Revenue from rendering of services	**971,669**	1,301,932
Revenue from sale of goods	**1,360,453**	1,548,199
Sales Revenue	**2,332,122**	2,850,131
Other revenue from operating activities:		
Dividend income		
- other persons	**-**	-
Interest income		
- other persons	**19,696**	9,650
Total revenue from operating activities	**2,351,818**	2,859,781
Revenue from outside operating activities:		
Proceeds on sale of non-current assets		
- property, plant and equipment	**203**	10,500
- businesses and controlled entities	**856,900**	402,341
Other income	**32,039**	36,624
	3,240,960	3,309,246
5. Cost of goods sold		
Cost of goods sold	**(1,080,755)**	(1,115,560)
6. Individually significant items included in profit / (loss) from ordinary activities before income tax expense		
Cost of investment in Logistics, Consumer and Hospitals businesses divested	**(856,396)**	(371,363)
Closure and sale of Consumer businesses	**-**	(10,905)
Write-down and sale of hospital assets	**-**	(94,592)
Write-down of IT assets	**-**	(27,746)
Devolution costs	**-**	(11,633)
Total significant expense items	**(856,396)**	(516,239)
Proceeds from sale of investments	**856,900**	401,070
Total significant items	**504**	(115,169)
7. Individually significant items included in income tax expense		
Logistics business divestments	**-**	(7,752)
Closure and sale of Consumer businesses	**-**	372
Write-down and sale of hospital businesses	**-**	20,109
Write-down of IT assets	**-**	8,323
Devolution costs	**-**	3,358
Tax expense on adopting Australian tax consolidations	**(6,491)**	-
	(6,491)	24,410

	Dec 2003 $'000	Dec 2002 $'000
8. Income tax expense		
The prima facie tax on profit from ordinary activities differs from the income tax provided in the financial statements and is reconciled as follows:		
Prima facie tax on operating profit calculated at 30% (Dec 2002 - 30%)	**29,505**	(11,899)
From which is deducted the tax effect of:		
Under/(over) provision in prior year for continuing businesses	**(2,423)**	1,323
Capital allowances	**(1,999)**	(2,255)
Dividend income	**-**	(365)
Tax deduction on capitalised expenditure	**(622)**	(139)
Research and development	**(1,354)**	(805)
Impairment provision release	**(111)**	(236)
Other variations	**(621)**	(1,475)
	22,375	(15,851)
To which is added the tax effect of:		
Non-deductible depreciation/amortisation	**13,385**	16,223
Non-deductible expenditure	**5,018**	3,041
Overseas income tax rate differences	**274**	797
Current half-year losses on which no tax benefit has been recognised	**56**	2,447
Share of net (profits)/losses of associated entities	**3**	(163)
Significant items		
- Logistics business divestments	**-**	339
- Closure and sale of Consumer businesses	**-**	2,900
- Sale of hospital businesses	**-**	6,769
- Non deductible expenditure - restructuring expenses	**-**	132
- Write-off of deferred tax balances on adoption of Australian tax consolidation regime	**6,491**	-
Income tax expense attributable to operating profit/(loss)	**47,602**	16,634

	December 2003 $'000	December 2002 $'000
9. Retained profits		
Retained profits / (accumulated losses) at the beginning of the period	**(278,665)**	214,146
Net profit/(loss) attributable to members of Mayne Group Limited	**48,715**	(57,702)
Net effect on retained profits from:		
Initial adoption of AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"	**-**	64,783
Dividends recognised during the half-year	**(46,099)**	(64,783)
Retained profits / (accumulated losses) at the end of the period	**(276,049)**	156,444
10. Dividends		
Final ordinary Paid 30 September 2002 8.0c (40% franked Class C, 30%)	**-**	(64,783)
Interim ordinary Paid 30 September 2003 6.0c (-% franked Class C, 30%)	**(46,099)**	-
	(46,099)	(64,783)

Dividend Reinvestment Plan
Mayne operates a Dividend Reinvestment Plan (DRP) whereby shareholders can apply the relevant amount of cash dividend payable to them and subscribe for fully paid ordinary shares in Mayne Group Limited at the price calculated in accordance with, and subject to, the rules of the DRP. The DRP operated for the dividend paid during this financial half-year. The last date for the receipt of any election notice for participation in the plan is 5 March 2004 (record date).

	December 2003 $'000	December 2002 $'000

11. Earnings per Share

Basic earnings per share:		
Before significant items disclosed in Notes 6 & 7	**7.2c**	4.1c
After significant items	**6.4c**	(7.1)c
Fully diluted earnings per share:		
Before significant items disclosed in Notes 6 & 7	**7.2c**	4.1c
After significant items	**6.4c**	(7.1)c
Reconciliation of earnings used in calculation of basic and fully diluted earnings per share before and after significant items:		
	$'000	$'000
Net profit (loss)	**48,715**	(57,702)
Significant items before tax (Note 6)	**504**	(115,169)
Tax (expense)/benefit on significant items (Note 7)	**(6,491)**	24,110
Net profit (loss) before significant items	**54,702**	33,357
	Number of shares	
Reconciliation of weighted average number of shares used in the calculation of earnings per share:		
Weighted average number of ordinary shares used	**763,605,345**	810,386,991
Add: Effect of of potential conversion to ordinary shares under the executive options scheme	**-**	56,938
Weighted average number of shares used in calculation of diluted earnings per share	**763,605,345**	810,443,929

	Dec 2003 $'000	June 2003 $'000	Dec 2002 $'000
12. Contributed equity			
Issued and paid up capital:			
746,447,682 Ordinary shares fully paid			
(772,658,695 fully paid - June 2003, 803,263,293 fully paid - Dec 2002)	**3,203,582**	3,292,514	3,384,841
Total Issued and Paid Up Capital	**3,203,582**	3,292,514	3,384,841
Movements in share capital:			
Opening balance	**3,292,514**	3,403,284	3,403,284
Add:			
Ordinary shares issued during the year :			
- Pursuant to exercise of options under the Mayne Group			
Executive Share Option Scheme	**471**	20	20
- Pursuant to the Dividend Reinvestment Plan	**12,406**	25,271	14,217
- Pursuant to the acquisition of F H Faulding & Co Ltd	**-**	166	-
- Shares issued pursuant to the acquisition of F H Faulding & Co Ltd voided	**-**	(4,268)	-
Less:			
Ordinary shares bought back	**(101,763)**	(131,860)	(32,632)
Costs of share buy-back	**(46)**	(99)	(48)
	3,203,582	3,292,514	3,384,841
Less:			
Shares held by Group entities under Executive and Staff share schemes	**(4,571)**	-	-
	3,199,011	3,292,514	3,384,841

Stock Exchange Listing
Mayne Group Limited's shares are listed on the Australian Stock Exchange.

Share Issues in the half year ended 31 December 2003
The following ordinary shares were issued during the half-year:
Executive Share Option Scheme:
140,000 ordinary shares, fully paid at $3.37 per share
Dividend Reinvestment Scheme:
3,828,981 ordinary shares, fully paid at $3.24 per share

Share Issues in the half year ended 31 December 2002
The following ordinary shares were issued during the half-year:
Executive Share Option Scheme:
6,000 ordinary shares, fully paid at $3.37 per share
Dividend Reinvestment Scheme:
3,993,603 ordinary shares, fully paid at $3.56 per share

Share buy-back
During the half-year the parent entity bought back 30,179,994 shares at a cost of $101.763 million, being an average cost of $ 3.37 per share.
Paid up share capital was reduced by $ 101.809 million, being the cost of the buy-back, inclusive of costs incidental to the transaction of $ 0.046 million.

Mayne Group Executives' Share Option Scheme
The number of unissued shares for which options were outstanding as at the end of the financial half-year was 4,094,000 (June 2003 - 4,915,000).

	Dec 2003 $'000	Dec 2002 $'000

13. Total equity reconciliation

	Dec 2003 $'000	Dec 2002 $'000
Total equity at the beginning of the period	**2,987,792**	3,617,824
Total changes in equity recognised in the statement of financial performance attributable to members of Mayne Group Limited	**43,892**	(91,806)
Transactions with members of Mayne Group Limited as owners:		
Equity contributed	**12,877**	14,237
Equity bought back	**(101,809)**	(32,680)
Dividends	**(46,099)**	-
Shares held by Group entities under Executive and Staff share schemes	**(4,571)**	-
Total changes in outside equity interest	**2,627**	227
Total equity at the end of the period	**2,894,709**	3,507,802

14. Net tangible asset backing per ordinary security

	$	$
Net tangible asset backing per ordinary security	**1.25**	1.87

	Sales revenue December 2003 Continuing			Sales revenue December 2002 Continuing		
	Continuing	**Discontinuing**	**Total**	Continuing	Discontinuing	Total
	$'000	**$'000**	**$'000**	$'000	$'000	$'000

15. Segmental Reporting

Business Segments

	Continuing 2003 $'000	Discontinuing 2003 $'000	Total 2003 $'000	Continuing 2002 $'000	Discontinuing 2002 $'000	Total 2002 $'000
Pharmaceuticals	**245,149**	**-**	**245,149**	224,448	-	224,448
Consumer Brands	**67,903**	**1,681**	**69,584**	86,307	22,370	108,677
Total Pharmaceuticals	**313,052**	**1,681**	**314,733**	310,755	22,370	333,125
Pathology Services	**235,548**	**-**	**235,548**	171,081	-	171,081
Diagnostic Imaging Services	**139,664**	**-**	**139,664**	90,070	-	90,070
Medical Centres	**20,056**	**-**	**20,056**	18,468	2,984	21,452
Total Diagnostic Services	**395,268**	**-**	**395,268**	279,619	2,984	282,603
Pharmacy	**1,063,686**	**-**	**1,063,686**	995,420	-	995,420
Hospitals	**-**	**557,428**	**557,428**	-	652,638	652,638
Australia & Pacific Logistics	**-**	**-**	**-**	-	419,782	419,782
Loomis Courier	**-**	**-**	**-**	-	165,225	165,225
Total Logistics Services	**-**	**-**	**-**	-	585,007	585,007
Unallocated	**1,007**	**-**	**1,007**	1,338	-	1,338
Consolidated	**1,773,013**	**559,109**	**2,332,122**	1,587,132	1,262,999	2,850,131

Geographical Segments

	Continuing 2003 $'000	Discontinuing 2003 $'000	Total 2003 $'000	Continuing 2002 $'000	Discontinuing 2002 $'000	Total 2002 $'000
Australia	**1,603,909**	**531,833**	**2,135,742**	1,408,482	1,040,573	2,449,055
Other Pacific Regions	**13,496**	**27,276**	**40,772**	28,180	56,784	84,964
Australia & Pacific Regions	**1,617,405**	**559,109**	**2,176,514**	1,436,662	1,097,357	2,534,019
Americas	**56,696**	**-**	**56,696**	68,089	165,225	233,314
Europe, Middle East & Africa	**98,912**	**-**	**98,912**	82,381	417	82,798
Consolidated	**1,773,013**	**559,109**	**2,332,122**	1,587,132	1,262,999	2,850,131

	Profit before tax and significant items December 2003			Profit before tax and significant items December 2002		
	Continuing	**Discontinuing**	**Total**	Continuing	Discontinuing	Total
	$'000	**$'000**	**$'000**	$'000	$'000	$'000

15. Segmental Reporting

Business Segments

	Continuing $'000	**Discontinuing $'000**	**Total $'000**	Continuing $'000	Discontinuing $'000	Total $'000
Pharmaceuticals	**25,674**	**-**	**25,674**	28,403	-	28,403
Consumer Brands	**2,219**	**2**	**2,221**	5,021	(8,698)	(3,677)
Total Pharmaceuticals	**27,893**	**2**	**27,895**	33,424	(8,698)	24,726
Pathology Services	**20,847**	**-**	**20,847**	16,914	-	16,914
Diagnostic Imaging Services	**12,772**	**-**	**12,772**	9,685	-	9,685
Medical Centres	**(210)**	**(225)**	**(435)**	(1,653)	(240)	(1,893)
Total Diagnostic Services	**33,409**	**(225)**	**33,184**	24,946	(240)	24,706
Pharmacy	**15,711**	**-**	**15,711**	14,324	-	14,324
Hospitals	**-**	**37,896**	**37,896**	-	25,296	25,296
Australia & Pacific Logistics	**-**	**-**	**-**	-	(89)	(89)
Loomis Courier	**-**	**-**	**-**	-	9,455	9,455
Total Logistics Services	**-**	**-**	**-**	-	9,366	9,366
Unallocated	**(6,076)**	**(30)**	**(6,106)**	(5,625)	-	(5,625)
Earnings before interest & tax	**70,937**	**37,643**	**108,580**	67,069	25,724	92,793
Net interest expense	**(6,012)**	**(4,722)**	**(10,734)**	(11,482)	(5,807)	(17,289)
Consolidated	**64,925**	**32,921**	**97,846**	55,587	19,917	75,504

Geographical Segments

	Continuing $'000	**Discontinuing $'000**	**Total $'000**	Continuing $'000	Discontinuing $'000	Total $'000
Australia	**56,969**	**32,828**	**89,797**	54,805	19,791	74,596
Other Pacific Regions	**220**	**4,840**	**5,060**	491	6,684	7,175
Australia & Pacific Regions	**57,189**	**37,668**	**94,857**	55,296	26,475	81,771
Americas	**1,173**	**-**	**1,173**	3,075	1,301	4,376
Europe, Middle East & Africa	**12,575**	**(25)**	**12,550**	8,698	(2,052)	6,646
Earnings before interest & tax	**70,937**	**37,643**	**108,580**	67,069	25,724	92,793
Net interest expense	**(6,012)**	**(4,722)**	**(10,734)**	(11,482)	(5,807)	(17,289)
Consolidated	**64,925**	**32,921**	**97,846**	55,587	19,917	75,504

	Significant items before tax December 2003			Significant items before tax December 2002		
	Continuing	**Discontinuing**	**Total**	Continuing	Discontinuing	Total
	$'000	**$'000**	**$'000**	$'000	$'000	$'000

15. Segmental Reporting

Business Segments

Pharmaceuticals	-	-	-	-	-	-
Consumer Brands	-	-	-	(550)	(10,906)	(11,456)
Total Pharmaceuticals	-	-	-	(550)	(10,906)	(11,456)
Pathology Services	-	-	-	-	-	-
Diagnostic Imaging Services	-	-	-	-	-	-
Medical Centres	-	-	-	(1,800)	-	(1,800)
Total Diagnostic Services	-	-	-	(1,800)	-	(1,800)
Pharmacy	-	-	-	-	-	-
Hospitals	-	504	504	-	(103,143)	(103,143)
Australia & Pacific Logistics	-	-	-	-	-	-
Loomis Courier	-	-	-	-	-	-
Divestment of Logistics Services	-	-	-	-	29,710	29,710
Total Logistics Services	-	-	-	-	29,710	29,710
Unallocated	-	-	-	(28,480)	-	(28,480)
Consolidated	-	504	504	(30,830)	(84,339)	(115,169)

Geographical Segments

Australia	-	504	504	(30,879)	(70,006)	(100,885)
Other Pacific Regions	-	-	-	49	(2,868)	(2,819)
Australia & Pacific Regions	-	504	504	(30,830)	(72,874)	(103,704)
Americas	-	-	-	-	(9,667)	(9,667)
Europe, Middle East & Africa	-	-	-	-	(1,798)	(1,798)
Consolidated	-	504	504	(30,830)	(84,339)	(115,169)

	Profit before tax December 2003			Profit before tax December 2002		
	Continuing	**Discontinuing**	**Total**	Continuing	Discontinuing	Total
	$'000	**$'000**	**$'000**	$'000	$'000	$'000

15. Segmental Reporting

Business Segments

Pharmaceuticals	**25,674**	**-**	**25,674**	28,403	-	28,403
Consumer Brands	**2,219**	**2**	**2,221**	4,471	(19,604)	(15,133)
Total Pharmaceuticals	**27,893**	**2**	**27,895**	32,874	(19,604)	13,270
Pathology Services	**20,847**	**-**	**20,847**	16,914	-	16,914
Diagnostic Imaging Services	**12,772**	**-**	**12,772**	9,685	-	9,685
Medical Centres	**(210)**	**(225)**	**(435)**	(3,453)	(240)	(3,693)
Total Diagnostic Services	**33,409**	**(225)**	**33,184**	23,146	(240)	22,906
Pharmacy	**15,711**	**-**	**15,711**	14,324	-	14,324
Hospitals	**-**	**38,400**	**38,400**	-	(77,847)	(77,847)
Australia & Pacific Logistics	**-**	**-**	**-**	-	(89)	(89)
Loomis Courier	**-**	**-**	**-**	-	9,455	9,455
Divestment of Logistics Services	**-**	**-**	**-**	-	29,710	29,710
Total Logistics Services	**-**	**-**	**-**	-	39,076	39,076
Unallocated	**(6,076)**	**(30)**	**(6,106)**	(34,105)	-	(34,105)
Earnings before interest & tax	**70,937**	**38,147**	**109,084**	36,239	(58,615)	(22,376)
Net interest expense	**(6,012)**	**(4,722)**	**(10,734)**	(11,482)	(5,807)	(17,289)
Consolidated	**64,925**	**33,425**	**98,350**	24,757	(64,422)	(39,665)

Geographical Segments

Australia	**56,969**	**33,332**	**90,301**	23,926	(50,215)	(26,289)
Other Pacific Regions	**220**	**4,840**	**5,060**	540	3,816	4,356
Australia & Pacific Regions	**57,189**	**38,172**	**95,361**	24,466	(46,399)	(21,933)
Americas	**1,173**	**-**	**1,173**	3,075	(8,366)	(5,291)
Europe, Middle East & Africa	**12,575**	**(25)**	**12,550**	8,698	(3,850)	4,848
Earnings before interest & tax	**70,937**	**38,147**	**109,084**	36,239	(58,615)	(22,376)
Net interest expense	**(6,012)**	**(4,722)**	**(10,734)**	(11,482)	(5,807)	(17,289)
Consolidated	**64,925**	**33,425**	**98,350**	24,757	(64,422)	(39,665)

	Depreciation and Amortisation December 2003			Depreciation and Amortisation December 2002		
	Continuing	**Discontinuing**	**Total**	Continuing	Discontinuing	Total
	$'000	**$'000**	**$'000**	$'000	$'000	$'000

15. Segmental Reporting

Business Segments

Pharmaceuticals	**26,064**	**-**	**26,064**	24,574	-	24,574
Consumer Brands	**4,197**	**16**	**4,213**	4,763	128	4,891
Total Pharmaceuticals	**30,261**	**16**	**30,277**	29,337	128	29,465
Pathology Services	**12,719**	**-**	**12,719**	8,715	-	8,715
Diagnostic Imaging Services	**11,887**	**-**	**11,887**	8,372	-	8,372
Medical Centres	**2,235**	**-**	**2,235**	2,131	28	2,159
Total Diagnostic Services	**26,841**	**-**	**26,841**	19,218	28	19,246
Pharmacy	**5,934**	**-**	**5,934**	10,002	-	10,002
Hospitals	**-**	**20,187**	**20,187**	-	33,205	33,205
Australia & Pacific Logistics	**-**	**-**	**-**	-	15,833	15,833
Loomis Courier	**-**	**-**	**-**	-	4,076	4,076
Total Logistics Services	**-**	**-**	**-**	-	19,909	19,909
Consolidated	**63,036**	**20,203**	**83,239**	58,557	53,270	111,827

Geographical Segments

Australia	**60,735**	**17,488**	**78,223**	56,839	44,276	101,115
Other Pacific Regions	**53**	**2,715**	**2,768**	110	4,918	5,028
Australia & Pacific Regions	**60,788**	**20,203**	**80,991**	56,949	49,194	106,143
Americas	**1,629**	**-**	**1,629**	1,156	4,076	5,232
Europe, Middle East & Africa	**619**	**-**	**619**	452	-	452
Consolidated	**63,036**	**20,203**	**83,239**	58,557	53,270	111,827

15. Segmental Reporting

	Capital Expenditure December 2003			Capital Expenditure December 2002		
	Continuing	**Discontinuing**	**Total**	Continuing	Discontinuing	Total
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Business Segments						
Pharmaceuticals	**18,419**	**-**	**18,419**	16,397	-	16,397
Consumer Brands	**451**	**8**	**459**	2,048	785	2,833
Total Pharmaceuticals	**18,870**	**8**	**18,878**	18,445	785	19,230
Pathology Services	**7,133**	**-**	**7,133**	2,175	-	2,175
Diagnostic Imaging Services	**13,015**	**-**	**13,015**	11,625	-	11,625
Medical Centres	**815**	**-**	**815**	1,816	-	1,816
Total Diagnostic Services	**20,963**	**-**	**20,963**	15,616	-	15,616
Pharmacy	**3,307**	**-**	**3,307**	3,172	-	3,172
Hospitals	**-**	**29,556**	**29,556**	-	27,013	27,013
Australia & Pacific Logistics	**-**	**-**	**-**	-	23,118	23,118
Loomis Courier	**-**	**-**	**-**	-	4,316	4,316
Total Logistics Services	**-**	**-**	**-**	-	27,434	27,434
Unallocated	**2,086**	**-**	**2,086**	10,271	-	10,271
Consolidated	**45,226**	**29,564**	**74,790**	47,504	55,232	102,736
Geographical Segments						
Australia	**41,070**	**25,293**	**66,363**	45,875	44,927	90,802
Other Pacific Regions	**60**	**4,271**	**4,331**	16	5,989	6,005
Australia & Pacific Regions	**41,130**	**29,564**	**70,694**	45,891	50,916	96,807
Americas	**3,117**	**-**	**3,117**	1,033	4,316	5,349
Europe, Middle East & Africa	**979**	**-**	**979**	580	-	580
Consolidated	**45,226**	**29,564**	**74,790**	47,504	55,232	102,736

15. Segmental Reporting

	Assets December 2003 Continuing	Assets December 2003 Discontinuing	Assets December 2003 Total	Assets June 2003 Continuing	Assets June 2003 Discontinuing	Assets June 2003 Total
	$'000	$'000	$'000	$'000	$'000	$'000
Business Segments						
Pharmaceuticals	1,292,149	-	1,292,149	1,090,849	-	1,090,849
Consumer Brands	301,092	1,935	303,027	322,375	3,170	325,545
Total Pharmaceuticals	1,593,241	1,935	1,595,176	1,413,224	3,170	1,416,394
Pathology Services	553,411	-	553,411	561,383	-	561,383
Diagnostic Imaging Services	366,384	-	366,384	370,936	-	370,936
Medical Centres	99,836	-	99,836	96,260	728	96,988
Total Diagnostic Services	1,019,631	-	1,019,631	1,028,579	728	1,029,307
Pharmacy	746,091	-	746,091	674,721	-	674,721
Hospitals	-	69,197	69,197	-	1,003,524	1,003,524
Divestment of Logistics Services	-	-	-	-	68,147	68,147
Unallocated	860,360	34,814	895,174	454,253	12,209	466,462
Consolidated	4,219,323	105,946	4,325,269	3,570,777	1,087,778	4,658,555
Geographical Segments						
Australia	3,788,949	90,515	3,879,464	3,370,478	972,905	4,343,383
Other Pacific Regions	20,017	2,418	22,435	22,006	102,315	124,321
Australia & Pacific Regions	3,808,966	92,933	3,901,899	3,392,484	1,075,220	4,467,704
Americas	282,902	2,459	285,361	75,274	2,770	78,044
Europe, Middle East & Africa	127,455	10,554	138,009	103,019	9,788	112,807
Consolidated	4,219,323	105,946	4,325,269	3,570,777	1,087,778	4,658,555

15. Segmental Reporting

	Liabilities December 2003			Liabilities June 2003		
	Continuing	**Discontinuing**	**Total**	Continuing	Discontinuing	Total
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Business Segments						
Pharmaceuticals	**114,995**	**-**	**114,995**	140,547	-	140,547
Consumer Brands	**52,095**	**369**	**52,464**	65,153	8,211	73,364
Total Pharmaceuticals	**167,090**	**369**	**167,459**	205,700	8,211	213,911
Pathology Services	**74,935**	**-**	**74,935**	72,880	-	72,880
Diagnostic Imaging Services	**37,909**	**-**	**37,909**	39,738	-	39,738
Medical Centres	**6,856**	**-**	**6,856**	4,604	2,061	6,665
Total Diagnostic Services	**119,700**	**-**	**119,700**	117,222	2,061	119,283
Pharmacy	**360,713**	**-**	**360,713**	296,358	-	296,358
Hospitals	**-**	**12,599**	**12,599**	-	214,448	214,448
Divestment of Logistics Services	**-**	**-**	**-**	-	38,106	38,106
Unallocated	**695,483**	**74,606**	**770,089**	775,551	13,106	788,657
Consolidated	**1,342,986**	**87,574**	**1,430,560**	1,394,831	275,932	1,670,763
Geographical Segments						
Australia	**1,305,087**	**82,660**	**1,387,747**	1,343,327	254,636	1,597,963
Other Pacific Regions	**3,115**	**376**	**3,491**	2,639	12,591	15,230
Australia & Pacific Regions	**1,308,202**	**83,036**	**1,391,238**	1,345,966	267,227	1,613,193
Americas	**15,455**	**557**	**16,012**	19,157	917	20,074
Europe, Middle East & Africa	**19,329**	**3,981**	**23,310**	29,708	7,788	37,496
Consolidated	**1,342,986**	**87,574**	**1,430,560**	1,394,831	275,932	1,670,763

(i) The December 2002 and June 2003 figures have been restated in line with the current segmental structure.

16. Acquisition and disposal of controlled entities

Half-year ended 31 December 2003

The following controlled entities were acquired during the half-year

	Date of acquisition	Consideration $ '000	Proportion of shares acquired
Gippsland Pathology Service Pty Ltd	1 July 2003	14,000	68%

The following controlled entities were disposed of during the half-year

	Date of disposal	Consideration	Proportion of shares disposed	Contribution to profit from ordinary activities To date of disposal	For whole of corresponding period
		$ '000		$ '000	$ '000
Australian Medical Enterprises Limited Group } HCoA Hospital Holdings(Australia) Pty Ltd Group } Hospitals of Australia Limited Group } Relkban Pty Ltd } Relkmet Pty Ltd } Votraint No 664 Pty Ltd } Votraint No 665 Pty Ltd } PT Healthcare of Surabaya } PT Putramas Muliasantosa } PT Mitrajaya Medikatama } The hospital sale also included net assets held by } divisions of the parent entity, Mayne Group Limited }	30 November 2003	856,900	100%	26,288	(67,502)

17. Equity accounting

Associated Entities at 31 December 2003 were:

Associated Entity	Principal Activity	% Interest in Equity Capital Dec 2003	% Interest in Equity Capital June 2003	Equity Accounted Half-year ended	Investment Carrying amount Equity Value Dec 2003 $'000	Investment Carrying amount Equity Value June 2003 $'000	Dividends Received Dec 2003 $'000	Dividends Received Dec 2002 $'000	Equity share of operating profits/(losses) after tax & extraordinary items & outside equity interests Dec 2003 $'000	Equity share of operating profits/(losses) after tax & extraordinary items & outside equity interests Dec 2002 $'000
St George Private Hospital Nuclear Medicine Pty Ltd	Medical Services - Australia	50.00%	50.00%	31 December	**333**	281	**-**	-	**52**	31
Campsie Nuclear Medicine Pty Ltd	Medical Services - Australia	50.00%	50.00%	31 December	**105**	97	**-**	-	**8**	27
Gippsland Pathology Service Pty Ltd	Pathology Services- Australia	**- %**	32.00%	31 December	**-**	7,154	**-**	-	**-**	158
Indo China Healthcare Limited	Health Services - Asia	45.00%	45.00%	31 December	**915**	974	**103**	-	**(69)**	495
Minjesk Investment Corporation Limited	Hospital - Fiji	**- %**	20.00%		**-**	-	**-**	-	**-**	(169)
					1,353	8,506	**103**	-	**(9)**	542

Financial Information relating to Associates:

The consolidated entity's share of profits and losses, assets and liabilities of associates, in aggregate is:

	Dec 2003 $'000	Dec 2002 $'000
Statement of Financial Performance:		
Share of profits / (losses) from ordinary activities before tax of associates	**161**	1,137
Share of income tax expense attributable to profit/(loss) from ordinary activities of associates	**(67)**	(452)
Share of net profit/(loss) as disclosed by associates	**94**	685
Equity accounting adjustments:		
- goodwill amortisation	**-**	(143)
Equity accounted share of net profit/(loss) of associates	**94**	542
Dividends received from associates	**(103)**	-
Share of associates net profit equity accounted	**(9)**	542

Statement of Financial Position:

	Dec 2003 $'000	June 2003 $'000
Reserves:		
Equity share of reserves of associated entities at the beginning of the period	**-**	(7)
Equity share of reserves in the current period	**10**	-
Equity share divested	**-**	7
Equity accounted share of reserves of associates at the end of the period	**10**	-
Retained Profits:		
Equity share of retained profits of associated entities at the beginning of the period	**(270)**	(1,106)
Equity share of retained profits in the current period	**(9)**	(45)
Equity share divested	**-**	881
Equity accounted share of retained profits of associates at the end of the period	**(279)**	(270)
Movements in carrying amount of investments:		
Carrying amount of investments in associates at the beginning of the period	**8,506**	8,382
Changes in equity invested in associates during the period	**-**	(719)
Equity share divested during the period	**(7,154)**	888
Share of movement in associates reserves	**10**	-
Share of associates net profit equity accounted	**(9)**	(45)
Carrying amount of investments in associates at the end of the period	**1,353**	8,506

Gippsland Pathology Service Pty Ltd became a wholly owned controlled entity on 1 July 2003

The investment in Minjesk Investment Corporation Limited was divested with effect from 30 June 2003

18. Discontinuing Operations

During the half-year the consolidated entity divested its Hospitals businesses in Australia and Indonesia, its Corporate Health Management business, and its Asian Consumer business.
The above transactions are shown as discontinuing within the Hospitals, Medical Centres and Consumer Brands segments in Note 15.

Financial Information for the discontinuing businesses is as follows:

	Dec 2003 $'000	Dec 2002 $'000
Financial performance information:		
Revenue from ordinary activities	**559,109**	1,262,999
Expenses from ordinary activities	**(521,466)**	(1,237,275)
Net interest expense	**(4,722)**	(5,807)
Profit on sale of Logistics businesses	**-**	29,710
Loss on sale or closure of personal wash and sunscreens businesses	**-**	(10,906)
Write down and sale of Hospitals businesses	**-**	(103,143)
Profit on sale of Hospitals businesses	**504**	-
Profit from ordinary activities before tax	**33,425**	(64,422)
Tax (expense)/benefit	**(11,052)**	1,137
Net profit after tax	**22,373**	(63,285)
Outside equity interest	**(4)**	54
Net profit after tax and outside equity interest	**22,377**	(63,339)

	Dec 2003 $'000	June 2003 $'000
Financial position information:		
Segment assets	**105,946**	1,087,778
Segment liabilities	**87,574**	275,932
Net assets	**18,372**	811,846

19. Contingent liabilities

		Dec 2003 $'000	June 2003 $'000
(a)	Claims for which no reserves are considered appropriate	**9,706**	10,560
	Contingencies relating to sale of businesses	**1,678**	1,678
	Performance bonds and guarantees	**10,414**	13,982
	F H Faulding Pharmacy Guarantee Scheme (1)	**73,103**	79,970
		94,901	106,190

(1) F H Faulding & Co Limited, a controlled entity of Mayne Group Limited, provides guarantees of pharmacists' borrowings from a number of banks to enable the pharmacists to acquire or expand pharmacies. To manage exposure under these guarantees, arrangements have been entered into to limit the banks' recourse to F H Faulding & Co Limited under the guarantee. The contingent liability represents the recourse limit based on loan utilisation at 31 December 2003.

(b) Legal proceedings have been brought against the company and one of its wholly owned subsidiaries arising out of the sale of its Contract and Cash Logistics businesses to Linfox Pty Limited in February 2003. The company refutes the claim and is vigorously defending the action. Legal advice indicates that the company has a strong likelihood of success in any legal action.

20. Subsequent events

Off-market Share Buy-back:

On 30 January 2004 the Company announced details of a plan to invite shareholders to participate in a share buy-back program, foreshadowed when the sale of the hospitals business was announced late in 2003.

Implementation of the buy-back program is subject to shareholder approval, which will be sought at a general meeting on 4 March 2004. Approval of the buy-back program will enable the Company to buy-back shares up to a value of $500 million over the next twelve months.

The Company intends to purchase between $250 million and $350 million of its shares through an off-market tender process. Using Mayne's closing share price on 29 January 2004, this would represent approximately 10.6% to 14.8% of its issued share capital.

Directors' declaration

In the opinion of the directors of Mayne Group Limited ("the Company"):

(a) the financial report in the form of the rule 4.2A version of Appendix 4D of the Australian Stock Exchange Listing Rules , set out on pages 1 to 27, is in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the financial position of the Consolidated Entity as at 31 December 2003 and of its performance, as represented by the results of its operations and its cash flows for the half year ended on that date; and
   (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" ; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors on 25 February 2004.

P J Willcox
Chairman

S B James
Group Managing Director and Chief Executive Officer

Independent Review Report
To the members of Mayne Group Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements (1 to 20) and the directors' declaration for the Mayne Group Limited Consolidated entity (The "Consolidated Entity") for the half-year ended 31 December 2003. The Consolidated Entity comprises Mayne Group Limited ("the Company") and the entities it controlled during that half-year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review in order for the Company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether on the basis of the procedures described anything has come to our attention that would indicate the financial report does not present fairly, in accordance with the Corporations Act 2001, Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Consolidated Entity's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which were limited primarily to:

- enquiries of company personnel; and
- analytical procedures applied to the financial data.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

A review cannot guarantee that all material misstatements have been detected.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Mayne Group Limited is not in accordance with:

(a) the Corporations Act 2001, including

i. giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2003 and of its performance for the half-year ended on that date; and

ii. complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

KPMG

Paul J McDonald
Partner

Melbourne
25 February 2004

MAYNE GROUP LIMITED

DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2003

This report by the Directors of Mayne Group Limited (the "Company") is made pursuant to Chapter 2M of the Corporations Act 2001 for the half-year ended 31 December 2003 (the "half-year") and is accompanied by the consolidated financial statements for the half-year of the consolidated entity comprising the Company and the entities it controlled from time to time during the period ("consolidated entity").

1 Directors

The name of each person who has been a Director of the Company during or since the end of the half-year is:

Peter John Willcox	Appointed on 1 October 2002
Peter Charles Barnett	Appointed on 28 February 1996
Sir Ross Buckland	Appointed on 25 September 2001
Sarah Carolyn Hailes Kay	Appointed on 28 September 2001
Stuart Bruce James	Appointed on 29 January 2002
Peter Edward Mason AM	Appointed on 8 September 1992
Rowan McRae Russell	Appointed on 28 August 2001
Judith Sloan	Appointed on 12 December 1995

2 Review and Results of Operations

A review of the operations of the economic entity during the half-year and the results of those operations are set out in the accompanying commentary on the results.

3 Rounding

The company is of a kind referred to in the Australian Securities and Investment Commission Class Order 98 / 100 dated 10 July 1998. As a result, amounts in this report and accompanying financial report have, except where otherwise required, been rounded to the nearest thousand dollars or, where the amount is $500 or less, zero in accordance with the class order.

This Directors report is made on 25 February 2004 in accordance with a resolution of the Directors.

Status of the audit of the Financial Statements:

The Financial Statements have been subject to review by the independent auditors. A copy of the review report is enclosed.

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25 February 2004

K Kee
Company Secretary

Media Release
25 February 2004

Mayne reports steady improvement in half year results

Mayne Group Limited today announced its results for the half year to 31 December 2003, and reported improvements in net profit after tax, earnings before interest and tax (EBIT), operating cash flow and earnings per share.

Mayne Group Managing Director and Chief Executive Officer, Mr Stuart James, said that the company had been able to continue its reshaping program while maintaining the performance of the underlying businesses.

The company reported a net profit after tax of $48.7 million, up from a $57.7 million loss after tax in the first half of last financial year. Overall EBIT was up 17% to $108.6 million compared to the prior corresponding period, while EBIT from continuing businesses rose from $67.1 million to $70.9 million. The company also announced an unfranked interim dividend of 4.5 cents, compared to an unfranked dividend of 4.0 cents for the same period last year.

“Mayne has progressed steadily, enabling the business to meet our expectations for the first six months of this financial year while we are also continuing to reshape the company to focus on our higher return businesses,” Mr James said.

“The international pharmaceutical business has been developed by acquisitions and product development, and our position in the diagnostic services field has been consolidated in both Pathology and Imaging,” he said.

“The acquisitions of the paclitaxel assets in North America were finalised in December, and in February the company signed a collaboration arrangement with Ivax Corporation that may result in our entry to the European paclitaxel market earlier than we had anticipated. The agreement with Ivax will leverage our resources in active pharmaceutical ingredient processing, product manufacturing and sales.

“In order to meet our long term manufacturing needs $60 million is to be invested in the Mulgrave and Aguadilla facilities. Together with our product development and product acquisition programs this will allow us to access markets having a total value of $US7.8 billion, compared to $US3.8 billion at the same time in 2001.

“The Pharmaceuticals result was as expected due to the previously advised weaker product pipeline this financial year and the impact of the rising Australian dollar on our offshore sales. If the average foreign exchange rates for the prior corresponding period were used, the Pharmaceuticals EBIT would have been $4 million higher.

“In Europe revenue was up 21% on the prior corresponding period (it would have been 32% using the average foreign exchange rates from the prior corresponding period). The Americas revenue result was 17% lower than the same half last year (4% higher than the prior corresponding period before foreign exchange impact), however it saw significant price erosion in pamidronate and other mature products. Asia Pacific’s result was up 21% on last year’s first half revenue (23% higher than the prior corresponding period before foreign exchange impact) and sales in Asia have risen again with the SARS outbreak subsiding.

“In both diagnostic businesses we have settled in new acquisitions and continued organic growth. Future growth will come from operational improvements that will make us more competitive and raise earnings margins.

“Pathology operations in each state once again increased market share, growing above market rates, and the QML and Gippsland Pathology Service acquisitions continue to perform well. NSW has also finished with another pleasing result showing fundamental operational improvement.

“Diagnostic Imaging grew its underlying revenue above market rates after instituting a fee increase. There has been very little growth in examinations across the market, which combined with a variety of cost pressures, has seen margins remain static.

“Consumer Products had its sales rebound better than expected after the Pan recall, and Mayne has just regained the leading market share across the combined retail sales channels. The EBIT result also benefited from good cost management and productivity improvements.

“There are still discussions occurring on the possible sale of Pharmacy Services which we are expecting to resolve shortly. This will remove the air of uncertainty in the pharmacy market and should help to alleviate the pressure on margins. There are a number of plans in place to further develop this business after a good revenue performance in the period under review and we will only contemplate a sale if it generates more value than continuing to operate it.

“The turnaround of the Hospitals business continued, which allowed Mayne to secure a sale price of $813 million.”

Earnings from Mayne’s former Hospitals business have been treated as discontinued earnings.

In regard to outlook, Mr James said that Mayne’s focus is to continue building its pharmaceuticals and diagnostic businesses. Other businesses are expected to continue a steady improvement over the first half. Overall adverse foreign exchange impacts are likely to offset the Pharmaceuticals volume increases, resulting in a second half performance similar to the first half.

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Mob: 0407 335 907

Mayne Group Financial Results – Half year ended 31 December 2003

Half year financial result

$m	1H03	1H04
Reported revenue	2,850.1	2,332.1
Reported NPAT	(57.7)	48.7
Reported EBIT	92.8	108.6
Net operating cash flows	69.1	138.2
Significant items	(90.8)	(6.0)[1]
Reported EPS (cents)	(7.1)	6.4
Revenue continuing	1,587.1	1,773.0
NPAT continuing businesses[2]	27.4	32.7
EBIT continuing businesses	67.1	70.9
Normalised EPS (cents)[3]	7.7	9.1

[1] Significant items are mainly the writedown of deferred tax assets from Mayne adopting the Australian tax consolidation regime. Many companies are incurring writedowns from adopting the same program.
[2] NPAT continuing before significant items
[3] Before amortisation, significant items and discontinuing businesses

Continuing businesses EBIT split

$m	1H03	1H04
Pharmaceuticals	28.4	25.7
Consumer	5.0	2.2
Diagnostic Services[1]	25.0	33.3
Pharmacy Services	14.3	15.7
Continuing businesses	72.7	76.9
Unallocated	(5.6)	(6.0)
Underlying EBIT	67.1	70.9

[1] Includes Pathology, Diagnostic Imaging and Medical Centres

Information Compendium For the Six Months To 31 December 2003

Company contact details

Contact Mayne Investor Relations:

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General Manager Corporate Relations
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larry.hamson@maynegroup.com

Let us service you better by keeping your details current on our database.

e-mail jodie.giles@maynegroup.com with your details to ensure we can stay in touch with you.

Contents

I. GROUP INFORMATION

1. Profit Statement

Profit Statement*

($m)	1H03	2H03	1H04
Continuing business EBIT	67.1	65.7	70.9
Discont. business EBIT	25.7	18.0	37.6
Group EBIT	92.8	83.7	108.6
Net Interest expense	**(17.3)**	**(15.8)**	**(10.7)**
Profit before tax	75.5	67.9	97.8
Taxes	**(41.0)**	**(41.9)**	**(41.1)**
Minority interests	**(1.4)**	**(2.2)**	**(2.0)**
NPAT before significant items	33.1	23.8	54.7
Significant items	**(90.8)**	**(422.2)**	**(6.0)**
Reported NPAT	**(57.7)**	**(398.4)**	48.7
Normalised NPAT			
Reported NPAT	**(57.7)**	**(398.4)**	48.7
Significant items	90.8	422.2	6.0
Intangibles amortisation	44.5	45.2	37.3
Normalised NPAT	**77.6**	**69.0**	**92.0**

Significant items (after-tax)	**$m**
Gain on sale of hospitals	0.5
Tax expense on adoption of Australian tax consolidations	**(6.5)**
	(6.0)

* Minor inconsistencies in adding/subtracting figures in table due to rounding.

Mayne Group Limited (Mayne) reported a solid overall result in 1H04 as it continued its strategic repositioning to focus on its higher growth, higher margin businesses of Pharmaceuticals and Diagnostic Services. Reported EBIT increased 17% ($15.8 million) over the prior corresponding period to $108.6 million in 1H04. EBIT from the continuing business (i.e. excluding hospitals, logistics and the rationalised consumer dermaceuticals businesses) improved to $70.9 million an increase of 5.7% over the prior corresponding period. This growth was primarily generated from the full period contributions of the acquisitions made in Diagnostic Services.

The Group's NPAT before significant items increased 65% over the prior corresponding period to $54.7 million. NPAT partially benefited from lower net interest expense in the last six months, but the majority of NPAT growth was driven by higher earnings across the business units.

Reported NPAT increased by $106.4 million over 1H03 to $48.7 million. In 1H03, Mayne reported $90.8 million in significant items primarily related to the write-down of assets in the hospitals division to their estimated net recoverable amounts, and provisioning for hospital and consumer products operations that were either rationalised or sold.

Normalised NPAT (before significant items and goodwill amortisation) increased by 19% ($14.4 million) over the prior corresponding period to $92.0 million. Goodwill amortisation decreased in comparison to prior periods primarily resulting from the write-downs to the hospitals (approximately $270 million) and pharmacy services ($80 million) businesses reflected in the significant items recognised in June 2003. This was partially offset by increased goodwill amortisation associated with the Diagnostic Services and Pharmaceuticals acquisitions completed in the last 12 months. The impact of these acquisitions are discussed in further detail in the business unit segments of the compendium.

Continuing Business Profit Statement*

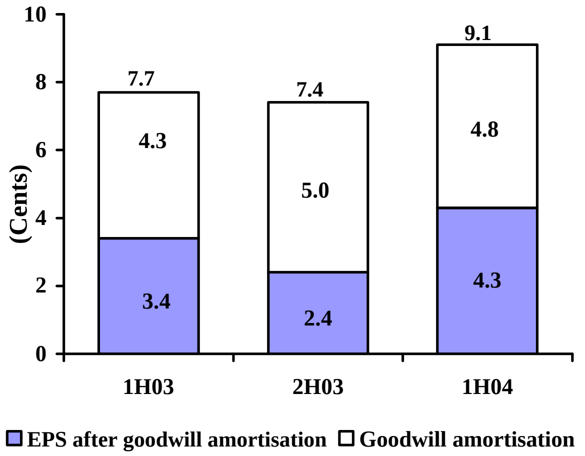
($m)	1H03	2H03	1H04
EBIT	**67.1**	**65.7**	**70.9**
Net Interest expense	(11.5)	(13.4)	(6.0)
Profit before tax	55.6	52.2	64.9
Taxes	(26.9)	(31.0)	(30.0)
Minority interests	(1.3)	(1.9)	(2.1)
NPAT before significant items	**27.4**	**19.4**	**32.8**
Significant items	(21.8)	(147.4)	(6.5)
Reported NPAT	5.6	(128.0)	26.3
Normalised NPAT			
Reported NPAT	5.6	(128.0)	26.3
Significant items	21.8	147.4	6.5
Intangibles amortisation	34.9	39.1	36.4
Normalised NPAT	**62.2**	**58.5**	**69.1**

* Minor inconsistencies in adding/subtracting figures in table due to rounding.

EBIT generated from Mayne's continuing businesses increased $3.8 million (or 5.7%) over the prior corresponding half to $70.9 million. Continuing NPAT before significant items grew 19.7% over the prior corresponding period. Interest expense for the continuing business decreased significantly due a lower net debt balance following the completion of the sale of logistics in February 2003 and most of the hospitals business in November 2003. The decreased interest costs were partially offset by higher taxes for the continuing business.

Normalised NPAT also improved, growing to $69.1 million, approximately 11.1% above the prior corresponding period.

Normalised EPS – Continuing Business*

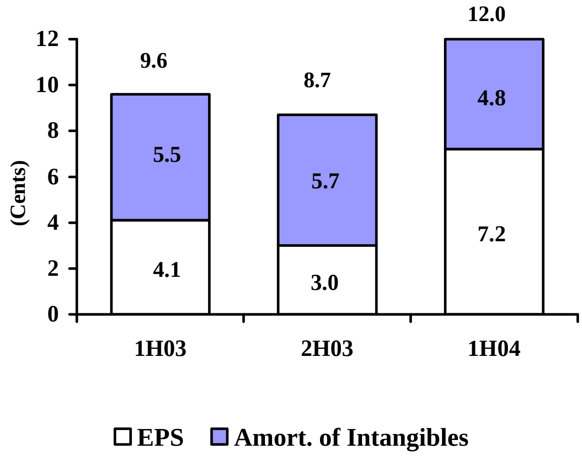


*** Before significant items and goodwill amortisation for continuing business only.**

The solid growth in normalised NPAT for the continuing business combined with the decrease in weighted average issued share capital caused by the on-market buy-back, has translated into growth in normalised EPS of 18.2% over the prior corresponding period. Mayne generated normalised EPS from its continuing business of 9.1 cents per share, versus 7.7 cents per share in the same period last year.

The off-market buy-back tender of approximately $250-350 million that is expected to occur in March 2004, will have a positive impact on Mayne's future EPS, all else being equal.

Earnings Per Share



	1H03	2H03	1H04
Diluted EPS *	**4.1**	**3.0**	**7.2**
Interim DPS	**4.0**	**-**	**10.5**

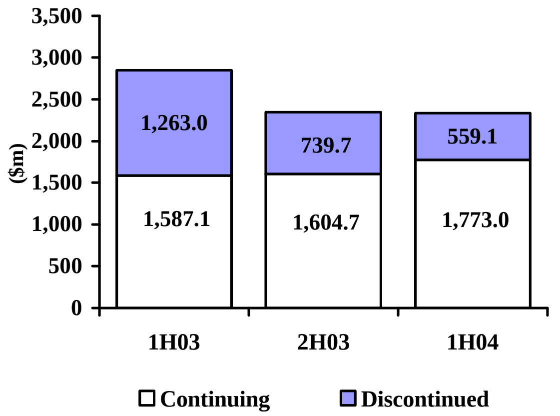
* Before significant items, after goodwill amortisation.

Mayne's EPS before significant items increased to 7.2 cents per share from 4.1 cents per share in the prior corresponding half. This positive result is attributable to the increase in group EBIT; lower interest expense; and lower issued share capital as a result of the on-market buy-back.

Normalised EPS (excluding goodwill amortisation and significant items) for Mayne's continuing and discontinuing businesses was 12.0 cents in 1H04 an increase of 25% over the prior corresponding period result of 9.6 cents.

Mayne has announced a 4.5 cent interim dividend per share, which when added to the special dividend paid in lieu of the 2003 final dividend, results in a total dividend payment of 10.5 cents per share for the first half of fiscal 2004. The 4.5 cent interim dividend is expected to be paid on 31 March 2004 and represents a 0.5 cent (or 12.5%) increase over the interim dividend paid for the prior corresponding period.

Sales Revenue



	1H03	2H03	1H04
Total	**$2,850.1m**	**$2,344.4m**	**$2,332.1m**

Sales revenue for Mayne's continuing businesses increased 11.7% over the prior corresponding period to approximately $1.8 billion. Continuing revenues improved across all business units (with the exception of Consumer Products due to the Pan recall and product portfolio rationalisation program) with the largest growth recorded in Diagnostic Services resulting from the full period impact of several acquisitions made in the last 18 months. Substantially all discontinued sales revenue in 1H04 relates to Mayne's private hospitals portfolio which was sold to a consortium of private equity investors in November 2003. The sale of 12 of the 53 hospitals in Mayne's network are subject to regulatory approvals which are expected to be obtained individually and at various times over the next six months.

Discontinued revenues in the prior periods related to the logistics businesses sold in fiscal 2003 as well as the dermaceuticals businesses that were either rationalised or sold.

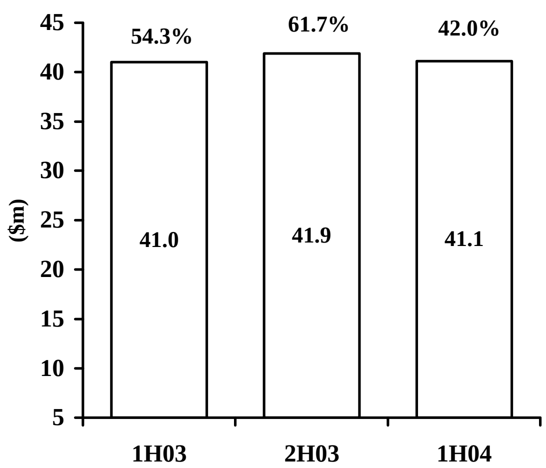
Earnings Before Interest & Tax ("EBIT")

($m)	1H03	2H03	1H04
Pharma (1)	33.4	26.4	27.9
Diagnostic Services (2)	25.0	31.3	33.4
Pharmacy Services	14.3	15.6	15.7
Continuing Businesses	72.7	73.3	77.0
Unallocated	(5.6)	(7.6)	(6.1)
Underlying EBIT	67.1	65.7	70.9
Discont. Businesses	25.7	18.0	37.7
Reported EBIT	**92.8**	**83.7**	**108.6**

(1) Pharmaceuticals and Consumer Products.
(2) Pathology, Diagnostic Imaging and Medical Centres.

Group EBIT increased $15.8 million (or 17%) over the prior corresponding period to $108.6 million. This robust growth was generated from Mayne's continuing business as well as increased contribution from the divested hospitals operation. As expected, the Pharma division reported lower EBIT as a result of the weak pipeline of new product launches in fiscal 2004, continuing price erosion for products in the existing portfolio and the foreign exchange effect of the appreciating Australian dollar. This was partially offset by a good recovery in the Consumer Products business following Pan. Diagnostic Services reported strong EBIT growth due to the full period contribution from acquisitions made in the last three halves. Pharmacy Services posted a steady earnings result in a difficult operating environment highlighted by opportunistic and competitive pricing initiatives taken by competitors at the time when the sale process for Pharmacy Services became public.

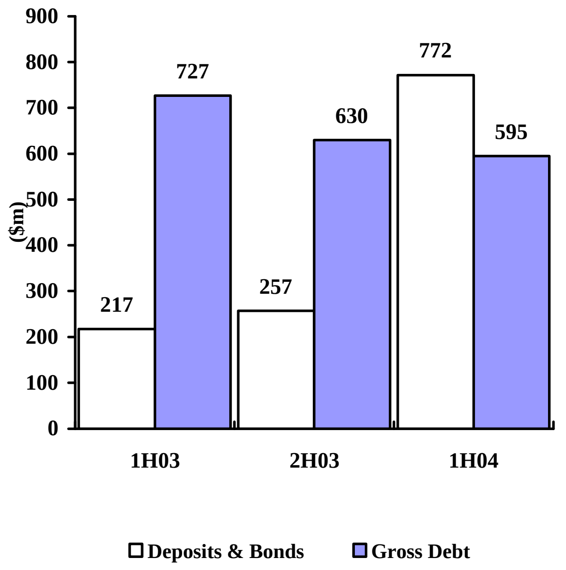
Taxation



Income tax expense from ordinary activities, excluding the tax impact of significant items, was $41.1 million consistent with the prior corresponding half. However, the effective tax rate decreased to 42.0% in 1H04. This significant decrease versus prior periods is due primarily to a higher percentage of profit before tax being sourced from Australia as well as a one-time tax expense incurred in 2H03 related to the rationalisation of Consumer Products dermaceutical business in the US. Excluding the impact of goodwill, the underlying effective tax rate was 30.4% in 1H04. It should be noted that Mayne has future income tax benefits from prior year losses and accordingly income tax paid by Mayne in future periods should be significantly lower than income tax expense helping to increase operating cash flow.

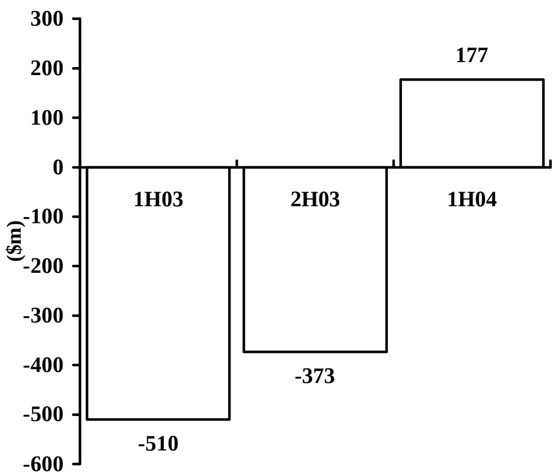
2. Balance Sheet

Gross Debt & Deposits



Deposits increased significantly in 1H04 primarily due to receipts related to the sale of Mayne's freehold hospital business on 1 December 2003. Gross debt consists predominantly of hedged USD denominated term debt which matures in 2006. This debt has been maintained as it is attractively priced, unsecured and of reasonable tenor.

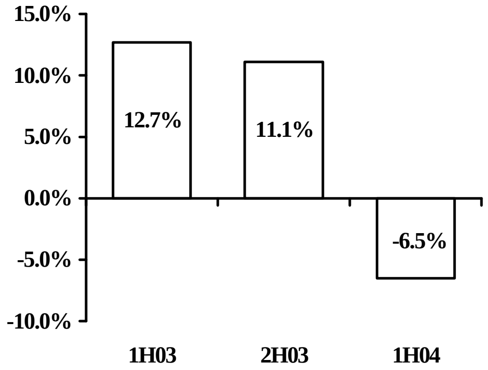
Net Debt/ Net Cash



Mayne had a net cash position of approximately $177 million at 31 December 2003, an increase of $550 million in the last six months. Receipts related to the sale of Mayne's freehold hospitals offset by:

- The continuation of the on-market share buy-back program announced in August 2002;
- The acquisition of the NaPro Biotherapeutics, Inc. and Abbott Laboratories paclitaxel businesses;
- The acquisition of pharmaceutical oncology products from Xanodyne Pharmacal and the acquisition of the Melbourne Ultrasound for Women diagnostic imaging practice; and
- Capital expenditure and dividend payments made in the period.

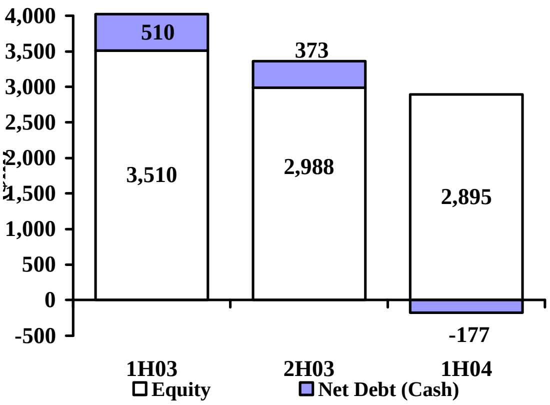
Gearing*



Mayne had a net cash position of $177 million at 31 December 2003. Accordingly, significant flexibility exists for Mayne to invest for growth, repay gross debt, or return further capital to shareholders. At 31 December 2003, Mayne was positively geared, having a gearing ratio of – 6.5%. Mayne is expecting to increase its gearing ratio in the next six months as a result of the off-market buy-back tender of $250-350 million as well as the capital expenditure initiatives announced for QML (approximately $27.5 million) and Mayne's pharmaceutical manufacturing facilities (approximately $60 million).

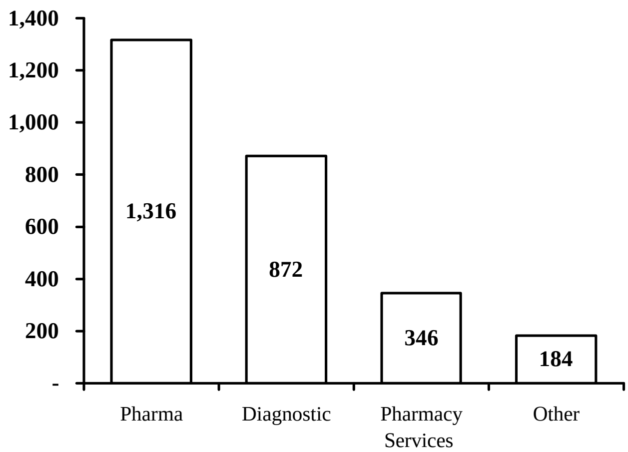
* Net debt/(net debt and equity)

Capital Employed



Total ($m)	4,020	3,361	2,718

Net capital employed decreased to $2.7 billion at 31 December 2003 from approximately $3.4 billion at 30 June 2003. Mayne's net debt decreased by $550 million for the reasons previously highlighted and equity decreased by $93 million primarily due to shares repurchased under Mayne's on market buy-back program, offset partially by the issue of shares under Mayne's dividend re-investment plan, and the profit generated by Mayne in the half.

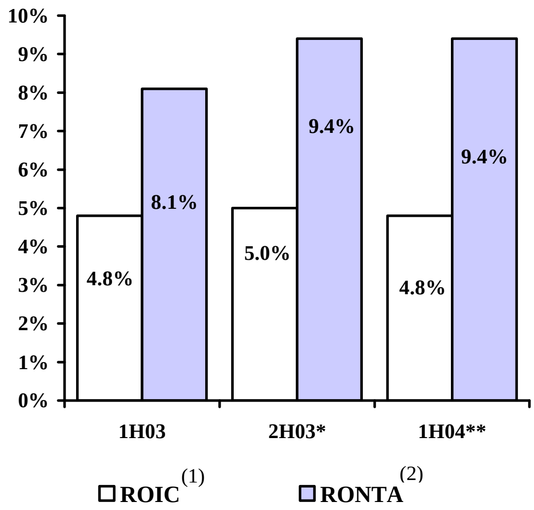


Mayne's Pharma division increased capital employed by $174 million to approximately $1.3 billion resulting from the NaPro and Abbott paclitaxel acquisitions as well as various product acquisitions completed in the period.

Capital employed for Diagnostic Services decreased slightly compared to 30 June 2003 resulting from better working capital management. (Note that in prior compendia, Medical Centres was included in Health Services but is now part of Diagnostic Services).

Pharmacy Services reduced its capital employed by approximately $10 million in the last six months due to a decrease in working capital.

Return on Capital Employed



(1) Return on Invested Capital – calculated as Reported EBITA less actual group underlying tax expense divided by average Invested Capital (net assets, including goodwill adding back accumulated goodwill amortisation) and expressed as an annualised percentage return.
(2) Return on Net Tangible Assets – calculated as Reported EBITA less actual group underlying tax expense divided by net assets (excluding goodwill but including brand names, licences etc.) and expressed as an annualised percentage return.

* Reflects continuing business earnings (i.e. Including hospitals) and total capital employed as it was at 30 June 2003.
** Reflects continuing business earnings (i.e. excluding hospitals) and total capital employed as at 31 December 2003.

Mayne's group ROIC has remained relatively stable at approximately 5.0% over the last 18 months, implying that changes in the economic return to Mayne from its continuing operations have been consistent with the changes in capital employed as Mayne continues to reshape itself. RONTA increased to 9.4% in 1H04, reflecting an increase in the proportion that goodwill represents of total capital employed, and hence creating a higher return on net trading assets (excluding goodwill).

Shares On Issue

(m)	
Opening – 1 July 2003	**772.7**
Dividend Reinvestment Plan	3.8
Share Buy-back	(30.2)
Exercise of Options	0.1
Closing – 31 December 2003	**746.4**

The number of shares outstanding decreased by 26.3 million between 1 July and 31 December 2003. Mayne repurchased approximately 30.2 million shares through its on-market share buy-back program. This was offset by the issue of 3.8 million shares through the Dividend Re-Investment Plan. The weighted average number of shares outstanding in 1H04 was 763.6 million. In December 2003, Mayne announced that it had increased the number of shares available to be repurchased under its on-market buy-back program to 85 million shares. Of this amount, there are approximately 3.6 million shares which may be repurchased under the on-market buy-back program without seeking shareholder approval. Mayne is seeking shareholder approval at a General meeting on 4 March 2004, for an extension of its capital management program to enable the Company to repurchase up to 180 million shares.

Substantial Shareholders (at December 2003)*

	Shares (m)	**% of Issued Share Capital**
Franklin Resources /Templeton	86.1	11.5%
Maple-Brown Abbott	83.3	11.2%

* Analysis does not include custodians holding shares for other fund managers.

Maple-Brown Abbott and Franklin/Templeton continue to hold the largest positions in Mayne's share register, holding 11.2% and 11.5% of issued share capital respectively at 31 December 2003.

3. Cash Flow

Underlying Cashflow

(excluding significant items)

	($m)
EBITDA	**191.8**
Working Capital Movement	**(35.2)**
	156.6
Receipts	2,389.9
Payments	**(2,228.9)**
Gross Operating Cash Flow	**161.0**
Significant items in operating cash flow not in EBITDA	8.5
Normalised Operating Cash Flow	**169.5**
Income Taxes Paid	**(5.1)**
Capital Expenditure	**(74.8)**
Asset Disposals	0.2
Free Cashflow	**89.8**
Net Interest Paid	**(17.7)**
Dividends Paid	**(33.7)**
Net Cashflow	**38.4**

Mayne's gross operating cash flow improved 32.5% in 1H04 to $161.0 million from $121.5 in the prior corresponding period. The correlation between earnings, adjusted for normalised operating movements in working capital also improved. Operating cash flow, normalised to exclude significant items not in EBITDA, was $169.5 million and free cash flow generated by the group was $89.8 million. The working capital reconciliation set out below is normalised to adjust for businesses acquired/divested and non-operating movements such as non-cash provisions and dividends payable. Normalised working capital increased $35.2 million in the last six months. Receivables in Pharmaceuticals and Pharmacy Services increased due to higher sales in the period and underlying Consumer Products receivables grew following a return to normal trading conditions late in the second half. Normalised inventory balances increased in Pharmacy, Pharmaceuticals and Consumer, offset by higher normalised trade creditor balances in these businesses.

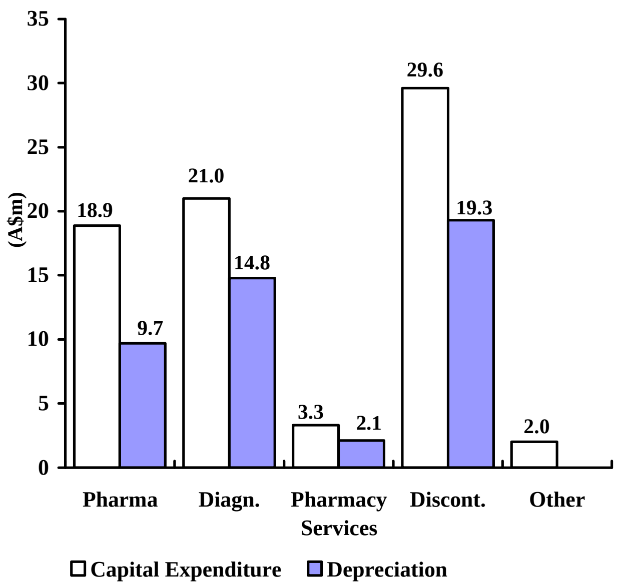
Working Capital Movement Reconciliation

Sources / (Uses) Cash	**($m)**
Trade Debtors	**(52.5)**
Other Debtors (inc. GST receivables)	17.3
Inventory	**(68.9)**
Prepayments	2.1
Assets held for resale	-
Trade Creditors	86.5
Other Creditors (inc. GST payables)	**(10.9)**
Provisions	**(8.8)**
	(35.2)
Receivables movement per 4D	159.9
Less Other net non-op. receivables [(1)]	**(195.1)**
	(35.2)
Trade Debtors Movement	**(52.5)**
Other Debtors Movement	17.3
	(35.2)

(1) Relates primarily to net receivables acquired/ divested, credit notes issued re: Pan and tax receivable reclassification.
(2) Relates to net payables acquired/divested other non-operating provisions included in other creditors.
(3) Includes non-current provisions on the balance sheet relating primarily to Employee Entitlements.
(4) Relates to net provisions acquired/divested and non-operating dividend provisions, Pan provision, and Consumer and other restructuring/devolution provisions etc.

Assets held for resale movement per 4D	35.3
Less assets divested	(35.3)
Underlying movement	-
Inventories movement per 4D	**(61.5)**
Less net invent. acq/div.	**(7.4)**
Underlying inventories movement	**(68.9)**
Prepayments movement per 4D	8.4
Less net prepay. acq./div.	**(6.3)**
Underlying prepayments movement	2.1
Payables movement per 4D	**(72.3)**
Less net non-op. payables [(2)]	147.9
Underlying payables movement	75.6
Underlying Trade Creditors movement	86.5
Underlying Other Creditors movement	**(10.9)**
Underlying payables movement	75.6
Provisions movement per 4D[(3)]	**(87.8)**
Less net non-op. prov. [(4)]	79.0
Underlying Provisions movement	**(8.8)**

Capital Expenditure



Total capital expenditure across the group was $74.8 million in the first half, a decrease of approximately $28 million from the prior corresponding period related to investments made in the logistics businesses prior to their sale in February 2003.

In Pharmaceuticals, Mayne invested in Seidenader inspection machines as well as a freeze dryer for non-cytotoxic products. In addition, the business incurred expenses associated with planning for the facility expansions at Mulgrave and Aguadilla.

Capital expenditure was approximately 34.2% higher than the prior corresponding period in Diagnostic Services. This increase is consistent with the overall growth of the business in the last two years brought about by the acquisition of QML, QDI, the Pacific Healthcare sites and the remaining shares in GPS. In addition, Mayne upgraded its diagnostic imaging facility at Knox in Victoria during the last half.

Discontinued business capital expenditure relates to the Hospitals business that was sold in November 2003, and was relatively flat in comparison to prior periods.

Other Assets / Liabilities

($m)	1H03	2H03	1H04
Assets Held for Sale	24.6	35.3	-
Sale Proceeds Receivable*	401.1	43.0	38.4
Intangibles	1,858.8	1,764.8	1,852.1
Investments	8.8	8.5	1.4
FITB	207.1	198.3	117.7
Currency Swap Principal	60.1	22.8	**(0.3)**
Provision for Taxation	15.4	34.9	12.1
Deferred Taxation	63.1	41.3	18.1

* Included in Receivables balance in 4D balance sheet at 30 June 03 and 31 December 03.

Assets held for resale at 30 June 2003 represented the hospitals sold to Healthscope. Transfers with respect to these hospitals were completed in 1H04.

Intangibles increased in 1H04 as a result of goodwill associated with the NaPro Biotherapeutics, Inc and Abbott Laboratories paclitaxel acquisitions as well as the Diagnostic Services acquisitions completed in the half.

Future income tax benefits (FITB) declined by $89.4 million resulting from:

- The utilisation of prior year tax losses to reduce current year taxes;
- The transfer of FITB associated with the hospitals business to the acquirers of that business; and
- The write-down of deferred tax balances resulting from entering the Australian tax consolidation regime.

Sale proceeds receivable relates to amounts owed by Linfox to Mayne regarding the logistics sale. Receipt of the proceeds is subject to the resolution of disputes between the parties regarding the net asset adjustments on completion.

II. PHARMA

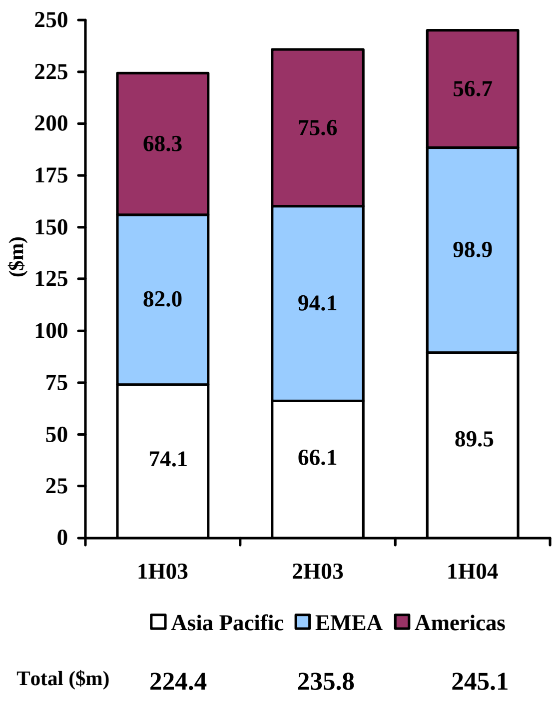
1. Pharmaceuticals

Mayne's pharmaceutical business is focussed on the research, development, manufacture and sale of specialty pharmaceuticals with a particular emphasis on generic, injectable oncology (anti-cancer drugs – primarily cytotoxic agents) and related therapeutic areas. It also encompasses a growing presence in branded generics and proprietary products which are marketed to specialists such as oncologists, urologists and anaesthetists. Cytotoxic drugs are poisonous compounds making them complex to develop and manufacture. This specialist expertise creates competitive barriers to entry generally resulting in higher margins for longer periods of time following generic market formation. Depending on the particular region, Mayne sells its products directly to hospitals and medical clinics, to distributors and group purchasing organisations, and/or to governments through tender processes. Mayne has strong, established market positions in Europe, the United Kingdom, Canada and Australia and is building its presence in the United States.

Results Summary

Mayne Pharma's performance in the first half of fiscal 2004 was in-line with management expectations. Despite continuing to grow revenue in 1H04, a weaker pipeline of new products in the current year, intense price competition for key products in the US, as well as a significantly stronger Australian dollar has weakened earnings and margins in the business. However, adjusting for foreign exchange fluctuations, EBITA for Pharmaceuticals would have been slightly higher than the prior corresponding period.

Revenue Growth



Reported revenue for Mayne Pharmaceuticals increased 9.2% over the prior corresponding half (or 20% adjusted for foreign exchange fluctuations). This was driven by growth in the Asia Pacific and Europe, Middle East and Africa (EMEA) regions offset by a decline in revenue in the Americas. In Europe, revenue increased 21% on the same half last year (it would have been 32% using the prior corresponding period's foreign exchange rates). The Americas revenue result was 17% lower than the same half last year (4% higher than the prior corresponding period before foreign exchange impact), and Asia Pacific's revenue was up 21% on last year's first half revenue (23% before foreign exchange impact).

Mayne has experienced significant growth in many continental European markets on the back of its geographic expansion growth strategy initiated almost 18 months ago. This strategy levers Mayne's manufacturing and sales capabilities by taking products currently manufactured for other regions and selling them into new countries. Revenue generated in France and Germany has more than doubled over the prior corresponding period, whilst sales in Italy, Portugal and Spain have each increased more than 40%. Pamidronate has continued to be a strong performer for Mayne in EMEA.

Mayne's US pharmaceuticals business had a relatively difficult half as competition for the sale of pamidronate intensified with new competitors entering the market. As a result, average selling prices for pamidronate decreased sharply in 1H04 in comparison to the prior two periods. Sales of hydromorphone (launched in 2H03) and morphine exceeded plan for the half. Price erosion for pamidronate was significantly less in Canada resulting in solid revenue for the country despite negative currency movements.

Reported revenue in Asia Pacific increased 20.8% over the prior corresponding period due to strong relative performances from propofol, epirubicin and vancomycin in Australia and New Zealand as well as a strong contribution from the export of Doryx. In November 2003, Novartis received a PBS listing for Zometa®, a newer drug which is used for the treatment of hypercalcemia of malignancy, and will now compete more directly with pamidronate in Australia. Revenue derived from Asia increased 20% over the prior period with growth across most countries resulting from renewed purchases following the SARS outbreak in 2H03.

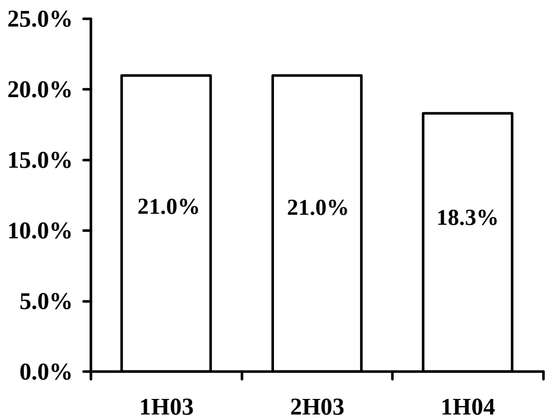
Operating Performance

($m)	**1H03**	**2H03**	**1H04**
Revenue	224.4	235.8	245.1
EBITDA	53.0	57.3	51.8
D&A	24.6	26.8	26.1
EBIT	**28.4**	**30.5**	**25.7**

* Includes other amortisation related to capitalised R&D, and operating rights and licences.

Earnings decreased slightly at the EBITDA and EBIT levels in comparison to the prior two periods. However, assuming that foreign exchange rates were held constant at their average for 1H03, EBIT would have been $29.8 million or $4.1 million higher in 1H04 than was reported and $1.4 million higher than in the same period last year.

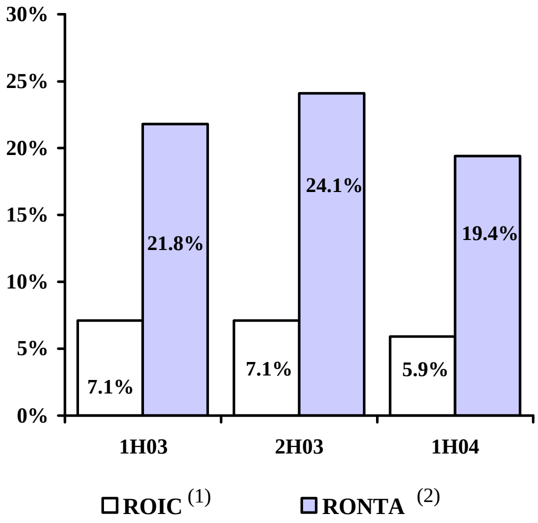
EBITA Margin



EBITA margins decreased to 18.3% in 1H04 as a result of:

- the weak pipeline of new product launches and expected price erosion across the portfolio as it matures, in particular pamidronate in the US;
- declines in contract manufacturing margins caused by the loss of the Abbott paclitaxel contract in 1H03; and
- production inefficiencies in July 2003 caused by industrial action at the Mulgrave, Victoria plant.

Return on Capital Employed

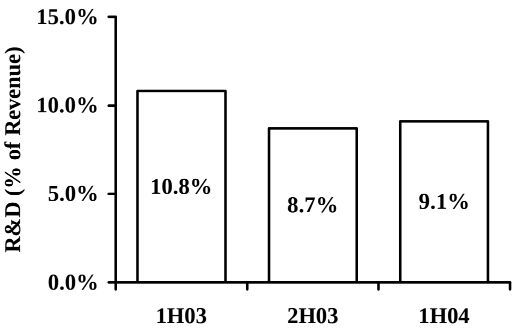


(1)Return on Invested Capital – calculated as EBITA less notional tax expense divided by average Invested Capital (net assets, including goodwill adding back accumulated goodwill amortisation) and expressed as an annualised percentage return.
(2)Return on Net Tangible Assets – calculated as EBITA less notional tax expense divided by net assets (excluding goodwill but including brand names, licences etc.) and expressed as an annualised percentage return.

ROIC achieved for the Pharmaceuticals business was 5.9% on a ROIC basis, which includes goodwill arising from the Faulding and paclitaxel acquisitions, and 19.4% on a RONTA basis. Consistent with our expectations, ROIC and RONTA weakened as earnings margins decreased and capital employed increased resulting from the paclitaxel acquisitions completed late in the first half.

As announced in December 2003, Mayne has committed to a $60 million capital expenditure program to increase manufacturing capacities at its Mulgrave and Aguadilla manufacturing sites. The majority of the Mulgrave capital expenditure will occur in fiscal 2005, whilst the Aguadilla expansion will occur primarily in the current financial year.

Research & Development ("R&D")



Research and development costs as a percentage of total revenue was 9.1% in the first half of fiscal 2004. In absolute dollars, R&D has decreased slightly over the prior corresponding period due to efforts by Mayne to focus its scientists on core activities as well as streamlining the cost base of the R&D group. Importantly, R&D expense increased over the prior period resulting from additional legal expenses associated with various molecules as well as the purchase of high value raw materials for molecules in the pipeline.

New Country Approvals [1]

	Dec-02 (6 mths)	Jun-03 [2] (6 mths)	Dec-03 [2] (6 mths)
Americas	7	4	1
EMEA	23	13	7
Asia Pacific	15	11	7
	45	**28**	**15**

(1) The number of country approvals tends to be larger in the EMEA and Asia Pacific regions because these regions are comprised of many more smaller countries than the Americas (primarily the US, Canada, Mexico and Brazil) and each country requires their own regulatory approval before a product may be marketed.

(2) Includes tentative approvals of carboplatin in 2H03 and fluconazole in 1H04.

Mayne's product development pipeline focuses on injectable pharmaceuticals in oncology and related therapeutic areas such as pain management and anti-infectives. As previously foreshadowed to the market, Mayne's product approvals for fiscal 2004 are expected to be weaker than in prior and subsequent years. Mayne received tentative approval from the US FDA in 1H04 for fluconazole, the generic name for Pfizer's branded product Diflucan®. A six-month paediatric extension has since been granted to Pfizer. Mayne expects to launch upon market formation in August 2004. According to IMS data, the current local market value for Diflucan in the US is approximately $US200 million.

Mayne received 15 approvals to market products from various country regulatory agencies in 1H04. This has decreased significantly over the 45 approvals received in the prior corresponding period as a result of the weaker pipeline of new drugs in fiscal 2004. The higher number of approvals in 1H03 corresponds to the launching of pamidronate across several countries in the period, progressing with Mayne's geographic expansion strategy, as well as to the broader range of drugs for which approvals were received.

Product Pipeline Fiscal 2004-2010

Product pipeline	# of product approvals	# of country approvals	Local Market Value ($USm)
Internal development			
Americas	18	27	4257
EMEA[1]	12	133	1822
Asia Pacific	8	10	56.5
	38	**170**	**6,135**
In-licensing/acquisition[2]			
Americas	19	22	1198
EMEA	4	24	250
Asia Pacific	11	11	89
	34	**57**	**1,537**
Geographic expansion			
EMEA	6	13	127
	6	**13**	**127**
TOTAL PIPELINE OPPORTUNITY	**78**	**240**	**7,800**

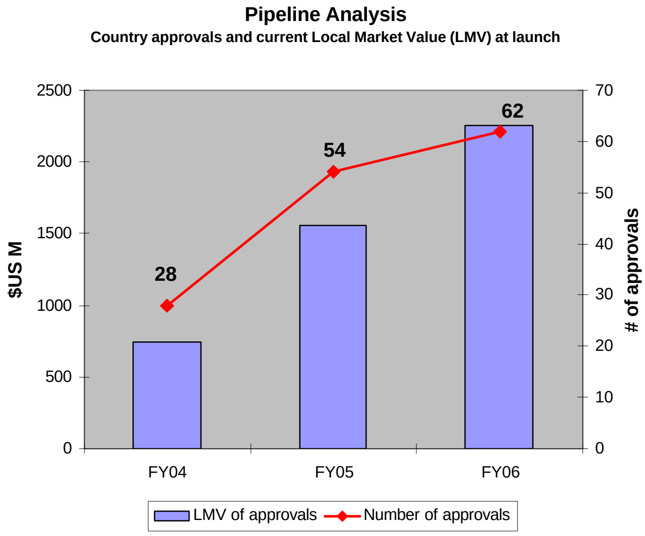
(1) Internal development in EMEA includes market value opportunity for paclitaxel whether through the Ivax partnership or through internal development.

(2) Includes acquired/in-licensed products as well as products where reasonable likelihood of acquisition/in-licensing exists. Only estimated to 2006.

Mayne has 50 molecules in its product pipeline, for which approvals are sought between now and 2010. Mayne expects these molecules will result in 78 regional product approvals across Mayne's three operating geographies and 240 country approvals representing a current local market value opportunity (based on current IMS data) amounting to approximately $US7.8 billion. The pipeline has increased from approximately $US3.8 billion in 2001 when Mayne acquired the business.

Of the 240 country approvals being sought, Mayne has already filed 85 applications with various regulatory agencies representing a total market value for the branded equivalents of approximately $US1.9 billion. Included in this figure are applications for which we have received tentative approval (for example Carboplatin and Fluconazole in the United States). Mayne has 155 applications that it expects to file between fiscal 2004 and 2010, which have a current local market value of $US5.9 billion.

The strength of Mayne's internally developed pipeline is evidenced by the $US6.1 billion in annual sales currently being generated by branded versions of the products. Mayne's pipeline from acquisition and in-licensing activities is also anticipated to deliver growth in the 2004 through 2006 fiscal years with the recent acquisition of paclitaxel assets in the US from NaPro Biotherapeutics, Inc. and Abbott Laboraties, and several smaller product acquisitions.



Major product launches in fiscal 2005 that have been announced to the market, are expected to include: fluconazole (LMV- approximately $US 200 million) in August 2004; and, carboplatin (LMV - approximately $US720 million) in October 2004 as the innovator received a paediatric patent extension.

Mayne has advised that it has entered into a collaboration arrangement with Ivax Corporation for the sale of generic paclitaxel in Europe (LMV – approximately $US450 million). This agreement combines Mayne's supply chain strengths in sourcing the paclitaxel active pharmaceutical ingredient, manufacturing the finished product and selling to hospital groups across Europe, with Ivax's strong dossier position and potential for early market entry.

Major product launches in fiscal 2006 that have been announced to the market are expected to include: propofol (LMV - approximately $US530 million) in the first half of fiscal 2006; and, ondansetron (LMV – approximately $US538 million) in the first half of 2006, subject to the outcome of Mayne's paragraph IV filing and litigation with the innovator.

Mayne's pipelines in fiscal 2005 and 2006 include a significant number of medium sized product launches which cannot be discussed due to commercial sensitivities.

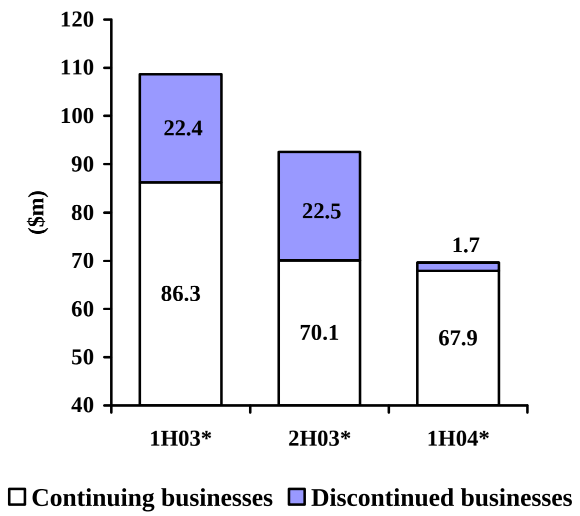
2. Consumer Products

Mayne Consumer Products develops, manufactures and markets nutraceutical and over-the-counter products through the pharmacy, grocery, health food store and direct-to-consumer sales channels. It is one of the largest manufacturers of dietary supplements in Australia with several leading brands in its portfolio including: Natures Own®, Bio-Organics®, Cenovis®, Natural Nutrition® and Golden Glow®.

Results Summary

Consumer Products generated a strong result in 1H04 – after taking into account the impact of the Pan Pharmaceuticals Limited (Pan) recall. Earnings exceeded expectations resulting from the pipeline refill as well as resilient demand by consumers. The next six months are expected to see a return to normal trading conditions so as to be able to assess the continuing impact of Pan as players have now largely re-established themselves in the market. Competition is expected to remain intense as the leading players jockey for market share and shelf space.

Revenue Growth



Total ($m)	108.7	92.6	69.6

* Discontinued businesses in prior periods reflect historial sales of businesses discontinued up to 31 December 2003.

Continuing business revenue declined 21.3% over the prior corresponding period and 3.1% sequentially. This decline was primarily caused by the full period impact on the industry, and Mayne specifically, from the Pan recall in April 2003. The Australian Therapeutic Goods Administration ("TGA") revoked Pan's licence to manufacture nutraceutical products due to unsafe manufacturing processes. The recall was the largest in Australia's history, requiring Mayne to recall over two million individual products.

Mayne was a significant customer of Pan and has initiated legal proceedings against Pan to recover the costs and damages associated with the recall. The success of these proceedings is uncertain at this stage.

Since Pan, Consumer Products has increased the proportion of goods manufactured in-house at its Virginia, Queensland facility to approximately 70% of total volume sold. This has the dual benefits of having greater control over manufacturing quality and potentially lower manufacturing costs as sales volumes recover. Importantly, the TGA recently conducted a spot audit of the Virginia facility and no critical issues were identified.

In addition due to the effect of the Pan recall, revenues have declined as a result of a proactive decision late last fiscal year to streamline the product portfolio to focus on higher margin, higher return SKUs. Over 90% of Mayne's continuing Consumer Product portfolio is back on retail shelves.

Mayne's brands continue to resonate with customers as demonstrated by strong rebounds in market share in both pharmacy and grocery. According to Aztec Information System statistics at 30 November 2003, Mayne was once again the leader in the combined pharmacy and grocery market with a market share (by volume) of approximately 21%. However, incremental market share gains are likely to become increasingly difficult as competition for shelf space intensifies.

Going forward, Consumer Products will continue focusing on the re-building process that commenced in 1H04. This includes unprecedented investments in sales and marketing of the Nature's Own brand and establishing retailer support programs to help further educate both retailers and general consumers about the health benefits of nutraceutical supplements.

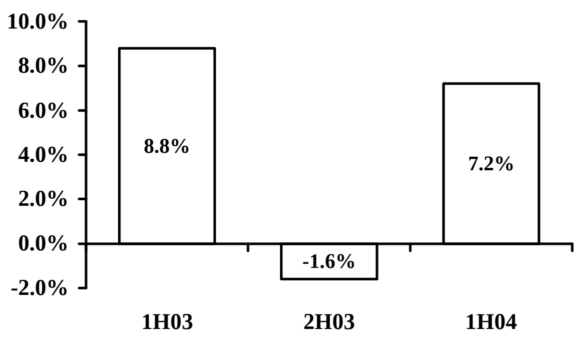
Operating Performance

($m)	1H03	2H03	1H04
Revenue	108.7	92.6	69.6
EBITDA	1.2	(3.6)	6.4
D&A	4.9	3.9	4.2
EBIT	**(3.7)**	**(7.5)**	**2.2**

The Consumer Products business has undergone significant restructuring in the last two years. Operating earnings at the EBITDA level increased by $10 million over the prior period to $6.4 million. This strong rebound was the result of:

- the product mix initiatives introduced in the period (discussed above);
- the pipeline refill in 1H04 for products that were recalled in 2H03;
- a lower fixed-cost base resulting from restructuring activities undertaken both prior to and following the Pan recall including the rationalisation and divestment of the dermaceutical businesses; and,
- continuing focus on process improvement at the Virginia manufacturing sites. The Virginia facility is operating at target efficiency levels in both manufacturing and packaging.

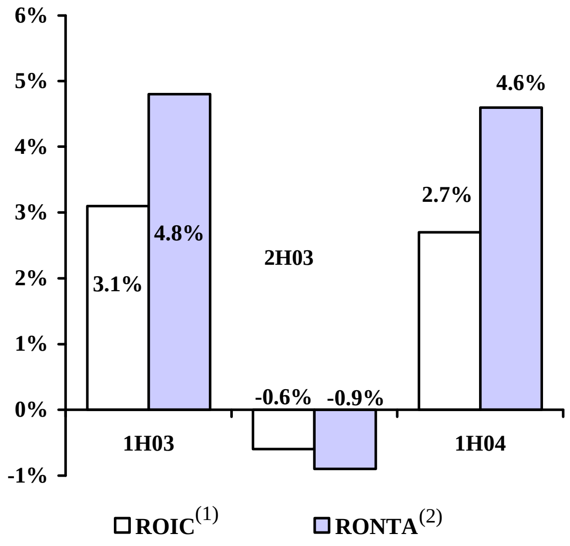
EBITA Margin*



* Continuing business only.

The Consumer Products division increased its continuing EBITA contribution by $6.0 million to $4.9 million in 1H04. Earnings growth in the second half will be more difficult to achieve since substantially all products are now back on retailer shelves, manufacturing efficiency improvements will be incremental and competition for shelf space is very intense.

Return on Capital Employed*



(1) Return on Invested Capital – calculated as EBITA less notional tax expense divided by average Invested Capital (net assets, including goodwill adding back accumulated goodwill amortisation) and expressed as an annualised percentage return.
(2) Return on Net Tangible Assets – calculated as EBITA less notional tax expense divided by net assets (excluding goodwill but including brand names, licences etc.) and expressed as an annualised percentage return.

* Excludes businesses discontinued.

ROCE has significantly improved over the prior period, on a both a ROIC and RONTA basis, and decreased slightly over the prior corresponding period. The trend in ROIC and RONTA over the last two reporting periods demonstrates the impact the Pan recall had on the Consumer Products business and the significant rebuilding process currently being undertaken to improve its returns to shareholders.

III. DIAGNOSTIC SERVICES

1. Pathology

PATHOLOGY

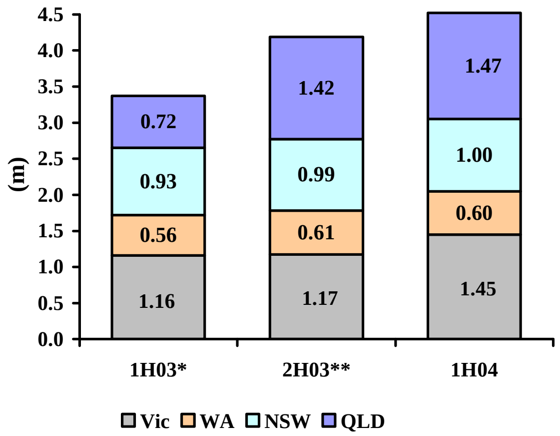
The pathology business is mildly seasonal. The second half of the fiscal year tends to generate greater demand than the first half due to strong revenues in the first quarter of each calendar year. Accordingly, the compendium analysis will focus primarily on an analysis of current results in comparison to the prior corresponding period because this is more relevant.

Results Summary

The pathology business reported a solid result in the face of weaker industry episode growth rates and operating cost increases. The Federal Government approved a 3.1% fee increase effective 1 December 2003. This fee increase, in conjunction with the seasonally stronger second half, should help improve margins in the second half of the fiscal year. Mayne Pathology Services purchased Queensland Medical Laboratories (QML) on 1 October 2002 and acquired the remaining 68% stake in Gippsland Pathology Services (GPS) on 1 July 2003. Both QML and GPS are delivering results beyond expectations.

While the operational performance of the pathology business continued to improve, the final EBIT result was affected by the re-weighting of head office functional cost allocations which occurred consequent upon the hospital and logistics sales as the scale economies created by these divested businesses ceased. This allocation change has been effected in the 1H04 accounts, resulting in reduced operating margins for both the pathology and diagnostic imaging businesses, and higher margins in hospitals. Excluding functional cost allocations, EBITA margins would have been higher in 1H04 than the prior corresponding period.

Number of Episodes

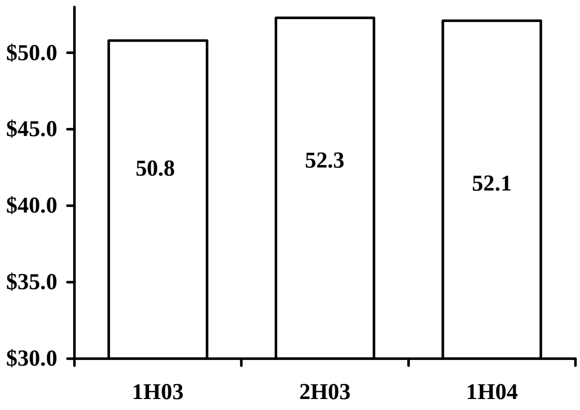


Total (m)	3.37	4.19	4.52

* For the period Oct 2002 – June 2003
** From 1 Jan 2003, results for WA and NSW include examinations for two sites (one site for each state) that were acquired as part of the QML transaction

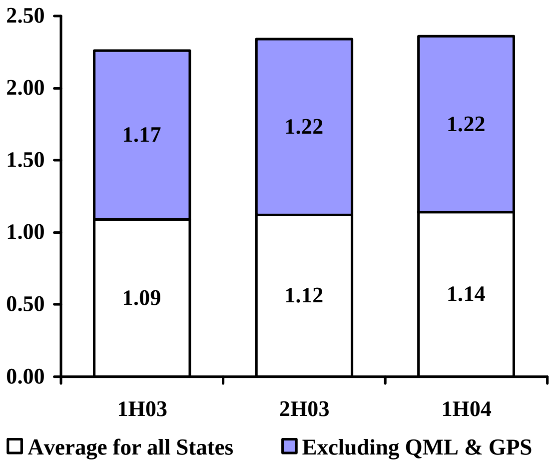
Total episodes increased 34.1% over the prior corresponding period to 4.52 million. This growth was primarily the result of the QML and GPS acquisitions completed on 1 October 2002 and 1 July 2003 respectively. Excluding the impact of acquisitions, organic episode growth was 3.7% over the prior corresponding period. This compares to market growth in episodes of 2.4% based on data published by the HIC. Each state grew well in excess of the market, continuing the strong market share gains from 2H03.

Revenue Per Episode



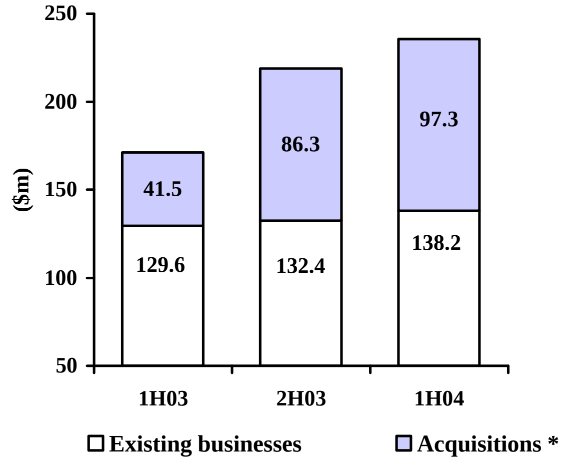
Revenue per episode increased 2.6% over 1H03 to $52.10. The increase was largely due to the full period impact of QML (acquired on 1 October 2002) in 1H04 which generates a higher average fee than other states due to episode mix and historical pricing initiatives. The slight decrease in average fee in comparison to the prior period is the result of the acquisition of the GPS business which is predominantly a bulk billing practice, as well as, a slightly higher percentage of bulk billing in WA. In addition, the second half generally has higher average fee results due to an increase in the number of histology tests in this period. The fee increase approved by the Federal Government on 1 December 2003 should lead to an increase in revenue per episode in the second half.

Episodes Per Workhour



Episodes per workhour for the overall business increased to 1.14 in the first half of fiscal 2004 from 1.09 in the prior corresponding period. Productivity improved in each state in comparison to the same half last year with the biggest improvements coming from QML and Laverty in NSW which both showed gains in excess of five percent. Excluding the QML and GPS acquisitions, episodes per workhour improved 4.3% to 1.22 when compared with the prior corresponding period.

Revenue Growth



Total ($m) **171.1** **218.7** **235.5**

* Acquisition results include:
1. QML revenues from 1 October 2002; and
2. GPS revenues from 1 July 2003.

Reported revenues increased 37.6% in 1H04 over the prior corresponding period to $235.5 million. Excluding acquisitions, organic growth was 6.6%, significantly higher than the corresponding increase in Medicare benefits paid of 4.7% (source: AAPP Medicare Statistics Report – December 2003).

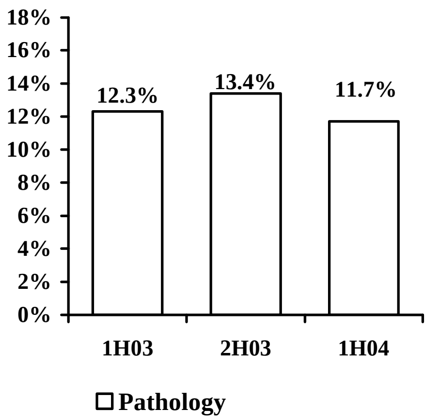
Operating Performance

($m)	**1H03**	**2H03**	**1H04**
Revenue	171.1	218.7	235.5
EBITDA	25.6	35.3	33.6
D&A	8.7	12.2	12.7
EBIT	**16.9**	**23.1**	**20.9**

Pathology revenue continued to grow strongly in 1H04 on the back of incremental contributions from the QML and GPS acquisitions and continued market share growth in all states. Reported revenue increased 37.6% over the prior corresponding period and EBITDA increased 31.3%. Both QML and GPS are performing beyond expectations, having generated revenue and earnings in excess of plan in the first half.

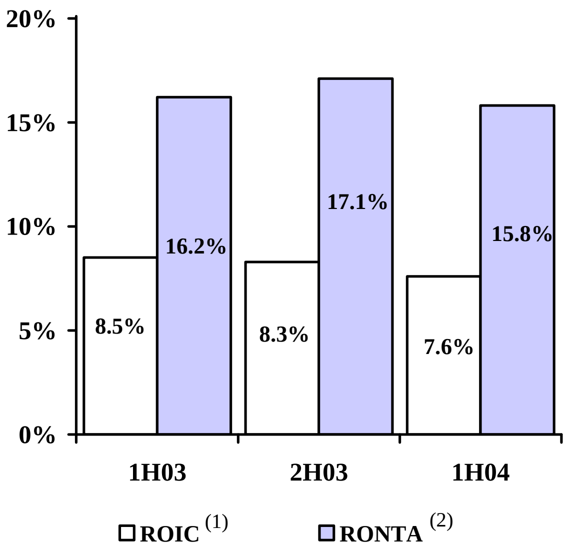
In comparison to the prior corresponding period, EBIT increased 23.7% on the back of incremental contributions from the acquired businesses.

EBITA Margin



EBITA margins declined to 11.7% from 12.3% in the prior corresponding period. Consistent with the result for the Diagnostic Imaging business, earnings were negatively affected by a higher allocation of head office functional costs in the current period than prior periods. Excluding functional cost allocations, Pathology's EBITA margin in 1H04 was higher than the prior corresponding period. Importantly, margins in Mayne's NSW business improved for the third consecutive half in 1H04.

Return on Capital Employed



(1) Return on Invested Capital – calculated as EBITA less notional tax expense divided by average Invested Capital (net assets, including goodwill adding back accumulated goodwill amortisation) and expressed as an annualised percentage return.
(2) Return on Net Tangible Assets – calculated as EBITA less notional tax expense divided by net assets (excluding goodwill but including brand names, licences etc.) and expressed as an annualised percentage return.

Return on capital employed for pathology measured on a ROIC basis was 7.6% in the first half. The decline over the prior two periods is the result of a slight decline in operating margins and a higher level of invested capital. RONTA declined marginally over the prior corresponding period.

MEDICAL CENTRES

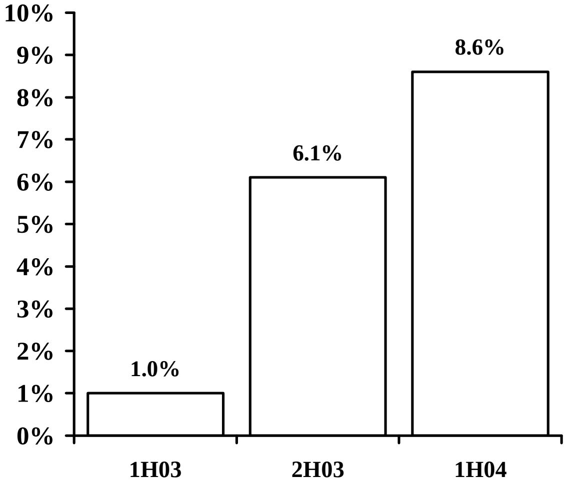
Operating Performance

($m)	1H03	2H03	1H04
Revenue	21.5	20.7	20.1
EBITDA	0.3	0.0	1.8
D&A	2.2	2.1	2.2
EBIT	**(1.9)**	**(2.1)**	**(0.4)**

Mayne's medical centres business performed one million consultations across its 54 sites in 1H04. This represents a 2.5% increase in consultations over the prior corresponding period. Reported revenue declined $1.4 million (or 6.5%) in comparison to 1H03 due to the sale of the Corporate Health Management ("CHM") business at the end of the last fiscal year. Excluding CHM, revenue increased 8.6% over the prior corresponding period.

EBIT has increased $1.5 million to a loss of $435,000 in comparison to the prior corresponding period on the back of improving base business revenues and strong cost control. Included in the 1H04 result is approximately $225,000 of non-recurring divestment costs related to CHM.

EBITA Margin*



EBITA margins for the continuing business improved to 8.6% in 1H04. This improvement is attributable to:

- The increase in consultations over the prior periods;
- Continued improvement in fee per consultation;
- Divestment of the loss-making CHM business last year; and
- Strong cost and management controls implemented across the business.

Declines in GP attendances and a shortage of GPs nationally continues to pressure operating margins. Changes to Medicare by the Federal Government in the second half may help with further progessive improvements in Medical Centre earnings.

* For continuing business only.

2. Diagnostic Imaging

The diagnostic imaging business is mildly seasonal. The first half of the fiscal year tends to generate slightly greater demand largely due to the higher number of public holidays in the second half. This generally results in higher revenues and earnings in the first half all else being equal. Accordingly, this analysis will focus primarily on an analysis of current results in comparison to the prior corresponding period.

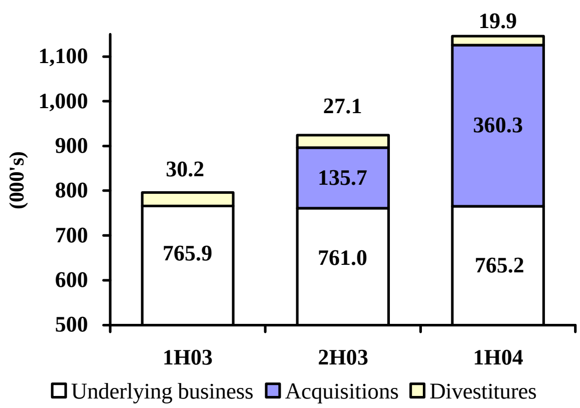
Results Summary

Diagnostic Imaging posted a solid result growing revenue by 55% and EBIT by 32% over the prior corresponding period and the prior period. This growth was on the back of the Pacific Healthcare and QDI acquisitions in 2H03, and Melbourne Ultrasound for Women in 1H04. Revenue growth for Mayne's underlying business at 6.1% well exceeded the market (defined by Medicare outlays for imaging examinations) which grew at 3.8%.

The industry is growing at rates well below the national funding agreement ceiling of 5%, which puts pressure on operator margins. In accordance with the new five-year funding agreement signed last year, Mayne is hopeful that an appropriate price increase will be implemented by the government in the upcoming months.

While the operational performance of the pathology business continued to improve, the final EBIT result was affected by the re-weighting of head office functional cost allocations which occurred consequent upon the hospital and logistics sales as the scale economies created by these divested businesses ceased. This allocation change has been effected in the 1H04 accounts, resulting in reduced operating margins for both the pathology and diagnostic imaging businesses, and higher margins in hospitals.

Number Of Examinations

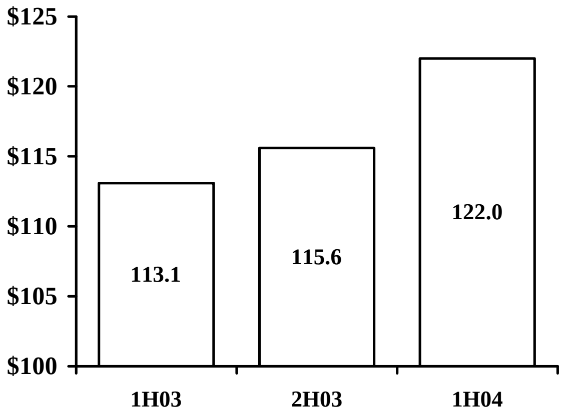


Total (000s)	**796.1**	**923.8**	**1,145.4**

Total examinations for Diagnostic Imaging increased 43.9% over the prior corresponding period to 1.15 million in 1H04. The bulk of the increase resulted from the acquisitions of: Queensland Diagnostic Imaging (QDI) in late May 2003; the 10 Pacific Healthcare sites in NSW in February 2003; and Melbourne Ultrasound for Women ("MUW") on 1 August 2003. Excluding these acquisitions and the divestment of our imaging operations in Western Australia and Tasmania where Mayne lacked critical mass, examinations were consistent with the prior corresponding period.

According to statistics released by the Australian Diagnostic Imaging Association, the overall market for diagnostic imaging examinations increased 1.7% in 1H04 over the prior corresponding period. Examination growth in Mayne's underlying business was below market due to fee increases which softened demand. However, the drop in demand was more than offset by an increase in average fee for the business which resulted in revenue growth well in excess of the market.

Revenue Per Examination

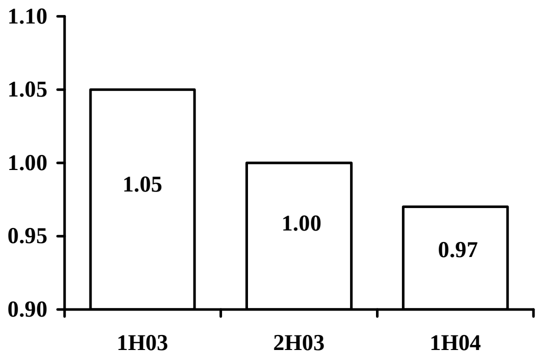


Revenue used for this calculation relates to patient billings only.

Total revenue per examination increased 7.8% over the prior corresponding period driven by four factors:

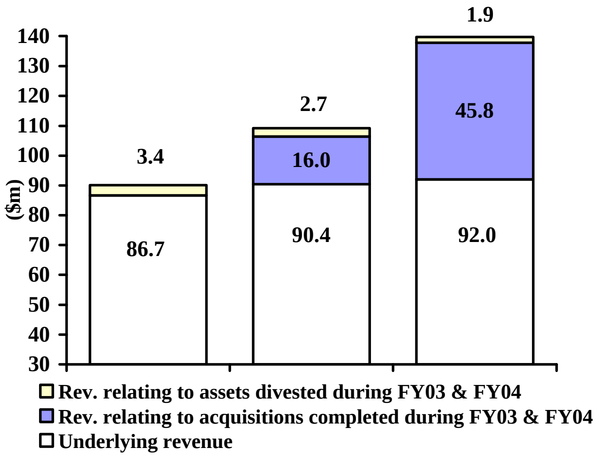
- New price initiatives instituted by Mayne for selected examinations;
- An increased focus on private billing examinations;
- Continued growth in higher modality examinations over prior periods which generate higher revenues per examination; and
- The divestment of the Tasmanian and WA operations which tended to have lower average fees than the other states.

Examinations Per Work-hour



Non-radiologist examinations per work hour decreased to 0.97 in the most recent half. This is partially due to Mayne’s focus on higher modality examinations which generally take longer to perform than general x-ray. Overall productivity was disappointing however, with the need to better manage rostering across the business. Consistent with the approach taken by Mayne’s hospitals business last year, operational responsibility is being devolved with commercially experienced state managers having been appointed to manage local operations. This local accountability is expected to have a positive impact over time.

Revenue Growth



Total ($m)	90.1	109.1	139.7

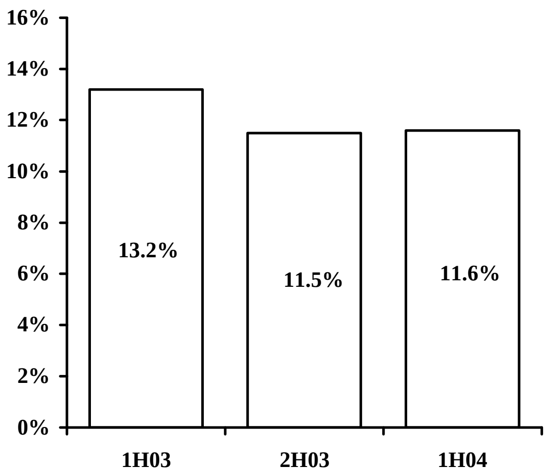
Reported revenue for 1H04 increased 55.1% over the prior corresponding period primarily driven by the contributions of the QDI, Pacific Healthcare and MUW acquisitions. Excluding acquisitions and divestments made during the last three halves, underlying revenue for the division increased 6.1% in 1H04, well exceeding the growth in Medicare outlays for diagnostic imaging examinations of 3.8% (according to statistics released by the HIC).

Operating Performance

($m)	1H03	2H03	1H04
Revenue	90.1	109.1	139.7
EBITDA	18.1	18.7	24.7
D&A	8.4	9.8	11.9
EBIT	**9.7**	**8.9**	**12.8**

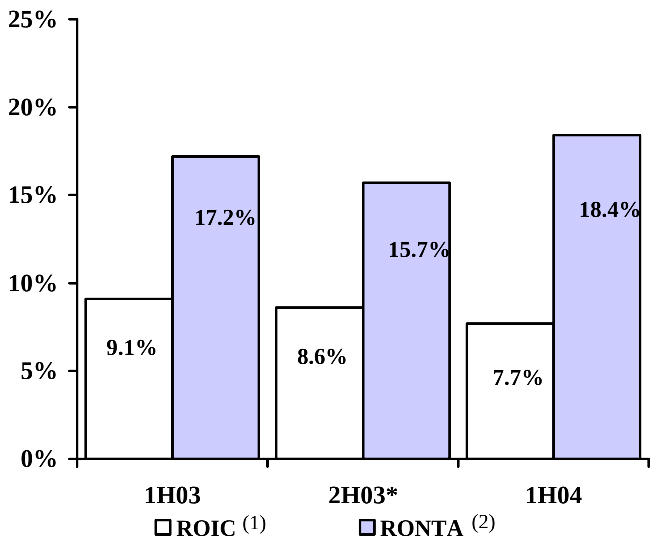
Revenue and earnings for Diagnostic Imaging increased significantly over prior periods primarily due to the acquisitions previously discussed. EBITDA increased $6.6 million (or 36.5%) over the prior corresponding period and EBIT for the business increased $3.1 million (or 32.0%) to $12.8 million. Depreciation and amortisation expenses increased to $11.9 million resulting from higher fixed asset and goodwill balances associated with the business acquisitions.

EBITA Margin



EBITA margin is disappointing having only improved slightly over the prior period to 11.6%. Market growth continues to run below the 5% funding agreement cap with no bulk billing fee increases. In turn, this has put pressure on margins while costs such as medical indemnity insurance and salaries continue to increase. Finally, the re-weighting of head office functional cost allocations amongst the business units has lowered margins in the current half, when compared to prior halves.

Return on Capital Employed



(1)Return on Invested Capital – calculated as EBITA less notional tax expense divided by average Invested Capital (net assets, including goodwill adding back accumulated goodwill amortisation) and expressed as an annualised percentage return.
(2)Return on Net Tangible Assets – calculated as EBITA less notional tax expense divided by net assets (excluding goodwill but including brand names, licences etc.) and expressed as an annualised percentage return.

* Due to the acquisition of Pacific Healthcare and QDI businesses in the period, weighted average Invested Capital and Net Tangible Assets have been used.

ROIC for Diagnostic Imaging decreased to 7.7% in 1H04 from 9.1% in the prior corresponding period. This disappointing result has been primarily caused by the lower earnings margin of the business.

RONTA improved to 18.4% because the increase in earnings contribution over the prior corresponding period exceeded the increase in net tangible assets in the Diagnostic Imaging business.

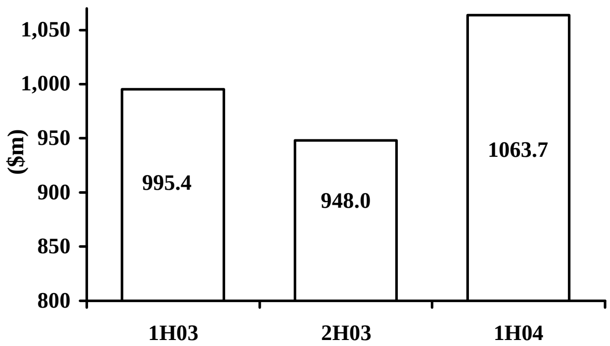
IV. PHARMACY SERVICES

Mayne's Pharmacy Services business unit is the largest distributor of ethical (prescription) and over-the-counter (OTC) products to Australian retail pharmacies holding approximately 35% market share. Mayne also operates a retail services program that provides marketing, branding, purchasing and/or business services for over 500 pharmacies Australia-wide. The pharmacy services industry is seasonal, generally resulting in stronger revenue in the first half of the fiscal year (Autumn and Winter). Accordingly, analysis of the 1H04 results is primarily performed in comparison to the prior corresponding period.

Results Summary

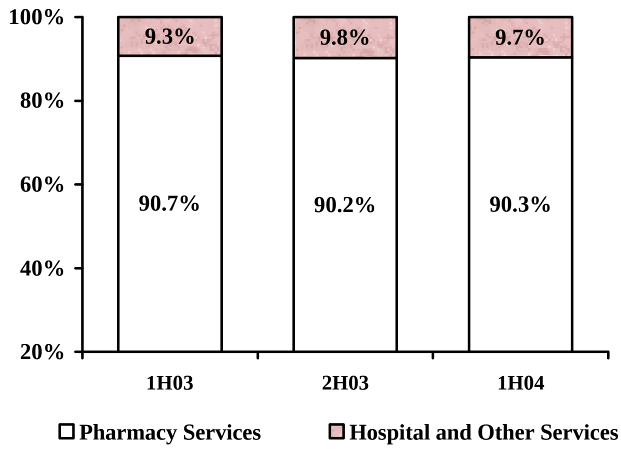
Pharmacy Services reported a somewhat disappointing result in 1H04 as the result of a difficult operating period for the business. Revenue increased 6.9% and EBITDA decreased 11.0% in comparison to the same period last year. Despite strong cost controls, competition intensified in the latter part of the half driven by opportunistic and aggressive pricing strategies undertaken by competitors during the broadly reported pharmacy sale process in October and November 2003. The divestment process also limited Mayne's ability to respond to competitor initiatives. Mayne has now initiated a series of performance improvement strategies which are expected to deliver improvements in 2H04.

Revenue Growth



Pharmacy Services reported 6.9% growth in revenue over the prior corresponding period. According to IMS data the retail pharmacy wholesaler market grew 8% over the same period. Mayne's share of the market declined approximately one quarter of one percent over the past year. The other two large competitors in the market (Sigma and API) have aggressively chased market share, particularly in Victoria and Tasmania. In addition, short line wholesalers continued to make inroads in the market.

Relative Sales Contribution



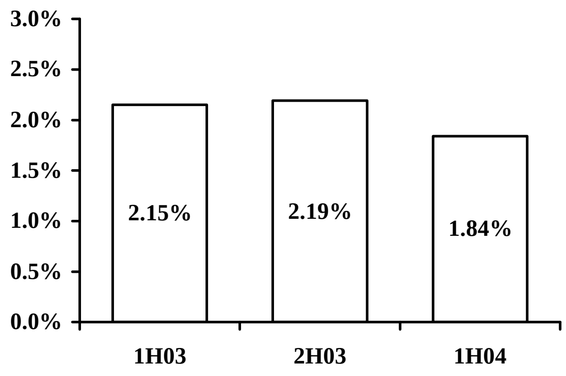
The relative contribution of revenue from the various sales channels was consistent with the prior period. Hospital and Other Services revenue contributed a larger proportion to total revenue in comparison to the prior corresponding period due to robust sales in the Hospital channel, particularly in South Australia where Mayne has been successful in penetrating new and existing accounts.

Operating Performance

($m)	1H03	2H03	1H04
Revenue	995.4	948.0	1,063.7
EBITDA	24.3	22.4	21.6
D&A	10.0	6.8	5.9
EBIT	**14.3**	**15.6**	**15.7**

EBITDA decreased approximately $2.7 million (or 11%) over the prior corresponding period resulting from discounting measures taken to retain market share, as well as a decrease in the level of higher margin, over-the-counter (OTC) products as a percentage of total product mix. Mayne is working hard to streamline its cost base and improve quality of service and productivity through new logistics processes and better inventory management systems. Working capital is being managed closely with improved DSO and debtors ageing than 1H03. EBIT increased 9.7% over the prior corresponding period to $15.7 million. This improvement was primarily driven by reduced goodwill amortisation following the write-down in Pharmacy Services to its net recoverable amount in June 2003 using a newly introduced discounted cash flow methodology.

EBITA Margin



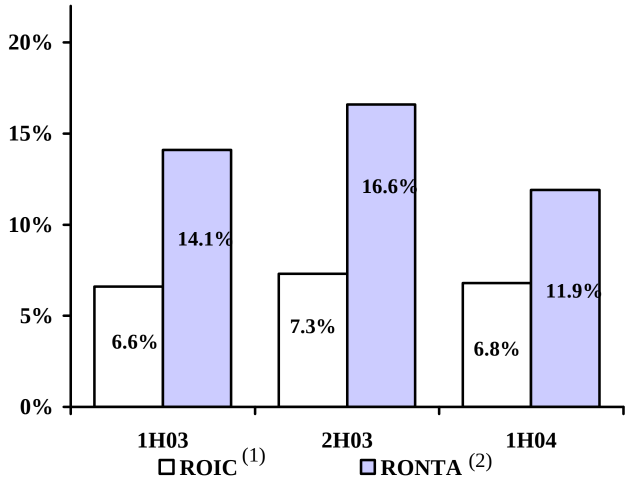
EBITA margins declined to 1.84% in 1H04 due to the impact of:

- An intensely competitive pricing environment;
- A deterioration in mix towards lower margin ethical products; and
- Temporary labour overruns in NSW early in the fiscal year due to the use of a higher number of non-permanent staff.

Overall, costs have been well controlled. Management will be implementing a number of strategies in 2H04 designed to improve revenue outcomes and improve customer service, whilst maintaining a strong focus on costs and productivity.

In addition, management will implement a range of initiatives to improve trading gross profit. These initiatives include the promotion of higher margin OTC products, improved private label sales in our branded pharmacies and targeted pricing strategies on a selected product and market basis.

Return on Capital Employed



(1)Return on Invested Capital – calculated as EBITA less notional tax expense divided by average Invested Capital (net assets, including goodwill adding back accumulated goodwill amortisation) and expressed as an annualised percentage return.
(2)Return on Net Tangible Assets – calculated as EBITA less notional tax expense divided by net assets (Excluding goodwill but including brand names, licences etc.) and expressed as an annualised percentage return.

ROIC for the pharmacy business increased from 6.6% to 6.8%in comparison to the prior corresponding period primarily due to the write-down in goodwill recognised in the 2003 full year result. RONTA, which excludes the impact of goodwill, for the half declined to 11.9%. ROIC and RONTA are expected to improve in 2H04 as a result of the revenue and cost initiatives being undertaken to improve trading gross profit.

Brand and Memberships

	Dec-02	Jun-03	Dec-03
Terry White Chemists®	107	107	112
Chem mart®	228	216	207
HealthSense®	85	83	68
The Medicine Shoppe®*	9	14	11
	429	**420**	**398**
Synergy (unbranded)	130	136	119
	559	**556**	**517**

* The Medicine Shoppe® is a registered trademark of Medicine Shoppe International used under licence.

Mayne’s Brand and Banner Memberships were lower in comparison to the prior period. However, Terry White achieved good growth in the period. The losses were mostly sustained in Mayne’s Synergy® operation, which performs purchasing and other business services for its members, and Chemmart®. Chemmart® undertook a member rationalisation in order to better align its membership base with the launch of the Master Membership initiative. This initiative is designed to give Chemmart® pharmacies a similar look and feel. Substantially all of Synergy’s membership loss came from the withdrawal of one large member. Mayne will be strengthening its brand propositions as part of a revitalised retail strategy in order to attract and retain members in what will continue to be a very competitive market.

V. SIGNIFICANT ITEMS AND DISCONTINUED BUSINESSES

Significant Items

	1H04		
	Gross ($m)	Tax ($m)	Net ($m)
Net Profit on sale of hospitals	**0.5**	**-**	**0.5**
Loss on move to Tax Consolidations	**-**	**(6.5)**	**(6.5)**
Net Significant Items	**0.5**	**(6.5)**	**(6.0)**

On 21 October 2003, Mayne announced the sale of its network of 53 private hospitals in Australia and Indonesia to a private equity consortium comprising Ironbridge Capital Pty Limited, CVC Asia Pacific Limited, GIC Special Investments Pte Limited and Mayne's Hospitals management (the Buyers). As foreshadowed at the time of the announcement Mayne anticipates the net proceeds after transaction costs to be approximately equal to the business' book value.

The deal is comprised of three basic components for the 53 hospitals.

- On 1 December 2003, Mayne successfully divested and received the sale proceeds for the 41 hospitals in which Mayne owned a freehold interest.
- The three Indonesian hospitals, which are included in the agreement, have received approval from BKPM (Indonesia's equivalent of the Australian Foreign Investment Review Board). Mayne is in the process of completing the sale of these hospitals to the Buyers.
- The remaining nine hospitals, six collocations and three privatised public hospitals, require the relevant State Government approvals for the transfer of legal ownership. Mayne and the Buyer have entered into discussions with the relevant bodies regarding the final transfer of ownership of these nine hospitals. The agreement between Mayne and the Buyer includes these nine hospitals subject to gaining such approvals. Discussions with the relevant authorities are proceeding in accordance with our expections.

Mayne has recently elected to enter the tax consolidation regime. The new tax consolidation regime calculates tax for a company with a large number of subsidiaries at the parent entity level. As a result of entering the tax consolidation framework, Mayne needed to reset the value of underlying asset classes for tax purposes. As a result of this revaluation, the total value of depreciable asset classes decreased and the level of non-tax deductible goodwill increased for tax purposes resulting in the write-down of deferred tax assets of $6.5 million. Mayne expects the cash impact to be nil over the long term.

Discontinuing Businesses

Hospitals

($m)	1H03	2H03	1H04
Revenue	652.6	634.5	557.4
EBIT	25.3	29.3	37.9

The discontinuing businesses result in 1H04 relates almost entirely to the hospitals business and accordingly the analysis will focus on these results.

On 1 December 2003, Mayne sold the 41 private hospitals held through freehold interest to a consortium of private equity buyers. The remaining 12 hospitals in the portfolio are awaiting regulatory approvals prior to completing their sale. Three of these hospitals are based in Indonesia and have received BKPM approval (equivalent of Foreign Investment Review Board approval in Indonesia). Mayne is in the process of completing the sale of these hospitals to the Buyers. Nine hospitals are either co-located or privatised hospitals (C&P) which require State government consent prior to transfer of ownership. The regulatory approval processes for these hospitals are progressing. The respective proceeds from each of the nine C&P hospitals is being held in escrow pending receipt of the requisite approvals. Funds will be released as each hospital is approved. Proceeds with respect to the three Indonesian hospitals will be transferred from the acquirers to Mayne upon completion.

The reduction in revenue in the hospitals business versus prior periods is primarily due to the shorter (5 month) operating period for the business in 1H04 as well as the sale of the six underperforming hospitals to Healthscope and Sunbury Private Hospital to Primelife Corporation. Hospitals EBIT continued its progressive improvement on the back of strong cost controls and productivity, the re-weighting of head office functional costs towards Diagnostic Services, as well as the divestment of the seven underperforming hospitals referred to above.