Sonic Healthcare Limited

ABN 24 004 196 909

ASX APPENDIX 4D AND HALF YEAR REPORT – 31 DECEMBER 2011

Lodged with the ASX under Listing Rule 4.2A

This information should be read in conjunction with the 2011 Annual Report.

RESULTS FOR ANNOUNCEMENT TO THE MARKET
For the six months ended 31 December 2011

Financial Results

$'000	Six months ended 31.12.11 Constant Currency	Six months ended 31.12.11 Statutory	Six months ended 31.12.10 Statutory	% Change 31.12.11 Constant Currency v 31.12.10 Statutory	% Change 31.12.11 Statutory v 31.12.10 Statutory
Revenue from ordinary activities	**1,691,732**	**1,641,903**	1,513,693	**11.8%**	**8.5%**
Earnings before interest, tax, depreciation and intangibles amortisation (**EBITDA**) pre acquisition costs	**304,321**	**296,501**	266,620	14.1%	11.2%
Acquisition related costs	**(3,039)**	**(2,982)**	(1,255)		
EBITDA after acquisition costs	**301,282**	**293,519**	265,365	13.5%	10.6%
Depreciation and lease amortisation	**(54,382)**	**(53,172)**	(46,801)	16.2%	13.6%
Earnings before interest, tax and intangibles amortisation (**EBITA**)	**246,900**	**240,347**	218,564	13.0%	10.0%
Amortisation of intangibles	**(10,788)**	**(10,464)**	(8,470)	27.4%	23.5%
Net interest expense	**(42,206)**	**(39,168)**	(28,989)	45.6%	35.1%
Income tax attributable to Operating Profit	**(47,854)**	**(47,338)**	(46,165)	3.7%	2.5%
Net (profit)/loss attributable to Outside Equity Interests	**(421)**	**(421)**	64		
Net Profit attributable to shareholders of Sonic Healthcare Limited	**145,631**	**142,956**	135,004	**7.9%**	**5.9%**
Cash generated from operations		**224,299**	220,727		

Dividends

Cents per share	2012	2011
Interim dividend	24¢	24¢
Interim dividend franked amount per security	8.40¢	6.72¢

The record date for determining entitlements to the interim dividend will be 7 March 2012. The interim dividend will be paid on 22 March 2012. The Company's Dividend Reinvestment Plan (DRP) remains suspended for this dividend and until further notice. The 2012 interim dividend includes no conduit foreign income.

Earnings per share

Cents per share	Six months ended 31.12.11 Constant Currency	Six months ended 31.12.11 Statutory	Six months ended 31.12.10 Statutory	% Change 31.12.11 Constant Currency v 31.12.10 Statutory	% Change 31.12.11 Statutory v 31.12.10 Statutory
Basic earnings per share	**37.4¢**	**36.7¢**	34.8¢	7.5%	5.5%
Diluted earnings per share	**37.2¢**	**36.5¢**	34.6¢	7.5%	5.5%

An explanation of the figures reported above is provided in the following pages of this report.

COMMENTARY ON RESULTS
For the half year ended 31 December 2011

1. Highlights

- Business performing strongly, on track to meet full year EBITDA growth guidance.
- Strong organic revenue growth, market share gains and margin expansion in Australian Pathology.
- Strong organic revenue growth and margin expansion in Germany.
- Market share gains in USA despite weak macro growth environment.
- Significant further synergy capture and margin expansion expected in USA and Europe.

2. Explanation of results

(a) Constant currency

As a result of Sonic's expanding operations outside of Australia, Sonic is increasingly exposed to currency exchange rate translation risk i.e. the risk that Sonic's offshore earnings and assets fluctuate when reported in AUD.

The average currency exchange rates for the six months to 31 December 2011 for the Australian dollar ("A$", "AUD" or "$") versus the currencies of Sonic's offshore earnings (USD, Euro, GBP, CHF, NZD) were significantly higher than in the comparative period, reducing Sonic's AUD reported earnings ("Statutory" earnings).

The underlying earnings in foreign currency are not affected, and as Sonic does not physically convert these earnings to AUD, there is no real economic effect of the currency rate volatility.

Sonic's results for the half year have therefore also been presented on a "constant currency" basis (i.e. using the same exchange rates to convert the current period foreign earnings as applied in the comparative period) to give a true reflection of the Group's comparative performance.

To manage currency translation risk Sonic uses "natural" hedging, under which foreign currency assets (businesses) are matched with same currency debt. Therefore:

- as the AUD value of offshore assets changes with currency movements, so does the AUD value of the debt; and
- as the AUD value of foreign currency EBIT changes with currency movements, so does the AUD value of the foreign currency interest expense.

As Sonic's foreign currency earnings grow and debt is repaid, the natural hedges become less effective, so AUD reported earnings do fluctuate. Sonic believes it is inappropriate to hedge translation risk (a non-cash risk) with real cash hedging instruments.

COMMENTARY ON RESULTS
For the half year ended 31 December 2011

2. Explanation of results (continued)

(b) Revenue

Total revenue growth for the half year was 11.8% at constant currency exchange rates (i.e. applying the average rates for the six months ended 31.12.10 to the current period results).

Revenue breakdown AUD M	**Six months ended 31.12.11 Statutory Revenue**	**% of 31.12.11 Statutory Revenue**	**Six months ended 31.12.11 Constant Currency Revenue**	**Six months ended 31.12.10 Revenue**	**Growth 31.12.11 Constant Currency v 31.12.10**
Pathology – Australia	493	30%	493	457	7.9%
Pathology – USA	378	23%	412	342	20.5%
Pathology – Europe	400	24%	416	384	8.3%
Pathology – NZ	36	2%	36	33	9.1%
Radiology	191	12%	191	184	3.8%
Medical centres (IPN)	142	9%	142	110	29.1%
Revenue excluding interest income	1,640	100%	1,690	1,510	11.9%
Interest income	2		2	4	
Total revenue	1,642		1,692	1,514	11.8%

Sonic's Australian Pathology revenue growth of 7.9% was very strong versus market growth (per Medicare data) of 3.5%. 1.4% of Sonic's Australian Pathology growth is attributable to pathology referrals received from physicians in medical centres and skin clinics acquired by Independent Practitioner Network ("IPN") in the period.

Sonic's USA and European revenue growth was augmented by synergistic business acquisitions during the 2011 financial year including:

- CBLPath, New York, USA (1 December 2010)
- Physicians' Automated Laboratory, California, USA (31 December 2010)
- KBL-BML-Unilabo Laboratory, Belgium (6 January 2011)
- Woestyn Laboratory, Belgium (13 January 2011)
- Central Coast Pathology Consultants, California, USA (4 February 2011)

Sonic's operations in Germany achieved strong organic revenue growth of 6%, which was above expectation. Organic revenue growth of 2% in the USA was lower than expected due to the weak macro growth environment, but still exceeded the organic growth of Sonic's major competitors in the USA market.

Sonic's medical centre business, IPN, achieved revenue growth of 29.1% through a combination of organic growth in existing medical centres and greenfield sites (backed by successful doctor recruitment strategies), and acquisitions of additional centres.

Revenue was impacted by currency exchange rate movements, which decreased reported (Statutory) revenue by A$50M compared to the comparative period.

COMMENTARY ON RESULTS
For the half year ended 31 December 2011

2. Explanation of results (continued)

(c) EBITDA

EBITDA pre acquisition related costs grew 14.1% at constant currency exchange rates versus the comparative period. The equivalent margin expanded by 40 basis points ("bps") over the comparative period.

EBITDA margin expansion in the period was particularly strong in Australian Pathology (>150 bps improvement over a low base in the comparative period), Germany (>150 bps) and Switzerland.

Margins in the USA were hampered by low organic revenue growth but still expanded by 30 bps (excluding dilution from acquisitions and a A$2.4M bad debt relating to a hospital bankruptcy).

Sonic's Radiology division margin grew by 30 bps, delivered by ongoing cost control and process review programs.

IPN's margins grew by over 100 bps as a result of strong revenue growth and cost control.

EBITDA was impacted by the expensing of acquisition related costs, totalling A$3M in the half year (2011: A$1M), following a change to accounting standards (AIFRS). Under accounting standards applying to periods prior to 1 July 2009, these costs would have been capitalised into the carrying value of the acquisitions to which they relate.

(d) Depreciation and lease amortisation

Depreciation and leased asset amortisation has increased 16.2% on the comparative period (at constant currency rates) as a result of business acquisitions and growth. As a percentage of revenue, depreciation and amortisation at just over 3% is consistent with the comparative period.

(e) Intangibles amortisation

Intangibles amortisation mainly relates to internally developed software.

COMMENTARY ON RESULTS
For the half year ended 31 December 2011

2. Explanation of results (continued)

(f) Interest expense and debt facilities

Net interest expense has increased 45.6% (A$13M) on the comparative period (at constant currency rates) due to increased net debt relating to acquisitions completed since July 2010, and higher margin costs as debt facilities were refinanced at current market rates.

The majority of Sonic's bank debt is drawn in foreign currencies as "natural" balance sheet hedging of Sonic's offshore operations (see *(a) Constant currency* above).

Interest rate hedging arrangements are in place in accordance with Sonic's Treasury Policy.

Sonic's net interest bearing debt at 31 December 2011 comprised:

	Facility Limit M	**Drawn M**	**AUD $M Available**
Notes held by US investors – USD	US$500	US$500	-
Bank debt facilities			
- USD limits	US$618	US$443	171
- Euro limits	€679	€595	107
- AUD (Multicurrency) limits	A$359	A$97*	262
Minor debt/leasing facilities	n/a	A$10*	-
Cash	n/a	A$(122)*	122
Available funds at 31 December 2011			662

* Various currencies, cash mainly AUD

After allowing for cash generation after 31 December 2011, exchange rate movements, and payment of Sonic's 2012 interim dividend, available funding/headroom is expected to be ~A$560M.

Sonic's credit metrics at 31 December 2011 were as follows:

	31.12.11	**30.6.11**
Gearing ratio	39.7%	37.9%
Interest cover (times)	6.7	7.4
Debt cover (times)	2.8	2.8

Definitions:
- Gearing ratio = Net debt / [Net debt + equity] (bank covenant limit <55%)
- Interest cover = EBITA / Net interest expense (bank covenant limit >3.25)
- Debt cover = Net debt / EBITDA (bank covenant limit <3.5)
- Calculations as per Sonic's syndicated bank debt facility definitions

COMMENTARY ON RESULTS
For the half year ended 31 December 2011

2. Explanation of results (continued)

(f) Interest expense and debt facilities (continued)

Sonic's senior debt facilities at 21 February 2012 expire as follows (**note that the figures shown are the facility limits, not drawn debt**):

	AUD M	USD M	Euro M
2012 (September and October)	15	310	215
2014	165	308	88
2015	179	-	186
2016	-	-	190
2017	-	95	-
2020	-	155	-
2021	-	250	-
	359	1,118	679

Sonic's excellent relationships with its banks, its investment grade credit metrics, and its strong and reliable cashflows significantly reduce refinancing risk. Sonic has commenced preliminary discussions with its banks regarding refinancing its 2012 maturing facility limits and foresees no difficulty in completing a refinancing. In addition Sonic currently has headroom in cash and undrawn facility limits almost equal to the maturing limits.

(g) Tax expense

The effective tax rate of 25% is consistent with the comparative period and slightly lower than the guidance provided in August 2011, partly due to the performance of Sonic's businesses in high tax rate jurisdictions relative to the performance of its operations in lower tax rate countries.

(h) Cashflow from operations

Cash generated from operations was extremely strong at $224M exceeding cash profit (net profit plus depreciation, intangibles amortisation, equity instrument expense and outside equity interests) by 7%, mainly as a result of the collection of debtors which had built up at 30 June 2011, and the timing of tax payments.

(i) Full year (2012) guidance

Sonic gave full year guidance in August 2011 of EBITDA growth of 10-15% over the 2011 level of A$570M, on a constant currency basis (applying 2011 average currency exchange rates to 2012). Sonic's results for the 7 months to 31 January 2012 show that the Company is on track to achieve a result for the year within the guidance range.

Net interest expense is expected to increase by approximately 25% (this was expected to be ~30% when guidance was initially given in August 2011) over the 2011 level of A$65M on a constant currency basis. Growth in interest expense will be much lower in the second half than in the first as acquisition and refinancing dates are cycled.

Sonic's effective tax rate for 2012 is expected to be approximately 26%.

This guidance excludes the impact of business acquisitions completed after August 2011.

STATUTORY
HALF YEAR REPORT

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report and annual financial statements for the year ended 30 June 2011 and any public announcements made by Sonic Healthcare Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

DIRECTORS' REPORT

Your directors present their report on the Group consisting of Sonic Healthcare Limited and the entities it controlled at the end of, or during, the half year ended 31 December 2011.

1. Names of directors

The directors of the Company in office during the half year and up to the date of this report are:

Mr R.P. Campbell – Chairman
Dr C.S. Goldschmidt – Managing Director
Mr C.D. Wilks – Finance Director
Dr P.J. Dubois
Mr C.J. Jackson
Mr L.J. Panaccio
Ms K.D. Spargo
Dr E.J. Wilson

2. Review of operations

Revenue for the period increased 8.5% to $1,641,903,000 reflecting organic growth augmented by a number of synergistic business acquisitions during the current and prior year.

Net profit increased 5.9% to $142,956,000 as a result of earnings and margins growth partly offset by higher interest costs.

Diluted earnings per share ("EPS") increased in line with net profit.

Summary of the operations:

- Business performing strongly, on track to meet full year EBITDA growth guidance.
- Strong organic revenue growth, market share gains and margin expansion in Australian Pathology.
- Strong organic revenue growth and margin expansion in Germany.
- Market share gains in USA despite weak macro growth environment.
- Significant further synergy capture and margin expansion expected in USA and Europe.

DIRECTORS' REPORT

3. Subsequent events

Since the end of the financial period, the directors are not aware of any matter or circumstance not otherwise dealt with in these financial statements that has significantly or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years other than as follows:

On 20 February 2012 Sonic's directors declared a dividend of 24 cents (2011: 24 cents) per ordinary share 35% (2011: 28%) franked (at 30%) payable on 22 March 2012 with a record date of 7 March 2012. The interim dividend includes no conduit foreign income. The Company's Dividend Reinvestment Plan ("DRP") remains suspended for this dividend and until further notice.

4. Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is attached to this half year report.

5. Rounding of amounts to nearest thousand dollars

The Company is a kind referred to in Class Order 98/0100 issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

This report is made in accordance with a resolution of the directors.

R.P. Campbell
Chairman

Dr C.S. Goldschmidt
Director

Sydney
20 February 2012

Auditor's Independence Declaration

As lead auditor for the review of Sonic Healthcare Limited for the half year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Sonic Healthcare Limited and the entities it controlled during the period.

Matthew Lunn
Partner

Sydney
20 February 2012

PricewaterhouseCoopers

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CONSOLIDATED INCOME STATEMENT
For the half year ended 31 December 2011

	Notes	Six months ended 31.12.11 $'000	Six months ended 31.12.10 $'000
Revenue from operations		**1,634,226**	1,506,989
Other income		**7,677**	6,704
Total		**1,641,903**	1,513,693
Labour and related costs (including $2,101,000 (2011: $2,147,000) of equity remuneration expense)		**(749,233)**	(686,718)
Consumables used		**(261,455)**	(254,450)
Operating lease rental expense		**(86,404)**	(75,232)
Depreciation and amortisation of physical assets		**(53,172)**	(46,801)
Transportation		**(45,680)**	(43,103)
Borrowing costs expense		**(40,836)**	(32,993)
Utilities		**(40,260)**	(37,121)
Repairs and maintenance		**(36,780)**	(33,640)
Amortisation of intangibles		**(10,464)**	(8,470)
Other expenses from ordinary activities (including $2,982,000 (2011: $1,255,000) of acquisition related costs)		**(126,904)**	(114,060)
Profit from ordinary activities before income tax expense		**190,715**	181,105
Income tax expense		**(47,338)**	(46,165)
Profit from ordinary activities after income tax expense		**143,377**	134,940
Net (profit)/loss attributable to minority interests		**(421)**	64
Profit attributable to members of Sonic Healthcare Limited		**142,956**	135,004
Basic earnings per share (cents per share)	4	**36.7**	34.8
Diluted earnings per share (cents per share)	4	**36.5**	34.6

The above statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the half year ended 31 December 2011

	Six months ended 31.12.11 $'000	Six months ended 31.12.10 $'000
Profit from ordinary activities after income tax expense	**143,377**	134,940
Other comprehensive income		
Exchange differences on translation of foreign operations	**(14,441)**	(123,372)
Cash flow hedges	**726**	6,481
Actuarial gains on retirement benefit obligations	**(172)**	179
Other comprehensive income for the period, net of tax	**(13,887)**	(116,712)
Total comprehensive income for the period	**129,490**	18,228
Total comprehensive income attributable to:		
Members of Sonic Healthcare Limited	**129,103**	18,454
Minority interests	**387**	(226)
	129,490	18,228

The above statement should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET
As at 31 December 2011

	Notes	31.12.11 $'000	30.6.11 $'000
Current assets			
Cash assets and cash equivalents		**121,668**	174,687
Receivables		**388,336**	402,876
Inventories		**55,134**	53,357
Assets classified as held for sale		**9,064**	9,189
Other		**34,857**	27,806
Total current assets		**609,059**	667,915
Non current assets			
Receivables		**2,611**	2,734
Other financial assets (investments)		**50,743**	46,396
Property, plant and equipment		**556,567**	531,529
Investment properties		**20,517**	20,517
Intangible assets		**3,527,143**	3,408,001
Deferred tax assets		**29,247**	35,357
Other		**304**	448
Total non current assets		**4,187,132**	4,044,982
Total assets		**4,796,191**	4,712,897
Current liabilities			
Payables		**240,990**	233,675
Interest bearing liabilities		**594,949**	3,864
Current tax liabilities		**28,161**	27,941
Provisions		**121,011**	117,742
Other financial liabilities (interest rate hedging)		**11,702**	14,359
Other		**2,049**	3,637
Total current liabilities		**998,862**	401,218
Non current liabilities			
Interest bearing liabilities		**1,184,796**	1,706,449
Deferred tax liabilities		**47,817**	45,230
Provisions		**36,109**	37,664
Other		**5,805**	5,901
Total non current liabilities		**1,274,527**	1,795,244
Total liabilities		**2,273,389**	2,196,462
Net assets		**2,522,802**	2,516,435
Equity			
Parent entity interest			
Contributed equity	7	**2,369,355**	2,345,584
Reserves		**(211,156)**	(187,356)
Retained earnings		**362,458**	356,160
Total parent entity interest		**2,520,657**	2,514,388
Minority interests		**2,145**	2,047
Total equity		**2,522,802**	2,516,435

The above statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the half year ended 31 December 2011

	Six months ended 31.12.11 $'000	Six months ended 31.12.10 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	**1,694,308**	1,604,090
Payments to suppliers and employees (inclusive of goods and services tax)	**(1,395,008)**	(1,319,534)
	299,300	284,556
Interest received	**1,668**	4,004
Borrowing costs	**(38,367)**	(35,883)
Income taxes paid	**(38,302)**	(31,950)
Net cash inflow from operating activities	**224,299**	220,727
Cash flows from investing activities		
Payment for purchase of controlled entities, net of cash acquired	**(137,807)**	(160,184)
Payments for property, plant and equipment	**(71,906)**	(76,165)
Proceeds from sale of non current assets	**2,346**	1,226
Payments for investments	**(6,937)**	(56)
Payments for restructuring and surplus leased space provisions	**-**	(1,077)
Payments for intangibles	**(21,008)**	(15,494)
Repayment of loans by other entities	**2,065**	3,249
Loans to other entities	**(493)**	(1,542)
Net cash (outflow) from investing activities	**(233,740)**	(250,043)
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	**11,550**	2,550
Payments for shares acquired by the Sonic Healthcare Employee Share Trust	**-**	(3,498)
Proceeds from borrowings	**186,351**	304,897
Repayment of borrowings	**(102,952)**	(159,625)
Dividends paid to Company's shareholders	**(136,486)**	(135,950)
Dividends paid to minority interests in controlled entities	**(290)**	(156)
Net cash (outflow)/inflow from financing activities	**(41,827)**	8,218
Net (decrease) in cash and cash equivalents	**(51,268)**	(21,098)
Cash and cash equivalents at the beginning of the financial period	**174,687**	300,354
Effects of exchange rate changes on cash and cash equivalents	**(1,751)**	(41,161)
Cash and cash equivalents at the end of the financial period	**121,668**	238,095

The above statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half year ended 31 December 2011

	Share capital $'000	Reserves $'000	Retained earnings $'000	Total $'000	Minority interests $'000	Total $'000
Balance at 1 July 2011	2,345,584	(187,356)	356,160	2,514,388	2,047	2,516,435
Profit for period	-	-	142,956	142,956	421	143,377
Other comprehensive income for the period	-	(13,680)	(172)	(13,852)	(35)	(13,887)
Total comprehensive income for the period	-	(13,680)	142,784	129,104	386	129,490
Transactions with owners in their capacity as owners:						
Dividends paid	-	-	(136,486)	(136,486)	-	(136,486)
Shares issued	17,772	(6,222)	-	11,550	-	11,550
Transfers to share capital	5,999	(5,999)	-	-	-	-
Share based payments	-	2,101	-	2,101	-	2,101
Dividends paid to minority interests in controlled entities	-	-	-	-	(288)	(288)
Balance at 31 December 2011	2,369,355	(211,156)	362,458	2,520,657	2,145	2,522,802
Balance at 1 July 2010	2,345,145	(78,357)	289,480	2,556,268	2,473	2,558,741
Profit for period	-	-	135,004	135,004	(64)	134,940
Other comprehensive income for the period	-	(116,729)	179	(116,550)	(162)	(116,712)
Total comprehensive income for the period	-	(116,729)	135,183	18,454	(226)	18,228
Transactions with owners in their capacity as owners:						
Dividends paid	-	-	(135,950)	(135,950)	-	(135,950)
Shares issued	-	(948)	-	(948)	-	(948)
Transfers to share capital	1,340	(1,340)	-	-	-	-
Share based payments	-	2,147	-	2,147	-	2,147
Dividends paid to minority interests in controlled entities	-	-	-	-	(152)	(152)
Balance at 31 December 2010	2,346,485	(195,227)	288,713	2,439,971	2,095	2,442,066

The above statement should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2011

Note 1 Summary of significant accounting policies

This general purpose financial report for the interim half year reporting period ended 31 December 2011 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by Sonic Healthcare Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Working capital deficiency

Sonic is required to disclose $589.6M of debt drawn under bank debt facilities which expire in September and October 2012 as a current liability as at 31 December 2011. As a result the Consolidated Balance Sheet shows a deficiency of working capital of $389.8M. Sonic intends to refinance or extend most or all of this debt, and foresees no difficulties in doing so given the strong relationships Sonic has with its existing syndicate of banks, its investment grade credit metrics, and its strong and reliable operating cashflows. In addition Sonic currently has headroom in cash and undrawn facility limits almost equal to the maturity limits. The financial report has therefore been presented on a “going concern” basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2011

Note 2 Segment information

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer and the Board of Directors (the chief operating decision makers) in assessing performance and determining the allocation of resources.

The operating segments are identified by management based on the nature of the services provided. Discrete financial information about each of these operating businesses is reported to the Chief Executive Officer and the Board of Directors on at least a monthly basis.

The reportable segments are based on aggregated operating segments determined by the similarity of the services provided, as these are the sources of the Group's major risks and have the most effect on the rates of return. The Group has the following reportable segments.

(i) Pathology
Pathology/clinical laboratory services provided in Australia, New Zealand, the United Kingdom, the United States of America, Germany, Switzerland, Belgium and Ireland.

(ii) Radiology
Radiology and diagnostic imaging services provided in Australia and New Zealand.

(iii) Other
Includes the corporate office function, medical centre operations (IPN) and other minor operations.

Half Year ended 31 December 2011	**Pathology $'000**	**Radiology $'000**	**Other $'000**	**Eliminations $'000**	**Consolidated $'000**
Total segment revenue	1,306,558	191,131	146,151	(3,605)	1,640,235
Interest income					1,668
Total revenue					**1,641,903**
Segment EBITA	219,963	22,905	(2,521)	-	240,347
Amortisation expense					(10,464)
Unallocated net interest expense					(39,168)
Profit before tax					**190,715**
Income tax expense					(47,338)
Profit after income tax expense					**143,377**
Depreciation expense	31,035	15,499	6,638	-	53,172

Half Year ended 31 December 2010	**Pathology $'000**	**Radiology $'000**	**Other $'000**	**Eliminations $'000**	**Consolidated $'000**
Total segment revenue	1,219,748	184,223	110,555	(4,837)	1,509,689
Interest income					4,004
Total revenue					**1,513,693**
Segment EBITA	203,790	21,573	(6,799)	-	218,564
Amortisation expense					(8,470)
Unallocated net interest expense					(28,989)
Profit before tax					**181,105**
Income tax expense					(46,165)
Profit after income tax expense					**134,940**
Depreciation expense	26,243	14,826	5,732	-	46,801

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2011

	Six months ended 31.12.11 $'000	Six months ended 31.12.10 $'000
Note 3 Dividends		
Dividends paid during the half year	**136,486**	135,950

Dividends not recognised at the end of the half year

Since the end of the half year the directors have declared an interim dividend of 24 cents (2011: 24 cents) franked to 35% (2011: 28%).

The dividend was declared on 20 February 2012 and is payable on 22 March 2012 with a record date of 7 March 2012. The interim dividend includes no conduit foreign income.

Based on the number of shares on issue at 20 February 2012 the aggregate amount of the proposed interim dividend to be paid out of retained earnings at the end of the half year, but not recognised as a liability is:	**93,593**	93,223
Australian franking credits available for subsequent financial periods based on a tax rate of 30%	**18,934**	8,376

The impact on the franking account of the dividend declared by the directors since balance date, but not recognised as a liability at balance date, will be a reduction in the franking account of $14,039,000 (2011: $11,187,000), based on the number of shares on issue at 20 February 2012. Franking credits arising from Australian tax paid after balance date will maintain the franking account in surplus after payment of the 2012 interim dividend.

It is expected that the 2012 final dividend will be franked to 35%.

The Company's Dividend Reinvestment Plan remains suspended for this dividend and until further notice.

	Six months ended 31.12.11 Cents	Six months ended 31.12.10 Cents
Note 4 Earnings per share		
Basic earnings per share	**36.7**	34.8
Diluted earnings per share	**36.5**	34.6

	Six months ended 31.12.11 Shares	Six months ended 31.12.10 Shares
Weighted average number of ordinary shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**389,534,658**	388,429,875
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**391,274,840**	390,081,835

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2011

Note 5 Business combinations

Acquisitions of subsidiaries/business assets in the period included:

- a number of medical centre and skin clinic businesses acquired by IPN.
- a small synergistic laboratory acquisition in Germany completed at the end of the period.

The acquisitions outlined above represent valuable synergistic acquisitions for Sonic, adding further momentum to Sonic's growth.

The contribution these acquisitions made to the Group's profit during the period was immaterial individually and in total. It is impracticable to determine the contribution these immaterial acquisitions made to the net profit of the Group during the period, and what they are likely to contribute on an annualised basis, as the majority of the acquisitions were merged with other entities in the Group. The initial accounting for these business combinations has only been determined provisionally at the date of this report, as the Group is still in the process of reviewing acquisition balance sheets and identifying assets and liabilities not previously recorded, so as to determine the fair values of the identifiable assets, liabilities and contingent liabilities acquired. Therefore no comparisons of book and fair values are shown.

The aggregate cost of the combinations, the values of the identifiable assets and liabilities, and the goodwill arising on acquisition are detailed below:

	Total $'000
Consideration - cash paid	**132,167**
Less: Cash of entities acquired	**(109)**
	132,058
Deferred consideration	**750**
Total consideration	**132,808**
Carrying value of identifiable net assets of subsidiaries acquired:	
Other receivables	**415**
Prepayments	**75**
Inventory	**120**
Deferred tax assets	**1,371**
Property, plant & equipment	**10,069**
Identifiable intangibles	**755**
Trade payables	**(2,152)**
Sundry creditors and accruals	**(1,814)**
Income tax payable	**(253)**
Other liabilities	**(153)**
Provisions	**(1,849)**
	6,584
Goodwill	**126,224**

The goodwill arising from the business combinations is attributable to their reputation in the local market, the benefit of marginal profit and synergies expected to be achieved from integrating the business with existing operations, expected revenue growth, future market development, the assembled workforce and knowledge of local markets. These benefits are not able to be individually identified or recognised separately from goodwill. $nil of the purchased goodwill recognised is expected to be deductible for income tax purposes.

Acquisition related costs of $2,982,000 are included in other expenses in the statement of comprehensive income.

The fair value of acquired debtors and other receivables is $415,000. The gross contractual amount due is $415,000, of which $nil is expected to be uncollectible.

Due to the recent timing of these acquisitions, information relating to the fair value of assets/liabilities assumed and goodwill acquired is not yet available.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2011

Note 6 Goodwill

	31.12.11 $'000	30.6.11 $'000
Cost	**3,355,921**	3,248,294
Accumulated impairment	**(80,890)**	(82,007)
Net book amount	**3,275,031**	3,166,287
Opening cost	**3,248,294**	3,325,261
Acquisition of subsidiaries and minority interests	**127,064**	256,936
Foreign exchange movements	**(19,437)**	(333,903)
Closing cost	**3,355,921**	3,248,294
Opening accumulated impairment	**(82,007)**	(86,459)
Foreign exchange movements	**1,117**	4,452
Closing accumulated impairment	**(80,890)**	(82,007)

Note 7 Contributed equity

	31.12.11 Shares	30.6.11 Shares	31.12.11 $'000	30.6.11 $'000
Share capital				
Fully paid ordinary shares	**389,969,875**	388,429,875	**2,369,355**	2,345,584

Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	$'000
1/7/11	Opening balance	388,429,875		2,345,584
Various	Shares issued following exercise of options	1,540,000	$11.54	17,772
Various	Transfers from equity remuneration reserve	-		5,999
31/12/11	Closing balance	389,969,875		2,369,355

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2011

Note 8 Unlisted share options and performance rights

Exercise Price	Expiry Date	Options at 30.6.11	Options Granted	Options Exercised	Options Forfeited	Options at 31.12.11
$7.50	22/08/2011	1,540,000	-	(1,540,000)	-	**-**
$13.10	15/09/2011	1,025,000	-	-	(1,025,000)	**-**
$13.10	30/09/2011	1,400,000	-	-	(1,400,000)	**-**
$13.10	30/09/2012	300,000	-	-	-	**300,000**
$13.10	30/09/2013	300,000	-	-	-	**300,000**
$13.00*	30/09/2012	1,000,000	-	-	-	**1,000,000**
$13.00	13/06/2012	200,000	-	-	-	**200,000**
$7.50	24/08/2012	1,540,000	-	-	-	**1,540,000**
$14.16	03/08/2012	1,000,000	-	-	-	**1,000,000**
$13.30	25/05/2013	500,000	-	-	-	**500,000**
$13.65	31/05/2013	110,000	-	-	-	**110,000**
$7.50	22/08/2013	1,540,000	-	-	-	**1,540,000**
$12.98	22/11/2013	2,625,000	-	-	(1,556,625)	**1,068,375**
$11.10	27/01/2014	1,500,000	-	-	-	**1,500,000**
$10.57	10/04/2015	1,000,000	-	-	-	**1,000,000**
$11.13	03/01/2016	700,000	-	-	-	**700,000**
$11.43	18/11/2016	-	1,341,058	-	-	**1,341,058**
$11.43	18/11/2017	-	1,302,250	-	-	**1,302,250**
$11.43	18/11/2018	-	1,705,263	-	-	**1,705,263**
Performance Rights	18/11/2016	-	141,732	-	-	**141,732**
Performance Rights	18/11/2017	-	141,732	-	-	**141,732**
Performance Rights	18/11/2018	-	188,976	-	-	**188,976**
		16,280,000	4,821,011	(1,540,000)	(3,981,625)	**15,579,386**

* or where the closing market share price for Sonic's shares on 30 May 2012 is less than $15.00, $2.00 less than the closing price on that day.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2011

Note 9 Reserves

	31.12.11 $'000	31.12.10 $'000
Foreign currency translation reserve	**(232,916)**	(220,158)
Hedging reserve	**(6,464)**	(11,633)
Equity remuneration reserve	**8,525**	16,865
Share option reserve	**16,427**	16,427
Revaluation reserve	**3,272**	3,272
	(211,156)	(195,227)
Movements		
Foreign currency translation reserve		
Balance 1 July	**(218,510)**	(96,948)
Net exchange movement on translation of foreign subsidiaries	**(14,406)**	(123,210)
Balance	**(232,916)**	(220,158)
Hedging reserve		
Balance 1 July	**(7,190)**	(18,114)
Revaluation (net of deferred tax)	**(1,641)**	884
Transfer to net profit (net of deferred tax)	**2,367**	5,597
Balance	**(6,464)**	(11,633)
Equity remuneration reserve		
Balance 1 July	**18,645**	17,006
Share based payments expense	**2,101**	2,147
Employee share scheme issue	**(6,222)**	(948)
Transfer to share capital (options exercised)	**(5,999)**	(1,340)
Balance	**8,525**	16,865
Share option reserve		
Balance 1 July	**16,427**	16,427
Movement in period	**-**	-
Balance	**16,427**	16,427
Revaluation reserve		
Balance 1 July	**3,272**	3,272
Movement in period	**-**	-
Balance	**3,272**	3,272

Note 10 Net tangible asset backing

	31.12.11	30.6.11
Net tangible asset backing per ordinary security	**($2.58)**	($2.30)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2011

Note 11 Events occurring after the balance sheet date

Since the end of the financial period no matter or circumstance not otherwise dealt with in these financial statements that has significantly or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years has arisen.

Forward-looking statements

This Half Year Report and ASX Appendix 4D may include forward-looking statements about our financial results, guidance and business prospects that may involve risks and uncertainties, many of which are outside the control of Sonic Healthcare. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date that they are made and which reflect management's current estimates, projections, expectations or beliefs and which involve risks and uncertainties that could cause actual results and outcomes to be materially different. Risks and uncertainties that may affect the future results of the Company include, but are not limited to, adverse decisions by Governments and healthcare regulators, changes in the competitive environment and billing policies, lawsuits, loss of contracts and unexpected growth in costs and expenses. The statements being made in this report do not constitute an offer to sell, or solicitation of an offer to buy, any securities of Sonic Healthcare. No representation, warranty or assurance (express or implied) is given or made in relation to any forward-looking statement by any person (including Sonic Healthcare). In particular, no representation, warranty or assurance (express or implied) is given in relation to any underlying assumption or that any forward-looking statement will be achieved. Actual future events may vary materially from the forward-looking statements and the assumptions on which the forward-looking statements are based. Given these uncertainties, readers are cautioned to not place undue reliance on such forward-looking statements.

Directors' declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 12 to 24 are in accordance with the *Corporations Act 2001,* including:

- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half year ended on that date; and

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

This declaration is made in accordance with a resolution of the directors.

R.P. Campbell
Chairman

Dr C.S. Goldschmidt
Director

Sydney
20 February 2012

Independent auditor's review report to the members of Sonic Healthcare Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Sonic Healthcare Limited, which comprises the balance sheet as at 31 December 2011, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Sonic Healthcare Limited Group (the consolidated entity). The consolidated entity comprises both Sonic Healthcare Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Sonic Healthcare Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001.*

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Conclusion

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 Sonic Healthcare Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001.*

PricewaterhouseCoopers

PricewaterhouseCoopers

Matthew Lunn
Partner

Sydney
20 February 2012