Sonic Healthcare Limited

ABN 24 004 196 909

ASX APPENDIX 4D AND HALF YEAR REPORT – 31 DECEMBER 2012

Lodged with the ASX under Listing Rule 4.2A

This information should be read in conjunction with the 2012 Annual Report.

RESULTS FOR ANNOUNCEMENT TO THE MARKET
For the six months ended 31 December 2012

Financial Results

$'000	Six months ended 31.12.12 Constant Currency*	Six months ended 31.12.12 Statutory	Six months ended 31.12.11 Statutory	% Change 31.12.12 Constant Currency v 31.12.11 Statutory	% Change 31.12.12 Statutory v 31.12.11 Statutory
Revenue from ordinary activities	**1,733,486**	**1,697,326**	1,641,903	**5.6%**	**3.4%**
Earnings before interest, tax, depreciation and intangibles amortisation (**EBITDA**) pre acquisition costs	**314,581**	**305,638**	296,501		
Acquisition related costs	**(1,936)**	**(1,928)**	(2,982)		
EBITDA after acquisition costs	**312,645**	**303,710**	293,519	6.5%	
Depreciation and lease amortisation	**(56,820)**	**(55,813)**	(53,172)	6.9%	
Earnings before interest, tax and intangibles amortisation (**EBITA**)	**255,825**	**247,897**	240,347	6.4%	
Amortisation of intangibles	**(13,144)**	**(12,930)**	(10,464)	25.6%	
Net interest expense	**(33,605)**	**(32,630)**	(39,168)	(14.2)%	
Income tax attributable to operating profit	**(50,423)**	**(48,605)**	(47,338)	6.5%	
Net profit attributable to minority interests	**(3,186)**	**(3,102)**	(421)		
Net profit attributable to shareholders of Sonic Healthcare Limited	**155,467**	**150,630**	142,956	**8.8%**	**5.4%**
Cash generated from operations		**222,379**	224,299		
EBITDA margin	**18.0%**		17.9%	10 bps	

Dividends

Cents per share	2013	2012
Interim dividend	**25¢**	24¢
Interim dividend franked amount per security	**11.25¢**	8.40¢

The record date for determining entitlements to the interim dividend will be 6 March 2013. The interim dividend will be paid on 21 March 2013. The Company's Dividend Reinvestment Plan (DRP) has been suspended for this dividend and until further notice. The 2013 interim dividend includes no conduit foreign income.

Earnings per share

Cents per share	Six months ended 31.12.12 Constant Currency	Six months ended 31.12.12 Statutory	Six months ended 31.12.11 Statutory	% Change 31.12.12 Constant Currency v 31.12.11 Statutory	% Change 31.12.12 Statutory v 31.12.11 Statutory
Basic earnings per share	**39.5¢**	**38.3¢**	36.7¢	7.6%	4.4%
Diluted earnings per share	**39.2¢**	**38.0¢**	36.5¢	7.4%	4.1%

* For an explanation of "Constant Currency" refer to 2(a) in the Commentary on Results.

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 2012

1. Overview

- Strong, stable and growing business.
- Solid revenue growth and performance in Australia and Europe.
- EBITDA growth of 6.5% (Constant Currency).
- Margin expansion 10 basis points (“bps”), 30 bps excluding Superstorm Sandy, follows 30 bps in FY2012.
- Pathology margins (excluding USA and UK) up 50 bps.
- Ongoing focus on synergy capture and cost-control.
- Reduced interest expense and lower effective tax rate.

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 2012 for the Australian dollar (“A$”, “AUD” or “$”) versus the main currencies of Sonic’s offshore earnings (USD, Euro, GBP, CHF) were higher than in the comparative period, reducing Sonic’s AUD reported earnings (“Statutory” earnings). The underlying earnings in foreign currency are not affected.

In addition to the statutory disclosures 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, being the average rates for that period) to facilitate comparability of the Group’s performance, by providing a view on the underlying business performance without distortion caused by exchange rate volatility, so that an assessment can be made of the growth in earnings in local currencies. Constant Currency reporting also allows comparison to the guidance Sonic provides to the market about its prospective earnings. Given the volatility of the AUD in the last few years, Sonic is not comfortable to provide earnings guidance which requires forecasting of exchange rates. Sonic therefore provides earnings guidance on a Constant Currency basis, and then reports against that measure.

In preparing the Constant Currency reporting, the foreign currency elements of each line item in the Income Statement (including net interest expense and tax expense) are restated using the relevant prior period average exchange rate. There is only this one adjustment to each line item so no reconciliation is required.

The average exchange rates used were as follows:

	31.12.12 Statutory	**31.12.11 and Constant Currency**
AUD/USD	1.0389	1.0310
AUD/EUR	0.8160	0.7470
AUD/GBP	0.6523	0.6480
AUD/CHF	0.9838	0.8940
AUD/NZD	1.2731	1.2821

To manage currency translation risk Sonic uses “natural” hedging, under which foreign currency assets (businesses) are matched to the extent possible 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 have only a partial effect, 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 2012

2. Explanation of results (continued)

(b) Revenue

Total revenue growth for the half year was 5.6% at Constant Currency exchange rates (i.e. applying the average rates for the six months ended 31.12.11 to the current period results).

Revenue breakdown AUD M	**Six months ended 31.12.12 Statutory Revenue**	**% of 31.12.12 Statutory Revenue**	**Six months ended 31.12.12 Constant Currency Revenue**	**Six months ended 31.12.11 Statutory Revenue**	**Growth 31.12.12 Constant Currency v 31.12.11**
Pathology – Australia	520	31%	520	493	5.5%
Pathology – USA	367	21%	370	378	(2.1)%
Pathology – Europe	422	25%	455	400	13.8%
Pathology – NZ	20	1%	20	36	(44.4)%
Radiology	203	12%	203	191	6.3%
Medical centres (IPN)	164	10%	164	142	15.5%
Revenue excluding interest income	1,696	100%	1,732	1,640	5.6%
Interest income	1		1	2	
Total revenue	1,697		1,733	1,642	

Sonic's Australian Pathology organic revenue growth of 5% is believed to be in line with market growth. The organic growth was augmented by the acquisition in October 2012 of the small Healthscope Western Australian pathology business.

Sonic's strong European revenue growth was augmented by small synergistic business acquisitions in Germany and revenue recognised relating to pathology outsourcing contracts in the UK.

As previously advised, certain regional funding bodies ("KVs") in Germany short paid quarterly billing up to the September 2012 quarter, after which the statutory insurance payment system moved to a national funding structure. As at 31 December 2012 Sonic is carrying ~€16M in debtors in relation to these short payments. Sonic is pursuing recovery of these debtors and legal advice supports full recoverability as the short payments are considered illegal, and this view is supported by a number of the other regional KVs.

Organic revenue growth in the USA was impacted by Superstorm Sandy and the weak economic environment, and was consistent with the organic growth rate of Sonic's major competitors in the USA market.

Pathology revenue in New Zealand reduced following the sale of Sonic's Medlab South operation on 31 March 2012.

Radiology revenue growth was impacted by the sale of Sonic's Palmerston North X-ray practice on 1 November 2012.

Sonic's medical centre business, IPN, achieved revenue growth of 15% through a combination of organic growth in existing medical centres and greenfield sites (backed by successful doctor recruitment strategies). No additional centres were acquired during the period. IPN's occupational health business Kinetic recorded exceptionally strong organic growth.

Revenue was impacted by currency exchange rate movements, which decreased reported (Statutory) revenue by A$36M compared to the comparative period.

COMMENTARY ON RESULTS
For the half year ended 31 December 2012

2. Explanation of results (continued)

(c) EBITDA

EBITDA grew 6.5% at Constant Currency exchange rates versus the comparative period. The equivalent margin expanded by 10 bps (30 bps excluding the impact of Superstorm Sandy) over the comparative period.

Margins in the Pathology division were impacted by the weak economic environment in the USA and Superstorm Sandy. Dilution also occurred due to the revenue recognised at low margin on pathology outsourcing contracts in the UK. Excluding the USA and UK, pathology margins increased by 50 bps.

Sonic's Radiology division and IPN both showed significant margin expansion as a result of revenue growth, cost control, and efficiency programs.

(d) Depreciation and lease amortisation

Depreciation and leased asset amortisation has increased 6.9% 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 2012

2. Explanation of results (continued)

(f) Interest expense and debt facilities

Net interest expense has decreased 14% (A$6M) on the comparative period (at Constant Currency rates) due to lower net debt resulting from strong operating cash generation and the operation of the Company's Dividend Reinvestment Plan in relation to the 2012 final dividend; lower base interest rates and expiry of interest rate hedges at higher historical 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 2012 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$409	US$409+	-
- Euro limits	€633	€595	48
- AUD (Multicurrency) limits	A$344	A$85+	259
Minor debt/leasing facilities	n/a	A$11*	-
Cash	n/a	A$(183)*	183
Available funds at 31 December 2012			490

+ Drawn in GBP, USD and AUD
* Various currencies, cash mainly AUD

Sonic's credit metrics at 31 December 2012 were as follows:

	31.12.12	30.6.12
Gearing ratio	36.4%	37.6%
Interest cover (times)	7.8	7.0
Debt cover (times)	2.4	2.5

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 2012

2. Explanation of results (continued)

(f) Interest expense and debt facilities (continued)

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

	AUD M	USD M	Euro M
2014 (March)	165	259	62
2015	179	-	186
2016	-	75	190
2017	-	170	195
2020	-	155	-
2021	-	250	-
	344	909	633

Sonic's excellent relationships with its banks, its investment grade credit metrics, and its strong and reliable cashflows significantly reduce refinancing risk.

(g) Tax expense

The effective tax rate of 24% is slightly lower than the comparative period and the guidance provided in August 2012, 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

Cash generated from operations was strong at $222M, in line with cash profit (net profit plus depreciation, intangibles amortisation, equity instrument expense and outside equity interests) and representing a 100% conversion of EBITDA into gross operating cash flow. Cash generation in the comparative period was extremely strong due to timing of tax payments.

Proceeds from sale of non current assets disclosed in the Statement of Cash Flows include the sale of Palmerston North X-ray (at a nominal profit) and the sale of Sonic's Auckland laboratory land and building (at approximate book value).

(i) Full year (2013) guidance

Sonic gave full year guidance in August 2012 of EBITDA growth of 5-10% over the 2012 level of A$624M, on a constant currency basis (applying 2012 average currency exchange rates to 2013). After seven months of trading and allowing for larger than expected fee changes in Germany in the second half, unexpected anatomical pathology fee cuts in the USA, lower than expected growth in the USA and Superstorm Sandy impacts the Company is expecting a full-year result at the lower end of the guidance range.

Net interest expense is expected to decrease by approximately 15% from the 2012 level of A$74M on a constant currency basis.

Sonic's effective tax rate for 2013 is expected to be approximately 25%.

STATUTORY
HALF YEAR REPORT

CONTENTS **PAGE**

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 Financial Statements for the year ended 30 June 2012 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 2012.

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 3.4% to $1,697,326,000 reflecting organic growth augmented by a number of small synergistic business acquisitions during the current and prior year.

Net profit increased 5.4% to $150,630,000 as a result of earnings and margins growth and lower interest costs.

Earnings per share ("EPS") increased 4.4%.

Summary of the operations:

- Strong, stable and growing business.
- Solid revenue growth and performance in Australia and Europe.
- EBITDA growth of 6.5%.*
- Margin expansion 10 basis points ("bps"), 30 bps excluding Superstorm Sandy, follows 30 bps in FY2012.*
- Pathology margins (excluding USA and UK) up 50 bps.*
- Ongoing focus on synergy capture and cost-control.
- Reduced interest expense and lower effective tax rate.

* On a Constant Currency basis – current period results presented using the comparative period average currency exchange rates to translate offshore earnings. The Constant Currency information has not been audited in accordance with Australian Auditing Standards.

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 18 February 2013 Sonic's Directors declared a dividend of 25 cents (2012: 24 cents) per ordinary share 45% (2012: 35%) franked (at 30%) payable on 21 March 2013 with a record date of 6 March 2013. The interim dividend includes no conduit foreign income. The Company's Dividend Reinvestment Plan has been 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
18 February 2013

Auditor's Independence Declaration

As lead auditor for the review of Sonic Healthcare Limited for the half year ended 31 December 2012, 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
18 February 2013

PricewaterhouseCoopers

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
DX 77 Sydney, Australia
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

CONSOLIDATED INCOME STATEMENT
For the half year ended 31 December 2012

	Notes	Six months ended 31.12.12 $'000	Six months ended 31.12.11 $'000
Revenue from operations		**1,677,495**	1,634,226
Other income		**19,831**	7,677
Total		**1,697,326**	1,641,903
Labour and related costs (including $1,834,000 (2012: $2,101,000) of equity remuneration expense)		**(790,393)**	(749,233)
Consumables used		**(255,987)**	(261,455)
Operating lease rental expense		**(93,304)**	(86,404)
Depreciation and amortisation of physical assets		**(55,813)**	(53,172)
Transportation		**(45,158)**	(45,680)
Utilities		**(41,731)**	(40,260)
Repairs and maintenance		**(39,831)**	(36,780)
Borrowing costs expense		**(33,996)**	(40,836)
Amortisation of intangibles		**(12,930)**	(10,464)
Other expenses from ordinary activities (including $1,928,000 (2012: $2,982,000) of acquisition related costs)		**(125,846)**	(126,904)
Profit from ordinary activities before income tax expense		**202,337**	190,715
Income tax expense		**(48,605)**	(47,338)
Profit from ordinary activities after income tax expense		**153,732**	143,377
Net profit attributable to minority interests		**(3,102)**	(421)
Profit attributable to members of Sonic Healthcare Limited		**150,630**	142,956
Basic earnings per share (cents per share)	4	**38.3**	36.7
Diluted earnings per share (cents per share)	4	**38.0**	36.5

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the half year ended 31 December 2012

	Six months ended 31.12.12 $'000	Six months ended 31.12.11 $'000
Profit from ordinary activities after income tax expense	**153,732**	143,377
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**12,179**	(14,441)
Cash flow hedges	**1,730**	726
Items that will not be reclassified to profit or loss		
Actuarial gains/(losses) on retirement benefit obligations	**795**	(172)
Other comprehensive income for the period, net of tax	**14,704**	(13,887)
Total comprehensive income for the period	**168,436**	129,490
Total comprehensive income attributable to:		
Members of Sonic Healthcare Limited	**164,781**	129,103
Minority interests	**3,655**	387
	168,436	129,490

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

CONSOLIDATED BALANCE SHEET
As at 31 December 2012

	Notes	31.12.12 $'000	30.6.12 $'000
Current assets			
Cash assets and cash equivalents		**182,938**	168,594
Receivables		**449,237**	447,775
Inventories		**60,270**	55,701
Assets classified as held for sale		**-**	9,336
Other		**38,710**	33,350
Total current assets		**731,155**	714,756
Non current assets			
Receivables		**3,243**	2,712
Other financial assets (investments)		**46,844**	50,028
Property, plant and equipment		**599,820**	582,218
Intangible assets		**3,592,505**	3,549,247
Deferred tax assets		**29,387**	29,787
Other		**29**	57
Total non current assets		**4,271,828**	4,214,049
Total assets		**5,002,983**	4,928,805
Current liabilities			
Payables		**282,102**	277,268
Interest bearing liabilities		**8,070**	516,388
Current tax liabilities		**35,290**	44,877
Provisions		**135,482**	131,478
Other financial liabilities (interest rate hedging)		**5,416**	8,737
Other		**2,333**	2,687
Total current liabilities		**468,693**	981,435
Non current liabilities			
Interest bearing liabilities		**1,717,938**	1,223,287
Deferred tax liabilities		**60,664**	56,445
Provisions		**37,463**	37,526
Other		**23,147**	19,913
Total non current liabilities		**1,839,212**	1,337,171
Total liabilities		**2,307,905**	2,318,606
Net assets		**2,695,078**	2,610,199
Equity			
Parent entity interest			
Contributed equity	7	**2,452,395**	2,379,525
Reserves		**(231,816)**	(229,478)
Retained earnings		**453,452**	439,454
Total parent entity interest		**2,674,031**	2,589,501
Minority interests		**21,047**	20,698
Total equity		**2,695,078**	2,610,199

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the half year ended 31 December 2012

	Six months ended 31.12.12 $'000	Six months ended 31.12.11 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	**1,734,586**	1,694,308
Payments to suppliers and employees (inclusive of goods and services tax)	**(1,430,161)**	(1,395,008)
Gross operating cash flow	**304,425**	299,300
Interest received	**1,366**	1,668
Borrowing costs	**(31,027)**	(38,367)
Income taxes paid	**(52,385)**	(38,302)
Net cash inflow from operating activities	**222,379**	224,299
Cash flows from investing activities		
Payment for purchase of controlled entities, net of cash acquired	**(30,739)**	(137,807)
Payments for property, plant and equipment	**(72,911)**	(71,906)
Proceeds from sale of non current assets	**22,845**	2,346
Payments for investments	**(596)**	(6,937)
Payments for intangibles	**(21,739)**	(21,008)
Repayment of loans by other entities	**2,365**	2,065
Loans to other entities	**(1,427)**	(493)
Net cash (outflow) from investing activities	**(102,202)**	(233,740)
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities (net of transaction costs and related costs)	**18,532**	11,550
Proceeds from borrowings	**103,819**	186,351
Repayment of borrowings	**(125,927)**	(102,952)
Dividends paid to Company's shareholders (net of Dividend Reinvestment Plan)	**(100,544)**	(136,486)
Dividends paid to minority interests in controlled entities	**(3,325)**	(290)
Net cash (outflow) from financing activities	**(107,445)**	(41,827)
Net increase/(decrease) in cash and cash equivalents	**12,732**	(51,268)
Cash and cash equivalents at the beginning of the financial period	**168,594**	174,687
Effects of exchange rate changes on cash and cash equivalents	**1,612**	(1,751)
Cash and cash equivalents at the end of the financial period	**182,938**	121,668

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 2012

	Share capital $'000	Reserves $'000	Retained earnings $'000	Total $'000	Minority interests $'000	Total $'000
Balance at 1 July 2012	2,379,525	(229,478)	439,454	2,589,501	20,698	2,610,199
Profit for the period	-	-	150,630	150,630	3,102	153,732
Other comprehensive income for the period	-	13,356	795	14,151	553	14,704
Total comprehensive income for the period	-	13,356	151,425	164,781	3,655	168,436
Transactions with owners in their capacity as owners:						
Dividends paid	-	-	(137,427)	(137,427)	-	(137,427)
Shares issued	65,597	(10,183)	-	55,414	-	55,414
Transaction costs on shares issued net of tax	(72)	-	-	(72)	-	(72)
Transfers to share capital	7,345	(7,345)	-	-	-	-
Share based payments	-	1,834	-	1,834	-	1,834
Dividends paid to minority interests in controlled entities	-	-	-	-	(3,306)	(3,306)
Balance at 31 December 2012	2,452,395	(231,816)	453,452	2,674,031	21,047	2,695,078
Balance at 1 July 2011	2,345,584	(187,356)	356,160	2,514,388	2,047	2,516,435
Profit for the 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

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 2012

Note 1 Summary of significant accounting policies

This general purpose financial report for the interim half year reporting period ended 31 December 2012 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 2012 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2012

Note 2 Segment information (continued)

Half Year ended 31 December 2012	Pathology $'000	Radiology $'000	Other $'000	Eliminations $'000	Consolidated $'000
Segment revenue (Constant Currency)	1,365,775	203,187	167,286	(4,128)	1,732,120
Currency exchange movement	(36,250)	90	-	-	(36,160)
Segment revenue (Statutory)	**1,329,525**	**203,277**	**167,286**	**(4,128)**	**1,695,960**
Interest income					1,366
Total revenue					**1,697,326**
Segment EBITA (Constant Currency)	223,725	27,937	4,163	-	255,825
Currency exchange movement	(7,962)	34	-	-	(7,928)
Segment EBITA (Statutory)	**215,763**	**27,971**	**4,163**	**-**	**247,897**
Amortisation expense					(12,930)
Unallocated net interest expense					(32,630)
Profit before tax					**202,337**
Income tax expense					(48,605)
Profit after income tax expense					**153,732**
Depreciation expense	32,942	15,212	7,659	-	55,813

Half Year ended 31 December 2011	Pathology $'000	Radiology $'000	Other $'000	Eliminations $'000	Consolidated $'000
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2012

	Six months ended 31.12.12 $'000	Six months ended 31.12.11 $'000
Note 3 Dividends		
Dividends paid during the half year	**137,427**	136,486
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 25 cents (2012: 24 cents) franked to 45% (2012: 35%).		
The dividend was declared on 18 February 2013 and is payable on 21 March 2013 with a record date of 6 March 2013. The interim dividend includes no conduit foreign income.		
Based on the number of shares on issue at 18 February 2013 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:	**99,013**	93,593

	Six months ended 31.12.12 Cents	Six months ended 31.12.11 Cents
Note 4 Earnings per share		
Basic earnings per share	**38.3**	36.7
Diluted earnings per share	**38.0**	36.5

	Six months ended 31.12.12 Shares	Six months ended 31.12.11 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	**393,515,765**	389,534,658
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**396,121,613**	391,274,840

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2012

Note 5 Business combinations

Acquisitions of subsidiaries/business assets in the period included:

- Western Australian pathology business of Healthscope on 18 October 2012.
- two small synergistic laboratory acquisitions in Germany completed in July 2012.

The contribution these acquisitions made to the Group's profit during the period was immaterial individually and in total. It is impracticable to accurately 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 they 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 preliminary values of the identifiable assets and liabilities, and the goodwill arising on acquisition are detailed below:

	Total $'000
Consideration - cash paid	**26,983**
Less: Cash of entities acquired	**(120)**
	26,863
Deferred consideration	**4,393**
Total consideration	**31,256**
Carrying value of identifiable net assets of subsidiaries acquired:	
Debtors & other receivables	**765**
Prepayments	**24**
Inventory	**465**
Deferred tax assets	**2,790**
Property, plant & equipment	**3,104**
Identifiable intangibles	**120**
Sundry creditors & accruals	**(49)**
Provisions	**(1,531)**
	5,688
Goodwill	**25,568**

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. $7,138,000 of the purchased goodwill recognised is expected to be deductible for income tax purposes.

Acquisition related costs of $1,928,000 are included in other expenses in the Income Statement.

The purchase price for the Western Australian pathology business includes a performance based earn-out of up to $1.8M payable within twelve months of the acquisition date. An additional $1.6M relates to a retention amount for final working capital adjustments.

The fair value of acquired debtors and other receivables is $765,000. The gross contractual amount due is $765,000, of which $nil is expected to be uncollectible.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2012

Note 6 Goodwill

	31.12.12 $'000	30.6.12 $'000
Cost	**3,407,013**	3,371,871
Accumulated impairment	**(84,506)**	(83,313)
Net book amount	**3,322,507**	3,288,558
Opening cost	**3,371,871**	3,248,294
Acquisition of businesses	**25,568**	156,548
Disposal of business	**(3,142)**	-
Foreign exchange movements	**12,716**	(32,971)
Closing cost	**3,407,013**	3,371,871
Opening accumulated impairment	**(83,313)**	(82,007)
Foreign exchange movements	**(1,193)**	(1,306)
Closing accumulated impairment	**(84,506)**	(83,313)

Note 7 Contributed equity

	31.12.12 Shares	30.6.12 Shares	31.12.12 $'000	30.6.12 $'000
Share capital				
Fully paid ordinary shares	**396,025,681**	390,969,875	**2,452,395**	2,379,525

Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	$'000
1/7/12	Opening balance	390,969,875		2,379,525
9/10/12	Shares issued under Dividend Reinvestment Plan	2,865,806	12.87	36,883
Various	Shares issued following exercise of options	2,190,000	Various	28,714
Various	Transfers from equity remuneration reserve	-	-	7,345
Various	Costs associated with shares issued net of future income tax benefits	-	-	(72)
31/12/12	Closing balance	396,025,681		2,452,395

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2012

Note 8 Unlisted share options and performance rights

Exercise Price	Expiry Date	Balance at 1.7.12	Exercised	Granted	Forfeited	Expired	Balance at 31.12.12
$14.16	03/08/2012	1,000,000	-	-	-	(1,000,000)	-
$7.50	24/08/2012	1,540,000	(1,540,000)	-	-	-	-
$13.10	30/09/2012	300,000	-	-	-	(300,000)	-
$13.30	25/05/2013	500,000	-	-	-	-	500,000
$13.65	31/05/2013	60,000	-	-	-	-	60,000
$7.50	22/08/2013	1,540,000	-	-	-	-	1,540,000
$13.10	30/09/2013	300,000	-	-	-	-	300,000
$12.98	22/11/2013	1,068,375	-	-	-	-	1,068,375
$11.10	27/01/2014	1,280,000	(210,000)	-	-	-	1,070,000
$10.57	10/04/2015	1,000,000	(440,000)	-	-	-	560,000
$11.13	03/01/2016	440,000	-	-	-	-	440,000
$11.43	18/11/2016	1,341,058	-	-	-	-	1,341,058
$11.14	20/12/2016	600,000	-	-	-	-	600,000
$11.14	07/03/2017	500,000	-	-	-	-	500,000
$11.43	18/11/2017	1,302,250	-	-	-	-	1,302,250
$11.43	18/11/2018	1,705,263	-	-	-	-	1,705,263
$11.14	07/03/2019	1,000,000	-	-	-	-	1,000,000
$12.57	02/07/2019	-	-	300,000	-	-	300,000
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
		15,949,386	(2,190,000)	300,000	-	(1,300,000)	12,759,386

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2012

Note 9 Reserves

	31.12.12 $'000	31.12.11 $'000
Foreign currency translation reserve	**(224,767)**	(232,916)
Hedging reserve	**(3,288)**	(6,464)
Equity remuneration reserve	**(5,571)**	8,525
Share option reserve	**16,427**	16,427
Revaluation reserve	**3,272**	3,272
Transactions with minority interests	**(17,889)**	-
	(231,816)	(211,156)
Movements		
Foreign currency translation reserve		
Balance 1 July	**(236,831)**	(218,510)
Net exchange movement on translation of foreign subsidiaries	**12,064**	(14,406)
Balance	**(224,767)**	(232,916)
Hedging reserve		
Balance 1 July	**(5,018)**	(7,190)
Revaluation (net of deferred tax)	**1,735**	(1,641)
Transfer to net profit (net of deferred tax)	**(5)**	2,367
Balance	**(3,288)**	(6,464)
Equity remuneration reserve		
Balance 1 July	**10,123**	18,645
Share based payments expense	**1,834**	2,101
Employee share scheme issue	**(10,183)**	(6,222)
Transfer to share capital (options exercised)	**(7,345)**	(5,999)
Balance	**(5,571)**	8,525
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
Transactions with minority interests		
Balance 1 July	**(17,451)**	-
Net exchange movement	**(438)**	-
Balance	**(17,889)**	-

Note 10 Net tangible asset backing

	31.12.12	30.6.12
Net tangible asset backing per ordinary security	**($2.27)**	($2.40)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2012

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 other than as follows:

On 18 February 2013 Sonic's Directors declared a dividend of 25 cents (2012: 24 cents) per ordinary share 45% (2012: 35%) franked (at 30%) payable on 21 March 2013 with a record date of 6 March 2013. The interim dividend includes no conduit foreign income. The Company's Dividend Reinvestment Plan has been suspended for this dividend and until further notice.

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 2012 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
18 February 2013

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 2012, 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 internal 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 2012 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.*

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
DX 77 Sydney, Australia
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

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 2012 and of its performance for the half-year ended on that date; and

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Matthew Lunn
Partner

Sydney
18 February 2013