

Sonic Healthcare Limited
ABN 24 004 196 909

ASX APPENDIX 4D AND HALF YEAR REPORT – 31 DECEMBER 2016
Lodged with the ASX under Listing Rule 4.2A

This information should be read in conjunction with the 2016 Annual Report.

RESULTS FOR ANNOUNCEMENT TO THE MARKET
For the six months ended 31 December 2016

Financial Results \$'000	Six months ended 31.12.16		% Change
	Statutory		
Revenue from ordinary activities	2,476,043		Up 0.9%
Profit after tax from ordinary activities attributable to members	196,727		Up 4.7%
Dividends			
Cents per share	2017	2016	% Change
Interim dividend	31¢	30¢	Up 3.3%
Interim dividend franked amount per security	6.20¢	9.00¢	

The record date for determining entitlements to the interim dividend will be 8 March 2017. The interim dividend will be paid on 11 April 2017. The 2017 interim dividend includes no conduit foreign income. The Company's Dividend Reinvestment Plan (DRP) will operate for this dividend, with a discount of 1.5%. The pricing period for DRP purposes will be 10 trading days, starting on 13 March 2017 and concluding on 24 March 2017 (inclusive).

\$'000	Six months ended 31.12.16	Six months ended 31.12.16	Six months ended 31.12.15	% Change	
	Constant Currency*	Statutory		31.12.16 Constant Currency v 31.12.15	31.12.16 Statutory v 31.12.15
Revenue	2,575,276	2,476,043	2,453,304	5.0%	0.9%
Earnings before interest, tax, depreciation and intangibles amortisation (EBITDA) pre non-recurring restructure and acquisition costs (Underlying EBITDA)	431,178	413,791	408,590	5.5%	1.3%
Non-recurring restructure and acquisition costs	(6,683)	(6,548)	(9,235)		
EBITDA	424,495	407,243	399,355	6.3%	2.0%
Depreciation and lease amortisation	(86,978)	(84,009)	(81,416)	6.8%	3.2%
Earnings before interest, tax and intangibles amortisation (EBITA)	337,517	323,234	317,939	6.2%	1.7%
Amortisation of intangibles	(27,907)	(27,251)	(27,755)	0.5%	(1.8)%
Net interest expense	(32,829)	(31,602)	(30,299)	8.4%	4.3%
Income tax attributable to operating profit	(63,440)	(61,016)	(63,650)	(0.3)%	(4.1)%
Net (profit) attributable to minority interests	(7,611)	(6,638)	(8,356)		
Net profit attributable to shareholders of Sonic Healthcare Limited	205,730	196,727	187,879	9.5%	4.7%
Cash generated from operations		333,244	324,930		2.6%
Earnings per share					
Basic earnings per share (cents per share)	49.5	47.3	46.2		2.4%
Diluted earnings per share (cents per share)	49.2	47.1	45.9	7.2%	2.6%

* 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 2016

1. Summary

- On track after seven months of trading to achieve full year guidance provided in August 2016.
- H1 FY 2017 revenue growth 5% and underlying EBITDA growth 5.5% (on a constant currency basis).
- Margin expansion in laboratory division of 30 basis points, driven by international operations.
- Particularly strong operating performances in Germany and Switzerland.
- Australian operations adversely impacted by Government policies.
- Strong cash generation: 102% conversion of EBITDA to gross (pre-interest and pre-tax) operating cash flow.
- Accretive acquisitions in Germany and the USA and hospital partnerships in the USA completed and/or announced in H2 FY 2017.
- Sonic's global footprint delivering financial strength and risk mitigation.

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 2016 for the Australian dollar ("A\$", "AUD" or "\$") versus the currencies of Sonic's offshore earnings varied from those in the comparative period, impacting Sonic's AUD reported earnings ("Statutory" earnings). The underlying earnings in foreign currency are not affected.

As in prior periods, in addition to the statutory disclosures, Sonic's results for the half year have also been presented on a "Constant Currency" basis (i.e. using the same exchange rates to convert the current period foreign earnings into AUD as applied in the comparative period, being the average rates for that period). This facilitates 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.

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:

	31.12.16 Statutory	31.12.15 and Constant Currency
AUD/USD	0.7543	0.7226
AUD/EUR	0.6874	0.6552
AUD/GBP	0.5908	0.4714
AUD/CHF	0.7452	0.7067
AUD/NZD	1.0516	1.0973

To manage currency translation risk Sonic uses "natural" hedging, under which foreign currency assets (businesses) are matched to the extent practicable 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, debt is repaid, and interest rates change, 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 2016

2. Explanation of results (continued)

(b) Revenue

Total revenue growth for the half year was 5% at Constant Currency exchange rates (i.e. applying the average rates for the six months ended 31.12.15 to the current period results) and 1% including exchange rate impacts.

Revenue breakdown AUD M	Six months ended 31.12.16 Statutory Revenue	% of 31.12.16 Statutory Revenue	Six months ended 31.12.16 Constant Currency Revenue	Six months ended 31.12.15 Revenue	Growth 31.12.16 Constant Currency v 31.12.15
Laboratory – Australia	649	26%	649	609	6.6%
Laboratory – USA	535	22%	558	540	3.3%
Laboratory – Europe	856	34%	933	887	5.2%
Laboratory – NZ	13	1%	12	13	(7.7)%
Imaging	216	9%	216	209	3.6%
Medical centres and occupational health (SCS) – Australia	205	8%	205	193	6.2%
Revenue excluding interest income	<u>2,474</u>	<u>100%</u>	<u>2,573</u>	<u>2,451</u>	<u>5.0%</u>

The Laboratory division achieved revenue growth of 5% in the half year, including 4% organic revenue growth.

Sonic's Australian Laboratory revenue growth of 6.6% included ~2.6% relating to an acquisition in South Australia completed in the prior year. Sonic's growth was significantly stronger than the Medicare market data, driven by Sonic's brands and market positioning.

US organic revenue growth was 3.3% on a Constant Currency basis, the highest level for several years. Sonic's largest US business, CPL (based in Texas), continues to grow strongly.

Sonic's European operations experienced strong revenue growth, including in Switzerland (6% organic growth) and Germany (6% organic growth). Belgian growth was impacted by a fee cut from April 2016 and UK growth was affected by contractual adjustments and lower hospital volumes.

Imaging revenue growth of 3.6% was in line with market growth.

Revenue growth for Sonic Clinical Services ("SCS"), Sonic's medical centre and occupational health businesses, was 6.2% for the half, augmented by acquisitions and successful doctor recruitment. Growth of the medical centre business was impacted by the Medicare rebate freeze.

Revenue was impacted by currency exchange rate movements, which decreased reported (Statutory) revenue by A\$99M compared to the comparative period.

COMMENTARY ON RESULTS
For the half year ended 31 December 2016

2. Explanation of results (continued)

(c) EBITDA

EBITDA pre non-recurring costs grew 5.5% at Constant Currency exchange rates versus the prior year. The non-recurring costs of \$6.5M related to acquisitions, restructuring and laboratory relocations which occurred in the half year.

EBITDA growth for the period was strong in Sonic's international operations, particularly in Germany and Switzerland.

EBITDA growth in the Australian businesses was modest, with the Australian Laboratory business impacted by specimen collection infrastructure costs, Imaging earnings impacted by low market revenue growth and the medical centre business impacted by the Medicare fee indexation freeze for general practice implemented by the Government.

(d) Depreciation and lease amortisation

Depreciation and leased asset amortisation has increased 6.8% on the comparative period (at Constant Currency rates) as a result of growth of the Company, including significant laboratory building projects in recent periods.

The increase in capital expenditure on property, plant and equipment in the half year versus the comparative period relates to spend on laboratory building projects in London, Brisbane, Hawaii and Ingelheim.

(e) Intangibles amortisation

Intangibles amortisation relates to software (both internally developed and purchased) and contract costs (including doctor contracts in SCS). The expense is in line with the previous period at Constant Currency rates.

(f) Interest expense and debt facilities

Net interest expense has increased 8.4% on the prior year (at Constant Currency rates) mainly as a result of higher margins on CHF debt, which in 2016 was drawn from a low margin short term bridge facility. From July 2016 this debt was drawn from a new 5 year CHF bank debt facility. In addition, favourable interest swaps expired in 2016.

The majority of Sonic's 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.

COMMENTARY ON RESULTS
For the half year ended 31 December 2016

2. Explanation of results (continued)

(f) Interest expense and debt facilities (continued)

Sonic's net interest bearing debt at 31 December 2016 comprised:

	Facility Limit M	Drawn M	AUD \$M Available
Notes held by US investors – USD	US\$500	US\$500	-
Notes held by US investors – EUR	€355	€355	-
Bank debt facilities			
- USD limits	US\$425	US\$378	65
- Euro limits	€630	€313	463
- AUD (Multicurrency) limits	A\$250	A\$187+	63
- CHF limit	CHF325	CHF246	108
Minor debt/leasing facilities	n/a	A\$9	-
Cash	n/a	A\$(32)*	324
Available funds at 31 December 2016			<u>1,023</u>

+ Includes debt drawn in GBP (£40M)

* Various currencies

Sonic's credit metrics at 31 December 2016 were as follows:

	31.12.16	30.6.16
Gearing ratio	38.8%	38.0%
Interest cover (times)	11.3	11.5
Debt cover (times)	2.6	2.6

Definitions:

- Gearing ratio = Net debt / [Net debt + equity] (USPP 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 debt facility definitions

Sonic's senior debt facility limits at 15 February 2017 expire as follows (**note that the figures shown are the facility limits, not drawn debt**):

	AUD M	USD M	Euro M	CHF M
2017	200	-	130	-
2018	50	65	230	-
2019	-	230	145	-
2020	-	285	125	-
2021	-	250	-	325
2024	-	-	110	-
2026	-	-	245	-
	<u>250</u>	<u>830</u>	<u>985</u>	<u>325</u>

Sonic's excellent relationships with its banks, its investment grade credit metrics, and its strong and reliable cash flows significantly reduce refinancing risk. US\$95M of notes held by US investors expired in January 2017, and was refinanced from existing bank facilities.

COMMENTARY ON RESULTS
For the half year ended 31 December 2016

2. Explanation of results (continued)

(g) Tax expense

The effective tax rate of 23% is slightly lower than the guidance provided in August 2016 of approximately 25% due to an over-provision in the prior year, higher than forecast deductions, including for Australian research and development, and strong earnings performance in lower tax rate jurisdictions (mainly Switzerland).

(h) Cashflow

Cash generated from operations was 2.6% higher than in the comparative period, broadly in line with earnings growth. Gross operating cashflow equated to 102% of EBITDA, reflecting working capital improvements.

(i) Full year (FY 2017) guidance

Sonic gave full year guidance in August 2016 for EBITDA growth of approximately 5% for FY 2017 on a Constant Currency basis (applying FY 2016 average currency exchange rates to FY 2017) over the FY 2016 underlying EBITDA of A\$876M. The guidance allowed for A\$5M of new rent expense for properties sold and leased back in June 2016. After seven months of trading the Company is on track to achieve this guidance. Acquisitions and joint ventures in H2 FY 2017 are expected to add additional EBITDA growth of less than 1% in FY 2017.

FY 2017 net interest expense is expected to increase by 5-10% from the 2016 level of A\$63M on a Constant Currency basis.

Sonic's effective tax rate for FY 2017 is expected to be approximately 25%.

**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 Financial Statements for the year ended 30 June 2016 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 2016.

1. Names of Directors

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

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

2. Review of operations

Revenue for the period increased 1% to \$2,476,043,000 with organic growth largely being offset by currency translation impacts.

Net profit and earnings per share grew by 4.7% and 2.6% respectively. EBITDA grew 1.3% before non-recurring costs.

Summary of the operations:

- On track after seven months of trading to achieve full year guidance provided in August 2016.
- H1 FY 2017 revenue growth 5% and underlying EBITDA growth 5.5% (on a constant currency basis).
- Margin expansion in laboratory division of 30 basis points, driven by international operations.
- Particularly strong operating performances in Germany and Switzerland.
- Australian operations adversely impacted by Government policies.
- Strong cash generation: 102% conversion of EBITDA to gross (pre-interest and pre-tax) operating cash flow.
- Accretive acquisitions in Germany and the USA and hospital partnerships in the USA completed and/or announced in H2 FY 2017.
- Sonic's global footprint delivering financial strength and risk mitigation.

Further information on the operations and financial results and position of the Company is included in the Commentary on Results section attached to this report, the presentation released to the ASX on the same day as this Appendix 4D, and in the 2016 Annual Report. This information includes results presented 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 is not required to be audited or reviewed 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:

- the acquisition of the German medical laboratory group Staber Laboratory for an enterprise value of €120M, as described in Sonic's announcements to the market dated 4 November 2016 and 30 January 2017; and
- the signing of a binding agreement to acquire Medical Laboratory Bremen, a laboratory practice in the North West of Germany for an enterprise value of €63M, as announced to the market on 30 January 2017.

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 the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, 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 Instrument.

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



M.R. Compton
Chairman



Dr C.S. Goldschmidt
Director

Sydney
15 February 2017



Auditor's Independence Declaration

As lead auditor for the review of Sonic Healthcare Limited for the half year ended 31 December 2016, 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.

A handwritten signature in black ink, appearing to read 'Mark Dow', written over a white background.

Mark Dow
Partner

Sydney
15 February 2017

PricewaterhouseCoopers

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CONSOLIDATED INCOME STATEMENT
For the half year ended 31 December 2016

	Notes	Six months ended 31.12.16 \$'000	Six months ended 31.12.15 \$'000
Revenue from operations		2,476,043	2,453,304
Labour and related costs		(1,148,133)	(1,142,546)
Consumables used		(392,456)	(393,002)
Operating lease rental expense		(158,018)	(148,930)
Depreciation and amortisation of physical assets		(84,009)	(81,416)
Repairs and maintenance		(63,407)	(61,542)
Transportation		(63,235)	(65,826)
Utilities		(57,588)	(57,584)
Borrowing costs expense		(33,524)	(32,571)
Amortisation of intangibles		(27,251)	(27,755)
Other expenses from ordinary activities		(184,041)	(182,247)
Profit from ordinary activities before income tax expense		264,381	259,885
Income tax expense		(61,016)	(63,650)
Profit from ordinary activities after income tax expense		203,365	196,235
Net (profit) attributable to minority interests		(6,638)	(8,356)
Profit attributable to members of Sonic Healthcare Limited		196,727	187,879
Basic earnings per share (cents per share)	4	47.3	46.2
Diluted earnings per share (cents per share)	4	47.1	45.9

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the half year ended 31 December 2016

	Six months ended 31.12.16 \$'000	Six months ended 31.12.15 \$'000
Profit from ordinary activities after income tax expense	203,365	196,235
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	(5,221)	46,461
<i>Items that will not be reclassified to profit or loss</i>		
Actuarial gains/(losses) on retirement benefit obligations	4,474	(158)
Other comprehensive income for the period, net of tax	(747)	46,303
Total comprehensive income for the period	202,618	242,538
Total comprehensive income attributable to:		
Members of Sonic Healthcare Limited	198,094	233,916
Minority interests	4,524	8,622
	202,618	242,538

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

CONSOLIDATED BALANCE SHEET
As at 31 December 2016

	Notes	31.12.16 \$'000	30.6.16 \$'000
Current assets			
Cash assets and cash equivalents		324,422	290,436
Receivables		645,704	703,909
Inventories		95,836	89,052
Other		45,733	53,356
Total current assets		<u>1,111,695</u>	<u>1,136,753</u>
Non current assets			
Receivables		20,619	21,882
Other financial assets		41,177	56,275
Property, plant and equipment		1,042,098	958,382
Intangible assets		5,231,626	5,158,984
Deferred tax assets		52,057	37,781
Other		1,156	562
Total non current assets		<u>6,388,733</u>	<u>6,233,866</u>
Total assets		<u>7,500,428</u>	<u>7,370,619</u>
Current liabilities			
Payables		423,055	493,800
Interest bearing liabilities		495,631	475,883
Current tax liabilities		42,969	42,013
Provisions		180,756	186,228
Other		47,465	22,515
Total current liabilities		<u>1,189,876</u>	<u>1,220,439</u>
Non current liabilities			
Interest bearing liabilities		2,223,844	2,098,800
Deferred tax liabilities		143,014	111,572
Provisions		118,336	127,408
Other		45,666	79,691
Total non current liabilities		<u>2,530,860</u>	<u>2,417,471</u>
Total liabilities		<u>3,720,736</u>	<u>3,637,910</u>
Net assets		<u>3,779,692</u>	<u>3,732,709</u>
Equity			
Parent entity interest			
Contributed equity	6	2,828,875	2,802,491
Reserves	8	(26,672)	(11,223)
Retained earnings		889,850	871,612
Total parent entity interest		<u>3,692,053</u>	<u>3,662,880</u>
Minority interests		87,639	69,829
Total equity		<u>3,779,692</u>	<u>3,732,709</u>

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the half year ended 31 December 2016

	Six months ended 31.12.16 \$'000	Six months ended 31.12.15 \$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	2,570,381	2,538,069
Payments to suppliers and employees (inclusive of goods and services tax)	(2,155,622)	(2,136,511)
Gross operating cash flow	414,759	401,558
Interest received	1,922	2,272
Borrowing costs	(31,356)	(28,061)
Income taxes paid	(52,081)	(50,839)
Net cash inflow from operating activities	333,244	324,930
Cash flows from investing activities		
Payment for purchase of controlled entities and investments, net of cash acquired	(23,021)	(446,848)
Payments for property, plant and equipment	(199,853)	(171,494)
Proceeds from sale of non current assets	3,391	3,489
Payments for intangibles	(30,863)	(38,039)
Repayment of loans by other entities	990	996
Loans to other entities	(12,145)	(6,040)
Net cash (outflow) from investing activities	(261,501)	(657,936)
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities (net of transaction costs and related costs)	14,589	91,329
Proceeds from borrowings	928,859	655,402
Repayment of borrowings	(801,045)	(281,639)
Transaction with non controlling interest	9,359	2,299
Dividends paid to Company's shareholders (net of Dividend Reinvestment Plan)	(182,963)	(121,416)
Dividends paid to minority interests in controlled entities	(3,005)	(2,816)
Net cash (outflow)/inflow from financing activities	(34,206)	343,159
Net increase in cash and cash equivalents	37,537	10,153
Cash and cash equivalents at the beginning of the financial period	290,436	249,393
Effects of exchange rate changes on cash and cash equivalents	(3,551)	(3,116)
Cash and cash equivalents at the end of the financial period	324,422	256,430

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 2016

	Share capital \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000	Minority interests \$'000	Total \$'000
Balance at 1 July 2016	2,802,491	(11,223)	871,612	3,662,880	69,829	3,732,709
Profit for the period	-	-	196,727	196,727	6,638	203,365
Other comprehensive income for the period	-	(3,107)	4,474	1,367	(2,114)	(747)
Total comprehensive income for the period	-	(3,107)	201,201	198,094	4,524	202,618
Transactions with owners in their capacity as owners:						
Dividends paid	-	-	(182,963)	(182,963)	-	(182,963)
Shares issued	24,713	(10,124)	-	14,589	-	14,589
Transfers to share capital	1,819	(1,819)	-	-	-	-
Acquisition of treasury shares	(148)	-	-	(148)	-	(148)
Share based payments	-	2,241	-	2,241	-	2,241
Contribution from minority interests	-	-	-	-	17,566	17,566
Acquisition of minority interests	-	(2,640)	-	(2,640)	(1,270)	(3,910)
Dividends paid to minority interests in controlled entities	-	-	-	-	(3,010)	(3,010)
Balance at 31 December 2016	2,828,875	(26,672)	889,850	3,692,053	87,639	3,779,692
Balance at 1 July 2015	2,561,817	(13,634)	725,945	3,274,128	51,870	3,325,998
Profit for the period	-	-	187,879	187,879	8,356	196,235
Other comprehensive income for the period	-	46,195	(158)	46,037	266	46,303
Total comprehensive income for the period	-	46,195	187,721	233,916	8,622	242,538
Transactions with owners in their capacity as owners:						
Dividends paid	-	-	(164,908)	(164,908)	-	(164,908)
Shares issued	208,696	(3,946)	-	204,750	-	204,750
Transaction costs on shares issued net of tax	(94)	-	-	(94)	-	(94)
Transfers to share capital	1,360	(1,360)	-	-	-	-
Share based payments	-	(127)	-	(127)	-	(127)
Contribution from minority interests	-	-	-	-	2,192	2,192
Acquisition of minority interest	-	(12)	-	(12)	-	(12)
Dividends paid to minority interests in controlled entities	-	-	-	-	(2,779)	(2,779)
Balance at 31 December 2015	2,771,779	27,116	748,758	3,547,653	59,905	3,607,558

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 2016

Note 1 Summary of significant accounting policies

This general purpose financial report for the interim half year reporting period ended 31 December 2016 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 2016 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

Sonic is required to disclose \$496M of debt with expiry dates of January, April and October 2017 as a current liability as at 31 December 2016. As a result the Consolidated Balance Sheet shows a deficiency of working capital of \$78M. In January 2017 Sonic repaid US\$95M of USPP Loan Notes using existing headroom and currently has sufficient headroom in cash and undrawn facilities to cover the maturing limits in April and October 2017. Sonic intends to refinance the maturing limits and foresees no difficulties in doing so given recent feedback from its existing lenders, its investment grade metrics and its strong and reliable operating cashflow. The financial report has therefore been prepared on a "going concern" basis.

Note 2 Segment information

Business segments

The Group's Chief Executive Officer and the Board of Directors (the chief operating decision makers) review the Group's performance both by the nature of services provided and geographic region. Discrete financial information about each operating segment is reported to the Chief Executive Officer and the Board of Directors on at least a monthly basis and is used to assess performance and determine the allocation of resources.

The Group has the following reportable segments:

- (i) Laboratory**
Pathology/clinical laboratory services provided in Australia, New Zealand, the United Kingdom, the United States of America, Germany, Switzerland, Belgium and Ireland.
- (ii) Imaging**
Diagnostic imaging services provided in Australia.
- (iii) Other**
Includes the corporate office function, medical centre operations, occupational health services and other minor operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2016

Note 2 Segment information (continued)

Half Year ended 31 December 2016	Laboratory \$'000	Imaging \$'000	Other \$'000	Eliminations \$'000	Consolidated \$'000
Segment revenue (Constant Currency)	2,151,481	216,492	211,464	(6,083)	2,573,354
Currency exchange movement	(99,233)	-	-	-	(99,233)
Segment revenue (Statutory)	2,052,248	216,492	211,464	(6,083)	2,474,121
Interest income					1,922
Total revenue					2,476,043
Segment EBITA (Constant Currency)	318,038	23,316	(3,837)	-	337,517
Currency exchange movement	(14,283)	-	-	-	(14,283)
Segment EBITA (Statutory)	303,755	23,316	(3,837)	-	323,234
Amortisation expense					(27,251)
Unallocated net interest expense					(31,602)
Profit before tax					264,381
Income tax expense					(61,016)
Profit after income tax expense					203,365
Depreciation expense	55,927	14,668	13,414	-	84,009
Half Year ended 31 December 2015	Laboratory \$'000	Imaging \$'000	Other \$'000	Eliminations \$'000	Consolidated \$'000
Segment revenue	2,049,474	209,030	198,839	(6,311)	2,451,032
Interest income					2,272
Total revenue					2,453,304
Segment EBITA	297,768	22,674	(2,503)	-	317,939
Amortisation expense					(27,755)
Unallocated net interest expense					(30,299)
Profit before tax					259,885
Income tax expense					(63,650)
Profit after income tax expense					196,235
Depreciation expense	55,307	15,047	11,062	-	81,416

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2016

	Six months ended 31.12.16 \$'000	Six months ended 31.12.15 \$'000
Note 3		
Dividends		
Dividends paid during the half year	182,963	164,908
Dividends not recognised at the end of the half year		
<p>Since the end of the half year the Directors have declared an interim dividend of 31 cents (2016: 30 cents) franked to 20% (2016: 30%).</p> <p>The dividend is payable on 11 April 2017 with a record date of 8 March 2017. The interim dividend includes no conduit foreign income.</p> <p>Based on the number of shares on issue at 14 February 2017 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:</p>		
	129,061	124,008
	Six months ended 31.12.16 Cents	Six months ended 31.12.15 Cents
Note 4		
Earnings per share		
Basic earnings per share	47.3	46.2
Diluted earnings per share	47.1	45.9
	Six months ended 31.12.16 Shares	Six months ended 31.12.15 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	415,664,231	406,674,577
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	418,112,219	409,299,100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2016

Note 5	Goodwill	31.12.16	30.6.16
		\$'000	\$'000
	Cost	4,924,178	4,861,647
	Accumulated impairment	(102,231)	(101,751)
	Net book amount	4,821,947	4,759,896
	Opening cost	4,861,647	4,162,538
	Acquisition of businesses	26,765	632,000
	Foreign exchange movements	35,766	67,109
	Closing cost	4,924,178	4,861,647
	Opening accumulated impairment	(101,751)	(98,763)
	Foreign exchange movements	(480)	(2,988)
	Closing accumulated impairment	(102,231)	(101,751)

Note 6	Contributed equity	31.12.16	30.6.16	31.12.16	30.6.16
		Shares	Shares	\$'000	\$'000
	Share capital				
	Fully paid ordinary shares	416,300,355	415,089,808	2,829,065	2,802,533
	Other equity securities				
	Treasury shares	(9,329)	(2,480)	(190)	(42)
		416,291,026	415,087,328	2,828,875	2,802,491

Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	\$'000
1/7/16	Opening balance	415,089,808		2,802,533
Various	Shares issued following exercise of employee options/rights	1,210,547	Various	24,713
Various	Transfers from equity remuneration reserve	-		1,819
31/12/16	Closing balance	416,300,355		2,829,065

Movements in other equity securities:

Date	Details	Number of shares	\$'000
1/7/16	Opening balance	(2,480)	(42)
Various	On market purchase of Sonic shares	(6,849)	(148)
31/12/16	Closing balance	(9,329)	(190)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2016

Note 7 Unlisted share options and performance rights

Exercise Price	Expiry Date	Balance at 1.7.16	Exercised	Granted	Forfeited	Expired	Balance at 31.12.16
\$11.43	18/11/2016	584,406	(584,406)	-	-	-	-
\$11.14	20/12/2016	150,000	(150,000)	-	-	-	-
\$11.43	18/11/2017	651,126	-	-	-	-	651,126
\$11.43	18/11/2018	1,705,263	-	-	(1,108,422)	-	596,841
\$15.43	18/10/2018	320,000	(10,000)	-	-	-	310,000
\$15.21	13/12/2018	600,000	(400,000)	-	-	-	200,000
\$11.14	07/03/2019	1,000,000	-	-	-	-	1,000,000
\$12.57	02/07/2019	125,000	-	-	-	-	125,000
\$17.32	27/11/2019	706,108	-	-	-	-	706,108
\$18.84	30/11/2019	750,000	-	-	-	-	750,000
\$18.49	20/08/2020	925,000	-	-	-	-	925,000
\$19.41	20/11/2020	766,969	-	-	-	-	766,969
\$19.78	11/10/2020	2,200,000	-	-	-	-	2,200,000
\$21.62	17/09/2021	-	-	800,000	-	-	800,000
\$22.02	17/09/2021	-	-	200,000	-	-	200,000
\$21.62	17/11/2021	-	-	671,089	-	-	671,089
Performance Rights	03/10/2017	-	-	2,480	-	-	2,480
Performance Rights	18/11/2018	188,976	(66,141)	-	(122,835)	-	-
Performance Rights	27/11/2019	100,085	-	-	-	-	100,085
Performance Rights	20/11/2020	91,988	-	-	-	-	91,988
Performance Rights	17/11/2021	-	-	87,843	-	-	87,843
		10,864,921	(1,210,547)	1,761,412	(1,231,257)	-	10,184,529

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2016

Note 8	Reserves	31.12.16	31.12.15
		\$'000	\$'000
	Foreign currency translation reserve	42,581	81,708
	Equity remuneration reserve	(57,865)	(50,109)
	Share option reserve	16,427	16,427
	Revaluation reserve	3,272	3,272
	Transactions with minority interests	(31,087)	(24,182)
		(26,672)	27,116
	Movements		
	<i>Foreign currency translation reserve</i>		
	Balance 1 July	45,790	34,818
	Net exchange movement on translation of foreign subsidiaries	(3,209)	46,890
	Balance	42,581	81,708
	<i>Equity remuneration reserve</i>		
	Balance 1 July	(48,163)	(44,676)
	Share based payments expense	2,241	(127)
	Employee share scheme issue	(10,124)	(3,946)
	Transfer to share capital (options exercised)	(1,819)	(1,360)
	Balance	(57,865)	(50,109)
	<i>Share option reserve</i>		
	Balance 1 July	16,427	16,427
	Movement in period	-	-
	Balance	16,427	16,427
	<i>Revaluation reserve</i>		
	Balance 1 July	3,272	3,272
	Movement in period	-	-
	Balance	3,272	3,272
	<i>Transactions with minority interests</i>		
	Balance 1 July	(28,549)	(23,475)
	Transactions with minority interests in period	(2,640)	(12)
	Net exchange movement	102	(695)
	Balance	(31,087)	(24,182)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2016

Note 9	Net asset backing	31.12.16	30.6.16
		<hr/>	<hr/>
	Net tangible asset backing per ordinary security	(\$3.49)	(\$3.44)
	Net asset backing per ordinary security	\$9.08	\$8.99

Note 10 **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:

- the acquisition of the German medical laboratory group Staber Laboratory for an enterprise value of €120M, as described in Sonic's announcements to the market dated 4 November 2016 and 30 January 2017; and
- the signing of a binding agreement to acquire Medical Laboratory Bremen, a laboratory practice in the North West of Germany for an enterprise value of €63M, as announced to the market on 30 January 2017.

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 23 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 2016 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.



M.R. Compton
Chairman



Dr C.S. Goldschmidt
Director

Sydney
15 February 2017



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 (the Company), which comprises the Consolidated Balance Sheet as at 31 December 2016, the Consolidated Income Statement and the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated 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 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 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 Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a 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 2016 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 2016 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*.

A large, stylized handwritten signature of 'PricewaterhouseCoopers' in black ink, written in a cursive script.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Mark Dow', written in a cursive script.

Mark Dow
Partner

Sydney
15 February 2017