

**Sonic Healthcare Limited**  
**ABN 24 004 196 909**

**ASX APPENDIX 4D AND HALF YEAR REPORT – 31 DECEMBER 2015**  
Lodged with the ASX under Listing Rule 4.2A

This information should be read in conjunction with the 2015 Annual Report.

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**  
**For the six months ended 31 December 2015**

<b>Financial Results</b> <b>\$'000</b>	<b>Six months ended</b> <b>31.12.15</b>		<b>% Change</b>
	<b>Statutory</b>		
Revenue from ordinary activities	2,453,304		Up 21.8%
Profit after tax from ordinary activities attributable to members	187,879		Up 8.0%
<b>Dividends</b>			
Cents per share	<b>2016</b>	<b>2015</b>	<b>% Change</b>
Interim dividend	30¢	29¢	Up 3.4%
Interim dividend franked amount per security	9.00¢	15.95¢	

The record date for determining entitlements to the interim dividend will be 7 March 2016. The interim dividend will be paid on 6 April 2016. The 2016 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 10 March 2016 and concluding on 23 March 2016 (inclusive).

<b>\$'000</b>	<b>Six months ended</b> <b>31.12.15</b>	<b>Six months ended</b> <b>31.12.15</b>	<b>Six months ended</b> <b>31.12.14</b>	<b>% Change</b>	
	<b>Constant Currency*</b>	<b>Statutory</b>		<b>31.12.15 Constant Currency v 31.12.14</b>	<b>31.12.15 Statutory v 31.12.14</b>
<b>Revenue</b>	<b>2,269,236</b>	<b>2,453,304</b>	2,014,492	12.6%	<b>21.8%</b>
Earnings before interest, tax, depreciation and intangibles amortisation ( <b>EBITDA</b> ) pre non-recurring restructure and acquisition costs	379,272	408,590	349,983	8.4%	16.7%
Non-recurring restructure and acquisition costs	(8,802)	(9,235)	(4,231)		
<b>EBITDA</b>	<b>370,470</b>	<b>399,355</b>	345,752	7.1%	15.5%
Depreciation and lease amortisation	(76,579)	(81,416)	(65,320)	17.2%	24.6%
Earnings before interest, tax and intangibles amortisation ( <b>EBITA</b> )	293,891	317,939	280,432	4.8%	13.4%
Amortisation of intangibles	(26,125)	(27,755)	(21,361)	22.3%	29.9%
Net interest expense	(25,745)	(30,299)	(25,198)	2.2%	20.2%
Income tax attributable to operating profit	(60,797)	(63,650)	(57,771)	5.2%	10.2%
Net (profit) attributable to minority interests	(7,497)	(8,356)	(2,082)		
<b>Net profit attributable to shareholders of Sonic Healthcare Limited</b>	<b>173,727</b>	<b>187,879</b>	174,020	(0.2)%	<b>8.0%</b>
<b>Cash generated from operations</b>		<b>324,930</b>	251,601		29.1%
<b>Earnings per share</b>					
Cents per share					
Basic earnings per share	42.7¢	46.2¢	43.4¢		6.5%
Diluted earnings per share	42.4¢	45.9¢	43.1¢		6.5%

\* 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 2015

### 1. Summary

- On track after seven months of trading to achieve full year guidance provided in August 2015.
- Guidance equates to FY2016 EBITDA growth >25% (A\$870-900M, assuming current FX rates prevail).
- H1 FY2016 revenue growth 21.8%, EBITDA growth 15.5%.
- Accretive acquisitions in Switzerland and Belgium.
- Major earnings uplift in USA.
- UK joint venture outperformance.
- Solid performance in Germany, Switzerland, Belgium.
- Australian operations adversely impacted by government policies.
- Currency movements expected to continue to augment reported results in second half.
- 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 2015 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:

	<b>31.12.15 Statutory</b>	<b>31.12.14 and Constant Currency</b>
AUD/USD	0.7226	0.8904
AUD/EUR	0.6552	0.6914
AUD/GBP	0.4714	0.5473
AUD/CHF	0.7067	0.8352
AUD/NZD	1.0973	1.0960

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, 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 2015**

**2. Explanation of results (continued)**

**(b) Revenue**

Total revenue growth for the half year was 12.6% at Constant Currency exchange rates (i.e. applying the average rates for the six months ended 31.12.14 to the current period results) and 21.8% including exchange rate impacts.

Revenue breakdown AUD M	Six months ended		Six months ended		Growth 31.12.15 Constant Currency v 31.12.14
	31.12.15 Statutory Revenue	% of 31.12.15 Statutory Revenue	31.12.15 Constant Currency Revenue	Six months ended 31.12.14 Revenue	
Laboratory – Australia	609	25%	609	579	5.2%
Laboratory – USA	540	22%	438	430	1.9%
Laboratory – Europe	887	36%	805	599	34.4%
Laboratory – NZ	13	1%	13	18	(27.8)%
Imaging	209	8%	209	207	0.8%
Medical centres and occupational health (SCS) – Australia	193	8%	193	180	6.7%
Revenue excluding interest income	<u>2,451</u>	<u>100%</u>	<u>2,267</u>	<u>2,013</u>	<u>12.6%</u>

The Laboratory division enjoyed revenue growth of 26.1% in the half year, including strong organic revenue growth of ~7.5% (on a Constant Currency basis), augmented by synergistic acquisitions. Organic growth included the revenue of the joint venture with Sonic's National Health Service hospital partners, University College London Hospital and Royal Free. The joint venture, called Heath Services Laboratories ("HSL"), commenced 1 April 2015.

Sonic's Australian Laboratory revenue growth of 5.2% included 1.2% relating to acquisitions completed in the current and prior year. Fees and volumes were negatively impacted by Medicare changes from 1 November 2014. Sonic's growth was significantly stronger than market growth (1.9% as indicated by Medicare statistics), driven by Sonic's brands and market positioning.

US reported revenue growth was 25.5%. Organic revenue growth was 1.9% on a Constant Currency basis. This was impacted by negative revenue growth in the CBLPath business, which was planned as part of the successful restructure of that business in FY2015. Sonic's largest US business, CPL (based in Texas), grew organically at over 5%.

Sonic's European operations experienced strong revenue growth in the UK (75% organic growth, including HSL), Switzerland (6.1% organic growth), Germany (4.4% organic growth) and Belgium (2.6% organic growth), with Swiss, German and Belgian growth augmented by acquisitions.

Imaging revenue growth of 0.8% was impacted by an unprecedented and unexpected fall in total market growth due to negative government and media publicity regarding potential patient co-payments and other issues.

Revenue growth for Sonic Clinical Services ("SCS"), Sonic's medical centre and occupational health businesses, was 6.7% for the half, augmented by acquisitions and successful doctor recruitment. Growth of the occupational health business was hampered by the downturn in the resources sector.

Revenue was impacted by currency exchange rate movements, which increased reported (Statutory) revenue by A\$184M compared to the comparative period.

## COMMENTARY ON RESULTS For the half year ended 31 December 2015

### 2. Explanation of results (continued)

#### (c) EBITDA

EBITDA pre non-recurring costs grew 16.7% (8.4% at Constant Currency exchange rates) versus the prior year. The non-recurring costs of \$9M related to acquisitions and restructuring which occurred in the half year, the majority of which are disclosed in the "Other" segment in Note 2 of the attached financial statements.

EBITDA growth for the period was strong in Sonic's international operations. Sonic's UK earnings were enhanced by the formation of HSL, which is performing ahead of expectation. Swiss and Belgian earnings were augmented by significant acquisitions in July 2015. Sonic's US operations reported double digit EBITDA growth, with a major contribution from the restructured CBLPath business, along with procurement benefits and other restructuring and efficiency initiatives.

EBITDA declined in the Australian Laboratory and Imaging businesses. The Australian Laboratory business was impacted by Government fee cuts (in November 2014) and specimen collection infrastructure costs in Australia. The fee cuts have now cycled and a project to close low-performing collection centres is in progress. Imaging earnings were impacted by unexpected low revenue growth (described above) – strategies are in place to reduce this impact going forward.

EBITDA growth in Sonic Clinical Services was impacted by the Medicare fee indexation freeze for general practice implemented by the Government, and by reduced demand for occupational health services resulting from the resources sector downturn.

Consumables cost increased slightly as a percentage of revenue despite ongoing success with procurement initiatives as a result of changes in mix in Sonic's total business. Underlying prices generally reduced.

#### (d) Depreciation and lease amortisation

Depreciation and leased asset amortisation has increased 17.2% on the comparative period (at Constant Currency rates) as a result of business acquisitions and growth of the Company, including significant laboratory building projects in recent periods and the formation of HSL in the UK.

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 and Ingelheim.

#### (e) Intangibles amortisation

Intangibles amortisation relates to software (both internally developed and purchased) and contract costs (including doctor contracts in SCS). Substantial investments into innovative software tools have been made over recent periods, leading to a 22.3% (at Constant Currency rates) increase in amortisation expense.

#### (f) Interest expense and debt facilities

Net interest expense has increased 2.2% on the prior year (at Constant Currency rates) due to increased debt relating to acquisitions, largely offset by lower margins on debt facilities.

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 2015**

**2. Explanation of results (continued)**

**(f) Interest expense and debt facilities (continued)**

Sonic's net interest bearing debt at 31 December 2015 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	€110	€110	-
Bank debt facilities			
- USD limits	US\$425	US\$361	88
- Euro limits	€630	€572	87
- GBP limits	£40	£40	-
- AUD (Multicurrency) limits	A\$250	A\$213 <sup>+</sup>	37
Bridge facility			
- CHF limit	CHF172	CHF172	-
Minor debt/leasing facilities	n/a	A\$8*	-
Cash	n/a	A\$(256)*	256
Available funds at 31 December 2015			468

<sup>+</sup> Includes debt drawn in CHF

\* Various currencies

Sonic's credit metrics at 31 December 2015 were as follows:

	31.12.15	30.6.15
Gearing ratio	40.7%	37.3%
Interest cover (times)	10.5	10.8
Debt cover (times)	3.0	2.7

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

	AUD M	USD M	Euro M	GBP M	CHF M
2016	-	-	-	40	172
2017	200	95	130	-	-
2018	50	65	230	-	-
2019	-	230	145	-	-
2020	-	285	125	-	-
2021	-	250	-	-	-
2024	-	-	110	-	-
	250	925	740	40	172

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

**COMMENTARY ON RESULTS**  
**For the half year ended 31 December 2015**

**2. Explanation of results (continued)**

**(g) Tax expense**

The effective tax rate of 24.5% is in line with the guidance provided in August 2015 of approximately 25%.

**(h) Cashflow**

Cash generated from operations grew 29.1% over the comparative period, significantly higher than earnings growth, mainly due to the timing of tax payments. Gross operating cashflow equated to 101% of EBITDA.

**(i) Full year (FY2016) guidance**

Sonic gave full year guidance in August 2015 for FY2016 EBITDA of \$A815-840M on a Constant Currency basis (applying 2015 average currency exchange rates to 2016). After seven months of trading the Company is on track to achieve this guidance.

FY2016 net interest expense is expected to increase by 5-10% from the 2015 level of A\$52M on a Constant Currency basis.

Sonic's effective tax rate for FY2016 is expected to be approximately 25%.

**STATUTORY  
HALF YEAR REPORT**

<b>CONTENTS</b>	<b>PAGE</b>
<b>Directors' Report</b>	<b>9</b>
<b>Auditor's Independence Declaration</b>	<b>11</b>
<b>Consolidated Income Statement</b>	<b>12</b>
<b>Consolidated Statement of Comprehensive Income</b>	<b>13</b>
<b>Consolidated Balance Sheet</b>	<b>14</b>
<b>Consolidated Statement of Cash Flows</b>	<b>15</b>
<b>Consolidated Statement of Changes in Equity</b>	<b>16</b>
<b>Notes to the Consolidated Financial Statements</b>	<b>17</b>
<b>Directors' Declaration</b>	<b>25</b>
<b>Independent Auditor's Review Report to the Members</b>	<b>26</b>

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 2015 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 2015.

### 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

Mr R.P. Campbell and Mr C.J. Jackson held office as Directors until their retirements at the 2015 Annual General Meeting held on 19 November 2015.

### 2. Review of operations

Revenue for the period increased 21.8% to \$2,453,304,000 reflecting organic growth, currency impacts and a number of synergistic business acquisitions during the current and prior year.

Net profit and earnings per share grew by 8.0% and 6.5% respectively. EBITDA grew 16.7% before non-recurring costs, however this was partly offset by increased interest, depreciation and intangibles amortisation expenses.

Summary of the operations:

- On track after seven months of trading to achieve full year guidance provided in August 2015.
- Guidance equates to FY2016 EBITDA growth >25% (A\$870-900M, assuming current FX rates prevail).
- H1 FY2016 revenue growth 21.8%, EBITDA growth 15.5%.
- Accretive acquisitions in Switzerland and Belgium.
- Major earnings uplift in USA.
- UK joint venture outperformance.
- Solid performance in Germany, Switzerland, Belgium.
- Australian operations adversely impacted by government policies.
- Currency movements expected to continue to augment reported results in second half.
- 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 and in the 2015 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.

### 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.



M.R. Compton  
Chairman



Dr C.S. Goldschmidt  
Director

Sydney  
17 February 2016



## Auditor's Independence Declaration

As lead auditor for the review of Sonic Healthcare Limited for the half year ended 31 December 2015, 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', is written over a light blue horizontal line.

Mark Dow  
Partner

Sydney  
17 February 2016

PricewaterhouseCoopers

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**CONSOLIDATED INCOME STATEMENT**  
**For the half year ended 31 December 2015**

	Notes	Six months ended 31.12.15 \$'000	Six months ended 31.12.14 \$'000
<b>Revenue from operations</b>		<b>2,453,304</b>	2,014,492
Labour and related costs		<b>(1,142,546)</b>	(939,335)
Consumables used		<b>(393,002)</b>	(307,491)
Operating lease rental expense		<b>(148,930)</b>	(124,276)
Depreciation and amortisation of physical assets		<b>(81,416)</b>	(65,320)
Transportation		<b>(65,826)</b>	(55,979)
Repairs and maintenance		<b>(61,542)</b>	(47,705)
Utilities		<b>(57,584)</b>	(49,284)
Borrowing costs expense		<b>(32,571)</b>	(27,161)
Amortisation of intangibles		<b>(27,755)</b>	(21,361)
Other expenses from ordinary activities		<b>(182,247)</b>	(142,707)
<b>Profit from ordinary activities before income tax expense</b>		<b>259,885</b>	233,873
Income tax expense		<b>(63,650)</b>	(57,771)
<b>Profit from ordinary activities after income tax expense</b>		<b>196,235</b>	176,102
Net profit attributable to minority interests		<b>(8,356)</b>	(2,082)
<b>Profit attributable to members of Sonic Healthcare Limited</b>		<b>187,879</b>	174,020
<b>Basic earnings per share (cents per share)</b>	4	<b>46.2</b>	43.4
<b>Diluted earnings per share (cents per share)</b>	4	<b>45.9</b>	43.1

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the half year ended 31 December 2015**

	Six months ended 31.12.15 \$'000	Six months ended 31.12.14 \$'000
<b>Profit from ordinary activities after income tax expense</b>	<u>196,235</u>	<u>176,102</u>
<b>Other comprehensive income</b>		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	46,461	89,188
Cash flow hedges	-	164
<i>Items that will not be reclassified to profit or loss</i>		
Actuarial (losses) on retirement benefit obligations	<u>(158)</u>	<u>(3,826)</u>
<b>Other comprehensive income for the period, net of tax</b>	<u>46,303</u>	<u>85,526</u>
<b>Total comprehensive income for the period</b>	<u><u>242,538</u></u>	<u><u>261,628</u></u>
Total comprehensive income attributable to:		
Members of Sonic Healthcare Limited	233,916	258,984
Minority interests	<u>8,622</u>	<u>2,644</u>
	<u><u>242,538</u></u>	<u><u>261,628</u></u>

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

**CONSOLIDATED BALANCE SHEET**  
As at 31 December 2015

	Notes	31.12.15 \$'000	30.6.15 \$'000
<b>Current assets</b>			
Cash assets and cash equivalents		256,430	249,393
Receivables		650,337	648,716
Inventories		88,909	76,066
Other		52,970	45,527
Total current assets		<u>1,048,646</u>	<u>1,019,702</u>
<b>Non current assets</b>			
Receivables		25,318	17,710
Other financial assets		64,741	62,384
Property, plant and equipment		926,042	791,119
Intangible assets		5,177,620	4,427,381
Deferred tax assets		35,591	30,318
Other		1,385	91
Total non current assets		<u>6,230,697</u>	<u>5,329,003</u>
<b>Total assets</b>		<u>7,279,343</u>	<u>6,348,705</u>
<b>Current liabilities</b>			
Payables		401,415	402,468
Interest bearing liabilities		320,828	1,397
Current tax liabilities		30,329	11,546
Provisions		170,415	168,954
Other		26,452	3,941
Total current liabilities		<u>949,439</u>	<u>588,306</u>
<b>Non current liabilities</b>			
Interest bearing liabilities		2,414,290	2,223,985
Deferred tax liabilities		112,910	112,464
Provisions		101,773	63,576
Other		93,373	34,376
Total non current liabilities		<u>2,722,346</u>	<u>2,434,401</u>
<b>Total liabilities</b>		<u>3,671,785</u>	<u>3,022,707</u>
<b>Net assets</b>		<u>3,607,558</u>	<u>3,325,998</u>
<b>Equity</b>			
Parent entity interest			
Contributed equity	7	2,771,779	2,561,817
Reserves	9	27,116	(13,634)
Retained earnings		748,758	725,945
Total parent entity interest		<u>3,547,653</u>	<u>3,274,128</u>
Minority interests		59,905	51,870
<b>Total equity</b>		<u>3,607,558</u>	<u>3,325,998</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 2015**

	Six months ended 31.12.15 \$'000	Six months ended 31.12.14 \$'000
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of goods and services tax)	2,538,069	2,056,826
Payments to suppliers and employees (inclusive of goods and services tax)	<b>(2,136,511)</b>	(1,734,974)
<b>Gross operating cash flow</b>	<b>401,558</b>	321,852
Interest received	2,272	1,963
Borrowing costs	<b>(28,061)</b>	(22,544)
Income taxes paid	<b>(50,839)</b>	(49,670)
<b>Net cash inflow from operating activities</b>	<b>324,930</b>	251,601
<b>Cash flows from investing activities</b>		
Payment for purchase of controlled entities and investments, net of cash acquired	<b>(446,848)</b>	(26,545)
Payments for property, plant and equipment	<b>(171,494)</b>	(102,628)
Proceeds from sale of non current assets	3,489	2,796
Payments for intangibles	<b>(38,039)</b>	(37,719)
Repayment of loans by other entities	996	2,399
Loans to other entities	<b>(6,040)</b>	(4,144)
<b>Net cash (outflow) from investing activities</b>	<b>(657,936)</b>	(165,841)
<b>Cash flows from financing activities</b>		
Proceeds from issues of shares and other equity securities (net of transaction costs and related costs)	91,329	6,348
Proceeds from borrowings	655,402	251,093
Repayment of borrowings	<b>(281,639)</b>	(228,438)
Transaction with non controlling interest	2,299	-
Dividends paid to Company's shareholders (net of Dividend Reinvestment Plan)	<b>(121,416)</b>	(160,449)
Dividends paid to minority interests in controlled entities	<b>(2,816)</b>	(2,179)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>343,159</b>	(133,625)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>10,153</b>	(47,865)
Cash and cash equivalents at the beginning of the financial period	<b>249,393</b>	232,137
Effects of exchange rate changes on cash and cash equivalents	<b>(3,116)</b>	7,399
<b>Cash and cash equivalents at the end of the financial period</b>	<b>256,430</b>	191,671

*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 2015**

	Share capital \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000	Minority interests \$'000	Total \$'000
<b>Balance at 1 July 2015</b>	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
<b>Transactions with owners in their capacity as owners:</b>						
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)
<b>Balance at 31 December 2015</b>	<b>2,771,779</b>	<b>27,116</b>	<b>748,758</b>	<b>3,547,653</b>	<b>59,905</b>	<b>3,607,558</b>
<b>Balance at 1 July 2014</b>	2,538,517	(119,941)	664,067	3,082,643	26,351	3,108,994
Profit for the period	-	-	174,020	174,020	2,082	176,102
Other comprehensive income for the period	-	88,790	(3,826)	84,964	562	85,526
Total comprehensive income for the period	-	88,790	170,194	258,984	2,644	261,628
<b>Transactions with owners in their capacity as owners:</b>						
Dividends paid	-	-	(160,449)	(160,449)	-	(160,449)
Shares issued	9,983	(3,535)	-	6,448	-	6,448
Transfers to share capital	949	(949)	-	-	-	-
Share based payments	-	1,258	-	1,258	-	1,258
Acquisition of treasury shares	(100)	-	-	(100)	-	(100)
Dividends paid to minority interests in controlled entities	-	-	-	-	(2,213)	(2,213)
<b>Balance at 31 December 2014</b>	<b>2,549,349</b>	<b>(34,377)</b>	<b>673,812</b>	<b>3,188,784</b>	<b>26,782</b>	<b>3,215,566</b>

*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 2015

### **Note 1**                    **Summary of significant accounting policies**

This general purpose financial report for the interim half year reporting period ended 31 December 2015 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 2015 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)           Imaging**  
Radiology and diagnostic imaging services provided in Australia.
- (iii)          Other**  
Includes the corporate office function, medical centre operations, occupational health operations and other minor operations.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the half year ended 31 December 2015**

**Note 2 Segment information (continued)**

<b>Half Year ended 31 December 2015</b>	<b>Pathology \$'000</b>	<b>Imaging \$'000</b>	<b>Other \$'000</b>	<b>Eliminations \$'000</b>	<b>Consolidated \$'000</b>
<b>Segment revenue (Constant Currency)</b>	1,865,406	209,030	198,839	(6,311)	2,266,964
Currency exchange movement	184,068	-	-	-	184,068
<b>Segment revenue (Statutory)</b>	<b>2,049,474</b>	<b>209,030</b>	<b>198,839</b>	<b>(6,311)</b>	<b>2,451,032</b>
Interest income					2,272
<b>Total revenue</b>					<b>2,453,304</b>
<b>Segment EBITA (Constant Currency)</b>	273,720	22,674	(2,503)	-	293,891
Currency exchange movement	24,048	-	-	-	24,048
<b>Segment EBITA (Statutory)</b>	<b>297,768</b>	<b>22,674</b>	<b>(2,503)</b>	<b>-</b>	<b>317,939</b>
Amortisation expense					(27,755)
Unallocated net interest expense					(30,299)
<b>Profit before tax</b>					<b>259,885</b>
Income tax expense					(63,650)
<b>Profit after income tax expense</b>					<b>196,235</b>
Depreciation expense	55,307	15,047	11,062	-	<b>81,416</b>
<b>Half Year ended 31 December 2014</b>	<b>Pathology \$'000</b>	<b>Imaging \$'000</b>	<b>Other \$'000</b>	<b>Eliminations \$'000</b>	<b>Consolidated \$'000</b>
<b>Segment revenue</b>	1,624,873	207,298	185,296	(4,938)	2,012,529
Interest income					1,963
<b>Total revenue</b>					<b>2,014,492</b>
<b>Segment EBITA</b>	245,035	28,416	6,981	-	280,432
Amortisation expense					(21,361)
Unallocated net interest expense					(25,198)
<b>Profit before tax</b>					<b>233,873</b>
Income tax expense					(57,771)
<b>Profit after income tax expense</b>					<b>176,102</b>
Depreciation expense	41,646	14,606	9,068	-	65,320

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the half year ended 31 December 2015**

	<b>Six months ended 31.12.15 \$'000</b>	<b>Six months ended 31.12.14 \$'000</b>
<b>Note 3</b>		
<b>Dividends</b>		
<b>Dividends paid during the half year</b>	<b>164,908</b>	<b>160,449</b>
<b>Dividends not recognised at the end of the half year</b>		
Since the end of the half year the Directors have declared an interim dividend of 30 cents (2015: 29 cents) franked to 30% (2015: 55%).		
The dividend is payable on 6 April 2016 with a record date of 7 March 2016. The interim dividend includes no conduit foreign income.		
Based on the number of shares on issue at 16 February 2016 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:	<b>124,008</b>	<b>116,569</b>
	<b>Six months ended 31.12.15 Cents</b>	<b>Six months ended 31.12.14 Cents</b>
<b>Note 4</b>		
<b>Earnings per share</b>		
Basic earnings per share	<b>46.2</b>	43.4
Diluted earnings per share	<b>45.9</b>	43.1
	<b>Six months ended 31.12.15 Shares</b>	<b>Six months ended 31.12.14 Shares</b>
<b>Weighted average number of ordinary shares used as the denominator</b>		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	<b>406,674,577</b>	401,082,983
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	<b>409,299,100</b>	403,879,875

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the half year ended 31 December 2015**

**Note 5 Business combinations**

Acquisitions of subsidiaries/business assets in the period included:

- Swiss laboratory business, Medisupport S.A., on 2 July 2015.
- Belgium laboratory business, KLD Laboratory, on 3 July 2015.
- A number of small healthcare businesses.

The contribution these acquisitions (other than Medisupport) 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. 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 provisional goodwill arising on acquisition are detailed below:

	<b>Medisupport S.A. \$'000</b>	<b>Other \$'000</b>	<b>Total \$'000</b>
Consideration - cash paid	319,704	160,746	<b>480,450</b>
Less: Cash of entities acquired	(19,504)	(18,993)	<b>(38,497)</b>
	<u>300,200</u>	<u>141,753</u>	<u><b>441,953</b></u>
Deferred consideration	20,830	57,988	<b>78,818</b>
Consideration – shares	69,857	-	<b>69,857</b>
Total consideration	<u>390,887</u>	<u>199,741</u>	<u><b>590,628</b></u>

Carrying value of identifiable net assets of businesses acquired:

Debtors & other receivables	35,827	3,729	<b>39,556</b>
Prepayments	2,144	310	<b>2,454</b>
Inventory	2,672	1,824	<b>4,496</b>
Property, plant & equipment	24,398	10,870	<b>35,268</b>
Identifiable intangibles	2,179	368	<b>2,547</b>
Deferred tax assets	7,169	1,129	<b>8,298</b>
Other non current assets	819	-	<b>819</b>
Trade creditors	(11,188)	(884)	<b>(12,072)</b>
Sundry creditors & accruals	(7,834)	(1,253)	<b>(9,087)</b>
Current tax liabilities	(7,447)	(127)	<b>(7,574)</b>
Deferred tax liabilities	(718)	-	<b>(718)</b>
Provisions	(40,548)	(4,088)	<b>(44,636)</b>
Borrowings	(50,473)	(67)	<b>(50,540)</b>
	<u>(43,000)</u>	<u>11,811</u>	<u><b>(31,189)</b></u>
Goodwill	<u>433,887</u>	<u>187,930</u>	<u><b>621,817</b></u>

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. No purchased goodwill recognised is expected to be deductible for income tax purposes.

3,834,086 Sonic ordinary shares, with a fair value of \$69,857,000, were issued as part of the consideration for Medisupport S.A. The fair value was based on the weighted average market share price at the time of issue. The Medisupport business has contributed \$115,419,000 of revenue and \$15,239,000 of profit since the acquisition date.

Acquisition related costs of \$4,285,000 are included in other expenses in the Income Statement.

The fair value of acquired debtors and other receivables is \$39,556,000. The gross contractual amount due is \$43,879,000, of which \$4,323,000 is expected to be uncollectible.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the half year ended 31 December 2015

<b>Note 6</b>	<b>Goodwill</b>	<b>31.12.15</b>	<b>30.6.15</b>
		<b>\$'000</b>	<b>\$'000</b>
Cost		<b>4,899,149</b>	4,162,538
Accumulated impairment		<b>(99,783)</b>	(98,763)
Net book amount		<b>4,799,366</b>	4,063,775
Opening cost		<b>4,162,538</b>	3,850,258
Acquisition of businesses		<b>621,817</b>	43,940
Foreign exchange movements		<b>114,794</b>	268,340
Closing cost		<b>4,899,149</b>	4,162,538
Opening accumulated impairment		<b>(98,763)</b>	(98,653)
Foreign exchange movements		<b>(1,020)</b>	(110)
Closing accumulated impairment		<b>(99,783)</b>	(98,763)

<b>Note 7</b>	<b>Contributed equity</b>	<b>31.12.15</b>	<b>30.6.15</b>	<b>31.12.15</b>	<b>30.6.15</b>
		<b>Shares</b>	<b>Shares</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Share capital</b>					
Fully paid ordinary shares		<b>413,358,346</b>	401,991,556	<b>2,771,852</b>	2,561,890
<b>Other equity securities</b>					
Treasury shares		<b>(4,309)</b>	(4,309)	<b>(73)</b>	(73)
		<b>413,354,037</b>	401,987,247	<b>2,771,779</b>	2,561,817

**Movements in ordinary share capital:**

<b>Date</b>	<b>Details</b>	<b>Number of shares</b>	<b>Issue price</b>	<b>\$'000</b>
1/7/15	Opening balance	401,991,556		2,561,890
7/10/15	Shares issued as part consideration for acquisition of Medisupport S.A.	3,834,086	\$18.22	69,857
22/10/15	Shares issued under the Dividend Reinvestment Plan	2,371,993	\$18.3089	43,429
22/10/15	Shares issued under DRP Shortfall Placement Program	4,650,318	\$18.7586	87,233
Various	Shares issued following exercise of employee options/rights	510,393	Various	8,177
Various	Transfers from equity remuneration reserve	-		1,360
Various	Costs associated with shares issued net of future income tax benefits	-		(94)
31/12/15	Closing balance	<b>413,358,346</b>		<b>2,771,852</b>

**Movements in other equity securities:**

<b>Date</b>	<b>Details</b>	<b>Number of shares</b>	<b>\$'000</b>
1/7/15	Opening balance	(4,309)	(73)
	Movement in period	-	-
31/12/15	Closing balance	<b>(4,309)</b>	<b>(73)</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the half year ended 31 December 2015**

**Note 8 Unlisted share options and performance rights**

<b>Exercise Price</b>	<b>Expiry Date</b>	<b>Balance at 1.7.15</b>	<b>Exercised</b>	<b>Granted</b>	<b>Forfeited</b>	<b>Expired</b>	<b>Balance at 31.12.15</b>
\$11.13	03/01/2016	242,500	(230,000)	-	(12,500)	-	-
\$11.43	18/11/2016	584,406	-	-	-	-	584,406
\$11.14	20/12/2016	300,000	(150,000)	-	-	-	150,000
\$11.43	18/11/2017	1,302,250	-	-	(651,124)	-	651,126
\$15.43	18/10/2018	335,000	-	-	(15,000)	-	320,000
\$11.43	18/11/2018	1,705,263	-	-	-	-	1,705,263
\$15.21	13/12/2018	600,000	-	-	-	-	600,000
\$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	1,000,000	-	-	(250,000)	-	750,000
\$18.49	20/08/2020	-	-	1,000,000	(75,000)	-	925,000
\$19.41	20/11/2020	-	-	766,969	-	-	766,969
\$19.78	11/10/2020	-	-	2,200,000	-	-	2,200,000
Performance Rights	04/10/2016	-	-	1,829	-	-	1,829
Performance Rights	18/11/2016	59,527	(59,527)	-	-	-	-
Performance Rights	18/11/2017	141,732	(70,866)	-	(70,866)	-	-
Performance Rights	18/11/2018	188,976	-	-	-	-	188,976
Performance Rights	27/11/2019	100,085	-	-	-	-	100,085
Performance Rights	20/11/2020	-	-	91,988	-	-	91,988
		<b>8,390,847</b>	<b>(510,393)</b>	<b>4,060,786</b>	<b>(1,074,490)</b>	<b>-</b>	<b>10,866,750</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the half year ended 31 December 2015**

<b>Note 9</b>	<b>Reserves</b>	<b>31.12.15</b>	<b>31.12.14</b>
		<b>\$'000</b>	<b>\$'000</b>
	Foreign currency translation reserve	81,708	9,339
	Equity remuneration reserve	(50,109)	(39,510)
	Share option reserve	16,427	16,427
	Revaluation reserve	3,272	3,272
	Transactions with minority interests	(24,182)	(23,905)
		<b>27,116</b>	<b>(34,377)</b>
	<b>Movements</b>		
	<i>Foreign currency translation reserve</i>		
	Balance 1 July	34,818	(79,758)
	Net exchange movement on translation of foreign subsidiaries	46,890	89,097
	Balance	<b>81,708</b>	<b>9,339</b>
	<i>Hedging reserve</i>		
	Balance 1 July	-	(164)
	Revaluation (net of deferred tax)	-	(30)
	Transfer to net profit (net of deferred tax)	-	194
	Balance	-	-
	<i>Equity remuneration reserve</i>		
	Balance 1 July	(44,676)	(36,284)
	Share based payments expense	(127)	1,258
	Employee share scheme issue	(3,946)	(3,535)
	Transfer to share capital (options exercised)	(1,360)	(949)
	Balance	<b>(50,109)</b>	<b>(39,510)</b>
	<i>Share option reserve</i>		
	Balance 1 July	16,427	16,427
	Movement in period	-	-
	Balance	<b>16,427</b>	<b>16,427</b>
	<i>Revaluation reserve</i>		
	Balance 1 July	3,272	3,272
	Movement in period	-	-
	Balance	<b>3,272</b>	<b>3,272</b>
	<i>Transactions with minority interests</i>		
	Balance 1 July	(23,475)	(23,434)
	Transactions with minority interests in period	(12)	-
	Net exchange movement	(695)	(471)
	Balance	<b>(24,182)</b>	<b>(23,905)</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the half year ended 31 December 2015**

<b>Note 10</b>	<b>Net asset backing</b>	<b>31.12.15</b>	<b>30.6.15</b>
	Net tangible asset backing per ordinary security	<u><b>(\$3.80)</b></u>	<u><b>(\$2.74)</b></u>
	Net asset backing per ordinary security	<u><b>\$8.73</b></u>	<u><b>\$8.27</b></u>

**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 2015 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  
17 February 2016



## **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 2015, 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 2015 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 2015 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



Mark Dow  
Partner

Sydney  
17 February 2016