

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

**PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2016**  
Lodged with the ASX under Listing Rule 4.3A

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**  
**For the year ended 30 June 2016**

| <b>Financial Results</b>  | <b>2016</b>      |             | <b>% Change</b> |
|---|------------------|-------------|-----------------|
| \$'000  | <b>Statutory</b> |             |                 |
| Revenue from ordinary activities                                  | <b>5,052,486</b> |             | 20.3%           |
| Profit after tax from ordinary activities attributable to members | <b>451,374</b>   |             | 29.8%           |
| <b>Dividends</b>  | <b>2016</b>      | <b>2015</b> | <b>% Change</b> |
| Final dividend (cents per share)                                  | <b>44¢</b>       | 41¢         | Up 7.3%         |
| Final dividend franked amount per security                        | <b>13.20¢</b>    | 22.55¢      |                 |
| Interim dividend (cents per share)                                | <b>30¢</b>       | 29¢         | Up 3.4%         |
| Interim dividend franked amount per security                      | <b>9¢</b>        | 15.95¢      |                 |

The final dividend is scheduled to be paid on 27 September 2016 to shareholders registered as at close of business on 9 September 2016 (the record date). The 2016 final dividend includes no conduit foreign income. The Company's Dividend Reinvestment Plan ("DRP") has been suspended for this dividend.

| <b>Financial Results</b>  |                  |                  |                  | <b>% Change</b>  |                  |
|---|------------------|------------------|------------------|------------------|------------------|
| \$'000  |                  |                  |                  | <b>2016</b>      | <b>2016</b>      |
|   | <b>2016</b>      | <b>2016</b>      | <b>2015</b>      | <b>Constant</b>  | <b>2016</b>      |
|   | <b>Constant</b>  | <b>Statutory</b> | <b>Statutory</b> | <b>Currency</b>  | <b>Statutory</b> |
|   | <b>Currency*</b> |                  |                  | <b>v 2015</b>    | <b>v 2015</b>    |
|   |                  |                  |                  | <b>Statutory</b> | <b>Statutory</b> |
| <b>Revenue</b>  | <b>4,789,218</b> | <b>5,052,486</b> | 4,200,525        | 14.0%            | <b>20.3%</b>     |
| Earnings before interest, tax, depreciation and intangibles amortisation ( <b>EBITDA</b> ) pre non-recurring items ( <b>Underlying EBITDA</b> ) | <b>831,400</b>   | <b>876,298</b>   | 730,700          | 13.8%            | 19.9%            |
| Non-recurring items (net)   | <b>5,942</b>     | <b>4,106</b>     | (36,051)         |                  |                  |
| <b>EBITDA</b>   | <b>837,342</b>   | <b>880,404</b>   | 694,649          |                  |                  |
| Depreciation and lease amortisation   | <b>(158,081)</b> | <b>(165,224)</b> | (135,971)        | 16.3%            |                  |
| Earnings before interest, tax and intangibles amortisation ( <b>EBITA</b> )   | <b>679,261</b>   | <b>715,180</b>   | 558,678          | 21.6%            |                  |
| Amortisation of intangibles   | <b>(52,291)</b>  | <b>(54,528)</b>  | (43,231)         | 21.0%            |                  |
| Net interest expense  | <b>(56,239)</b>  | <b>(63,007)</b>  | (52,132)         | 7.9%             |                  |
| Income tax attributable to operating profit   | <b>(127,174)</b> | <b>(131,644)</b> | (109,278)        | 16.4%            |                  |
| Net (profit) attributable to minority interests   | <b>(13,751)</b>  | <b>(14,627)</b>  | (6,339)          |                  |                  |
| <b>Net profit attributable to shareholders of Sonic Healthcare Limited</b>  | <b>429,806</b>   | <b>451,374</b>   | 347,698          | 23.6%            | <b>29.8%</b>     |
| <b>Cash generated from operations</b> (Refer Note 2(h))   |                  | <b>707,708</b>   | 512,084          |                  | 38.2%            |
| <b>Earnings per share</b>   |                  |                  |                  |                  |                  |
| Basic earnings per share (cents per share)  | <b>104.7¢</b>    | <b>110.0¢</b>    | 86.6¢            |                  |                  |
| Diluted earnings per share (cents per share)  | <b>104.1¢</b>    | <b>109.3¢</b>    | 86.0¢            | 21.0%            | 27.1%            |

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

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

## COMMENTARY ON RESULTS For the year ended 30 June 2016

### 1. Headlines

- FY2016 result in line with guidance provided in August 2015
- FY2016 revenue growth of 20%, to A\$5.1 billion
- Earnings per share growth of 27%, to A\$1.09
- Final dividend up 7.3% (full year up 5.7%)
- Strong earnings growth in Europe and USA
- Accretive acquisitions successfully integrated

### 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 year to 30 June 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 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:

|         | 2016<br>Statutory | 2015 and<br>Constant Currency |
|---------|-------------------|-------------------------------|
| AUD/USD | 0.7285            | 0.8362                        |
| AUD/EUR | 0.6564            | 0.6963                        |
| AUD/GBP | 0.4921            | 0.5304                        |
| AUD/CHF | 0.7137            | 0.7880                        |
| AUD/NZD | 1.0903            | 1.0758                        |

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 year ended 30 June 2016**

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

**(b) Revenue**

Total revenue growth for the year was 14.0% at Constant Currency exchange rates (i.e. applying the average rates for the 2015 year to the current year results) and 20.3% including exchange rate impacts.

**Revenue breakdown**

AUD M

|                                     | <b>2016<br/>Statutory<br/>Revenue</b> | <b>% of 2016<br/>Statutory<br/>Revenue</b> | <b>2016<br/>Constant<br/>Currency<br/>Revenue</b> | <b>2015<br/>Revenue</b> | <b>Growth<br/>2016<br/>Constant<br/>Currency<br/>v 2015</b> |
|-------------------------------------|---------------------------------------|--|---|-------------------------|---|
| Laboratory - Australia              | 1,254                                 | 25%  | 1,254   | 1,185                   | 5.8%  |
| Laboratory - USA                    | 1,088                                 | 22%  | 948   | 930                     | 1.9%  |
| Laboratory - Europe                 | 1,815                                 | 36%  | 1,692   | 1,272                   | 33.0%   |
| Laboratory - NZ                     | 26                                    | 1%   | 26  | 34                      | (23.5)%   |
| Imaging - Australia                 | 421                                   | 8%   | 421   | 414                     | 1.7%  |
| Sonic Clinical Services - Australia | 409                                   | 8%   | 409   | 362                     | 13.0%   |
| Revenue - underlying                | 5,013                                 | 100%                                       | 4,750   | 4,197                   | 13.2%   |
| Non-recurring gain on property sale | 35                                    |  | 35  | -                       |   |
| Interest income                     | 4                                     |  | 4   | 4                       |   |
| <b>Total revenue</b>                | <b>5,052</b>                          |  | <b>4,789</b>                                      | <b>4,201</b>            | <b>14.0%</b>  |

The Laboratory division enjoyed revenue growth of 22.2% in the year, including strong organic growth of ~7% (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 5.8% included organic growth of 4% plus growth related to acquisitions completed in the current and prior year. Fees and volumes were negatively impacted by Medicare changes from 1 November 2014. Sonic's organic growth was in line with market growth (as indicated by Medicare statistics).

US reported revenue growth was 17%. Organic revenue growth was 2% 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 6%.

Sonic's European operations experienced strong revenue growth in the UK (46% organic growth, including HSL), Switzerland (9% organic growth), Germany (6% organic growth) and Belgium (3% organic growth), with Swiss, German and Belgian growth augmented by acquisitions, including Medisupport and KLD.

Imaging revenue growth of 1.7% was impacted by an unprecedented and unexpected fall in total market growth, likely due to negative government and media publicity regarding potential patient co-payments and other issues. Sonic's and the market's growth improved in the second half of the year.

Revenue growth for Sonic Clinical Services ("SCS"), Sonic's medical centre and occupational health businesses, was 13.0% for the year, augmented by acquisitions and successful doctor recruitment.

Revenue was impacted by currency exchange rate movements, which increased reported (Statutory) revenue by A\$263M compared to the comparative period.

## COMMENTARY ON RESULTS For the year ended 30 June 2016

### 2. Explanation of results (continued)

#### (c) EBITDA

Underlying EBITDA (pre non-recurring items) grew 19.9% (13.8% at Constant Currency exchange rates) versus the prior year. The net A\$4.1M of non-recurring items included:

- a gain of A\$34.8M on the sale and lease back of two Australian laboratory properties (Melbourne and Perth)
- A\$16.3M of costs related to acquisitions and restructuring which occurred in the 2016 year (A\$9.2M expensed in the first half)
- A\$14.4M of provisions for committed restructuring programs predominantly related to relocations to new laboratories in London and Hawaii in 2017

In the previous year non-recurring costs included the provision for €15M of "KV" debtors in Germany, as well as acquisition and restructure costs.

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 EBITDA growth included 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 better manage collection costs is in progress. Imaging earnings were impacted by unexpected low revenue growth (described above). Both businesses demonstrated stronger performance in the second half of the year.

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

Consumables cost increased slightly as a percentage of revenue as a result of changes in both geographic (different markets have different cost structures such that the percentage varies by market) and test mix in Sonic's total business. Underlying prices generally reduced due to the ongoing success of procurement initiatives.

#### (d) Depreciation and lease amortisation

Depreciation and leased asset amortisation has increased 16.3% 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 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). Substantial investments into innovative software tools have been made over recent periods, leading to a 21% (at Constant Currency rates) increase in amortisation expense.

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

Net interest expense has increased 7.9% on the prior year (at Constant Currency rates) due to increased debt relating to acquisitions, partially 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 year ended 30 June 2016**

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

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

Sonic's net interest bearing debt at 30 June 2016 comprised:

|                                    | <b>Facility<br/>Limit M</b> | <b>Drawn<br/>M</b>  | <b>AUD \$M<br/>Available</b> |
|------------------------------------|-----------------------------|---------------------|------------------------------|
| Notes held by USA investors – USD  | US\$500                     | US\$500             | -                            |
| Notes held by USA investors – Euro | €155                        | €155                | -                            |
| Bank debt facilities               |                             |                     |                              |
| - USD limits                       | US\$425                     | US\$361             | 86                           |
| - Euro limits                      | €630                        | €513                | 174                          |
| - GBP limits                       | £40                         | £40                 | -                            |
| - AUD (Multicurrency) limits       | A\$250                      | A\$208 <sup>+</sup> | 42                           |
| - CHF limits                       | CHF100                      | CHF100              | -                            |
| Minor debt/leasing facilities      | n/a                         | A\$8                | -                            |
| Cash                               | n/a                         | A\$(290)*           | 290                          |
| Available funds at 30 June 2016    |                             |                     | <u>592</u>                   |

<sup>+</sup> Debt drawn in CHF

\* Various currencies

Sonic's credit metrics at 30 June 2016 were as follows:

|                        | <b>30.6.16</b> | <b>31.12.15</b> | <b>30.6.15</b> |
|------------------------|----------------|-----------------|----------------|
| Gearing ratio          | 38.0%          | 40.7%           | 37.3%          |
| Interest cover (times) | 11.5           | 10.5            | 10.8           |
| Debt cover (times)     | 2.6            | 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

As at 30 June 2016, Sonic's senior debt facility limits were due to expire as follows (**note that the figures shown are the facility limits, not drawn debt**):

| <b>Calendar Year</b> | <b>AUD<br/>M</b> | <b>USD<br/>M</b> | <b>Euro<br/>M</b> | <b>GBP<br/>M</b> | <b>CHF<br/>M</b> |
|----------------------|------------------|------------------|-------------------|------------------|------------------|
| 2016                 | -                | -                | -                 | 40               | 100              |
| 2017                 | 200              | 95               | 130               | -                | -                |
| 2018                 | 50               | 65               | 230               | -                | -                |
| 2019                 | -                | 230              | 145               | -                | -                |
| 2020                 | -                | 285              | 125               | -                | -                |
| 2021                 | -                | 250              | -                 | -                | -                |
| 2024                 | -                | -                | 110               | -                | -                |
| 2026                 | -                | -                | 45                | -                | -                |
|                      | <u>250</u>       | <u>925</u>       | <u>785</u>        | <u>40</u>        | <u>100</u>       |

In July 2016, Sonic entered into a 5 year CHF325M bank debt facility and repaid the CHF100M facility that was due to expire in September 2016. The new facility was arranged in the European syndicated bank debt market, Sonic's debut facility in that market. Sonic also priced an issue of notes into the United States Private Placement ("USPP") market for €200M at a fixed coupon of 1.75% for 10 years in July. The note issue is expected to fund in November 2016. Sonic intends to repay the GBP40M facility from existing headroom on its expiry in September 2016.

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 year ended 30 June 2016**

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

**(g) Tax expense**

The effective tax rate of 22% is lower than previous guidance (~25%), largely due to the non-recurring gain on sale of properties being offset by previously unrecognised capital losses (resulting from termination of contracts in New Zealand in 2009).

**(h) Cashflow from operations**

Cash generated from operations grew 38% over the previous year, significantly higher than earnings growth, mainly due to the timing of tax payments. Gross operating cashflow equated to 98% of EBITDA. Adjusting for the non-operating cash non-recurring items, the percentage becomes 101%.

**3. Guidance for 2017**

Sonic expects EBITDA growth of approximately 5% for 2017 on a Constant Currency basis (applying 2016 average currency exchange rates to 2017) over the 2016 underlying EBITDA of A\$876M, excluding potential upside from any future business acquisitions and Australian regulatory reform. The guidance allows for A\$5M of new rent expense for the properties sold and leased back in 2016.

Net interest expense is expected to increase by 5-10% from the 2016 level of A\$63M on a Constant Currency basis (excluding future business acquisitions), 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 is drawn from a new 5 year CHF bank debt facility. In addition, favourable interest rate swaps expired in 2016. Underlying floating interest rates are assumed to remain constant at current levels.

The effective tax rate is expected to be approximately 25%.

**FULL YEAR REPORT**  
**For the year ended 30 June 2016**

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This 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 accompanying notes, the 2015 Annual Report, the 2015 Annual Financial Statements, and any public announcements made by Sonic Healthcare Limited in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.



**CONSOLIDATED INCOME STATEMENT**  
For the year ended 30 June 2016

|  | Notes | 2016<br>\$'000     | 2015<br>\$'000 |
|--|-------|--------------------|----------------|
| Revenue from operations  |       | 5,017,720          | 4,200,525      |
| Other income   |       | 34,766             | -              |
| <b>Total</b>   |       | <b>5,052,486</b>   | 4,200,525      |
| Labour and related costs (including \$1,887,000<br>(2015: \$2,039,000) of equity remuneration expense) |       | <b>(2,304,796)</b> | (1,951,456)    |
| Consumables used   |       | <b>(811,666)</b>   | (650,956)      |
| Operating lease rental expense   |       | <b>(314,327)</b>   | (260,455)      |
| Depreciation and amortisation of physical assets   |       | <b>(165,224)</b>   | (135,971)      |
| Transportation   |       | <b>(129,668)</b>   | (111,785)      |
| Repairs and maintenance  |       | <b>(123,532)</b>   | (99,630)       |
| Utilities  |       | <b>(114,353)</b>   | (101,353)      |
| Borrowing costs expense  |       | <b>(67,137)</b>    | (55,928)       |
| Amortisation of intangibles  |       | <b>(54,528)</b>    | (43,231)       |
| Other expenses from ordinary activities  |       | <b>(369,610)</b>   | (326,445)      |
| <b>Profit from ordinary activities before income tax expense</b>                                       |       | <b>597,645</b>     | 463,315        |
| Income tax expense   |       | <b>(131,644)</b>   | (109,278)      |
| <b>Profit from ordinary activities after income tax expense</b>  |       | <b>466,001</b>     | 354,037        |
| Net (profit) attributable to minority interests  |       | <b>(14,627)</b>    | (6,339)        |
| <b>Profit attributable to members of Sonic Healthcare Limited</b>                                      |       | <b>451,374</b>     | 347,698        |
| <b>Basic earnings per share (cents per share)</b>  | 5     | <b>110.0</b>       | 86.6           |
| <b>Diluted earnings per share (cents per share)</b>  | 5     | <b>109.3</b>       | 86.0           |

*The above Consolidated Income Statement should be read in conjunction with the accompanying notes, the 2015 Annual Report, the 2015 Annual Financial Statements, and any public announcements made by Sonic Healthcare Limited in accordance with the continuous disclosure requirements of the Corporations Act 2001.*

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 30 June 2016**

|   | <b>2016</b>     | <b>2015</b>   |
|---|-----------------|---------------|
|   | <b>\$'000</b>   | <b>\$'000</b> |
| <b>Profit from ordinary activities after income tax expense</b> | <b>466,001</b>  | 354,037       |
| <b>Other comprehensive income</b>                               |                 |               |
| <i>Items that may be reclassified to profit or loss</i>         |                 |               |
| Exchange differences on translation of foreign operations       | <b>6,636</b>    | 114,754       |
| Cash flow hedges  | -               | 164           |
| <i>Items that will not be reclassified to profit or loss</i>    |                 |               |
| Actuarial (losses) on retirement benefit obligations            | <b>(16,791)</b> | (8,803)       |
| <b>Other comprehensive income for the period, net of tax</b>    | <b>(10,155)</b> | 106,115       |
| <b>Total comprehensive income for the period</b>                | <b>455,846</b>  | 460,152       |
| Total comprehensive income attributable to:                     |                 |               |
| Members of Sonic Healthcare Limited                             | <b>444,960</b>  | 453,703       |
| Minority interests  | <b>10,886</b>   | 6,449         |
|   | <b>455,846</b>  | 460,152       |

*The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes, the 2015 Annual Report, the 2015 Annual Financial Statements, and any public announcements made by Sonic Healthcare Limited in accordance with the continuous disclosure requirements of the Corporations Act 2001.*

**CONSOLIDATED BALANCE SHEET**  
As at 30 June 2016

|                                  | Notes | 2016<br>\$'000   | 2015<br>\$'000   |
|----------------------------------|-------|------------------|------------------|
| <b>Current assets</b>            |       |                  |                  |
| Cash assets and cash equivalents |       | 290,436          | 249,393          |
| Receivables                      |       | 703,909          | 648,716          |
| Inventories                      |       | 89,052           | 76,066           |
| Other                            |       | 53,356           | 45,527           |
| Total current assets             |       | 1,136,753        | 1,019,702        |
| <b>Non-current assets</b>        |       |                  |                  |
| Receivables                      |       | 21,882           | 17,710           |
| Other financial assets           |       | 56,275           | 62,384           |
| Property, plant and equipment    |       | 958,382          | 791,119          |
| Intangible assets                |       | 5,158,984        | 4,427,381        |
| Deferred tax assets              |       | 37,781           | 30,318           |
| Other                            |       | 562              | 91               |
| Total non-current assets         |       | 6,233,866        | 5,329,003        |
| <b>Total assets</b>              |       | <b>7,370,619</b> | <b>6,348,705</b> |
| <b>Current liabilities</b>       |       |                  |                  |
| Payables                         |       | 493,800          | 402,468          |
| Interest bearing liabilities     |       | 475,883          | 1,397            |
| Current tax liabilities          |       | 42,013           | 11,546           |
| Provisions                       |       | 186,228          | 168,954          |
| Other                            |       | 22,515           | 3,941            |
| Total current liabilities        |       | 1,220,439        | 588,306          |
| <b>Non-current liabilities</b>   |       |                  |                  |
| Interest bearing liabilities     |       | 2,098,800        | 2,223,985        |
| Deferred tax liabilities         |       | 111,572          | 112,464          |
| Provisions                       |       | 127,408          | 63,576           |
| Other                            |       | 79,691           | 34,376           |
| Total non-current liabilities    |       | 2,417,471        | 2,434,401        |
| <b>Total liabilities</b>         |       | <b>3,637,910</b> | <b>3,022,707</b> |
| <b>Net assets</b>                |       | <b>3,732,709</b> | <b>3,325,998</b> |
| <b>Equity</b>                    |       |                  |                  |
| Parent entity interest           |       |                  |                  |
| Contributed equity               | 6     | 2,802,491        | 2,561,817        |
| Reserves                         | 8     | (11,223)         | (13,634)         |
| Retained earnings                | 9     | 871,612          | 725,945          |
| Total parent entity interest     |       | 3,662,880        | 3,274,128        |
| Minority interests               |       | 69,829           | 51,870           |
| <b>Total equity</b>              |       | <b>3,732,709</b> | <b>3,325,998</b> |

*The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes, the 2015 Annual Report, the 2015 Annual Financial Statements, and any public announcements made by Sonic Healthcare Limited in accordance with the continuous disclosure requirements of the Corporations Act 2001.*

**CONSOLIDATED CASH FLOW STATEMENT**  
**For the year ended 30 June 2016**

|   | <b>2016</b>        | <b>2015</b>        |
|---|--------------------|--------------------|
|   | <b>\$'000</b>      | <b>\$'000</b>      |
| <b>Cash flows from operating activities</b>   |                    |                    |
| Receipts from customers (inclusive of goods and services tax)   | 5,082,370          | 4,180,442          |
| Payments to suppliers and employees (inclusive of goods and services tax)                               | <b>(4,217,422)</b> | <b>(3,497,816)</b> |
| <b>Gross operating cash flow</b>  | <b>864,948</b>     | 682,626            |
| Interest received   | 4,130              | 3,796              |
| Borrowing costs   | <b>(58,276)</b>    | (48,896)           |
| Income taxes paid   | <b>(103,094)</b>   | <b>(125,442)</b>   |
| <b>Net cash inflow from operating activities</b>  | <b>707,708</b>     | 512,084            |
| <b>Cash flows from investing activities</b>   |                    |                    |
| Payment for purchase of controlled entities, net of cash acquired                                       | <b>(475,257)</b>   | (46,115)           |
| Payments for property, plant and equipment  | <b>(322,418)</b>   | (197,478)          |
| Proceeds from sale of non current assets  | 92,385             | 22,724             |
| Payments for investments  | <b>(3,382)</b>     | (2,836)            |
| Payments for intangibles  | <b>(71,576)</b>    | (66,688)           |
| Repayment of loans by other entities  | 6,829              | 9,017              |
| Loans to other entities   | <b>(12,818)</b>    | <b>(7,613)</b>     |
| <b>Net cash (outflow) from investing activities</b>   | <b>(786,237)</b>   | <b>(288,989)</b>   |
| <b>Cash flows from financing activities</b>   |                    |                    |
| Proceeds from issues of shares and other equity securities (net of transaction costs and related taxes) | 91,276             | 12,869             |
| Proceeds from borrowings  | 877,958            | 452,394            |
| Repayment of borrowings   | <b>(631,936)</b>   | (411,167)          |
| Transaction with non-controlling interest   | 13,925             | 7,973              |
| Dividends paid to Company's shareholders  | <b>(214,805)</b>   | (277,017)          |
| Dividends paid to minority interests in controlled entities   | <b>(4,569)</b>     | <b>(4,399)</b>     |
| <b>Net cash inflow/(outflow) from financing activities</b>  | <b>131,849</b>     | <b>(219,347)</b>   |
| <b>Net increase in cash and cash equivalents</b>  | <b>53,320</b>      | 3,748              |
| Cash and cash equivalents at the beginning of the financial year  | <b>249,393</b>     | 232,137            |
| Effects of exchange rate changes on cash and cash equivalents   | <b>(12,277)</b>    | 13,508             |
| <b>Cash and cash equivalents at the end of the financial year</b>                                       | <b>290,436</b>     | 249,393            |

*The above Consolidated Cash Flow Statement should be read in conjunction with the accompanying notes, the 2015 Annual Report, the 2015 Annual Financial Statements, and any public announcements made by Sonic Healthcare Limited in accordance with the continuous disclosure requirements of the Corporations Act 2001.*

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 30 June 2016**

|  | Share<br>capital<br>\$'000 | Reserves<br>\$'000 | Retained<br>earnings<br>\$'000 | Total<br>\$'000  | Minority<br>interests<br>\$'000 | Total<br>\$'000  |
|--|----------------------------|--------------------|--------------------------------|------------------|---------------------------------|------------------|
| <b>Balance at 1 July 2015</b>                                | 2,561,817                  | (13,634)           | 725,945                        | 3,274,128        | 51,870                          | <b>3,325,998</b> |
| Profit for period  | -                          | -                  | 451,374                        | 451,374          | 14,627                          | <b>466,001</b>   |
| Other comprehensive income for the period                    | -                          | 10,377             | (16,791)                       | (6,414)          | (3,741)                         | <b>(10,155)</b>  |
| Total comprehensive income for the period                    | -                          | 10,377             | 434,583                        | 444,960          | 10,886                          | <b>455,846</b>   |
| <b>Transactions with owners in their capacity as owners:</b> |                            |                    |                                |                  |                                 |                  |
| Dividends paid   | -                          | -                  | (288,916)                      | (288,916)        | -                               | <b>(288,916)</b> |
| Shares issued  | 239,378                    | (3,978)            | -                              | 235,400          | -                               | <b>235,400</b>   |
| Transaction costs on shares issued net of tax                | (131)                      | -                  | -                              | (131)            | -                               | <b>(131)</b>     |
| Transfers to share capital                                   | 1,396                      | (1,396)            | -                              | -                | -                               | <b>-</b>         |
| Share based payments   | -                          | 1,887              | -                              | 1,887            | -                               | <b>1,887</b>     |
| Allocation of treasury shares                                | 31                         | -                  | -                              | 31               | -                               | <b>31</b>        |
| Contribution from minority interests                         | -                          | -                  | -                              | -                | 12,206                          | <b>12,206</b>    |
| Acquisition of minority interests                            | -                          | (4,479)            | -                              | (4,479)          | (619)                           | <b>(5,098)</b>   |
| Dividends paid to minority interests in controlled entities  | -                          | -                  | -                              | -                | (4,514)                         | <b>(4,514)</b>   |
| <b>Balance at 30 June 2016</b>                               | <b>2,802,491</b>           | <b>(11,223)</b>    | <b>871,612</b>                 | <b>3,662,880</b> | <b>69,829</b>                   | <b>3,732,709</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 period  | -                          | -                  | 347,698                        | 347,698          | 6,339                           | 354,037          |
| Other comprehensive income for the period                    | -                          | 114,808            | (8,803)                        | 106,005          | 110                             | 106,115          |
| Total comprehensive income for the period                    | -                          | 114,808            | 338,895                        | 453,703          | 6,449                           | 460,152          |
| <b>Transactions with owners in their capacity as owners:</b> |                            |                    |                                |                  |                                 |                  |
| Dividends paid   | -                          | -                  | (277,017)                      | (277,017)        | -                               | (277,017)        |
| Shares issued  | 21,573                     | (8,631)            | -                              | 12,942           | -                               | 12,942           |
| Transfers to share capital                                   | 1,800                      | (1,800)            | -                              | -                | -                               | -                |
| Share based payments   | -                          | 2,039              | -                              | 2,039            | -                               | 2,039            |
| Acquisition of treasury shares                               | (100)                      | -                  | -                              | (100)            | -                               | (100)            |
| Allocation of treasury shares                                | 27                         | -                  | -                              | 27               | -                               | 27               |
| Minority interests on acquisition of subsidiary              | -                          | -                  | -                              | -                | 23,491                          | 23,491           |
| Acquisition of minority interests                            | -                          | (109)              | -                              | (109)            | -                               | (109)            |
| Dividends paid to minority interests in controlled entities  | -                          | -                  | -                              | -                | (4,421)                         | (4,421)          |
| <b>Balance at 30 June 2015</b>                               | <b>2,561,817</b>           | <b>(13,634)</b>    | <b>725,945</b>                 | <b>3,274,128</b> | <b>51,870</b>                   | <b>3,325,998</b> |

*The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes, the 2015 Annual Report, the 2015 Annual Financial Statements, and any public announcements made by Sonic Healthcare Limited in accordance with the continuous disclosure requirements of the Corporations Act 2001.*

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended 30 June 2016

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

This financial report has been prepared in accordance with International Financial Reporting Standards, other authoritative pronouncements and Interpretations of the Australian Accounting Standards Board and the *Corporations Act 2001*.

This 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, the 2015 Annual Financial Statements and any public announcements made by Sonic Healthcare Limited during the 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 \$476M of debt which expires in 2017 as a current liability as at 30 June 2016. As a result the Consolidated Balance Sheet shows a deficiency of working capital of \$84M. In July 2016, Sonic entered into a 5 year CHF325M bank debt facility to refinance these facilities. Sonic also has significant headroom available in cash and undrawn facilities, and has priced an issue of notes into the United States Private Placement ("USPP") market for €200M at a fixed coupon of 1.75% for 10 years, with funding expected in November 2016. The financial report has therefore been prepared on a "going concern" basis.

### **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)        *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***  
Radiology and diagnostic imaging services provided in Australia.
- (iii)       *Other***  
Includes the corporate office function, medical centre operations and occupational health services, and other minor operations.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 30 June 2016**

**Note 2 Segment information (continued)**

| <b>Year ended<br/>30 June 2016</b>                  | <b>Laboratory<br/>\$'000</b> | <b>Imaging<br/>\$'000</b> | <b>Other<br/>\$'000</b> | <b>Eliminations<br/>\$'000</b> | <b>Consolidated<br/>\$'000</b> |
|---|------------------------------|---------------------------|-------------------------|--------------------------------|--------------------------------|
| <b>Segment revenue (Constant Currency)</b>          | 3,918,833                    | 420,675                   | 456,960                 | (11,380)                       | 4,785,088                      |
| Currency exchange movement                          | 263,268                      | -                         | -                       | -                              | 263,268                        |
| <b>Segment revenue (Statutory)</b>                  | <b>4,182,101</b>             | <b>420,675</b>            | <b>456,960</b>          | <b>(11,380)</b>                | <b>5,048,356</b>               |
| Interest income                                     |                              |                           |                         |                                | 4,130                          |
| <b>Total revenue</b>                                |                              |                           |                         |                                | <b>5,052,486</b>               |
| <b>Underlying segment EBITA (Constant Currency)</b> | 605,546                      | 47,743                    | 20,030                  | -                              | <b>673,319</b>                 |
| Non-recurring items (net)                           | (16,341)                     | -                         | 22,283                  | -                              | 5,942                          |
| <b>Segment EBITA (Constant Currency)</b>            | <b>589,205</b>               | <b>47,743</b>             | <b>42,313</b>           | -                              | <b>679,261</b>                 |
| Currency exchange movement                          | 35,919                       | -                         | -                       | -                              | 35,919                         |
| <b>Segment EBITA (Statutory)</b>                    | <b>625,124</b>               | <b>47,743</b>             | <b>42,313</b>           | -                              | <b>715,180</b>                 |
| Amortisation expense                                |                              |                           |                         |                                | (54,528)                       |
| Unallocated net interest expense                    |                              |                           |                         |                                | (63,007)                       |
| <b>Profit before tax</b>                            |                              |                           |                         |                                | <b>597,645</b>                 |
| Income tax expense                                  |                              |                           |                         |                                | (131,644)                      |
| <b>Profit after income tax expense</b>              |                              |                           |                         |                                | <b>466,001</b>                 |
| Depreciation expense                                | 113,600                      | 28,307                    | 23,317                  | -                              | <b>165,224</b>                 |
| <b>Year ended<br/>30 June 2015</b>                  | <b>Laboratory<br/>\$'000</b> | <b>Imaging<br/>\$'000</b> | <b>Other<br/>\$'000</b> | <b>Eliminations<br/>\$'000</b> | <b>Consolidated<br/>\$'000</b> |
| <b>Segment revenue</b>                              | 3,421,386                    | 414,324                   | 371,271                 | (10,252)                       | 4,196,729                      |
| Interest income                                     |                              |                           |                         |                                | 3,796                          |
| <b>Total revenue</b>                                |                              |                           |                         |                                | <b>4,200,525</b>               |
| <b>Segment EBITA</b>                                | 493,134                      | 55,393                    | 10,151                  | -                              | 558,678                        |
| Amortisation expense                                |                              |                           |                         |                                | (43,231)                       |
| Unallocated net interest expense                    |                              |                           |                         |                                | (52,132)                       |
| <b>Profit before tax</b>                            |                              |                           |                         |                                | <b>463,315</b>                 |
| Income tax expense                                  |                              |                           |                         |                                | (109,278)                      |
| <b>Profit after income tax expense</b>              |                              |                           |                         |                                | <b>354,037</b>                 |
| Depreciation expense                                | 87,508                       | 29,701                    | 18,762                  | -                              | <b>135,971</b>                 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 30 June 2016**

**Note 3 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 accounting for these business combinations has been finalised at the date of this report.

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

|   | <b>Medisupport<br/>S.A. \$'000</b> | <b>Other<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|---|------------------------------------|-------------------------|-------------------------|
| Consideration - cash paid   | 319,704                            | 181,781                 | <b>501,485</b>          |
| Less: Cash of entities acquired                                   | (19,504)                           | (18,921)                | <b>(38,425)</b>         |
|   | <u>300,200</u>                     | <u>162,860</u>          | <u><b>463,060</b></u>   |
| Deferred consideration  | 20,830                             | 50,404                  | <b>71,234</b>           |
| Consideration - other   | -                                  | 1,569                   | <b>1,569</b>            |
| Consideration - shares  | 69,857                             | -                       | <b>69,857</b>           |
| Total consideration   | <u>390,887</u>                     | <u>214,833</u>          | <u><b>605,720</b></u>   |
| Carrying value of identifiable net assets of businesses acquired: |                                    |                         |                         |
| Debtors & other receivables                                       | 35,478                             | 3,696                   | <b>39,174</b>           |
| Prepayments   | 3,057                              | 439                     | <b>3,496</b>            |
| Inventory   | 2,672                              | 2,015                   | <b>4,687</b>            |
| Property, plant & equipment                                       | 24,398                             | 13,696                  | <b>38,094</b>           |
| Identifiable intangibles  | 2,179                              | 8,454                   | <b>10,633</b>           |
| Deferred tax assets   | 7,784                              | 1,317                   | <b>9,101</b>            |
| Trade creditors   | (11,188)                           | (1,270)                 | <b>(12,458)</b>         |
| Sundry creditors & accruals                                       | (11,009)                           | (1,730)                 | <b>(12,739)</b>         |
| Current tax liabilities   | (7,636)                            | 22                      | <b>(7,614)</b>          |
| Deferred tax liabilities  | (718)                              | (2,487)                 | <b>(3,205)</b>          |
| Provisions  | (38,646)                           | (5,006)                 | <b>(43,652)</b>         |
| Borrowings  | (50,473)                           | (1,324)                 | <b>(51,797)</b>         |
|   | <u>(44,102)</u>                    | <u>17,822</u>           | <u><b>(26,280)</b></u>  |
| Goodwill  | <u>434,989</u>                     | <u>197,011</u>          | <u><b>632,000</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 \$239,838,000 of revenue and \$39,617,000 of profit since the acquisition date.

Acquisition related costs of \$5,711,000 are included in other expenses in the Income Statement.

The fair value of acquired debtors and other receivables is \$39,174,000. The gross contractual amount due is \$43,509,000, of which \$4,335,000 is expected to be uncollectible.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 30 June 2016**

**Note 4 Dividends**

|   | <u>2016</u><br><u>\$'000</u> | <u>2015</u><br><u>\$'000</u> |
|---|------------------------------|------------------------------|
| <b>Total dividends paid on ordinary shares during the year</b>  |                              |                              |
| Final dividend for the year ended 30 June 2015 of 41 cents (2014: 40 cents) per share paid on 22 October 2015 (2014: 23 September 2014), franked to 55% (2014: 55%) | 164,908                      | 160,449                      |
| Interim dividend for the year ended 30 June 2016 of 30 cents (2015: 29 cents) per share paid on 6 April 2016 (2015: 25 March 2015), franked to 30% (2015: 55%)      | <u>124,008</u>               | <u>116,568</u>               |
|   | <u><b>288,916</b></u>        | <u><b>277,017</b></u>        |

**Dividends not recognised at the end of the year**

On 16 August 2016 the directors declared a final dividend of 44 cents per share (2015: 41 cents) franked to 30% (2015: 55%), payable on 27 September 2016 with a record date of 9 September 2016. Based on the number of shares expected to be on issue at the record date, the aggregate amount of the proposed final dividend to be paid out of retained earnings at the end of the year, but not recognised as a liability is:

|                       |                |
|-----------------------|----------------|
| <u><b>182,963</b></u> | <u>164,908</u> |
|-----------------------|----------------|

**Dividend Reinvestment Plan**

The Company's Dividend Reinvestment Plan has been suspended for the FY2016 final dividend.

|                                  | <u>2016</u><br><u>Cents</u> | <u>2015</u><br><u>Cents</u> |
|----------------------------------|-----------------------------|-----------------------------|
| <b>Note 5 Earnings per share</b> |                             |                             |
| Basic earnings per share         | 110.0                       | 86.6                        |
| Diluted earnings per share       | 109.3                       | 86.0                        |

|  | <u>2016</u><br><u>Shares</u> | <u>2015</u><br><u>Shares</u> |
|--|------------------------------|------------------------------|
| <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                                 | <u>410,405,046</u>           | <u>401,419,782</u>           |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share | <u><b>412,925,617</b></u>    | <u>404,380,891</u>           |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 30 June 2016**

**Note 6 Contributed equity**

|                                | 2016<br>Shares     | 2015<br>Shares     | 2016<br>\$'000   | 2015<br>\$'000   |
|--------------------------------|--------------------|--------------------|------------------|------------------|
| <b>Share capital</b>           |                    |                    |                  |                  |
| Fully paid ordinary shares     | 415,089,808        | 401,991,556        | 2,802,533        | 2,561,890        |
| <b>Other equity securities</b> |                    |                    |                  |                  |
| Treasury shares                | (2,480)            | (4,309)            | (42)             | (73)             |
|                                | <u>415,087,328</u> | <u>401,987,247</u> | <u>2,802,491</u> | <u>2,561,817</u> |

**Movements in ordinary share capital:**

| Date     | Details   | Number of<br>shares | Issue<br>price | \$'000           |
|----------|---|---------------------|----------------|------------------|
| 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           |
| 6/4/16   | Shares issued under the Dividend Reinvestment Plan                      | 1,731,462           | \$17.72        | 30,682           |
| Various  | Shares issued following exercise of employee options/rights             | 510,393             | Various        | 8,177            |
| Various  | Transfers from equity remuneration reserve                              | -                   |                | 1,396            |
| Various  | Costs associated with shares issued net of future income tax benefits   | -                   |                | (131)            |
| 30/6/16  | Closing balance   | <u>415,089,808</u>  |                | <u>2,802,533</u> |

**Movements in other equity securities:**

|         |                               |                |             |
|---------|-------------------------------|----------------|-------------|
| 1/7/15  | Opening balance               | (4,309)        | (73)        |
| 3/3/16  | Allocation of treasury shares | 1,829          | 31          |
| 30/6/16 | Closing balance               | <u>(2,480)</u> | <u>(42)</u> |

**Note 7 Unlisted share options / performance rights**

| Exercise Price     | Expiry Date | Balance at 1.7.15 | Granted          | Exercised        | Forfeited          | Expired  | Balance at 30.6.16 |
|--------------------|-------------|-------------------|------------------|------------------|--------------------|----------|--------------------|
| \$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            |
| \$11.43            | 18/11/2018  | 1,705,263         | -                | -                | -                  | -        | 1,705,263          |
| \$15.43            | 18/10/2018  | 335,000           | -                | -                | (15,000)           | -        | 320,000            |
| \$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             |
|                    |             | <u>8,390,847</u>  | <u>4,060,786</u> | <u>(512,222)</u> | <u>(1,074,490)</u> | <u>-</u> | <u>10,864,921</u>  |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 30 June 2016

| <b>Note 8</b>                               | <b>Reserves</b>   | <b>2016</b>     | <b>2015</b>     |
|---|---|-----------------|-----------------|
|   |   | <b>\$'000</b>   | <b>\$'000</b>   |
|   | Foreign currency translation reserve                              | 45,790          | 34,818          |
|   | Hedging reserve   | -               | -               |
|   | Equity remuneration reserve                                       | (48,163)        | (44,676)        |
|   | Share option reserve  | 16,427          | 16,427          |
|   | Revaluation reserve   | 3,272           | 3,272           |
|   | Transactions with minority interests                              | (28,549)        | (23,475)        |
|   |   | <b>(11,223)</b> | <b>(13,634)</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      | 10,972          | 114,576         |
|   | Balance   | <b>45,790</b>   | <b>34,818</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   | <b>-</b>        | <b>-</b>        |
| <i>Equity remuneration reserve</i>          |   |                 |                 |
|   | Balance 1 July  | (44,676)        | (36,284)        |
|   | Share based payments  | 1,887           | 2,039           |
|   | Employee share scheme issue                                       | (3,978)         | (8,631)         |
|   | Transfer to share capital (options exercised)                     | (1,396)         | (1,800)         |
|   | Balance   | <b>(48,163)</b> | <b>(44,676)</b> |
| <i>Share option reserve</i>                 |   |                 |                 |
|   | Balance 1 July  | 16,427          | 16,427          |
|   | Movement  | -               | -               |
|   | Balance   | <b>16,427</b>   | <b>16,427</b>   |
| <i>Revaluation reserve</i>                  |   |                 |                 |
|   | Balance 1 July  | 3,272           | 3,272           |
|   | Movement  | -               | -               |
|   | Balance   | <b>3,272</b>    | <b>3,272</b>    |
| <i>Transactions with minority interests</i> |   |                 |                 |
|   | Balance 1 July  | (23,475)        | (23,434)        |
|   | Acquisition of minority interests                                 | (4,479)         | (109)           |
|   | Net exchange movement   | (595)           | 68              |
|   | Balance   | <b>(28,549)</b> | <b>(23,475)</b> |
| <b>Note 9</b>                               |   |                 |                 |
| <b>Retained earnings</b>                    |   |                 |                 |
|   |   | <b>2016</b>     | <b>2015</b>     |
|   |   | <b>\$'000</b>   | <b>\$'000</b>   |
|   | Retained earnings at the beginning of the financial year          | 725,945         | 664,067         |
|   | Net profit attributable to members of Sonic Healthcare Limited    | 451,374         | 347,698         |
|   | Dividends provided for or paid                                    | (288,916)       | (277,017)       |
|   | Actuarial (losses) on retirement benefit obligations (net of tax) | (16,791)        | (8,803)         |
|   | Retained earnings at the end of the financial year                | <b>871,612</b>  | <b>725,945</b>  |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 30 June 2016**

**Note 10 Net asset backing**

|  | <u>2016</u>     | <u>2015</u>     |
|--|-----------------|-----------------|
| Net tangible asset backing per ordinary security | <u>(\$3.44)</u> | <u>(\$2.74)</u> |
| Net asset backing per ordinary security          | <u>\$8.99</u>   | <u>\$8.27</u>   |

**Note 11 Events occurring after reporting date**

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

**Forward-looking statements**

*This Preliminary Final Report (Appendix 4E) 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.*

**COMPLIANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2016**

This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Interpretations or other standards acceptable to ASX.

Identify other standards used

NIL

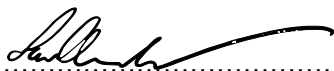
This report, and the accounts upon which the report is based use the same accounting policies.

This report does give a true and fair view of the matters disclosed.

This report is based on accounts which are in the process of being audited.

The entity has a formally constituted audit committee.

Signed:

  
.....  
(Company Secretary)

Date: 17 August 2016

Print name:

PAUL ALEXANDER