

16 February 2023

The Manager – Listings
Australian Securities Exchange Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Via electronic lodgement

Dear Sir / Madam

RESULTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

Attached in accordance with Listing Rule 4.2A is the consolidated financial report, directors' report and auditors' review report for Sonic Healthcare Limited for the half-year ended 31 December 2022.

The release of this announcement was authorised by the Board of Sonic Healthcare Limited.

Yours faithfully



Paul Alexander
Company Secretary
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Sonic Healthcare Limited
ABN 24 004 196 909

ASX APPENDIX 4D AND HALF YEAR REPORT – 31 DECEMBER 2022
Lodged with the ASX under Listing Rule 4.2A

This information should be read in conjunction with the 2022 Annual Report.

RESULTS FOR ANNOUNCEMENT TO THE MARKET
For the six months ended 31 December 2022

Financial Results \$'000	Six months ended 31.12.22		% Change
	Statutory		
Revenue from ordinary activities	4,082,235		(14.2)%
Profit after tax from ordinary activities attributable to members	382,354		(53.8)%
Dividends			
Cents per share	FY2023	FY2022	% Change
Interim dividend	42¢	40¢	5.0%
Interim dividend franked amount per security	42¢	40¢	5.0%

The record date for determining entitlements to the interim dividend will be 8 March 2023. The interim dividend will be paid on 22 March 2023. The Company's Dividend Reinvestment Plan remains suspended for this dividend.

Explanation of results

\$'000	Six months ended 31.12.22	Six months ended 31.12.22	Six months ended 31.12.21	% Change	
				31.12.22 Constant Currency versus 31.12.21	31.12.22 Statutory versus 31.12.21
Base business revenue	3,660,864	3,703,581	3,413,076	7.3%	8.5%
COVID-19 revenue	381,254	378,654	1,343,453	(71.6)%	(71.8)%
Total revenue	4,042,118	4,082,235	4,756,529	(15.0)%	(14.2)%
Earnings before interest, tax, depreciation and intangibles amortisation (EBITDA)	918,984	920,191	1,539,636	(40.3)%	(40.2)%
Depreciation	(309,734)	(310,214)	(296,928)	4.3%	4.5%
Earnings before interest, tax and intangibles amortisation (EBITA)	609,250	609,977	1,242,708	(51.0)%	(50.9)%
Amortisation of intangibles	(35,045)	(35,404)	(34,680)	1.1%	2.1%
Net interest expense	(36,671)	(37,667)	(39,534)	(7.2)%	(4.7)%
Income tax attributable to operating profit	(145,429)	(144,623)	(319,018)	(54.4)%	(54.7)%
Net (profit) attributable to minority interests	(10,110)	(9,929)	(21,811)	(53.6)%	(54.5)%
Net profit attributable to Sonic shareholders	381,995	382,354	827,665	(53.8)%	(53.8)%
Cash generated from operations		785,272	1,040,641		(24.5)%
Earnings per share					
Basic earnings per share (cents per share)	81.2	81.3	172.8	(53.0)%	(53.0)%
Diluted earnings per share (cents per share)	80.8	80.9	170.8	(52.7)%	(52.6)%

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

Commentary on the figures above is provided in the following pages of this report.

COMMENTARY ON RESULTS For the half year ended 31 December 2022

1. Headlines

- Revenue A\$4,082 million.
- EBITDA A\$920 million.
- Net profit A\$382 million.
- Comparison with H1 FY2022 impacted by reduction in COVID-19 related revenues (A\$379 million versus A\$1.3 billion).
- Net profit up 50% versus H1 FY2020 (pre-pandemic).
- Base business margins in line with pre-pandemic levels.
- Base business revenue (ex-COVID testing) organic growth of 6% versus H1 FY2022 and 8% versus H1 FY2020 (constant currency, per working day). Growth gaining momentum with January 2023 versus January 2020 up 10%.
- Currently progressing several acquisition and contract opportunities.
- Gearing level close to historic lows, with ~A\$1.5 billion of available liquidity, well positioned to fund growth.
- Progressive dividend policy maintained, increase of 2 cents (5%) to 42 cents (100% franked) for the FY2023 Interim Dividend.

2. Explanation of results

(a) Constant currency

As a result of Sonic's expanding operations outside of Australia, Sonic is 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 2022 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.

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

The average exchange rates used were as follows:

	31.12.22 Statutory	31.12.21 and Constant Currency
AUD/USD	0.6705	0.7317
AUD/EUR	0.6616	0.6303
AUD/GBP	0.5704	0.5367
AUD/CHF	0.6470	0.6731
AUD/NZD	1.1019	1.0485

COMMENTARY ON RESULTS
For the half year ended 31 December 2022

2. Explanation of results (continued)

(a) Constant currency (continued)

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

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

As Sonic's foreign currency earnings grow, debt is repaid, and interest rates change, the natural hedges have only a partial effect, so AUD reported earnings do fluctuate. Sonic believes it is inappropriate to hedge translation risk (a non-cash risk) with real cash hedging instruments.

(b) Revenue

Revenue breakdown
A\$M

	Six months ended 31.12.22 Statutory Revenue	% of 31.12.22 Revenue	Six months ended 31.12.22 Constant Currency Revenue	Six months ended 31.12.21 Revenue	Growth 31.12.22 Constant Currency v 31.12.21
Laboratory – Australia and New Zealand	1,002	24.6%	1,003	1,366	(26.6)%
Laboratory – US	1,079	26.4%	987	1,071	(7.8)%
Laboratory – Europe	1,419	34.8%	1,469	1,743	(15.7)%
Radiology – Australia	388	9.5%	388	353	9.9%
Other	190	4.7%	190	223	(14.6)%
Revenue	4,078	100%	4,037	4,756	(15.1)%
Interest income	4			1	
Total revenue	4,082			4,757	

Revenue reductions in the Laboratory and Other operations relate to lower demand for COVID-19 related services, with COVID revenue of A\$379 million in the half-year, versus A\$1,343 million in the comparative period (down 72%).

Base business revenue (excluding COVID services) grew organically by 6% (on a Constant Currency and working day basis) versus the comparative period and 8% versus H1 FY2020 (pre-pandemic).

Base business grew at least 5% organically in each of Sonic's Laboratory markets, other than Switzerland where growth was flat due to a fee cut effective 1 August 2022 (annual impact on Swiss revenue of ~7%). Non-organic impacts on Laboratory revenue included the acquisition of ProPath in the USA in mid-December 2021.

Radiology revenue growth was strong at 10%, augmented by the acquisition of Canberra Imaging Group (1 September 2021). Organic growth per working day was 8%.

Revenue for Sonic Clinical Services ('SCS'), mainly comprising Sonic's medical centre and occupational health businesses (the major component of the Other segment, which also includes other minor operations), reduced 13% from the comparative period, mainly due to the cessation of COVID related services.

COMMENTARY ON RESULTS
For the half year ended 31 December 2022

2. Explanation of results (continued)

(c) Earnings

Earnings and margins in the half year were impacted by the reduction in COVID revenues. Base business margins remain strong and in line with pre-pandemic levels.

Sonic's Radiology business (which does not provide COVID-related services) reported 12% EBITDA growth, including contributions from acquisitions. Radiology's EBITDA margin expanded by 50 basis points.

Base business labour cost as a percentage of revenue for the half-year is in line with pre-pandemic levels. The 7.5% growth in labour cost versus the comparative period includes acquisition-related labour costs amounting to ~4%.

Consumables cost decreased as a percentage of revenue due to successful procurement and operational initiatives.

(d) Depreciation

Depreciation expense increased 4% on the comparative period, less than the growth in base business revenue. As a percentage of revenue, depreciation remains lower than in pre-pandemic periods.

(e) Intangibles amortisation

Intangibles amortisation relates to internally developed and purchased software.

(f) Interest expense and debt facilities

Net interest expense decreased 5% on the comparative period largely due to higher interest rates on cash deposits, whilst debt was at fixed rates.

The majority of Sonic's debt is drawn in foreign currencies as 'natural' balance sheet hedging of Sonic's offshore operations (see 2(a) Constant currency above).

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

COMMENTARY ON RESULTS
For the half year ended 31 December 2022

2. Explanation of results (continued)

(f) Interest expense and debt facilities (continued)

Sonic's net interest bearing debt (excluding lease liabilities under AASB 16 *Leases*) at 31 December 2022 comprised:

	Facility Limit M	Drawn M	AUD \$M Available
Notes held by USA investors – USD	US\$550	US\$550	-
Notes held by USA investors – EUR	€515	€515	-
Bank debt facilities			
- USD (Multicurrency) limits	US\$100	-	147
- Euro (Multicurrency) limits	€280	-	440
- AUD (Multicurrency) limit	A\$48	-	48
- CHF (Multicurrency) limit	CHF125	-	199
Minor debt / leasing facilities	n/a	13*	-
Cash	n/a	A\$(731)	731*
Available liquidity at 31 December 2022			1,565
Net interest bearing debt (excluding lease liabilities under AASB 16)		A\$902	

* Various currencies

Sonic's credit metrics at 31 December 2022 were as follows:

	31.12.22	30.6.22
Debt cover (times)	0.5	0.3
Interest cover (times)	36.9	47.3
Gearing ratio	10.5%	9.7%

Definitions:

- Debt cover = Net debt / EBITDA (bank covenant limit <3.5)
- Interest cover = EBITA / Net interest expense (bank covenant limit >3.25)
- Gearing ratio = Net debt / [Net debt + equity] (USPP covenant limit <55%)
- Calculations as per Sonic's debt facility definitions, which exclude the impacts of AASB 16 *Leases*

Sonic's senior debt facility limits at 16 February 2023 expire as follows (**note that the figures shown below are the facility limits, not drawn debt**):

Calendar Year	AUD M	USD M	Euro M	CHF M
2023	48	100	120	125
2024	-	-	345	-
2026	-	-	245	-
2030	-	300	-	-
2032	-	150	85	-
2035	-	100	-	-
	48	650	795	125

COMMENTARY ON RESULTS
For the half year ended 31 December 2022

2. Explanation of results (continued)

(g) Tax expense

The effective tax rate is 27%, in line with the comparative period.

(h) Cash flow

Cash generated from operations was 25% lower than in the comparative period, reflecting the reduction in COVID-19 revenue. Gross operating cash flow equated to 116% of EBITDA (85% in the comparative period). Conversion of EBITDA to cash was enhanced by reductions in debtors and inventory related to COVID-19 testing. Tax paid in the period was 70% more than the tax expense due to timing of instalments and return lodgements.

**STATUTORY
HALF YEAR REPORT**

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report and Financial Statements for the year ended 30 June 2022 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 2022.

1. Names of Directors

The Directors of the Company in office during the half year and up to the date of this report (unless otherwise indicated) are:

Prof. M.R. Compton – Chairman
Dr C.S. Goldschmidt – Managing Director
Mr C.D. Wilks – Finance Director
Prof. Christine Bennett (appointed on 26 September 2022)
Prof. S. Crowe
Dr P.J. Dubois (until retirement on 17 November 2022)
Dr Katharine Giles (appointed on 26 September 2022)
Mr N. Mitchell
Mr L.J. Panaccio
Ms K.D. Spargo
Dr E.J. Wilson (until retirement on 17 November 2022)

2. Review of operations

Revenue for the period decreased 14% to A\$4.1 billion as COVID related revenues reduced by 72%.

Net profit and diluted earnings per share declined by 54% (to A\$382 million) and 53% (to A\$0.809) respectively due to the decline in revenue.

Summary:

- Comparison with H1 FY2022 impacted by reduction in COVID-19 related revenues (A\$379 million versus A\$1.3 billion).
- Net profit up 50% versus H1 FY2020 (pre-pandemic).
- Base business margins in line with pre-pandemic levels.
- Base business revenue (ex-COVID testing) organic growth of 6% versus H1 FY2022 and 8% versus H1 FY2020 (constant currency, per working day). Growth gaining momentum with January 2023 versus January 2020 up 10%.
- Currently progressing several acquisition and contract opportunities.
- Gearing level close to historic lows, with ~A\$1.5 billion of available liquidity, well positioned to fund growth.
- Progressive dividend policy maintained, increase of 2 cents (5%) to 42 cents (100% franked) for the FY2023 Interim Dividend.

Further information on the operations and financial results and position of the Company is included in the Commentary on Results section attached to this report, the presentation released to the ASX on the same day as this Appendix 4D, and in the 2022 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 the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' Report and financial report. Amounts in the Directors' Report and financial report have been rounded off to the nearest thousand dollars in accordance with that Instrument.

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



M.R. Compton
Chairman



Dr C.S. Goldschmidt
Director

Sydney
16 February 2023



Auditor's Independence Declaration

As lead auditor for the review of Sonic Healthcare Limited for the half-year ended 31 December 2022, 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 'Brett Entwistle', is written over a faint, light-colored signature line.

Brett Entwistle
Partner
PricewaterhouseCoopers

Sydney
16 February 2023

CONSOLIDATED INCOME STATEMENT
For the half year ended 31 December 2022

	Notes	Six months ended 31.12.22 \$'000	Six months ended 31.12.21 \$'000
Revenue from operations		4,082,235	4,756,529
Labour and related costs		(1,910,195)	(1,777,494)
Consumables used		(622,475)	(810,967)
Depreciation		(310,214)	(296,928)
Transportation		(107,488)	(100,494)
Utilities		(87,817)	(78,557)
Borrowing costs expense		(42,085)	(40,275)
Amortisation of intangibles		(35,404)	(34,680)
Other expenses from ordinary activities		(429,651)	(448,640)
Profit from ordinary activities before income tax expense		536,906	1,168,494
Income tax expense		(144,623)	(319,018)
Profit from ordinary activities after income tax expense		392,283	849,476
Net (profit) attributable to minority interests		(9,929)	(21,811)
Profit attributable to members of Sonic Healthcare Limited		382,354	827,665
Basic earnings per share (cents per share)	4	81.3	172.8
Diluted earnings per share (cents per share)	4	80.9	170.8

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the half year ended 31 December 2022

	Six months ended 31.12.22 \$'000	Six months ended 31.12.21 \$'000
Profit from ordinary activities after income tax expense	392,283	849,476
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	133,229	64,061
<i>Items that will not be reclassified to profit or loss</i>		
Fair value gain on financial asset	3,505	-
Actuarial gains on retirement benefit obligations	1,141	3,692
Other comprehensive income for the period, net of tax	137,875	67,753
Total comprehensive income for the period	530,158	917,229
Total comprehensive income attributable to:		
Members of Sonic Healthcare Limited	518,901	893,960
Minority interests	11,257	23,269
	530,158	917,229

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

CONSOLIDATED BALANCE SHEET
As at 31 December 2022

	Notes	31.12.22 \$'000	30.6.22 \$'000
Current assets			
Cash assets and cash equivalents		730,772	779,997
Receivables		975,365	1,217,462
Inventories		214,325	216,193
Other		108,505	92,258
Total current assets		<u>2,028,967</u>	2,305,910
Non current assets			
Receivables		38,594	38,191
Other financial assets		163,699	145,222
Property, plant and equipment		1,378,894	1,321,121
Right-of-use assets		1,282,912	1,303,743
Intangible assets		7,564,080	7,361,486
Deferred tax assets		71,542	68,991
Other		7,730	7,349
Total non current assets		<u>10,507,451</u>	10,246,103
Total assets		<u>12,536,418</u>	12,552,013
Current liabilities			
Payables		920,991	1,018,552
Lease liabilities		341,862	341,858
Current tax liabilities		253,364	374,259
Provisions		327,050	328,236
Other		23,237	21,369
Total current liabilities		<u>1,866,504</u>	2,084,274
Non current liabilities			
Interest bearing liabilities		1,619,636	1,576,934
Lease liabilities		1,071,683	1,093,945
Deferred tax liabilities		299,485	264,240
Provisions		100,697	99,245
Other		20,728	5,201
Total non current liabilities		<u>3,112,229</u>	3,039,565
Total liabilities		<u>4,978,733</u>	5,123,839
Net assets		<u>7,557,685</u>	7,428,174
Equity			
Parent entity interest			
Contributed equity	6	3,757,944	3,860,948
Reserves	8	184,786	61,172
Retained earnings		3,451,133	3,351,020
Total parent entity interest		<u>7,393,863</u>	7,273,140
Minority interests		163,822	155,034
Total equity		<u>7,557,685</u>	7,428,174

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the half year ended 31 December 2022

	Six months ended 31.12.22 \$'000	Six months ended 31.12.21 \$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	4,463,678	4,704,534
Payments to suppliers and employees (inclusive of goods and services tax)	(3,395,906)	(3,398,635)
Gross operating cash flow	1,067,772	1,305,899
Interest received	4,418	742
Borrowing costs	(40,395)	(38,506)
Income taxes paid	(246,523)	(227,494)
Net cash inflow from operating activities	785,272	1,040,641
Cash flows from investing activities		
Payment for purchase of controlled entities and investments, net of cash acquired	(29,164)	(507,123)
Payments for property, plant and equipment	(169,762)	(131,404)
Proceeds from sale of non current assets	10,060	3,961
Payments for investments	(24,952)	(77,779)
Payments for intangibles	(51,560)	(43,179)
Repayment of loans by other entities	11,539	6,814
Loans to other entities	(4,247)	(7,107)
Net cash (outflow) from investing activities	(258,086)	(755,817)
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities (net of transaction costs and related costs)	18,550	40,131
Payments for buyback and treasury shares	(130,933)	(8,271)
Proceeds from borrowings	48,000	136,668
Repayment of borrowings	(48,000)	(192,477)
Principal elements of lease payments	(184,475)	(170,812)
Dividends paid to Company's shareholders	(283,382)	(263,441)
Dividends paid to minority interests in controlled entities	(4,308)	(3,926)
Net cash (outflow) from financing activities	(584,548)	(462,128)
Net (decrease) in cash and cash equivalents	(57,362)	(177,304)
Cash and cash equivalents at the beginning of the financial period	779,997	899,827
Effects of exchange rate changes on cash and cash equivalents	8,137	12,806
Cash and cash equivalents at the end of the financial period	730,772	735,329

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 2022

	Share capital \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000	Minority interests \$'000	Total \$'000
Balance at 1 July 2022	3,860,948	61,172	3,351,020	7,273,140	155,034	7,428,174
Profit for the period	-	-	382,354	382,354	9,929	392,283
Other comprehensive income for the period	-	135,406	1,141	136,547	1,328	137,875
Total comprehensive income for the period	-	135,406	383,495	518,901	11,257	530,158
Transactions with owners in their capacity as owners:						
Dividends paid	-	-	(283,382)	(283,382)	-	(283,382)
Shares issued	25,133	(6,582)	-	18,551	-	18,551
Transfers to share capital	2,180	(2,180)	-	-	-	-
Costs of share transactions net of tax	(1)	-	-	(1)	-	(1)
Acquisition of shares	(134,100)	-	-	(134,100)	-	(134,100)
Allocation of treasury shares	3,784	(617)	-	3,167	-	3,167
Share based payments	-	8,748	-	8,748	-	8,748
Minority interests on acquisition of subsidiaries	-	(11,161)	-	(11,161)	1,376	(9,785)
Contributions from minority interests	-	-	-	-	471	471
Dividends paid to minority interests in controlled entities	-	-	-	-	(4,316)	(4,316)
Balance at 31 December 2022	3,757,944	184,786	3,451,133	7,393,863	163,822	7,557,685
Balance at 1 July 2021	4,081,981	(19,158)	2,322,163	6,384,986	119,357	6,504,343
Profit for the period	-	-	827,665	827,665	21,811	849,476
Other comprehensive income for the period	-	62,603	3,692	66,295	1,458	67,753
Total comprehensive income for the period	-	62,603	831,357	893,960	23,269	917,229
Transactions with owners in their capacity as owners:						
Dividends paid	-	-	(263,441)	(263,441)	-	(263,441)
Shares issued	58,006	(17,875)	-	40,131	-	40,131
Transfers to share capital	3,883	(3,883)	-	-	-	-
Acquisition of treasury shares	(8,271)	-	-	(8,271)	-	(8,271)
Share based payments	-	6,493	-	6,493	-	6,493
Reduction in minority interests	-	-	-	-	95	95
Dividends paid to minority interests in controlled entities	-	-	-	-	(3,931)	(3,931)
Balance at 31 December 2021	4,135,599	28,180	2,890,079	7,053,858	138,790	7,192,648

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 2022

Note 1 **Summary of significant accounting policies**

This general purpose financial report for the interim half year reporting period ended 31 December 2022 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 2022 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.

Note 2 **Segment information**

Business segments

The Group's Chief Executive Officer and the Board of Directors (the chief operating decision makers) review the Group's performance both by the nature of services provided and geographic region. Discrete financial information about each operating segment is reported to the Chief Executive Officer and the Board of Directors on at least a monthly basis and is used to assess performance and determine the allocation of resources. The internal reports use a 'Constant Currency' basis for reporting revenue and Net Profit Before Tax ('NPBT') with foreign currency elements restated using the relevant prior period average exchange rates. The segment revenue and NPBT have therefore been presented using Constant Currency. NPBT is calculated after lease interest, but excluding interest on debt.

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 and Belgium. The geographic regions have been aggregated into one reportable segment as they provide similar services and have similar expected growth rates, cost structures, risks, and return profiles.
- (ii) Radiology**
Diagnostic imaging services provided in Australia.
- (iii) Other**
Includes corporate office functions, medical centre operations (IPN), occupational health services (Sonic HealthPlus), and other minor operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2022

Note 2 Segment information (continued)

Half Year ended 31 December 2022	Laboratory \$'000	Radiology \$'000	Other \$'000	Eliminations \$'000	Consolidated \$'000
Segment revenue (Constant Currency)	3,460,052	388,234	192,069	(2,655)	4,037,700
Currency exchange movement	40,117	-	-	-	40,117
Segment revenue	3,500,169	388,234	192,069	(2,655)	4,077,817
Interest income					4,418
Total revenue					4,082,235
Segment NPBT (Constant Currency)	541,567	50,720	(31,983)	-	560,304
Currency exchange movement	246	-	-	-	246
Segment NPBT	541,813	50,720	(31,983)	-	560,550
Unallocated net interest					(23,644)
Profit before tax					536,906
Income tax expense					(144,623)
Profit after income tax expense					392,283
Allocated interest expense	15,421	2,539	481	-	18,441
Depreciation and amortisation expense	258,130	40,939	46,549	-	345,618
EBITDA	813,647	94,146	12,398	-	920,191
Half Year ended 31 December 2021	Laboratory \$'000	Radiology \$'000	Other \$'000	Eliminations \$'000	Consolidated \$'000
Segment revenue	4,180,891	353,344	223,922	(2,370)	4,755,787
Interest income					742
Total revenue					4,756,529
Segment NPBT	1,172,513	44,812	(24,931)	-	1,192,394
Unallocated net interest expense					(23,900)
Profit before tax					1,168,494
Income tax expense					(319,018)
Profit after income tax expense					849,476
Allocated interest expense	13,923	2,072	380	-	16,375
Depreciation and amortisation expense	247,450	36,992	47,166	-	331,608
EBITDA	1,433,596	83,876	22,164	-	1,539,636

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2022

Note 2 Segment information (continued)

Disaggregated revenue (excluding interest and rental income)

	Six months ended 31.12.22 \$'000	Six months ended 31.12.21 \$'000
<i>Laboratory</i>		
Australia	985,507	1,347,597
Germany	774,300	963,001
USA	1,078,556	1,071,190
Switzerland	287,117	311,264
UK	283,494	372,389
Belgium	73,963	96,228
New Zealand	15,209	17,168
<i>Non-Laboratory</i>		
Radiology	387,694	352,965
Other (Medical centres, occupational health services, etc.)	189,407	221,779
	4,075,247	4,753,581

Note 3 Dividends

	Six months ended 31.12.22 \$'000	Six months ended 31.12.21 \$'000
Dividends paid during the half year	283,382	263,441
Dividends not recognised at the end of the half year		
Since the end of the half year the Directors have declared an interim dividend of 42 cents (2022: 40 cents) franked to 100% (2022: 100%).		
The dividend is payable on 22 March 2023 with a record date of 8 March 2023.		
Based on the number of shares on issue at 16 February 2023 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:	196,693	191,956

Dividend Reinvestment Plan

The Company's Dividend Reinvestment Plan remains suspended for the FY2023 interim dividend.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2022

	Six months ended 31.12.22 \$'000	Six months ended 31.12.21 \$'000
Note 4 Earnings per share		
Basic earnings per share	81.3	172.8
Diluted earnings per share	80.9	170.8
	Six months ended 31.12.22 Shares	Six months ended 31.12.21 Shares
Weighted average number of ordinary shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	470,317,227	478,973,760
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	472,810,308	484,528,444
Note 5 Goodwill		
	31.12.22 \$'000	30.6.22 \$'000
Cost	7,134,701	6,949,409
Accumulated impairment	(99,636)	(96,447)
Net book amount	7,035,065	6,852,962
Opening cost	6,949,409	6,331,159
Acquisition of businesses	37,767	476,461
Foreign exchange rate movements	147,525	141,789
Closing cost	7,134,701	6,949,409
Opening accumulated impairment	(96,447)	(99,312)
Foreign exchange movements	(3,189)	2,865
Closing accumulated impairment	(99,636)	(96,447)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2022

Note 6	Contributed equity	31.12.22	30.6.22	31.12.22	30.6.22
		Shares	Shares	\$'000	\$'000
Share capital					
	Fully paid ordinary shares	468,315,745	471,798,972	3,760,062	3,866,850
Other equity securities					
	Treasury shares	(51,559)	(162,347)	(2,118)	(5,902)
		468,264,186	471,636,625	3,757,944	3,860,948

Movements in ordinary share capital:

Date	Details	Number of	Issue	\$'000
		shares	price	
01/07/22	Opening balance	471,798,972		3,866,850
Various	Own shares acquired during buyback	(4,288,073)		(134,100)
Various	Shares issued following exercise of employee options/rights	804,846	Various	25,133
Various	Transfers from equity remuneration reserve			2,180
Various	Costs of share transactions net of tax			(1)
31/12/22	Closing balance	<u>468,315,745</u>		<u>3,760,062</u>

Movements in other equity securities:

Date	Details	Number of	\$'000
		shares	
01/07/22	Opening balance	(162,347)	(5,902)
29/07/22	Own shares acquired during buyback in FY2022, now cancelled	95,765	3,167
Various	Allocation of treasury shares	597,369	20,057
Various	Subscription for unissued shares by SHEST	(582,346)	(19,440)
31/12/22	Closing balance	<u>(51,559)</u>	<u>(2,118)</u>

* Sonic Healthcare Employee Share Trust

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2022

Note 7 Unlisted share options and performance rights

Exercise Price	Expiry Date	Balance at 1.7.22	Granted	Exercised	Forfeited	Expired	Balance at 31.12.22
\$21.64	22/11/2022	478,846	-	(478,846)	-	-	-
\$21.69	21/11/2023	667,787	-	-	-	-	667,787
\$21.83	14/10/2023	1,280,000	-	(108,500)	-	-	1,171,500
\$24.30	21/12/2023	725,000	-	(92,500)	(80,000)	-	552,500
\$28.58	05/12/2023	4,286,199	-	(125,000)	(40,000)	-	4,121,199
\$27.28	22/05/2024	5,120,000	-	-	(90,000)	-	5,030,000
\$29.26	19/11/2024	588,894	-	-	-	-	588,894
\$34.21	18/11/2025	527,191	-	-	-	-	527,191
\$39.75	19/11/2025	4,656,633	-	-	(10,000)	-	4,646,633
\$31.59	26/10/2026	-	4,602,206	-	-	-	4,602,206
\$38.90	18/11/2026	343,367	-	-	-	-	343,367
\$32.79	17/11/2027	-	377,504	-	-	-	377,504
Performance Rights	01/10/2023	-	63,374	-	-	-	63,374
Performance Rights	01/10/2023	-	3,172	-	-	-	3,172
Performance Rights	19/11/2024	64,907	-	-	-	-	64,907
Performance Rights	18/11/2025	69,624	-	-	-	-	69,624
Performance Rights	18/11/2026	54,427	-	-	-	-	54,427
Performance Rights	17/11/2027	-	66,371	-	-	-	66,371
Performance Rights	One third on 01/09/2022	-	-	-	-	-	-
Performance Rights	One third on 01/09/2023	-	-	-	-	-	-
Performance Rights	One third on 01/09/2024	-	-	-	-	-	-
		52,911	-	(15,023)	(7,831)	-	30,057
		<u>18,915,786</u>	<u>5,112,627</u>	<u>(819,869)</u>	<u>(227,831)</u>	<u>-</u>	<u>22,980,713</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2022

Note 8	Reserves	31.12.22	31.12.21
		\$'000	\$'000
	Foreign currency translation reserve	299,438	133,842
	Equity remuneration reserve	(114,143)	(113,325)
	Share option reserve	16,427	16,427
	Revaluation reserve	3,272	3,272
	Financial assets at FVOCI* reserve	3,505	-
	Transactions with minority interests reserve	(23,713)	(12,036)
		184,786	28,180
	Movements		
	<i>Foreign currency translation reserve</i>		
	Balance 1 July	166,967	70,871
	Net exchange movement on translation of foreign subsidiaries	132,471	62,971
	Balance	299,438	133,842
	<i>Equity remuneration reserve</i>		
	Balance 1 July	(113,512)	(98,060)
	Share based payments expense	8,748	6,493
	Employee share scheme issue	(7,199)	(17,875)
	Transfer to share capital (options exercised)	(2,180)	(3,883)
	Balance	(114,143)	(113,325)
	<i>Share option reserve</i>		
	Balance 1 July	16,427	16,427
	Movement in period	-	-
	Balance	16,427	16,427
	<i>Revaluation reserve</i>		
	Balance 1 July	3,272	3,272
	Movement in period	-	-
	Balance	3,272	3,272
	<i>Financial assets at FVOCI* reserve</i>		
	Balance 1 July	-	-
	Fair value gain in period	3,505	-
	Balance	3,505	-
	<i>Transactions with minority interests reserve</i>		
	Balance 1 July	(11,982)	(11,668)
	Option relating to minority interests	(11,161)	-
	Net exchange movement	(570)	(368)
	Balance	(23,713)	(12,036)

*FVOCI = Fair value through other comprehensive income

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2022

Note 9	Net asset backing	31.12.22	30.6.22
	Net tangible asset backing per ordinary security	\$(0.01)	\$0.14
	Net asset backing per ordinary security	\$16.14	\$15.74

Note 10 **Events occurring after the balance sheet date**

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

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, the progress of the COVID-19 pandemic, 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 2022 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
16 February 2023



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

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Sonic Healthcare Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated balance sheet as at 31 December 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and consolidated income statement for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Sonic Healthcare Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors 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 gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true

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and fair view of the Group's financial position as at 31 December 2022 and of 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*.

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.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'Brett Entwistle'.

Brett Entwistle
Partner

Sydney
16 February 2023