

Sonic Healthcare Limited
ABN 24 004 196 909

ASX APPENDIX 4D AND HALF YEAR REPORT – 31 DECEMBER 2023
Lodged with the ASX under Listing Rule 4.2A

This information should be read in conjunction with the 2023 Annual Report.

RESULTS FOR ANNOUNCEMENT TO THE MARKET
For the six months ended 31 December 2023

Financial Results \$'000	Six months ended 31.12.23 Statutory		% Change
Revenue from ordinary activities	4,305,646		5.5%
Profit after tax from ordinary activities attributable to members	202,311		(47.1)%
Dividends			
Cents per share	FY2024	FY2023	% Change
Interim dividend	43¢	42¢	2.4%
Interim dividend franked amount per security	0¢	42¢	

The record date for determining entitlements to the interim dividend will be 4 March 2024. The interim dividend will be paid on 21 March 2024. The Company's Dividend Reinvestment Plan remains suspended for this dividend.

Explanation of results

\$'000	Six months ended 31.12.23 Constant Currency*	Six months ended 31.12.23 Statutory	Six months ended 31.12.22	% Change 31.12.23 Constant Currency versus 31.12.22	% Change 31.12.23 Statutory versus 31.12.22
Base business revenue	4,089,338	4,266,955	3,703,581	10.4%	15.2%
COVID revenue	37,393	38,691	378,654	(90.1)%	(89.8)%
Total revenue	4,126,731	4,305,646	4,082,235	1.1%	5.5%
Earnings before interest, tax, depreciation and intangibles amortisation (EBITDA)	705,036	736,662	920,191	(23.4)%	(19.9)%
Depreciation	(332,417)	(343,350)	(310,214)	7.2%	10.7%
Earnings before interest, tax and intangibles amortisation (EBITA)	372,619	393,312	609,977	(38.9)%	(35.5)%
Amortisation of intangibles	(39,100)	(40,314)	(35,404)	10.4%	13.9%
Net interest expense	(51,195)	(52,951)	(37,667)	35.9%	40.6%
Income tax attributable to operating profit	(77,074)	(81,913)	(144,623)	(46.7)%	(43.4)%
Net (profit) attributable to minority interests	(14,851)	(15,823)	(9,929)	49.6%	59.4%
Net profit attributable to Sonic shareholders	190,399	202,311	382,354	(50.2)%	(47.1)%
Cash generated from operations		451,843	785,272		(42.5)%
Earnings per share					
Basic earnings per share (cents per share)	40.2	42.7	81.3	(50.6)%	(47.5)%
Diluted earnings per share (cents per share)	40.1	42.6	80.9	(50.4)%	(47.3)%

* 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 2023

1. Headlines

- Revenue A\$4,306 million.
- EBITDA A\$737 million, in line with guidance provided at 2023 AGM.
- Net profit A\$202 million.
- On track to achieve full-year EBITDA guidance provided in August 2023, more likely towards the lower end of the guidance range.
- Comparison with H1 FY2023 impacted by marked reduction in COVID related revenues (A\$39 million versus A\$379 million).
- Strong base business revenue (ex-COVID testing) organic growth of 6% versus H1 FY2023 (constant currency, per working day).
- Cost reduction programs well advanced.
- Recent (post 1 July 2023) acquisitions and contract wins have secured ~A\$500 million of new annual revenue.
- Further acquisition and contract opportunities under consideration.
- Progressive dividend policy maintained, increase of 1 cent (2.4%) to 43 cents for the FY2024 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 2023 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:

	31.12.23 Statutory	31.12.22 and Constant Currency
AUD/USD	0.6530	0.6705
AUD/EUR	0.6033	0.6616
AUD/GBP	0.5207	0.5704
AUD/CHF	0.5779	0.6470
AUD/NZD	1.0806	1.1019

COMMENTARY ON RESULTS

For the half year ended 31 December 2023

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 31.12.23 Statutory Revenue	% of 31.12.23 Revenue	Six months ended 31.12.23 Constant Currency Revenue	Six months ended 31.12.22 Revenue	Growth 31.12.23 Constant Currency v 31.12.22
Laboratory – Australia and New Zealand	968	22.5%	968	1,002	(3.4)%
Laboratory – US	1,047	24.4%	1,018	1,079	(5.4)%
Laboratory – Europe	1,627	37.9%	1,477	1,419	3.9%
Radiology – Australia	432	10.1%	432	388	11.3%
Other	220	5.1%	220	190	16.0%
Revenue	4,294	100%	4,115	4,078	0.9%
Interest income	12			4	
Total revenue	4,306			4,082	1.1%

Revenue reductions in the Laboratory operations relate to much lower demand for COVID related services, with COVID revenue of A\$39 million in the half-year, versus A\$379 million in the comparative period (down 90%).

Base business revenue (excluding COVID services) grew organically by 6% (on a Constant Currency and working day basis) versus the comparative period and 14% versus H1 FY2020 (pre-pandemic).

Particularly strong organic base business growth was achieved in the Australian (9%), German (8%), and UK (13%) laboratory businesses. The USA and Swiss operations both achieved base business organic growth of 4%, with Swiss growth impacted by the fee cut that took effect on 1 August 2022.

Radiology organic revenue growth per working day was strong at 11%, and included indexation of fees and targeted private billing.

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), grew 12% from the comparative period, including 4% organically. Organic revenue growth benefited from increased GP private billing and Government funding increases (indexation from 1 July 2023, and targeted fee increase from 1 November 2023).

COMMENTARY ON RESULTS
For the half year ended 31 December 2023

2. Explanation of results (continued)

(c) Earnings

Earnings and margins for the half-year were impacted by the dramatic reduction in COVID revenues versus the comparative period in the Laboratory operations. The Company is well progressed with removing legacy COVID-related costs (mainly labour).

Sonic's Radiology business (which has never provided COVID-related services) achieved 19% EBITDA growth, with minimal contributions from acquisitions. Radiology's EBITDA margin expanded by ~160 basis points.

Excluding currency translation impacts and acquisition related labour increases, labour cost grew 3.8% versus the comparative period.

Consumables cost increased slightly as a percentage of revenue largely due to reductions in COVID volumes. Sonic continues to achieve savings through procurement initiatives.

Major drivers and initiatives are locked in to growing earnings in H2 FY2024 and future years.

(d) Depreciation

Excluding currency translation impacts and acquisition related depreciation increases, depreciation costs grew 4.3% versus the comparative period, less than the organic growth in base business revenue.

(e) Intangibles amortisation

Intangibles amortisation relates to internally developed and purchased software.

(f) Interest expense and debt facilities

Net interest expense increased 36% on the prior year (at Constant Currency rates), due to debt incurred for acquisitions, higher base interest rates and a higher interest component of rental payments under AASB 16 *Leases*.

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 2023

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 2023 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	US\$15	124
- Euro (Multicurrency) limits	€814	€370	718
- AUD (Multicurrency) limit	A\$407	A\$96	311
- CHF (Multicurrency) limit	CHF125	CHF112	23
Minor debt / leasing facilities	n/a	A\$9*	-
Cash	n/a	A\$(620)*	620
Available liquidity at 31 December 2023			1,796
Net interest bearing debt (excluding lease liabilities under AASB 16)		A\$1,936	

* Various currencies

Sonic's credit metrics at 31 December 2023 were as follows:

	31.12.23	30.6.23
Debt cover (times)	1.6	0.6
Interest cover (times)	19.1	29.4
Gearing ratio	19.5%	9.9%

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 20 February 2024 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
2024	-	-	345	-
2025	250	-	120	-
2026	-	-	245	-
2027	157	100	349	-
2028	-	-	185	125
2030	-	300	-	-
2032	-	150	85	-
2035	-	100	-	-
	407	650	1,329	125

COMMENTARY ON RESULTS
For the half year ended 31 December 2023

2. Explanation of results (continued)

(g) Tax expense

The effective tax rate is 27%, in line with the comparative period and at the top end of the guidance range provided in August 2023.

(h) Cash flow

Cash generated from operations was 42% lower than in the prior year, reflecting the reduction in COVID revenue. Gross operating cash flow equated to 82% of EBITDA (following 110% in FY2023). Conversion of EBITDA to cash was impacted by increases in sundry debtors, prepayments and inventory, and timing of payment of creditors.

Tax paid in the period was 26% more than the tax expense due to timing of instalments and return lodgements.

(i) FY2024 Guidance

The FY2024 EBITDA guidance provided in August 2023 of A\$1.7-1.8 billion has been maintained, however now considered more likely to achieve EBITDA towards the lower end of the range.

Net interest expense is now expected to be ~A\$125M, higher than the August forecast mainly due to additional acquisitions, increased base interest rates, and a higher interest component of rental payments under AASB 16 *Leases*.

The effective tax rate is expected to be ~27%.

Guidance assumes that current exchange rates and base interest rates prevail.

Sonic continues to pursue additional acquisition and contract opportunities.

**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 2023 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 2023.

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. C. Bennett
Prof. S. Crowe
Dr K. Giles
Mr N. Mitchell
Mr L.J. Panaccio
Ms K.D. Spargo

2. Review of operations

Revenue for the period increased 5.5% to A\$4.3 billion through organic base business growth and acquisitions. COVID related revenues reduced by 90%.

Net profit and diluted earnings per share each declined by 47% (to A\$202 million and A\$0.426 respectively) due to the decline in COVID revenue.

Summary:

- On track to achieve full-year EBITDA guidance provided in August 2023, more likely towards the lower end of the range (A\$1.7-1.8 billion).
- Comparison with H1 FY2023 impacted by marked reduction in COVID related revenues (A\$39 million versus A\$379 million).
- Strong base business revenue (ex-COVID testing) organic growth of 6% versus H1 FY2023 (constant currency, per working day).
- Cost reduction programs well advanced.
- Recent (post 1 July 2023) acquisitions and contract wins have secured ~A\$500 million of new annual revenue.
- Further acquisition and contract opportunities under consideration.
- Progressive dividend policy maintained, increase of 1 cent (2.4%) to 43 cents for the FY2024 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 2023 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
20 February 2024



Auditor's Independence Declaration

As lead auditor for the review of Sonic Healthcare Limited for the half-year ended 31 December 2023, 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 'Aishwarya Chandran', with a horizontal line underneath.

Aishwarya Chandran
Partner
PricewaterhouseCoopers

Sydney
20 February 2024

CONSOLIDATED INCOME STATEMENT
For the half year ended 31 December 2023

	Notes	Six months ended 31.12.23 \$'000	Six months ended 31.12.22 \$'000
Revenue from operations		4,305,646	4,082,235
Labour and related costs		(2,135,622)	(1,910,195)
Consumables used		(685,188)	(622,475)
Depreciation		(343,350)	(310,214)
Transportation		(122,520)	(107,488)
Utilities		(96,484)	(87,817)
Borrowing costs expense		(65,411)	(42,085)
Amortisation of intangibles		(40,314)	(35,404)
Other expenses from ordinary activities		(516,710)	(429,651)
Profit from ordinary activities before income tax expense		300,047	536,906
Income tax expense		(81,913)	(144,623)
Profit from ordinary activities after income tax expense		218,134	392,283
Net (profit) attributable to minority interests		(15,823)	(9,929)
Profit attributable to members of Sonic Healthcare Limited		202,311	382,354
Basic earnings per share (cents per share)	4	42.7	81.3
Diluted earnings per share (cents per share)	4	42.6	80.9

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the half year ended 31 December 2023

	Six months ended 31.12.23 \$'000	Six months ended 31.12.22 \$'000
Profit from ordinary activities after income tax expense	218,134	392,283
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	(70,945)	133,229
<i>Items that will not be reclassified to profit or loss</i>		
Fair value (loss)/gain on financial asset	(6,362)	3,505
Actuarial (losses)/gains on retirement benefit obligations	(18,933)	1,141
Other comprehensive income for the period, net of tax	(96,240)	137,875
Total comprehensive income for the period	121,894	530,158
Total comprehensive income attributable to:		
Members of Sonic Healthcare Limited	110,289	518,901
Minority interests	11,605	11,257
	121,894	530,158

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

CONSOLIDATED BALANCE SHEET
As at 31 December 2023

	Notes	31.12.23 \$'000	30.6.23 \$'000
Current assets			
Cash assets and cash equivalents		619,613	797,994
Receivables		1,072,903	1,022,175
Inventories		212,658	199,201
Other		132,326	113,801
Total current assets		2,037,500	2,133,171
Non current assets			
Receivables		39,611	37,739
Other financial assets		170,694	175,799
Property, plant and equipment		1,559,238	1,510,930
Right-of-use assets		1,297,781	1,287,176
Intangible assets		8,594,982	7,789,619
Deferred tax assets		60,343	72,375
Other		8,186	7,820
Total non current assets		11,730,835	10,881,458
Total assets		13,768,335	13,014,629
Current liabilities			
Payables		857,470	959,992
Interest bearing liabilities		441,589	-
Lease liabilities		359,156	346,791
Current tax liabilities		158,643	220,608
Provisions		336,778	342,722
Other		20,533	8,230
Total current liabilities		2,174,169	1,878,343
Non current liabilities			
Interest bearing liabilities		2,105,533	1,673,461
Lease liabilities		1,083,262	1,080,228
Deferred tax liabilities		334,524	332,731
Provisions		138,997	103,861
Other		29,623	24,143
Total non current liabilities		3,691,939	3,214,424
Total liabilities		5,866,108	5,092,767
Net assets		7,902,227	7,921,862
Equity			
Parent entity interest			
Contributed equity	6	4,028,978	3,842,423
Reserves	8	239,378	339,884
Retained earnings		3,443,652	3,554,197
Total parent entity interest		7,712,008	7,736,504
Minority interests		190,219	185,358
Total equity		7,902,227	7,921,862

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the half year ended 31 December 2023

	Six months ended 31.12.23 \$'000	Six months ended 31.12.22 \$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	4,432,170	4,463,678
Payments to suppliers and employees (inclusive of goods and services tax)	(3,828,217)	(3,395,906)
Gross operating cash flow	603,953	1,067,772
Interest received	12,460	4,418
Borrowing costs	(61,689)	(40,395)
Income taxes paid	(102,881)	(246,523)
Net cash inflow from operating activities	451,843	785,272
Cash flows from investing activities		
Payment for purchase of controlled entities and investments, net of cash acquired	(884,343)	(29,164)
Payments for property, plant and equipment	(224,431)	(169,762)
Proceeds from sale of non current assets	3,224	10,060
Payments for investments	(13,314)	(24,952)
Payments for intangibles	(66,680)	(51,560)
Repayment of loans by other entities	8,271	11,539
Loans to other entities	(4,168)	(4,247)
Net cash (outflow) from investing activities	(1,181,441)	(258,086)
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities (net of transaction costs and related costs)	156,825	18,550
Payments for buyback and treasury shares	(10,000)	(130,933)
Proceeds from borrowings	1,258,813	48,000
Repayment of borrowings	(338,378)	(48,000)
Principal elements of lease payments	(193,587)	(184,475)
Dividends paid to Company's shareholders	(293,923)	(283,382)
Dividends paid to minority interests in controlled entities	(6,364)	(4,308)
Net cash inflow/(outflow) from financing activities	573,386	(584,548)
Net (decrease) in cash and cash equivalents	(156,212)	(57,362)
Cash and cash equivalents at the beginning of the financial period	797,994	779,997
Effects of exchange rate changes on cash and cash equivalents	(22,169)	8,137
Cash and cash equivalents at the end of the financial period	619,613	730,772

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 2023

	Share capital \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000	Minority interests \$'000	Total \$'000
Balance at 1 July 2023	3,842,423	339,884	3,554,197	7,736,504	185,358	7,921,862
Profit for the period	-	-	202,311	202,311	15,823	218,134
Other comprehensive income for the period	-	(73,089)	(18,933)	(92,022)	(4,218)	(96,240)
Total comprehensive income for the period	-	(73,089)	183,378	110,289	11,605	121,894
Transactions with owners in their capacity as owners:						
Dividends paid	-	-	(293,923)	(293,923)	-	(293,923)
Shares issued	178,802	(21,977)	-	156,825	-	156,825
Transfers to share capital	16,901	(16,901)	-	-	-	-
Acquisition of treasury shares	(10,000)	-	-	(10,000)	-	(10,000)
Allocation of treasury shares	852	(852)	-	-	-	-
Share based payments	-	12,313	-	12,313	-	12,313
Minority interests on acquisition of subsidiaries	-	-	-	-	74	74
Dividends paid to minority interests in controlled entities	-	-	-	-	(6,818)	(6,818)
Balance at 31 December 2023	4,028,978	239,378	3,443,652	7,712,008	190,219	7,902,227
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

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 2023

Note 1 Summary of significant accounting policies

This general purpose financial report for the interim half year reporting period ended 31 December 2023 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 2023 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.

Working capital

Sonic is required to disclose A\$442M of debt drawn under facilities which are due to expire before 31 December 2024 as a current liability as at 31 December 2023. As a result the Consolidated Balance Sheet shows a deficiency of working capital of A\$137M. Sonic intends to refinance this debt and foresees no difficulty in doing so, based on discussions with existing lenders and approaches from potential new lenders. Sonic also has significant headroom available in cash and undrawn facilities. The financial report has therefore been prepared on a going concern basis.

Note 2 Segment information

Business segments

The Group's Chief Executive Officer and the Board of Directors (the chief operating decision makers) review the Group's performance both by the nature of services provided and geographic region. Discrete financial information about each operating segment is reported to the Chief Executive Officer and the Board of Directors on at least a monthly basis and is used to assess performance and determine the allocation of resources. The 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 2023

Note 2 Segment information (continued)

Half Year ended 31 December 2023	Laboratory \$'000	Radiology \$'000	Other \$'000	Eliminations \$'000	Consolidated \$'000
Segment revenue (Constant Currency)	3,462,547	431,675	223,180	(3,131)	4,114,271
Currency exchange movement	178,915	-	-	-	178,915
Segment revenue	3,641,462	431,675	223,180	(3,131)	4,293,186
Interest income					12,460
Total revenue					4,305,646
Segment NPBT (Constant Currency)	305,190	66,346	(50,691)	-	320,845
Currency exchange movement	19,490	-	-	-	19,490
Segment NPBT	324,680	66,346	(50,691)	-	340,335
Unallocated net interest					(40,288)
Profit before tax					300,047
Income tax expense					(81,913)
Profit after income tax expense					218,134
Allocated interest expense	19,040	2,799	3,284	-	25,123
Depreciation and amortisation expense	284,177	42,927	56,560	-	383,664
EBITDA	619,175	111,766	5,721	-	736,662
Half Year ended 31 December 2022	Laboratory \$'000	Radiology \$'000	Other \$'000	Eliminations \$'000	Consolidated \$'000
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	541,813	50,720	(31,983)	-	560,550
Unallocated net interest expense					(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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2023

Note 2 Segment information (continued)

Disaggregated revenue (excluding interest and rental income)

	Six months ended 31.12.23 \$'000	Six months ended 31.12.22 \$'000
<i>Laboratory</i>		
Australia	949,772	985,507
Germany	820,965	774,300
USA	1,046,386	1,078,556
Switzerland	404,199	287,117
UK	327,594	283,494
Belgium	73,088	73,963
New Zealand	17,434	15,209
<i>Non-Laboratory</i>		
Radiology	431,197	387,694
Other (Medical centres, occupational health services, etc.)	220,284	189,407
	4,290,919	4,075,247

Note 3 Dividends

	Six months ended 31.12.23 \$'000	Six months ended 31.12.22 \$'000
Dividends paid during the half year	293,923	283,382

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 43 cents (2023: 42 cents) franked to 0% (2023: 100%).

The dividend is payable on 21 March 2024 with a record date of 4 March 2024.

Based on the number of shares on issue at 19 February 2024 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:

205,423	196,971
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Dividend Reinvestment Plan

The Company's Dividend Reinvestment Plan remains suspended for the FY2024 interim dividend.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2023

	Six months ended 31.12.23 \$'000	Six months ended 31.12.22 \$'000
Note 4 Earnings per share		
Basic earnings per share	42.7	81.3
Diluted earnings per share	42.6	80.9

	Six months ended 31.12.23 Shares	Six months ended 31.12.22 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	473,430,238	470,317,227
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	474,712,159	472,810,308

Note 5 Goodwill

	31.12.23 \$'000	30.6.23 \$'000
Cost	8,095,748	7,335,616
Accumulated impairment	(99,109)	(98,187)
Net book amount	7,996,639	7,237,429
Opening cost	7,335,616	6,949,409
Acquisition of businesses	851,752	64,507
Foreign exchange rate movements	(91,620)	321,700
Closing cost	8,095,748	7,335,616
Opening accumulated impairment	(98,187)	(96,447)
Foreign exchange movements	(922)	(1,740)
Closing accumulated impairment	(99,109)	(98,187)

The impairment testing of the Belgium Laboratory cash generating unit (CGU) as at 30 June 2023 identified that a reasonable possible change in certain key assumptions could lead to an impairment. The Belgium Health Ministry recently announced a fee cut of 15%, partially offset by a 6% indexation increase from 1 January 2024. The impact of these changes is not expected to result in the recoverable amount being less than the carrying amount of the assets within the CGU.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2023

Note 6 Contributed equity

	31.12.23 Shares	30.6.23 Shares	31.12.23 \$'000	30.6.23 \$'000
Share capital				
Fully paid ordinary shares	476,793,310	470,805,824	4,038,126	3,842,423
Other equity securities				
Treasury shares	(278,036)	-	(9,148)	-
	476,515,274	470,805,824	4,028,978	3,842,423

Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	\$'000
01/07/23	Opening balance	470,805,824		3,842,423
Various	Shares issued following exercise of employee options/rights	5,987,486	Various	178,802
Various	Transfers from equity remuneration reserve	-		16,901
31/12/23	Closing balance	<u>476,793,310</u>		<u>4,038,126</u>

Movements in other equity securities:

Date	Details	Number of shares	\$'000
01/07/23	Opening balance	-	-
22/08/23	On market purchase of Sonic shares by SHEST*	(303,934)	(10,000)
Various	Allocation of treasury shares	3,718,884	118,593
Various	Subscription for unissued shares by SHEST	(3,692,986)	(117,741)
31/12/23	Closing balance	<u>(278,036)</u>	<u>(9,148)</u>

* Sonic Healthcare Employee Share Trust

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2023

Note 7 Unlisted share options and performance rights

Exercise Price	Expiry Date	Balance at 1.7.23	Granted	Exercised	Forfeited	Expired	Balance at 31.12.23
\$21.69	21/11/2023	667,787	-	(667,787)	-	-	-
\$21.83	14/10/2023	804,000	-	(804,000)	-	-	-
\$24.30	21/12/2023	407,500	-	(407,500)	-	-	-
\$28.58	05/12/2023	2,573,199	-	(2,165,699)	-	(407,500)	-
\$27.28	22/05/2024	4,643,500	-	(1,942,500)	-	-	2,701,000
\$29.26	19/11/2024	588,894	-	-	-	-	588,894
\$34.21	18/11/2025	527,191	-	-	(82,984)	-	444,207
\$39.75	19/11/2025	4,616,633	-	-	(10,000)	-	4,606,633
\$31.59	26/10/2026	4,602,206	-	-	(20,000)	-	4,582,206
\$38.90	18/11/2026	343,367	-	-	-	-	343,367
\$35.93	22/05/2027	100,000	-	-	-	-	100,000
\$32.79	17/11/2027	377,504	-	-	-	-	377,504
\$28.91	29/11/2027	-	6,970,745	-	-	-	6,970,745
\$28.89	29/11/2028	-	444,508	-	-	-	444,508
Performance Rights	01/10/2023	11,815	-	(11,815)	-	-	-
Performance Rights	01/10/2024	-	16,080	-	-	-	16,080
Performance Rights	01/10/2024	-	3,115	-	-	-	3,115
Performance Rights	18/11/2025	69,624	-	-	(10,959)	-	58,665
Performance Rights	18/11/2026	54,427	-	-	-	-	54,427
Performance Rights	17/11/2027	66,371	-	-	-	-	66,371
Performance Rights	29/11/2028	-	84,747	-	-	-	84,747
Performance Rights	01/09/2024	30,057	-	(14,083)	(1,881)	-	14,093
		20,484,075	7,519,195	(6,013,384)	(125,824)	(407,500)	21,456,562

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2023

Note 8	Reserves	31.12.23 \$'000	31.12.22 \$'000
	Foreign currency translation reserve	410,029	299,438
	Equity remuneration reserve	(150,616)	(114,143)
	Share option reserve	16,427	16,427
	Revaluation reserve	3,272	3,272
	Financial assets at FVOCI* reserve	(4,441)	3,505
	Transactions with minority interests reserve	(35,293)	(23,713)
		239,378	184,786
	Movements		
	<i>Foreign currency translation reserve</i>		
	Balance 1 July	475,760	166,967
	Net exchange movement on translation of foreign subsidiaries	(65,731)	132,471
	Balance	410,029	299,438
	<i>Equity remuneration reserve</i>		
	Balance 1 July	(123,199)	(113,512)
	Share based payments expense	12,313	8,748
	Employee share scheme issue	(22,829)	(7,199)
	Transfer to share capital (options exercised)	(16,901)	(2,180)
	Balance	(150,616)	(114,143)
	<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	1,921	-
	Fair value (loss)/gain in period	(6,362)	3,505
	Balance	(4,441)	3,505
	<i>Transactions with minority interests reserve</i>		
	Balance 1 July	(34,297)	(11,982)
	Option relating to minority interests	-	(11,161)
	Net exchange movement	(996)	(570)
	Balance	(35,293)	(23,713)

*FVOCI = Fair value through other comprehensive income

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2023

Note 9 Business combinations

Acquisitions of subsidiaries/business assets in the period included:

- Swiss laboratory business, SYNLAB Suisse SA, on 3 July 2023.
- German laboratory business, Medical Laboratories Duesseldorf, on 3 July 2023.
- German laboratory business, Diagnosticum Laboratory Group, on 2 October 2023.
- A number of small healthcare businesses.

The contribution these acquisitions made to the Group's profit during the period was immaterial individually and in total. It is impracticable to accurately determine the contribution these immaterial acquisitions made to the net profit of the Group during the period, and what they are likely to contribute on an annualised basis. The initial accounting for these business combinations has only been determined provisionally at the date of this report, as the Group is still in the process of reviewing acquisition balance sheets and identifying assets and liabilities not previously recorded, so as to determine the fair values of the identifiable assets, liabilities and contingent liabilities acquired. Therefore no comparisons of book and fair values are shown.

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

	Total \$'000
Consideration - cash paid	914,777
Less: Cash of entities acquired	(40,959)
Deferred consideration	15,996
Total consideration	889,814
Carrying value of identifiable net assets of businesses acquired:	
Debtors & other receivables	55,069
Prepayments	3,631
Inventory	9,412
Property, plant & equipment	25,002
Right-of-use assets	28,570
Identifiable intangibles	2,241
Deferred tax assets	781
Trade creditors	(9,831)
Sundry creditors & accruals	(26,057)
Current tax liabilities	(47)
Deferred tax liabilities	(8,295)
Lease liabilities	(29,144)
Provisions	(13,270)
	38,062
Goodwill	851,752

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. \$620,484,000 of the purchased goodwill recognised is expected to be deductible for income tax purposes, over a 15 year period.

Acquisition related costs of \$8,034,000 are included in other expenses in the Income Statement.

The fair value of acquired debtors and other receivables is \$55,069,000. The gross contractual amount due is \$65,853,000, of which \$10,784,000 is expected to be uncollectible.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2023

Note 10	Net asset backing	31.12.23	30.6.23
	Net tangible asset backing per ordinary security	\$(1.45)	\$0.28
	Net asset backing per ordinary security	\$16.57	\$16.83

Note 11 **Events occurring after the balance sheet date**

Since the end of the financial period no matter or circumstance not otherwise dealt with in these financial statements that has significantly or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years has arisen except for the completion of the Pathology Watch acquisition as announced to the ASX on 16 November 2023.

Forward-looking statements

This Half Year Report and ASX Appendix 4D may include forward-looking statements about our financial results, guidance and business prospects that may involve risks and uncertainties, many of which are outside the control of Sonic Healthcare. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date that they are made and which reflect management's current estimates, projections, expectations or beliefs and which involve risks and uncertainties that could cause actual results and outcomes to be materially different. Risks and uncertainties that may affect the future results of the Company include, but are not limited to, adverse decisions by Governments and healthcare regulators, changes in the competitive environment and billing policies, lawsuits, loss of contracts, and unexpected growth in costs and expenses. The statements being made in this report do not constitute an offer to sell, or solicitation of an offer to buy, any securities of Sonic Healthcare. No representation, warranty or assurance (express or implied) is given or made in relation to any forward-looking statement by any person (including Sonic Healthcare). In particular, no representation, warranty or assurance (express or implied) is given in relation to any underlying assumption or that any forward-looking statement will be achieved. Actual future events may vary materially from the forward-looking statements and the assumptions on which the forward-looking statements are based. Given these uncertainties, readers are cautioned to not place undue reliance on such forward-looking statements.

DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 12 to 25 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 2023 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
20 February 2024

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 2023, 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, material accounting policy information and selected 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 2023 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



and fair view of the Group's financial position as at 31 December 2023 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 stylized, handwritten signature of PricewaterhouseCoopers in black ink.

PricewaterhouseCoopers

A handwritten signature of Aishwarya Chandran in black ink, written over a horizontal line.

Aishwarya Chandran
Partner

Sydney
20 February 2024