



**SONIC
HEALTHCARE
LIMITED**

16 December 2015

Australian Government Mid-Year Economic and Fiscal Outlook

On 15 December 2015 the Australian Government released its Mid-Year Economic and Fiscal Outlook, which included the unexpected announcement of Australian Medicare fee cuts to laboratory and imaging services, effective 1 July 2016.

Should these measures come into force – and without mitigating actions – our initial estimate is that they would impact Sonic Healthcare's Australian laboratory revenues by approximately 3.5% and Sonic's imaging revenues by approximately 2.7%, with a total revenue impact of approximately A\$50 million per annum. With no mitigating actions at all, we estimate that the impact on Sonic's total EBITDA would be in the order of 5-6% for the FY2017 year.

If these measures become reality, Sonic will implement a number of mitigating actions to offset the impact on earnings. Mitigating actions are likely to include the implementation of new or higher patient co-payments to a wider base of patients, and cost savings from reductions in service levels, particularly in rural areas.

These proposed changes were announced without forewarning or consultation with the medical profession or relevant industry bodies. However it is our understanding that the measures require regulatory change, and hence are subject to potential disallowance in the Australian Senate. Sonic Healthcare will work with opposition parties, consumer groups and patients to oppose these measures, as we believe they are unreasonable for the profession and patients and will jeopardise service levels and good patient care.

For further information regarding this announcement, please contact:

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