



Appendix 4D

SIRTEX MEDICAL LIMITED

ABN 35 078 166 122

Interim report – half-year ended 31 December 2017

(Previous corresponding period: half-year ended 31 December 2016)

Results for announcement to the market

| | % change | \$'000 |
|---|-----------------|---------------|
| Revenue from ordinary activities | down 3.0% | 109,396 |
| Profit from ordinary activities after tax attributable to members | up 13.2% | 23,553 |
| Earnings before finance costs, income tax, depreciation and amortisation (EBITDA) | Up 16.8% | 34,081 |
| Total comprehensive income for the period attributable to members | up 22.3% | 24,957 |

Dividends (Distributions)

| | 2017 | 2016 |
|--|-------------|-------------|
| Final dividend (paid on 18 October 2017 for financial year ended 30 June 2017) | | |
| amount per security | 30.0 cents | 30.0 cents |
| franked amount per security | 0.0 cents | 23.3 cents |
| Interim dividend | | |
| amount per security | Nil | Nil |
| franked amount per security | Nil | Nil |

NTA Backing

| | 2017 | 2016 |
|--|-------------|-------------|
| Net tangible asset backing per ordinary security | 201.9 cents | 176.8 cents |

Interim Financial Report

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

SIRTEX MEDICAL LIMITED AND ITS CONTROLLED ENTITIES
ABN 35 078 166 122

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Directors' Report

for the half-year ended 31 December 2017

The Directors of Sirtex Medical Limited present their Report together with the financial statements of the Consolidated Entity, being Sirtex Medical Limited ('the Company') and its Controlled Entities ('the Group') for the half-year ended 31 December 2017.

Directors

The names of Directors who held office during or since the end of the half-year:

R Hill (Non-Executive Director, Chairman) – retired 28 October 2017

Dr J Eady (Non-Executive Director, Deputy Chairman)

G Boyce (Non-Executive Director)

Dr K Woodthorpe AO (Non-Executive Director)

N Mitchell (Non-Executive Director)

H Kurincic (Non-Executive Director) – appointed 13 September 2017

A McLean (Executive Director, Chief Executive Officer)

Principal activities

Sirtex Medical Limited and its controlled entities (the "Group") form a medical device group whose primary activity is to manufacture and to distribute effective liver cancer treatments utilising small particle technology to approved markets in Asia-Pacific, Europe, Middle East and Africa, North and South America.

Review of operations and financial results

The Group's main product SIR-Spheres microspheres is a targeted radioactive treatment for liver cancer. The treatment is called Selective Internal Radiation Therapy (SIRT) and consists of a minimally invasive surgical procedure performed by an interventional radiologist. The SIR-Spheres microspheres lodge in the small blood vessels of the tumour where they destroy it from the inside over a short period while sparing the surrounding healthy tissue. During the half-year, the Group sold 6,023 doses worldwide, representing a decrease of 0.4% over the same period last financial year.

The Group recorded sales revenue of \$109.4m for the half-year ended 31 December 2017. This represents a decrease of 3.0% over the corresponding period last financial year (\$112.8m). The lower sales revenue growth compared to volume growth is a result of changes in geographic revenue mix with stronger growth in the APAC region, and of negative foreign currency fluctuations, as the Australian Dollar appreciated against the US dollar during the period when compared to the prior corresponding period.

Gross profit margin increased to 83.8% for the half-year ended 31 December 2017, compared to 83.3% for the corresponding period last financial year.

Profit before tax has increased 21.9% to \$33.2m for the half-year ended 31 December 2017 (31 December 2016: \$27.2m), and profit after tax has increased by 13.2% to \$23.6m (31 December 2016: \$20.8m).

Earnings per share for the half-year ended 31 December 2017 has increased to \$0.42 (2016: \$0.36). During the half-year ended 31 December 2017, a final dividend has been paid in respect of the previous financial year. The unfranked full year dividend was \$0.30 per share, which is on par with the previous dividend paid.

The Group bought back \$27.1m of its own shares, as part of the \$30m on-market share buy-back, which was completed in early September 2017.

Directors' Report

for the half-year ended 31 December 2017

Events after Reporting Date

On 30 January 2018, the Company announced that it entered into a binding Scheme Implementation Deed with Varian Medical Systems, Inc under which it is proposed that Varian will acquire 100% of the shares in Sirtex by way of a Scheme of Arrangement (the Scheme) for A\$28.00 per share in cash. Under the terms of the Scheme, Sirtex shareholders will be entitled to receive A\$28.00 in cash per Sirtex share, subject to all applicable conditions being satisfied or waived and the Scheme being implemented.

In accordance with the Scheme, and at the discretion of the Board, it is intended that an outstanding total of 825,954 performance rights is likely to vest, subject to the event that the implementation of the Scheme is successful, and that the relevant resultant shares will be issued before the record date under the arrangement at A\$28.00 per share.

The offer will be made pursuant to a scheme of arrangement and Sirtex shareholders will have the opportunity to vote on the Scheme at a meeting to be held in May 2018.

The Scheme remains subject to other conditions including:

- the Independent Expert concluding that the Scheme is in the best interests of Sirtex shareholders;
- certain regulatory approvals, including Foreign Investment Review Board and competition authorities in certain limited jurisdictions;
- no "Material Adverse Change" or "Prescribed Occurrences"; and
- Court approval.

No other matter or circumstance has arisen since the end of the financial half year, that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Auditor's Independence Declaration

The Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4 of this financial report and forms part of this Directors' Report.

Rounding of Amounts

Sirtex Medical Limited is a type of Company referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest \$1,000, or in certain cases, to the nearest dollar.

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



Andrew McLean

Director

21 February 2018

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Sydney NSW 2000

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Auditor's Independence Declaration to the Directors of Sirtex Medical Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Sirtex Medical Limited for the half-year ended 31 December 2017. 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.



Grant Thornton Audit Pty Ltd
Chartered Accountants



L M Worsley
Partner – Audit & Assurance

Sydney, 21 February 2018

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

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Directors' Declaration

for the half-year ended 31 December 2017

The directors of the company declare that:

1. The consolidated financial statements and notes, as set out on page 8 to 19, are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the Company 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 Board of Directors.



Andrew McLean
Director
21 February 2018

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Independent Auditor's Review Report to the Members of Sirtex Medical Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Sirtex Medical Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of Sirtex Medical Limited does not give a true and fair view of the financial position of the Group as at 31 December 2017, and of its financial performance and its cash flows for the half-year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial reporting*.

Directors Responsibility for the Half-Year Financial Report

The Directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the 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 2017 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Sirtex Medical Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

A stylized, handwritten signature of 'Grant Thornton' in black ink.

Grant Thornton Audit Pty Ltd
Chartered Accountants

A stylized, handwritten signature of 'L M Worsley' in black ink.

L M Worsley
Partner - Audit & Assurance

Sydney, 21 February 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half-year ended 31 December 2017

| | Note | Consolidated | |
|--|----------|-----------------------|-----------------------|
| | | 31 Dec 2017 \$'000 | 31 Dec 2016 \$'000 |
| Revenue from the sale of goods | | 109,396 | 112,786 |
| Cost of sales | | (17,726) | (18,795) |
| Gross profit | | 91,670 | 93,991 |
| Other revenue | | 1,100 | 2,627 |
| Marketing expenses | | (36,275) | (42,422) |
| Research expenses | | (1,863) | (4,982) |
| Regulatory expenses | | (857) | (1,219) |
| Clinical expenses | | (2,880) | (5,012) |
| Medical expenses | | (4,907) | (3,531) |
| Administration expenses | | (10,302) | (10,897) |
| Impairment expense | | (405) | (1,336) |
| Foreign exchange losses | | (2,112) | - |
| Profit before income tax expense | 4 | 33,169 | 27,219 |
| Income tax expense | | (9,616) | (6,409) |
| Profit attributable to members of the parent entity | | 23,553 | 20,810 |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Exchange differences on translating foreign operations | | 1,404 | (410) |
| Total comprehensive income attributable to members of the parent entity | | 24,957 | 20,400 |
| Earnings per share | | Cents | Cents |
| Basic earnings per share | 5(a) | 42.0 | 36.1 |
| Diluted earnings per share | 5(b) | 41.7 | 35.8 |

The financial statements should be read in conjunction with the accompanying notes

Consolidated Statement of Financial Position

as at 31 December 2017

| | | Consolidated | |
|--|------|---------------------|---------------------|
| | Note | 31 Dec 17 \$'000 | 30 Jun 17 \$'000 |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | 42,808 | 50,349 |
| Other short-term deposits | | 50,000 | 68,000 |
| Trade and other receivables | | 34,932 | 36,976 |
| Inventories | | 2,382 | 1,993 |
| Financial assets | | 1,780 | 1,575 |
| Other current assets | | 2,775 | 3,583 |
| Total - CURRENT ASSETS | | 134,677 | 162,476 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 11,104 | 12,045 |
| Intangible assets | 2 | 9,147 | 9,436 |
| Other non-current assets | | 521 | - |
| Deferred tax assets | | 9,416 | 10,165 |
| Total - NON-CURRENT ASSETS | | 30,188 | 31,646 |
| TOTAL ASSETS | | 164,865 | 194,122 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 3 | 16,418 | 26,433 |
| Current tax liabilities | | 6,383 | 8,412 |
| Other short-term provisions | | 9,192 | 7,972 |
| Total - CURRENT LIABILITIES | | 31,993 | 42,817 |
| NON-CURRENT LIABILITIES | | | |
| Long-term provisions | | 1,062 | 919 |
| Deferred tax liabilities | | 663 | 919 |
| Total - NON-CURRENT LIABILITIES | | 1,725 | 1,838 |
| TOTAL LIABILITIES | | 33,718 | 44,655 |
| NET ASSETS | | 131,147 | 149,467 |
| EQUITY | | | |
| Issued capital | 6 | 7,847 | 34,792 |
| Reserves | | 5,056 | 3,257 |
| Retained earnings | | 118,244 | 111,418 |
| TOTAL EQUITY | | 131,147 | 149,467 |

The financial statements should be read in conjunction with the accompanying notes

Consolidated Statement of Changes in Equity

for the half-year ended 31 December 2017

| | Ordinary Shares | Share rights Reserve | Foreign Currency Translation Reserve | Retained Earnings | Total |
|---|--------------------|-------------------------|---|----------------------|-----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 July 2016 | 32,684 | 4,652 | 2,004 | 154,164 | 193,504 |
| Foreign currency translation reserve | - | - | (410) | - | (410) |
| Profit attributable to members of parent entity | - | - | - | 20,810 | 20,810 |
| Total comprehensive income for the period | - | - | (410) | 20,810 | 20,400 |
| Ordinary shares issued | 3,390 | (3,390) | - | - | - |
| Deferred tax on performance rights | 2,005 | - | - | - | 2,005 |
| Contribution to performance rights reserve | - | 2,417 | - | - | 2,417 |
| Dividends paid or provided for 7 | - | - | - | (17,306) | (17,306) |
| Total transactions with owners | 5,395 | (973) | - | (17,306) | (12,884) |
| Balance at 31 December 2016 | 38,079 | 3,679 | 1,594 | 157,668 | 201,020 |
| Balance at 1 July 2017 | 34,792 | 1,966 | 1,291 | 111,418 | 149,467 |
| Foreign currency translation reserve | - | - | 1,404 | - | 1,404 |
| Profit attributable to members of parent entity | - | - | - | 23,553 | 23,553 |
| Total comprehensive income for the period | - | - | 1,404 | 23,553 | 24,957 |
| Share buy back | (27,127) | - | - | - | (27,127) |
| Ordinary shares issued | 160 | (160) | - | - | - |
| Exercise of Non-Executive Directors' rights | 109 | (109) | - | - | - |
| Purchase of Non-Executive Directors' shares on market | (87) | - | - | - | (87) |
| Contribution to performance rights reserve | - | 664 | - | - | 664 |
| Dividends paid or provided for 7 | - | - | - | (16,727) | (16,727) |
| Total transactions with owners | (26,945) | 395 | - | (16,727) | (43,277) |
| Balance at 31 December 2017 | 7,847 | 2,361 | 2,695 | 118,244 | 131,147 |

The financial statements should be read in conjunction with the accompanying notes

Consolidated Statement of Cash Flows

for the half-year ended 31 December 2017

| | Consolidated | |
|--|-----------------|-----------------|
| | 31 Dec 2017 | 31 Dec 2016 |
| | \$'000 | \$'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers | 110,813 | 114,599 |
| Payments to suppliers and employees | (80,002) | (90,693) |
| Interest received | 1,177 | 1,378 |
| Net income tax paid | (11,155) | (3,860) |
| Net cash provided by operating activities | 20,833 | 21,424 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investment in short-term deposits | 18,000 | 18,000 |
| Purchase of plant and equipment | (220) | (764) |
| Purchase of intangible assets | (385) | (3,191) |
| Purchase of internally generated intangible assets | - | (7,650) |
| Net cash provided by investing activities | 17,395 | 6,395 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Share buy back | (27,127) | - |
| Payment of dividends | (16,727) | (17,306) |
| Net cash used in financing activities | (43,854) | (17,306) |
| (Decrease)/increase in cash held | (5,626) | 10,513 |
| Cash at beginning of the financial period | 50,349 | 21,025 |
| Exchange differences on cash and cash equivalents | (1,915) | (584) |
| Cash at end of the financial period | 42,808 | 30,954 |

The financial statements should be read in conjunction with the accompanying notes

Notes to the Financial Statements

for the half-year ended 31 December 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

Sirtex Medical Limited and its controlled entities (the "Group") form a medical device group whose primary activity is to manufacture and to distribute effective liver cancer treatments utilising small particle technology to approved markets in Asia-Pacific, Europe, Middle East and Africa, North and South America.

Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2017 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting, and are presented in Australian dollar (\$), which is the functional currency of the parent company.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Sirtex Medical Limited and its Controlled Entities (the "Group"). They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2017 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

These financial statements were authorised for issue by the Board of Directors on 21 February 2018.

Significant accounting policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2017.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management. The judgements, estimates and assumptions made during the period ended 31 December 2017 were the same as those applied in the Group's last financial statements for the year ended 30 June 2017.

Management has assessed that the events outlined in Note 10 represent non-adjusting post balance date events, accordingly no adjustments have been made to the half-year results to reflect the announcement.

Notes to the Financial Statements

for the half-year ended 31 December 2017

NOTE 2: INTANGIBLE ASSETS

| | Consolidated | |
|-------------------------------|--------------|--------------|
| | 31 Dec 17 | 30 Jun 17 |
| | \$'000 | \$'000 |
| Total intangible assets | | |
| At cost | 113,341 | 112,956 |
| Accumulated amortisation | (13,653) | (12,979) |
| Accumulated impairment loss | (90,541) | (90,541) |
| Net carrying amount | 9,147 | 9,436 |
| Movements in carrying amounts | | |
| Total intangible assets | | |
| Carrying amount at beginning | 9,436 | 82,821 |
| Additions | 385 | 21,701 |
| Amortisation expense | (674) | (4,545) |
| Impairment loss | - | (90,541) |
| Carrying amount at end | 9,147 | 9,436 |

NOTE 3: TRADE AND OTHER PAYABLES

| | Consolidated | |
|------------------------------------|---------------|---------------|
| | 31 Dec 17 | 30 Jun 17 |
| | \$'000 | \$'000 |
| Trade payables | 4,928 | 11,281 |
| Withholding tax payable | 1,900 | 1,720 |
| Other payables | 919 | 161 |
| Annual leave entitlements | 2,680 | 3,099 |
| Long service leave entitlements | 173 | 389 |
| Short-term incentives | 3,598 | 6,231 |
| Other employee benefit liabilities | 2,220 | 3,552 |
| | 16,418 | 26,433 |

Notes to the Financial Statements

for the half-year ended 31 December 2017

NOTE 4: PROFIT FOR THE PERIOD

| | Consolidated | |
|---|--------------|-----------|
| | 31 Dec 17 | 31 Dec 16 |
| | \$'000 | \$'000 |
| Profit before income tax includes the following items of income / (expenses): | | |
| Cost of sales | (17,726) | (18,795) |
| Bad and doubtful debts expense | (405) | (1,336) |
| Depreciation and amortisation of plant and equipment | (1,080) | (1,112) |
| intangible assets* | (674) | (2,201) |
| Operating lease expenses | | |
| minimum lease payments | (1,461) | (1,316) |
| Foreign exchange (losses) / gains | (2,112) | 1,199 |

* includes internally generated intangible assets and purchased intangible assets

Reclassification of Quality Assurance expenses

Management have assessed Quality Assurance expenses to be an indirect cost of production. The expense is included within cost of sales. Comparative figures have been adjusted to conform to changes in presentation for the current and prior financial periods. There is no impact on prior period profit before income tax expenses. The categories affected by this reclassification are as follows:

| | 31 Dec 17 | 31 Dec 16 (restated) | 31 Dec 16 (previously reported) |
|----------------------------|-----------|----------------------|---------------------------------|
| | \$'000 | \$'000 | \$'000 |
| Cost of sales | (17,726) | (18,795) | (17,790) |
| Gross profit | 91,670 | 93,991 | 94,996 |
| Quality assurance expenses | - | - | (1,005) |

Notes to the Financial Statements

for the half-year ended 31 December 2017

NOTE 5: EARNINGS PER SHARE

| | Consolidated | |
|---|-------------------|-------------------|
| | 31 Dec 17 \$ | 31 Dec 16 \$ |
| (a) Basic earnings per share | | |
| Profit from continuing operations attributable to equity holders | 23,552,779 | 20,810,290 |
| Weighted average number of shares used in the calculation of basic earnings per share | 56,068,522 | 57,622,450 |
| Add to number of shares used in the calculation of diluted earnings per share: | | |
| Effect of potential conversion to ordinary shares from the Executive Performance, Sirtex Equity Plan and the Non-Executive Directors' Rights Plan | 435,405 | 567,057 |
| | 56,503,927 | 58,189,507 |
| (b) Diluted earnings per share | | |
| Profit from continuing operations attributable to equity holders | 23,552,779 | 20,810,290 |
| Weighted average number of shares used in the calculation of diluted earnings per share | 56,503,927 | 58,189,507 |

NOTE 6: SHARE CAPITAL

During the period ended 31 December 2017, a total of 19,937 shares were issued as a result of the exercise of performance rights vested. The weighted average share price at the date of issue was \$16.02 during the first six months (2016: \$31.66). Each share has the same right to receive dividends and the repayment of capital and represents one vote at the shareholders' meeting. Shares issued and authorised are summarised as follows:

| | Consolidated | |
|---|---------------------------------|-----------------------------|
| | 6 months to 31 Dec 17 No. | Year to 30 Jun 17 No. |
| Shares issued and fully paid: | | |
| Beginning of the period | 57,465,062 | 57,273,893 |
| Issued under share-based payment plans | 19,937 | 422,548 |
| Share buy-back | (1,711,954) | (231,379) |
| Shares issued and fully paid | 55,773,045 | 57,465,062 |
| Total shares authorised at the end of the period | 55,773,045 | 57,465,062 |

Notes to the Financial Statements

for the half-year ended 31 December 2017

NOTE 7: DIVIDENDS

| | Consolidated | |
|--|--------------|-----------|
| | 31 Dec 17 | 31 Dec 16 |
| | \$'000 | \$'000 |
| Distributions paid/provided for | | |
| Unfranked ordinary dividend paid on | 16,726 | 17,306 |
| 18 October 2017 of 30 cents | | |
| (2016: 30 cents partially franked) per share | | |

NOTE 8: OPERATING SEGMENT

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of regional markets which have different structures and performance as assessment criteria. Operating segments are therefore determined on the same basis. The three regional markets currently serviced by the group are Asia Pacific (APAC), North and South America (Americas) and Europe, Middle East and Africa (EMEA).

As the group manufactures and distributes only one product, identical for each of the three regional markets, no further segmentation across products or services is made.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Inter-segment transactions

An internally determined transfer price is set for all inter-entity sales. This price is re-set annually and is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation for the Group's financial statements.

Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs. If inter-segment loans are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that received the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

Notes to the Financial Statements

for the half-year ended 31 December 2017

NOTE 8: OPERATING SEGMENT (continued)

Segment performance

Segment revenue

| For 6 months to 31 Dec 17 and 31 Dec 16 | External Sales | | Inter-segment(s) | | Total | |
|---|----------------|----------------|------------------|----------------|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Asia Pacific | 4,649 | 4,438 | 5,212 | 4,603 | 9,861 | 9,041 |
| Americas | 86,169 | 90,099 | 12,058 | 6,902 | 98,227 | 97,001 |
| EMEA | 18,578 | 18,248 | 78,677 | 78,631 | 97,255 | 96,879 |
| Total of all segments | | | | | 205,343 | 202,921 |
| Interest | | | | | 842 | 1,360 |
| Eliminations | | | | | (95,948) | (90,135) |
| Other | | | | | 259 | 1,267 |
| Consolidated | | | | | 110,496 | 115,413 |

Segment net profit before tax

| For 6 months to 31 Dec 17 and 31 Dec 16 | 2017 \$'000 | 2016 \$'000 |
|---|----------------|----------------|
| Asia Pacific | 22,423 | 13,541 |
| Americas | 4,027 | 2,609 |
| EMEA | 6,719 | 23,769 |
| Total of all segments | 33,169 | 27,219 |
| Eliminations | - | - |
| Profit before income tax expense | 33,169 | 27,219 |
| Income tax expense | (9,616) | (6,409) |
| Profit after income tax expense | 23,553 | 20,810 |

Segment assets and liabilities

| | Assets | | Liabilities | |
|------------------------------|---------------------|---------------------|---------------------|---------------------|
| | 31 Dec 17 \$'000 | 30 Jun 17 \$'000 | 31 Dec 17 \$'000 | 30 Jun 17 \$'000 |
| Asia Pacific | 184,264 | 207,797 | 67,436 | 66,860 |
| Americas | 55,414 | 50,804 | 28,179 | 27,718 |
| EMEA | 52,346 | 58,772 | 29,736 | 37,961 |
| Total of all segments | 292,024 | 317,373 | 125,351 | 132,539 |
| Eliminations | (127,159) | (123,251) | (91,633) | (87,884) |
| Consolidated | 164,865 | 194,122 | 33,718 | 44,655 |

Notes to the Financial Statements

for the half-year ended 31 December 2017

NOTE 8: OPERATING SEGMENT (continued)

Other segment information

| For 6 months to 31 Dec 17 and 31 Dec 16 | Asia Pacific | | North America | | Europe | |
|--|--------------|---------------|---------------|------------|------------|------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Acquisition of segment assets | | | | | | |
| - Plant and equipment | 124 | 317 | 13 | 148 | 83 | 299 |
| - Intangibles | - | 10,867 | 385 | - | - | - |
| | 124 | 11,184 | 398 | 148 | 83 | 299 |
| Depreciation and amortisation of segment assets | | | | | | |
| - Plant and equipment | 309 | 380 | 382 | 417 | 389 | 315 |
| - Intangibles | 663 | 2,201 | 8 | - | 2 | - |
| | 972 | 2,581 | 390 | 417 | 391 | 315 |

Notes to the Financial Statements

for the half-year ended 31 December 2017

NOTE 9: CONTINGENT LIABILITIES

Two class actions have been filed against the Company:

- The first class action was filed in the Federal Court of Australia on 13 February 2017 by a representative applicant. The claim is said to concern all persons who or which acquired ordinary shares in the Company on or after 24 August 2016 and who were holders of any of those shares at the commencement of trading on 9 December 2016. It includes allegations of contraventions of the Corporations Act by the Company in relation to misleading and deceptive conduct and breach of continuous disclosure obligations. The Company filed a defence on 21 July 2017. Discovery has been provided and the matter has been set down for trial commencing in late October 2018. There have not been any major developments in this action since discovery was provided; and
- The second class action was filed in the Federal Court of Australia on 19 December 2017 by a representative applicant. The claim is said to concern all persons who or which acquired an interest in the Company's securities during the period from 24 August 2016 to 16 December 2016. It includes allegations of contraventions of the Corporations Act by the Company in relation to misleading and deceptive conduct and breach of continuous disclosure obligations. As yet, no timetable has been set for the conduct of this action.

The Company intends to continue to vigorously defend these actions.

Having regard to the status of the two proceedings, the current pleadings and the other information available, the Directors of the Company believe that any liability potentially arising out of the class actions cannot be reliably assessed or estimated at this point in time. Accordingly, no contingent asset or liability has been recorded in the 31 December 2017 interim financial statements.

NOTE 10: EVENTS AFTER REPORTING DATE

On 30 January 2018, the Company announced that it has entered into a binding Scheme Implementation Deed with Varian Medical Systems, Inc under which it is proposed that Varian will acquire 100% of the shares in Sirtex by way of a Scheme of Arrangement (the Scheme) for A\$28.00 per share in cash. Under the terms of the Scheme, Sirtex shareholders will be entitled to receive A\$28.00 in cash per Sirtex share, subject to all applicable conditions being satisfied or waived and the Scheme being implemented.

In accordance with the Scheme, and at the discretion of the Board, it is intended that an outstanding total of 825,954 performance rights is likely to vest, subject to the event that the implementation of the Scheme is successful, and that the relevant resultant shares will be issued before the record date under the arrangement at A\$28.00 per share.

The offer will be made pursuant to a scheme of arrangement and Sirtex shareholders will have the opportunity to vote on the Scheme at a meeting to be held in May 2018.

The Scheme remains subject to other conditions including:

- the Independent Expert concluding that the Scheme is in the best interests of Sirtex shareholders and not withdrawing or qualifying that conclusion;
- certain regulatory approvals, including Foreign Investment Review Board and competition authorities in certain limited jurisdictions being obtained, and no injunctions or orders imposing any legal restraint on the Scheme being imposed by certain courts and government agencies;
- no "Material Adverse Change" or "Prescribed Occurrences"; and
- Court approval.

No other matter or circumstance has arisen since the end of the financial half year, that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.