

Sonic Healthcare Limited
ABN 24 004 196 909

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2014
Lodged with the ASX under Listing Rule 4.3A

RESULTS FOR ANNOUNCEMENT TO THE MARKET
For the year ended 30 June 2014

Financial Results

\$'000

	2014 Statutory	% Change
Revenue from ordinary activities	3,913,475	Up 12.3%
Profit after tax from ordinary activities attributable to members	384,984	Up 14.9%

Dividends

Cents per share

	2014	2013	% Change
Final dividend	40¢	37¢	Up 8.1%
Final dividend franked amount per security	22.00¢	16.65¢	
Interim dividend	27¢	25¢	Up 8.0%
Interim dividend franked amount per security	12.15¢	11.25¢	

The record date for determining entitlements to the final dividend will be 9 September 2014. The final dividend will be paid on 23 September 2014. The 2014 final dividend includes no conduit foreign income. The Company's Dividend Reinvestment Plan (DRP) remains suspended until further notice.

Financial Results

\$'000

	2014 Constant Currency*	2014 Statutory	2013 Statutory	% Change 2014 Constant Currency v 2013 Statutory	2014 Statutory v 2013 Statutory
Revenue	3,652,157	3,913,475	3,484,073	4.8%	12.3%
Earnings before interest, tax, depreciation and intangibles amortisation (EBITDA) pre USA 'cost-out' implementation costs	683,856	735,694	649,300	5.3%	13.3%
USA 'cost-out' implementation costs	(2,392)	(2,674)	(2,481)		
EBITDA	681,464	733,020	646,819	5.4%	13.3%
Depreciation and lease amortisation	(117,110)	(124,150)	(114,616)	2.2%	8.3%
Earnings before interest, tax and intangibles amortisation (EBITA)	564,354	608,870	532,203	6.0%	14.4%
Amortisation of intangibles	(34,625)	(36,439)	(26,399)	31.2%	38.0%
Net interest expense	(50,499)	(57,465)	(62,564)	(19.3)%	(8.2)%
Income tax attributable to operating profit	(118,929)	(126,106)	(103,572)	14.8%	21.8%
Net (profit) attributable to minority interests	(3,530)	(3,876)	(4,670)	(24.4)%	(17.0)%
Net profit attributable to shareholders of Sonic Healthcare Limited	356,771	384,984	334,998	6.5%	14.9%
Cash generated from operations (Refer Note 2(h))		556,358	459,459		21.1%
Earnings per share					
Cents per share					
Basic earnings per share	89.2¢	96.2¢	84.8¢	5.2%	13.4%
Diluted earnings per share	88.5¢	95.5¢	84.3¢	5.0%	13.3%

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

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

COMMENTARY ON RESULTS For the year ended 30 June 2014

1. Headlines

- Record revenue and earnings results, reflecting double digit growth.
- EBITDA margin up 17 basis points ("bps"), reflecting revenue growth and cost initiatives.
- Earnings guidance achieved.
- Total dividend payout up 8.1% to 67 cents per share.
- FY2015 guidance: approximately 5% EBITDA growth (Constant Currency), interest expense to decrease approximately 10% (Constant Currency).
- Stable and expanding business.
- Strong positions in growing markets.

2. Explanation of results

(a) Constant currency

As a result of Sonic's expanding operations outside of Australia, Sonic is increasingly exposed to currency exchange rate translation risk i.e. the risk that Sonic's offshore earnings and assets fluctuate when reported in AUD.

The average currency exchange rates for the year to 30 June 2014 for the Australian dollar ("A\$", "AUD" or "\$") versus the currencies of Sonic's offshore earnings varied from those in the comparative period, impacting Sonic's AUD reported earnings ("Statutory" earnings). The underlying earnings in foreign currency are not affected.

As in prior periods, in addition to the statutory disclosures, Sonic's results for the year have also been presented on a "Constant Currency" basis (i.e. using the same exchange rates to convert the current period foreign earnings into AUD as applied in the comparative period, being the average rates for that period). This facilitates comparability of the Group's performance, by providing a view on the underlying business performance without distortion caused by exchange rate volatility, so that an assessment can be made of the growth in earnings in local currencies. Constant Currency reporting also allows comparison to the guidance Sonic provides to the market about its prospective earnings. Given the volatility of the AUD in recent years, Sonic is not comfortable to provide earnings guidance which requires forecasting of exchange rates. Sonic therefore provides earnings guidance on a Constant Currency basis, and then reports against that measure.

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:

	2014 Statutory	2013 and Constant Currency
AUD/USD	0.9185	1.0270
AUD/EUR	0.6770	0.7945
AUD/GBP	0.5651	0.6550
AUD/CHF	0.8305	0.9670
AUD/NZD	1.1061	1.2493

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

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

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

COMMENTARY ON RESULTS For the year ended 30 June 2014

2. Explanation of results (continued)

(b) Revenue

Total revenue growth for the year was 4.8% at Constant Currency exchange rates (i.e. applying the average rates for the 2013 year to the current year results) and 12.3% including exchange rate impacts.

Revenue breakdown

AUD M

	2014 Statutory Revenue	% of 2014 Statutory Revenue	2014 Constant Currency Revenue	2013 Revenue	Growth 2014 Constant Currency v 2013
Pathology – Australia	1,131	29%	1,131	1,067	6.0%
Pathology – USA	830	21%	743	749	(0.8)%
Pathology – Europe	1,144	29%	977	888	10.0%
Pathology – NZ	41	1%	36	41	(12.2)%
Imaging – Australia and NZ	415	11%	413	404	2.2%
Medical centres and occupational health (IPN) – Australia	349	9%	349	332	5.1%
Revenue excluding interest income	3,910	100%	3,649	3,481	4.8%
Interest income	3		3	3	
Total revenue	3,913		3,652	3,484	4.8%

Sonic's Australian Pathology revenue growth of 6% was strong given the approximate 1.1% Medicare fee cut from 1 January 2013, driven by Sonic's strong brands and market positioning.

Revenue growth in the USA was depressed due to Medicare fee cuts in January 2013, April 2013 and January 2014, and was consistent with the organic growth rate of Sonic's major competitors in the USA market. Volume growth was 2.2% for the year, impacted in December, January and February by extreme weather. Volume growth has been improving in recent months through marketing initiatives and the impact of the Affordable Care Act.

Sonic's European operations experienced strong revenue growth in the UK (12%) and Switzerland (11%), with German growth (12%) augmented by acquisitions. Sonic's Belgian operations were impacted by a one-off statutory fee cut (equating to approximately 7% of total Belgian revenues) from 1 November 2013. A subsequent annual indexation fee increase of approximately 1% took effect from 1 January 2014.

As previously advised, certain regional funding bodies ("KVs") in Germany short paid quarterly billing in periods up to 30 September 2012, after which the statutory insurance payment system moved to a national funding structure. As at 30 June 2014 Sonic is carrying €15M in debtors in relation to these short payments. Sonic is pursuing recovery of these debtors and legal advice supports full recoverability as the short payments are considered illegal, and this view is supported by a number of the other regional KVs.

Imaging revenue growth was impacted by the sales of Sonic's Palmerston North X-ray (November 2012) and Mercy Radiology (March 2014) practices. In each case the acquirer was Sonic's minority partner in the practice. Sonic has now exited radiology in New Zealand. Sonic's Australian Imaging business grew revenue by 5%.

Revenue growth for Sonic's medical centre and occupational health businesses was hampered by the delay in indexation of Medicare fees and the downturn in the resources sector respectively.

Currency exchange rate movements increased reported (Statutory) revenue by A\$261M compared to the prior year.

COMMENTARY ON RESULTS
For the year ended 30 June 2014

2. Explanation of results (continued)

(c) EBITDA

EBITDA grew 13.3% (5.4% at Constant Currency exchange rates) versus the prior year. The equivalent margin expanded by 17 bps over the comparative period.

Margins in the Pathology division were impacted by fee changes in the current and prior year, escalating collection centre costs in Australia and the severe winter in the USA. Dilution also occurred due to the acquisition of lower margin (than Sonic's average) businesses in Germany (pre achievement of full synergies).

Sonic's Imaging division and IPN both showed margin expansion as a result of revenue growth, cost control and efficiency programs.

(d) Depreciation and lease amortisation

Depreciation and leased asset amortisation has increased 2.2% on the comparative period (at Constant Currency rates) as a result of the growth of the business.

(e) Intangibles amortisation

Intangibles amortisation mainly relates to internally developed software.

(f) Interest expense and debt facilities

Net interest expense has decreased 19.3% (A\$12M) on the prior year (at Constant Currency rates) due to lower margins on refinanced debt, lower base interest rates and the expiry of interest rate hedges at higher historical rates.

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

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

COMMENTARY ON RESULTS
For the year ended 30 June 2014

2. Explanation of results (continued)

(f) Interest expense and debt facilities (continued)

Sonic's net interest bearing debt at 30 June 2014 comprised:

	Facility Limit M	Drawn M	AUD \$M Available
Notes held by USA investors – USD	US\$500	US\$500	-
Bank debt facilities			
- USD limits	US\$435	US\$365	75
- Euro limits	€696	€668	41
- GBP limits	£40	£40	-
- AUD (Multicurrency) limits	A\$179	A\$9 ⁺	170
Minor debt/leasing facilities	n/a	A\$3	-
Cash	n/a	A\$(232)*	232
Available funds at 30 June 2014			518

⁺ Drawn in GBP

* Various currencies

Sonic's credit metrics at 30 June 2014 were as follows:

	30.6.14	31.12.13	30.6.13
Gearing ratio	35.9%	38.5%	37.3%
Interest cover (times)	10.7	9.4	8.6
Debt cover (times)	2.4	2.4	2.4

Definitions:

- Gearing ratio = Net debt/[Net debt + equity] (bank covenant limit <55%)
- Interest cover = EBITA/Net interest expense (bank covenant limit >3.25)
- Debt cover = Net debt/EBITDA (bank covenant limit <3.5)
- Calculations as per Sonic's senior bank debt facility definitions

Sonic's current senior debt facility limits expire as follows (**note that the figures shown are the facility limits, not drawn debt**):

	AUD M	USD M	Euro M	GBP M
2015 (April)	179	-	186	-
2016	-	-	190	40
2017	-	95	195	-
2018	-	305	-	-
2019	-	130	125	-
2020	-	155	-	-
2021	-	250	-	-
	179	935	696	40

Sonic's excellent relationships with its banks, its investment grade credit metrics, and its strong and reliable cash flows significantly reduce refinancing risk. Sonic has recently priced €110M of notes in the United States private placement market. Closing of the transaction is expected in November 2014. Proceeds of the notes offer will be used to repay existing bank debt and provide funding for future growth. The notes, with a 10 year tenor, will significantly lengthen Sonic's debt maturity profile and provide further diversification of funding sources. The notes will have a fixed annual coupon of 2.82%.

COMMENTARY ON RESULTS
For the year ended 30 June 2014

2. Explanation of results (continued)

(g) Tax expense

The effective tax rate of 24.5% is in line with previous guidance (~25%) and higher than in the comparative period (23.4%), partly due to underprovisions in prior years and to the performance of Sonic's businesses in higher tax rate jurisdictions relative to the performance of its operations in lower tax rate countries.

(h) Cashflow from operations

Cash generated from operations grew 21.1% over the comparative period and equated to 101% of cash profit (net profit plus depreciation, intangibles amortisation, equity instrument expense and outside equity interests).

3. Guidance for 2015

Sonic expects to grow EBITDA by approximately 5% over the 2014 level of A\$733M, on a Constant Currency basis (applying 2014 average currency exchange rates to 2015).

Net interest expense is expected to decrease by approximately 10% from the 2014 level of A\$57M on a Constant Currency basis. Underlying floating interest rates are assumed to remain constant at current levels.

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

This guidance excludes the impact of any future business acquisitions.

FULL YEAR REPORT
For the year ended 30 June 2014

CONTENTS	PAGE
Consolidated Income Statement	9
Consolidated Statement of Comprehensive Income	10
Consolidated Balance Sheet	11
Consolidated Cash Flow Statement	12
Consolidated Statement of Changes in Equity	13
Notes to the Consolidated Financial Statements	14
Compliance Statement	21

This report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the accompanying notes, the 2013 Annual Report, the 2013 Annual Financial Statements, and any public announcements made by Sonic Healthcare Limited in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

CONSOLIDATED INCOME STATEMENT
For the year ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
Revenue from operations		3,913,475	3,484,073
Labour and related costs (including \$2,559,000 (2013: \$3,452,000) of equity remuneration expense)		(1,787,547)	(1,608,127)
Consumables used		(596,973)	(525,231)
Operating lease rental expense		(225,052)	(191,225)
Depreciation and amortisation of physical assets		(124,150)	(114,616)
Transportation		(106,266)	(93,023)
Utilities		(90,272)	(85,999)
Repairs and maintenance		(88,353)	(78,665)
Borrowing costs expense		(60,710)	(65,147)
Amortisation of intangibles		(36,439)	(26,399)
Other expenses from ordinary activities (including \$2,133,000 (2013: \$2,780,000) of acquisition related costs)		(282,747)	(252,401)
Profit from ordinary activities before income tax expense		514,966	443,240
Income tax expense		(126,106)	(103,572)
Profit from ordinary activities after income tax expense		388,860	339,668
Net (profit) attributable to minority interests		(3,876)	(4,670)
Profit attributable to members of Sonic Healthcare Limited		384,984	334,998
Basic earnings per share (cents per share)	5	96.2	84.8
Diluted earnings per share (cents per share)	5	95.5	84.3

The above Consolidated Income Statement should be read in conjunction with the accompanying notes, the 2013 Annual Report, the 2013 Annual Financial Statements, and any public announcements made by Sonic Healthcare Limited in accordance with the continuous disclosure requirements of the Corporations Act 2001.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2014

	2014 \$'000	2013 \$'000
Profit from ordinary activities after income tax expense	388,860	339,668
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	24,088	133,745
Cash flow hedges	1,550	3,304
<i>Items that will not be reclassified to profit or loss</i>		
Actuarial (losses) on retirement benefit obligations	(2,561)	(73)
Other comprehensive income for the period, net of tax	23,077	136,976
Total comprehensive income for the period	411,937	476,644
Total comprehensive income attributable to:		
Members of Sonic Healthcare Limited	407,538	468,718
Minority interests	4,399	7,926
	411,937	476,644

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes, the 2013 Annual Report, the 2013 Annual Financial Statements, and any public announcements made by Sonic Healthcare Limited in accordance with the continuous disclosure requirements of the Corporations Act 2001.

CONSOLIDATED BALANCE SHEET
As at 30 June 2014

	Notes	2014 \$'000	2013 \$'000
Current assets			
Cash assets and cash equivalents		232,137	219,729
Receivables		575,999	536,446
Inventories		65,153	61,595
Other		39,730	34,695
Total current assets		913,019	852,465
Non-current assets			
Receivables		12,235	2,982
Other financial assets		67,865	64,357
Property, plant and equipment		691,877	658,727
Intangible assets		4,084,964	3,913,374
Deferred tax assets		27,622	26,303
Other		24	18
Total non-current assets		4,884,587	4,665,761
Total assets		5,797,606	5,518,226
Current liabilities			
Payables		350,071	306,741
Interest bearing liabilities		450,388	521,225
Current tax liabilities		44,093	44,943
Provisions		158,053	146,563
Other financial liabilities (interest rate hedging)		235	2,665
Other		18,354	2,502
Total current liabilities		1,021,194	1,024,639
Non-current liabilities			
Interest bearing liabilities		1,520,539	1,437,352
Deferred tax liabilities		89,991	74,145
Provisions		47,582	41,875
Other		9,306	22,114
Total non-current liabilities		1,667,418	1,575,486
Total liabilities		2,688,612	2,600,125
Net assets		3,108,994	2,918,101
Equity			
Parent entity interest			
Contributed equity	6	2,538,517	2,468,102
Reserves	8	(119,941)	(111,131)
Retained earnings	9	664,067	537,913
Total parent entity interest		3,082,643	2,894,884
Minority interests		26,351	23,217
Total equity		3,108,994	2,918,101

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes, the 2013 Annual Report, the 2013 Annual Financial Statements, and any public announcements made by Sonic Healthcare Limited in accordance with the continuous disclosure requirements of the Corporations Act 2001.

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 30 June 2014

	2014 \$'000	2013 \$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	3,941,176	3,454,247
Payments to suppliers and employees (inclusive of goods and services tax)	(3,222,663)	(2,851,195)
Gross operating cash flow	718,513	603,052
Interest received	3,245	2,583
Borrowing costs	(57,403)	(59,596)
Income taxes paid	(107,997)	(86,580)
Net cash inflow from operating activities	556,358	459,459
Cash flows from investing activities		
Payment for purchase of controlled entities, net of cash acquired	(134,349)	(53,600)
Payments for property, plant and equipment	(154,452)	(172,654)
Proceeds from sale of non current assets	24,721	27,033
Payments for investments	(4,398)	(4,679)
Payments for intangibles	(67,593)	(57,314)
Repayment of loans by other entities	6,433	4,188
Loans to other entities	(9,732)	(1,558)
Net cash (outflow) from investing activities	(339,370)	(258,584)
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities (net of transaction costs and related taxes)	36,895	32,868
Proceeds from borrowings	797,530	658,297
Repayment of borrowings	(784,720)	(661,568)
Dividends paid to Company's shareholders (2013: net of Dividend Reinvestment Plan)	(256,269)	(199,583)
Dividends paid to minority interests in controlled entities	(3,716)	(5,165)
Net cash (outflow) from financing activities	(210,280)	(175,151)
Net increase in cash and cash equivalents	6,708	25,724
Cash and cash equivalents at the beginning of the financial year	219,729	168,594
Effects of exchange rate changes on cash and cash equivalents	5,700	25,411
Cash and cash equivalents at the end of the financial year	232,137	219,729

The above Consolidated Cash Flow Statement should be read in conjunction with the accompanying notes, the 2013 Annual Report, the 2013 Annual Financial Statements, and any public announcements made by Sonic Healthcare Limited in accordance with the continuous disclosure requirements of the Corporations Act 2001.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2014

	Share capital \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000	Minority interests \$'000	Total \$'000
Balance at 1 July 2013	2,468,102	(111,131)	537,913	2,894,884	23,217	2,918,101
Profit for period	-	-	384,984	384,984	3,876	388,860
Other comprehensive income for the period	-	25,115	(2,561)	22,554	523	23,077
Total comprehensive income for the period	-	25,115	382,423	407,538	4,399	411,937
Transactions with owners in their capacity as owners:						
Dividends paid	-	-	(256,269)	(256,269)	-	(256,269)
Shares issued	55,255	(18,360)	-	36,895	-	36,895
Transfers to share capital	15,160	(15,160)	-	-	-	-
Share based payments	-	2,559	-	2,559	-	2,559
Minority interests on acquisition of subsidiary	-	(2,904)	-	(2,904)	2,953	49
Acquisition/disposal of minority interests	-	(60)	-	(60)	(540)	(600)
Dividends paid to minority interests in controlled entities	-	-	-	-	(3,678)	(3,678)
Balance at 30 June 2014	2,538,517	(119,941)	664,067	3,082,643	26,351	3,108,994
Balance at 1 July 2012	2,379,525	(229,478)	439,454	2,589,501	20,698	2,610,199
Profit for period	-	-	334,998	334,998	4,670	339,668
Other comprehensive income for the period	-	133,793	(73)	133,720	3,256	136,976
Total comprehensive income for the period	-	133,793	334,925	468,718	7,926	476,644
Transactions with owners in their capacity as owners:						
Dividends paid	-	-	(236,466)	(236,466)	-	(236,466)
Shares issued	80,715	(10,964)	-	69,751	-	69,751
Transaction costs on shares issued net of tax	(72)	-	-	(72)	-	(72)
Transfers to share capital	7,934	(7,934)	-	-	-	-
Share based payments	-	3,452	-	3,452	-	3,452
Dividends paid to minority interests in controlled entities	-	-	-	-	(5,407)	(5,407)
Balance at 30 June 2013	2,468,102	(111,131)	537,913	2,894,884	23,217	2,918,101

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes, the 2013 Annual Report, the 2013 Annual Financial Statements, and any public announcements made by Sonic Healthcare Limited in accordance with the continuous disclosure requirements of the Corporations Act 2001.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended 30 June 2014

Note 1 **Summary of significant accounting policies**

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

This financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2013, the 2013 Annual Financial Statements and any public announcements made by Sonic Healthcare Limited during the reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Working capital deficiency

Sonic is required to disclose \$449M of debt drawn under bank debt facilities which expire in April 2015 as a current liability as at 30 June 2014. As a result the Consolidated Balance Sheet shows a deficiency of working capital of \$108M. Sonic intends to refinance or extend most or all of this debt, and foresees no difficulties in doing so given the strong relationships Sonic has with its existing syndicate of banks, its investment grade metrics and its strong and reliable operating cashflows. In addition, Sonic currently has headroom in cash and undrawn facilities sufficient to cover the majority of the maturing limits. The financial report has therefore been presented on a "going concern" basis.

Note 2 **Segment information**

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer and the Board of Directors (the chief operating decision makers) in assessing performance and determining the allocation of resources.

The operating segments are identified by management based on the nature of the services provided. Discrete financial information about each of these operating businesses is reported to the Chief Executive Officer and the Board of Directors on at least a monthly basis.

The reportable segments are based on aggregated operating segments determined by the similarity of the services provided, as these are the sources of the Group's major risks and have the most effect on the rates of return. The Group has the following reportable segments.

- (i) Pathology**
Pathology/clinical laboratory services provided in Australia, New Zealand, the United Kingdom, the United States of America, Germany, Switzerland, Belgium and Ireland.
- (ii) Imaging**
Radiology and diagnostic imaging services provided in Australia and New Zealand (operations in New Zealand ceased 31 March 2014).
- (iii) Other**
Includes the corporate office function, medical centre operations and occupational health services (IPN), and other minor operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 2 Segment information (continued)

Year ended 30 June 2014	Pathology \$'000	Imaging \$'000	Other \$'000	Eliminations \$'000	Consolidated \$'000
Segment revenue (Constant Currency)	2,886,661	413,585	358,114	(9,448)	3,648,912
Currency exchange movement	259,740	1,578	-	-	261,318
Segment revenue (Statutory)	3,146,401	415,163	358,114	(9,448)	3,910,230
Interest income					3,245
Total revenue					3,913,475
Segment EBITA (Constant Currency)	487,918	56,013	20,423	-	564,354
Currency exchange movement	44,148	368	-	-	44,516
Segment EBITA (Statutory)	532,066	56,381	20,423	-	608,870
Amortisation expense					(36,439)
Unallocated net interest expense					(57,465)
Profit before tax					514,966
Income tax expense					(126,106)
Profit after income tax expense					388,860
Depreciation expense	77,536	29,941	16,673	-	124,150
Year ended 30 June 2013	Pathology \$'000	Imaging \$'000	Other \$'000	Eliminations \$'000	Consolidated \$'000
Segment revenue	2,745,485	403,786	340,798	(8,579)	3,481,490
Interest income					2,583
Total revenue					3,484,073
Segment EBITA	466,606	53,356	12,241	-	532,203
Amortisation expense					(26,399)
Unallocated net interest expense					(62,564)
Profit before tax					443,240
Income tax expense					(103,572)
Profit after income tax expense					339,668
Depreciation expense	68,598	30,418	15,600	-	114,616

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

Note 3 Business combinations

Acquisitions of subsidiaries/business assets in the period included:

- German pathology business Labdiagnostik (previously known as Labco Germany) on 2 December 2013.
- Majority interest in a small German pathology business.
- A number of businesses acquired by IPN.

The contribution these acquisitions made to the Group's profit during the period was immaterial individually and in total. It is impracticable to 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, as the acquisitions were merged with other entities in the Group. The accounting for these business combinations has been finalised at the date of this report.

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

	Total \$'000
Consideration - cash paid	134,437
Less: Cash of entities acquired	(6,577)
	127,860
Deferred consideration	1,775
Total consideration	129,635
Debtors and other receivables	17,436
Prepayments	1,447
Inventory	2,021
Deferred tax assets	1,100
Property, plant and equipment	8,216
Identifiable intangibles	292
Trade payables	(5,181)
Sundry creditors and accruals	(10,328)
Current tax liabilities	(1,535)
Provisions	(2,290)
	11,178
Minority interests	3,032
Goodwill	121,489

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. None of the purchased goodwill recognised is expected to be deductible for income tax purposes.

The Group elected to recognise the minority interests at fair value. The fair value has been calculated by reference to current prices in an active market for similar assets. The Group has entered into an option agreement for the remaining shares exercisable after January 2017. The consideration payable will be based on a multiple of EBIT at the date of exercise.

Acquisition related costs of \$2,133,000 are included in other expenses in the Income Statement. The fair value of acquired debtors and other receivables is \$17,436,000. The gross contractual amount due is \$18,156,000 of which \$720,000 is expected to be uncollectable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 4 Dividends

	2014 \$'000	2013 \$'000
Total dividends paid on ordinary shares during the year		
Final dividend for the year ended 30 June 2013 of 37 cents (2012: 35 cents) per share paid on 24 September 2013 (2012: 9 October 2012), franked to 45% (2012: 45%)	148,056	137,427
Interim dividend for the year ended 30 June 2014 of 27 cents (2013: 25 cents) per share paid on 25 March 2014 (2013: 21 March 2013), franked to 45% (2013: 45%)	108,213	99,039
	256,269	236,466

Dividends not recognised at the end of the year

On 18 August 2014 the directors declared a final dividend of 40 cents per share (2013: 37 cents) franked to 55% (2013: 45%), payable on 23 September 2014 with a record date of 9 September 2014. Based on the number of shares expected to be on issue at the record date, the aggregate amount of the proposed final dividend to be paid out of retained earnings at the end of the year, but not recognised as a liability is:

160,560	148,056
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Dividend Reinvestment Plan

Since operating for the 2012 final dividend, the Company's Dividend Reinvestment Plan remains suspended until further notice.

Note 5 Earnings per share

	2014 Cents	2013 Cents
Basic earnings per share	96.2	84.8
Diluted earnings per share	95.5	84.3

	2014 Shares	2013 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	400,128,497	394,918,728
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	403,180,026	397,601,897

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 6 Contributed equity

	2014 Shares	2013 Shares	2014 \$'000	2013 \$'000
Share capital				
Fully paid ordinary shares	<u>400,811,556</u>	397,158,181	<u>2,538,517</u>	2,468,102

Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	\$'000
1/7/13	Opening balance	397,158,181		2,468,102
Various	Shares issued following exercise of employee options	3,653,375	Various	55,255
Various	Transfers from equity remuneration reserve	-		15,160
30/6/14	Closing balance	<u>400,811,556</u>		<u>2,538,517</u>

Note 7 Unlisted share options / performance rights

Exercise Price	Expiry Date	Balance at 1.7.13	Exercised	Granted	Forfeited	Expired	Balance at 30.6.14
\$7.50	22/08/2013	1,540,000	(1,540,000)	-	-	-	-
\$12.98	22/11/2013	1,068,375	(1,068,375)	-	-	-	-
\$11.10	27/01/2014	787,500	(787,500)	-	-	-	-
\$10.57	10/04/2015	540,000	(232,500)	-	-	-	307,500
\$11.13	03/01/2016	340,000	(25,000)	-	-	-	315,000
\$11.43	18/11/2016	1,341,058	-	-	-	-	1,341,058
\$11.14	20/12/2016	600,000	-	-	-	-	600,000
\$11.14	07/03/2017	500,000	-	-	-	-	500,000
\$11.43	18/11/2017	1,302,250	-	-	-	-	1,302,250
\$15.43	18/10/2018	-	-	400,000	-	-	400,000
\$11.43	18/11/2018	1,705,263	-	-	-	-	1,705,263
\$15.21	13/12/2018	-	-	600,000	-	-	600,000
\$11.14	07/03/2019	1,000,000	-	-	-	-	1,000,000
\$12.57	02/07/2019	300,000	-	-	(175,000)	-	125,000
\$14.50	09/08/2020	-	-	100,000	(100,000)	-	-
\$15.21	13/12/2020	-	-	100,000	(100,000)	-	-
Performance Rights	18/11/2016	141,732	-	-	-	-	141,732
Performance Rights	18/11/2017	141,732	-	-	-	-	141,732
Performance Rights	18/11/2018	188,976	-	-	-	-	188,976
		<u>11,496,886</u>	<u>(3,653,375)</u>	<u>1,200,000</u>	<u>(375,000)</u>	<u>-</u>	<u>8,668,511</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 8 Reserves

	2014 \$'000	2013 \$'000
Foreign currency translation reserve	(79,758)	(103,782)
Hedging reserve	(164)	(1,714)
Equity remuneration reserve	(36,284)	(5,323)
Share option reserve	16,427	16,427
Revaluation reserve	3,272	3,272
Transactions with minority interests	(23,434)	(20,011)
	(119,941)	(111,131)

Movements

<i>Foreign currency translation reserve</i>		
Balance 1 July	(103,782)	(236,831)
Net exchange movement on translation of foreign subsidiaries	24,024	133,049
Balance	(79,758)	(103,782)

<i>Hedging reserve</i>		
Balance 1 July	(1,714)	(5,018)
Revaluation (net of deferred tax)	(204)	392
Transfer to net profit (net of deferred tax)	1,754	2,912
Balance	(164)	(1,714)

<i>Equity remuneration reserve</i>		
Balance 1 July	(5,323)	10,123
Share based payments	2,559	3,452
Employee share scheme issue	(18,360)	(10,964)
Transfer to share capital (options exercised)	(15,160)	(7,934)
Balance	(36,284)	(5,323)

<i>Share option reserve</i>		
Balance 1 July	16,427	16,427
Movement	-	-
Balance	16,427	16,427

<i>Revaluation reserve</i>		
Balance 1 July	3,272	3,272
Movement	-	-
Balance	3,272	3,272

<i>Transactions with minority interests</i>		
Balance 1 July	(20,011)	(17,451)
Put option relating to minority interests	(2,904)	-
Acquisition of minority interests	(60)	-
Net exchange movement	(459)	(2,560)
Balance	(23,434)	(20,011)

Note 9 Retained earnings

	2014 \$'000	2013 \$'000
Retained earnings at the beginning of the financial year	537,913	439,454
Net profit attributable to members of Sonic Healthcare Limited	384,984	334,998
Dividends provided for or paid	(256,269)	(236,466)
Actuarial (losses) on retirement benefit obligations (net of tax)	(2,561)	(73)
Retained earnings at the end of the financial year	664,067	537,913

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 10 **Net asset backing**

	<u>2014</u>	<u>2013</u>
Net tangible asset backing per ordinary security	<u>(\$2.43)</u>	<u>(\$2.51)</u>
Net asset backing per ordinary security	<u>\$7.76</u>	<u>\$7.35</u>

Note 11 **Events occurring after reporting date**

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

Forward-looking statements

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

COMPLIANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

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

Identify other standards used

NIL

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

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

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

The entity has a formally constituted audit committee.

Signed:


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(Company Secretary)

Date: 19 August 2014

Print name:

PAUL ALEXANDER