# Sonic Healthcare Limited
**ABN 24 004 196 909**

**PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2013**
Lodged with the ASX under Listing Rule 4.3A

## RESULTS FOR ANNOUNCEMENT TO THE MARKET
## For the year ended 30 June 2013

**Financial Results**
$'000

| | 2013 Statutory | % Change |
|---|---|---|
| Revenue from ordinary activities | **3,484,073** | Up 4.1% |
| Profit after tax from ordinary activities attributable to members | **334,998** | Up 6.0% |

**Dividends**
Cents per share

| | 2013 | 2012 | % Change |
|---|---|---|---|
| Final dividend | **37¢** | 35¢ | Up 5.7% |
| Final dividend franked amount per security | **16.65¢** | 15.75¢ | |
| Interim dividend | **25¢** | 24¢ | Up 4.2% |
| Interim dividend franked amount per security | **11.25¢** | 8.40¢ | |

The record date for determining entitlements to the final dividend will be 4 September 2013. The final dividend will be paid on 24 September 2013. The 2013 final dividend includes no conduit foreign income. The Company's Dividend Reinvestment Plan (DRP) remains suspended until further notice.

**Financial Results**
$'000

| | 2013 Constant Currency* | 2013 Statutory | 2012 Statutory | % Change 2013 Constant Currency v 2012 Statutory | % Change 2013 Statutory v 2012 Statutory |
|---|---|---|---|---|---|
| **Revenue** | **3,502,565** | **3,484,073** | 3,345,616 | **4.7%** | **4.1%** |
| Earnings before interest, tax, depreciation and intangibles amortisation (**EBITDA**) pre acquisition and USA 'cost-out' implementation costs | **657,511** | **652,080** | 627,656 | 4.8% | |
| Acquisition related costs | **(2,783)** | **(2,780)** | (3,527) | | |
| **EBITDA** pre USA 'cost-out' implementation costs | **654,728** | **649,300** | 624,129 | 4.9% | |
| USA 'cost-out' implementation costs | **(2,469)** | **(2,481)** | - | | |
| **EBITDA** | **652,259** | **646,819** | 624,129 | 4.5% | |
| Depreciation and lease amortisation | **(115,144)** | **(114,616)** | (110,497) | 4.2% | |
| Earnings before interest, tax and intangibles amortisation (**EBITA**) | **537,115** | **532,203** | 513,632 | 4.6% | |
| Amortisation of intangibles | **(26,522)** | **(26,399)** | (21,557) | 23.0% | |
| Net interest expense | **(62,683)** | **(62,564)** | (74,147) | (15.5)% | |
| Income tax attributable to operating profit | **(104,727)** | **(103,572)** | (100,243) | 4.5% | |
| Net (profit) attributable to minority interests | **(4,700)** | **(4,670)** | (1,689) | | |
| **Net profit attributable to shareholders of Sonic Healthcare Limited** | **338,483** | **334,998** | 315,996 | **7.1%** | **6.0%** |
| **Cash generated from operations** (Refer Note 2(h)) | | **459,459** | 486,758 | | (5.6)% |
| **Earnings per share** Cents per share | | | | | |
| Basic earnings per share | 85.7¢ | 84.8¢ | 81.1¢ | 5.7% | 4.6% |
| Diluted earnings per share | 85.1¢ | 84.3¢ | 80.7¢ | 5.5% | 4.5% |

* 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 2013

### 1. Headlines

- Record revenue and earnings results.
- EBITDA margins
  - Pathology margin ex-USA and UK up 40 basis points ("bps").
  - Imaging margin up 80 bps.
  - IPN margin up 80 bps.
- US$60M p.a. cost-out initiative underway in USA.
- Total dividend payout up 5% to 62 cents per share.
- FY2014 guidance: approximately 5% EBITDA growth (Constant Currency). Equates to approximately 12% at current exchange rates.

### 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 2013 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.

In addition to the statutory disclosures Sonic's results for the year have therefore also been presented on a "Constant Currency" basis (i.e. using the same exchange rates to convert the current period foreign earnings as applied in the comparative period, being the average rates for that period) to facilitate 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:

| | 2013 Statutory | 2012 and Constant Currency |
|---|---|---|
| AUD/USD | 1.0270 | 1.0320 |
| AUD/EUR | 0.7945 | 0.7719 |
| AUD/GBP | 0.6550 | 0.6516 |
| AUD/CHF | 0.9670 | 0.9269 |
| AUD/NZD | 1.2493 | 1.2830 |

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 and debt is repaid 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 2013

### 2. Explanation of results (continued)

### (b) Revenue

Total revenue growth for the year was 4.7% at Constant Currency exchange rates (i.e. applying the average rates for the 2012 year to the current year results).

**Revenue breakdown**
AUD M

| | 2013 Statutory Revenue | % of 2013 Statutory Revenue | 2013 Constant Currency Revenue | 2012 Revenue | Growth 2013 Constant Currency v 2012 |
|---|---|---|---|---|---|
| Pathology – Australia | 1,067 | 31% | 1,067 | 1,004 | 6.3% |
| Pathology – USA | 749 | 21% | 746 | 765 | (2.5)% |
| Pathology – Europe | 888 | 25% | 911 | 829 | 9.9% |
| Pathology – NZ | 41 | 1% | 40 | 62 | (35.5)% |
| Imaging – Australia and NZ | 404 | 12% | 403 | 384 | 4.9% |
| Medical centres and occupational health (IPN) – Australia | 332 | 10% | 332 | 299 | 11.0% |
| Revenue excluding interest income | 3,481 | 100% | 3,499 | 3,343 | 4.7% |
| Interest income | 3 | | 4 | 3 | |
| Total revenue | 3,484 | | 3,503 | 3,346 | |

Australian pathology revenue grew in line with market growth, augmented by the acquisition of Healthscope's Western Australian pathology business in October 2012.

European revenue growth was augmented by synergistic business acquisitions in Germany during the current and prior financial year including Labor Dr. Steinberg (acquired December 2011) and Labor Oldenburg (acquired July 2012). UK organic growth included revenue from pathology outsourcing contracts.

Sonic's operations in Germany achieved strong organic volume growth through market share gains but were impacted by fee adjustments in the form of national "quotas" applied from 1 October 2012 to statutory insurance revenue (which represents just less than 50% of Sonic's German revenue).

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 2013 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.

Revenue in the USA was lower than expected due to the weak macro growth environment, Medicare fee cuts from January 2013, and Superstorm Sandy. Volume growth has improved in recent months.

Imaging revenue growth was pleasing, though impacted by the sale of Sonic's Palmerston North X-ray practice in November 2012.

Sonic's medical centre and occupational health businesses, Independent Practitioner Network ("IPN"), achieved revenue growth through a combination of acquisitions and organic growth in existing medical centres and greenfield sites (backed by successful doctor recruitment strategies).

Revenue was impacted by currency exchange rate movements, which decreased reported (Statutory) revenue by A$19M compared to the comparative period.

# COMMENTARY ON RESULTS
## For the year ended 30 June 2013

### 2. Explanation of results (continued)

### (c) EBITDA

EBITDA grew 4.5% at Constant Currency exchange rates versus the prior year, 4.9% adjusting for the one-off implementation costs of the cost-out initiative in the USA. EBITDA was impacted by the expensing of acquisition related costs, totalling A$3M in the year (2012: A$4M).

Margins in the Pathology division were impacted by fee cuts in the second half of the year, the weak economic environment in the USA and Superstorm Sandy. Dilution also occurred due to the revenue recognised at low margin on pathology outsourcing contracts in the UK. Excluding the USA and UK, pathology margins increased by 40 basis points ("bps").

Sonic's Imaging division and IPN both showed significant 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 4.2% on the comparative period (at Constant Currency rates) in line with 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 15.5% (A$11M) on the prior year (at Constant Currency rates) due to lower margins, lower base interest rates and the expiry of interest rate hedges at higher historical rates.

The majority of 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 hedging arrangements are in place in accordance with Sonic's Treasury Policy.

# COMMENTARY ON RESULTS
## For the year ended 30 June 2013

### 2. Explanation of results (continued)

### (f) Interest expense and debt facilities (continued)

Sonic's net interest bearing debt at 30 June 2013 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$409 | US$409 | - |
| - Euro limits | €633 | €595 | 55 |
| - AUD (Multicurrency) limits | A$344 | A$114+ | 230 |
| Minor debt/leasing facilities | n/a | A$9* | - |
| Cash | n/a | A$(220)* | 220 |
| Available funds at 30 June 2013 | | | 505 |

+ Drawn in GBP, USD and AUD
* Various currencies

Sonic's credit metrics at 30 June 2013 were as follows:

| | 30.6.13 | 31.12.12 | 30.6.12 |
|---|---|---|---|
| Gearing ratio | 37.3% | 36.4% | 37.6% |
| Interest cover (times) | 8.6 | 7.8 | 7.0 |
| Debt cover (times) | 2.4 | 2.4 | 2.5 |

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 syndicated bank debt facility definitions

Sonic's 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 |
|---|---|---|---|
| 2014 (March) | 165 | 259 | 62 |
| 2015 | 179 | - | 186 |
| 2016 | - | 75 | 190 |
| 2017 | - | 170 | 195 |
| 2020 | - | 155 | - |
| 2021 | - | 250 | - |
| | 344 | 909 | 633 |

Sonic's excellent relationships with its banks, its investment grade credit metrics, and its strong and reliable cash flows significantly reduce refinancing risk. Based on preliminary discussions with its banks, Sonic foresees no difficulties in refinancing the debt tranches expiring in March 2014, and in any case has significant available funding/headroom in other facilities.

## COMMENTARY ON RESULTS
## For the year ended 30 June 2013

### 2. Explanation of results (continued)

### (g) Tax expense

The effective tax rate of 23.4% is lower than previous guidance (~25%) and in the comparative period (24%), partly due to overprovisions 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 equated to 95% of cash profit (net profit plus depreciation, intangibles amortisation, equity instrument expense and outside equity interests). Cash generation in the prior year was extremely strong (107% of cash profit). Cash generation this year was impacted by the timing of cash receipts, especially in relation to "KV" payments in Germany, leading to an increase in trade debtors at 30 June 2013. Adjusting for the change in German debtors, cash generation would have been 99% of cash profit.

Proceeds from sale of non-current assets disclosed in the Cash Flow Statement include the sale of Palmerston North X-ray (at a nominal profit) and the sale of Sonic's Auckland laboratory land and building (at approximate book value).

### 3. Guidance for 2014

Sonic expects to grow EBITDA by approximately 5% over the 2013 level of A$647M, on a Constant Currency basis (applying 2013 average currency exchange rates to 2014). This equates to growth of approximately 12% should current exchange rates prevail through the year.

Net interest expense is expected to decrease by approximately 10% from the 2013 level of A$63M 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 2013

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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 2012 Annual Report, the 2012 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 2013

| | Notes | 2013 $'000 | 2012 $'000 |
|---|---|---|---|
| **Revenue from operations** | | **3,484,073** | 3,345,616 |
| Labour and related costs (including $3,452,000 (2012: $3,699,000) of equity remuneration expense) | | **(1,608,127)** | (1,522,717) |
| Consumables used | | **(525,231)** | (524,710) |
| Operating lease rental expense | | **(191,225)** | (175,341) |
| Depreciation and amortisation of physical assets | | **(114,616)** | (110,497) |
| Transportation | | **(93,023)** | (89,900) |
| Utilities | | **(85,999)** | (79,707) |
| Repairs and maintenance | | **(78,665)** | (74,010) |
| Borrowing costs expense | | **(65,147)** | (76,964) |
| Amortisation of intangibles | | **(26,399)** | (21,557) |
| Other expenses from ordinary activities (including $2,780,000 (2012: $3,527,000) of acquisition related costs) | | **(252,401)** | (252,285) |
| **Profit from ordinary activities before income tax expense** | | **443,240** | 417,928 |
| Income tax expense | | **(103,572)** | (100,243) |
| **Profit from ordinary activities after income tax expense** | | **339,668** | 317,685 |
| Net (profit) attributable to minority interests | | **(4,670)** | (1,689) |
| **Profit attributable to members of Sonic Healthcare Limited** | | **334,998** | 315,996 |
| **Basic earnings per share (cents per share)** | 5 | 84.8 | 81.1 |
| **Diluted earnings per share (cents per share)** | 5 | 84.3 | 80.7 |

*The above Consolidated Income Statement should be read in conjunction with the accompanying notes, the 2012 Annual Report, the 2012 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 2013

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| **Profit from ordinary activities after income tax expense** | **339,668** | 317,685 |
| **Other comprehensive income** | | |
| *Items that may be reclassified to profit or loss* | | |
| Exchange differences on translation of foreign operations | **133,745** | (18,342) |
| Cash flow hedges | **3,304** | 2,172 |
| *Items that will not be reclassified to profit or loss* | | |
| Actuarial (losses) on retirement benefit obligations | **(73)** | (2,620) |
| **Other comprehensive income for the period, net of tax** | **136,976** | (18,790) |
| **Total comprehensive income for the period** | **476,644** | 298,895 |
| Total comprehensive income attributable to: | | |
| Members of Sonic Healthcare Limited | **468,738** | 297,227 |
| Minority interests | **7,926** | 1,668 |
| | **476,664** | 298,895 |

*The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes, the 2012 Annual Report, the 2012 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 2013

| | Notes | 2013 $'000 | 2012 $'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash assets and cash equivalents | | **219,729** | 168,594 |
| Receivables | | **533,659** | 447,775 |
| Inventories | | **61,595** | 55,701 |
| Assets classified as held for sale | 6 | **-** | 9,336 |
| Other | | **37,482** | 33,350 |
| Total current assets | | **852,465** | 714,756 |
| **Non-current assets** | | | |
| Receivables | | **2,982** | 2,712 |
| Other financial assets | | **64,357** | 50,028 |
| Property, plant and equipment | 7 | **658,727** | 561,371 |
| Investment properties | 6 | **-** | 20,847 |
| Intangible assets | | **3,913,374** | 3,549,247 |
| Deferred tax assets | | **26,303** | 29,787 |
| Other | | **18** | 57 |
| Total non-current assets | | **4,665,761** | 4,214,049 |
| **Total assets** | | **5,518,226** | 4,928,805 |
| **Current liabilities** | | | |
| Payables | | **306,741** | 277,268 |
| Interest bearing liabilities | | **521,225** | 516,388 |
| Current tax liabilities | | **44,943** | 44,877 |
| Provisions | | **146,563** | 131,478 |
| Other financial liabilities (interest rate hedging) | | **2,665** | 8,737 |
| Other | | **2,502** | 2,687 |
| Total current liabilities | | **1,024,639** | 981,435 |
| **Non-current liabilities** | | | |
| Interest bearing liabilities | | **1,437,352** | 1,223,287 |
| Deferred tax liabilities | | **74,145** | 56,445 |
| Provisions | | **41,875** | 37,526 |
| Other | | **22,114** | 19,913 |
| Total non-current liabilities | | **1,575,486** | 1,337,171 |
| **Total liabilities** | | **2,600,125** | 2,318,606 |
| **Net assets** | | **2,918,101** | 2,610,199 |
| **Equity** | | | |
| Parent entity interest | | | |
| Contributed equity | 8 | **2,468,102** | 2,379,525 |
| Reserves | 10 | **(111,131)** | (229,478) |
| Retained earnings | 11 | **537,913** | 439,454 |
| Total parent entity interest | | **2,894,884** | 2,589,501 |
| Minority interests | | **23,217** | 20,698 |
| **Total equity** | | **2,918,101** | 2,610,199 |

*The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes, the 2012 Annual Report, the 2012 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 2013

| | Notes | 2013<br>$'000 | 2012<br>$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of goods and services tax) | | **3,454,247** | 3,371,854 |
| Payments to suppliers and employees (inclusive of goods and services tax) | | **(2,851,195)** | (2,750,813) |
| | | **603,052** | 621,041 |
| Interest received | | **2,583** | 2,817 |
| Borrowing costs | | **(59,596)** | (72,512) |
| Income taxes paid | | **(86,580)** | (64,588) |
| **Net cash inflow from operating activities** | | **459,459** | 486,758 |
| **Cash flows from investing activities** | | | |
| Payment for purchase of controlled entities, net of cash acquired | | **(53,600)** | (152,450) |
| Payments for property, plant and equipment | 7 | **(172,654)** | (137,154) |
| Proceeds from sale of non current assets | | **27,033** | 7,950 |
| Payments for investments | | **(4,679)** | (15,714) |
| Payments for intangibles | | **(57,314)** | (40,863) |
| Repayment of loans by other entities | | **4,188** | 3,947 |
| Loans to other entities | | **(1,558)** | (1,452) |
| **Net cash (outflow) from investing activities** | | **(258,584)** | (335,736) |
| **Cash flows from financing activities** | | | |
| Proceeds from issues of shares and other equity securities (net of transaction costs and related taxes) | | **32,868** | 21,720 |
| Proceeds from borrowings | | **658,297** | 393,369 |
| Repayment of borrowings | | **(661,568)** | (338,193) |
| Dividends paid to Company's shareholders (net of Dividend Reinvestment Plan) | | **(199,583)** | (230,082) |
| Dividends paid to minority interests in controlled entities | | **(5,165)** | (926) |
| **Net cash (outflow) from financing activities** | | **(175,151)** | (154,112) |
| **Net increase / (decrease) in cash and cash equivalents** | | **25,724** | (3,090) |
| Cash and cash equivalents at the beginning of the financial year | | **168,594** | 174,687 |
| Effects of exchange rate changes on cash and cash equivalents | | **25,411** | (3,003) |
| **Cash and cash equivalents at the end of the financial year** | | **219,729** | 168,594 |

*The above Consolidated Cash Flow Statement should be read in conjunction with the accompanying notes, the 2012 Annual Report, the 2012 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 2013

| | Share capital $'000 | Reserves $'000 | Retained earnings $'000 | Total $'000 | Minority interests $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **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 |
| | | | | | | |
| **Balance at 1 July 2011** | 2,345,584 | (187,356) | 356,160 | 2,514,388 | 2,047 | 2,516,435 |
| Profit for period | - | - | 315,996 | 315,996 | 1,689 | 317,685 |
| Other comprehensive income for the period | - | (16,149) | (2,620) | (18,769) | (21) | (18,790) |
| Total comprehensive income for the period | - | (16,149) | 313,376 | 297,227 | 1,668 | 298,895 |
| **Transactions with owners in their capacity as owners:** | | | | | | |
| Dividends paid | - | - | (230,082) | (230,082) | - | (230,082) |
| Shares issued | 27,942 | (6,222) | - | 21,720 | - | 21,720 |
| Transfers to share capital | 5,999 | (5,999) | - | - | - | - |
| Share based payments | - | 3,699 | - | 3,699 | - | 3,699 |
| Minority interests on acquisition of subsidiary | - | (17,451) | - | (17,451) | 17,912 | 461 |
| Dividends paid to minority interests in controlled entities | - | - | - | - | (929) | (929) |
| **Balance at 30 June 2012** | 2,379,525 | (229,478) | 439,454 | 2,589,501 | 20,698 | 2,610,199 |

*The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes, the 2012 Annual Report, the 2012 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 2013

### 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 2012, the 2012 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 $514M of debt drawn under bank debt facilities which expire in March 2014 as a current liability as at 30 June 2013. As a result the Consolidated Balance Sheet shows a deficiency of working capital of $172M. 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## For the year ended 30 June 2013

**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.

***(iii) Other***
Includes the corporate office function, medical centre operations and occupational health services (IPN), and other minor operations.

| **Year ended 30 June 2013** | **Pathology $'000** | **Imaging $'000** | **Other $'000** | **Eliminations $'000** | **Consolidated $'000** |
|---|---|---|---|---|---|
| **Segment revenue (Constant Currency)** | 2,764,493 | 403,269 | 340,798 | (8,579) | 3,499,981 |
| Currency exchange movement | (19,008) | 517 | - | - | (18,491) |
| **Segment revenue (Statutory)** | **2,745,485** | **403,786** | **340,798** | **(8,579)** | **3,481,490** |
| Interest income | | | | | 2,583 |
| **Total revenue** | | | | | **3,484,073** |
| | | | | | |
| **Segment EBITA (Constant Currency)** | 471,650 | 53,224 | 12,241 | - | 537,115 |
| Currency exchange movement | (5,044) | 132 | - | - | (4,912) |
| **Segment EBITA (Statutory)** | **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 |

| **Year ended 30 June 2012** | **Pathology $'000** | **Imaging $'000** | **Other $'000** | **Eliminations $'000** | **Consolidated $'000** |
|---|---|---|---|---|---|
| **Total segment revenue** | 2,659,981 | 384,358 | 305,890 | (7,430) | 3,342,799 |
| Interest income | | | | | 2,817 |
| **Total revenue** | | | | | **3,345,616** |
| | | | | | |
| **Segment result EBITA** | 466,495 | 44,710 | 2,427 | - | 513,632 |
| Amortisation expense | | | | | (21,557) |
| Unallocated net interest expense | | | | | (74,147) |
| **Profit before tax** | | | | | **417,928** |
| Income tax expense | | | | | (100,243) |
| **Profit after income tax expense** | | | | | **317,685** |
| | | | | | |
| Depreciation expense | 64,651 | 31,962 | 13,884 | - | 110,497 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## For the year ended 30 June 2013

### Note 3 Business combinations

Acquisitions of subsidiaries/business assets in the period included:

- Western Australian pathology business of Healthscope on 18 October 2012.
- Two small synergistic laboratory acquisitions in Germany completed in July 2012.
- 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 | **47,678** |
| Less: Cash of entities acquired | **(212)** |
| | **47,466** |
| Deferred consideration | **4,837** |
| Total consideration | **52,303** |
| | |
| Fair value of identifiable net assets of subsidiaries/businesses acquired: | |
| Debtors & other receivables | **1,163** |
| Prepayments | **27** |
| Inventory | **480** |
| Deferred tax assets | **2,853** |
| Property, plant & equipment | **3,764** |
| Identifiable intangibles | **393** |
| Trade payables | **(203)** |
| Sundry creditors and accruals | **(497)** |
| Current tax liabilities | **(7)** |
| Provisions | **(1,913)** |
| | **6,060** |
| Goodwill | **46,243** |

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. $7,996,000 of the purchased goodwill recognised is expected to be deductible for income tax purposes, over a fifteen year period.

The purchase price for the Western Australian pathology business includes a performance based earn-out of up to $1,780,000 payable within twelve months of the acquisition date.

Acquisition related costs of $2,780,000 are included in other expenses in the Income Statement. The fair value of acquired debtors and other receivables is $1,163,000. The gross contractual amount due is $1,163,000, of which $nil is expected to be uncollectable.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## For the year ended 30 June 2013

### Note 4 Dividends

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| **Total dividends paid on ordinary shares during the year** | | |
| Final dividend for the year ended 30 June 2012 of 35 cents (2011: 35 cents) per share paid on 9 October 2012 (2011: 21 September 2011), franked to 45% (2011: 28%) | **137,427** | 136,489 |
| Interim dividend for the year ended 30 June 2013 of 25 cents (2012: 24 cents) per share paid on 21 March 2013 (2012: 22 March 2012), franked to 45% (2012: 35%) | **99,039** | 93,593 |
| | **236,466** | 230,082 |

**Dividends not recognised at the end of the year**

| | | |
|---|---|---|
| On 19 August 2013 the directors declared a final dividend of 37 cents per share (2012: 35 cents) franked to 45% (2012: 45%), payable on 24 September 2013 with a record date of 4 September 2013. 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: | **147,931** | 137,427 |

**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

| | 2013 Cents | 2012 Cents |
|---|---|---|
| Basic earnings per share | **84.8** | 81.1 |
| Diluted earnings per share | **84.3** | 80.7 |

| | 2013 Shares | 2012 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 | **394,918,728** | 389,835,777 |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share | **397,601,897** | 391,769,391 |

### Note 6 Assets classified as held for sale / Investment properties

The asset classified as held for sale in 2012, being a building and land in Auckland, New Zealand, was sold during 2013.

The investment property disclosed in 2012 (95 Epping Road, Macquarie Park) has been reclassified into property, plant and equipment in 2013 as it is now predominantly used for operating activities.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## For the year ended 30 June 2013

### Note 7 Property, plant and equipment

| | Freehold land & buildings $'000 | Plant & equipment $'000 | Leased plant & equipment $'000 | Total $'000 |
|---|---|---|---|---|
| Opening net book amount at 1 July 2012 | 125,982 | 432,421 | 2,968 | 561,371 |
| Additions | 30,948 | 141,706 | 723 | 173,377 |
| Additions through business combinations | - | 3,764 | - | 3,764 |
| Disposals | (1,154) | (5,789) | (273) | (7,216) |
| Depreciation / amortisation expense | (4,818) | (108,066) | (1,732) | (114,616) |
| Transfer from investment property | 20,847 | - | - | 20,847 |
| Foreign exchange movements | 6,295 | 14,697 | 208 | 21,200 |
| **Closing net book amount at 30 June 2013** | **178,100** | **478,733** | **1,894** | **658,727** |

### Note 8 Contributed equity

| | 2013 Shares | 2012 Shares | 2013 $'000 | 2012 $'000 |
|---|---|---|---|---|
| **Share capital** | | | | |
| Fully paid ordinary shares | **397,158,181** | 390,969,875 | **2,468,102** | 2,379,525 |

**Movements in ordinary share capital:**

| Date | Details | Number of shares | Issue price | $'000 |
|---|---|---|---|---|
| 1/7/12 | Opening balance | 390,969,875 | | 2,379,525 |
| 9/10/12 | Shares issued under the Dividend Reinvestment Plan | 2,865,806 | 12.87 | 36,883 |
| Various | Shares issued following exercise of employee options | 3,322,500 | Various | 43,832 |
| Various | Transfers from equity remuneration reserve | - | - | 7,934 |
| Various | Costs associated with shares issued net of future income tax benefits | - | - | (72) |
| 30/6/13 | Closing balance | 397,158,181 | | 2,468,102 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## For the year ended 30 June 2013

**Note 9** **Unlisted share options / performance rights**

| Exercise Price | Expiry Date | Balance at 1.7.12 | Exercised | Granted | Forfeited | Expired | Balance at 30.6.13 |
|---|---|---|---|---|---|---|---|
| $14.16 | 03/08/2012 | 1,000,000 | - | - | - | (1,000,000) | **-** |
| $7.50 | 24/08/2012 | 1,540,000 | (1,540,000) | - | - | - | **-** |
| $13.10 | 30/09/2012 | 300,000 | - | - | - | (300,000) | **-** |
| $13.30 | 25/05/2013 | 500,000 | (500,000) | - | - | - | **-** |
| $13.65 | 31/05/2013 | 60,000 | (30,000) | - | (20,000) | (10,000) | **-** |
| $7.50 | 22/08/2013 | 1,540,000 | - | - | - | - | **1,540,000** |
| $13.10 | 30/09/2013 | 300,000 | (300,000) | - | - | - | **-** |
| $12.98 | 22/11/2013 | 1,068,375 | - | - | - | - | **1,068,375** |
| $11.10 | 27/01/2014 | 1,280,000 | (492,500) | - | - | - | **787,500** |
| $10.57 | 10/04/2015 | 1,000,000 | (460,000) | - | - | - | **540,000** |
| $11.13 | 03/01/2016 | 440,000 | - | - | (100,000) | - | **340,000** |
| $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** |
| $11.43 | 18/11/2018 | 1,705,263 | - | - | - | - | **1,705,263** |
| $11.14 | 07/03/2019 | 1,000,000 | - | - | - | - | **1,000,000** |
| $12.57 | 02/07/2019 | - | - | 300,000 | - | - | **300,000** |
| 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** |
| | | 15,949,386 | (3,322,500) | 300,000 | (120,000) | (1,310,000) | **11,496,886** |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## For the year ended 30 June 2013

### Note 10 Reserves

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Foreign currency translation reserve | **(103,782)** | (236,831) |
| Hedge accounting reserve | **(1,714)** | (5,018) |
| Equity remuneration reserve | **(5,323)** | 10,123 |
| Share option reserve | **16,427** | 16,427 |
| Revaluation reserve | **3,272** | 3,272 |
| Transactions with minority interests | **(20,011)** | (17,451) |
| | **(111,131)** | (229,478) |

**Movements**

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| *Foreign currency translation reserve* | | |
| Balance 1 July | **(236,831)** | (218,510) |
| Net exchange movement on translation of foreign subsidiaries | **133,049** | (18,321) |
| Balance | **(103,782)** | (236,831) |
| *Hedging reserve* | | |
| Balance 1 July | **(5,018)** | (7,190) |
| Revaluation (net of deferred tax) | **392** | (1,075) |
| Transfer to net profit (net of deferred tax) | **2,912** | 3,247 |
| Balance | **(1,714)** | (5,018) |
| *Equity remuneration reserve* | | |
| Balance 1 July | **10,123** | 18,645 |
| Share based payments | **3,452** | 3,699 |
| Employee share scheme issue | **(10,964)** | (6,222) |
| Transfer to share capital (options exercised) | **(7,934)** | (5,999) |
| Balance | **(5,323)** | 10,123 |
| *Share option reserve* | | |
| Balance 1 July | **16,427** | 16,427 |
| Movement | **-** | - |
| Balance | **16,427** | 16,427 |
| *Revaluation reserve* | | |
| Balance 1 July | **3,272** | 3,272 |
| Movement | **-** | - |
| Balance | **3,272** | 3,272 |
| *Transactions with minority interests* | | |
| Balance 1 July | **(17,451)** | - |
| Net exchange movement | **(2,560)** | - |
| Put option relating to minority interests | **-** | (17,451) |
| Balance | **(20,011)** | (17,451) |

### Note 11 Retained earnings

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Retained earnings at the beginning of the financial year | **439,454** | 356,160 |
| Net profit attributable to members of Sonic Healthcare Limited | **334,998** | 315,996 |
| Dividends provided for or paid | **(236,466)** | (230,082) |
| Actuarial (losses) on retirement benefit obligations (net of tax) | **(73)** | (2,620) |
| Retained earnings at the end of the financial year | **537,913** | 439,454 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## For the year ended 30 June 2013

### Note 12 Net tangible asset backing

| | 2013 | 2012 |
|---|---|---|
| Net tangible asset backing per ordinary security | **($2.51)** | ($2.40) |

### Note 13 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 2013

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: ……………………………………………. Date: 20 August 2013
(Company Secretary)

Print name: PAUL ALEXANDER