



2019 ANNUAL GENERAL MEETING – CHAIRMAN’S ADDRESS

Ladies and gentlemen,

The 2019 financial year was a good one for Sonic Healthcare and our shareholders. Sonic reported a record net profit of \$550 million, up 16% on the prior year. Revenue increased 12% to \$6.2 billion. We continued our progressive dividend policy with a 4% increase, to 84 cents, in total dividends per share for the full year. Another important financial metric which showed improvement was our Return on Invested Capital, or “ROIC”, which increased from 8.6% to 8.7%, whilst A\$1 billion of additional capital was put to work in the company. Whilst ROIC can be a volatile measure, this was a pleasing result.

From a strategic viewpoint, the most important event for Sonic in 2019 was the acquisition of Aurora Diagnostics, one of the leading providers of anatomical pathology services in the US. As Colin will explain in more detail, the addition of Aurora is expected to transform Sonic’s US business, opening further growth paths for Sonic in the world’s largest laboratory medicine market.

To fund the Aurora acquisition, which was Sonic’s largest ever transaction to date, we undertook the largest equity raising in Sonic’s history. On behalf of the Board and management team, I wish to thank you, our shareholders, for the strong support we received for both the \$600 million institutional equity placement completed in December 2018 and the associated Share Purchase Plan for retail shareholders completed in February 2019, which raised \$328 million.

The equity raised and our strong cash generation resulted in a reduction in net debt of A\$184 million (after payments for acquisitions and dividends) in the 2019 year, pushing Sonic’s gearing level below our long term average. Our balance sheet is therefore very strong, ready to support further growth.

As previously flagged to the market, as part of our capital and treasury management we have recently entered into an agreement for US\$550 million of long-term (comprising 10, 12 and 15 year tenors) debt funding in the United States private placement market, with a weighted average fixed coupon of just over 3%. The funds will be available in January 2020, timed to repay existing USD debt facilities which expire that month.

The debt raising received strong support from both existing and new investors to Sonic, and the confidence of those large institutions to invest in Sonic for as long as 15 years is gratifying. The transaction will significantly lengthen Sonic’s debt maturity profile.

As part of planning for Sonic’s future, the development, renewal and diversity of the Board continue to be important considerations. As announced to the ASX on 7 November 2019, we are delighted that Professor Suzanne Crowe AM has agreed to join the Board as an independent, non-executive director with effect from 6 April 2020. Suzanne is a Fellow of the Royal Australasian College of Physicians, a specialist in infectious diseases, and a distinguished scientist and medical researcher. Suzanne also has considerable experience in listed and unlisted companies as a non-executive director. Given her background and experience, I am confident that Suzanne’s input and influence will add significant value to Sonic. She will stand for election by shareholders at Sonic’s 2020 Annual General Meeting.

Following Professor Crowe's commencement, Sonic's Board will comprise six independent, non-executive directors, including two medical doctors, and three executive directors, including a pathologist in Colin Goldschmidt and a radiologist in Philip Dubois. Philip is up for re-election today and he has indicated that, should he be re-elected, he will retire from the Board by the end of the three year term. Jane Wilson, who is also up for re-election today, is an independent non-executive director, and a registered Medical Practitioner. Jane and Philip's re-elections have the full support of the Board. They will each speak to their re-elections shortly.

The Sonic Board had set a target to reach at least 30% female representation on our Board within two years. We will have achieved this target once Professor Crowe has commenced.

You would have read in our 2019 Annual Report that Lou Panaccio, who has been Chairman of our Audit Committee since October 2010, has recently retired from that position. Lou remains on the Committee, and the Board has chosen Neville Mitchell as the new Committee Chairman. On the Board's behalf, I sincerely thank Lou for the exceptional leadership he has demonstrated in his role as Chairman of the Audit Committee, and congratulate Neville on his appointment.

I note that there are printed copies of the 2019 edition of Sonic's Corporate Responsibility Report available here today. This document is perhaps the best summary available of what Sonic Healthcare is all about, and I highly recommend that shareholders take time to read it. It describes how we care for our people, the environment, and for both our own communities and communities in dire need. We are especially proud of the Sonic Catalyst Program, part of which involves Sonic using its expertise and resources to directly address medical needs in some of the most troubled parts of Africa. The report can also be found on Sonic's web site.

I might mention at this point two important signals in this last year that go to the outstanding leadership of Sonic. Our Managing Director & CEO, Dr Colin Goldschmidt, was recognised during the year by the Royal Australasian College of Pathologists with a rare honour of being presented with a Distinguished Fellow award from the College. This is a very rare and therefore very distinguished award recognising Colin's long and dedicated commitment to his profession in so many ways.

In addition, Colin was named as one of Harvard Business Review's Top 100 Best Performing CEOs worldwide. This is another outstanding achievement by an outstanding leader, and an outstanding medical leader at that. Congratulations from all of us Colin.

Sonic's standing as a socially responsible company continues to be evidenced by our ongoing inclusion in the FTSE4 Good Index Series. To remain in the Series, Sonic is independently assessed against stringent environmental, social and governance criteria. We continue to invest resources to improve our performance and reporting in these important areas.

In closing, I take this opportunity to thank my fellow Directors, Sonic's leadership teams around the world, and our 37,000 staff for their talent and expertise, and for their dedication to our patients, our referring physicians and to Sonic.

And thank you to you, Sonic's shareholders, for your continued support of and interest in the Company.

Mark Compton AM

19 November 2019