Sonic Healthcare Limited
ABN 24 004 196 909

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2019
Lodged with the ASX under Listing Rule 4.3A

RESULTS FOR ANNOUNCEMENT TO THE MARKET
For the year ended 30 June 2019

Financial Results $'000	**2019 Statutory**	**% Change**
Revenue from ordinary activities	**6,184,056**	11.6%
Profit after tax from ordinary activities attributable to members	**549,725**	15.6%

Dividends	**2019**	**2018**	**% Change**
Final dividend (cents per share)	51¢	49¢	4.1%
Final dividend franked amount per security	15.30¢	14.70¢	
Interim dividend (cents per share)	33¢	32¢	3.1%
Interim dividend franked amount per security	6.60¢	6.40¢	

The final dividend is scheduled to be paid on 25 September 2019 to shareholders registered as at close of business on 11 September 2019 (the record date). The 2019 final dividend includes no conduit foreign income. The Company's Dividend Reinvestment Plan ("DRP") has been suspended for this dividend.

Financial Results $'000	**2019 Constant Currency[1]**	**2019 Statutory**	**2018 Statutory**	**% Change** 2019 Constant Currency[1] v 2018 Statutory	**% Change** 2019 Statutory v 2018 Statutory
Revenue	**5,979,319**	**6,184,056**	5,541,371	7.9%	**11.6%**
Non-recurring gain on GLP Systems sale	**(47,625)**	**(50,385)**	-		
Impact of new accounting standard (AASB 15)	**9,284**	**9,284**	-		
Underlying Revenue[2]	**5,940,978**	**6,142,955**	5,541,371	7.2%	10.9%
Underlying EBITDA[2]	**1,026,190**	**1,060,828**	962,052	6.7%	10.3%
Non-recurring gain on GLP Systems sale	**47,625**	**50,385**	-		
Impact of new accounting standard (AASB 15)	**(9,284)**	**(9,284)**	-		
Non-recurring costs[4]	**(25,945)**	**(27,101)**	(13,764)		
EBITDA[3]	**1,038,586**	**1,074,828**	948,288		13.3%
Depreciation and lease amortisation	**(203,988)**	**(209,856)**	(191,809)	6.3%	
EBITA	**834,598**	**864,972**	756,479		
Amortisation of intangibles	**(61,381)**	**(63,288)**	(64,229)	(4.4)%	
Net interest expense	**(73,967)**	**(79,427)**	(75,269)	(1.7)%	
Income tax expense[5]	**(159,733)**	**(163,188)**	(131,916)	21.1%	
Net (profit) attributable to minority interests	**(9,057)**	**(9,344)**	(9,459)		
Net profit attributable to Sonic shareholders	**530,460**	**549,725**	475,606	11.5%	**15.6%**
Cash generated from operations (Refer Note 2(h))		**847,308**	767,920		10.3%
Earnings per share					
Basic earnings per share (cents per share)	**118.2**	**122.5**	112.6		
Diluted earnings per share (cents per share)	**117.8**	**122.1**	112.2	5.0%	8.8%

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

[2] Underlying Revenue and EBITDA = Revenue and EBITDA adjusted to remove the impact of accounting standard changes and non-recurring items in the current and/or previous year.

[3] EBITDA = Earnings before interest, tax, depreciation and amortisation.

[4] Non-recurring costs mainly relate to acquisitions, contract bids, laboratory relocations, mergers and restructuring.

[5] Income tax expense in the 2018 year included a one-off US net tax benefit of A$20,115,000.

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 2019

1. Headlines

- FY2019 result in line with guidance: underlying EBITDA growth of 6.7% (Constant Currency)
- Revenue growth of 11.6% to A$6.2 billion
- EBITDA growth 13.3% to A$1.1 billion
- Net profit growth of 15.6% to A$550 million
- Final dividend up 4.1% to A$0.51 per share (full year up 3.7% to A$0.84)
- Strategic acquisition of Aurora Diagnostics completed in January 2019
- Strategic divestment of non-core GLP Systems completed in June 2019
- Growth momentum strong – major opportunities ahead

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 2019 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.

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 comparative 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:

	2019 Statutory	2018 and Constant Currency
AUD/USD	0.7154	0.7754
AUD/EUR	0.6270	0.6499
AUD/GBP	0.5527	0.5760
AUD/CHF	0.7116	0.7526
AUD/NZD	1.0666	1.0852

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 2019

2. Explanation of results (continued)

(b) Revenue

Total revenue growth for the year was 11.6% (or 7.9% at Constant Currency exchange rates i.e. applying the average rates for the FY2018 year to the current year results). Organic revenue growth of 4% (Constant Currency) was achieved for the Group as a whole.

Revenue breakdown
AUD M

	2019 Statutory Revenue	% of 2019 Statutory Revenue	2019 Constant Currency Revenue	2018 Revenue	Growth 2019 Constant Currency v 2018
Laboratory – Australia	1,470	24%	1,470	1,403	4.8%
Laboratory - USA	1,441	24%	1,329	1,131	17.5%
Laboratory - Europe	2,244	37%	2,155	2,064	4.4%
Laboratory - NZ	34	<1%	33	28	17.9%
Imaging - Australia	500	8%	500	473	5.7%
Other	447	7%	446	439	1.6%
Revenue – underlying	6,136	100%	5,933	5,538	7.1%
Non-recurring gain on GLP Systems sale	50		48	-	
Impact of new accounting standard (AASB 15)	(9)		(9)	-	
Interest income	7		7	3	
Total revenue	6,184		5,979	5,541	7.9%

The Laboratory division enjoyed revenue growth of 8% in the year (on a Constant Currency basis), including ~4% organic revenue growth.

Sonic's Australian Laboratory organic revenue growth of 5% was strong and included revenue from the national bowel screening contract won by Sonic effective 1 January 2018.

US organic revenue growth was strong at ~5% on a Constant Currency basis. Total US revenue was reduced by ~A$33M as Sonic merged its US Mid-west division into its joint venture with ProMedica Health System, Inc. on 1 September 2018. US revenue was also impacted by Medicare ("PAMA") fee cuts effective from 1 January 2018 and 1 January 2019.

Within Europe, Sonic's UK operations achieved organic growth of 9% (Constant Currency), enhanced by a full year of the Barnet/Chase Farm NHS hospital laboratory outsource contract which commenced in October 2017. German and Belgian organic growth was flat. German revenue was impacted by 1 April 2018 regulatory changes to referrer 'bonus' calculations relating to the EBM fee system. These were partially offset by selective fee quota increases. German growth was enhanced by the acquisition of Pathology Trier in July 2018. Swiss organic growth was 4% (Constant Currency).

Imaging organic revenue growth of 6% was in line with market growth.

Current period revenue for Sonic Clinical Services ("SCS"), Sonic's medical centre and occupational health businesses (the major components of the Other segment, which also included Sonic's laboratory automation development subsidiary, GLP Systems, and other minor operations), was reduced by A$9.3M due to the new revenue accounting standard AASB 15 (effective 1 July 2018).

Revenue was enhanced by currency exchange rate movements, which increased reported (Statutory) revenue by A$205M compared to the prior year, and by the gain on the sale of GLP Systems (A$50M).

COMMENTARY ON RESULTS
For the year ended 30 June 2019

2. Explanation of results (continued)

(c) EBITDA

Underlying EBITDA grew 10.3% or 6.7% on a Constant Currency basis. The non-recurring costs of A$27M mainly related to acquisitions, contract bids, laboratory relocations, mergers and restructuring.

Current period EBITDA was reduced by A$9.3M due to the impact of the new (effective 1 July 2018) revenue accounting standard AASB 15.

EBITDA growth in the Laboratory division was enhanced by the Aurora Diagnostics acquisition in the US and the Pathology Trier acquisition in Germany. The Australian and Swiss laboratory businesses performed particularly strongly. Sonic's Imaging business reported 7% earnings growth.

Consumables cost decreased as a percentage of revenue due to ongoing success with procurement initiatives and as a result of changes in mix in Sonic's total business, in particular expansion in anatomical pathology (through Aurora and Trier).

(d) Depreciation and lease amortisation

Depreciation and leased asset amortisation has increased 6.3% on the comparative period (at Constant Currency rates) as a result of growth of the Company.

(e) Intangibles amortisation

Intangibles amortisation relates to internally developed and purchased software. In the comparative period it also included ~A$9M of amortisation of contract costs (including doctor contracts in SCS), however under the new accounting standard AASB 15 this ceased from 1 July 2018.

(f) Interest expense and debt facilities

Net interest expense reduced 1.7% on the prior year (at Constant Currency rates) reflecting lower net debt following the equity raisings related to the Aurora Diagnostics acquisition.

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). Bank debt drawn in Euro and CHF is currently subject to negative base interest rates, meaning that Sonic pays only the relevant margins under the facilities.

Interest rate hedging arrangements are in place in accordance with Sonic's Treasury Policy. About half of Sonic's drawn debt is subject to fixed rate coupons.

COMMENTARY ON RESULTS
For the year ended 30 June 2019

2. Explanation of results (continued)

(f) Interest expense and debt facilities (continued)

Sonic's net interest bearing debt at 30 June 2019 comprised:

	Facility Limit M	Drawn M	AUD $M Available
Notes held by USA investors – USD (fixed coupons)	US$405	US$405	-
Notes held by USA investors – Euro (fixed coupons)	€515	€515	-
Bank debt facilities			
- USD limits	US$660	US$560	143
- Euro limits	€425	€267	256
- AUD (Multicurrency) limits	A$48	-	48
- CHF limits	CHF317	CHF265+	76
Minor debt/leasing facilities	n/a	A$4*	-
Cash	n/a	A$(737)*	737
Available funds at 30 June 2019			1,260

+ Includes debt drawn in GBP (£59M)
* Various currencies

Sonic's credit metrics at 30 June 2019 were as follows:

	30.6.19	31.12.18	30.6.18
Gearing ratio	29.5%	29.3%	36.7%
Interest cover (times)	10.5	10.0	10.1
Debt cover (times)	2.1	2.0	2.5

Definitions:
- Gearing ratio = Net debt/[Net debt + equity] (USPP 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 debt facility definitions

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

Calendar Year	AUD M	USD M	Euro M	CHF M
2020	-	579	-	-
2021	-	250	-	192
2022	-	75	305	-
2023	48	161	120	125
2024	-	-	185	-
2026	-	-	245	-
2032	-	-	85	-
	48	1,065	940	317

Sonic's excellent relationships with its banks, its investment grade credit metrics, and its strong and reliable cash flows significantly reduce refinancing risk.

COMMENTARY ON RESULTS
For the year ended 30 June 2019

2. Explanation of results (continued)

(g) Tax expense

The effective tax rate of 23% reflects a concessional tax rate in Germany on the gain on sale of GLP Systems. Normalised for this benefit, the effective tax rate is 24.4%, in line with the guidance provided in August 2018 and February 2019 of ~25%, and in line with the prior year (once normalised for the one-off, non-cash net benefit of A$20M related to the revaluing of US net deferred tax liabilities to the new US corporate tax rate of 21% in that year).

(h) Cashflow from operations

Cash generated from operations was 10% higher than in the comparative period. Gross operating cashflow equated to 102% of EBITDA (after adjusting for non-operating cash items in EBITDA being the gain on sale of GLP Systems, less the revenue accounting standard impact), a strong result, however tax payments were substantially higher in the current period.

3. Guidance for FY2020

(a) Guidance excluding the impact of AASB 16

Sonic expects underlying EBITDA growth of 6-8% for FY2020 on a Constant Currency basis (applying FY2019 average currency exchange rates to FY2020) over the FY2019 underlying EBITDA of A$1,052M (base restated from A$1,061M to A$1,052M as the impact of the revenue accounting standard change will be considered "underlying" in FY2020).

Net interest expense is expected to increase by ~3% from the FY2019 level of A$79.4M on a Constant Currency basis mainly as a result of a margin step up on the US$330M bridge facility associated with the Aurora acquisition, and expected higher margins on refinancing to occur in January 2020. In addition, the mix of debt has changed towards USD, which has a higher base rate than Sonic's other currencies.

Capital expenditure on property, plant and equipment is expected to be significantly lower in FY2020.

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

Key guidance considerations:

- Excludes any future business acquisitions
- Incorporates known fee reductions in the USA equivalent to ~2% of total group EBITDA
- No other regulatory changes are assumed
- Current base interest rates are assumed to prevail
- Excludes the impact of the new lease accounting standard AASB 16, which is effective from 1 July 2019

(b) Estimated impact of AASB 16 in FY2020

AASB 16 primarily impacts accounting by lessees as it requires the recognition of right of use assets and lease liabilities for all leases unless the lease term is less than 12 months or the underlying asset is of a low value. Assets and liabilities arising from a lease are initially measured on a present value basis including non-cancellable lease payments and any payments to be made in optional periods if the lessee is reasonably certain to extend the lease. Lease payments, previously expensed through the operating lease rental expense line in the Income Statement, will be replaced with a straight line amortisation of the right of use asset and an interest expense from carrying the lease liability at present value. The standard is effective for Sonic's financial statements commencing from 1 July 2019.

A team of senior Sonic Finance staff are project managing the implementation of this standard. Work completed so far includes understanding the current systems that the Group has for managing lease data, reviewing contracts for evidence of embedded lease arrangements, policy development, modelling the potential financial impacts of the standard using current lease information, and selecting a third party lease management software system for AASB 16 compliance. Work is well advanced on system implementation and business processes.

Note that the application of AASB 16 will not impact cash flows.

COMMENTARY ON RESULTS
For the year ended 30 June 2019

3. Guidance for FY2020 (continued)

(b) Estimated impact of AASB 16 in FY2020 (continued)

Using exchange rates as at 30 June 2019 for the balance sheet and FY2019 average rates (Constant Currency) for profit, Sonic estimates the impact on transition for AASB 16 to be:

- Lease liabilities to be recognised on 1 July 2019 of ~$1.2 billion
- Right of use assets to be recognised at similar or slightly lower level than lease liabilities
- FY2020 EBITDA to increase by ~A$0.3 billion for leases in effect at 30 June 2019. The actual financial impact for FY2020 will vary for new leases entered into, or any lease modifications, that occur during the year
- A minor decrease in net profit for FY2020 due to the front loading of interest expense

Sonic will apply the modified retrospective transition approach and therefore will not restate comparative periods.

The estimated impact of AASB 16 adoption as at 1 July 2019 is subject to change until Sonic presents its first financial statements under the new standards for the half year to 31 December 2019. In addition to statutory disclosures, Sonic will present its FY2020 results (half year and full year) such that the impacts of AASB 16 are easily identified and like for like comparisons with FY2019 can be made. Sonic's debt covenants will continue to be measured without the impact of AASB 16.

FULL YEAR REPORT
For the year ended 30 June 2019

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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 2018 Annual Report, the 2018 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 2019

	Notes	2019 $'000	2018 $'000
Revenue from operations		**6,133,671**	5,541,371
Other income		**50,385**	-
Total		**6,184,056**	5,541,371
Labour and related costs (including $3,878,000 (2018: $4,742,000) of equity remuneration expense)		**(2,848,122)**	(2,543,798)
Consumables used		**(995,288)**	(918,211)
Operating lease rental expense		**(351,909)**	(334,451)
Depreciation and amortisation of physical assets		**(209,856)**	(191,809)
Repairs and maintenance		**(169,130)**	(151,661)
Transportation		**(158,562)**	(137,808)
Utilities		**(139,017)**	(126,509)
Borrowing costs expense		**(86,063)**	(78,444)
Amortisation of intangibles		**(63,288)**	(64,229)
Other expenses from ordinary activities		**(440,564)**	(377,470)
Profit from ordinary activities before income tax expense		**722,257**	616,981
Income tax expense		**(163,188)**	(131,916)
Profit from ordinary activities after income tax expense		**559,069**	485,065
Net (profit) attributable to minority interests		**(9,344)**	(9,459)
Profit attributable to members of Sonic Healthcare Limited		**549,725**	475,606
Basic earnings per share (cents per share)	4	**122.5**	112.6
Diluted earnings per share (cents per share)	4	**122.1**	112.2

The above Consolidated Income Statement should be read in conjunction with the accompanying notes, the 2018 Annual Report, the 2018 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 2019

	2019 $'000	2018 $'000
Profit from ordinary activities after income tax expense	**559,069**	485,065
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**109,109**	92,068
Items that will not be reclassified to profit or loss		
Actuarial (losses) on retirement benefit obligations	**(22,203)**	(278)
Other comprehensive income for the period, net of tax	**86,906**	91,790
Total comprehensive income for the period	**645,975**	576,855
Total comprehensive income attributable to:		
Members of Sonic Healthcare Limited	**634,016**	561,824
Minority interests	**11,959**	15,031
	645,975	576,855

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes, the 2018 Annual Report, the 2018 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 2019

	Notes	2019 $'000	2018 $'000
Current assets			
Cash assets and cash equivalents		**736,646**	313,268
Receivables		**827,932**	747,355
Inventories		**119,673**	106,780
Other		**68,933**	64,306
Total current assets		**1,753,184**	1,231,709
Non-current assets			
Receivables		**40,201**	23,916
Other financial assets		**88,135**	40,471
Property, plant and equipment		**1,268,319**	1,155,481
Intangible assets		**6,764,738**	5,722,188
Deferred tax assets		**39,166**	25,755
Other		**6,091**	1,414
Total non-current assets		**8,206,650**	6,969,225
Total assets		**9,959,834**	8,200,934
Current liabilities			
Payables		**627,311**	519,290
Interest bearing liabilities		**826,004**	3,752
Current tax liabilities		**125,455**	103,196
Provisions		**222,321**	207,619
Other		**48,293**	34,006
Total current liabilities		**1,849,384**	867,863
Non-current liabilities			
Interest bearing liabilities		**2,209,595**	2,792,297
Deferred tax liabilities		**151,116**	120,795
Provisions		**139,550**	114,431
Other		**118,323**	22,623
Total non-current liabilities		**2,618,584**	3,050,146
Total liabilities		**4,467,968**	3,918,009
Net assets		**5,491,866**	4,282,925
Equity			
Parent entity interest			
Contributed equity	5	**3,966,892**	3,005,875
Reserves	7	**146,275**	27,889
Retained earnings	8	**1,299,163**	1,143,643
Total parent entity interest		**5,412,330**	4,177,407
Minority interests		**79,536**	105,518
Total equity		**5,491,866**	4,282,925

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes, the 2018 Annual Report, the 2018 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 2019

	2019 $'000	2018 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	**6,258,438**	5,641,609
Payments to suppliers and employees (inclusive of goods and services tax)	**(5,207,533)**	(4,713,563)
Gross operating cash flow	**1,050,905**	928,046
Interest received	**6,636**	3,175
Borrowing costs	**(83,930)**	(73,969)
Income taxes paid	**(126,303)**	(89,332)
Net cash inflow from operating activities	**847,308**	767,920
Cash flows from investing activities		
Payment for purchase of controlled entities, net of cash acquired	**(863,405)**	(143,145)
Payments for property, plant and equipment	**(281,578)**	(225,617)
Proceeds from sale of subsidiaries and non current assets	**141,433**	4,354
Payments for intangibles	**(105,070)**	(102,006)
Repayment of loans by other entities	**13,142**	6,261
Loans to other entities	**(3,851)**	(4,283)
Net cash (outflow) from investing activities	**(1,099,329)**	(464,436)
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities (net of transaction costs and related taxes)	**943,975**	15,427
Proceeds from borrowings	**1,363,839**	744,115
Repayment of borrowings	**(1,246,425)**	(952,431)
Transaction with non-controlling interest	**-**	(504)
Dividends paid to Company's shareholders	**(365,112)**	(233,673)
Dividends paid to minority interests in controlled entities	**(8,611)**	(6,353)
Net cash inflow/(outflow) from financing activities	**687,666**	(433,419)
Net increase/(decrease) in cash and cash equivalents	**435,645**	(129,935)
Cash and cash equivalents at the beginning of the financial year	**313,268**	437,617
Effects of exchange rate changes on cash and cash equivalents	**(12,267)**	5,586
Cash and cash equivalents at the end of the financial year	**736,646**	313,268

The above Consolidated Cash Flow Statement should be read in conjunction with the accompanying notes, the 2018 Annual Report, the 2018 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 2019

	Share capital $'000	Reserves $'000	Retained earnings $'000	Total $'000	Minority interests $'000	Total $'000
Balance at 1 July 2018	3,005,875	27,889	1,143,643	4,177,407	105,518	**4,282,925**
Change in accounting standards	-	-	(6,890)	(6,890)	-	**(6,890)**
Restated balance at 1 July 2018	3,005,875	27,889	1,136,753	4,170,517	105,518	**4,276,035**
Profit for period	-	-	549,725	549,725	9,344	**559,069**
Other comprehensive income for the period	-	106,494	(22,203)	84,291	2,615	**86,906**
Total comprehensive income for the period	-	106,494	527,522	634,016	11,959	**645,975**
Transactions with owners in their capacity as owners:						
Dividends paid	-	-	(365,112)	(365,112)	-	**(365,112)**
Shares issued	964,499	(11,430)	-	953,069	-	**953,069**
Transaction costs on shares issued net of tax	(6,366)	-	-	(6,366)	-	**(6,366)**
Transfers to share capital	2,413	(2,413)	-	-	-	**-**
Share based payments	-	3,878	-	3,878	-	**3,878**
Allocation of treasury shares	471	(471)	-	-	-	**-**
Sale of minority interests	-	1,505	-	1,505	(3,199)	**(1,694)**
Acquisition of minority interests	-	20,823	-	20,823	(26,015)	**(5,192)**
Dividends paid to minority interests in controlled entities	-	-	-	-	(8,727)	**(8,727)**
Balance at 30 June 2019	**3,966,892**	**146,275**	**1,299,163**	**5,412,330**	**79,536**	**5,491,866**
Balance at 1 July 2017	2,885,615	(53,020)	996,791	3,829,386	96,744	3,926,130
Profit for period	-	-	475,606	475,606	9,459	485,065
Other comprehensive income for the period	-	86,496	(278)	86,218	5,572	91,790
Total comprehensive income for the period	-	86,496	475,328	561,824	15,031	576,855
Transactions with owners in their capacity as owners:						
Dividends paid	-	-	(328,476)	(328,476)	-	(328,476)
Shares issued	118,284	(7,461)	-	110,823	-	110,823
Transaction costs on shares issued net of tax	(66)	-	-	(66)	-	(66)
Transfers to share capital	2,573	(2,573)	-	-	-	-
Share based payments	-	4,742	-	4,742	-	4,742
Acquisition of treasury shares	(499)	-	-	(499)	-	(499)
Allocation of treasury shares	(32)	(9)	-	(41)	-	(41)
Contribution from minority interests	-	-	-	-	(940)	(940)
Acquisition of minority interests	-	(286)	-	(286)	1,121	835
Dividends paid to minority interests in controlled entities	-	-	-	-	(6,438)	(6,438)
Balance at 30 June 2018	3,005,875	27,889	1,143,643	4,177,407	105,518	4,282,925

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes, the 2018 Annual Report, the 2018 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 2019

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 2018, the 2018 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 other than as noted below.

The Group adopted the new accounting standards AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments from 1 July 2018. The Group applied the modified retrospective approach to AASB 15 which means the cumulative impact of the adoption could be recognised in retained earnings as of 1 July 2018 with comparative information not required to be restated. There were no retrospective adjustments as a result of adopting AASB 9.

Impact of adopting AASB 15
AASB 15 supersedes the existing accounting standards and interpretations for revenue recognition. The core principle is that revenue must be recognised when goods or services are transferred to a customer, in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. This is achieved by applying a five step model:

- Identify the contract with the customer
- Identify the performance obligations
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract based upon relative standalone selling prices
- Recognise revenue when (or as) the performance obligations are settled

The main impact on the Group's revenue recognition policies from applying the new standard is the requirement to recognise consideration payable to a customer as a reduction of the transaction price, and therefore of revenue, where this payment is not for a distinct good or service. The Group makes payments to doctors (customers) in its medical centre and occupational health businesses in exchange for contracting the Group's services for an agreed period of time. These payments were previously capitalised as an intangible asset and amortised through the amortisation of intangibles line in the Income Statement. The amount that has been recognised against revenue for the year to 30 June 2019 is $9,284,000, with a balance of unamortised payments of $24,866,000 in the Receivables lines at the period end. Had the new standard applied in the comparative period the equivalent amounts would have been $8,057,000 and $23,697,000. Note that there is no net impact to the net profit, net assets or cash flows as a consequence of this change in accounting treatment. Medical services revenue will continue to be recognised on a completed test or service basis.

In accordance with the transition provisions in AASB 15, adjustments were made to the amounts recognised in the Balance Sheet and retained earnings as at the date of initial application. In addition to the changes noted above for revenue recognition it was deemed that certain capitalised costs could not be recognised under the new standard. The net reduction in retained earnings on transition was $6,890,000, with a corresponding decrease to the financial statement line item intangibles ($7,901,000) and deferred tax liabilities ($1,011,000).

Impact of adopting AASB 9
AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of AASB 9 resulted in changes in accounting policies but there were no adjustments to amounts recognised in the financial statements.

Classification and measurement
AASB 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. The classification categories of held to maturity, loans and receivables and available for sale have been replaced by amortised cost, fair value through other comprehensive income and fair value through profit or loss. Note that the Group currently only has financial assets carried at amortised cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

Note 1 Summary of significant accounting policies (continued)

Classification and measurement (continued)
From 1 July 2018 financial assets are measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the Income Statement.

Impairment
The Group assesses on a forward looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. For trade receivables the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses trade receivables have been grouped on shared credit risk characteristics and days past due. There was no change in the impairment for trade receivables as at 30 June 2018. When a trade receivable is uncollectible it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited against revenue in the Income Statement.

Hedging
The Group has adopted the hedging principles of AASB 9. The new hedge accounting rules align the accounting for hedging instruments more closely with the Group's risk management practices due to changes in the approach for assessing hedge effectiveness. The Group's hedge documentation has been updated to align with the new requirements and the existing hedge relationships are therefore treated as continuing hedges.

Working capital
Sonic is required to disclose $826M of debt drawn under facilities which expire before 30 June 2020 as a current liability as at 30 June 2019. As a result the Consolidated Balance Sheet shows a deficiency of working capital of $96M. Sonic intends to refinance this debt and foresees no difficulty in doing so based on discussions with existing lenders and approaches from potential new lenders. Sonic also has significant headroom available in cash and undrawn facilities. The financial report has therefore been prepared on a "going concern" basis.

Note 2 Segment information

The Group's Chief Executive Officer and the Board of Directors (the chief operating decision makers) review the Group's performance both by the nature of services provided and geographic region. Discrete financial information about each operating segment is reported to the Chief Executive Officer and the Board of Directors on at least a monthly basis and is used to assess performance and determine the allocation of resources.

The Group has the following reportable segments.

(i) Laboratory
Pathology/clinical laboratory services provided in Australia, New Zealand, the United Kingdom, the United States of America, Germany, Switzerland, Belgium and Ireland. The geographic regions have been aggregated into one reportable segment as they provide similar services and have similar expected growth rates, cost structures, risks, and return profiles.

(ii) Imaging
Diagnostic imaging services provided in Australia.

(iii) Other
Includes corporate office functions, medical centre operations (IPN), occupational health services (Sonic HealthPlus), laboratory automation development (up until the sale on 26 June 2019 of GLP Systems), and other minor operations. The A$50M gain on sale of GLP Systems is also included in FY2019. In addition acquisition costs and certain other non-recurring costs are expensed in this segment.

The internal reports use a "Constant Currency" basis for reporting revenue and EBITA with foreign currency elements restated using the relevant prior period average exchange rates. The segment revenue and EBITA have therefore been presented using Constant Currency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

Note 2 Segment information (continued)

Year ended 30 June 2019	**Laboratory $'000**	**Imaging $'000**	**Other $'000**	**Eliminations $'000**	**Consolidated $'000**
Segment revenue (Constant Currency)	4,987,419	499,774	498,680	(13,190)	5,972,683
Currency exchange movement	201,354	-	3,383	-	204,737
Segment revenue (Statutory)	**5,188,773**	**499,774**	**502,063**	**(13,190)**	**6,177,420**
Interest income					6,636
Total revenue					**6,184,056**
Segment EBITA (Constant Currency)	745,523	68,341	20,734	-	834,598
Currency exchange movement	27,382	-	2,992	-	30,374
Segment EBITA (Statutory)	**772,905**	**68,341**	**23,726**	**-**	**864,972**
Amortisation expense					(63,288)
Unallocated net interest expense					(79,427)
Profit before tax					**722,257**
Income tax expense					(163,188)
Profit after income tax expense					**559,069**
Depreciation expense	146,796	31,469	31,591	-	**209,856**

Year ended 30 June 2018	**Laboratory $'000**	**Imaging $'000**	**Other $'000**	**Eliminations $'000**	**Consolidated $'000**
Segment revenue	4,625,069	473,239	452,659	(12,771)	5,538,196
Interest income					3,175
Total revenue					5,541,371
Segment EBITA	699,813	63,299	(6,633)	-	756,479
Amortisation expense					(64,229)
Unallocated net interest expense					(75,269)
Profit before tax					616,981
Income tax expense					(131,916)
Profit after income tax expense					485,065
Depreciation expense	134,384	30,363	27,062	-	191,809

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

Note 3 Dividends

	2019 $'000	2018 $'000
Total dividends paid on ordinary shares during the year		
Final dividend for the year ended 30 June 2018 of 49 cents (2017: 46 cents) per share paid on 27 September 2018 (2017: 11 October 2017), franked to 30% (2017: 20%)	**208,746**	193,176
Interim dividend for the year ended 30 June 2019 of 33 cents (2018: 32 cents) per share paid on 26 March 2019 (2018: 10 April 2018), franked to 20% (2018: 20%)	**156,366**	135,300
	365,112	328,476

Dividends not recognised at the end of the year

On 19 August 2019 the directors declared a final dividend of 51 cents per share (2018: 49 cents) franked to 30% (2018: 30%), payable on 25 September 2019 with a record date of 11 September 2019. 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:	**242,773**	**208,746**

Dividend Reinvestment Plan

The Company's Dividend Reinvestment Plan is suspended for the FY2019 final dividend.

Note 4 Earnings per share

	2019 Cents	2018 Cents
Basic earnings per share	**122.5**	112.6
Diluted earnings per share	**122.1**	112.2

	2019 Shares	2018 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	**448,784,480**	422,212,272
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**450,309,430**	423,777,046

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

Note 5 Contributed equity

	2019 Shares	2018 Shares	2019 $'000	2018 $'000
Share capital				
Fully paid ordinary shares	**473,956,404**	424,704,991	**3,967,101**	3,006,555
Other equity securities				
Treasury shares	**(8,835)**	(28,083)	**(209)**	(680)
	473,947,569	424,676,908	**3,966,892**	3,005,875

Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	$'000
1/7/18	Opening balance	424,704,991		3,006,555
18/12/18	Shares issued under an Institutional Placement	30,769,231	$19.50	600,000
12/2/19	Shares issued under a Shareholder Purchase Plan	16,830,066	$19.50	327,839
Various	Shares issued following exercise of employee options/rights	1,652,116	Various	36,660
Various	Transfers from equity remuneration reserve	-		2,413
Various	Costs associated with shares issued net of future income tax benefits	-		(6,366)
30/6/19	Closing balance	473,956,404		3,967,101

Movements in other equity securities:

Date	Details	Number of shares	$'000
1/7/18	Opening balance	(28,083)	(680)
Various	Allocation of treasury shares	964,864	24,622
Various	Subscription for unissued shares by SHEST	(945,616)	(24,151)
30/6/19	Closing balance	(8,835)	(209)

Note 6 Unlisted share options / performance rights

Exercise Price	Expiry Date	Balance at 1.7.18	Granted	Exercised	Forfeited	Expired	Balance at 30.6.19
$15.43	18/10/2018	125,000	-	(110,000)	-	(15,000)	**-**
$11.43	18/11/2018	596,841	-	(596,841)	-	-	**-**
$15.21	13/12/2018	50,000	-	(50,000)	-	-	**-**
$12.57	02/07/2019	35,000	-	(35,000)	-	-	**-**
$17.32	27/11/2019	250,069	-	-	-	-	**250,069**
$18.84	30/11/2019	515,000	-	(294,500)	-	-	**220,500**
$18.49	20/08/2020	850,000	-	(297,500)	-	-	**552,500**
$19.78	11/10/2020	1,886,833	-	(225,500)	-	-	**1,661,333**
$19.41	20/11/2020	766,969	-	-	(410,328)	-	**356,641**
$21.62	17/09/2021	800,000	-	-	-	-	**800,000**
$22.02	17/09/2021	200,000	-	-	-	-	**200,000**
$21.62	17/11/2021	671,089	-	-	-	-	**671,089**
$23.34	05/05/2022	1,000,000	-	-	(30,000)	-	**970,000**
$21.64	22/11/2022	675,145	-	-	-	-	**675,145**
$21.83	14/10/2023	-	2,000,000	-	-	-	**2,000,000**
$21.69	21/11/2023	-	667,787	-	-	-	**667,787**
$24.30	21/12/2023	-	1,000,000	-	-	-	**1,000,000**
Performance Rights	01/10/2019	-	2,748	(2,748)	-	-	**-**
Performance Rights	20/11/2020	91,988	-	(42,775)	(49,213)	-	**-**
Performance Rights	17/11/2021	87,843	-	-	-	-	**87,843**
Performance Rights	22/11/2022	87,762	-	-	-	-	**87,762**
Performance Rights	21/11/2023	-	87,560	-	-	-	**87,560**
		8,689,539	3,758,095	(1,654,864)	(489,541)	(15,000)	**10,288,229**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

Note 7 Reserves

	2019 $'000	2018 $'000
Foreign currency translation reserve	**217,016**	109,291
Equity remuneration reserve	**(78,574)**	(68,138)
Share option reserve	**16,427**	16,427
Revaluation reserve	**3,272**	3,272
Transactions with minority interests	**(11,866)**	(32,963)
	146,275	27,889

Movements

	2019 $'000	2018 $'000
Foreign currency translation reserve		
Balance 1 July	**109,291**	21,280
Net exchange movement on translation of foreign subsidiaries	**107,725**	88,011
Balance	**217,016**	109,291
Equity remuneration reserve		
Balance 1 July	**(68,138)**	(62,837)
Share based payments	**3,878**	4,742
Employee share scheme issue	**(11,901)**	(7,470)
Transfer to share capital (options exercised)	**(2,413)**	(2,573)
Balance	**(78,574)**	(68,138)
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	**(32,963)**	(31,162)
Acquisition of minority interests	**20,823**	(286)
Sale of minority interests	**1,505**	-
Net exchange movement	**(1,231)**	(1,515)
Balance	**(11,866)**	(32,963)

Note 8 Retained earnings

	2019 $'000	2018 $'000
Retained earnings at the beginning of the financial year	**1,143,643**	996,791
Net profit attributable to members of Sonic Healthcare Limited	**549,725**	475,606
Dividends paid in the year	**(365,112)**	(328,476)
Change in accounting standards	**(6,890)**	-
Actuarial (losses) on retirement benefit obligations (net of tax)	**(22,203)**	(278)
Retained earnings at the end of the financial year	**1,299,163**	1,143,643

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

Note 9 Business combinations

On 30 January 2019 Sonic acquired Aurora Diagnostics, LLC for an enterprise value of US$540M. Refer to Sonic's ASX announcements of 12 December 2018 for further information. The contribution to net profit after tax for the Sonic Group for the current financial period was A$22M. The profit of Aurora in the prior financial year is not comparable to the profit under Sonic's ownership due to a materially different capital structure.

On 26 June 2019 Sonic sold its 85% shareholding in GLP Systems GmbH. Refer to Sonic's ASX announcement of 27 June 2019 for further information. GLP Systems' trading results were immaterial to Sonic, however the gain on sale after tax was A$49M.

Note 10 Net asset backing

	2019	**2018**
Net tangible asset backing per ordinary security	**($2.69)**	($3.39)
Net asset backing per ordinary security	**$11.59**	$10.08

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 has arisen 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.

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 2019

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: ……………………………………………. (Company Secretary)   Date: 20 August 2019

Print name: PAUL ALEXANDER