

Sonic Healthcare Limited
ABN 24 004 196 909

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2018
Lodged with the ASX under Listing Rule 4.3A

RESULTS FOR ANNOUNCEMENT TO THE MARKET
For the year ended 30 June 2018

Financial Results	2018		% Change
\$'000	Statutory		
Revenue from ordinary activities	5,541,371		8.2%
Profit after tax from ordinary activities attributable to members	475,606		11.2%
Dividends	2018	2017	% Change
Final dividend (cents per share)	49¢	46¢	6.5%
Final dividend franked amount per security	14.70¢	9.20¢	
Interim dividend (cents per share)	32¢	31¢	3.2%
Interim dividend franked amount per security	6.40¢	6.20¢	

The final dividend is scheduled to be paid on 27 September 2018 to shareholders registered as at close of business on 13 September 2018 (the record date). The 2018 final dividend includes no conduit foreign income. The Company's Dividend Reinvestment Plan ("DRP") has been suspended for this dividend.

Financial Results				% Change	
\$'000				2018	2018
	2018	2018	2017	Constant	2018
	Constant	Statutory	Statutory	Currency*	Statutory
	Currency*			v 2017	v 2017
				Statutory	Statutory
Revenue	5,484,919	5,541,371	5,122,143	7.1%	8.2%
Earnings before interest, tax, depreciation and intangibles amortisation (EBITDA) pre non-recurring restructure and acquisition costs (Underlying EBITDA)	945,625	962,052	888,722	6.4%	8.3%
Non-recurring restructure and acquisition costs	(13,748)	(13,764)	(20,163)		
EBITDA	931,877	948,288	868,559	7.3%	9.2%
Depreciation and lease amortisation	(189,525)	(191,809)	(172,447)	9.9%	
EBITA	742,352	756,479	696,112	6.6%	8.7%
Amortisation of intangibles	(63,334)	(64,229)	(55,126)	14.9%	
Net interest expense	(74,681)	(75,269)	(65,243)	14.5%	
Income tax expense	(127,750)	(131,916)	(133,323)	(4.2)%	
Net (profit) attributable to minority interests	(9,388)	(9,459)	(14,647)		
Net profit attributable to Sonic shareholders	467,199	475,606	427,773	9.2%	11.2%
Less: One-off US net tax benefit	20,675	20,115	-		
Net profit excluding US net tax benefit	446,524	455,491	427,773		
Cash generated from operations (Refer Note 2(h))		767,920	736,365		4.3%
Earnings per share					
Basic earnings per share (cents per share)	110.7¢	112.6¢	102.7¢		9.6%
Diluted earnings per share (cents per share)	110.2¢	112.2¢	102.1¢		9.9%

* 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 2018

1. Headlines

- FY2018 result in line with guidance: underlying EBITDA growth of 6.4% (Constant Currency)
- Underlying EBITDA growth of 8.3% to A\$962 million (actual currency)
- Revenue growth of 8.2% to \$5.5 billion
- Net profit growth of 11.2% to A\$476 million
- Final dividend up 6.5% to A\$0.49 per share (full year up 5.2% to A\$0.81)
- Strong earnings growth in both Laboratory and Imaging divisions
- Ongoing successful organic, acquisition and hospital laboratory joint venture growth strategies

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 2018 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:

	2018 Statutory	2017 and Constant Currency
AUD/USD	0.7754	0.7544
AUD/EUR	0.6499	0.6921
AUD/GBP	0.5760	0.5951
AUD/CHF	0.7526	0.7476
AUD/NZD	1.0852	1.0586

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 2018

2. Explanation of results (continued)

(b) Revenue

Total revenue growth for the year was 8.2% (or 7.1% at Constant Currency exchange rates i.e. applying the average rates for the FY2017 year to the current year results).

Revenue breakdown

AUD M

	2018 Statutory Revenue	% of 2018 Statutory Revenue	2018 Constant Currency Revenue	2017 Revenue	Growth 2018 Constant Currency v 2017
Laboratory - Australia	1,403	25%	1,403	1,320	6.3%
Laboratory - USA	1,131	20%	1,163	1,106	5.2%
Laboratory - Europe	2,064	38%	1,975	1,803	9.5%
Laboratory - NZ	28	<1%	28	25	12.0%
Imaging - Australia	473	9%	473	442	7.0%
Other	439	8%	440	423	4.0%
Revenue	5,538	100%	5,482	5,119	7.1%
Interest income	3		3	3	
Total revenue	5,541		5,485	5,122	7.1%

The Laboratory division enjoyed revenue growth of 7% in the year (on a Constant Currency basis), including ~4% organic revenue growth.

Sonic's Australian Laboratory revenue growth of 6% was strong and included six months of the national bowel screening contract won by Sonic during the period.

US organic revenue growth was ~2% on a Constant Currency basis, after the impact of Medicare fee cuts from January 2018. Additional growth related to an acquisition in California completed in January 2017 and other minor acquisitions.

Sonic's European operations experienced strong organic revenue growth. German growth was enhanced by the synergistic acquisitions of Laboratory Bremen (July 2017) and the Staber laboratory group (January 2017), but was reduced by statutory insurance (EBM) fee changes from April 2018. European revenue growth was also impacted by fewer working days in the current year versus the prior year, particularly in Germany (~5 less days), Switzerland (~3 less) and Belgium (2 less).

Imaging organic revenue growth was strong at 7%.

Organic revenue growth for Sonic Clinical Services ("SCS"), Sonic's medical centre and occupational health businesses (the major components of the Other segment, which also includes Sonic's laboratory automation development subsidiary, GLP Systems, and other minor operations), was ~3% for the year, augmented by acquisitions and successful doctor recruitment. Growth of the medical centre business was impacted by the Medicare rebate freeze, which is being progressively reversed, with indexation being reintroduced in stages with minor changes from 1 July 2017, more significant changes from 1 July 2018 and further changes in later years.

Revenue was enhanced by currency exchange rate movements, which increased reported (Statutory) revenue by A\$56M compared to the prior year.

COMMENTARY ON RESULTS For the year ended 30 June 2018

2. Explanation of results (continued)

(c) EBITDA

Underlying EBITDA (pre non-recurring items) grew 6.4% (at Constant Currency exchange rates) versus the prior year. The A\$14M of non-recurring items in FY2018 related to acquisitions, restructuring and laboratory relocations which occurred in the year.

EBITDA growth for the year was strongest in Sonic's Imaging business, which benefited from investments made in equipment and greenfield sites over recent years, as well as ongoing efficiency strategies. EBITDA growth in the Laboratory division was enhanced by synergistic acquisitions in Germany and the US. The EBITDA margin of the Laboratory division showed strong accretion after normalising for working day differences.

Consumables cost increased slightly as a percentage of revenue despite ongoing success with procurement initiatives as a result of changes in mix in Sonic's total business, including expansion in Germany where consumables are typically a higher percentage of revenue. Underlying prices generally reduced.

(d) Depreciation and lease amortisation

Depreciation and leased asset amortisation has increased 10% on the comparative period (at Constant Currency rates) as a result of growth of the Company, including significant laboratory building projects (mainly London, Brisbane, Hawaii and Ingelheim) in recent years. Capital expenditure in the current year was significantly lower than in the prior year as the building projects were largely completed.

(e) Intangibles amortisation

Intangibles amortisation relates to software (both internally developed and purchased) and contract costs (including doctor contracts in SCS). The expense has increased by 15% over the previous period at Constant Currency rates due to the growth of the Company, new software projects, and the acquisition of GLP Systems in December 2016.

(f) Interest expense and debt facilities

Net interest expense increased 14.5% on the prior year (at Constant Currency rates) as a result of acquisitions completed in January 2017 and July 2017, increases in USD base rates, and higher margins/coupons on debt facilities refinanced in October 2017 (due to market movements and longer tenor facilities).

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 2018

2. Explanation of results (continued)

(f) Interest expense and debt facilities (continued)

Sonic's net interest bearing debt at 30 June 2018 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\$520	US\$398	165
- Euro limits	€425	€299	199
- AUD (Multicurrency) limits	A\$205	A\$119 ⁺	86
- CHF limits	CHF325	CHF221	142
Minor debt/leasing facilities	n/a	A\$5 [*]	-
Cash	n/a	A\$(313) [*]	313
Available funds at 30 June 2018			<u>905</u>

⁺ Debt drawn in GBP (£67M)

^{*} Various currencies

Sonic's credit metrics at 30 June 2018 were as follows:

	30.6.18	31.12.17	30.6.17
Gearing ratio	36.7%	38.3%	38.3%
Interest cover (times)	10.1	10.4	10.8
Debt cover (times)	2.5	2.7	2.7

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	-	515	-	-
2021	-	250	-	200
2022	50	75	305	-
2023	155	85	120	125
2024	-	-	185	-
2026	-	-	245	-
2032	-	-	85	-
	<u>205</u>	<u>925</u>	<u>940</u>	<u>325</u>

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 2018

2. Explanation of results (continued)

(g) Tax expense

The effective tax rate of 21% includes a one-off, non-cash net benefit of A\$20M relating to the revaluing of US net deferred tax liabilities to the new US corporate tax rate of 21%. Normalised for this benefit, the effective tax rate is 24.6%, in line with the full year guidance provided in August 2017 of approximately 25%.

(h) Cashflow from operations

Cash generated from operations was 4.3% higher than in the comparative period. Gross operating cashflow equated to 98% of EBITDA, reflecting working capital changes from FY2017, when cashflow was 103% of EBITDA.

3. Guidance for FY2019

Sonic expects EBITDA growth of 3-5% for FY2019 on a Constant Currency basis (applying FY2018 average currency exchange rates to FY2019) over the FY2018 underlying EBITDA of A\$962M. This equates to a range of approximately 5-7% using current exchange rates.

Net interest expense is expected to increase by approximately 4% from the FY2018 level of A\$75M on a Constant Currency basis as a result of acquisitions completed in July 2018 and recent increases in USD base rates.

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

Key guidance considerations:

- Incorporates known fee reductions (Germany and USA) equivalent to ~1.5% of EBITDA
- Guidance range reflects German volume growth volatility following April 2018 regulatory changes
- No other regulatory changes are assumed (positive or negative)
- Current interest rates are assumed to prevail
- Excludes any future business acquisitions

FULL YEAR REPORT
For the year ended 30 June 2018

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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 2017 Annual Report, the 2017 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 2018

	Notes	2018 \$'000	2017 \$'000
Revenue from operations		5,541,371	5,122,143
Labour and related costs (including \$4,742,000 (2017: \$3,980,000) of equity remuneration expense)		(2,543,798)	(2,359,294)
Consumables used		(918,211)	(823,008)
Operating lease rental expense		(334,451)	(323,061)
Depreciation and amortisation of physical assets		(191,809)	(172,447)
Repairs and maintenance		(151,661)	(137,321)
Transportation		(137,808)	(125,867)
Utilities		(126,509)	(113,007)
Borrowing costs expense		(78,444)	(68,136)
Amortisation of intangibles		(64,229)	(55,126)
Other expenses from ordinary activities		(377,470)	(369,133)
Profit from ordinary activities before income tax expense		616,981	575,743
Income tax expense		(131,916)	(133,323)
Profit from ordinary activities after income tax expense		485,065	442,420
Net (profit) attributable to minority interests		(9,459)	(14,647)
Profit attributable to members of Sonic Healthcare Limited		475,606	427,773
Basic earnings per share (cents per share)	4	112.6	102.7
Diluted earnings per share (cents per share)	4	112.2	102.1

The above Consolidated Income Statement should be read in conjunction with the accompanying notes, the 2017 Annual Report, the 2017 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 2018

	2018	2017
	\$'000	\$'000
Profit from ordinary activities after income tax expense	485,065	442,420
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	92,068	(26,447)
<i>Items that will not be reclassified to profit or loss</i>		
Actuarial (losses)/gains on retirement benefit obligations	(278)	9,754
Other comprehensive income for the period, net of tax	91,790	(16,693)
Total comprehensive income for the period	576,855	425,727
Total comprehensive income attributable to:		
Members of Sonic Healthcare Limited	561,824	413,039
Minority interests	15,031	12,688
	576,855	425,727

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes, the 2017 Annual Report, the 2017 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 2018

	Notes	2018 \$'000	2017 \$'000
Current assets			
Cash assets and cash equivalents		313,268	437,617
Receivables		747,355	716,589
Inventories		106,780	96,220
Other		64,306	52,017
Total current assets		<u>1,231,709</u>	<u>1,302,443</u>
Non-current assets			
Receivables		23,916	21,257
Other financial assets		40,471	38,134
Property, plant and equipment		1,155,481	1,101,890
Intangible assets		5,722,188	5,381,234
Deferred tax assets		25,755	32,044
Other		1,414	1,163
Total non-current assets		<u>6,969,225</u>	<u>6,575,722</u>
Total assets		<u>8,200,934</u>	<u>7,878,165</u>
Current liabilities			
Payables		519,290	510,486
Interest bearing liabilities		3,752	821,134
Current tax liabilities		103,196	56,602
Provisions		207,619	200,444
Other		34,006	24,982
Total current liabilities		<u>867,863</u>	<u>1,613,648</u>
Non-current liabilities			
Interest bearing liabilities		2,792,297	2,051,888
Deferred tax liabilities		120,795	127,709
Provisions		114,431	111,662
Other		22,623	47,128
Total non-current liabilities		<u>3,050,146</u>	<u>2,338,387</u>
Total liabilities		<u>3,918,009</u>	<u>3,952,035</u>
Net assets		<u>4,282,925</u>	<u>3,926,130</u>
Equity			
Parent entity interest			
Contributed equity	5	3,005,875	2,885,615
Reserves	7	27,889	(53,020)
Retained earnings	8	1,143,643	996,791
Total parent entity interest		<u>4,177,407</u>	<u>3,829,386</u>
Minority interests		105,518	96,744
Total equity		<u>4,282,925</u>	<u>3,926,130</u>

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes, the 2017 Annual Report, the 2017 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 2018

	2018 \$'000	2017 \$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	5,641,609	5,219,266
Payments to suppliers and employees (inclusive of goods and services tax)	(4,713,563)	(4,322,565)
Gross operating cash flow	928,046	896,701
Interest received	3,175	2,893
Borrowing costs	(73,969)	(67,324)
Income taxes paid	(89,332)	(95,905)
Net cash inflow from operating activities	767,920	736,365
Cash flows from investing activities		
Payment for purchase of controlled entities, net of cash acquired	(143,145)	(267,871)
Payments for property, plant and equipment	(225,617)	(336,903)
Proceeds from sale of non current assets	4,354	8,193
Payments for intangibles	(102,006)	(75,821)
Repayment of loans by other entities	6,261	6,191
Loans to other entities	(4,283)	(7,281)
Net cash (outflow) from investing activities	(464,436)	(673,492)
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities (net of transaction costs and related taxes)	15,427	27,991
Proceeds from borrowings	744,115	1,508,101
Repayment of borrowings	(952,431)	(1,179,868)
Transaction with non-controlling interest	(504)	13,695
Dividends paid to Company's shareholders	(233,673)	(275,775)
Dividends paid to minority interests in controlled entities	(6,353)	(5,586)
Net cash (outflow)/inflow from financing activities	(433,419)	88,558
Net (decrease)/increase in cash and cash equivalents	(129,935)	151,431
Cash and cash equivalents at the beginning of the financial year	437,617	290,436
Effects of exchange rate changes on cash and cash equivalents	5,586	(4,250)
Cash and cash equivalents at the end of the financial year	313,268	437,617

The above Consolidated Cash Flow Statement should be read in conjunction with the accompanying notes, the 2017 Annual Report, the 2017 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 2018

	Share capital	Reserves	Retained earnings	Total	Minority interests	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
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
Balance at 1 July 2016	2,802,491	(11,223)	871,612	3,662,880	69,829	3,732,709
Profit for period	-	-	427,773	427,773	14,647	442,420
Other comprehensive income for the period	-	(24,488)	9,754	(14,734)	(1,959)	(16,693)
Total comprehensive income for the period	-	(24,488)	437,527	413,039	12,688	425,727
Transactions with owners in their capacity as owners:						
Dividends paid	-	-	(312,348)	(312,348)	-	(312,348)
Shares issued	79,815	(15,204)	-	64,611	-	64,611
Transaction costs on shares issued net of tax	(34)	-	-	(34)	-	(34)
Transfers to share capital	3,450	(3,450)	-	-	-	-
Share based payments	-	3,980	-	3,980	-	3,980
Acquisition of treasury shares	(149)	-	-	(149)	-	(149)
Allocation of treasury shares	42	-	-	42	-	42
Contribution from minority interests	-	-	-	-	21,391	21,391
Acquisition of minority interests	-	(2,635)	-	(2,635)	(1,519)	(4,154)
Dividends paid to minority interests in controlled entities	-	-	-	-	(5,645)	(5,645)
Balance at 30 June 2017	2,885,615	(53,020)	996,791	3,829,386	96,744	3,926,130

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes, the 2017 Annual Report, the 2017 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 2018

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 2017, the 2017 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.

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 (GLP Systems), and other minor operations.

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 2018

Note 2 Segment information (continued)

Year ended 30 June 2018	Laboratory \$'000	Imaging \$'000	Other \$'000	Eliminations \$'000	Consolidated \$'000
Segment revenue (Constant Currency)	4,568,617	473,239	452,659	(12,771)	5,481,744
Currency exchange movement	56,452	-	-	-	56,452
Segment revenue (Statutory)	4,625,069	473,239	452,659	(12,771)	5,538,196
Interest income					3,175
Total revenue					5,541,371
Segment EBITA (Constant Currency)	685,686	63,299	(6,633)	-	742,352
Currency exchange movement	14,127	-	-	-	14,127
Segment EBITA (Statutory)	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
Year ended 30 June 2017	Laboratory \$'000	Imaging \$'000	Other \$'000	Eliminations \$'000	Consolidated \$'000
Segment revenue	4,253,648	441,994	435,794	(12,186)	5,119,250
Interest income					2,893
Total revenue					5,122,143
Segment EBITA	646,624	51,928	(2,440)	-	696,112
Amortisation expense					(55,126)
Unallocated net interest expense					(65,243)
Profit before tax					575,743
Income tax expense					(133,323)
Profit after income tax expense					442,420
Depreciation expense	116,430	29,436	26,581	-	172,447

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2018

Note 3	Dividends	2018	2017
		\$'000	\$'000
	Total dividends paid on ordinary shares during the year	<u>193,176</u>	<u>182,963</u>
	Final dividend for the year ended 30 June 2017 of 46 cents (2016: 44 cents) per share paid on 11 October 2017 (2016: 27 September 2016), franked to 20% (2016: 30%)	193,176	182,963
	Interim dividend for the year ended 30 June 2018 of 32 cents (2017: 31 cents) per share paid on 10 April 2018 (2017: 11 April 2017), franked to 20% (2017: 20%)	<u>135,300</u>	<u>129,385</u>
		<u>328,476</u>	<u>312,348</u>

Dividends not recognised at the end of the year

On 15 August 2018 the directors declared a final dividend of 49 cents per share (2017: 46 cents) franked to 30% (2017: 20%), payable on 27 September 2018 with a record date of 13 September 2018. 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:

<u>209,168</u>	<u>193,176</u>
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Dividend Reinvestment Plan

The Company's Dividend Reinvestment Plan is suspended for the FY2018 final dividend.

Note 4	Earnings per share	2018	2017
		Cents	Cents
	Basic earnings per share	112.6	102.7
	Diluted earnings per share	112.2	102.1
	Weighted average number of ordinary shares used as the denominator	<u>2018</u>	<u>2017</u>
	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	422,212,272	416,726,482
	Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	<u>423,777,046</u>	<u>418,968,161</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2018

Note 5 Contributed equity

	2018 Shares	2017 Shares	2018 \$'000	2017 \$'000
Share capital				
Fully paid ordinary shares	424,704,991	419,195,981	3,006,555	2,885,764
Other equity securities				
Treasury shares	(28,083)	(6,849)	(680)	(149)
	<u>424,676,908</u>	<u>419,189,132</u>	<u>3,005,875</u>	<u>2,885,615</u>

Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	\$'000
1/7/17	Opening balance	419,195,981		2,885,764
11/10/17	Shares issued under the Dividend Reinvestment Plan	2,648,707	\$20.9214	55,415
10/4/18	Shares issued under the Dividend Reinvestment Plan	1,687,232	\$23.3445	39,388
Various	Shares issued following exercise of employee options/rights	1,173,071	Various	23,481
Various	Transfers from equity remuneration reserve	-		2,573
Various	Costs associated with shares issued net of future income tax benefits	-		(66)
30/6/18	Closing balance	<u>424,704,991</u>		<u>3,006,555</u>

Movements in other equity securities:

1/7/17	Opening balance	(6,849)	(149)
Various	On market purchase of Sonic shares by SHEST	(22,091)	(499)
Various	Allocation of treasury shares	798,928	17,270
Various	Subscription for unissued shares by SHEST	(798,071)	(17,302)
30/6/18	Closing balance	<u>(28,083)</u>	<u>(680)</u>

Note 6 Unlisted share options / performance rights

Exercise Price	Expiry Date	Balance at 1.7.17	Granted	Exercised	Forfeited	Expired	Balance at 30.6.18
\$11.43	18/11/2017	651,126	-	(651,126)	-	-	-
\$11.43	18/11/2018	596,841	-	-	-	-	596,841
\$15.43	18/10/2018	185,000	-	(60,000)	-	-	125,000
\$15.21	13/12/2018	75,000	-	(25,000)	-	-	50,000
\$12.57	02/07/2019	125,000	-	(90,000)	-	-	35,000
\$17.32	27/11/2019	706,108	-	-	(456,039)	-	250,069
\$18.84	30/11/2019	750,000	-	(235,000)	-	-	515,000
\$18.49	20/08/2020	925,000	-	(75,000)	-	-	850,000
\$19.41	20/11/2020	766,969	-	-	-	-	766,969
\$19.78	11/10/2020	2,153,333	-	(16,500)	(250,000)	-	1,886,833
\$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	-	-	-	1,000,000
\$21.64	22/11/2022	-	675,145	-	-	-	675,145
Performance Rights	02/10/2018	-	2,357	(2,357)	-	-	-
Performance Rights	27/11/2019	100,085	-	(35,445)	(64,640)	-	-
Performance Rights	20/11/2020	91,988	-	-	-	-	91,988
Performance Rights	17/11/2021	87,843	-	-	-	-	87,843
Performance Rights	22/11/2022	-	87,762	-	-	-	87,762
		<u>8,885,382</u>	<u>1,765,264</u>	<u>(1,190,428)</u>	<u>(770,679)</u>	<u>-</u>	<u>8,689,539</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2018

Note 7 Reserves

	2018	2017
	\$'000	\$'000
Foreign currency translation reserve	109,291	21,280
Equity remuneration reserve	(68,138)	(62,837)
Share option reserve	16,427	16,427
Revaluation reserve	3,272	3,272
Transactions with minority interests	(32,963)	(31,162)
	<u>27,889</u>	<u>(53,020)</u>

Movements

Foreign currency translation reserve

Balance 1 July	21,280	45,790
Net exchange movement on translation of foreign subsidiaries	88,011	(24,510)
Balance	<u>109,291</u>	<u>21,280</u>

Equity remuneration reserve

Balance 1 July	(62,837)	(48,163)
Share based payments	4,742	3,980
Employee share scheme issue	(7,470)	(15,204)
Transfer to share capital (options exercised)	(2,573)	(3,450)
Balance	<u>(68,138)</u>	<u>(62,837)</u>

Share option reserve

Balance 1 July	16,427	16,427
Movement	-	-
Balance	<u>16,427</u>	<u>16,427</u>

Revaluation reserve

Balance 1 July	3,272	3,272
Movement	-	-
Balance	<u>3,272</u>	<u>3,272</u>

Transactions with minority interests

Balance 1 July	(31,162)	(28,549)
Acquisition of minority interests	(286)	(2,635)
Net exchange movement	(1,515)	22
Balance	<u>(32,963)</u>	<u>(31,162)</u>

Note 8 Retained earnings

	2018	2017
	\$'000	\$'000
Retained earnings at the beginning of the financial year	996,791	871,612
Net profit attributable to members of Sonic Healthcare Limited	475,606	427,773
Dividends paid in the year	(328,476)	(312,348)
Actuarial (losses)/gains on retirement benefit obligations (net of tax)	(278)	9,754
Retained earnings at the end of the financial year	<u>1,143,643</u>	<u>996,791</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2018

Note 9 Net asset backing

	<u>2018</u>	<u>2017</u>
Net tangible asset backing per ordinary security	(\$3.39)	(\$3.47)
Net asset backing per ordinary security	<u>\$10.08</u>	<u>\$9.37</u>

Note 10 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, other than the acquisition of Pathologie Trier (annual revenue ~€20 million) in Germany on 3 July 2018 and the signing of a laboratory joint venture with ProMedica Health System, Inc. in the US. Neither of these transactions are material for Sonic. Refer to Sonic's ASX announcements of 3 July and 3 August 2018 for further information.

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 2018

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

Identify other standards used

NIL


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

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

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

The entity has a formally constituted audit committee.

Signed:


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(Company Secretary)

Date: 16 August 2018

Print name:

PAUL ALEXANDER