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SONIC HEALTHCARE LIMITED

23 August 2021

The Manager – Listings
Australian Securities Exchange Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Via electronic lodgement

Dear Sir / Madam,

RESULTS FOR THE YEAR ENDED 30 JUNE 2021

Attached in accordance with Listing Rule 4.3A is the Appendix 4E for Sonic Healthcare Limited for the year ended 30 June 2021.

The release of this announcement was authorised by the Board of Sonic Healthcare Limited.

Yours faithfully
Sonic Healthcare Limited

Paul Alexander
Company Secretary

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Sonic Healthcare Limited

ABN 24 004 196 909

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

Lodged with the ASX under Listing Rule 4.3A

RESULTS FOR ANNOUNCEMENT TO THE MARKET
For the year ended 30 June 2021

Financial Results **$'000**	**2021 Statutory**		**% Change**
Revenue from ordinary activities	**8,754,123**		**28.1%**
Profit after tax from ordinary activities attributable to members	**1,315,040**		**149.2%**

Dividends Cents per share	**FY2021**	**FY2020**	**% Change**
Final dividend	**55¢**	51¢	7.8%
Final dividend franked amount per security	**35.75¢**	15.30¢	133.7%
Interim dividend	**36¢**	34¢	5.9%
Interim dividend franked amount per security	**10.80¢**	10.20¢	5.9%

The final dividend is scheduled to be paid on 22 September 2021 to shareholders registered as at close of business on 8 September 2021 (the record date). The unfranked component of the 2021 final dividend is conduit foreign income and is therefore not subject to Australian dividend withholding tax for non-resident shareholders. The Company's Dividend Reinvestment Plan ('DRP') has been suspended for this dividend.

Explanation of results

$'000	**2021 Constant Currency[1]**	**2021 Statutory**	**2020 Statutory**	**% Change 2021 Constant Currency versus 2020**	**% Change 2021 Statutory versus 2020**
Revenue	9,129,347	**8,754,123**	6,831,843	33.6%	**28.1%**
EBITDA[2]	2,667,068	**2,559,790**	1,411,834	88.9%	81.3%
Depreciation	(587,193)	**(573,392)**	(540,658)	8.6%	
EBITA	2,079,875	**1,986,398**	871,176	138.7%	128.0%
Amortisation of intangibles	(70,844)	**(68,202)**	(65,210)	8.6%	
Net interest expense	(96,345)	**(89,603)**	(106,903)	(9.9)%	
Income tax expense	(501,971)	**(480,935)**	(157,160)	219.4%	
Net (profit) attributable to minority interests	(33,681)	**(32,618)**	(14,154)	138.0%	
Net profit attributable to Sonic shareholders	1,377,034	**1,315,040**	527,749	160.9%	**149.2%**
Cash generated from operations		**2,042,836**	1,360,298		50.2%
Earnings per share					
Basic earnings per share (cents per share)	288.5	**275.5**	111.1	159.7%	148.0%
Diluted earnings per share (cents per share)	286.0	**273.1**	110.6	158.6%	146.9%

[1] For an explanation of 'Constant Currency' refer to 2(a) in the Commentary on Results.
[2] EBITDA = Earnings before interest, tax, depreciation and amortisation.

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

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COMMENTARY ON RESULTS
For the year ended 30 June 2021

1. Headlines

- Revenue growth of 28% to A$8.8 billion.
- EBITDA growth of 81% to A$2.6 billion.
- Net profit growth of 149% to A$1.3 billion.
- Sonic Healthcare is playing a crucial role in combating the COVID-19 pandemic in its markets, whilst continuing to provide its usual essential healthcare services, with ~138 million patients served globally in FY2021.
- Approximately 30 million COVID-19 PCR tests have been performed to date in ~60 Sonic laboratories globally and Sonic has become Australia's largest non-government COVID vaccination provider.
- Significant revenue and earnings contribution from COVID-19 testing.
- COVID-19 testing capabilities supported by Sonic's Medical Leadership culture and decades of investment in people and infrastructure.
- COVID-19 PCR test volumes lower in H2 versus H1 but now increasing with spread of the Delta variant.
- FY2021 global base business revenue (ex-COVID testing) up 6% versus FY2020 and 4% versus FY2019.
- Margin accretion in both laboratory and imaging divisions.
- Balance sheet set for growth by acquisition, with gearing at record low level and ~A$1.5 billion of liquidity currently available (pre-interim dividend and settlement of Canberra Imaging Group acquisition).
- Progressive dividend policy maintained, increase of 4 cents (8%) to 55 cents for the FY2021 Final Dividend. FY2021 Final Dividend franked to 65% (previously 30%). Total dividends for the year up 7% on the prior year.
- Outstanding achievement by Sonic's 38,000 global staff, working in unrelenting and difficult conditions.

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 2021 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.

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:

	2021 Statutory	2020 and Constant Currency
AUD/USD	0.7473	0.6712
AUD/EUR	0.6263	0.6068
AUD/GBP	0.5546	0.5328
AUD/CHF	0.6800	0.6557
AUD/NZD	1.0744	1.0544

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COMMENTARY ON RESULTS
For the year ended 30 June 2021

2. Explanation of results (continued)

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.

(b) Revenue

Revenue breakdown

AUD M	2021 Statutory Revenue	% of 2021 Statutory Revenue	2021 Constant Currency Revenue	2020 Revenue	Growth 2021 Constant Currency v 2020
Laboratory – Australia and New Zealand	2,006	23%	2,007	1,574	27.5%
Laboratory - USA	2,239	25%	2,493	1,858	34.2%
Laboratory - Europe	3,476	40%	3,597	2,458	46.3%
Imaging – Australia	620	7%	620	521	19.0%
Other	410	5%	410	415	(1.2)%
Revenue	8,751		9,127	6,826	33.7%
Interest income	3		2	6	
Total revenue	8,754		9,129	6,832	33.6%

Total revenue growth for the year was 28% (34% on a Constant Currency basis), enhanced by COVID-19 testing revenue in each of Sonic's laboratory businesses. COVID-19 PCR volumes were lower in the second half of the year versus the first half but have been increasing post-year end with the spread of the Delta variant. Base business revenue (excluding COVID testing) grew by 6% versus FY2020 and 4% versus FY2019 (with FY2020 and FY2019 revenues normalised for currency exchange rates, acquisitions and disposals of businesses, and non-recurring gains). Sonic's base business has become increasingly resilient to impacts of pandemic waves and benefits from geographical and business diversification. Exchange rate movements reduced Statutory revenue growth by A$375 million.

The Laboratory division achieved organic revenue growth of 37% in the year (Constant Currency), with particularly strong growth in Sonic's Northern Hemisphere markets.

Imaging revenue growth was also strong at 19% (15% organic), driven by investments in greenfield sites and new equipment in the current and prior periods, and further enhanced by the acquisition of a majority interest (moving from 40% to 80%) of Epworth Medical Imaging (EMI) from March 2021. EMI is based in Melbourne and has annual revenue of approximately A$45 million.

Revenue for Sonic Clinical Services (SCS), mainly comprising Sonic's medical centre and occupational health businesses (the major component of the Other segment, which also includes other minor operations), declined slightly from the prior year as a result of the impacts of the pandemic.

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COMMENTARY ON RESULTS
For the year ended 30 June 2021

2. Explanation of results (continued)

(c) Earnings

EBITDA grew 81%, or 89% on a Constant Currency basis. EBITDA growth of 89% (Constant Currency: 97%) in the Laboratory division was enhanced by COVID-19 testing, leveraging existing infrastructure. EBITDA margins for the Laboratory division increased from 21.3% to 30.8%. Sonic's Imaging business reported 24% EBITDA growth and 108 basis points of margin improvement.

The high volume of COVID-19 PCR tests performed has caused consumables cost to significantly increase as a percentage of revenue, whilst labour cost has reduced substantially on the same basis. Sonic's US business continues to benefit from labour savings flowing from changes made at the beginning of the pandemic. Other expense lines have reduced as a percentage of revenue.

Net profit growth of 149% on 28% growth in revenue demonstrates the strong operating leverage in Sonic's businesses.

(d) Depreciation

Depreciation increased 9% on the comparative period (at Constant Currency rates), reflecting the growth of the Company, but well below revenue growth.

(e) Intangibles amortisation

Intangibles amortisation relates to internally developed and purchased software.

(f) Interest expense and debt facilities

Net interest expense decreased 10% on the prior year (at Constant Currency rates), largely due to strong operating cashflow allowing debt reduction.

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

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COMMENTARY ON RESULTS
For the year ended 30 June 2021

2. Explanation of results (continued)

(f) Interest expense and debt facilities (continued)

Sonic's net interest bearing debt (excluding lease liabilities under AASB 16 *Leases*) at 30 June 2021 comprised:

	Facility Limit M	Drawn M	AUD $M Available
Notes held by USA investors – USD	US$550	US$550	-
Notes held by USA investors – EUR	€515	€515	-
Bank debt facilities			
- USD limits	US$175	-	233
- Euro limits	€550	€60	775
- AUD(Multicurrency) limits	A$48	-	48
- CHF limits	CHF125	CHF124	1
Minor debt/leasing facilities		A$18*	-
Cash		A$(900)*	900
Available liquidity at 30 June 2021 (refer below for currently available liquidity)			1,957
Net interest bearing debt (excluding lease liabilities under AASB 16)		A$940	

* Various currencies

Available liquidity:
In August 2021, Sonic cancelled bank facility limits which were due to expire in April 2022, totalling the equivalent of ~A$540M. Available liquidity is therefore currently ~A$1.5 billion (pre-interim dividend and settlement of the Canberra Imaging Group acquisition).

Sonic's credit metrics at 30 June 2021 were as follows:

	30.6.21	31.12.20	30.6.20
Gearing ratio	12.5%	21.6%	26.1%
Interest cover (times)	33.8	20.5	11.5
Debt cover (times)	0.4	1.0	1.8

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, which exclude the impacts of AASB 16 *Leases*

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
2021	-	-	-	-
2022	-	-	-	-
2023	48	100	120	125
2024	-	-	345	-
2026	-	-	245	-
2030	-	300	-	-
2032	-	150	85	-
2035	-	100	-	-
	48	650	795	125

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

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COMMENTARY ON RESULTS
For the year ended 30 June 2021

2. Explanation of results (continued)

(g) Tax expense

The effective tax rate is 26%, reasonably in line with Sonic's historic expectation of ~25%. The rate was 23% in the comparative period, which included a number of non-recurring adjustments.

(h) Cash flow

Cash generated from operations was 50% higher than in the comparative period and gross operating cash flow equated to 97% (FY2020: 113%) of EBITDA. Cash generation was extraordinarily strong in the FY2020 year largely due to cash preservation initiatives in the light of the pandemic and the receipt of prepayments of ~A$63 million of US Medicare testing revenue. These working capital benefits reversed, as expected, in FY2021. Cash generation in FY2021 was also impacted by increases in debtors and inventory related to COVID-19 testing.

(i) FY2022

Sonic is not providing earnings guidance for FY2022 due to COVID-19 related unpredictability. The pandemic has the potential to cause fluctuations in both COVID-19 testing revenues and the base business, although the base business has become increasingly resilient to the impacts of pandemic waves. The underlying growth drivers for healthcare services remain unchanged. Base business fluctuations are also mitigated by geographical and business sector diversity. The COVID-19 Delta variant is currently driving increases in COVID-19 testing revenues.

Sonic expects to complete the acquisition of Canberra Imaging Group (CIG) on 1 September 2021. CIG has annual revenues of approximately A$60 million and is the leading radiology practice in the Canberra and surrounding areas.

Sonic is currently considering a number of additional acquisition opportunities.

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FULL YEAR REPORT
For the year ended 30 June 2021

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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 2020 Annual Report 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 2021

	Notes	2021 $'000	2020 $'000
Revenue from operations		**8,754,123**	6,831,843
Labour and related costs		**(3,357,164)**	(3,173,784)
Consumables used		**(1,616,831)**	(1,117,373)
Depreciation		**(573,392)**	(540,658)
Repairs and maintenance		**(208,648)**	(193,058)
Transportation		**(181,710)**	(177,248)
Utilities		**(145,283)**	(148,907)
Borrowing costs expense		**(92,519)**	(112,851)
Amortisation of intangibles		**(68,202)**	(65,210)
Lease expense		**(66,006)**	(51,344)
Other expenses from ordinary activities		**(615,775)**	(552,347)
Profit from ordinary activities before income tax expense		**1,828,593**	699,063
Income tax expense		**(480,935)**	(157,160)
Profit from ordinary activities after income tax expense		**1,347,658**	541,903
Net (profit) attributable to minority interests		**(32,618)**	(14,154)
Profit attributable to members of Sonic Healthcare Limited		**1,315,040**	527,749
Basic earnings per share (cents per share)	4	**275.5**	111.1
Diluted earnings per share (cents per share)	4	**273.1**	110.6

The above Consolidated Income Statement should be read in conjunction with the accompanying notes, the 2020 Annual Report and any public announcements made by Sonic Healthcare Limited in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2021

	2021 $'000	2020 $'000
Profit from ordinary activities after income tax expense	**1,347,658**	541,903
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**(178,349)**	33,175
Items that will not be reclassified to profit or loss		
Actuarial gains/(losses) on retirement benefit obligations	**25,219**	(5,782)
Other comprehensive income for the period, net of tax	**(153,130)**	27,393
Total comprehensive income for the period	**1,194,528**	569,296
Total comprehensive income attributable to:		
Members of Sonic Healthcare Limited	**1,160,470**	555,809
Minority interests	**34,058**	13,487
	1,194,528	569,296

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes, the 2020 Annual Report and any public announcements made by Sonic Healthcare Limited in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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CONSOLIDATED BALANCE SHEET
As at 30 June 2021

	Notes	2021 $'000	2020 $'000
Current assets			
Cash assets and cash equivalents		**899,827**	1,230,149
Receivables		**1,088,717**	986,770
Inventories		**224,388**	163,425
Other		**71,641**	74,761
Total current assets		**2,284,573**	2,455,105
Non-current assets			
Receivables		**31,549**	50,429
Other financial assets		**108,110**	91,754
Property, plant and equipment		**1,258,382**	1,230,498
Right-of-use assets		**1,294,542**	1,267,582
Intangible assets		**6,712,251**	6,954,904
Deferred tax assets		**65,276**	70,759
Other		**6,308**	6,099
Total non-current assets		**9,476,418**	9,672,025
Total assets		**11,760,991**	12,127,130
Current liabilities			
Payables		**1,026,535**	983,831
Interest bearing liabilities		**228,944**	364,198
Lease liabilities		**322,487**	298,923
Current tax liabilities		**254,730**	145,163
Provisions		**302,788**	259,826
Other		**82,453**	18,192
Total current liabilities		**2,217,937**	2,070,133
Non-current liabilities			
Interest bearing liabilities		**1,592,381**	2,872,429
Lease liabilities		**1,090,999**	1,080,331
Deferred tax liabilities		**190,505**	173,335
Provisions		**130,654**	163,538
Other		**34,172**	102,966
Total non-current liabilities		**3,038,711**	4,392,599
Total liabilities		**5,256,648**	6,462,732
Net assets		**6,504,343**	5,664,398
Equity			
Parent entity interest			
Contributed equity	5	**4,081,981**	4,000,910
Reserves	7	**(19,158)**	175,426
Retained earnings	8	**2,322,163**	1,397,417
Total parent entity interest		**6,384,986**	5,573,753
Minority interests		**119,357**	90,645
Total equity		**6,504,343**	5,664,398

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes, the 2020 Annual Report 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 2021

	2021 $'000	2020 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	**8,808,462**	6,801,349
Payments to suppliers and employees (inclusive of goods and services tax)	**(6,323,481)**	(5,209,415)
Gross operating cash flow	**2,484,981**	1,591,934
Interest received	**2,916**	5,947
Borrowing costs	**(102,842)**	(101,170)
Income taxes paid	**(342,219)**	(136,413)
Net cash inflow from operating activities	**2,042,836**	1,360,298
Cash flows from investing activities		
Payment for purchase of controlled entities, net of cash acquired	**(31,602)**	(97,783)
Payments for property, plant and equipment	**(273,581)**	(234,900)
Proceeds from sale of non-current assets	**24,401**	73,673
Payments for investments	**(20,921)**	(9,106)
Payments for intangibles	**(89,611)**	(89,086)
Repayment of loans by other entities	**16,305**	32,470
Loans to other entities	**(11,741)**	(10,185)
Net cash (outflow) from investing activities	**(386,750)**	(334,917)
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities (net of transaction costs and related taxes)	**53,633**	22,997
Proceeds from borrowings	**122,441**	1,468,184
Repayment of borrowings	**(1,376,607)**	(1,315,512)
Principal elements of lease payments	**(327,893)**	(300,075)
Dividends paid to Company's shareholders	**(415,513)**	(403,667)
Dividends paid to minority interests in controlled entities	**(10,719)**	(8,663)
Net cash (outflow) from financing activities	**(1,954,658)**	(536,736)
Net (decrease)/increase in cash and cash equivalents	**(298,572)**	488,645
Cash and cash equivalents at the beginning of the financial year	**1,230,149**	736,646
Effects of exchange rate changes on cash and cash equivalents	**(31,750)**	4,858
Cash and cash equivalents at the end of the financial year	**899,827**	1,230,149

The above Consolidated Cash Flow Statement should be read in conjunction with the accompanying notes, the 2020 Annual Report and any public announcements made by Sonic Healthcare Limited in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2021

	Share capital $'000	Reserves $'000	Retained earnings $'000	Total $'000	Minority interests $'000	Total $'000
Balance at 1 July 2020	4,000,910	175,426	1,397,417	5,573,753	90,645	**5,664,398**
Profit for period	-	-	1,315,040	1,315,040	32,618	**1,347,658**
Other comprehensive income for the period	-	(179,789)	25,219	(154,570)	1,440	**(153,130)**
Total comprehensive income for the period	-	(179,789)	1,340,259	1,160,470	34,058	**1,194,528**
Transactions with owners in their capacity as owners:						
Dividends paid	-	-	(415,513)	(415,513)	-	**(415,513)**
Shares issued	75,053	(21,095)	-	53,958	-	**53,958**
Transfers to share capital	6,011	(6,011)	-	-	-	**-**
Share based payments	-	12,643	-	12,643	-	**12,643**
Acquisition of treasury shares	(325)	-	-	(325)	-	**(325)**
Allocation of treasury shares	332	(332)	-	-	-	**-**
Acquisition of minority interests	-	-	-	-	2,535	**2,535**
Contributions from minority interests	-	-	-	-	2,811	**2,811**
Dividends paid to minority interests in controlled entities	-	-	-	-	(10,692)	**(10,692)**
Balance at 30 June 2021	**4,081,981**	**(19,158)**	**2,322,163**	**6,384,986**	**119,357**	**6,504,343**
Balance at 1 July 2019	3,966,892	146,275	1,299,163	5,412,330	79,536	5,491,866
Change in accounting standards (AASB 16)	-	-	(20,046)	(20,046)	-	(20,046)
Restated balance at 1 July 2019	3,966,892	146,275	1,279,117	5,392,284	79,536	5,471,820
Profit for period	-	-	527,749	527,749	14,154	541,903
Other comprehensive income for the period	-	33,842	(5,782)	28,060	(667)	27,393
Total comprehensive income for the period	-	33,842	521,967	555,809	13,487	569,296
Transactions with owners in their capacity as owners:						
Dividends paid	-	-	(403,667)	(403,667)	-	(403,667)
Shares issued	31,614	(8,617)	-	22,997	-	22,997
Transfers to share capital	2,342	(2,342)	-	-	-	-
Share based payments	-	6,330	-	6,330	-	6,330
Allocation of treasury shares	62	(62)	-	-	-	-
Contributions from minority interests	-	-	-	-	6,285	6,285
Dividends paid to minority interests in controlled entities	-	-	-	-	(8,663)	(8,663)
Balance at 30 June 2020	4,000,910	175,426	1,397,417	5,573,753	90,645	5,664,398

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes, the 2020 Annual Report and any public announcements made by Sonic Healthcare Limited in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021

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 2020 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 on-going COVID-19 pandemic has not significantly increased the estimation uncertainty in the preparation of the consolidated financial statements. A thorough consideration of potential COVID-19 impacts on the carrying value of assets and liabilities, contracts and potential liabilities has been made with no material impact to the financial report.

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 (until the sale of the subscale Irish business in the second half of FY2021). 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), and other minor operations. In addition acquisition costs and certain other non-recurring costs are expensed in this segment from time to time.

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021

Note 2 Segment information (continued)

Year ended 30 June 2021	Laboratory $'000	Imaging $'000	Other $'000	Eliminations $'000	Consolidated $'000
Segment revenue (Constant Currency)	8,096,415	620,092	413,224	(2,994)	9,126,737
Currency exchange movement	(375,223)	-	-	-	(375,223)
Segment revenue	**7,721,192**	**620,092**	**413,224**	**(2,994)**	**8,751,514**
Interest income					2,609
Total revenue					**8,754,123**
Segment EBITA (Constant Currency)	2,037,060	88,800	(45,985)	-	2,079,875
Currency exchange movement	(93,477)	-	-	-	(93,477)
Segment EBITA (Statutory)	**1,943,583**	**88,800**	**(45,985)**	**-**	**1,986,398**
Amortisation expense					(68,202)
Unallocated net interest expense					(89,603)
Profit before tax					**1,828,593**
Income tax expense					(480,935)
Profit after income tax expense					**1,347,658**
Depreciation expense	431,012	65,513	76,867	-	**573,392**

Year ended 30 June 2020	Laboratory $'000	Imaging $'000	Other $'000	Eliminations $'000	Consolidated $'000
Segment revenue	5,890,491	521,144	418,673	(3,997)	6,826,311
Interest income					5,532
Total revenue					6,831,843
Segment EBITA	860,034	63,295	(52,153)	-	871,176
Amortisation expense					(65,210)
Unallocated net interest expense					(106,903)
Profit before tax					699,063
Income tax expense					(157,160)
Profit after income tax expense					541,903
Depreciation expense	394,637	60,753	85,268	-	540,658

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021

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Note 3 Dividends

	2021 $'000	2020 $'000
Total dividends paid on ordinary shares during the year		
Final dividend for the year ended 30 June 2020 of 51 cents (2019: 51 cents) per share paid on 22 September 2020 (2019: 25 September 2019), franked to 30% (2019: 30%)	**243,488**	242,148
Interim dividend for the year ended 30 June 2021 of 36 cents (2020: 34 cents) per share paid on 24 March 2021 (2020: 25 March 2020), franked to 30% (2020: 30%)	**172,025**	161,519
	415,513	403,667
Dividends not recognised at the end of the year		
On 20 August 2021 the directors declared a final dividend of 55 cents per share (2020: 51 cents) franked to 65% (2020: 30%), payable on 22 September 2021 with a record date of 8 September 2021. 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:	**262,977**	243,488

Dividend Reinvestment Plan

The Company's Dividend Reinvestment Plan is suspended for the FY2021 final dividend.

Note 4 Earnings per share

	2021 Cents	2020 Cents
Basic earnings per share	**275.5**	111.1
Diluted earnings per share	**273.1**	110.6

	2021 Shares	2020 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	477,374,485	474,827,551
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	481,461,273	477,161,002

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021

Note 5 Contributed equity

	2021 Shares	2020 Shares	2021 $'000	2020 $'000
Share capital				
Fully paid ordinary shares	**477,923,301**	475,182,416	**4,082,121**	4,001,057
Other equity securities				
Treasury shares	**(4,754)**	(6,035)	**(140)**	(147)
	477,918,547	475,176,381	**4,081,981**	4,000,910

Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	$'000
1/7/20	Opening balance	475,182,416		4,001,057
Various	Shares issued following exercise of employee options/rights	2,740,885	Various	75,053
Various	Transfers from equity remuneration reserve	-		6,011
30/6/21	Closing balance	477,923,301		4,082,121

Movements in other equity securities:

1/7/20	Opening balance	(6,035)		(147)
28/8/20	On-market purchase of treasury shares	(10,000)		(325)
Various	Allocation of treasury shares	1,540,666		51,320
Various	Subscription for unissued shares by SHEST	(1,529,385)		(50,988)
30/6/21	Closing balance	(4,754)		(140)

Note 6 Unlisted share options / performance rights

Exercise Price	Expiry Date	Balance at 1.7.20	Granted	Exercised	Forfeited	Expired	Balance at 30.6.21
$18.49	20/08/2020	415,000	-	(415,000)	-	-	**-**
$19.78	11/10/2020	1,233,500	-	(1,233,500)	-	-	**-**
$19.41	20/11/2020	356,641	-	(356,641)	-	-	**-**
$21.62	17/09/2021	716,000	-	(411,000)	-	-	**305,000**
$22.02	17/09/2021	155,000	-	(37,500)	-	-	**117,500**
$21.62	17/11/2021	237,666	-	-	-	-	**237,666**
$23.34	05/05/2022	885,000	-	(225,000)	-	-	**660,000**
$21.64	22/11/2022	675,145	-	-	(196,299)	-	**478,846**
$21.69	21/11/2023	667,787	-	-	-	-	**667,787**
$21.83	14/10/2023	2,000,000	-	-	-	-	**2,000,000**
$24.30	21/12/2023	980,000	-	-	-	-	**980,000**
$28.58	05/12/2023	4,336,199	-	-	-	-	**4,336,199**
$27.28	22/05/2024	5,170,000	-	-	-	-	**5,170,000**
$29.26	19/11/2024	588,894	-	-	-	-	**588,894**
$34.21	18/11/2025	-	527,191	-	-	-	**527,191**
Performance Rights	01/10/2021	-	8,709	(8,709)	-	-	**-**
Performance Rights	01/10/2021	-	2,572	(2,572)	-	-	**-**
Performance Rights	22/11/2022	87,762	-	(62,244)	(25,518)	-	**-**
Performance Rights	21/11/2023	87,560	-	-	-	-	**87,560**
Performance Rights	19/11/2024	64,907	-	-	-	-	**64,907**
Performance Rights	18/11/2025	-	69,624	-	-	-	**69,624**
		18,657,061	608,096	(2,752,166)	(221,817)	-	**16,291,174**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021

Note 7 Reserves

	2021 $'000	2020 $'000
Foreign currency translation reserve	**70,871**	251,294
Equity remuneration reserve	**(98,060)**	(83,265)
Share option reserve	**16,427**	16,427
Revaluation reserve	**3,272**	3,272
Transactions with minority interests	**(11,668)**	(12,302)
	(19,158)	175,426

Movements

Foreign currency translation reserve		
Balance 1 July	**251,294**	217,016
Net exchange movement on translation of foreign subsidiaries	**(180,423)**	34,278
Balance	**70,871**	251,294
Equity remuneration reserve		
Balance 1 July	**(83,265)**	(78,574)
Share based payments	**12,643**	6,330
Employee share scheme issue	**(21,427)**	(8,679)
Transfer to share capital (options exercised)	**(6,011)**	(2,342)
Balance	**(98,060)**	(83,265)
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	**(12,302)**	(11,866)
Net exchange movement	**634**	(436)
Balance	**(11,668)**	(12,302)

Note 8 Retained earnings

	2021 $'000	2020 $'000
Retained earnings at the beginning of the financial year	**1,397,417**	1,299,163
Net profit attributable to members of Sonic Healthcare Limited	**1,315,040**	527,749
Dividends paid in the year	**(415,513)**	(403,667)
Change in accounting standards	**-**	(20,046)
Actuarial gains/(losses) on retirement benefit obligations (net of tax)	**25,219**	(5,782)
Retained earnings at the end of the financial year	**2,322,163**	1,397,417

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021

Note 9 Net asset backing

	2021	2020
Net tangible asset* backing per ordinary security	**$(0.44)**	$(2.72)
Net asset backing per ordinary security	**$13.61**	$11.92

*Net tangible assets include right-of-use assets

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.

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, unexpected growth in costs and expenses and the progress of the COVID-19 pandemic. 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.

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COMPLIANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2021

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: 23 August 2021
(Company Secretary)

Print name: PAUL ALEXANDER

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