

# Annual Report 2023

For personal use only



**SONIC  
HEALTHCARE  
LIMITED**

ABN 24 004 196 909

# Corporate Directory

## DIRECTORS

Prof. M.R. Compton AM | *Chairman*  
Dr C.S. Goldschmidt | *Managing Director*  
Mr C.D. Wilks | *Finance Director*  
Prof. C. Bennett AO  
Prof. S. Crowe AO  
Dr K. Giles  
Mr N. Mitchell  
Mr L.J. Panaccio  
Ms K.D. Spargo

## COMPANY SECRETARY

Mr P.J. Alexander

## PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

Level 22, Grosvenor Place,  
225 George Street, Sydney  
New South Wales, 2000, Australia

P 61 2 9855 5444

F 61 2 9878 5066

W [www.sonichealthcare.com](http://www.sonichealthcare.com)

E [contactus@sonichealthcare.com.au](mailto:contactus@sonichealthcare.com.au)

## SHARE REGISTRY

Computershare Investor Services Pty Limited  
Level 5, 115 Grenfell Street, Adelaide,  
South Australia, 5000, Australia

P 1300 556 161 (Within Australia)

P 61 3 9415 4000 (Outside Australia)

F 1300 534 987 (Within Australia)

F 61 3 9473 2408 (Outside Australia)

W [www.computershare.com](http://www.computershare.com)

E [www.investorcentre.com/contact](http://www.investorcentre.com/contact)

## AUDITOR

PricewaterhouseCoopers

## SOLICITORS

Allens  
Gilbert+Tobin  
Norton Rose Fulbright

## BANKERS

Australia and New Zealand Banking Group  
BNP Paribas  
Commerzbank  
Commonwealth Bank of Australia  
Crédit Industriel et Commercial  
DNB Bank  
HSBC  
JPMorgan Chase Bank  
Mizuho Bank  
MUFG Bank  
Westpac Banking Corporation

## STOCK EXCHANGE LISTINGS

Sonic Healthcare Limited shares are listed on the Australian Securities Exchange (SHL.AX). Sonic Healthcare Limited also has a Level 1 sponsored American Depositary Receipt (ADR) facility managed by BNY Mellon (the 'Depository'). Sonic Healthcare Limited's ADRs are traded under the code SKHHY.

## Verification of Unaudited Information in this Annual Report

Unaudited information in this Annual Report comprises all information included in the Annual Report other than the Financial Report, the Remuneration Report within the Directors' Report, the Directors' Declaration, the Independent Auditor's Report and the Auditor's Independence Declaration.

The integrity of the unaudited information has been verified as materially accurate and/or reasonable using the following processes:

- Financial information in the unaudited information has been tied to the current and/or previous audited Financial Reports, or has been gathered using the same reporting and consolidation process as used for the Financial Report (which includes several review layers), or has been sourced from third parties.
- The unaudited information has been reviewed and approved by the Managing Director and Finance Director individually, the Audit Committee, and the Board as a whole.
- The independent auditor has read the unaudited information and has considered whether the information is materially inconsistent with the Financial Report or their knowledge obtained in the audit, or otherwise appeared to be materially misstated. The auditor had nothing to report in this regard.

Forward-looking statements and opinions included in the unaudited information (which may be identified by the use of terminology including 'expects', 'believes', 'targets', 'likely', 'should', 'could', 'intends', 'aims', 'is estimated' or similar expressions) are not certainties, guarantees or predictions of future performance. Readers are cautioned not to place undue reliance on forward-looking statements or opinions.

## Cover

Vivienne Bui,  
Patient Services District Supervisor,  
Melbourne Pathology,  
Victoria, Australia





**Inset**  
Kevin Wallace, Biochemistry  
Laboratory Technician,  
Melbourne Pathology,  
Victoria, Australia

## Contents

|                                                                            |     |
|----------------------------------------------------------------------------|-----|
| Chairman's Letter                                                          | 02  |
| CEO's Report                                                               | 04  |
| Financial History                                                          | 07  |
| Directors' Report                                                          | 10  |
| Auditor's Independence Declaration                                         | 52  |
| Corporate Governance Statement                                             | 53  |
| Financial Report                                                           | 66  |
| Directors' Declaration                                                     | 144 |
| Independent Auditor's Report to the<br>Members of Sonic Healthcare Limited | 145 |
| Shareholders' Information                                                  | 151 |

# Chairman's Letter

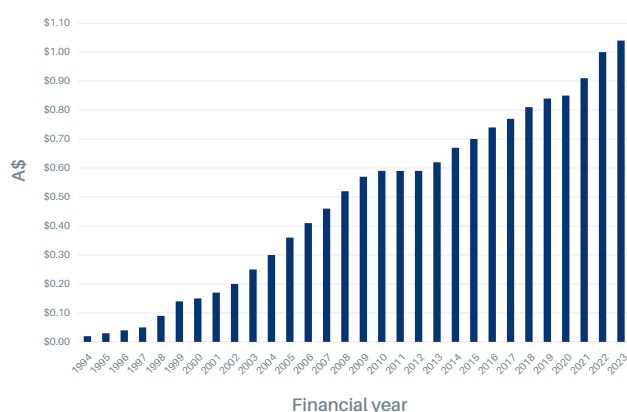
Dear Fellow Shareholders,

On behalf of the Company's Board of Directors, I am delighted to present to you Sonic Healthcare's 2023 Annual Report.

The Company's net profit for the 2023 financial year was A\$685 million, on revenues of A\$8.2 billion. Whilst these figures are lower than the prior year, due to an 80% decrease in COVID-related revenue, our base (non-COVID) business is strong, demonstrated by revenue growth of 11%. Compared with FY2019, the last pre-pandemic year, net profit is up by 25%.

We have continued our long held progressive dividend strategy, with total dividends for the year at A\$1.04 per share, up 4%. Both dividends for the year were fully franked, reflecting the strong performance of our Australian operations through the pandemic. Our 30-year dividend history is set out in the chart below, and I believe it is an enviable track record of growing rewards for shareholders.

Dividend history (full-year, per share)

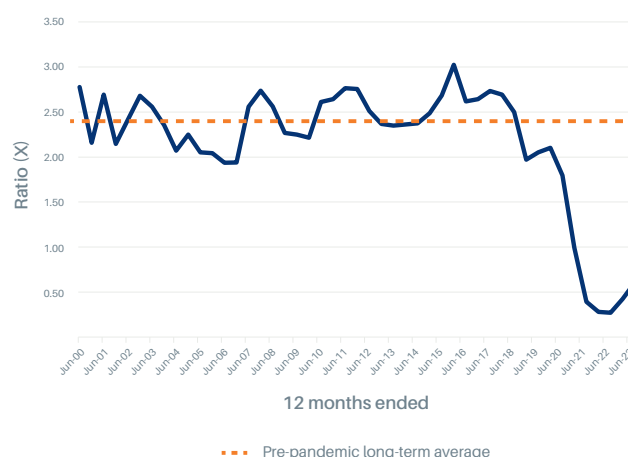


In addition to the significant increase in our profit since 2019, the last pre-pandemic year, strong operating cash flows have also meant that the Company's balance sheet has significantly strengthened. Net interest-bearing debt at 30 June 2023 was A\$886 million, versus the pre-pandemic level at 31 December 2019 of A\$2,352 million. This reduction was achieved whilst still investing in the growth of the Company through capital expenditure on equipment, technology, infrastructure and business acquisitions, as well as increasing dividend payments and conducting our first ever on-market share buyback.

The buyback commenced in the second half of FY2022 and continued into FY2023, reaching a total outlay of A\$425 million.

The chart below shows Sonic's Debt Cover ratio (Net debt/EBITDA) history. Gearing at 30 June 2023 was close to the record low level.

Debt cover history



This low gearing position sets the Company in a strong position for future growth. In addition we have recently announced acquisitions settling post 30 June 2023 for a total value of around A\$890 million, leaving significant capacity still available for further growth opportunities.

The Sonic Board continues to focus on development, renewal and diversity to provide strong governance to oversee the Company's ongoing growth. During the financial year we welcomed two new independent, Non-executive Directors to the Board, Professor Christine Bennett AO and Dr Katharine Giles. Both are qualified medical practitioners who bring an impressive array of skills and experience to our Board. Both have already demonstrated their value through new insights and diverse viewpoints. A further development occurring in the year was the appointment of Professor Suzanne Crowe AO as the Chair of the Risk Management Committee of the Board, bringing a fresh perspective to the role based on her extensive clinical and commercial expertise.

Sonic's Board currently comprises seven Non-executive Directors, all of whom the Board considers to be independent, plus two Executive Directors (being the Chief Executive Officer and the Chief Financial Officer).

Board members include a pathologist and three medical practitioners in keeping with the Company's Medical Leadership culture. The Board's current gender diversity objective (minimum 40% membership of both male and female members) is also satisfied, with 44% of Directors being female.

Sonic Healthcare's 2023 Sustainability Report will be released in November 2023, and available on the Company's website. Our sustainability governance and strategy has progressed significantly over the last twelve months and I strongly recommend that shareholders read the Report, which describes our sustainability governance and management structures at Board, executive and operational levels, details the Company's material sustainability topics, and sets out our net zero strategy and milestones, as determined by the Sonic Sustainability Steering Committee. The Report will also detail the manner in which Sonic continues to care for our people, the environment, our communities, and other communities in dire need. The Sonic Healthcare Foundation, established and funded by Sonic in FY2022, is now well advanced in providing healthcare support in parts of the world where the need is most acute.

Sonic's sustainability strategy and progress have been recognised during the year with improved ratings from external parties, with our MSCI rating moving from A (Average) to A+ (Leader), and our ISS ESG rating from C (Prime) to C+ (Prime). Sonic's Board and management are proud of progress in these areas, and we hope that shareholders feel this pride as well, as our sustainability journey continues.

Sonic continues to be included in the FTSE4Good Index Series and the FTSE4Good Australia 30 Index.

Sonic Healthcare is an amazing Australian healthcare and corporate success story, developing from one small laboratory in Sydney to market leading or top 3 positions in seven countries and number three globally. This incredible progress would not have been possible without the dedication and expertise of our dedicated and talented people, and in particular our executives, managers, medical practitioners, allied health practitioners, scientists, technical people, and others, all bound together by the higher purpose embodied in Sonic's culture of Medical Leadership. I thank each of them for their past and future efforts. I also thank my fellow Directors for their leadership and support of the Company, all showing strong Medical Leadership at the most senior governance level of the Company.

Finally, but by no means least, the strong support of our shareholders has also been instrumental in Sonic's success. My sincere thanks, and those of all at Sonic, go to you for your ongoing commitment to the Company and our mission to deliver excellent medical services to doctors and patients alike.



**Professor Mark Compton AM**  
Chairman

# CEO's Report

For personal use only

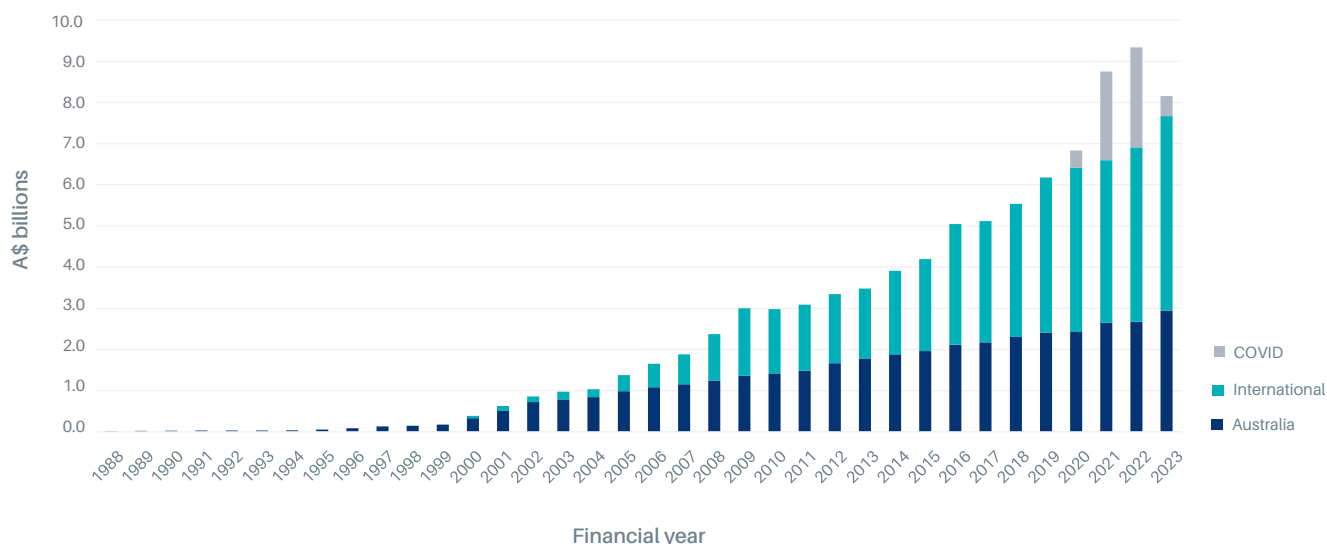
Sonic Healthcare continues to transition from the high volume COVID-19 testing environment to business as usual. Whilst our headline numbers for the 2023 financial year show lower revenue and earnings versus the prior year, this is the result of 80% less COVID-related revenue. Sonic is significantly stronger now than pre-pandemic, with much lower gearing and higher earnings – our earnings per share for FY2023 were 19% higher than in the most recent pre-pandemic comparable period, FY2019.

The chart opposite demonstrates the history of our revenue growth, a track record in which Sonic's staff and shareholders should take immense pride. Whilst the COVID revenue reduced in FY2023, the growth of our base business (excluding COVID services) continues apace. To date, we have performed approximately 60 million COVID-19 PCR tests across our seven countries of operation, whilst also providing COVID-related antibody testing, genetic sequencing and vaccination services as part of our contribution to combat the pandemic.

Our base business revenue (excluding COVID services) grew 11% in total in FY2023, including organically by 7% on a like-for-like basis. Pleasingly, base business organic revenue growth gained momentum during the year, with 6% growth in the first half, and 9% in the second. Sonic's unique Medical Leadership culture, and related investments over decades in people and infrastructure, have optimally positioned Sonic's operations to be strong in the specialist and hospital referrer sub-markets, and to capitalise on the accelerating trend towards higher value tests and modalities in laboratory medicine and radiology respectively. In turn, this has driven market share growth.

We have invested in the development and commercialisation of innovative testing capabilities, including genetic tests, such as ThyroSeq® and Oncotype DX®, microbiome testing and others. Our management teams around the world continue to seek out innovative new tests that we can bring to market to benefit patients and our business.

## Revenue history



In addition, Sonic has successfully positioned itself as a trusted partner for government organisations, hospital groups, and other healthcare providers to provide outsource or joint venture laboratory services. As a very recent example of this, Sonic has been chosen as the only private laboratory organisation to provide genetic testing for the ProSPeCT project, a landmark new national cancer genomic profiling study in Australia, to enable clinical trials for new cancer therapies. We are also close to finalisation of the 15-year contract to provide laboratory services for the Hertfordshire and West Essex ICS Pathology Transformation Procurement, a major UK NHS laboratory outsourcing. In addition, we have recently been awarded preferred bidder status for the Whittington Health NHS Trust, a minimum 5-year laboratory outsourcing project. We continue to explore other contract opportunities in the UK and more broadly.

Synergistic acquisitions are an ongoing part of our strategy to consolidate fragmented laboratory and radiology markets, and we have recently announced three highly attractive acquisitions. The Diagnosticum Laboratory Group and Medical Laboratories Duesseldorf are superb additions to our German laboratory operations. Both are high-quality, well-respected labs, with strong cultural alignment with Sonic, and complementary footprints with our existing operations. The acquisition of Synlab Suisse significantly adds to Sonic's market leading position in Switzerland, and provides the opportunity for substantial synergy capture. We have a healthy pipeline of further acquisition opportunities currently under consideration. In addition to their financial benefits, the many acquisitions that Sonic has made over the years have enriched our culture, expanded the talent pool of our people, and introduced us to new ways to improve our service and operational efficiency.

We continue to invest in state-of-the-art facilities and equipment, currently including new or expanded hub laboratory facilities in Hamburg and Munich (Germany) and Brisbane (Australia). These new facilities exemplify our high workplace standards and will foster efficiency gains as well as providing capacity for future growth.

At the same time, we remain acutely conscious that our infrastructure and services represent essential services to the communities, states and countries in which we operate.

In the post-pandemic environment, our management teams around the globe are focused on base business organic growth and margin improvement. We have locked in major initiatives in our businesses to promote earnings growth over coming years, including adjusting our workforce to match the vastly reduced COVID-related revenues.

Sonic expects that the use of artificial intelligence in pathology and radiology will cause step-changes in efficiency, quality and capacity in coming years, and we are investing in IT and infrastructure, including for digital pathology, to unlock these material upsides. Our Franklin.ai joint venture is nearing completion of its first AI product, with validation studies and field trials to commence in early 2024. Harrison.ai, in which Sonic has a 20% interest, continues to progress its radiology AI joint venture and we are already using their chest X-ray product throughout our radiology operations, whilst the second product, for CT brain, is currently being evaluated by our practices.

Sonic views sustainability as an integral part of business strategy, and we continue to invest in our sustainability initiatives to achieve the goals we have established. A detailed update on our progress will be provided in our 2023 Sustainability Report, due to be released in November 2023.

Our 41,000 staff around the world are united and energised by our deeply embedded Medical Leadership culture, which we describe as The Sonic Difference. I am inspired every day by the talent, dedication and deep expertise of our managers, pathologists, radiologists and staff, and I offer each of them my sincere thanks for everything they do to provide the outstanding services on which Sonic's reputation depends.

**Dr Colin Goldschmidt**  
CEO and Managing Director

---

Sonic is significantly stronger now than pre-pandemic, with much lower gearing and higher earnings – our earnings per share for FY2023 were 19% higher than in the most recent pre-pandemic comparable period, FY2019.

For personal use only



# Financial History

Note that FY2023 revenue and earnings comparisons with FY2022 have been impacted materially by an 80% reduction in COVID revenue. In addition, the Company adopted the lease accounting standard AASB 16 from 1 July 2019 and therefore most metrics for 2019 are not comparable to the later years.

| As at 30 June                                                                      | 2023       | 2022       | 2021       | 2020       | 2019 <sup>1</sup> |
|------------------------------------------------------------------------------------|------------|------------|------------|------------|-------------------|
|                                                                                    | \$'000     | \$'000     | \$'000     | \$'000     | \$'000            |
| Base business revenue                                                              | 7,683,541  | 6,911,644  | 6,599,038  | 6,417,604  | 6,184,056         |
| COVID-19 revenue                                                                   | 485,407    | 2,428,510  | 2,155,085  | 414,239    | –                 |
| Total revenue <sup>2</sup>                                                         | 8,168,948  | 9,340,154  | 8,754,123  | 6,831,843  | 6,184,056         |
| Earnings before interest, tax, depreciation and amortisation (EBITDA) <sup>2</sup> | 1,707,524  | 2,830,447  | 2,559,790  | 1,411,834  | 1,074,828         |
| Net profit after tax <sup>2</sup>                                                  | 684,984    | 1,460,566  | 1,315,040  | 527,749    | 549,725           |
| Net cash flow from operations                                                      | 1,471,033  | 2,225,821  | 2,042,836  | 1,360,298  | 847,308           |
| Total assets                                                                       | 13,014,629 | 12,552,013 | 11,760,991 | 12,127,130 | 9,959,834         |
| Total liabilities                                                                  | 5,092,767  | 5,123,839  | 5,256,648  | 6,462,732  | 4,467,968         |
| Net assets                                                                         | 7,921,862  | 7,428,174  | 6,504,343  | 5,664,398  | 5,491,866         |
| Net interest-bearing debt <sup>3</sup>                                             | 886,340    | 811,803    | 939,982    | 2,021,969  | 2,298,953         |

| Statistics                                                   |       |       |        |        |        |
|--------------------------------------------------------------|-------|-------|--------|--------|--------|
| Diluted earnings per share (cents) <sup>2</sup>              | 145.0 | 302.5 | 273.1  | 110.6  | 122.1  |
| Dividends declared per ordinary share (cents) <sup>4</sup>   | 104.0 | 100.0 | 91.0   | 85.0   | 84.0   |
| Dividend payout ratio <sup>4</sup>                           | 71.7% | 32.5% | 33.1%  | 76.7%  | 72.5%  |
| Gearing ratio <sup>5</sup>                                   | 9.9%  | 9.7%  | 12.5%  | 26.1%  | 29.5%  |
| Interest cover (times) <sup>5</sup>                          | 29.4  | 47.3  | 33.8   | 11.5   | 10.5   |
| Debt cover (times) <sup>5</sup>                              | 0.6   | 0.3   | 0.4    | 1.8    | 2.1    |
| Net tangible asset backing per share (\$)                    | 0.28  | 0.14  | (0.44) | (2.72) | (2.69) |
| Return (after tax) on invested capital (ROIC) <sup>2,6</sup> | 8.8%  | 19.7% | 18.7%  | 8.5%   | 8.8%   |
| Return (after tax) on equity <sup>2</sup>                    | 8.9%  | 21.0% | 21.6%  | 9.5%   | 11.2%  |

<sup>1</sup> 2019 is pre the adoption of the lease accounting standard AASB 16 and therefore most metrics are not comparable to the later years

<sup>2</sup> 2019 included a non-recurring pre-tax gain of \$50,385,000 (post-tax \$49,585,000) on the sale of GLP Systems

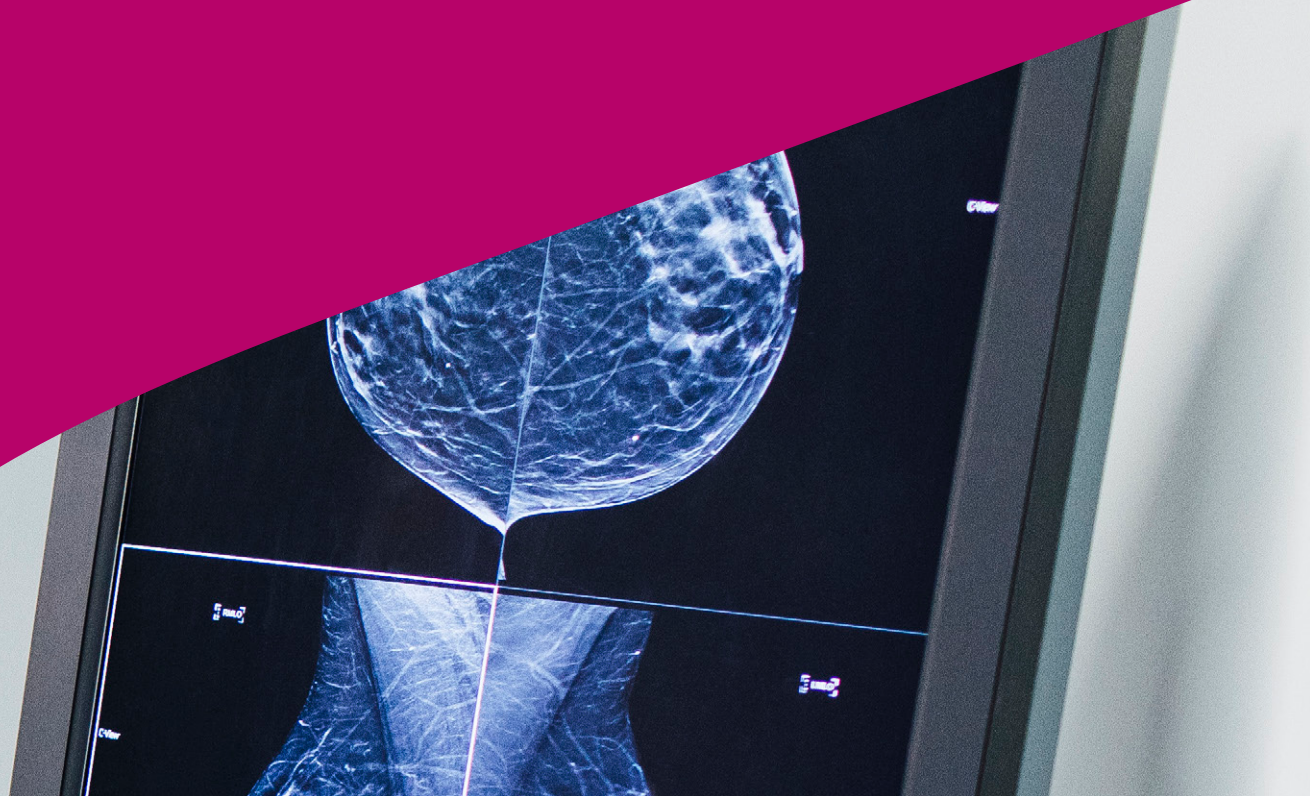
<sup>3</sup> Net interest-bearing debt excludes lease liabilities under AASB 16

<sup>4</sup> Dividends declared and payout ratio relate to the dividends declared out of the profits for the relevant year, rather than when the dividend is paid

<sup>5</sup> Calculated using debt facility covenant definitions, which exclude AASB 16

<sup>6</sup> The methodology for calculating ROIC has been amended in FY2023 to more appropriately demonstrate Sonic's returns, using pre-AASB 16 measures. Comparative years have been restated. ROIC is calculated as tax effected (using the effective tax rate and adjusted for the tax benefit of goodwill amortisation) EBIT (pre-AASB 16), less minority interests, divided by invested capital. Invested capital is measured as total pre-AASB 16 equity (excluding minority interests) plus net interest bearing debt (excluding lease liabilities under AASB 16). Invested capital is the average of the opening and closing position.

For personal use only



For personal use only

**Inset**

Fiona, Advanced  
Skills Radiographer,  
Queensland X-Ray,  
Queensland, Australia

**30 JUNE 2023**

SONIC HEALTHCARE LIMITED  
ABN 24 004 196 909

# Annual Report 2023

# Directors' Report

Your Directors present their report on the Group consisting of Sonic Healthcare Limited and the entities it controlled at the end of, or during, the year ended 30 June 2023.

## DIRECTORS

The following persons were Directors of Sonic Healthcare Limited during the whole of the financial year and up to the date of this report:

Prof. M.R. Compton AM | *Chairman*  
Dr C.S. Goldschmidt | *Managing Director*  
Mr C.D. Wilks | *Finance Director*  
Prof. S. Crowe AO  
Mr N. Mitchell  
Mr L.J. Panaccio  
Ms K.D. Spargo

Dr P.J. Dubois and Dr E.J. Wilson retired as Directors at the Company's Annual General Meeting held on 17 November 2022. Prof. C. Bennett AO and Dr K. Giles were appointed as Directors on 26 September 2022.

## PRINCIPAL ACTIVITIES

During the year the principal continuing activities of the Group consisted of the provision of medical diagnostic services and the provision of administrative services and facilities to medical practitioners.

## DIVIDENDS

Details of dividends in respect of the current year and previous financial year are as follows:

|                                                                    | 2023           | 2022    |
|--------------------------------------------------------------------|----------------|---------|
|                                                                    | \$'000         | \$'000  |
| Interim dividend paid on 22 March 2023 (2022: 23 March 2022)       | 196,971        | 191,956 |
| Final dividend paid on 21 September 2023 (2022: 21 September 2022) | 293,923        | 283,382 |
| <b>Total dividend for the year</b>                                 | <b>490,894</b> | 475,338 |

On 16 August 2023, the Board declared a final dividend in respect of the year ended 30 June 2023 of 62 cents per ordinary share, 100% franked (at a tax rate of 30%), paid on 21 September 2023, with a record date of 7 September 2023. An interim dividend of 42 cents per ordinary share, 100% franked (at a tax rate of 30%), was paid on 22 March 2023.

A final dividend of 60 cents per ordinary share (100% franked, at a tax rate of 30%) was paid on 21 September 2022, in respect of the year ended 30 June 2022, out of profits of that year. The interim dividend in respect of the year ended 30 June 2022 was 40 cents per ordinary share (100% franked, at a tax rate of 30%), paid on 23 March 2022.

## DIVIDEND REINVESTMENT PLAN (DRP)

The Company's Dividend Reinvestment Plan remained suspended for the FY2023 final dividend, as it was through the 2023 and 2022 financial years.

## OPERATING AND FINANCIAL REVIEW

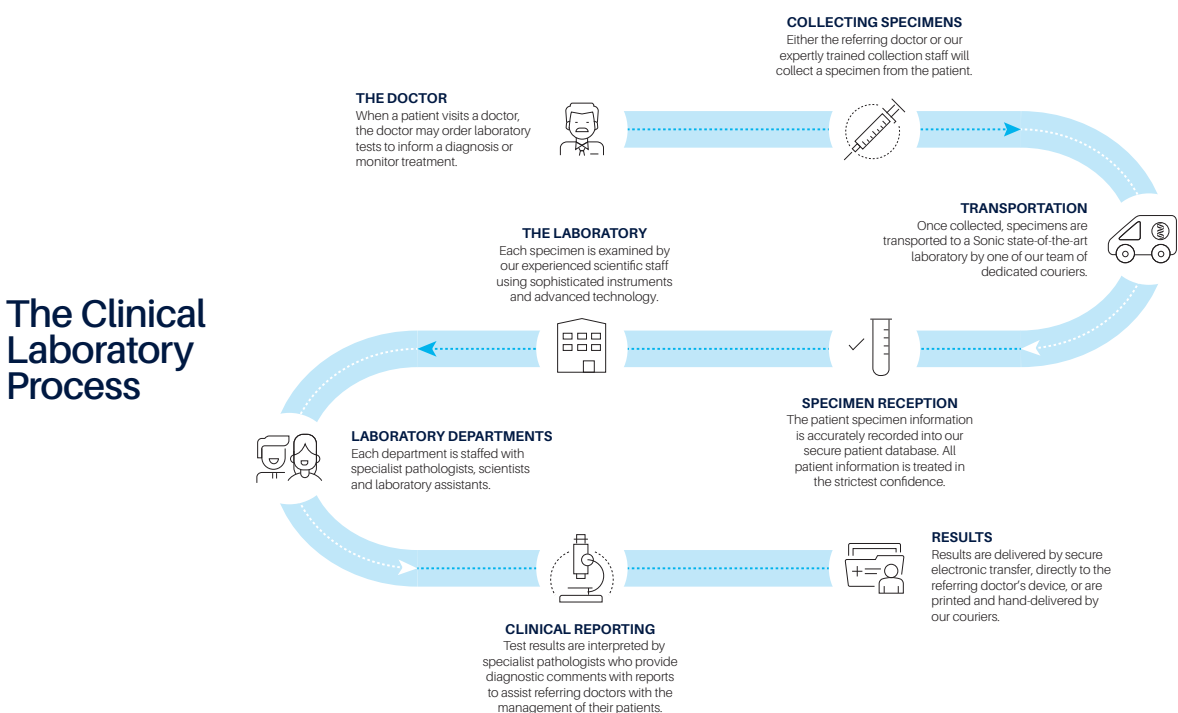
### Operations

Sonic Healthcare is one of the world's leading providers of medical diagnostic services, contributing to the medical care of 126 million patients in FY2023. The Group provides highly specialised pathology/clinical laboratory and diagnostic imaging (including radiology) services to clinicians (GPs and specialists), hospitals, community health services, and their patients. Sonic is the world's third largest provider of pathology/clinical laboratory services (referred to in some markets as 'laboratory medicine') and was the first company to do so on a global basis. Employing approximately 41,000 people, Sonic enjoys strong positions in the laboratory markets of seven countries, being the largest private operator in Australia, Germany, Switzerland and the UK, the second largest in Belgium and New Zealand and the third largest in the USA. In addition, Sonic is the largest operator of medical centres and the largest occupational health provider in Australia, and the second largest participant in the Australian diagnostic imaging market. These strong market positions allow Sonic to leverage existing infrastructure to realise synergies and to grow earnings.

Pathology is the study and diagnosis of disease through examination of organs, tissues, cells and bodily fluids. It is a broadly defined and complex scientific field which seeks to understand the mechanisms of disease and abnormality of cells and tissues, as well as the body's means of responding to and repairing abnormalities. Pathology and laboratory tests are an essential component in the delivery of modern healthcare services and are estimated to influence approximately 70% of healthcare decisions and 100% of cancer diagnoses. Laboratory medicine is a unique medical specialty, in that pathologists and laboratory technicians typically do not see patients directly, but rather serve as consultants to other physicians.

In response to the COVID-19 pandemic, many laboratories around the world (including ~60 Sonic laboratories globally) commenced performing polymerase chain reaction (PCR) tests for COVID-19. PCR tests detect the presence of SARS-CoV-2, the virus that causes COVID-19, by amplifying its genetic material (ribonucleic acid, RNA) to allow trace amounts to be detected in nasal and throat swab specimens of patients. PCR testing is considered the gold standard for diagnosing COVID-19. Many laboratories also offer SARS-CoV-2 serology tests, which use immunofluorescence techniques to detect antibodies to SARS-CoV-2 that may be present in blood specimens following infection or vaccination. These tests are used clinically to retrospectively diagnose COVID-19 disease, and in epidemiological studies to determine infection rates in the community. Specialised genetics laboratories (including certain Sonic laboratories) perform whole genome sequencing of positive SARS-CoV-2 specimens to support mutation identification and tracking.

The clinical laboratory process is depicted below:



# Directors' Report

## OPERATING AND FINANCIAL REVIEW

In some countries in which Sonic operates, laboratories offer specimen collection services, although referring doctors still do some collections themselves. In Australia, approximately 25% of specimens are collected by the referring doctor (excluding COVID-19 PCR specimens). In Germany, Belgium and Switzerland, laboratories generally do not offer specimen collection services.

Laboratory medicine tests generally fall into categories as shown below:



Histopathology and cytopathology ('anatomical pathology') mainly involve the diagnosis of cancers by the examination of tissue and cells. The testing of other body specimens (blood, urine, sputum etc.) is usually referred to as clinical laboratory or clinical pathology testing. In some international markets, such as Australia and New Zealand, it is usual for laboratories to provide both anatomical pathology and clinical laboratory testing as part of the one service. In other markets, anatomical pathology can be seen as a separate service.

Sonic's laboratories are highly sophisticated, providing broad menus of complex tests, in addition to state-of-the-art automation for accurate and rapid turnaround of routine tests. Sonic offers a range of more than 3,000 different tests. Sonic's large laboratories reach or exceed tertiary teaching hospital laboratory standards and are recognised for their esoteric testing expertise, for example, in anatomical pathology, genetic and molecular testing.

# Directors' Report

## OPERATING AND FINANCIAL REVIEW

Diagnostic imaging (including radiology) is the medical specialty of using medical imaging technologies to diagnose and treat diseases. The array of imaging technologies includes magnetic resonance imaging (MRI), computed tomography (CT), positron emission tomography (PET), nuclear medicine studies, ultrasound, mammography, bone densitometry and general X-ray. Diagnostic imaging also includes interventional radiology, the performance of medical procedures under the guidance of imaging technologies.

In addition to clinical laboratories and diagnostic imaging, Sonic conducts a number of smaller complementary businesses (disclosed in the Other category in the Segment information note, along with corporate office costs). The most significant of these are the Independent Practitioner Network (IPN) medical centre business and the Sonic HealthPlus occupational health business, which together involve more than 200 primary care clinics across Australia, providing facilities and administrative services to around 2,000 general practitioners. Approximately 70% of all Australians live within 10 kilometres of an IPN/Sonic HealthPlus clinic.

### Financial results

A summary of consolidated revenue and earnings is set out below.

|                                                      |                                           |                   |                   | % Change                                            |                             |
|------------------------------------------------------|-------------------------------------------|-------------------|-------------------|-----------------------------------------------------|-----------------------------|
|                                                      | 2023<br>Constant<br>Currency <sup>1</sup> | 2023<br>Statutory | 2022<br>Statutory | 2023<br>Constant<br>Currency <sup>1</sup><br>v 2022 | 2023<br>Statutory<br>v 2022 |
|                                                      | \$'000                                    | \$'000            | \$'000            |                                                     |                             |
| Base business revenue                                | 7,510,648                                 | 7,683,541         | 6,911,644         | 8.7%                                                | 11.2%                       |
| COVID-19 revenue                                     | 478,155                                   | 485,407           | 2,428,510         | (80.3)%                                             | (80.0)%                     |
| <b>Total revenue</b>                                 | <b>7,988,803</b>                          | <b>8,168,948</b>  | <b>9,340,154</b>  | <b>(14.5)%</b>                                      | <b>(12.5)%</b>              |
| <b>EBITDA<sup>2</sup></b>                            | <b>1,678,484</b>                          | <b>1,707,524</b>  | <b>2,830,447</b>  | <b>(40.7)%</b>                                      | <b>(39.7)%</b>              |
| Depreciation                                         | (624,030)                                 | (631,298)         | (607,427)         | 2.7%                                                | 3.9%                        |
| <b>EBITA</b>                                         | <b>1,054,454</b>                          | <b>1,076,226</b>  | <b>2,223,020</b>  | <b>(52.6)%</b>                                      | <b>(51.6)%</b>              |
| Amortisation of intangibles                          | (70,261)                                  | (71,630)          | (67,990)          | 3.3%                                                | 5.4%                        |
| Net interest expense                                 | (71,096)                                  | (73,408)          | (77,825)          | (8.6)%                                              | (5.7)%                      |
| Income tax expense                                   | (219,306)                                 | (223,257)         | (561,739)         | (61.0)%                                             | (60.3)%                     |
| Net (profit) attributable to minority interests      | (23,063)                                  | (22,947)          | (54,900)          | (58.0)%                                             | (58.2)%                     |
| <b>Net profit attributable to Sonic shareholders</b> | <b>670,728</b>                            | <b>684,984</b>    | <b>1,460,566</b>  | <b>(54.1)%</b>                                      | <b>(53.1)%</b>              |
| <b>Cash generated from operations</b>                |                                           | <b>1,471,033</b>  | <b>2,225,821</b>  |                                                     | <b>(33.9)%</b>              |
| <b>Earnings per share</b>                            |                                           |                   |                   |                                                     |                             |
| Basic earnings per share (cents per share)           | 142.8                                     | 145.8             | 305.5             | (53.3)%                                             | (52.3)%                     |
| Diluted earnings per share (cents per share)         | 142.0                                     | 145.0             | 302.5             | (53.1)%                                             | (52.1)%                     |

<sup>1</sup> For an explanation of 'Constant Currency' refer to (a) on the following page

<sup>2</sup> EBITDA = Earnings before interest, tax, depreciation and amortisation

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

# Directors' Report

## OPERATING AND FINANCIAL REVIEW

### 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, meaning that Sonic's offshore earnings and assets fluctuate when reported in AUD.

The average currency exchange rates for the year to 30 June 2023 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 (that is, 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 prior period average exchange rate. There is only this one adjustment to each line item, so no reconciliation is required.

The average exchange rates used were as follows:

|         | 2023 Statutory | 2022 and Constant Currency |
|---------|----------------|----------------------------|
| AUD/USD | 0.6732         | 0.7255                     |
| AUD/EUR | 0.6432         | 0.6445                     |
| AUD/GBP | 0.5590         | 0.5458                     |
| AUD/CHF | 0.6315         | 0.6763                     |
| AUD/NZD | 1.0925         | 1.0669                     |

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.

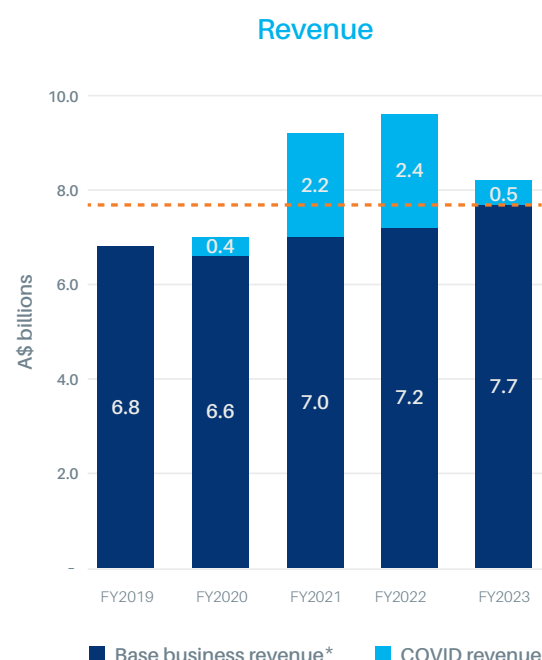
# Directors' Report

## OPERATING AND FINANCIAL REVIEW

### b) Revenue

| Revenue breakdown                      | 2023<br>Statutory<br>Revenue | % of 2023<br>Statutory<br>Revenue | 2023<br>Constant<br>Currency<br>Revenue | 2022<br>Statutory<br>Revenue | 2023<br>Constant<br>Currency<br>v 2022 |
|----------------------------------------|------------------------------|-----------------------------------|-----------------------------------------|------------------------------|----------------------------------------|
|                                        | AUD M                        |                                   | AUD M                                   | AUD M                        | Growth                                 |
| Laboratory – Australia and New Zealand | 1,968                        | 24.1%                             | 1,969                                   | 2,491                        | (21.0)%                                |
| Laboratory – USA                       | 2,114                        | 25.9%                             | 1,961                                   | 2,169                        | (9.6)%                                 |
| Laboratory – Europe                    | 2,895                        | 35.5%                             | 2,867                                   | 3,539                        | (19.1)%                                |
| Radiology – Australia                  | 796                          | 9.8%                              | 796                                     | 706                          | 12.7%                                  |
| Other                                  | 382                          | 4.7%                              | 382                                     | 433                          | (11.7)%                                |
| Revenue                                | 8,155                        | 100.0%                            | 7,975                                   | 9,338                        | (14.6)%                                |
| Interest income                        | 14                           |                                   | 14                                      | 2                            |                                        |
| <b>Total revenue</b>                   | <b>8,169</b>                 |                                   | <b>7,989</b>                            | <b>9,340</b>                 | <b>(14.5)%</b>                         |

Revenue reductions in the Laboratory and Other operations relate to much lower demand for COVID-19 related services, with COVID revenue of A\$485 million in FY2023, versus A\$2,429 million in the prior year (down 80%).



**\* Base business revenue**

Prior period base business revenues normalised for working days, currency exchange rates and acquisitions/disposals

Base business revenue (excluding COVID services) grew organically by 7% (on a Constant Currency and working day basis) versus the comparative period and 13% versus FY2019 (pre-pandemic). Base business organic revenue growth gained momentum during the year, such that growth was 6% in the first half, and 9% in the second.

Particularly strong organic base business growth was achieved in the Australian (11%), German (10%), and Belgian (12%) laboratory businesses. Sonic's Swiss base business achieved growth of 1%, with strong volume and mix growth, including market share gains, offsetting a fee cut that took effect on 1 August 2022 with an annual impact on Swiss revenue of ~7%.

Non-organic impacts on Laboratory revenue included the annualisation of the acquisition of ProPath in the USA in mid-December 2021.

Radiology revenue growth was strong at 13%, augmented by the acquisition of Canberra Imaging Group (1 September 2021). Organic growth per working day was 11%.

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), reduced 10% from the prior year, mainly due to the cessation of COVID related services. Revenue improved in the second half due to increasing doctor hours and increasing private billing by General Practitioners.

# Directors' Report

## OPERATING AND FINANCIAL REVIEW

### c) *Earnings*

Earnings and margins for the year were impacted by the dramatic reduction in COVID revenues, particularly in the second half (COVID revenue in the first half was A\$379 million, dropping to A\$106 million in the second half). Second half margins were affected by legacy COVID-related labour and infrastructure costs.

Sonic's Radiology business (which does not provide COVID-related services) achieved more than 20% EBITDA growth, including contributions from acquisitions. Radiology's EBITDA margin expanded by ~150 basis points.

The 7.0% growth in labour cost versus the prior year includes currency translation impacts equating to ~2.4%, and acquisition related labour costs equating to ~2.5%.

Consumables cost decreased as a percentage of revenue due to reductions in COVID volumes and successful procurement and operational initiatives.

Major drivers and initiatives are set to enhance earnings in FY2024 and FY2025.

### d) *Depreciation*

Depreciation increased 4% from the prior year (3% on a Constant Currency basis), less than the growth in base business revenue.

### e) *Intangibles amortisation*

Intangibles amortisation relates to internally developed and purchased software.

### f) *Interest expense*

Net interest expense decreased 9% on the prior year (at Constant Currency rates), due to strong operating cashflow and higher interest rates on cash deposits, whilst debt was at fixed rates. At 30 June 2023 all of Sonic's debt was 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.

### g) *Tax expense*

The effective tax rate for the year was 24%, down from 27% in the prior year. The unusually low tax rate in the year largely reflects overprovisions in prior years and a higher level than usual of potential tax deductions relating to vested employee options.

### h) *Cash flow from operations*

Cash generated from operations was 34% lower than in the prior year, reflecting the reduction in COVID-19 revenue. Gross operating cash flow equated to 110% of EBITDA (95% in the prior year). Conversion of EBITDA to cash was enhanced by reductions in debtors and inventory related to COVID-19 testing. Tax paid in the period was 59% more than the tax expense due to timing of instalments and return lodgements.

# Directors' Report

## OPERATING AND FINANCIAL REVIEW

### Financial position

Sonic's net assets at 30 June 2023 of A\$7,922M increased by A\$494M, or 7%, on the prior year. The main components of this increase were:

- A\$203M due to retained earnings (operating profit less dividends paid and other adjustments)
- A\$84M from the issue of ordinary Sonic shares resulting from the exercise of employee options and rights
- A\$309M relating to net currency exchange rate translation impacts
- A\$131M reduction from the payments for buyback and treasury shares.

Excluding the impacts of AASB 16, net (of cash) interest-bearing debt increased A\$74M (9%) from the prior year level to A\$886M. This increase largely resulted from A\$110M relating to payments for business acquisitions and investments, A\$131M of payments for buyback and treasury shares and A\$43M of currency exchange rate impacts, net of strong cash flow generated from operations. Working capital balances improved from the prior year with reduced amounts of trade debtors and inventory related to COVID-19 testing. None of the business acquisitions completed in the year were material to Sonic. A significant component of the total consideration for these acquisitions was attributable to goodwill.

Sonic's net interest-bearing debt at 30 June 2023 (excluding AASB 16 impacts) comprised:

|                                                                              | Facility limit (M) | Drawn (M)             | AUD (M) available |
|------------------------------------------------------------------------------|--------------------|-----------------------|-------------------|
| Notes held by USA investors – USD (fixed coupons)                            | US\$550            | US\$550               | –                 |
| Notes held by USA investors – Euro (fixed coupons)                           | €515               | €515                  | –                 |
| <b>Bank debt facilities</b>                                                  |                    |                       |                   |
| USD (multicurrency) limits                                                   | US\$100            | –                     | 150               |
| Euro (multicurrency) limits                                                  | €509               | €2                    | 831               |
| AUD (multicurrency) limits                                                   | A\$157             | –                     | 157               |
| CHF (multicurrency) limits                                                   | CHF125             | –                     | 210               |
| <b>Minor debt/finance leasing facilities</b>                                 | n/a                | A\$11 <sup>+</sup>    | –                 |
| <b>Cash</b>                                                                  | n/a                | A\$(798) <sup>+</sup> | 798               |
| <b>Available liquidity at 30 June 2023</b>                                   |                    |                       | <b>2,146</b>      |
| <b>Net interest-bearing debt (excluding lease liabilities under AASB 16)</b> |                    | <b>A\$886</b>         |                   |

<sup>+</sup> Various currencies

Sonic's credit metrics at 30 June 2023 were as follows:

|                               | 30.6.23 | 31.12.22 | 30.6.22 |
|-------------------------------|---------|----------|---------|
| <b>Debt cover (times)</b>     | 0.6     | 0.5      | 0.3     |
| <b>Interest cover (times)</b> | 29.4    | 36.9     | 47.3    |
| <b>Gearing ratio</b>          | 9.9%    | 10.5%    | 9.7%    |

#### Definitions:

- Debt cover = Net Debt/EBITDA (bank covenant limit <3.5)
- Interest cover = EBITA/Net interest expense (bank covenant limit >3.25)
- Gearing ratio = Net Debt/[Net Debt + equity] (USPP note covenant limit <55%)
- Calculations as per Sonic's senior debt facility definitions, which exclude the impacts of AASB 16 Leases

# Directors' Report

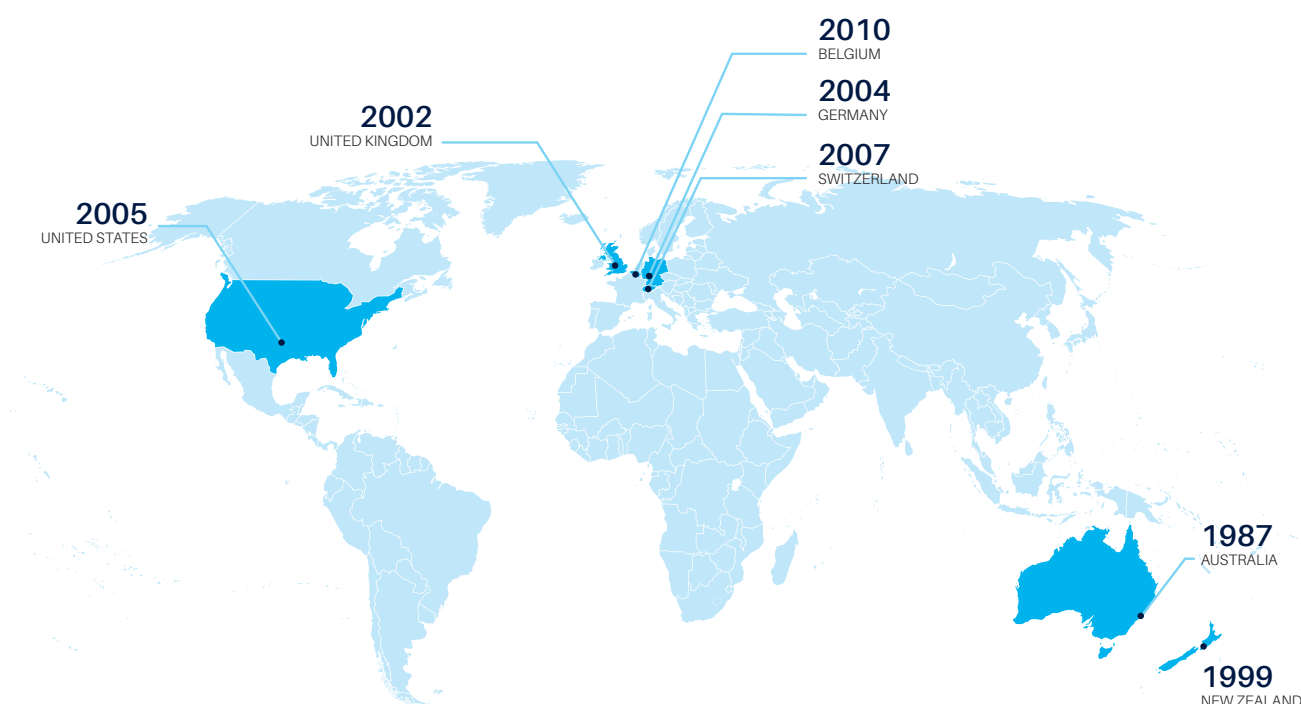
## OPERATING AND FINANCIAL REVIEW

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

| Calendar Year | AUD (M) | USD (M) | Euro (M) | CHF (M) |
|---------------|---------|---------|----------|---------|
| 2024          | -       | -       | 345      | -       |
| 2026          | -       | -       | 245      | -       |
| 2027          | 157     | 100     | 349      | -       |
| 2028          | -       | -       | -        | 125     |
| 2030          | -       | 300     | -        | -       |
| 2032          | -       | 150     | 85       | -       |
| 2035          | -       | 100     | -        | -       |
|               | 157     | 650     | 1,024    | 125     |

### Countries of operation

(Years shown are the years Sonic entered each market)



# Directors' Report

## OPERATING AND FINANCIAL REVIEW

### Business model and strategies

Since the early 1990s, Sonic Healthcare has consistently pursued and promoted a management and operational philosophy of Medical Leadership. The impact of this approach has been to develop a company whose services are optimally aligned with the needs of physicians and their patients. Medical Leadership encompasses a management commitment to the maintenance of professionalism and 'good medicine' at all times. It fosters an understanding of the doctor-patient relationship and it puts quality first.

Sonic's operations are structured as a federation, with individual subsidiaries or geographical divisions working in a synergistic network to achieve best practice outcomes in terms of service and business excellence. The structure reinforces the identity and management autonomy of each local operation. Each operation has its own CEO or President and management team. When Sonic acquires businesses, they generally maintain their management autonomy, brand and, consequently, their local 'flavour'. This is the structure that is most resonant with local medical communities and which best preserves acquired goodwill. However, Sonic's operations work in a collaborative way within the structure, via central executives and widespread inter-company communication, to achieve synergies and improved performance. Detailed benchmarking within the Group leading to best practice, group purchasing, IT, E-health, quality system sharing and centralisation of testing are all examples of continuous improvement activities within the Group.

Sonic's Medical Leadership philosophy and federation structure have resulted in significant brand differentiation in the market place. The Company's operations are viewed as specialist medical practices, rather than as businesses. This market differentiation has not only fostered strong organic revenue growth over the years but has often made Sonic the preferred acquirer when laboratory or radiology practice founders and owners wish to realise the value of their practices without seeing their focus on the medical nature of the business lost to a more 'corporatised' acquirer. Similarly, hospital systems choose to partner with Sonic for laboratory services on the basis of Sonic's culture. Sonic's culture and structure have also served to attract and retain top pathologists, radiologists, scientific staff and managers, with staff turnover at this important senior level consistently at very low levels.

Sonic's strategy is to utilise its unique culture, values and structure to grow revenue organically (including through winning laboratory outsourcing contracts) and to complete value-enhancing acquisitions and joint ventures, so as to achieve and build upon leading positions in targeted geographic laboratory markets. These positions provide sufficient size and infrastructure to facilitate synergies and economies of scale to drive margin improvements, earnings growth and increasing returns on capital invested. Sonic has a successful track record of consolidating fragmented markets in Australia, Europe and the USA, using its market differentiation to drive both organic revenue growth and to attract like-minded laboratories for acquisition. Sonic is also well placed to benefit from the increasing trend for governments and others to outsource their diagnostic testing to the private sector, in order to address growing healthcare costs.

The Company's principal objective is to increase value for its stakeholders (including shareholders, staff and the community) in a sustainable manner while ensuring that its operations are conducted ethically and in accordance with the Company's Core Values, Code of Conduct, Medical Leadership culture, medical ethics and law.

# Directors' Report

## OPERATING AND FINANCIAL REVIEW

### Prospects for future years

Sonic operates in attractive and growing global healthcare markets, carefully chosen based on a range of factors, including political, legal and financial stability, reliable and stable healthcare funding systems, fragmentation of the market and cultural understanding. Within these markets there is increasing demand for diagnostic services arising from growing and ageing populations, new tests and preventative medicine. Against this favourable backdrop, Sonic expects to continue for the foreseeable future to grow revenue, earnings and returns on investment organically, including through outsourcing contracts, and further enhanced by synergistic business acquisitions and joint ventures. Organic growth in the markets in which Sonic participates has averaged approximately 5% per annum over the long term (excluding COVID-19 revenue fluctuations). Based on recent trends in non-COVID related revenues and other factors, Sonic believes organic growth could even be higher than this into the future.

Laboratory operations offer many levers which can be adjusted to optimise individual processes, and Sonic's managers are constantly seeking efficiency gains within their businesses, aided by the early adoption of new technologies and the sharing of experiences with colleagues from around the globe.

In the USA and Germany, anatomical pathology has traditionally been seen as a separate service to clinical laboratory testing and there has been less consolidation of anatomical pathology providers. Sonic has deep anatomical pathology experience from operating in other markets, especially Australia, where anatomical pathology and clinical laboratory testing are provided as an integrated service. Sonic has a long-term vision of bringing the two disciplines together in the USA and Germany, with consequent revenue and cost synergies and service enhancement for referrers and patients, and is targeting both anatomical pathology and clinical laboratory growth opportunities in those countries. The US anatomical pathology market is estimated to be in excess of US\$10B per annum (in addition to the >US\$70B clinical laboratory market) and Sonic is already one of the largest participants following previous acquisitions, including the Aurora Diagnostics transaction in 2019 and ProPath in FY2022. Sonic has already made several anatomical pathology acquisitions in Germany.

Within Sonic's existing seven countries of operation, future acquisitions are most likely to occur in the USA and Germany, given the size and fragmentation of those markets, although opportunities will also be targeted in Switzerland and Belgium. Sonic is not actively seeking laboratory acquisitions in Australia (due to potential anti-trust limitations) or New Zealand. In the UK, acquisitions are unlikely, as the market is dominated by the National Health Service (NHS) and Sonic is the largest private participant. However, substantial growth opportunities exist from potential NHS and private hospital laboratory outsourcing contracts. For example, Sonic is the laboratory provider for the Cleveland Clinic London hospital, which opened in March 2022, and is currently the preferred bidder for two additional NHS outsourcing contracts.

About half of the clinical laboratory market in the USA is represented by hospital laboratories, and Sonic has a strategy to seek to partner with hospital groups for their laboratory services.

Sonic is also interested in growing its Australian radiology and clinical services businesses via acquisitions. Whilst the present focus for acquisitions is on Sonic's existing markets, a 'watching brief' is maintained to identify opportunities that arise for further prudent and strategic international laboratory expansion.

Sonic intends:

- to maintain a solid investment-grade profile with conservative leverage
- to operate in a sustainable and responsible manner
- to preserve Sonic's reputation, culture and Core Values; and
- to ensure the attraction and retention of the best people to drive the business forward, including retaining key staff from acquisitions.

With regard to more short-term prospects, Sonic has provided earnings guidance for FY2024. Sonic expects EBITDA for FY2024 in the range of A\$1.7B to A\$1.8B. This equates to up to 5% growth on FY2023 EBITDA, with base business performance offsetting the material reduction in COVID-related earnings. Net interest expense is expected to increase by ~25% from the FY2023 level, due to recently announced business acquisitions, and the effective tax rate is expected to be in the range of 25-27%.

Key guidance considerations:

- current (mid-August 2023) currency exchange rates and base interest rates are assumed to prevail
- excludes any future business acquisitions other than those already announced to 17 August 2023
- incorporates potential fee reductions in the USA from 1 January 2024 (impact ~US\$10M)
- no other regulatory changes are assumed.

Sonic is currently considering a number of additional acquisition opportunities.

# Directors' Report

## OPERATING AND FINANCIAL REVIEW

Whilst Sonic's gearing is currently close to record low levels, the intent is to move over time back towards the Company's long-term average Debt Cover level of approximately 2.4 times. Whilst the Company's preference is to do this by investing in synergistic acquisitions and other growth opportunities, if appropriate opportunities do not eventuate in a timely manner the Board will consider other capital management initiatives. The Company completed its first ever on-market share buyback in FY2023, acquiring shares in FY2022 and FY2023 for a total consideration of A\$425M.

Sonic expects that the use of artificial intelligence in pathology and radiology will cause step-changes in efficiency, quality, and capacity in coming years, and the Company is investing in IT and infrastructure, including for digital pathology, to unlock these gains. During the 2022 financial year Sonic acquired a 20% strategic equity stake in Harrison.ai and established a joint venture with them, called Franklin.ai, to develop best-in-class AI diagnostic tools for pathology. With the support and expertise of Sonic and Harrison.ai, Franklin.ai has been ramping up at pace and will commence validation studies for its first product release in early 2024. Franklin.ai's products are expected to be marketed globally, in addition to being used within Sonic's laboratory operations. Harrison.ai already had another joint venture with a third party, called Annalise.ai, a market leader in radiology AI. The Annalise.ai chest X-ray product is the world's most comprehensive, capable of detecting 124 findings, and is being marketed internationally. Annalise.ai's brain CT scan product has recently been released and tools for other modalities are expected to follow. Sonic's Radiology division expects to benefit from use of these products as they become available, with the chest x-ray product already deployed in all Sonic radiology sites, and the brain CT product currently being evaluated.

As a result of Sonic's size and global market presence, opportunities present themselves from time to time that are not necessarily part of Sonic's core strategies but may be synergistic. These opportunities are assessed by management and the Board to determine whether their pursuit is in the best interests of shareholders. Further information on likely strategic developments has not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the interests of the Group.

### Risks

Sonic's approach to identifying and managing business risks is described in the Corporate Governance Statement included in the Annual Report 2023. The major risks to consider in assessing Sonic's future prospects are:

- COVID-19 or another pandemic or epidemic could impact Sonic's patient volumes and/or ability to provide core services. Whilst the experience with the COVID-19 pandemic has demonstrated Sonic's resilience and the important role of a major laboratory company in such a scenario, this may not be the case in every circumstance.
- Sonic's reported revenue and earnings will fluctuate with changes in the currency exchange rates between the Australian dollar (Sonic's reporting currency) and the currencies of Sonic's offshore operations. As previously noted, Sonic uses foreign currency borrowings as a partial (natural) hedge.
- In most of Sonic's markets the majority of revenue is priced based on fee schedules set by government or quasi-government bodies and, especially in the USA, insurance companies. As a result of the strong underlying volume growth drivers, healthcare funders will sometimes use fee cuts or other adjustments to curb growth in their outlays. Sonic mitigates this risk through its geographic and line-of-business diversification, by seeking diversified sources of revenue for its services within markets, and by being one of the largest, more efficient operators and therefore less impacted by adverse market changes than smaller, less efficient players. In general, fee pressures drive further market consolidation, feeding into Sonic's core strategy of growth both organically and by acquisition, with attendant synergy capture and economies of scale.
- Healthcare businesses are subject to significant levels of regulation. Changes in regulation can have the impact of increasing costs or reducing revenue (through volume reductions). Sonic attempts to mitigate this risk by using its market leadership positions to help shape the healthcare systems in which it operates. Sonic takes active roles in industry associations, and encourages its people to take leadership positions in colleges and other professional and craft organisations. In addition, Sonic's size and efficiency allows it to benefit from market consolidation driven by the impacts of regulatory changes on smaller players.
- Loss of a licence or accreditation required to operate one or more of Sonic's businesses could impact revenue both directly and through damage to Sonic's reputation. The likelihood of this risk having a material impact is considered low, given the focus on quality within Sonic.
- Sonic's strategies include the acquisition of businesses and entering into joint ventures and long-term contracts to provide diagnostic testing. There is a risk that an acquisition, joint venture or contract may not achieve its expected financial performance, or give rise to an unexpected liability. Sonic seeks to mitigate these risks through thorough due diligence, and through warranties and indemnities in acquisition and contract documentation.
- There is always the risk of heightened competition in Sonic's markets, whether from more aggressive behaviour of an existing competitor, or from a new competitor. This could include a competitor introducing a new development in testing or introducing new tests that result in less demand for Sonic's services. A change in competition could impact revenue and/or costs. Sonic's leadership is alert to potential changes in the marketplace and reacts swiftly when threats are perceived.

# Directors' Report

## OPERATING AND FINANCIAL REVIEW

- Technological changes in diagnostic testing tend to happen more slowly than in industries such as consumer goods. For a testing technology to reach the point of widespread use, it must first be proven to be 'good medicine', including obtaining regulatory approvals and through peer review, and secondly, healthcare funders must be willing to pay for it (for example, by inclusion on government or quasi-government fee schedules). These inherent delays allow competitors and other market participants to revise their own strategies to address the competitive threat. In addition, the broad range of tests (~3,000) offered by Sonic's laboratories provides protection against new developments.
- Relationships with referring physicians (including general practitioners, surgeons and other specialists), hospital groups and other parties with whom Sonic contracts to provide services are important to Sonic's businesses. If, for any reason, Sonic failed to maintain strong relationships with these parties or damaged its reputation with them, there would be a risk that it could lose business to competitors.
- Sonic's businesses rely on information technology systems. A disruption to a core IT platform, including as a result of a cybersecurity breach, could have significant operational, financial and/or reputational impacts, particularly if confidential patient data were to be obtained by unauthorised persons. Sonic has implemented strategies to mitigate this risk. The Company has a comprehensive Information Security Management System (ISMS) in place, supported by staff training and awareness programs. Internal systems are monitored and regularly tested (at a minimum, as changes are made to the core software or infrastructure). The information security objectives of confidentiality, integrity, access and privacy are achieved by the implementation of a multi-layered approach and application of key controls (defence-in-depth). Sonic's ISMS sets out the controls in the following domains: Governance and Administrative, Information Security, Personnel Security, Physical Security, Operational Security, Technical Security and Cyber Security. External facing systems are monitored and regularly tested (including third party penetration testing). As part of Sonic's compliance work for specific country requirements (such as KRITIS in Germany, ISM and ISO27001 in Australia, SOC2, ISO27001 and HITRUST in USA) these protections are continually reviewed and improved. An external provider is engaged to conduct Global NIST Maturity Audits for all of Sonic's countries of operation, assessing ongoing improvements against a baseline.
- Whilst individual events are unlikely to have any significant impact, inaccurate diagnostic results due to actual or alleged mistakes or errors could result in financial loss and/or reputational damage, particularly if the issue is systemic. Sonic maintains insurance cover to mitigate its financial exposure and has processes in place to manage reputational risks.
- Sonic uses prudent levels of debt to reduce its cost of capital and to increase earnings per share. It is therefore subject to the risk of rising interest rates (either on floating rate debt or when existing facilities expire), the future availability of funding, and potential breach of a term or condition of its debt facilities. Sonic has a sophisticated Treasury Policy in place to manage these risks, developed and overseen by Sonic's Treasury Management Committee, which includes a renowned expert external consultant.
- With operations in seven jurisdictions, Sonic is potentially exposed to changes in taxation legislation or interpretation which could increase its effective tax rate.

After serious consideration including reviewing disclosures of peers, Sonic's Board does not believe the Company has any other material exposures to environmental or social sustainability risks, given the industries and geographies in which it operates. During 2023 the Company conducted a qualitative analysis of climate-related risks in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Under both low and high emissions scenarios, increased frequency and severity of extreme weather events and sustained higher or lower average temperatures were identified as having the highest residual risk to Sonic's operations, supply chain and staff wellbeing. However, due to the broad geographic spread of Sonic's businesses globally and within each region, the risk of significant impact in a single location is not considered to be material to Sonic's overall operations in the short term. Climate-related risks will be further explored in 2024 with a quantitative assessment of identified risks. Please refer to Sonic's 2023 Sustainability Report (available in November 2023) for more details.

Sonic's operations are located in developed nations with well-established laws governing labour standards and human rights, reducing the risk of human rights violations within our operations. The Company continues to review its supply chain to identify any risk of modern slavery practices. Please refer to our 2023 Modern Slavery Statement (available in November 2023) for more details.

The above list should not be taken to be a comprehensive list of risks associated with Sonic. In particular, it excludes risks relating to the general economic environment and other generic risk areas that affect most companies.

Sonic's geographic, business line and branding diversification, plus our federation structure, broad menu of tests offered and low customer concentrations mean that few, if any, of the usual operating risks faced by a healthcare business would have a material impact on Sonic as a whole.

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Since the end of the financial year, the Directors are not aware of any matter or circumstance not otherwise dealt with in these financial statements that has significantly or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years, other than the settlement of the acquisition of Synlab Suisse on 3 July 2023 (refer to the ASX announcement on 27 June 2023 for details).

# Directors' Report

for personal use only



## Back row

Prof. Suzanne Crowe  
Lou Panaccio  
Dr Colin Goldschmidt  
Prof. Christine Bennett  
Chris Wilks  
Neville Mitchell

## Front row (on couch)

Kate Spargo  
Prof. Mark Compton  
Dr Katharine Giles

# Directors' Report

## INFORMATION ON DIRECTORS

### a) Directors' profiles



#### **Professor Mark Compton AM**

##### **Chairman**

BSc, MBA, FAICD, FCHSM, FAIM, FRS (NSW)

*Non-executive, independent Director, appointed October 2014 (Chairman from November 2015)*

Prof. Compton has extensive senior executive experience in healthcare services. He is currently Adjunct Professor in Management (Healthcare Leadership) at Macquarie University (Macquarie Business School), and Non-executive Chairman of not-for-profit organisations St Luke's Care and the Order of St John (St John Ambulance). His previous experience includes Chief Executive Officer of each of St Luke's Care, Immune Systems Therapeutics Limited and the Royal Flying Doctor Service of Australia. He was also Chief Executive Officer and Managing Director of the formerly ASX-listed companies SciGen Limited and Alpha Healthcare Limited. Prof. Compton has also held a number of non-executive director roles, including as Non-executive Chairman of ASX-listed Next Science Limited from May 2021 (Non-executive Director from 2018) to 23 August 2023, and for formerly ASX-listed Independent Practitioner Network Limited (2004-2008). He was also Chairman of the Woolcock Institute of Medical Research, Non-executive Director of Macquarie University Hospital and Chairman and Chancellor of St John Ambulance Australia (having served as a volunteer for more than 45 years). In recognition of his work in the healthcare sector and his service to the community, he was awarded the Centenary Medal of the Commonwealth of Australia, appointed by Her Majesty the Queen as a Knight in the Order of St John in 2004 and as Bailiff Grand Cross in 2017, and was appointed as a Member of the Order of Australia (AM) in January 2010. He is a member of the Audit Committee and the Remuneration and Nomination Committee.



#### **Dr Colin Goldschmidt**

##### **CEO and Managing Director**

MBBCh, FRCPA, FAICD

*Executive Director, appointed January 1993*

Dr Goldschmidt is the CEO and Managing Director of Sonic Healthcare. He is a qualified medical doctor and pathologist who completed his medical training in Sydney. Dr Goldschmidt became CEO of Sonic in 1993 and has led Sonic's global expansion by committing the Company to a unique model of Medical Leadership, which incorporates operational and cultural attributes focussed on care for staff and highest quality service to doctors and patients. He is a member of Sonic's Risk Management Committee and holds memberships with numerous industry, medical and laboratory associations.



#### **Christopher Wilks**

##### **CFO and Finance Director**

BCom, FAICD

*Executive Director, appointed December 1989*

Mr Wilks became Finance Director and Chief Financial Officer of Sonic Healthcare in 1993. He has a background in chartered accounting and investment banking and was previously a partner in a private investment bank. Mr Wilks has held directorships in a number of public companies and is currently a Non-executive Director of Silex Systems Limited (since 1988), a listed company divested by Sonic in 1996.

# Directors' Report

## INFORMATION ON DIRECTORS



### **Emeritus Professor Christine Bennett AO**

MBBS, FRACP, Master Paed, GAICD

*Non-executive, independent Director, appointed September 2022*

Professor Bennett is a specialist paediatrician with over 40 years of healthcare industry experience across the private, public and not-for-profit sectors. She holds a Bachelor of Medicine, Bachelor of Surgery from the University of Sydney, a Master of Paediatrics from the University of New South Wales, and is a Fellow of the Royal Australasian College of Physicians. Professor Bennett is an experienced non-executive director in for-profit and social enterprises and is currently a Non-executive Director of ASX-listed Regis Healthcare (since March 2018), Patron of Research Australia (since 2022), and Convenor of the Champion of Change Health Group for gender equality (since 2019). Her previous Board non-executive director roles include Telstra Health, HeartWare Limited, Symbion Health Limited and Chair of Sydney Children's Hospital Network. In December 2021, Professor Bennett retired from and was awarded Emeritus Professor by The University of Notre Dame Australia where she was Deputy Vice Chancellor, Enterprise & Partnerships and Dean, School of Medicine, Sydney for over ten years. Her prior experience has included being Group Executive and Chief Medical Officer for MBF and then Bupa Health and Care services; CEO and later Chair of Research Australia; Managing Director of Total Health Enterprise Ltd; Partner in Health and Life Sciences for KPMG Australia; CEO of Westmead Hospital and Community Health Services; General Manager for the Royal Hospital for Women; and Head of Planning in NSW Health. Professor Bennett has an active commitment to and involvement in medical professional issues, public policy and medical research. In 2008 she was appointed as Chair of the National Health and Hospitals Reform Commission producing a long-term blueprint for reform of health and aged care in Australia. Professor Bennett was awarded an Officer of the Order of Australia (AO) in the 2014 Australia Day Honours in recognition of her distinguished service to medicine and health care leadership.



### **Professor Suzanne Crowe AO**

MBBS (Hons), FRACP, MD, FAICD

*Non-executive, independent Director, appointed April 2020*

Professor Crowe is a qualified medical specialist and physician-scientist, holding medical and MD degrees from Monash University, and an internal medicine specialist qualification in Infectious Diseases from the Royal Australasian College of Physicians. She is a Fellow of the Australian Institute of Company Directors and holds a Diploma in Medical Laboratory Technology from the Royal Melbourne Institute of Technology. Professor Crowe's current positions include Non-executive Director of ASX- and NASDAQ-listed Avita Medical, Inc. (from January 2016), and Emeritus Professor of Medicine at Monash University, Melbourne (from 2020). She was a Non-executive Director of St Vincent's Health Australia Ltd from January 2013 until October 2021. She retired from Burnet Institute as Associate Director in 2018 following a 30-year research career, having played an integral role in Burnet's development as a global research organisation. Professor Crowe retired as Principal Specialist in Infectious Diseases at The Alfred Hospital, Melbourne in 2019 after 35 years of service. She has served as a Member of the Prime Minister's Science Engineering and Innovation Council (India/China Working Group), as Head of the World Health Organization (WHO) Regional Reference Laboratory for HIV Resistance Testing and as an HIV advisor to WHO for 25 years. She was appointed a Fellow of the Australian Academy of Health and Medical Sciences in 2015, and an Officer of the Order of Australia (AO) in 2020, in recognition of her distinguished service to health and aged care administration, clinical governance, biomedical research, and to education. Professor Crowe is Chair of the Risk Management Committee (effective 17 November 2022, member since 23 September 2021).

# Directors' Report

## INFORMATION ON DIRECTORS



### Dr Katharine Giles

MBBS (Hons), MBA, GAICD

*Non-executive, independent Director, appointed September 2022*

Dr Giles holds a Bachelor of Medicine, Bachelor of Surgery (Hons) and an MBA (Dean's Honours list) from the University of Western Australia. She is a registered medical practitioner with the Medical Board of Australia. After initially practicing as a medical doctor, Dr Giles moved to commercial pursuits which combined science, medicine and health. Dr Giles is currently Managing Director and Chief Executive Officer of OncoRes Medical (since 2017), which is developing a novel imaging technology to improve cancer outcomes. Dr Giles is also a Venture Partner at Brandon Capital Partners (since 2012), a venture capital firm dedicated to developing and supporting Australian life sciences businesses. She was previously an Investment Manager with Stone Ridge Ventures, a fund manager specialising in seed-to-early-stage technology investment. Dr Giles has start-up experience in medical apps, diagnostics and fitness devices and has served on the boards of private health care related technology companies. She is a member of the Curtin University Commercialisation Advisory Board and has recently been appointed to the board of the Australian Government's National Reconstruction Fund.



### Neville Mitchell

BCom, CA

*Non-executive, independent Director, appointed September 2017*

Mr Mitchell is a qualified Chartered Accountant with international healthcare and finance experience. He was Chief Financial Officer and Company Secretary of ASX-listed Cochlear Limited (until March 2017), a world leading medical device developer, manufacturer and seller of hearing devices. Mr Mitchell is a Non-executive Director and Audit Committee Chair of ASX-listed companies Fisher and Paykel Healthcare Corporation Limited (from November 2018) and Sigma Healthcare Limited (from February 2023). He was formerly a Non-executive Director of ASX-listed Osprey Medical, Inc. (from July 2012 until May 2022) and QBiotech Group Limited (from November 2017 to May 2023). He has also performed roles with a number of industry and government committees. Mr Mitchell is Chair of the Audit Committee and a member of the Risk Management Committee.



### Lou Panaccio

BEC, CA, MAICD

*Non-executive, independent Director, appointed June 2005*

Mr Panaccio is a Chartered Accountant with extensive executive management experience in business and healthcare services. Mr Panaccio is currently on the boards of ASX- and NASDAQ-listed Avita Medical, Inc. (Non-executive Chairman from July 2014), ASX-listed Rhythm Biosciences Limited (Non-executive Director from August 2017) and ASX-listed Adherium Limited (Non-executive Chairman from February 2022). He is also a Non-executive Director of Unison Housing Limited, Non-executive Chairman of Azure Health Technology Limited, NeuralDx Limited and Magellan Stem Cells Pty Ltd (from August 2023). Mr Panaccio was the Chief Executive Officer and Executive Director of Melbourne Pathology (acquired by Sonic in 1999) for ten years to 2001, the Chief Executive Officer of Monash IVF until 2009, the Executive Chairman of Health Networks Australia until 2017 and a Non-executive Director of Haemokinesis Limited until October 2022. Mr Panaccio is a member of the Audit Committee, the Remuneration and Nomination Committee, and the Risk Management Committee.

# Directors' Report

## INFORMATION ON DIRECTORS



### **Kate Spargo**

LLB (Hons), BA, FAICD

*Non-executive, independent Director, appointed July 2010*

Ms Spargo has gained broad business experience as both a legal advisor, having worked in private practice and government, and as a director. Ms Spargo has been a director of both listed and unlisted companies over the last 20 years and her current directorships include the ASX-listed companies Adairs Limited (from May 2015), Sigma Healthcare Limited (from December 2015) and Bapcor Limited (from 1 March 2023). Ms Spargo also holds non-executive director roles with CIMIC Group Limited (from September 2017), the Future Fuels Cooperative Research Centre, Geelong Football Club Limited and Jellis Craig. Ms Spargo was previously a Non-executive Director of Fletcher Building Limited and Xenith IP Group Limited (from April 2017 until 15 August 2019). Ms Spargo is Chair of the Remuneration and Nomination Committee and is a member of the Audit Committee.

### b) Company Secretary



### **Paul Alexander**

BEC, CA, FFin

Mr Alexander has been the Deputy Chief Financial Officer of Sonic Healthcare Limited since 1997 and Sonic's Company Secretary since 2001. Prior to joining Sonic, Mr Alexander gained 10 years' experience in professional accounting practice, and was also Financial Controller and Company Secretary of a subsidiary of a UK-headquartered multinational company for two years.

# Directors' Report

## INFORMATION ON DIRECTORS

### c) Directors' interests in shares, options and performance rights as at 26 September 2023

| Director's name     | Class of shares | Number of shares | Interest     | Number of options      | Number of performance rights |
|---------------------|-----------------|------------------|--------------|------------------------|------------------------------|
| Dr C.S. Goldschmidt | Ordinary        | 897,025          | Personally   | 1,243,921 <sup>+</sup> | 138,856 <sup>+</sup>         |
|                     | Ordinary        | 41,663           | Beneficially | -                      | -                            |
| C.D. Wilks          | Ordinary        | 488,284          | Personally   | 510,051 <sup>+</sup>   | 56,687 <sup>+</sup>          |
|                     | Ordinary        | 116,471          | Beneficially | -                      | -                            |
| Prof. M.R. Compton  | Ordinary        | 459              | Personally   | -                      | -                            |
|                     | Ordinary        | 12,057           | Beneficially | -                      | -                            |
| Prof. C. Bennett    | Ordinary        | 2,000            | Personally   | -                      | -                            |
| Prof. S. Crowe      | Ordinary        | 1,440            | Personally   | -                      | -                            |
|                     | Ordinary        | 2,560            | Beneficially | -                      | -                            |
| Dr K. Giles         | Ordinary        | 2,000            | Beneficially | -                      | -                            |
| N. Mitchell         | Ordinary        | 9,770            | Beneficially | -                      | -                            |
| L.J. Panaccio       | Ordinary        | 8,026            | Beneficially | -                      | -                            |
| K.D. Spargo         | Ordinary        | 3,000            | Personally   | -                      | -                            |
|                     | Ordinary        | 22,000           | Beneficially | -                      | -                            |

<sup>+</sup> Vesting of options and performance rights is subject to challenging performance conditions designed to align the interests of the Executives with those of shareholders. None of the performance rights have vested to date. 407,747 of Dr C.S. Goldschmidt's and 181,147 of C.D. Wilks' options have vested to date.

## MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2023, and the number of meetings attended by each Director (while they were a member of the Board or relevant Committee) were:

| Director's name     | Full meetings of Directors  |                         | Meetings of Committees      |                         |                             |                         |                             |                         |
|---------------------|-----------------------------|-------------------------|-----------------------------|-------------------------|-----------------------------|-------------------------|-----------------------------|-------------------------|
|                     |                             |                         | Audit                       |                         | Remuneration and Nomination |                         | Risk Management             |                         |
|                     | Number of meetings attended | Number of meetings held | Number of meetings attended | Number of meetings held | Number of meetings attended | Number of meetings held | Number of meetings attended | Number of meetings held |
| Dr C.S. Goldschmidt | 9                           | 9                       | -                           | -                       | -                           | -                       | 2                           | 2                       |
| C.D. Wilks          | 8                           | 9                       | -                           | -                       | -                           | -                       | -                           | -                       |
| Prof. M.R. Compton  | 8                           | 9                       | 3                           | 4                       | 2                           | 4                       | -                           | -                       |
| Prof. C. Bennett    | 7                           | 7                       | -                           | -                       | -                           | -                       | -                           | -                       |
| Prof. S. Crowe      | 9                           | 9                       | -                           | -                       | -                           | -                       | 2                           | 2                       |
| Dr P.J. Dubois      | 3                           | 3                       | -                           | -                       | -                           | -                       | -                           | -                       |
| Dr K. Giles         | 7                           | 7                       | -                           | -                       | -                           | -                       | -                           | -                       |
| N. Mitchell         | 9                           | 9                       | 4                           | 4                       | -                           | -                       | 2                           | 2                       |
| L.J. Panaccio       | 9                           | 9                       | 3                           | 4                       | 4                           | 4                       | 2                           | 2                       |
| K.D. Spargo         | 9                           | 9                       | 4                           | 4                       | 4                           | 4                       | -                           | -                       |
| Dr E.J. Wilson      | 3                           | 3                       | -                           | -                       | 2                           | 2                       | 1                           | 1                       |

# Directors' Report

## INSURANCE OF OFFICERS

The Company has entered into agreements to indemnify all Directors of the Company that are named above, and current and former Directors of the Company and its controlled entities, against all liabilities to persons (other than the Company or related entity) which arise out of the performance of their normal duties as Director or executive officer, unless the liability relates to conduct involving lack of good faith. The Company has agreed to indemnify the Directors and executive officers against all costs and expenses incurred in defending an action that falls within the scope of the indemnity and any resulting payments.

The Directors' and officers' liability insurance provides cover against costs and expenses, subject to the terms and conditions of the policy, involved in defending legal actions and any resulting payments arising from a liability to persons (other than the Company or related entity) incurred in their position as a Director or executive officer, unless the conduct involves a wilful breach of duty or an improper use of inside information or position to gain advantage. The insurance policy does not allow disclosure of the nature of the liabilities insured against or the premium paid under the policy.

## ENVIRONMENTAL REGULATION

The Group is subject to environmental regulation in respect of the transport and disposal of medical waste. The Group contracts with reputable, licensed businesses to dispose of waste. The Directors believe that the Group has complied with all relevant environmental regulations and there have been no investigations or claims during the financial year.

## NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the auditor of the Group (PricewaterhouseCoopers) for non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001*. In the opinion of the Directors, none of the services provided undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 52.

During the year the following fees were paid or payable for non-audit services provided by the auditors of the Group.

|                                                                                                                             | 2023 | 2022   |
|-----------------------------------------------------------------------------------------------------------------------------|------|--------|
|                                                                                                                             | \$   | \$     |
| <b>PricewaterhouseCoopers – Australian firm and related practices<br/>(including overseas PricewaterhouseCoopers firms)</b> |      |        |
| Taxation and other services                                                                                                 | -    | 83,320 |

# Directors' Report

---

## SHARE OPTIONS

Information on share options is detailed in Note 34 – Share-based payments.

## ROUNDING OF AMOUNTS

The Company is of a kind referred to in the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Instrument to the nearest thousand dollars or, in certain cases, to the nearest dollar.

# Directors' Report

## REMUNERATION REPORT

### Letter from the Chair of the Remuneration and Nomination Committee

Dear Shareholders,

The Board of Sonic Healthcare is pleased to present the 2023 Remuneration Report, which summarises the performance of the Company during the year and the associated remuneration outcomes, as well as explaining our remuneration structures and their links to outcomes for the Company's stakeholders.

Sonic Healthcare achieved a net profit for the 2023 financial year of A\$685 million, on revenues of A\$8.2 billion. Whilst these results were lower than in the prior year due to an 80% decrease in COVID-related revenue, net profit was 25% higher than in FY2019, the last pre-pandemic year. Shareholders were rewarded with total dividends for the year of A\$1.04 per share, up 4% on FY2022.

In many ways, the 2023 financial year was one of transition for Sonic Healthcare. Early in the year the Company was still performing substantial volumes of COVID-19 PCR tests, and the progress of the pandemic and the development of new strains were unpredictable. It was important to retain surplus testing capacity to be able to react swiftly if required. Volumes of COVID testing fell dramatically, and unpredictably, through the year. In addition, COVID PCR fees were reduced in most of our jurisdictions at points during the year. In combination, this meant that monthly COVID revenue went from almost A\$100 million in the month of July 2022, down to around A\$10 million in June 2023.

While COVID has become just a memory for many, I want to take this opportunity to highlight that since the beginning of the pandemic, Sonic has performed approximately 60 million COVID-19 PCR tests, in addition to providing COVID-related antibody testing, genetic sequencing and vaccination services. At the same time non-COVID medical diagnostic services have been seamlessly provided for more than 100 million patients a year. None of this would have been possible without the strength of Sonic's Medical Leadership culture, which inspires and motivates our people, nor without the investments made in people, state-of-the-art facilities, equipment, and systems. The management of the COVID era is a testament to the strong resilience of the Company.

Sonic's base business (excluding COVID-related revenues) has now strengthened. Base business revenue grew organically by 7% over the year on a like-for-like basis, gaining momentum with 6% growth in the first half, and 9% in the second. Sonic's Medical Leadership culture, and the related investments already mentioned, have positioned Sonic's operations optimally in the specialist and hospital referrer sub-markets. In turn, this has enabled Sonic to grow market shares and benefit from the trend towards higher value tests and modalities in laboratory medicine and radiology respectively.

Sonic's sustainability strategy gained substantial momentum during the 2023 year, with additional resources appointed throughout the Company, and with the completion of key short-term milestones and progress made towards longer term goals, including the transition to renewable energy sourcing. Details of our progress will be included in the 2023 Sustainability Report, to be published in November 2023. As part of Sonic's commitment to social aspects of sustainability, the Sonic Healthcare Foundation was established and funded by Sonic in FY2022, and the Foundation is now well advanced in providing healthcare support in parts of the world where the need is dire. All of Sonic takes great pride in the activities of the Foundation, and we trust that our shareholders do as well.

As always, the health and safety of our staff is a major focus for Sonic, and I am happy to report that Sonic has continued to maintain its very longstanding very sound staff safety record. On behalf of the Board, I thank all of our employees for their amazing efforts over the last year.

# Directors' Report

## REMUNERATION REPORT

### Changes to remuneration structures for 2023

Having instituted significant changes in 2020 and 2021 following a detailed review of the Company's remuneration framework, and further updates in 2022, the following additional adjustments have been made in 2023:

| Element                                    | Action taken                                                                                                                                                                                                                                                                                                                                                                                               |
|--------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Remuneration level                         | Fixed and Total Target Remuneration values had remained unchanged for 5 years to 30 June 2022. Based on independent market benchmarking, the Finance Director's Fixed Remuneration was increased by ~10% to \$1,200,000 with effect from 1 July 2022, with proportionate flow on increases in the 'at risk' elements of his remuneration package. The Managing Director's remuneration remained unchanged. |
| STI - Non-financial performance objectives | 20% of the STI opportunity is assessed against non-financial aspects and this year we have weighted half of this award to the Company's environmental, governance and sustainability objectives. The other half remains based on our previously documented qualitative factors.                                                                                                                            |
| Malus and clawback                         | Malus and clawback provisions now apply to awards.                                                                                                                                                                                                                                                                                                                                                         |
| Mandatory shareholding levels              | Mandatory minimum shareholding levels have been set for the Managing Director and Finance Director.                                                                                                                                                                                                                                                                                                        |

### Remuneration outcomes

The award of an STI is based on both an EBITDA target (80% of the opportunity) and strategic qualitative or non-financial targets (20% of the opportunity). The Company achieved an actual EBITDA level equating to 90.3% of the EBITDA target, resulting in the Executives achieving 35.3% of STI target for the EBITDA component. 50% of the EBITDA related award was deferred into equity for two years.

In relation to the strategic qualitative component, the Board assessed the contributions made by the Executives in these areas including Medical Leadership, strategy development, reputation and risk management, and the oversight and management of the federation model, as well as the specific area of sustainability. The Board was pleased to be confident in awarding 100% of the opportunity to the Executives based on their work during the year. Their ongoing focus on the strategic aspects that make the Company a resilient, innovative, useful and growing business is fundamental to the Company. This focus is demonstrated in many ways, including sourcing and completing value enhancing business acquisitions like the three recently announced European transactions, winning preferred bidder status for outsource contracts from the UK National Health Service, and setting Sonic's digital pathology and AI strategy for the future.

For the LTI with a performance measurement period of 3 years to 30 June 2023, 84.3% of the options and rights vested. The ROIC and EPS performance condition components were fully satisfied, particularly due to the extraordinarily strong financial performances in FY2021 and FY2022. 64.6% of the relative total shareholder return component vested, with the relative TSR equating to the 58th percentile.

We remain committed to achieving the appropriate balance between investor and executive rewards and continue to monitor the alignment of our remuneration approach with Company performance.

Whilst Remuneration Reports tend to be complicated by their nature, we try to enhance the readability of our Report each year, and would welcome any feedback on all aspects of our approach.



Kate Spargo

26 September 2023

# Directors' Report

## REMUNERATION REPORT

### In this report

- a) Key management personnel
- b) Year in review
- c) 2023 performance and remuneration outcomes for Executive Directors
- d) 2023 Executive Director remuneration framework
- e) Remuneration governance
- f) Non-executive Director remuneration
- g) Statutory remuneration disclosures for key management personnel
- h) Other statutory disclosures

#### a) Key management personnel

The table below lists the Directors of Sonic Healthcare Limited, who were the key management personnel (KMP) of the Group throughout the financial years ended 30 June 2023 and 2022 unless otherwise stated.

| Name                                         | Position               |
|----------------------------------------------|------------------------|
| <b>Non-executive Directors</b>               |                        |
| Prof. M.R. Compton AM                        | Chairman               |
| Prof. C. Bennett AO (from 26 September 2022) | Non-executive Director |
| Prof. S. Crowe AO                            | Non-executive Director |
| Dr P.J. Dubois (until 17 November 2022)      | Non-executive Director |
| Dr K. Giles (from 26 September 2022)         | Non-executive Director |
| N. Mitchell                                  | Non-executive Director |
| L.J. Panaccio                                | Non-executive Director |
| K.D. Spargo                                  | Non-executive Director |
| Dr E.J. Wilson AO (until 17 November 2022)   | Non-executive Director |
| <b>Executive Directors</b>                   |                        |
| Dr C.S. Goldschmidt                          | Managing Director      |
| C.D. Wilks                                   | Finance Director       |

The Board is satisfied that given the Company operates in a federation structure and the consequent distributed management model, there are no other KMP at the Group level.

#### b) Year in review

The 2023 financial year was one of transition for Sonic Healthcare. The Company achieved a net profit for the year of A\$685 million, on revenues of A\$8.2 billion, significantly lower than in the prior year due to an 80% decrease in COVID-related revenue. Pleasingly however, Sonic's base (non-COVID) business performed strongly, demonstrated by revenue growth of 11%, and net profit was up a substantial 25% compared to FY2019, the last pre-pandemic year.

Early in FY2023 the Company was still performing large volumes of COVID-19 PCR tests, to assist in pandemic control. At that stage the progress of the pandemic was still unknown, and there was always the possibility of a new and more dangerous strain developing. Testing volumes remained impossible to predict, and it was incumbent on Sonic to retain surplus testing capacity so as to be able to meet spikes in demand if required. In addition to volume changes, COVID PCR fees were reduced in most of Sonic's markets at points during the year. As the pandemic waned, Sonic's base business (excluding COVID-related revenues) strengthened. Base business revenue grew organically by 7% over the year on a like-for-like basis, gaining momentum with 6% growth in the first half, and 9% in the second. Organic growth was augmented by the full year effect of acquisitions occurring in the prior year. Sonic's Medical Leadership culture, and related investments over decades in people and infrastructure, have positioned Sonic's operations optimally in the specialist and hospital referrer sub-markets, enabling Sonic to grow market shares and benefit from the trend towards higher value tests and modalities in laboratory medicine and radiology respectively.

# Directors' Report

## REMUNERATION REPORT

Considerable progress was made with Sonic's sustainability strategy in the 2023 year, with additional resources appointed throughout the Company, and with the completion of key short-term milestones plus steps made towards longer term goals, including the transition to renewable energy sourcing. Details of this progress will be included in the 2023 Sustainability Report, to be published in November 2023.

### c) 2023 performance and remuneration outcomes for Executive Directors

The Board did not exercise discretion to adjust any variable remuneration performance targets or outcomes for 2022 or 2023. In light of 2023 performance, remuneration outcomes were as follows:

#### i) Fixed Remuneration

Fixed and Total Target Remuneration values had remained unchanged for 5 years to 30 June 2022. In the 2022 annual review of remuneration carried out by the Board's Remuneration and Nomination Committee, independent market benchmarking revealed that C.D. Wilks' remuneration had fallen behind the targeted percentile versus CFOs of companies of similar sizes and complexity based on market capitalisation, global complexity and industry. His Fixed Remuneration was therefore increased by approximately 10% to \$1,200,000 with effect from 1 July 2022, with proportionate increases in the other elements of his remuneration package. Dr C.S. Goldschmidt's remuneration remained unchanged.

#### ii) STI outcomes

The EBITDA achieved by the Company in 2023 reached 90.3% of the target set at the beginning of the financial year (which was based on market expectation at the time the target was set as Sonic did not publish earnings guidance), resulting in a payout of 35.3% of the relevant target component under the EBITDA performance condition which relates to 80% of the total target STI amount.

The remaining 20% of the target STI award was subject to the qualitative strategic performance conditions. The performance conditions were met in full resulting in 100% of the relevant component being paid. Detailed information was sought from a range of sources both within and outside of the Company and an assessment of the performance of the Executives was made by the Board with reference to the following factors:

- promotion of, and adherence to, Sonic Healthcare's Core Values and Foundation Principles
- the exercise and promulgation of Sonic's Medical Leadership culture
- the Federation model employed at Sonic Healthcare, and its effective management
- risk management within the Company
- the external standing and reputation of the Company
- progress with the Company's environmental, governance and sustainability objectives
- financial leadership and innovation (for the Finance Director).

From 2023, 50% of the portion of the target STI award related to qualitative strategic performance conditions (20% of total target STI) is assessed based on progress with the Company's environmental, governance and sustainability objectives, and is assessed against the achievement of specific milestones/objectives for the year. For the 2023 year these were:

- completion of a qualitative assessment of climate-related risks and opportunities in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) across Sonic's global business, with the findings to be reported in the 2023 Sustainability Report
- to establish a scope 3 (upstream and downstream value chain) emissions boundary, conduct a scope 3 emissions inventory and estimate Sonic's global scope 3 emissions using available data. The findings will be reported in the 2023 Sustainability Report
- to include standard Sustainability clauses in all new significant supplier contracts
- to submit Sonic's inaugural response to the Climate Disclosure Project (CDP) questionnaire.

These milestones/objectives were achieved.

These 'qualitative' factors are not able to be measured in the same way as the EBITDA target. However the Board believes it is these factors, and the behaviours and actions that are linked to them, which are the basis of Sonic Healthcare's success as a healthcare provider and as a business. The COVID-19 pandemic strongly tested the quality of all these factors.

# Directors' Report

## REMUNERATION REPORT

The Board believes that the Company is driven by the ideal of Medical Leadership, which means putting the patient and their treating clinician at the centre of all Sonic does. Sonic's Values and Principles derive from Medical Leadership, and the Company's standing and reputation have been built from it. Throughout the pandemic, the Executives called on Sonic's Medical Leadership culture to motivate and drive the Company's staff to achieve outcomes during the most challenging period in Sonic's history. Sonic Healthcare's long established culture has brought out the best in its people. It has served to inspire them into action, not only to provide service and to make a contribution to community and their country, but also to make enormous personal sacrifices to help Sonic Healthcare navigate the many challenges presented by the pandemic.

Now that the pandemic has receded, Sonic is adjusting to the changes in requirements for staffing and testing. The pandemic experience has shown just how resilient our Company is to challenges, and we are now asking our people to move forward with new challenges such as increasingly complex testing, the inclusion of AI in our work, and our sustainability strategy.

The table below summarises the 2023 STI outcomes.

|                            | STI target as a % of Fixed Remuneration | Target STI \$ | % of Target STI actually awarded | % of Target STI forfeited | Actual STI award \$ |
|----------------------------|-----------------------------------------|---------------|----------------------------------|---------------------------|---------------------|
| <b>Dr C.S. Goldschmidt</b> |                                         |               |                                  |                           |                     |
| 2023                       | 92%                                     | 2,201,368     | 48.3%                            | 51.7%                     | 1,062,337           |
| 2022                       | 92%                                     | 2,201,368     | 140%                             | -                         | 3,081,914           |
| <b>C.D. Wilks</b>          |                                         |               |                                  |                           |                     |
| 2023                       | 105%                                    | 1,263,206     | 48.3%                            | 51.7%                     | 609,599             |
| 2022                       | 105%                                    | 1,147,138     | 140%                             | -                         | 1,605,994           |

50% of the portion of the STI award related to EBITDA growth is delivered as equity and deferred for two years.

### iii) LTI outcomes

The options and performance rights issued as LTI for the Executives are subject to challenging vesting conditions. Of the options and performance rights with a performance measurement period for three years to 30 June 2023, 84.3% (2022: 100%) satisfied the performance conditions, as follows:

| LTI outcomes (1 July 2020 to 30 June 2023) |                   |                       |                    |
|--------------------------------------------|-------------------|-----------------------|--------------------|
| Performance measure                        | Overall weighting | Performance achieved  | % eligible to vest |
| Relative TSR                               | 45%               | 58th percentile       | 64.6%              |
| Aggregate EPS <sup>1</sup>                 | 33%               | 747.7 cents           | 100%               |
| Target average ROIC <sup>2</sup>           | 22%               | 150.3% of target ROIC | 100%               |
| <b>Total</b>                               | <b>100%</b>       |                       | <b>84.3%</b>       |

- For the Aggregate EPS component of the LTI issue made in FY2021, the performance was as follows: FY2021 EPS: 286.0, FY2022 EPS: 314.1, FY2023 EPS: 147.6, for a total aggregate EPS of 747.7 cents over the three-year performance period. The minimum hurdle was 366 cents and the maximum hurdle was 442 cents. EPS was calculated on a Constant Currency basis and included the impact of the accounting standard AASB 16.
- For the ROIC component of the LTI issue made in FY2021, the performance was as follows: FY2021 (target: 9%, achieved: 16.7%), FY2022 (target: 11%, achieved: 18.1%) and FY2023 (target: 9%, achieved: 8.8%). This resulted in 150.3% of the target ROIC being achieved over the three-year performance period. ROIC was calculated including the impacts of the accounting standard AASB 16 for FY2021 and FY2022, however the methodology was revised to exclude the impacts of AASB 16 in both the target set and the result achieved for FY2023. Refer to the Financial History (page 7) for a description of the revised methodology.

# Directors' Report

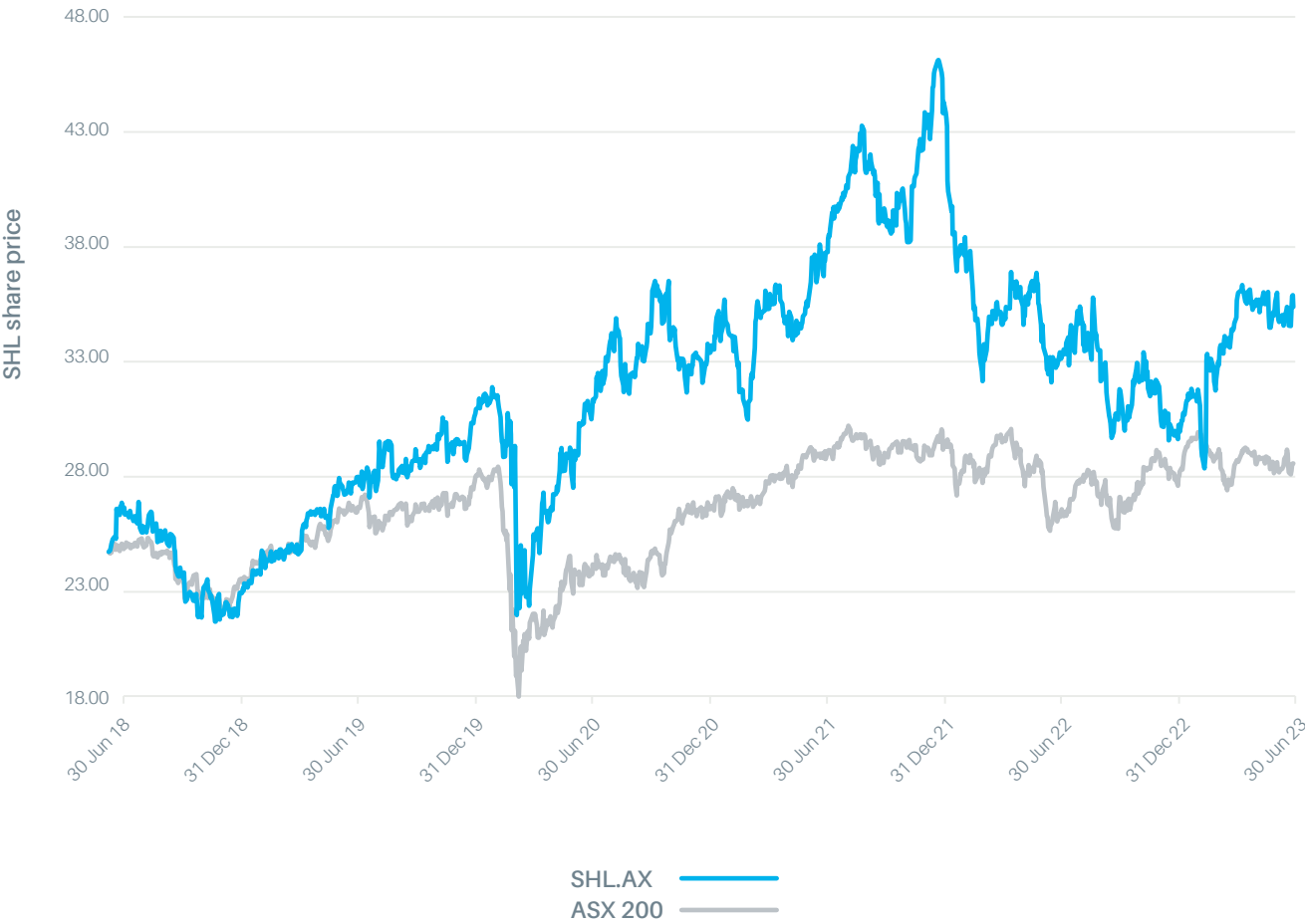
## REMUNERATION REPORT

iv) Company performance

Share price growth

The chart below shows the Company's share price (SHL.AX) performance over the 5 years to 30 June 2023, versus the relative performance of the ASX 200. The ASX 200 increased approximately 16% over the period, whereas SHL.AX increased approximately 45%.

Sonic Healthcare (SHL.AX) Share Price vs ASX 200



# Directors' Report

## REMUNERATION REPORT

Historical performance of the Group and relationship to remuneration of key management personnel

The table below summarises Sonic Healthcare's performance over the last five years and the changes in remuneration of key management personnel (but excluding Non-executive Directors who do not receive performance-based or equity-based remuneration).

|                                                                        | 2019       | 2020       | 2021       | 2022       | 2023       | Compound average annual growth rate <sup>1</sup> |
|------------------------------------------------------------------------|------------|------------|------------|------------|------------|--------------------------------------------------|
| Growth in EBITDA <sup>2</sup> (on a Constant Currency basis)           | 9.5%       | 0.1%       | 107.4%     | 11.5%      | (47.9)%    | 5.7%                                             |
| Net profit attributable to members (\$'000)                            | 549,725    | 527,749    | 1,315,040  | 1,460,566  | 684,984    | 7.6%                                             |
| Diluted earnings per share (cps)                                       | 122.1      | 110.6      | 273.1      | 302.5      | 145.0      | 5.3%                                             |
| Dividends declared per share (cps)                                     | 84         | 85         | 91         | 100        | 104        | 5.1%                                             |
| Enterprise value <sup>3</sup> (\$'000)                                 | 15,143,172 | 16,481,770 | 19,292,237 | 16,385,887 | 17,632,904 | 6.4%                                             |
| Total Shareholder Return <sup>4</sup>                                  | 40.7%      | 40.7%      | 68.4%      | 32.0%      | 27.7%      | n/a                                              |
| Change in total Fixed Remuneration plus STI of Executives <sup>5</sup> | 7.9%       | (44.0)%    | 95.6%      | 0%         | (35.5)%    | (6.4)%                                           |
| Change in total remuneration of Executives <sup>6</sup>                | (6.3)%     | (26.8)%    | 53.7%      | 13.3%      | (21.9)%    | (2.0)%                                           |

<sup>1</sup> The compound average annual growth rate is calculated over the five-year period shown with 2018 as the base year.

<sup>2</sup> EBITDA is calculated excluding the impacts of the lease accounting standard AASB 16, which became effective for Sonic in FY2020.

<sup>3</sup> Enterprise value is the Company's market capitalisation (number of issued shares times closing share price) plus net interest-bearing debt (excluding lease liabilities under AASB 16) at 30 June.

<sup>4</sup> Total Shareholder Return is calculated over a rolling three-year performance period and assumes dividend reinvestment.

<sup>5</sup> Change in total Fixed Remuneration plus STI of Executives is the percentage increase/(decrease) over the prior year of total Fixed Remuneration plus STI of all key management personnel in place for the relevant periods (but excluding Non-executive Directors).

<sup>6</sup> Change in total remuneration of Executives is the percentage increase/(decrease) over the prior year of total remuneration (cash plus long service leave accrued plus the calculated value of equity remuneration) of all key management personnel in place for the relevant periods (but excluding Non-executive Directors).

The table above demonstrates the relationship between the performance of the Group and the remuneration of its key management personnel. Remuneration has fluctuated from year to year largely dependent on the extent to which the STI performance hurdle related to EBITDA was met. Total remuneration has also fluctuated depending upon whether elements of equity-based remuneration have met challenging (non-market based) performance conditions. Over the five-year period, total remuneration has slightly decreased, despite strong Total Shareholder Returns.

# Directors' Report

## REMUNERATION REPORT

### d) 2023 Executive Director remuneration framework

#### i) Remuneration strategy

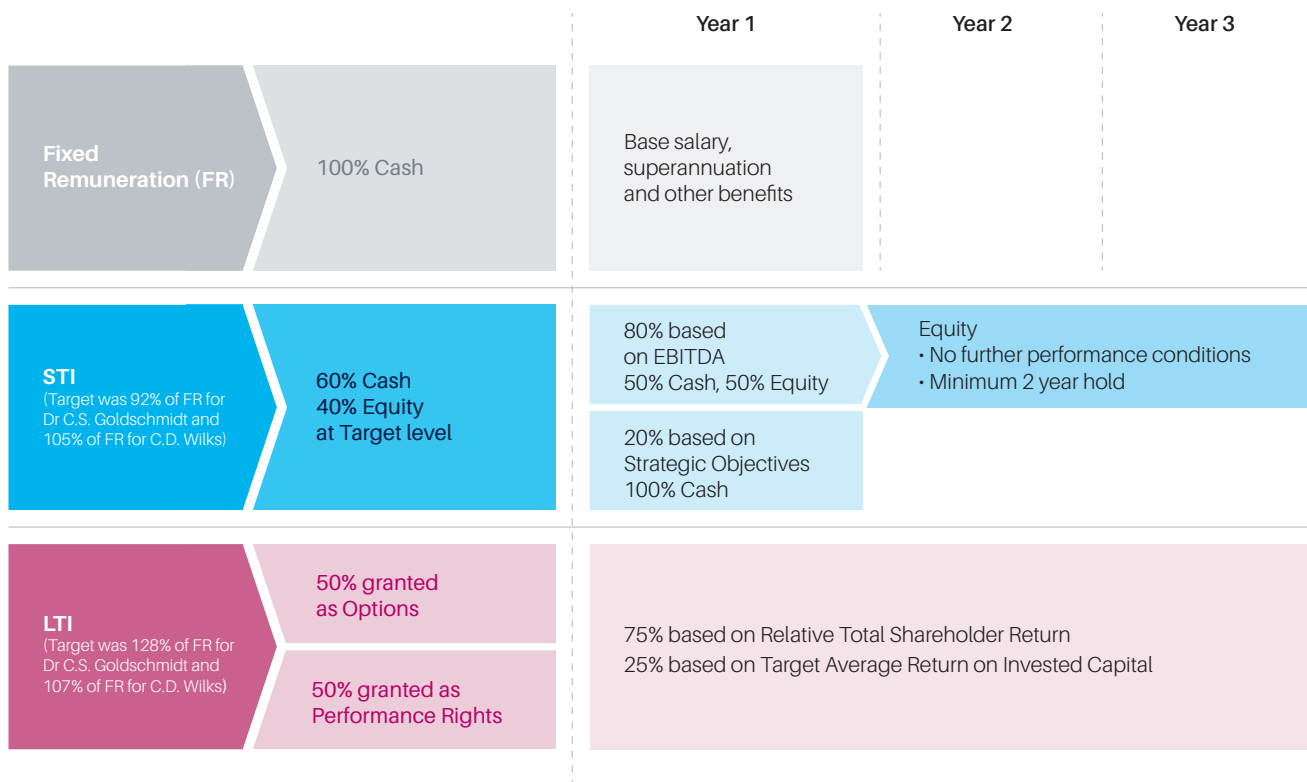
Sonic Healthcare’s remuneration opportunities are structured and set at levels that are intended to attract, motivate and retain Executives capable of leading and managing the Group’s operations, and to align remuneration with the creation of value for shareholders.

Sonic Healthcare’s remuneration policy links the remuneration of the Managing Director and the Finance Director to Sonic’s performance through the award of conditional entitlements. These conditional entitlements relate to the performance of the Group and align reward with the creation of value for shareholders.

The remuneration strategy is designed to support Sonic’s business strategy. In particular, the approaches support the unique nature of the decentralised federated structure, complexity of the global organisation and the acquisitive nature of the business.

#### Summary of remuneration components

The graphic below summarises the target remuneration components and timing of delivery.



# Directors' Report

## REMUNERATION REPORT

The table below outlines the purpose, performance link and value to shareholders of each remuneration component.

|                                        | Fixed Remuneration (FR)                                                                                                                                                                                                                                                                       | Short-Term Incentive (STI)                                                                                                                   | Long-Term Incentive (LTI)                                                                                                      |
|----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|
| <b>Purpose</b>                         | Baseline level of remuneration to attract and retain individuals with the skills, experience and capability to deliver the business strategy. Executive Directors may take part of their base salary as other benefits, such as motor vehicles, including any associated fringe benefits tax. | Motivate and reward for contributing to the achievement of annual financial and strategic objectives.                                        | Align participants with long-term business strategy and the creation of shareholder value and returns over the long term.      |
| <b>Performance link</b>                | Reviewed annually, taking into account market benchmarks, performance and experience of Executive Directors and Company performance.                                                                                                                                                          | Performance is assessed against EBITDA targets and strategic objectives.                                                                     | Performance is assessed against Relative Total Shareholder Return (TSR) and Return on Invested Capital (ROIC).                 |
| <b>Value delivered to shareholders</b> | The remuneration of current Executive Directors reflects the individual's significant commitment to the success of Sonic Healthcare. These individuals have led the delivery of strategic outcomes and shareholder returns over an extended period of time.                                   | Aligned to earnings and delivery of annual strategic objectives that support the longer-term strategy. Deferred portion delivered in equity. | The LTI is fully delivered as equity and performance measures are aligned to long-term shareholder returns and value creation. |

### ii) Market positioning of fixed and total remuneration opportunities

Remuneration arrangements for Dr C.S. Goldschmidt and C.D. Wilks are reviewed annually by the Remuneration and Nomination Committee, referencing market benchmarking. Consideration is given to companies of similar size and complexity based on market capitalisation, global complexity (determined by offshore portion of revenue) and industry. Companies in the Financials and Metals and Mining sectors are excluded from market comparisons.

Fixed Remuneration and Total Target Remuneration (being Fixed Remuneration, STI and LTI) were targeted at the 75th percentile for the Managing Director and at the 80th percentile for the Finance Director when set. Fixed and Total Target Remuneration values had remained unchanged for 5 years to 30 June 2022. In the annual review of remuneration carried out by the Board's Remuneration and Nomination Committee, independent market benchmarking revealed that C.D. Wilks' remuneration had fallen behind the targeted percentile versus CFOs of companies of similar sizes and complexity based on market capitalisation, global complexity and industry. His Fixed Remuneration was therefore increased by approximately 10% to \$1,200,000 with effect from 1 July 2022, with proportionate increases in the other elements of his remuneration package. Dr C.S. Goldschmidt's remuneration has remained unchanged. This market positioning reflects the value of the specific individuals to Sonic Healthcare taking into consideration the following factors:

- The positioning of Sonic Healthcare, by market capitalisation, relative to other companies in the comparator groups. As Sonic's size placed it towards the top of the comparator groups considered, the positioning of the Managing Director and the Finance Director's remuneration towards the top of like roles within these groups was, in the Board's view, appropriate.
- The current Managing Director and Finance Director have led the Company in driving sustained share price growth, demonstrating Medical Leadership and delivering significant shareholder value over 30 years. Both are among the longest tenured and successful incumbents in their respective roles within the ASX 200, having served in their roles since 1993. The Board considered it appropriate to recognise the value of the knowledge, skills and experience the individuals bring to Sonic Healthcare, as well as the sustained performance they have delivered.
- Reflecting their sustained performance, both the Managing Director and Finance Director have built and retained large shareholdings with Sonic Healthcare over their significant tenure, resulting in a high level of alignment between the Executives and shareholders.
- The role and strategic responsibilities of C.D. Wilks, Finance Director, are considered broader than those of a typical CFO role.

# Directors' Report

## REMUNERATION REPORT

### iii) Remuneration mix

The table below provides a summary of target remuneration mix for 2023 for Dr C.S. Goldschmidt and C.D. Wilks:

|                     | Fixed Remuneration<br>(% of total remuneration) | Target STI<br>(% of total remuneration) | LTI opportunity<br>(% of total remuneration) |
|---------------------|-------------------------------------------------|-----------------------------------------|----------------------------------------------|
| Dr C.S. Goldschmidt | ~31%                                            | ~29%                                    | 40%                                          |
| C.D. Wilks          | 32%                                             | ~34%                                    | ~34%                                         |

### iv) Detailed overview of STI and LTI arrangements

Additional information for the STI and LTI arrangements for the year ended 30 June 2023 are detailed below.

#### STI Plan

| Key question                                                  | Sonic Healthcare approach                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|---------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Who is eligible to participate in the STI plan?               | The Managing Director and Finance Director are eligible to participate in the STI plan.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| What are Executive Directors able to earn under the STI plan? | <ul style="list-style-type: none"> <li>Target opportunity: 92% of Fixed Remuneration for the Managing Director and 105% for the Finance Director.</li> <li>Maximum opportunity: Both can earn up to 140% of target for the achievement of stretch performance.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| What is the mix of performance conditions?                    | <p>The STI is determined based on the extent to which the following conditions are met:</p> <ul style="list-style-type: none"> <li>80% based on EBITDA</li> <li>20% based on Strategic Objectives (of which 50% relates specifically to sustainability objectives)</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| How does the EBITDA performance condition work?               | <p>Achievement of a target level of underlying EBITDA. The annual EBITDA performance target is based on the upper quartile of market earnings guidance, or where no guidance is provided, based on market expectation. No guidance was provided for FY2023 due to uncertainties associated with the COVID-19 pandemic. Instead the EBITDA target was based on market consensus earnings at the time the target was set.</p> <p>EBITDA is used as a performance criterion as it is consistent with the way Sonic gives earnings guidance to the market and is a clearer measure of operational performance than net profit or earnings per share as it is not distorted by changes in income tax law or interest rates.</p> <p>Up to 150% of the component of Target STI which relates to EBITDA growth can be paid in defined circumstances where there has been significant outperformance.</p> |
| What are the Strategic Objective measures?                    | <p>The Strategic Objectives applicable to the STI are as follows:</p> <ul style="list-style-type: none"> <li>Promotion of, and adherence to, Sonic Healthcare's Core Values and Foundation Principles</li> <li>The exercise and promulgation of Sonic's Medical Leadership culture</li> <li>The Federation model employed at Sonic Healthcare, and its effective management</li> <li>Risk management within the Company</li> <li>External standing and reputation (including stakeholder management, brand and quality)</li> <li>Financial leadership and innovation (for C.D. Wilks)</li> <li>Progress with the Company's environmental, governance and sustainability objectives (50% weighting)</li> </ul>                                                                                                                                                                                    |
| How is the STI delivered?                                     | <p>50% of the EBITDA related component is delivered as rights to Sonic Healthcare shares. The rights/shares are held in the Sonic Healthcare Employee Share Trust for a period of at least two years.</p> <p>The remainder of the STI is delivered as cash with no deferral.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

# Directors' Report

## REMUNERATION REPORT

### LTI Plan

The award features for the grant made during the 2023 financial year are as follows:

| Key question                                           | Sonic Healthcare approach                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                      |                                            |                           |                                      |                 |                                       |                                                 |                                                                 |                           |                                        |
|--------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|--------------------------------------------|---------------------------|--------------------------------------|-----------------|---------------------------------------|-------------------------------------------------|-----------------------------------------------------------------|---------------------------|----------------------------------------|
| Who is eligible for awards under the LTI plan?         | The Managing Director and Finance Director are eligible to participate in the LTI plan.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                      |                                            |                           |                                      |                 |                                       |                                                 |                                                                 |                           |                                        |
| Are awards made on an annual basis under the LTI plan? | Yes, LTI grants are made on an annual basis, subject to shareholder approval at the Company's Annual General Meeting. This allows the Board to review the performance conditions on an annual basis and/or adjust the mix between types of instruments for changes in circumstances.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                      |                                            |                           |                                      |                 |                                       |                                                 |                                                                 |                           |                                        |
| What form do the awards take?                          | The LTI is delivered half in options and half in performance rights.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                      |                                            |                           |                                      |                 |                                       |                                                 |                                                                 |                           |                                        |
| Are dividends paid on unvested LTI awards?             | No, unvested options and performance rights are not eligible for dividends. Executive Directors are only rewarded to the extent performance conditions have been achieved at the end of the performance period and awards are exercised.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                      |                                            |                           |                                      |                 |                                       |                                                 |                                                                 |                           |                                        |
| How is the number of awards to grant determined?       | <p>The number of options issued was determined based on a Black Scholes methodology valuation at the time of grant. The valuation does not allow for any discounts relating to performance conditions. The exercise price of the options is determined using the Volume Weighted five-day Average market Price ('five-day VWAP') for Sonic Healthcare shares preceding the date of grant.</p> <p>The number of performance rights issued was determined by dividing 50% of the maximum value of LTI (i.e. the proportion granted as performance rights) by the five-day VWAP for Sonic Healthcare shares preceding the date of grant.</p>                                                                                                                                                                                                                                                                                                                                                                                                      |                      |                                            |                           |                                      |                 |                                       |                                                 |                                                                 |                           |                                        |
| What is the mix of performance conditions?             | <p>Awards vest under the LTI plan based on the extent to which the following conditions are achieved over the three-year performance measurement period:</p> <ul style="list-style-type: none"><li>■ Relative TSR (75% weighting)</li><li>■ Average Return on Invested Capital (ROIC) (25% weighting)</li></ul> <p>Note that previously the LTI performance conditions included a third measure, being Earnings Per Share (EPS) growth. In setting the performance conditions for this period the Board considered the context of the impacts of the COVID-19 pandemic and in particular the difficulties of predicting the level of COVID-19 PCR testing revenues. Consequently the Board determined that EPS growth was not a suitable performance measure for the 2023 LTI. The Board intends to consider the reintroduction of the EPS growth hurdle in future years.</p>                                                                                                                                                                  |                      |                                            |                           |                                      |                 |                                       |                                                 |                                                                 |                           |                                        |
| How does the Relative TSR performance condition work?  | <p>Relative Total Shareholder Return (TSR) provides a direct link between executive remuneration and shareholder return relative to the Company's peers.</p> <p>Sonic Healthcare's TSR is measured against the S&amp;P ASX 100 Accumulation Index, excluding Banks and Resource companies, over the three-year performance period. Sonic Healthcare's TSR performance is ranked relative to the TSRs of the other constituents of this reference group.</p> <p>Awards under the Relative TSR condition vest as follows:</p> <table><tr><th>TSR ranking achieved</th><th>Percentage of options and rights that vest</th></tr><tr><td>Below the 51st percentile</td><td>0% vesting of Relative TSR component</td></tr><tr><td>51st percentile</td><td>50% vesting of Relative TSR component</td></tr><tr><td>Greater than 51st and less than 75th percentile</td><td>Pro rata between 50% and 100% vesting of Relative TSR component</td></tr><tr><td>75th percentile and above</td><td>100% vesting of Relative TSR component</td></tr></table> | TSR ranking achieved | Percentage of options and rights that vest | Below the 51st percentile | 0% vesting of Relative TSR component | 51st percentile | 50% vesting of Relative TSR component | Greater than 51st and less than 75th percentile | Pro rata between 50% and 100% vesting of Relative TSR component | 75th percentile and above | 100% vesting of Relative TSR component |
| TSR ranking achieved                                   | Percentage of options and rights that vest                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                      |                                            |                           |                                      |                 |                                       |                                                 |                                                                 |                           |                                        |
| Below the 51st percentile                              | 0% vesting of Relative TSR component                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                      |                                            |                           |                                      |                 |                                       |                                                 |                                                                 |                           |                                        |
| 51st percentile                                        | 50% vesting of Relative TSR component                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                      |                                            |                           |                                      |                 |                                       |                                                 |                                                                 |                           |                                        |
| Greater than 51st and less than 75th percentile        | Pro rata between 50% and 100% vesting of Relative TSR component                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                      |                                            |                           |                                      |                 |                                       |                                                 |                                                                 |                           |                                        |
| 75th percentile and above                              | 100% vesting of Relative TSR component                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                      |                                            |                           |                                      |                 |                                       |                                                 |                                                                 |                           |                                        |

# Directors' Report

## REMUNERATION REPORT

| Key question                                                               | Sonic Healthcare approach                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                           |                                            |                               |                                      |                              |                                       |                                                                            |                                                                 |                                        |                                        |
|----------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|--------------------------------------------|-------------------------------|--------------------------------------|------------------------------|---------------------------------------|----------------------------------------------------------------------------|-----------------------------------------------------------------|----------------------------------------|----------------------------------------|
| How does the Target Average ROIC performance condition work?               | <p>The Board sets a ROIC target at the beginning of each measurement year, taking into account market conditions and Company-specific factors at the time. The ROIC target for the first year of the performance period (2023) was 9%. After completion of the three-year measurement period, the average of the actual ROIC over the three years will be compared to the average of the three ROIC targets ('Target Average ROIC').</p> <p>Measurement of the average actual ROIC will exclude any significant uncontrollable or one-off events, and the initial impact of business development initiatives, as approved by the Board.</p> <p>ROIC has been chosen as a performance condition as the Board believes that a primary focus in coming years should be improvement in the return from the substantial investments the Company has made into its businesses.</p> <table> <tr> <th>Average ROIC over 3 years</th><th>Percentage of options and rights that vest</th></tr> <tr> <td>Less than Target Average ROIC</td><td>0% vesting of Average ROIC component</td></tr> <tr> <td>Equal to Target Average ROIC</td><td>40% vesting of Average ROIC component</td></tr> <tr> <td>Greater than Target Average ROIC and less than 110% of Target Average ROIC</td><td>Pro rata between 40% and 100% vesting of average ROIC component</td></tr> <tr> <td>110% of Target Average ROIC or greater</td><td>100% vesting of average ROIC component</td></tr> </table> | Average ROIC over 3 years | Percentage of options and rights that vest | Less than Target Average ROIC | 0% vesting of Average ROIC component | Equal to Target Average ROIC | 40% vesting of Average ROIC component | Greater than Target Average ROIC and less than 110% of Target Average ROIC | Pro rata between 40% and 100% vesting of average ROIC component | 110% of Target Average ROIC or greater | 100% vesting of average ROIC component |
| Average ROIC over 3 years                                                  | Percentage of options and rights that vest                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                           |                                            |                               |                                      |                              |                                       |                                                                            |                                                                 |                                        |                                        |
| Less than Target Average ROIC                                              | 0% vesting of Average ROIC component                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                           |                                            |                               |                                      |                              |                                       |                                                                            |                                                                 |                                        |                                        |
| Equal to Target Average ROIC                                               | 40% vesting of Average ROIC component                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                           |                                            |                               |                                      |                              |                                       |                                                                            |                                                                 |                                        |                                        |
| Greater than Target Average ROIC and less than 110% of Target Average ROIC | Pro rata between 40% and 100% vesting of average ROIC component                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                           |                                            |                               |                                      |                              |                                       |                                                                            |                                                                 |                                        |                                        |
| 110% of Target Average ROIC or greater                                     | 100% vesting of average ROIC component                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                           |                                            |                               |                                      |                              |                                       |                                                                            |                                                                 |                                        |                                        |
| Does the LTI have re-testing?                                              | No, there is no re-testing. Options and performance rights for which the performance conditions are not satisfied lapse immediately after the performance measurement is finalised. The Board may make adjustments in measuring performance under the Target Average ROIC conditions to ensure the intent of the incentive plan is retained e.g. for a change in accounting standards.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                           |                                            |                               |                                      |                              |                                       |                                                                            |                                                                 |                                        |                                        |
| How are the awards delivered under the LTI?                                | <p>Vesting of LTI grants is dependent upon the achievement of the performance conditions outlined above over the three-year performance period.</p> <p>Options can only be exercised when the market price of Sonic Healthcare shares is higher than the exercise price. The performance rights will automatically exercise if and when the Board determines the performance conditions have been achieved. Entitlements are satisfied either through an allotment of new Sonic Healthcare ordinary shares to participants or the purchase of existing shares on-market.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                           |                                            |                               |                                      |                              |                                       |                                                                            |                                                                 |                                        |                                        |

## REMUNERATION REPORT

### e) Remuneration governance

#### i) Service agreements

None of the key management personnel of Sonic Healthcare Limited has a service contract. Rather, the terms and entitlements of employment are governed by applicable employment laws. There are no set contract/employment periods, and no sign-on payments have been made.

Other than contributions to superannuation funds during employment periods and notice periods under applicable employment laws, the Group does not contract to provide retirement benefits to Executive or Non-executive Directors.

Key remuneration-related terms for the Executive Directors are outlined below:

#### Cessation of employment

The Board has the discretion to determine the treatment of unvested awards where the participant is judged to be a 'good leaver'. The Board may choose to enable the participant to retain the portion of the LTI which vests (subject to the performance conditions) for a specified period of time following the cessation of employment or to apply another treatment depending on the circumstances surrounding the departure.

To be judged a 'good leaver' the Executive Director would need to provide sufficient notice, assist with succession planning and transition and make themselves reasonably available to assist/answer queries of their replacement for a period post-employment.

The Board views this arrangement to be in the best interests of the Company and its shareholders, as the Executive Directors will be incentivised to minimise disruption/loss of value associated with their departure. Cessation of employment in all other circumstances will trigger forfeiture of all unvested entitlements, unless the Board determines otherwise.

The Board retains discretion in relation to the treatment of any deferred STI where there is cessation of employment.

#### Change of control

If a takeover bid or other public proposal is made for voting shares in the Company which the Board reasonably believes is likely to lead to a change of control, unvested options and performance rights may vest at the Board's discretion, having regard to pro rata performance and the circumstances leading to the potential change of control.

#### Malus and clawback

Where, in the opinion of the Board, a participant has obtained, or will obtain, an unfair benefit as a result of an act which:

- constitutes fraud, or dishonest or gross misconduct in relation to the affairs of the Group or any Group Company;
- brings the Group or any Group Company into disrepute;
- is in breach of their obligations to the Group or any Group Company, including compliance with any applicable Company policy;
- constitutes a failure to perform any other act reasonably and lawfully requested of the participant; or
- has the effect of delivering strong Company performance in a manner which is unsustainable or involves unacceptably high risk, and results, or is likely to result, in a detrimental impact on Company performance following the end of the period;

the Board may, to ensure that no unfair benefit is obtained by the participant, in its absolute discretion, subject to applicable laws, determine any treatment in relation to an award, including, without limitation, to:

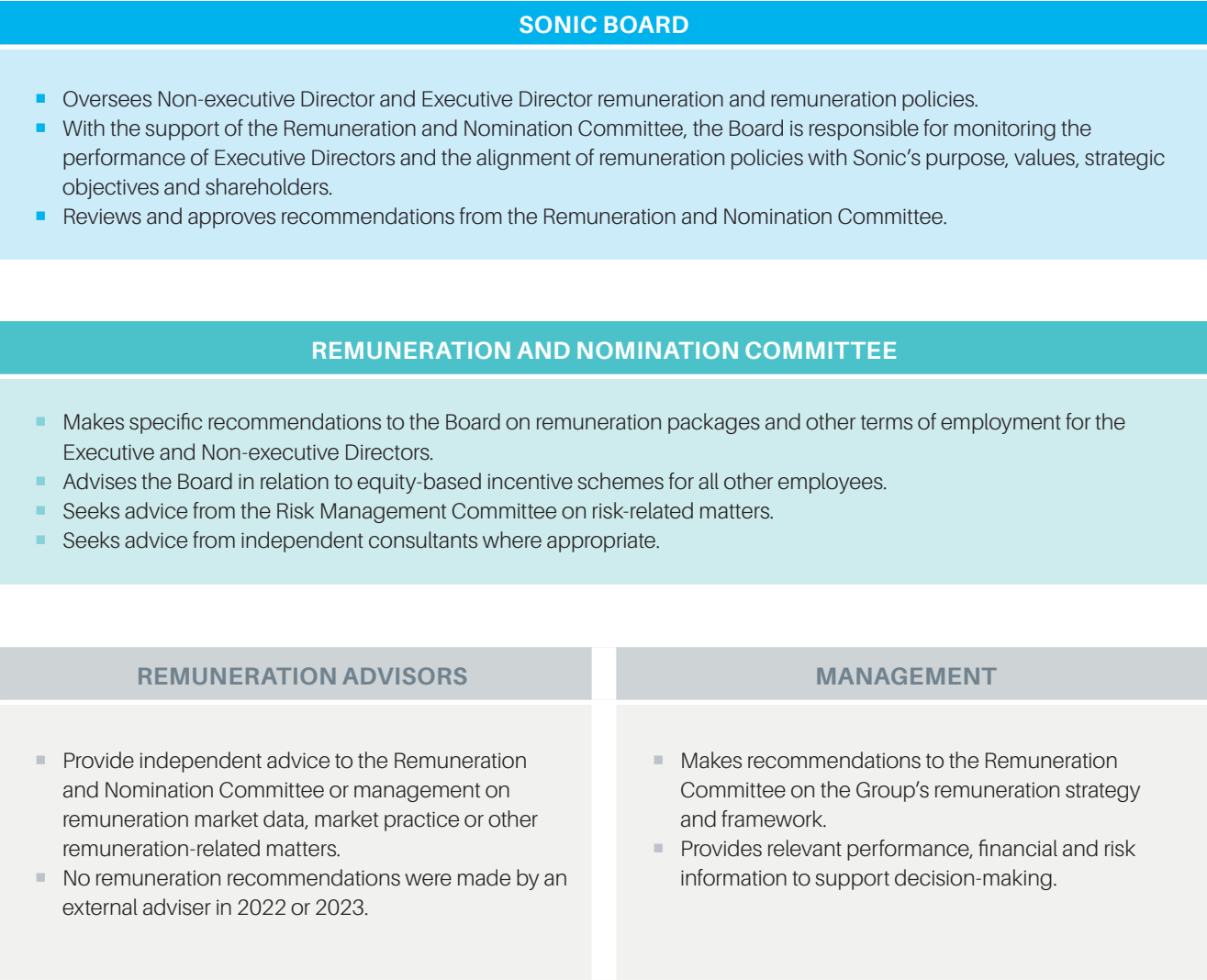
- vary downwards (including to nil) the number of shares/securities in respect of which an award vests;
- reset the performance condition and/or alter the period(s) applying to awards;
- deem all or any awards which have not vested to have lapsed or been forfeited (as relevant); or
- determine any treatment in relation to an award as the Board deems fit.

# Directors' Report

## REMUNERATION REPORT

ii) Remuneration policy and governance oversight

The following diagram illustrates Sonic Healthcare's remuneration governance framework and the key roles of the Remuneration and Nomination Committee, which currently consists of three Non-executive independent Directors.



# Directors' Report

## REMUNERATION REPORT

### f) Non-executive Director remuneration

Remuneration of Non-executive Directors is determined by the Board within the maximum amount approved by the shareholders. At the Annual General Meeting on 12 November 2020, shareholders approved a maximum annual amount of \$2,500,000 for remuneration of Non-executive Directors, of which \$2,054,598 was paid in 2023. Fees effective from 1 January 2022 are as set out below.

| Fees per annum                         | Committee Chair | Members  |
|----------------------------------------|-----------------|----------|
| Current                                | Current         | Current  |
| Chairman (inclusive of Committee work) | \$550,000       |          |
| Base Non-executive Director fee        | \$200,000       |          |
| Audit Committee                        | \$47,000        | \$23,000 |
| Risk Management Committee              | \$38,000        | \$19,000 |
| Remuneration and Nomination Committee  | \$40,000        | \$20,000 |

Options and performance rights are not issued and performance-based remuneration is not payable to Non-executive Directors.

### g) Statutory remuneration disclosures for key management personnel

The following tables show the total remuneration for Sonic Healthcare's KMP for 2022 and 2023. These disclosures have been calculated in accordance with the relevant accounting standards.

| Non-executive Directors               | Year   | Short-term employee benefits |                             | Post-employment benefits | Total   |
|---------------------------------------|--------|------------------------------|-----------------------------|--------------------------|---------|
|                                       |        | Salary & fees                | Other benefits <sup>1</sup> | Superannuation           |         |
| Name                                  |        | \$                           | \$                          | \$                       | \$      |
| Prof. M.R. Compton<br><i>Chairman</i> | FY2023 | 524,708                      | -                           | 25,292                   | 550,000 |
|                                       | FY2022 | 514,869                      | -                           | 23,568                   | 538,437 |
| Prof. C. Bennett                      | FY2023 | 139,175                      | -                           | 14,613                   | 153,788 |
|                                       | FY2022 | -                            | -                           | -                        | -       |
| Prof. S. Crowe                        | FY2023 | 208,871                      | -                           | 21,932                   | 230,803 |
|                                       | FY2022 | 188,522                      | -                           | 18,816                   | 207,338 |
| Dr P.J. Dubois                        | FY2023 | 69,245                       | -                           | 7,270                    | 76,515  |
|                                       | FY2022 | 175,384                      | -                           | 17,538                   | 192,922 |
| Dr K. Giles                           | FY2023 | 139,175                      | -                           | 14,613                   | 153,788 |
|                                       | FY2022 | -                            | -                           | -                        | -       |
| N. Mitchell                           | FY2023 | 240,724                      | -                           | 25,276                   | 266,000 |
|                                       | FY2022 | 235,867                      | -                           | 23,258                   | 259,125 |
| L.J. Panaccio                         | FY2023 | 237,104                      | -                           | 24,896                   | 262,000 |
|                                       | FY2022 | 232,001                      | -                           | 22,918                   | 254,919 |
| K.D. Spargo                           | FY2023 | 238,009                      | -                           | 24,991                   | 263,000 |
|                                       | FY2022 | 232,958                      | -                           | 22,979                   | 255,937 |
| Dr E.J. Wilson                        | FY2023 | 89,325                       | -                           | 9,379                    | 98,704  |
|                                       | FY2022 | 228,232                      | -                           | 22,610                   | 250,842 |

<sup>1</sup> Other benefits include fringe benefits tax where applicable

# Directors' Report

## REMUNERATION REPORT

| Executive Directors        | Year   | Short-term employee benefits |                             |            | Post-employment benefits | Equity-based remuneration    |                 |                                          | Other long-term benefits | Total     | Performance related % of total remuneration |
|----------------------------|--------|------------------------------|-----------------------------|------------|--------------------------|------------------------------|-----------------|------------------------------------------|--------------------------|-----------|---------------------------------------------|
|                            |        | Salary & fees                | Other benefits <sup>1</sup> | STI (cash) |                          | Value of deferred STI rights | Value of shares | Value of options and rights <sup>2</sup> |                          |           |                                             |
| Name                       |        | \$                           | \$                          | \$         | \$                       | \$                           | \$              | \$                                       | \$                       | \$        | %                                           |
| <b>Dr C.S. Goldschmidt</b> |        |                              |                             |            |                          |                              |                 |                                          |                          |           |                                             |
| Managing Director          | FY2023 | 2,372,342                    | -                           | 751,305    | 25,292                   | 311,032                      | -               | 2,470,025                                | 38,511                   | 5,968,507 | 59                                          |
|                            | FY2022 | 2,374,066                    | -                           | 1,761,093  | 23,568                   | 1,320,821                    | -               | 2,164,737                                | 40,970                   | 7,685,255 | 68                                          |
| <b>C.D. Wilks</b>          |        |                              |                             |            |                          |                              |                 |                                          |                          |           |                                             |
| Finance Director           | FY2023 | 1,174,708                    | -                           | 431,120    | 25,292                   | 178,479                      | -               | 976,977                                  | 49,149                   | 2,835,725 | 56                                          |
|                            | FY2022 | 1,066,172                    | -                           | 917,711    | 23,568                   | 688,283                      | -               | 874,124                                  | 18,416                   | 3,588,274 | 69                                          |

<sup>1</sup> Other benefits include fringe benefits tax where applicable.

<sup>2</sup> The equity-based remuneration amounts disclosed relate to options and performance rights issued under the Sonic Healthcare Limited Employee Option Plan and the Performance Rights Plan and represent the assessed fair values at the date they were granted, allocated equally over the service periods up to the vesting dates. Fair values for these options and performance rights have been determined using a pricing model consistent with the Black-Scholes methodology that takes into account the exercise price, the term of the option/right, the impact of dilution, the non-tradeable nature of the option/right, the current price and expected price volatility of the underlying share, the expected dividend yield, and risk-free interest rate for the term of the option/right. The fair value of the options and performance rights granted is adjusted to reflect market vesting conditions (using a Monte Carlo simulation) but excludes the impact of non-market vesting conditions.

<sup>3</sup> Long-service leave accrued is calculated using the increase in accrued leave balances during the year.

# Directors' Report

## REMUNERATION REPORT

### h) Other statutory disclosures

#### i) Options and rights that were exercised during the financial year

During the financial year the following options and performance rights over ordinary shares in the Company were exercised by key management personnel.

|                                                                                                                                                                                                                                            | Dr C.S. Goldschmidt | C.D. Wilks         |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|--------------------|
| <b>2023</b>                                                                                                                                                                                                                                |                     |                    |
| Options issued in November 2017 with a performance measurement period to 30 June 2020 (having vested after satisfying performance conditions which caused 29.1% of the total options issued to be forfeited) with a \$21.64 exercise price | 331,551             | 147,295            |
| Performance rights issued in November 2019 with a performance measurement period to 30 June 2022 (having fully vested after satisfying performance conditions) with a nil exercise price                                                   | 44,941              | 19,966             |
| Deferred share rights issued in September 2022 for STI performance to 30 June 2022 (resulting shares must be held until September 2024)                                                                                                    | 33,896              | 17,663             |
| <b>2023 Total intrinsic value of options and rights at the date of exercise</b>                                                                                                                                                            | <b>\$6,580,697</b>  | <b>\$3,009,738</b> |
| <b>2022</b>                                                                                                                                                                                                                                |                     |                    |
| Options issued in November 2016 with a performance measurement period to 30 June 2019 (having vested after satisfying performance conditions which caused 64.6% of the total options issued to be forfeited) with a \$21.62 exercise price | 164,559             | 73,107             |
| Performance rights issued in November 2018 with a performance measurement period to 30 June 2021 (having fully vested after satisfying performance conditions) with a nil exercise price                                                   | 60,626              | 26,934             |
| Deferred share rights issued in September 2021 for STI performance to 30 June 2021 (resulting shares must be held until September 2023)                                                                                                    | 31,495              | 16,412             |
| <b>2022 Total intrinsic value of options and rights at the date of exercise</b>                                                                                                                                                            | <b>\$6,837,620</b>  | <b>\$3,122,514</b> |

#### ii) Equity disclosures relating to key management personnel

##### Options and performance rights held during the financial year

After approval by shareholders at the 2019, 2020, 2021 and 2022 Annual General Meetings, the Executive Directors were issued the following LTI (the 'FY2020 Issue', 'FY2021 Issue', 'FY2022 Issue' and 'FY2023 Issue'):

|                                                                   | FY2020 Issue        |            | FY2021 Issue        |            | FY2022 Issue        |            | FY2023 Issue        |            |
|-------------------------------------------------------------------|---------------------|------------|---------------------|------------|---------------------|------------|---------------------|------------|
|                                                                   | Dr C.S. Goldschmidt | C.D. Wilks | Dr C.S. Goldschmidt | C.D. Wilks | Dr C.S. Goldschmidt | C.D. Wilks | Dr C.S. Goldschmidt | C.D. Wilks |
| <b>Options over shares in Sonic Healthcare Limited</b>            | 407,747             | 181,147    | 381,723             | 145,468    | 248,622             | 94,745     | 265,915             | 111,589    |
| <b>Performance rights over shares in Sonic Healthcare Limited</b> | 44,941              | 19,966     | 50,413              | 19,211     | 39,409              | 15,018     | 46,752              | 19,619     |

In addition Dr C.S. Goldschmidt and C.D. Wilks were granted 41,663 and 21,711 performance rights respectively to satisfy the deferred STI consideration for the FY2022 performance period. The value of these rights were disclosed as remuneration for the FY2022 year.

# Directors' Report

## REMUNERATION REPORT

|                                                          | FY2020 Issue            | FY2021 Issue            | FY2022 Issue            | FY2023 Issue            |
|----------------------------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Options exercise price                                   | \$29.26                 | \$34.21                 | \$38.90                 | \$32.79                 |
| Performance condition measurement period                 | 3 years to 30 June 2022 | 3 years to 30 June 2023 | 3 years to 30 June 2024 | 3 years to 30 June 2025 |
| Earliest vesting date, if performance conditions are met | 19 November 2022        | 18 November 2023        | 18 November 2024        | 17 November 2025        |
| Expiry date                                              | 19 November 2024        | 18 November 2025        | 18 November 2026        | 17 November 2027        |
| Fair value of each option at grant date                  | \$2.03                  | \$3.81                  | \$5.27                  | \$3.87                  |
| Fair value of each right at grant date                   | \$18.70                 | \$25.72                 | \$25.11                 | \$19.53                 |
| Percentage that satisfied vesting conditions             | 100.0%                  | 84.3%                   | tbd                     | tbd                     |

The total value for remuneration purposes (to be allocated over the three-year vesting period) of the options and performance rights that were issued in FY2023 as part of LTI remuneration (the FY2023 issue) was \$1,940,774 for Dr C.S. Goldschmidt and \$814,431 for C.D. Wilks.

### Option holdings

The number of options over ordinary shares held beneficially or personally during the current financial year by the key management personnel of the Group in relation to remuneration arrangements are set out below:

| Director's name     | Balance at 1 July 2022 | Issued during the 2023 year | (Forfeited) during the 2023 year | (Exercised) during the 2023 year | Balance at 30 June 2023 | (Forfeited) since year end | Vested and exercisable at 30 June 2023 |
|---------------------|------------------------|-----------------------------|----------------------------------|----------------------------------|-------------------------|----------------------------|----------------------------------------|
| Dr C.S. Goldschmidt | 1,832,015              | 265,915                     | -                                | (331,551)                        | 1,766,379               | (60,086)                   | 870,119                                |
| C.D. Wilks          | 774,070                | 111,589                     | -                                | (147,295)                        | 738,364                 | (22,898)                   | 386,562                                |

### Performance rights

The number of performance rights held personally or beneficially during the current financial year by the key management personnel of the Group in relation to remuneration arrangements are set out below:

| Director's name     | Balance at 1 July 2022 | Issued during the 2023 year | (Forfeited) during the 2023 year | (Exercised) during the 2023 year | Balance at 30 June 2023 | (Forfeited) since year end | Vested and exercisable at 30 June 2023 |
|---------------------|------------------------|-----------------------------|----------------------------------|----------------------------------|-------------------------|----------------------------|----------------------------------------|
| Dr C.S. Goldschmidt | 134,763                | 88,415                      | -                                | (78,837)                         | 144,341                 | (7,935)                    | 7,767                                  |
| C.D. Wilks          | 54,195                 | 41,330                      | -                                | (37,629)                         | 57,896                  | (3,024)                    | 4,048                                  |

Subsequent to the year end Dr C.S. Goldschmidt and C.D. Wilks were awarded 10,217 and 5,863 performance rights respectively to satisfy their deferred STI component for the FY2023 performance period. The value of these rights were disclosed as remuneration in the FY2023 year.

# Directors' Report

## REMUNERATION REPORT

### Shareholdings

The number of shares held personally or beneficially during the current financial year by the key management personnel of the Group are set out below:

| Director's name     | Balance at 1 July 2022 | Issued during the 2023 year on the exercise of options or rights | Shares provided as remuneration during the 2023 year | Other changes during the 2023 year | Balance at 30 June 2023 |
|---------------------|------------------------|------------------------------------------------------------------|------------------------------------------------------|------------------------------------|-------------------------|
| Dr C.S. Goldschmidt | 852,084                | 410,388                                                          | -                                                    | (331,551)                          | 930,921                 |
| C.D. Wilks          | 660,368                | 184,924                                                          | -                                                    | (200,000)                          | 645,292                 |
| Prof. M.R. Compton  | 9,266                  | -                                                                | -                                                    | 2,000                              | 11,266                  |
| Prof. C. Bennett    | -                      | -                                                                | -                                                    | 1,000                              | 1,000                   |
| Prof. S. Crowe      | 1,440                  | -                                                                | -                                                    | 2,560                              | 4,000                   |
| Dr P.J. Dubois      | 11,770                 | -                                                                | -                                                    | (11,770)                           | -                       |
| Dr K. Giles         | -                      | -                                                                | -                                                    | 1,000                              | 1,000                   |
| N. Mitchell         | 9,770                  | -                                                                | -                                                    | -                                  | 9,770                   |
| L.J. Panaccio       | 8,026                  | -                                                                | -                                                    | -                                  | 8,026                   |
| K.D. Spargo         | 23,000                 | -                                                                | -                                                    | 2,000                              | 25,000                  |
| Dr E.J. Wilson      | 7,770                  | -                                                                | -                                                    | (7,770)                            | -                       |

Whilst Sonic currently does not have a minimum shareholding requirement for Non-executive Directors, all are encouraged to, and do, hold shares. The Managing Director and Finance Director are required to, and have, shareholdings (including purchased shares, vested securities and unvested securities not subject to performance measures) at least equivalent in value to 150% and 75% (respectively) of Fixed Remuneration.

### iii) Transactions with key management personnel

There were no other transactions with key management personnel during 2023 or 2022.

### iv) Amounts receivable from/payable to other key management personnel

There were no amounts receivable from/payable to other key management personnel at 30 June 2023 (2022: \$nil).

### v) Doubtful debts

No provision for doubtful debts has been raised in relation to any receivable or loan balance with key management personnel, nor has any expense been recognised.

### vi) Securities trading policy

Under the Sonic Healthcare Securities Trading Policy, all Sonic Healthcare employees are prohibited from buying or selling Sonic Healthcare securities (including shares, options, debt securities) at any time they are aware of any material price-sensitive information that has not been made public, and are reminded of the laws against 'insider trading'.

Certain 'Designated Officers', including all Directors and Executive Directors (and specified related parties), are also prohibited from trading in periods other than in 8-week windows following the release of half-year and full-year results, five weeks after Sonic Healthcare's Annual General Meeting, and 2-week periods following Sonic Healthcare's provision to the market at any other time of definitive guidance regarding the next annual result to be released. The Sonic Healthcare Board of Directors must specifically consider and approve the opening of the 'trading window' in each instance. Exceptions to this prohibition can be approved by the Chairman (for Directors) or the Managing Director (for all other employees) in circumstances of severe financial hardship (as defined in the Policy).

# Directors' Report

---

## REMUNERATION REPORT

Sonic Healthcare's Chair or Managing Director may impose other periods when Designated Officers are prohibited from trading because price-sensitive, non-public information may exist. All trading by Designated Officers must be notified to the Company Secretary. Prohibitions also apply to trading in financial instruments related to Sonic Healthcare shares and to trading in the shares of other entities using information obtained through employment with Sonic Healthcare.

In addition, the Managing Director and Finance Director are required to obtain approval from the Chair of the Sonic Healthcare Board of Directors before selling any shares.

Designated Officers are prohibited from entering into transactions in products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes and from short-term trading and short-selling arrangements in relation to Sonic Healthcare securities. Designated Officers are required to commit to these prohibitions by signing the Securities Trading Policy and will forfeit their equity reward should they be found to be in breach. Directors of Sonic Healthcare Limited are also prohibited from entering into margin lending or other secured financing arrangements in relation to Sonic Healthcare securities without the prior approval of the Chair and disclosure of such arrangements to the Board.

All Sonic Healthcare securities dealings by Directors are promptly notified to the Australian Securities Exchange (ASX) in accordance with Sonic Healthcare's Continuous Disclosure obligations.

# Directors' Report

---

This Directors' Report is made in accordance with a resolution of the Directors.



**Dr C.S. Goldschmidt**  
Director



**C.D. Wilks**  
Director

Sydney  
26 September 2023

For personal use only



## Auditor's Independence Declaration

As lead auditor for the audit of Sonic Healthcare Limited for the year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Sonic Healthcare Limited and the entities it controlled during the period.

A handwritten signature in blue ink, appearing to read 'B Entwistle'.

Brett Entwistle  
Partner  
PricewaterhouseCoopers

Sydney  
26 September 2023

PricewaterhouseCoopers, ABN 52 780 433 757  
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001  
T: +61 2 8266 0000, F: +61 2 8266 9999, [www.pwc.com.au](http://www.pwc.com.au)  
Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124  
T: +61 2 9659 2476, F: +61 2 8266 9999, [www.pwc.com.au](http://www.pwc.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.

# Corporate Governance Statement

The Board of Sonic Healthcare continues to place great importance on the governance of the Company, which it believes is vital to its wellbeing and success. There are two elements to the governance of companies: performance and conformance. Both are important, but it is critical that focus on conformance does not detract from the principal function of a business, which is to undertake prudent activities to:

- generate rewards for shareholders who invest their capital
- provide services of value to customers
- provide meaningful employment for employees

and to do so in a way that is sustainable and contributes positively to the community.

The principal features of Sonic's corporate governance framework are set out in this statement, which is current as at 26 September 2023, and has been approved by the Board.

Sonic's Board and management are committed to governance that recognises that all aspects of the Group's operations are conducted ethically, responsibly and with the highest standards of integrity. The Board has adopted practices and policies designed to achieve these aims. Sonic supports the ASX Corporate Governance Council Corporate Governance Principles and Recommendations ('the Recommendations') in advancing good corporate governance, and has complied with the fourth edition during the 2023 financial year. Sonic's website ([www.sonichealthcare.com](http://www.sonichealthcare.com)) includes a Corporate Governance section that sets out the information required by the Recommendations, plus other relevant information, including copies of all Policies, Charters and Codes referred to in this report.

Sonic's Code of Conduct and Core Values (listed below) set out the fundamental principles that govern the way that all Sonic people conduct themselves. Sonic's Core Values apply equally to every employee of Sonic and were formulated with significant input from Sonic's staff. They have been embraced throughout the Group. Sonic's Core Values are:

- **Commit to Service Excellence**  
To willingly serve all those with whom we deal, with unsurpassed excellence.
- **Treat each other with Respect & Honesty**  
To grow a workplace where trust, team spirit and equity are an integral part of everything we do.
- **Demonstrate Responsibility & Accountability**  
To set an example, to take ownership of each situation to the best of our ability and to seek help when needed.
- **Be Enthusiastic about Continuous Improvement**  
To never be complacent, to recognise limitations and opportunities for ourselves and processes, and to learn through these.
- **Maintain Confidentiality**  
To keep all information pertaining to patients, as well as professional and commercial issues, in strict confidence.

A description of the Company's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place throughout the 2023 financial year. Any issues of non-compliance with the Recommendations are specifically noted and explained.

# Corporate Governance Statement

## 1. BOARD OF DIRECTORS

Profiles of the Directors and Company Secretary are included in the Directors' Report.

### a) Role of the Board

The Board of Directors is accountable to shareholders for the performance of the Company and the Group and is responsible for the culture, values and corporate governance practices of the Group. The Board's principal objective is to increase value for the Company's stakeholders (including shareholders, staff and the community) in a sustainable manner while ensuring that the Group's activities are managed in accordance with its culture and values.

Sonic's corporate governance practices provide the structure which enables the Board's principal objective to be achieved, whilst ensuring that the business and affairs of the Group are conducted ethically and in accordance with the Company's Core Values, Code of Conduct, Medical Leadership Principles, medical ethics and law.

The Sonic Medical Leadership Principles are summarised as:

- Personalised service for doctors and patients
- Respect for our people
- Company conscience
- Operational excellence
- Professional and academic expertise

The Board's responsibilities include:

- demonstrating leadership at strategic and cultural levels
- defining the Group's purpose and setting its strategic objectives
- approving the Group's Core Values, Medical Leadership Principles and Code of Conduct to underpin the desired culture within the Group
- overseeing management in its implementation of the Group's strategic objectives, instilling of the Group's values and performance generally
- monitoring financial performance and reporting
- appointing the Chair and Managing Director, and assessing the performance of Directors
- setting the Group's risk appetite and monitoring and ensuring the maintenance of adequate risk management identification, control and reporting mechanisms
- overseeing clinical quality, patient safety and regulatory matters
- overseeing the Group's sustainability (ESG) strategy including approval of Sonic's annual Sustainability Report
- overseeing the Group's cybersecurity, including data security and privacy requirements and the Group's information security management system
- protecting human rights, including approval of Sonic's annual Modern Slavery Statement
- ensuring the Group's remuneration policies are aligned with the Group's purpose, values, strategic objectives and risk appetite
- ensuring the business is conducted ethically and transparently (including meeting taxation obligations and providing tax transparency).

The Board delegates authority for operational management of the business to the Managing Director and senior executives. The Managing Director also oversees the implementation of strategies approved by the Board, and is responsible for providing accurate and relevant information to enable the Board to perform its responsibilities. Senior executives reporting to the Managing Director have their roles and responsibilities defined in specific position descriptions. The Board uses a number of Committees to support it in matters that require more intensive review and involvement. Details of the Board Committees are provided below.

As part of its commitment to good corporate governance, the Board regularly reviews the practices and standards governing the Board's composition, independence and effectiveness, the accountability and compensation of Directors (and senior executives) and the Board's responsibility for the stewardship of the Group.

The role and responsibilities of the Board, the functions reserved for the Board and those delegated to management have been formalised in the Sonic Board Charter.

The Company Secretary is appointed by the Board and is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. Each Director is able to communicate directly with the Company Secretary.

# Corporate Governance Statement

## 1. BOARD OF DIRECTORS

### b) Composition of the Board

The Directors of the Company in office at the date of this statement are:

| Director's name         | Term of office (Years) | Position                                      | Expertise                                                                                                        | Committees                                                                                     |
|-------------------------|------------------------|-----------------------------------------------|------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|
| Prof. Mark Compton      | 9                      | Chairman, Non-executive, independent Director | Healthcare industry and company management                                                                       | Member of Audit Committee and Remuneration and Nomination Committee                            |
| Dr Colin Goldschmidt    | 30                     | Managing Director, Chief Executive Officer    | Healthcare industry and company management. Sustainability experience. Pathologist                               | Member of Risk Management Committee                                                            |
| Mr Chris Wilks          | 33                     | Finance Director, Chief Financial Officer     | Finance, strategy, accounting, banking, secretarial and company management                                       |                                                                                                |
| Prof. Christine Bennett | 1                      | Non-executive, independent Director           | Medicine, healthcare industry and management, healthcare policy, medical research, governance and sustainability |                                                                                                |
| Prof. Suzanne Crowe     | 3                      | Non-executive, independent Director           | Medicine, medical research, governance and company oversight                                                     | Chair of Risk Management Committee                                                             |
| Dr Katharine Giles      | 1                      | Non-executive, independent Director           | Medicine, medical research, technology and innovation, management, venture capital                               |                                                                                                |
| Mr Neville Mitchell     | 6                      | Non-executive, independent Director           | Finance, tax, international healthcare and company management                                                    | Chair of Audit Committee and member of Risk Management Committee                               |
| Mr Lou Panaccio         | 18                     | Non-executive, independent Director           | Finance, healthcare industry and company management                                                              | Member of Audit Committee, Remuneration and Nomination Committee and Risk Management Committee |
| Ms Kate Spargo          | 13                     | Non-executive, independent Director           | Law, governance, sustainability and company oversight                                                            | Chair of Remuneration and Nomination Committee and member of Audit Committee                   |

The composition of Sonic's Board is consistent with the principle of medical management and leadership, which has been a core strategy of Sonic since 1993. Sonic's Managing Director is a pathologist, and the Board also includes three other medical specialists, ensuring that it has the capacity to understand complex medical issues and be in close touch with the medical marketplace. The presence of medical practitioners on Sonic's Board also gives comfort both to referring doctors (Sonic's customers) and to owners of diagnostic practices that Sonic seeks to acquire.

The Board currently comprises seven Non-executive Directors, all of whom are considered independent and two Executive Directors. The independent Directors perform major roles in the Board Committees. All Board members speak English, the language in which Board and shareholder meetings are held and key corporate documents are prepared.

# Corporate Governance Statement

## 1. BOARD OF DIRECTORS

The Sonic Board comprises members with a diverse mix of business skills, including industry-specific management skills and experience, broader management experience, including senior leadership positions in listed companies, finance, tax and legal skills, expertise in corporate governance, sustainability experience, including awareness of impacts on organisations, the economy, environment and people, and expertise in acquiring and merging healthcare businesses. The Board considers that it has an appropriate mix of skills, expertise, tenure and diversity.

The Board has resolved that the position of Chairman of the Board is to be held by an independent Director. The independence of each of the Non-executive Directors is assessed annually, and it is the view of the Board that each should continue to be regarded as independent. The tenures of Mr Panaccio and Ms Spargo were specifically addressed in their assessments and the Board was satisfied that they have not become too close to management such that their capacity to bring independent judgement to bear or to act in the best interests of all shareholders is compromised.

### c) Board renewal

The size and composition of the Board is determined by the full Board acting on recommendations of the Remuneration and Nomination Committee. Sonic’s constitution requires that the Board comprise no more than twelve and no fewer than three Directors at any time. Sonic’s constitution also requires all Directors, other than the Managing Director, to offer themselves for re-election at an AGM, such that they do not hold office without re-election for longer than three years.

The Board (with input from the Remuneration and Nomination Committee) regularly reviews its succession planning. A matrix is used to guide the assessment of the current Directors, and to identify desirable characteristics for future appointments. The matrix is as follows:

- |                                                  |                                      |
|--------------------------------------------------|--------------------------------------|
| ■ Medical practitioners                          | ■ Corporate governance               |
| ■ Industry-specific management experience        | ■ Legal                              |
| ■ Leadership experience (preferably CEO level)   | ■ International experience           |
| ■ Experience on other listed entity boards       | ■ People management and remuneration |
| ■ Strategy and business development              | ■ Sustainability                     |
| ■ Strategic focus                                | ■ Digital/data strategy              |
| ■ Medical technology development                 | ■ Acquisitions and mergers           |
| ■ Financial acumen, including taxation knowledge | ■ Gender diversity                   |
| ■ Banking/treasury experience                    | ■ Tenure diversity                   |
| ■ Risk management                                |                                      |

Before appointing a Director or senior executive, Sonic undertakes comprehensive reference checks including education, employment, character reference, criminal record and bankruptcy checks. Potential existing or foreseeable future conflicts of interest are also considered.

Directors receive a letter of appointment and a deed of access and indemnity. The letter of appointment outlines Sonic’s expectations of Directors with respect to their participation, time commitment and compliance with Sonic policies. An induction process for incoming Directors is coordinated by the Company Secretary. To assist Directors to understand relevant developments, the Board receives regular updates at Board meetings, workshops and site visits, along with relevant reading materials.

### d) Board meetings

The Board meets formally at least six times a year to consider a broad range of matters, including culture, strategy, financial performance reviews, sustainability issues, capital management and acquisitions. Details of meetings (both full Board and Committees) and attendances are set out in the Directors’ Report.

# Corporate Governance Statement

## 1. BOARD OF DIRECTORS

### e) Independent professional advice and access to information

Each Director has the right to seek independent professional advice at the Company's expense. However, prior approval of the Chairman is required, which is not unreasonably withheld.

All Directors have unrestricted access to Company records and information and receive detailed financial and operational reports from senior management during the year to enable them to carry out their duties. Directors also liaise with senior management as required and may consult with other employees and seek additional information on request.

### f) Conflicts of interest of Directors

The Board has guidelines dealing with disclosure of interests by Directors and participation and voting at Board meetings where any such interests are discussed. In accordance with the *Corporations Act*, any Director with a material personal interest in a matter being considered by the Board does not receive the relevant Board papers, must not be present when the matter is being considered, and may not vote on the matter.

### g) Securities trading

Under Sonic's Securities Trading Policy, Sonic employees are prohibited from buying or selling or otherwise trading Sonic Healthcare securities (including shares, options, debt securities) at any time they are aware of any material price-sensitive information that has not been made public, and are reminded of the laws against 'insider trading'. Certain 'Designated Officers', including all Directors and senior executives (and specified related parties), are also prohibited from trading in periods other than in 8-week windows following the release of half-year and full-year results, a 5-week window following the Annual General Meeting, and 2-week periods following the provision to the market at any time by Sonic of definitive guidance regarding the next annual result to be released. The Sonic Board of Directors must specifically consider and approve the opening of the 'trading window' in each instance. Exceptions to this prohibition can be approved by the Chair (for other Directors) or the Managing Director (for all other employees) in circumstances of severe financial hardship (as defined in the Policy).

Sonic's Chair or Managing Director may impose other periods when Designated Officers are prohibited from trading because price-sensitive, non-public information may exist. All trading by Designated Officers must be notified to the Company Secretary. Prohibitions also apply to short-term trading, short selling, trading in financial instruments related to Sonic's securities, including products that limit the economic risk of unvested rights, options or shareholdings in Sonic, and to trading in the securities of other entities using information obtained through employment with Sonic.

Directors of Sonic Healthcare Limited are also prohibited from entering into margin lending or other secured financing arrangements in relation to Sonic securities without the prior approval of the Chair and disclosure of such arrangements to the Board. In addition, the Managing Director and Finance Director are required to obtain approval from the Chair before selling any shares. All Sonic securities dealings by Directors are promptly notified to the Australian Securities Exchange (ASX).

### h) Remuneration of Non-executive Directors

The current maximum total remuneration that may be paid to all Non-executive Directors is \$2,500,000 per annum, as approved by shareholders in November 2020. The total amount paid to Non-executive Directors in the 2023 financial year was \$2,054,598. Non-executive Directors are not entitled to any performance-based or equity-based remuneration. No retirement benefit schemes (other than statutory superannuation) apply to Non-executive Directors. Further details of Sonic's remuneration policies for Executive Directors and senior executives of the Company, and the relationship between such policy and the Company's performance, are provided in the Directors' Report.

# Corporate Governance Statement

## 2. BOARD COMMITTEES

To assist the Board in fulfilling its duties, there are currently three Board Committees whose terms of reference and powers are determined by the Board. Details of Committee meetings and attendances are set out in the Directors' Report.

### a) Audit Committee

Members of the Audit Committee are:

Mr N. Mitchell | *Chair*  
Prof. M.R. Compton  
Mr L.J. Panaccio  
Ms K.D. Spargo

The Committee operates under a formal Charter. The Charter requires that the Audit Committee comprises between three and six members, all of whom must be independent Directors, and that the Chair of the Committee is not to be the Chair of the Board.

The principal role of the Audit Committee is to provide the Board, investors and other stakeholders with confidence that the financial reports for the Company represent a true and fair view of the Company's financial condition and operational results in all material respects, and are in accordance with relevant accounting standards.

The responsibilities of the Audit Committee are set out in its Charter and include:

- assisting the Board in its oversight responsibilities by monitoring and advising on:
  - the integrity of the financial statements of the Company
  - the Company's accounting policies and practices
  - the external auditors' independence and performance
  - compliance with legal and regulatory requirements and related policies, including in relation to taxation
  - compliance with the policy framework in place from time to time
  - internal controls, and the overall efficiency and effectiveness of financial operations
- oversight of the Company's internal audit function (known as the Sonic Business Assurance Program)
- providing a forum for communication between the Board, executive management and external auditors
- providing a conduit to the Board for external advice on audit and internal controls.

The external auditors, the Managing Director and the Finance Director are invited to Audit Committee meetings at the discretion of the Committee. The Committee meets at least twice per year.

In fulfilling its responsibilities, the Audit Committee receives regular reports from management, the head of the Business Assurance Program and the external auditors. These reports include:

- any material breaches of the Company's Code of Conduct
- any material incidents reported under the Company's Global Whistleblower Policy
- any material breaches of the Company's Anti-bribery and Corruption Policy.

The Committee also meets with the external auditors at least twice per year, and more frequently if necessary, and reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved. The external auditors have a clear line of direct communication at any time to both the Chair of the Audit Committee and the Chair of the Board.

The Audit Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

# Corporate Governance Statement

## 2. BOARD COMMITTEES

### b) Risk Management Committee

Members of the Risk Management Committee are:

Prof. S Crowe | *Chair*  
Dr C.S. Goldschmidt  
Mr N. Mitchell  
Mr L.J. Panaccio

The Committee operates under a formal Charter. The Charter requires that the Risk Management Committee comprises at least three members, the majority of whom must be independent Directors, and that the Chair of the Committee must be an independent Director.

The Risk Management Committee's responsibilities are set out in its Charter and include:

- assisting the Board in its oversight responsibilities by monitoring and advising on:
  - the identification and management of all material risks, including but not limited to risks relating to:
    - brand, culture and reputation, including in relation to Modern Slavery
    - workplace health and safety
    - people
    - clinical care and quality
    - operations
    - legal and regulatory
    - information protection including cybersecurity risks, including data security and privacy risks
    - financial management, including taxation risks
    - environment
    - strategy
  - internal controls and treatments for identified risks including the Company's insurance program
  - the Company's overall risk management program
- providing a forum for communication between the Board, management and external risk management advisors
- providing a conduit to the Board for external advice on risk management.

The Committee meets at least twice per year.

### c) Remuneration and Nomination Committee

Members of the Remuneration and Nomination Committee are:

Ms K.D. Spargo | *Chair*  
Prof. M.R. Compton  
Mr L.J. Panaccio

The Remuneration and Nomination Committee operates under a formal Charter. The Charter requires that the Remuneration and Nomination Committee comprises at least three members, all of whom are to be independent Directors.

The Remuneration and Nomination Committee's role, as set out in its Charter, is to:

- review and make recommendations to the Board on remuneration packages and policies applicable to the Managing Director, Finance Director and Non-executive Directors
- advise the Board in relation to equity-based incentive schemes for other employees
- ensure appropriate disclosure is provided to shareholders in relation to remuneration policies, and that equity-based remuneration is within plans approved by shareholders
- review the Board and Board Committee structures
- advise the Board on the recruitment, appointment, retirement and removal of Directors
- assess and promote the enhancement of competencies of Directors
- review Board succession plans
- make recommendations to the Board in relation to workforce and Board diversity and measurable objectives in relation to gender diversity, and monitor progress toward achievement of those objectives.

The Committee meets on an as-required basis. The Remuneration and Nomination Committee, when deemed necessary, directly obtains independent advice on the appropriateness of remuneration.

# Corporate Governance Statement

## 3. APPROACH TO DIVERSITY

As a medical diagnostic company, Sonic Healthcare’s business relies on the services provided to referrers and patients by thousands of Sonic staff every day. In addition, in seeking to continually improve Sonic’s services and financial performance, the Company relies on the input and expertise of its Directors, managers, pathologists, radiologists, other medical practitioners and staff. It is therefore critical that Sonic’s workforce brings a broad range of experiences, talents and viewpoints to the business. Diversity is valued as it assists the Company to meet its objectives, and ensures that Sonic’s people at all levels of the Company reflect our customers and the communities we serve.

Sonic Healthcare strives to maintain a healthy, safe, inclusive and productive environment that is free from discrimination and harassment based on race, colour, religion, political beliefs, gender, gender identity, socio-economic or cultural background, perspective, experiences, sexual orientation, marital or family status, age, national origin or disability. In addition, the Company is committed to the continued development and implementation of initiatives to remove barriers that disadvantage any person or group, such that everyone is able to compete on equal terms. Within Sonic, recruitment, development, promotion and remuneration are based on merit. These principles are an integral part of Sonic’s corporate culture, and are encapsulated in the Sonic Core Values and the Company’s Diversity Policy.

The Remuneration and Nomination Committee of the Sonic Board recommends annually measurable objectives for promoting and maintaining gender diversity, and measures and reports on progress towards achievement of those objectives. The Managing Director has discretion with regard to the specific initiatives to be implemented by management to achieve the objectives.

The proportion of female employees to total employees within the Group at 30 June 2023 was:

|                                                     | 2023 | 2022 |
|-----------------------------------------------------|------|------|
| Non-executive Directors of Sonic Healthcare Limited | 57%  | 43%  |
| Directors of Sonic Healthcare Limited               | 44%  | 33%  |
| Executive staff of the Group <sup>+</sup>           | 39%  | 38%  |
| Other senior leadership positions                   | 56%  | 56%  |
| Total senior leadership positions*                  | 53%  | 53%  |
| All employees                                       | 73%  | 74%  |

<sup>+</sup> Includes executives to the ‘CEO-2’ level, plus, if not already included, direct reports to the heads of each of Sonic’s operating subsidiaries.  
<sup>\*</sup> Includes Directors, executive staff and other senior leadership positions.

The Company’s current objective in relation to gender diversity is to monitor and maintain the percentage of females in senior leadership positions at a level greater than 40% and at least 50% in the workforce generally. In addition, the Company has the objective to have not less than 40% of its Directors of each of male and female genders. These objectives were achieved in 2023.

# Corporate Governance Statement

## 4. IDENTIFYING AND MANAGING BUSINESS RISKS

Sonic recognises that risk management is an integral part of good management and corporate governance practice and is fundamental to driving shareholder value across the business.

Sonic views the management of risk as a core managerial capability. Risk management is strongly promoted internally and forms part of the performance evaluation of key executives.

Sonic's material business risks are described in the operating and financial review section of the Directors' Report. Information on Sonic's impact on society and the environment can be found in Sonic's Sustainability Report available on Sonic's website.

### a) Responsibilities

The Board determines the overall risk profile of the business and risk appetite for the Company and is responsible for monitoring and ensuring the maintenance of adequate risk management policies, controls and reporting mechanisms.

To assist the Board in fulfilling its duties, it is aided by the Audit Committee and the Risk Management Committee. The Board has delegated to these Committees responsibility for ensuring:

- the Company's material business risks, including strategic, financial, operational, compliance (including taxation compliance), environmental and social sustainability risks, are identified
- systems are in place to assess, manage, monitor and report on those risks, and that those systems are operating effectively
- management compliance with Board-approved policies
- internal controls are operating effectively across the business
- all Group companies are in compliance with laws and regulations relating to their activities
- the Company is operating with due regard to the risk appetite set by the Board.

The Audit Committee and Risk Management Committee update the Board on all relevant matters.

Management is responsible for the identification, assessment and management of business risks. During the year, management reported on these matters, including the effectiveness of the management of Sonic's material business risks, to the Audit Committee and Risk Management Committee, who then reported these matters to the Board. The Risk Management Committee reviewed the Company's risk management framework and reported on that review to the Board.

### b) Risk management policies, systems and processes

Sonic's activities across all of its operating entities are subject to regular review and continuous oversight by executive management and the Board Committees. The Chief Executive Officers of the individual operating companies are responsible for the identification and management of risk within their business. To assist in this, executive management has developed an effective control environment to help manage the significant risks to its operations. This environment includes the following components:

- clearly defined management responsibilities, management accountabilities and organisational structures
- established policies and procedures that are widely disseminated to, and understood by, employees
- regular internal review of policy compliance and the effectiveness of systems and controls
- central team for management of taxation-related risks
- comprehensive training programs for staff in relation to operational practices and compliance requirements
- strong management reporting framework for both financial and operational information
- creation of an open culture to share risk management information and to continuously improve the effectiveness of Sonic's risk management approach
- benchmarking across operations to share best practice and further reduce the operational risk profile
- Sonic's Core Values, a unifying code of conduct embraced by Sonic employees
- Sonic's Code of Conduct and Global Whistleblower Policy
- centrally administered Group insurance program, ensuring a consistent and adequate approach across all operating areas
- the ongoing engagement of a professional Risk Manager to coordinate the Company's approach to material business risk management.

# Corporate Governance Statement

## 4. IDENTIFYING AND MANAGING BUSINESS RISKS

Control systems and policy compliance are reviewed by Sonic’s Business Assurance Program (Sonic’s internal audit function). The Head of Business Assurance reports to the Audit Committee, and to the Company Secretary for administrative purposes. The Business Assurance Program liaises with, but is independent of, the external auditor, and has full access to the Audit Committee and Risk Management Committee, Sonic management and staff, and records. The Audit Committee determines the scope for the Business Assurance Program each year and monitors management’s response to recommended system enhancements.

### c) Regulatory compliance

Sonic’s laboratory, radiology and medical centre activities are subject to Commonwealth and State law in Australia, and similar regulatory control in offshore locations. These laws cover such areas as laboratory and collection centre operations, workplace health and safety, radiation safety, Modern Slavery, privacy of information and waste management.

Sonic’s network of pathology laboratories, collection centres and radiology centres is required to meet and remain compliant with set performance criteria determined by government and industry bodies.

To support this, Sonic’s operating policies and procedures are overseen by internal quality assurance and workplace health and safety managers who review operational compliance.

In addition, practising pathologists and radiologists are required to be registered and licensed in accordance with Medical Board and government regulations. The accreditation and licensing of locations, equipment and personnel is subject to regular, random audits by government experts and medical peer groups. Sonic also undertakes internal reviews to ensure continued best practice and compliance.

Sonic’s established procedures, focus on best practice, Medical Leadership model, structured staff training, and the external review activities serve to mitigate operational risk and support regulatory compliance.

### d) Managing Director and Finance Director certification

Sonic has adopted a policy requiring the Managing Director and the Finance Director to provide the Board with written certification in relation to its financial reporting processes. For the 2023 financial year, the Managing Director and Finance Director made the following certifications:

- that the financial records of the Company have been properly maintained
- that the financial statements and notes comply in all material respects with the relevant accounting standards
- that the financial statements and notes give a true and fair view, in all material respects, of the Company’s financial condition and operational results
- that the statements above are founded on a sound system of risk management and internal control which operates effectively in all material respects in relation to financial reporting risks.

## 5. ETHICAL STANDARDS

The Company has a Code of Conduct that outlines the standards required so that the Directors and management conduct themselves with the highest ethical standards. All employees of the Company and its controlled entities are informed of the Code. The Directors regularly review this Code to ensure it reflects best practice in corporate governance. The Code is further supported by the Sonic Core Values.

To augment the Code of Conduct and Core Values, the Company has formally implemented and disclosed the following global policies:

- |                                            |                                 |                                      |
|--------------------------------------------|---------------------------------|--------------------------------------|
| ■ Anti-bribery and Corruption Policy       | ■ Taxation Governance Statement | ■ Workplace Health and Safety Policy |
| ■ Labour Standards and Human Rights Policy | ■ Global Whistleblower Policy   | ■ Privacy Policy                     |
| ■ Supplier Code of Conduct                 | ■ Data Security Statement       | ■ Environmental Policy               |
|                                            | ■ Diversity Policy              | ■ Modern Slavery reporting           |

# Corporate Governance Statement

## 6. CONTINUOUS DISCLOSURE

The Company Secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX listing rules, and overseeing and coordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

Sonic has formalised its policies and procedures on information disclosure in a Policy on Continuous Disclosure. The Policy focuses on continuous disclosure of any information concerning the Company and its controlled entities that a reasonable person would expect to have a material effect on the price of the Company's securities, and sets out management's responsibilities and reporting procedures in this regard.

All information disclosed to the ASX is then immediately posted on the Company's website and provided to the Directors. Presentations to analysts on aspects of the Company's operations are released to the ASX and posted on the Company's website ahead of the presentation.

The Company's investor relations program facilitates effective two-way communication with investors and analysts. In addition to large/institutional investors, the Company seeks to engage with retail shareholder groups, including meeting with representatives of the Australian Shareholders' Association at least annually. All investor relations discussions are conducted or monitored by the Managing Director, Finance Director or Company Secretary and are limited to discussion of non-price sensitive information and material previously announced on the ASX platform.

The Company discloses within the relevant report its process to verify the integrity of the contents of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.

## 7. THE ROLE OF SHAREHOLDERS

The Board aims to provide access and communicate openly with shareholders and to ensure that shareholders are informed of all major developments affecting the Group's state of affairs. Information is communicated to shareholders as follows:

- via the Company's website (available at [www.sonichealthcare.com](http://www.sonichealthcare.com)), which includes electronic and other contact details. Shareholders are able to register on the website to receive email alerts of all announcements made to the ASX
- the Annual Report is available to all shareholders on the Company's website and is distributed to those shareholders who elect to receive it. The Board ensures that the Annual Report includes relevant information about the operations of the Group during the year, changes in the state of affairs of the Group and details of likely future developments, in addition to the other disclosures required by law
- proposed major changes in the Group which may impact on share ownership rights are submitted to a vote of shareholders.

To further facilitate communication with shareholders, the Company has established electronic shareholder communication processes via its Share Registry. Shareholders are able to access online Annual Reports, notices of meetings, proxy forms and voting, and receive electronic statements (for example, holding statements) by email.

Where possible, the Company provides advance notice of significant group briefings, including for the half- and full-year results announcements, by publishing details on the Company website and extending open invitations. Telephone dial-in details are generally made available. Records are kept of group and one-on-one briefings with investors and analysts. All shareholder enquiries are responded to in a fair and respectful manner.

The Board encourages full participation of shareholders at the AGM to ensure a high level of accountability and identification with the Group's strategy and goals. AGMs are held at readily accessible locations and facilitate virtual attendance. Advance notice is provided on the Investor Calendar page of the Company's website. Ample opportunity is provided for shareholders to question the Board and the external auditor at the AGM. Important issues are presented to the shareholders as single resolutions and all substantive resolutions are decided by a poll.

The shareholders are responsible for voting on the appointment of Directors. The Company ensures that the relevant Notice of Meeting contains all material information in its possession relevant to a decision on whether to elect a Director.

# Corporate Governance Statement

## 8. EXTERNAL AUDITORS

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually. Sonic requires its external auditor to attend the AGM and be available to answer shareholder questions about the conduct of the audit and the auditor's report. It is the policy of the external auditors to provide an annual declaration of their independence to the Audit Committee.

## 9. PERFORMANCE EVALUATION OF THE BOARD, ITS COMMITTEES AND DIRECTORS, AND KEY EXECUTIVE OFFICERS

### a) The Board and its Committees

The Board carries out an annual evaluation of its own performance in meeting its key responsibilities in accordance with the Board Charter, by undertaking the following activities:

- the Chairman discusses with each Director their individual performance and ideas for improvement based on surveys completed by each Director
- the Board as a whole discusses and analyses its own performance, including suggestions for change or improvement and assessment of the extent to which the Board has discharged its responsibilities as set out in the Board Charter
- periodically, an external consultant is engaged to coordinate the reviews and provide additional insights.

The performance review covers matters such as contribution to strategy development, interaction with management, operation and conduct of meetings, and specific performance objectives for the year ahead. The review also identifies any need for Directors to undertake further professional development.

The Board also obtains feedback on its performance and operations from key people, such as the external auditors.

Each Committee of the Board is required to undertake an annual performance evaluation and report the results of this review to the Board.

Performance evaluation results are discussed by the Board, and initiatives are undertaken, where appropriate, to strengthen the effectiveness of the Board's operation and that of its Committees. The Board periodically reviews the skills, experience and expertise of its Directors and its practices and procedures for both the present and future needs of the Company.

Reviews of the performance of the Board, its Committees and individual Directors were conducted during the year.

# Corporate Governance Statement

## 9. PERFORMANCE EVALUATION OF THE BOARD, ITS COMMITTEES AND DIRECTORS, AND KEY EXECUTIVE OFFICERS

### b) The Managing Director and Finance Director

The performances of the Managing Director and Finance Director are formally reviewed by the Board annually, including during the 2023 year. The performance criteria include:

- economic results of the Group
- fulfilment of objectives and duties
- personnel and resource management
- promotion of and adherence to Sonic's Core Values, Foundation Principles, Federation model and culture of Medical Leadership
- corporate governance and compliance
- risk management
- external standing and reputation (including stakeholder management, brand and quality)
- progress with sustainability governance and initiatives
- additionally for the Finance Director, financial leadership and innovation.

Performance evaluation results are considered by the Remuneration and Nomination Committee in determining the level and structure of remuneration for the Managing Director and Finance Director.

### c) Senior executives

The Managing Director evaluates senior executives at least annually (including during the 2023 year) with qualitative and quantitative measures against agreed business and personal objectives. These business and personal objectives are consistent with those used in the performance reviews for the Managing Director and Finance Director.

Senior executives receive letters of appointment with terms of employment governed by applicable employment laws.

# Financial Report

|                                                                            |     |
|----------------------------------------------------------------------------|-----|
| Consolidated Income Statement                                              | 67  |
| Consolidated Statement of Comprehensive Income                             | 68  |
| Consolidated Balance Sheet                                                 | 69  |
| Consolidated Statement of Changes in Equity                                | 70  |
| Consolidated Cash Flow Statement                                           | 71  |
| Notes to the Consolidated Financial Statements                             | 72  |
| Directors' Declaration                                                     | 144 |
| Independent Auditor's Report to the<br>Members of Sonic Healthcare Limited | 145 |

SONIC HEALTHCARE LIMITED  
ABN 24 004 196 909

30 JUNE 2023

# Consolidated Income Statement

FOR THE YEAR ENDED 30 JUNE 2023

|                                                                   | Notes | 2023             | 2022        |
|-------------------------------------------------------------------|-------|------------------|-------------|
|                                                                   |       | \$'000           | \$'000      |
| <b>Revenue from operations</b>                                    | 3     | <b>8,168,948</b> | 9,340,154   |
| Labour and related costs                                          |       | (3,868,375)      | (3,614,351) |
| Consumables used                                                  |       | (1,279,695)      | (1,604,459) |
| Depreciation                                                      | 4     | (631,298)        | (607,427)   |
| Transportation                                                    |       | (217,016)        | (206,134)   |
| Utilities                                                         |       | (178,462)        | (163,082)   |
| Borrowing costs                                                   | 4     | (87,025)         | (79,819)    |
| Amortisation of intangibles                                       | 4     | (71,630)         | (67,990)    |
| Other expenses from ordinary activities                           |       | (904,259)        | (919,687)   |
| <b>Profit from ordinary activities before income tax expense</b>  |       | <b>931,188</b>   | 2,077,205   |
| Income tax expense                                                | 6     | (223,257)        | (561,739)   |
| <b>Profit from ordinary activities after income tax expense</b>   |       | <b>707,931</b>   | 1,515,466   |
| Net (profit) attributable to minority interests                   |       | (22,947)         | (54,900)    |
| <b>Profit attributable to members of Sonic Healthcare Limited</b> | 27(b) | <b>684,984</b>   | 1,460,566   |

|                                   |    | Cents        | Cents |
|-----------------------------------|----|--------------|-------|
| <b>Basic earnings per share</b>   | 36 | <b>145.8</b> | 305.5 |
| <b>Diluted earnings per share</b> | 36 | <b>145.0</b> | 302.5 |

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

# Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2023

|                                                              | Notes | 2023             | 2022             |
|--------------------------------------------------------------|-------|------------------|------------------|
|                                                              |       | \$'000           | \$'000           |
| Profit from ordinary activities after income tax expense     |       | 707,931          | 1,515,466        |
| <b>Other comprehensive income</b>                            |       |                  |                  |
| <b>Items that may be reclassified to profit or loss</b>      |       |                  |                  |
| Exchange differences on translation of foreign operations    | 27(a) | 320,502          | 90,886           |
| <b>Items that will not be reclassified to profit or loss</b> |       |                  |                  |
| Fair value gain on financial asset                           | 27(a) | 1,921            | -                |
| Actuarial (losses)/gains on retirement benefit obligations   | 24(f) | (1,454)          | 23,688           |
| <b>Other comprehensive income for the period, net of tax</b> |       | <b>320,969</b>   | <b>114,574</b>   |
| <b>Total comprehensive income for the period</b>             |       | <b>1,028,900</b> | <b>1,630,040</b> |
| <b>Total comprehensive income attributable to:</b>           |       |                  |                  |
| Members of Sonic Healthcare Limited                          |       | 993,054          | 1,580,036        |
| Minority interests                                           |       | 35,846           | 50,004           |
|                                                              |       | <b>1,028,900</b> | <b>1,630,040</b> |

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

For personal use only

# Consolidated Balance Sheet

AS AT 30 JUNE 2023

|                                      | Notes | 2023              | 2022              |
|--------------------------------------|-------|-------------------|-------------------|
|                                      |       | \$'000            | \$'000            |
| <b>Current assets</b>                |       |                   |                   |
| Cash and cash equivalents            | 37(a) | 797,994           | 779,997           |
| Receivables                          | 7     | 1,022,175         | 1,217,462         |
| Inventories                          | 8     | 199,201           | 216,193           |
| Other                                | 9     | 113,801           | 92,258            |
| <b>Total current assets</b>          |       | <b>2,133,171</b>  | <b>2,305,910</b>  |
| <b>Non-current assets</b>            |       |                   |                   |
| Receivables                          | 10    | 37,739            | 38,191            |
| Investments                          | 11    | 175,799           | 145,222           |
| Property, plant and equipment        | 12    | 1,510,930         | 1,321,121         |
| Right-of-use assets                  | 13    | 1,287,176         | 1,303,743         |
| Intangible assets                    | 14    | 7,789,619         | 7,361,486         |
| Deferred tax assets                  | 15    | 72,375            | 68,991            |
| Other                                | 16    | 7,820             | 7,349             |
| <b>Total non-current assets</b>      |       | <b>10,881,458</b> | <b>10,246,103</b> |
| <b>Total assets</b>                  |       | <b>13,014,629</b> | <b>12,552,013</b> |
| <b>Current liabilities</b>           |       |                   |                   |
| Payables                             | 17    | 959,992           | 1,018,552         |
| Lease liabilities                    | 18    | 346,791           | 341,858           |
| Current tax liabilities              | 19    | 220,608           | 374,259           |
| Provisions                           | 20    | 342,722           | 328,236           |
| Other                                | 21    | 8,230             | 21,369            |
| <b>Total current liabilities</b>     |       | <b>1,878,343</b>  | <b>2,084,274</b>  |
| <b>Non-current liabilities</b>       |       |                   |                   |
| Interest-bearing liabilities         | 22    | 1,673,461         | 1,576,934         |
| Lease liabilities                    | 18    | 1,080,228         | 1,093,945         |
| Deferred tax liabilities             | 23    | 332,731           | 264,240           |
| Provisions                           | 24    | 103,861           | 99,245            |
| Other                                | 25    | 24,143            | 5,201             |
| <b>Total non-current liabilities</b> |       | <b>3,214,424</b>  | <b>3,039,565</b>  |
| <b>Total liabilities</b>             |       | <b>5,092,767</b>  | <b>5,123,839</b>  |
| <b>Net assets</b>                    |       | <b>7,921,862</b>  | <b>7,428,174</b>  |
| <b>Equity</b>                        |       |                   |                   |
| <b>Parent entity interest</b>        |       |                   |                   |
| Contributed equity                   | 26    | 3,842,423         | 3,860,948         |
| Reserves                             | 27(a) | 339,884           | 61,172            |
| Retained earnings                    | 27(b) | 3,554,197         | 3,351,020         |
| <b>Total parent entity interest</b>  |       | <b>7,736,504</b>  | <b>7,273,140</b>  |
| <b>Minority interests</b>            |       | <b>185,358</b>    | <b>155,034</b>    |
| <b>Total equity</b>                  |       | <b>7,921,862</b>  | <b>7,428,174</b>  |

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

# Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2023

|                                                             | Share capital    | Reserves       | Retained earnings | Total            | Minority interests | Total            |
|-------------------------------------------------------------|------------------|----------------|-------------------|------------------|--------------------|------------------|
|                                                             | \$'000           | \$'000         | \$'000            | \$'000           | \$'000             | \$'000           |
| <b>Balance at 1 July 2021</b>                               | 4,081,981        | (19,158)       | 2,322,163         | 6,384,986        | 119,357            | 6,504,343        |
| Profit for period                                           | -                | -              | 1,460,566         | 1,460,566        | 54,900             | 1,515,466        |
| Other comprehensive income for the period                   | -                | 95,782         | 23,688            | 119,470          | (4,896)            | 114,574          |
| <b>Total comprehensive income for the period</b>            | -                | 95,782         | 1,484,254         | 1,580,036        | 50,004             | 1,630,040        |
| <b>Transactions with owners in their capacity as owners</b> |                  |                |                   |                  |                    |                  |
| Dividends paid                                              | -                | -              | (455,397)         | (455,397)        | -                  | (455,397)        |
| Shares issued                                               | 67,592           | (18,751)       | -                 | 48,841           | -                  | 48,841           |
| Transfers to share capital                                  | 8,265            | (8,265)        | -                 | -                | -                  | -                |
| Costs of share transactions net of tax                      | (18)             | -              | -                 | (18)             | -                  | (18)             |
| Share-based payments                                        | -                | 17,240         | -                 | 17,240           | -                  | 17,240           |
| Acquisition of shares                                       | (302,548)        | -              | -                 | (302,548)        | -                  | (302,548)        |
| Allocation of treasury shares                               | 5,676            | (5,676)        | -                 | -                | -                  | -                |
| Acquisition of minority interests                           | -                | -              | -                 | -                | 1,249              | 1,249            |
| Contributions from minority interests                       | -                | -              | -                 | -                | 153                | 153              |
| Dividends paid to minority interests in controlled entities | -                | -              | -                 | -                | (15,729)           | (15,729)         |
| <b>Balance at 30 June 2022</b>                              | 3,860,948        | 61,172         | 3,351,020         | 7,273,140        | 155,034            | <b>7,428,174</b> |
| Profit for period                                           | -                | -              | 684,984           | 684,984          | 22,947             | <b>707,931</b>   |
| Other comprehensive income for the period                   | -                | 309,524        | (1,454)           | 308,070          | 12,899             | <b>320,969</b>   |
| <b>Total comprehensive income for the period</b>            | -                | 309,524        | 683,530           | 993,054          | 35,846             | <b>1,028,900</b> |
| <b>Transactions with owners in their capacity as owners</b> |                  |                |                   |                  |                    |                  |
| Dividends paid                                              | -                | -              | (480,353)         | (480,353)        | -                  | <b>(480,353)</b> |
| Shares issued                                               | 100,763          | (16,488)       | -                 | 84,275           | -                  | <b>84,275</b>    |
| Costs of share transactions net of tax                      | (7)              | -              | -                 | (7)              | -                  | <b>(7)</b>       |
| Transfers to share capital                                  | 8,917            | (8,917)        | -                 | -                | -                  | -                |
| Share-based payments                                        | -                | 18,453         | -                 | 18,453           | -                  | <b>18,453</b>    |
| Acquisition of shares                                       | (134,100)        | -              | -                 | (134,100)        | -                  | <b>(134,100)</b> |
| Allocation of treasury shares                               | 5,902            | (2,735)        | -                 | 3,167            | -                  | <b>3,167</b>     |
| Acquisition of minority interests                           | -                | (21,125)       | -                 | (21,125)         | (680)              | <b>(21,805)</b>  |
| Contributions from minority interests                       | -                | -              | -                 | -                | 5,480              | <b>5,480</b>     |
| Dividends paid to minority interests in controlled entities | -                | -              | -                 | -                | (10,322)           | <b>(10,322)</b>  |
| <b>Balance at 30 June 2023</b>                              | <b>3,842,423</b> | <b>339,884</b> | <b>3,554,197</b>  | <b>7,736,504</b> | <b>185,358</b>     | <b>7,921,862</b> |

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

# Consolidated Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2023

|                                                                                                         | Notes | 2023             | 2022               |
|---------------------------------------------------------------------------------------------------------|-------|------------------|--------------------|
|                                                                                                         |       | \$'000           | \$'000             |
| <b>Cash flows from operating activities</b>                                                             |       |                  |                    |
| Receipts from customers (inclusive of goods and services tax)                                           |       | 8,520,953        | 9,423,315          |
| Payments to suppliers and employees (inclusive of goods and services tax)                               |       | (6,639,798)      | (6,744,340)        |
| <b>Gross operating cash flow</b>                                                                        |       | <b>1,881,155</b> | <b>2,678,975</b>   |
| Interest received                                                                                       |       | 13,617           | 1,994              |
| Borrowing costs                                                                                         |       | (83,752)         | (76,960)           |
| Income taxes paid                                                                                       |       | (339,987)        | (378,188)          |
| <b>Net cash inflow from operating activities</b>                                                        | 37(b) | <b>1,471,033</b> | <b>2,225,821</b>   |
| <b>Cash flows from investing activities</b>                                                             |       |                  |                    |
| Payment for purchase of controlled entities, net of cash acquired                                       |       | (82,390)         | (547,160)          |
| Payments for property, plant and equipment                                                              |       | (389,125)        | (286,953)          |
| Proceeds from sale of non-current assets                                                                |       | 15,204           | 14,990             |
| Payments for investments                                                                                |       | (27,525)         | (81,209)           |
| Payments for intangibles                                                                                |       | (107,888)        | (91,636)           |
| Repayment of loans by other entities                                                                    |       | 19,575           | 14,893             |
| Loans to other entities                                                                                 |       | (7,892)          | (12,105)           |
| <b>Net cash (outflow) from investing activities</b>                                                     |       | <b>(580,041)</b> | <b>(989,180)</b>   |
| <b>Cash flows from financing activities</b>                                                             |       |                  |                    |
| Proceeds from issues of shares and other equity securities (net of transaction costs and related taxes) |       | 84,265           | 48,815             |
| Payments for buyback and treasury shares                                                                |       | (130,933)        | (302,548)          |
| Proceeds from borrowings                                                                                |       | 116,109          | 137,836            |
| Repayment of borrowings                                                                                 |       | (119,218)        | (418,039)          |
| Principal elements of lease payments                                                                    |       | (371,204)        | (344,489)          |
| Dividends paid to Company's shareholders                                                                |       | (480,353)        | (455,397)          |
| Dividends paid to minority interests in subsidiaries                                                    |       | (10,177)         | (15,472)           |
| <b>Net cash (outflow) from financing activities</b>                                                     |       | <b>(911,511)</b> | <b>(1,349,294)</b> |
| <b>Net (decrease) in cash and cash equivalents</b>                                                      |       | <b>(20,519)</b>  | <b>(112,653)</b>   |
| Cash and cash equivalents at the beginning of the financial year                                        |       | 779,997          | 899,827            |
| Effects of exchange rate changes on cash and cash equivalents                                           |       | 38,516           | (7,177)            |
| <b>Cash and cash equivalents at the end of the financial year</b>                                       | 37(a) | <b>797,994</b>   | <b>779,997</b>     |
| <b>Financing arrangements</b>                                                                           | 22    |                  |                    |
| <b>Non-cash financing and investing activities</b>                                                      | 37(c) |                  |                    |

The above Consolidated Cash Flow Statement should be read in conjunction with the accompanying notes.

# Notes to the Consolidated Financial Statements

|         |                                             |     |
|---------|---------------------------------------------|-----|
| Note 1  | Summary of significant accounting policies  | 74  |
| Note 2  | Segment information                         | 91  |
| Note 3  | Revenue                                     | 93  |
| Note 4  | Expenses                                    | 94  |
| Note 5  | Dividends                                   | 95  |
| Note 6  | Income tax                                  | 96  |
| Note 7  | Receivables – Current                       | 98  |
| Note 8  | Inventories – Current                       | 99  |
| Note 9  | Other assets – Current                      | 99  |
| Note 10 | Receivables – Non-current                   | 100 |
| Note 11 | Investments – Non-current                   | 100 |
| Note 12 | Property, plant and equipment – Non-current | 101 |
| Note 13 | Right-of-use assets – Non-current           | 102 |
| Note 14 | Intangible assets – Non-current             | 103 |
| Note 15 | Deferred tax assets – Non-current           | 105 |
| Note 16 | Other assets – Non-current                  | 106 |
| Note 17 | Payables – Current                          | 106 |
| Note 18 | Lease liabilities                           | 106 |
| Note 19 | Tax liabilities – Current                   | 107 |
| Note 20 | Provisions – Current                        | 107 |

For personal use only

|         |                                            |     |
|---------|--------------------------------------------|-----|
| Note 21 | Other liabilities – Current                | 108 |
| Note 22 | Interest-bearing liabilities – Non-current | 108 |
| Note 23 | Deferred tax liabilities – Non-current     | 110 |
| Note 24 | Provisions – Non-current                   | 111 |
| Note 25 | Other liabilities – Non-current            | 114 |
| Note 26 | Contributed equity                         | 114 |
| Note 27 | Reserves and retained earnings             | 116 |
| Note 28 | Deed of cross guarantee                    | 117 |
| Note 29 | Investments in subsidiaries                | 120 |
| Note 30 | Commitments for expenditure                | 125 |
| Note 31 | Contingent liabilities                     | 125 |
| Note 32 | Secured borrowings                         | 125 |
| Note 33 | Remuneration of auditors                   | 126 |
| Note 34 | Share-based payments                       | 127 |
| Note 35 | Related parties                            | 132 |
| Note 36 | Earnings per share                         | 133 |
| Note 37 | Statement of cash flows                    | 133 |
| Note 38 | Financial risk management                  | 135 |
| Note 39 | Parent company financial information       | 142 |
| Note 40 | Events occurring after reporting date      | 143 |

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## NOTE 1 | SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the Financial Report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The Financial Report includes financial statements for the Consolidated Group ('the Group') consisting of Sonic Healthcare Limited ('Parent Company' or 'Company') and its subsidiaries. The financial statements were authorised for issue by the Directors on 26 September 2023.

### a) Basis of preparation

This general purpose Financial Report has been prepared in accordance with Australian Accounting Standards, Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. The Company is a for-profit entity for the purpose of preparing the financial statements.

#### *Compliance with IFRS*

The consolidated financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. The Parent Company financial information included in Note 39 also complies with IFRS.

#### *Historical cost convention*

These financial statements have been prepared under the historical cost convention, except for the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss and plan assets of retirement benefit obligations measured at fair value.

Comparatives may be restated to enhance comparability with the current year. This includes repairs and maintenance in FY2022 of \$232,018,000 which is now included within other expenses from operating activities.

### b) Principles of consolidation and equity accounting

The Consolidated Group financial statements incorporate the assets and liabilities of all subsidiaries controlled by Sonic Healthcare Limited as at 30 June 2023 and the results of all subsidiaries for the year then ended. Sonic Healthcare Limited and its controlled entities together are referred to in this Financial Report as the Group or the Consolidated Group.

Subsidiaries are all those entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the results and equity of controlled entities are shown separately in the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Balance Sheet respectively.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to Note 1(e)).

### i) Sonic Healthcare Limited Employee Share Trust (SHEST)

The Group has formed a trust to obtain and hold shares for the purpose of providing shares under selected Group equity plans. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group. Shares held by the SHEST are disclosed as treasury shares and deducted from contributed equity.

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## ii) Changes in ownership interests

The Group treats transactions with minority interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and minority interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to minority interests and any consideration paid or received is recognised in a separate reserve within equity.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly-controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

## iii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

For personal use only

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## c) Income tax

The income tax expense or benefit for the period is the tax payable or receivable on the current period's taxable income based on the income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Sonic Healthcare Limited and its wholly-owned Australian controlled entities have implemented the Australian tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are offset in the consolidated financial statements.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (e.g. the Research and Development Tax Incentive regime in Australia or other investment allowances). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense.

For personal use only

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## d) Foreign currency translation

### i) Functional and presentation currency

Items included in the financial statements of each entity are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Group's financial statements are presented in Australian dollars, which is Sonic Healthcare Limited's functional and presentation currency.

### ii) Transactions

Foreign currency transactions are initially translated into the functional currency using the rates of exchange prevailing at the date of the transaction. At the balance sheet date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting foreign exchange differences are recognised in the Income Statement except where they are deferred in equity as cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

### iii) Foreign controlled entities

The assets and liabilities of foreign controlled entities are translated into Australian currency at rates of exchange current at the balance sheet date, while their income and expenses are translated at the average of rates prevailing during the year. Exchange differences arising on translation are taken to the foreign currency translation reserve. Differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, a proportionate share of such exchange difference is reclassified to the Income Statement, as part of the gain or loss on sale where applicable.

## e) Business combinations

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. On an acquisition-by-acquisition basis, the Group recognises any minority interest in the acquiree either at fair value or at the minority interest's proportionate share of the acquiree's net identifiable assets.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of the acquisition. The discount rate used is the incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in an acquisition are measured initially at their fair values at the acquisition dates, irrespective of the extent of any minority interest. Goodwill is brought to account on the basis described in Note 1(m)(i).

The excess of the consideration transferred, the amount of any minority interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

For personal use only

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## f) Revenue recognition

Revenue is recognised when 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 services by applying the five-step model set out in AASB 15. Revenue is recognised for the major business activities as follows:

### i) Laboratory medicine and radiology services

Laboratory medicine and radiology services revenue is recognised at a point in time when the test or service is completed.

### ii) Other medical services

Revenue from other medical services is recognised over time as the performance obligation is satisfied. Revenue is recognised based on the services provided at period end date. Payments to doctors in medical centre and occupational health businesses in exchange for contracting the Group's services for a period of time are capitalised as a contract asset and amortised on a straight-line basis against revenue over the life of the contract.

### iii) Interest income

Interest income is recognised using the effective interest method.

### iv) Dividends

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

## g) Receivables

All trade debtors are initially recognised at their fair value being the amounts receivable and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade debtors are generally required to be settled within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off in the period in which they are identified. A provision for impairment loss is recognised using the simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped on shared credit risk characteristics and days past due.

## h) Inventories

Inventories, comprising consumable stores stock, are valued at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the first in, first out (FIFO) basis.

### i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each financial year end.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## j) Investments and other financial assets

### i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments only when its business model for managing those assets changes.

### ii) Recognition and derecognition

Purchases and sales of financial assets settled through the regular settlement for that particular investment are recognised on trade date, being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

### iii) Measurement

At initial recognition, the Group measures a financial asset at its 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 profit or loss.

### iv) Impairment

The Group assesses on a forward-looking basis the expected credit losses on its debt instruments carried at amortised cost and fair value through other comprehensive income. The impairment methodology depends on whether there has been a significant increase in credit risk.

## k) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any impairment in value.

Depreciation is calculated using the straight-line method to allocate the net cost of each item of property, plant and equipment (excluding land), net of their residual values over their estimated useful lives to the Group. Land is not depreciated. Estimates of remaining useful lives and residual values are made on a regular basis for all assets, with annual reassessments for major items. The estimated useful lives are as follows:

|                            |            |
|----------------------------|------------|
| Buildings and improvements | 40 years   |
| Plant and equipment        | 3–15 years |

The cost of improvements to, or on, leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the Group, whichever is the shorter.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value of the asset is greater than its estimated recoverable amount (Note 1(ii)). An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Income Statement in the period the item is derecognised.

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## I) Leases

The Group leases properties, equipment and vehicles under rental contracts which are typically made for fixed periods of between 1 month and 20 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

A single recognition and measurement approach is applied to all leases that the Group is the lessee for, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

### i) Lease liabilities

At the commencement date of the lease the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement, if the interest rate implicit in the lease is not readily determinable. To determine the incremental borrowing rate the Group uses a build-up approach that starts with appropriate swap and corporate bond rates with adjustments specific to the lease based on term and currency.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, such as a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Contracts may contain both lease and non-lease components. For leases where the non-lease component is not separately identified, the Group has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

### ii) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The costs of right-of-use assets includes the amount of lease liabilities recognised, less any lease incentives received. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. Right-of-use assets are subject to annual impairment assessment.

### iii) Short-term leases and leases of low-value assets

The Group applies the short-term recognition criteria exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption, which applies to miscellaneous low-value assets (e.g. IT equipment and small items of office furniture) that do not have quantitative or qualitative significance. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term within the lease expense line item.

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## iv) Variable lease payments

Variable lease payments reflect the lease component of consumables expenditure in situations where supplier contracts include the placement of equipment which the Group does not own. Such arrangements are used where it is commercially advantageous to the Group. Variable lease payments are not significant in comparison to fixed lease payments and vary based on a number of factors, including the value and quantity of equipment placed and the length of the supplier contract.

## v) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not the respective lessor. As at 30 June 2023 approximately 58% of the Group's leases have extension options of which 8% have been assessed as being reasonably certain to be exercised (these options have therefore been included in the calculation of the lease liability at the period end). The value of payments (undiscounted) for all optional periods represent approximately 400% of the FY2023 year's lease payments.

## vi) Sale and leaseback

The Group may periodically sell land and buildings and lease them back where it is commercially advantageous to do so. These types of transactions are not prevalent given the relatively small proportion of properties that the Group owns compared to leased. If the transfer of an asset satisfies the requirements of AASB 15 to be accounted for as a sale, the right-of-use asset arising from the leaseback is measured at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Group. Accordingly, only the amount of any gain or loss that relates to the rights transferred is recognised in the Income Statement.

## vii) Lessor accounting

The Group enters into lease agreements as lessor in respect of some property leases (largely related to the medical centre operations). Where the Group is an intermediate lessor it accounts for the head lease and the sub-lease as two separate contracts.

The sub-lease is a finance lease where it transfers substantially all the risks and rewards of ownership to the lessee. All other sub-leases are operating leases. The determination of whether a sub-lease is classified as a finance lease or operating lease is made by reference to the right-of-use asset arising from the head lease. The majority of sub-leases have lease terms substantially shorter than the head lease and accordingly are classified as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

The Group recognises on the Balance Sheet a net investment in a lease as the sum of the lease payments receivable plus any unguaranteed residual value, discounted at the interest rate implicit in the lease.

## m) Intangible assets

### i) Goodwill

Goodwill represents the excess of the cost of the business combination over the acquirer's interest in the net fair value of identifiable assets and liabilities acquired at the date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Any goodwill acquired is allocated to each of the cash-generating units (CGUs) expected to benefit from the combination's synergies. The goodwill allocated to the CGUs for the purpose of assessing impairment is identified according to business segment (laboratory and radiology) and country of operation (Australia, New Zealand, UK, USA, Germany, Switzerland and Belgium).

# Notes to the Consolidated Financial Statements

30 JUNE 2023

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to that entity.

## ii) Intangible assets acquired from a business combination

Intangible assets acquired from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of these intangible assets are assessed to be either finite or indefinite.

Where amortisation is charged on assets with finite lives, this expense is taken to the Income Statement.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite life intangibles annually, either individually or at the cash-generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Included in intangibles is the value of certain brand names acquired as part of the purchase of certain laboratory businesses and controlled entities.

The brand names have been assessed as having an indefinite useful life after consideration of the following factors:

- the length of time during which the brand name has been in use,
- the stability of the healthcare industry,
- the market perception and recognition of the brands which have consistently facilitated the retention and growth of revenue in both the local and national market places,
- active promotion of the brands in the marketplace,
- brand names are a registered legal trademark of the business. The registration of brands is renewable at minimal cost and minimal difficulty.

## iii) Software development

Expenditure on software development is capitalised when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and the costs can be measured reliably. The expenditure capitalised comprises all attributable costs. Capitalised software development costs are recorded as finite life intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its estimated useful life of 10 years. Capitalised development expenditure is stated at cost less accumulated amortisation. The carrying value is reviewed for impairment annually, or more frequently, if an indicator of impairment arises.

The costs of acquiring computer software for internal use are capitalised as intangible non-current assets where the software is used to support significant business systems and the expenditure leads to the creation of an asset. The expected useful life is generally 3-10 years.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Income Statement when the asset is derecognised.

Intangible assets (other than software development costs) created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred.

## iv) Software-as-a-Service arrangements (SaaS)

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. As such the Group does not receive a software intangible asset at the contract commencement date. Implementation costs including costs to configure or customise the cloud provider's application software are generally recognised as operating expenses when the services are received.

Costs incurred for the development of distinct software that enhances or modifies, or creates additional capability to, existing systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible assets.

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

## o) Interest-bearing liabilities

All loans and borrowings are initially recognised at fair value plus transaction costs, thereafter interest-bearing loans and borrowings are measured at amortised cost using the effective interest method. Interest is accrued over the period it becomes due and is recorded as part of other creditors. Fees paid on the establishment of loan facilities measured at amortised cost are capitalised and amortised on a straight-line basis over the term of the facility.

Borrowings are removed from the Balance Sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

## p) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. Changes in fair value are either taken to the Income Statement or an equity reserve (refer below). The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges);
- hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or;
- hedges of a net investment in a foreign operation (net investment hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 38. Movements in the hedging reserve in shareholders' equity are shown in Note 27.

## i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the Income Statement within borrowing costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in the Income Statement within other income or other expenses.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

For personal use only

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement within other income or other expenses.

Amounts accumulated in equity are recycled to the Income Statement in the periods when the hedged item will affect profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the Income Statement within borrowing costs.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income Statement.

The fair value of the Group's cash flow hedges are determined by external advisors using the present value of estimated future cash flows.

## iii) Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion of the hedge is recognised immediately in the Income Statement within other income or other expenses.

Gains and losses accumulated in equity are included in the Income Statement when the foreign operation is partially disposed of or sold.

## iv) Derivatives that do not qualify for hedge accounting

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the Income Statement and are included in other income or other expenses.

## q) Employee benefits

### i) Wages and salaries, annual leave

Liabilities for wages and salaries and annual leave are recognised and are measured at the amounts expected to be paid when the liabilities are settled.

### ii) Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the current provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the non-current provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

### iii) Retirement benefit obligations

Certain employees of the Group are entitled to benefits from defined contribution superannuation plans on retirement, disability or death. The defined contribution plans receive fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions.

# Notes to the Consolidated Financial Statements

30 JUNE 2023

Contributions to the defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Group also has defined benefit superannuation plans in relation to certain non-Australian employees, which provide defined lump sum benefits based on years of service and final average salary.

A liability or asset in respect of defined benefit plans is recognised in the Balance Sheet, and is measured as the present value of the defined benefit obligation at the reporting date less the fair value of the superannuation fund's assets at that date. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method.

Consideration is given to expected future wages and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows. In countries where there is a deep market in high-quality corporate bonds, the market rates on those bonds are used rather than government bonds. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, outside profit or loss, directly in the Statement of Comprehensive Income. Past service costs are recognised immediately in the Income Statement.

#### iv) Profit sharing and bonus plans

A liability for employee benefits in the form of profit sharing and bonus plans is recognised in other creditors when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there are formal terms in the plan for determining the amount of the benefit, or
- the amounts to be paid are determined before the time of completion of the Financial Report, or
- past practice gives clear evidence of the amount of the obligation.

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

#### v) Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

#### vi) Equity-based compensation benefits

Equity-based compensation benefits are provided to employees under various plans. Information relating to these plans is set out in Note 34.

The fair value of equity remuneration granted under the various employee plans is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the shares and options ('the vesting period'). The fair value at grant date is determined using a pricing model consistent with the Black Scholes methodology that takes into account the exercise price, the term of the option, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the arrangement.

The fair value of the options and shares granted is adjusted to reflect market vesting conditions (using a Monte Carlo simulation) but excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of shares and options that are expected to vest. At each balance sheet date, the entity revises its estimate of the number of shares and options that are expected to vest. The employee benefit expense recognised each period takes into account the most recent estimate.

No expense is recognised for shares and options that do not ultimately vest due to a failure to meet a non-market vesting condition.

For personal use only

# Notes to the Consolidated Financial Statements

30 JUNE 2023

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

The dilutive effect, if any, of outstanding shares and options is reflected as additional share dilution in the calculation of diluted earnings per share.

The Parent Company issues options to employees of subsidiary companies as part of the Group's remuneration strategy. When options are exercised, the subsidiary company reimburses the Parent Company for the excess of the market price at the time of exercise over the exercise price. These amounts are credited to contributed equity in the Parent Company's accounts, and eliminated on consolidation.

## vii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

## r) Borrowing costs

Borrowing costs include:

- interest on bank overdrafts, short-term and long-term borrowings, including amounts paid or received on interest rate swaps,
- amortisation of discounts or premiums relating to borrowings,
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings, and
- lease charges.

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use. In these circumstances, borrowing costs are capitalised to the cost of the assets using the weighted average interest rate applicable to the entity's outstanding borrowings during the year.

## s) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. For share buybacks the total cost of purchasing Sonic ordinary shares is deducted from contributed equity.

## t) Cash and cash equivalents

Cash and cash equivalents includes cash at bank and in hand, and deposits at call with financial institutions which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

## u) Earnings per share

### i) Basic earnings per share

Basic earnings per share is calculated by dividing net profit after income tax attributable to members of the Parent Company by the weighted average number of ordinary shares on issue during the financial year excluding treasury shares.

### ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## v) Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision makers who are responsible for allocating resources and assessing performance of the operating segments have been identified as the Chief Executive Officer and the Board of Directors.

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an 'arm's-length' basis and are eliminated on consolidation.

## w) Dividends

Provision is made for the amount of any dividend declared, determined or publicly recommended by the Directors on or before the end of a financial year but not distributed at balance date.

## x) Repairs and maintenance

Plant and equipment, and premises occupied, require repairs and maintenance from time to time in the course of operations. The costs associated with repairs and maintenance are charged as expenses as incurred, except where they relate to an improvement in the useful life of an asset, in which case the costs are capitalised and depreciated in accordance with Note 1(k).

## y) Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group) but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

## z) Provisions

Provisions are recognised when the Group has a present legal, equitable or constructive obligation as a result of past transactions or other past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. Any increase in the provision due to the passage of time is recognised as borrowing costs expense.

Restructuring provisions are recognised where the Group has completed a business combination where there is a detailed formal plan for the restructure, and a present obligation immediately prior to the business combination and its execution was not conditional upon it being acquired by the Group.

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## aa) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included within sundry debtors or sundry creditors in the Balance Sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

## ab) Rounding of amounts

The Company is of a kind referred to in ASIC Legislation Instrument 2016/191 issued by the Australian Securities & Investments Commission, relating to the 'rounding off' of amounts in the Financial Report. Amounts in the Financial Report have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

## ac) Significant accounting estimates and assumptions

The preparation of financial statements requires the use of estimates and assumptions of future events to determine the carrying amounts of certain assets and liabilities.

Key estimates and assumptions used in the preparation of the Financial Report are:

### i) Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in Note 14.

### ii) Share-based payment transactions

The Group measures the cost of equity-settled share-based payments at fair value at the grant date using a pricing model consistent with the Black Scholes methodology, taking into account the terms and conditions upon which the instruments were granted, as discussed in Note 34.

### iii) Provisional accounting of business combinations

The Group provisionally accounts for certain business combinations where the Group is in the process of ascertaining the fair values of the identifiable assets, liabilities and contingent liabilities acquired. In doing so, the Group has relied on the best estimate of the identifiable assets, liabilities and contingent liabilities as disclosed in Note 29, until the quantification and treatment of items under review is complete.

### iv) Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Market yields on government bonds are used in countries where there is no deep market in corporate bonds.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 24.

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## v) Income tax

The Group is subject to income taxes in several jurisdictions around the world. Significant judgement is required in determining the provision for income taxes on a worldwide basis. Where the final tax outcome is different from amounts provided, such differences will impact the current or deferred tax provisions in the period in which such outcome is obtained.

## vi) Trade debtors

Accounts receivable assessments require significant judgement in the USA due to contractual allowances, being discounts provided to certain payers against the Company's patient fee schedules. Revenue is billed at the fee schedule rate, but is recognised net of estimated contractual discounts. Adjustments are then made to revenue based on final payments received. Management diligently reviews allowances to ensure that the recoverable amount of debtors is materially accurate.

## vii) Determination of the lease term as the non-cancellable term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal including penalties to terminate, the value of leasehold improvements remaining plus current and future expected economic performance from use of the asset. After the commencement date, the Group generally can only make a reasonable certainty assessment within six to twelve months of the exercise of an option or at other times if there is a significant event or change in circumstances that is within its control and affects the ability to exercise (or not to exercise) the option to renew.

## viii) Calculation of the incremental borrowing rates

Where the Group cannot readily determine the interest rate implicit in lease contracts the present value of the Group's lease liabilities are estimated using the incremental borrowing rate as if leasing over a similar term the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Group uses observable inputs such as market interest rates as applicable.

## ad) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not applicable to the Group for the financial year ended 30 June 2023. The Group has elected not to early adopt these new standards and interpretations. These standards are not expected to have a material impact on the entity in the current or future reporting periods or on foreseeable future transactions.

The Group has applied the exception from recognising and disclosing information regarding deferred tax assets and liabilities related to Pillar Two income taxes.

For personal use only

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## ae) Parent Company financial information

The financial information for the Parent Company, Sonic Healthcare Limited, disclosed in Note 39 has been prepared on the same basis as the consolidated financial statements, except as set out below.

### i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of Sonic Healthcare Limited.

### ii) Tax consolidation legislation

Sonic Healthcare Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation with effect from 30 June 2004, and have notified the Australian Taxation Office of this event. The head entity, Sonic Healthcare Limited, and the controlled entities in the tax consolidated group account for their own deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone tax payer in its own right. In addition to its own current and deferred tax amounts Sonic Healthcare Limited, as the head entity in the tax consolidated group, also recognises the current tax liabilities (or assets) assumed from the controlled entities in the tax consolidated group. Under tax sharing and funding agreements amounts receivable or payable between the tax consolidated entities are recognised within current amounts receivable/payable to controlled entities.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Sonic Healthcare Limited for any current tax payable assumed and are compensated by Sonic Healthcare Limited for any current tax receivable transferred under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

### iii) Share-based payments

The grant by the Parent Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## NOTE 2 | SEGMENT INFORMATION

### Business segments

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 and Belgium.

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) Radiology

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 Net Profit Before Tax (NPBT) with foreign currency elements restated using the relevant prior period average exchange rates. The segment revenue and NPBT have therefore been presented using Constant Currency. NPBT is calculated after lease interest, but excluding interest on debt.

For personal use only

# Notes to the Consolidated Financial Statements

30 JUNE 2023

| 2023                                             | Laboratory       | Radiology      | Other           | Eliminations   | Total            |
|--------------------------------------------------|------------------|----------------|-----------------|----------------|------------------|
|                                                  | \$'000           | \$'000         | \$'000          | \$'000         | \$'000           |
| <b>Segment revenue (Constant Currency)</b>       |                  |                |                 |                |                  |
| External sales                                   | 6,794,962        | 795,468        | 384,756         | -              | 7,975,186        |
| Inter-segment sales                              | 1,303            | 641            | 3,402           | (5,346)        | -                |
| <b>Total segment revenue (Constant Currency)</b> | <b>6,796,265</b> | <b>796,109</b> | <b>388,158</b>  | <b>(5,346)</b> | <b>7,975,186</b> |
| Currency exchange rate movements                 | 180,145          | -              | -               | -              | 180,145          |
| <b>Total segment revenue (Statutory)</b>         | <b>6,976,410</b> | <b>796,109</b> | <b>388,158</b>  | <b>(5,346)</b> | <b>8,155,331</b> |
| Interest income                                  |                  |                |                 |                | 13,617           |
| <b>Total revenue</b>                             |                  |                |                 |                | <b>8,168,948</b> |
| <b>Result</b>                                    |                  |                |                 |                |                  |
| <b>Segment NPBT (Constant Currency)</b>          | <b>931,971</b>   | <b>102,595</b> | <b>(75,737)</b> | <b>-</b>       | <b>958,829</b>   |
| Currency exchange rate movements                 | 19,888           | -              | -               | -              | 19,888           |
| <b>Segment NPBT (Statutory)</b>                  | <b>951,859</b>   | <b>102,595</b> | <b>(75,737)</b> | <b>-</b>       | <b>978,717</b>   |
| Unallocated interest expense                     |                  |                |                 |                | (47,529)         |
| <b>Profit before tax</b>                         |                  |                |                 |                | <b>931,188</b>   |
| Income tax expense                               |                  |                |                 |                | (223,257)        |
| <b>Profit after income tax expense</b>           |                  |                |                 |                | <b>707,931</b>   |
| <b>Allocated interest expense</b>                | <b>29,118</b>    | <b>5,300</b>   | <b>5,078</b>    | <b>-</b>       | <b>39,496</b>    |
| <b>Depreciation and amortisation expense</b>     | <b>511,880</b>   | <b>83,141</b>  | <b>107,907</b>  | <b>-</b>       | <b>702,928</b>   |
| <b>EBITDA</b>                                    | <b>1,484,509</b> | <b>190,833</b> | <b>32,182</b>   | <b>-</b>       | <b>1,707,524</b> |
| <b>Other non-cash items</b>                      | <b>14,441</b>    | <b>3,706</b>   | <b>15,772</b>   | <b>-</b>       | <b>33,919</b>    |

| 2022                                         | Laboratory       | Radiology      | Other           | Eliminations   | Total            |
|----------------------------------------------|------------------|----------------|-----------------|----------------|------------------|
|                                              | \$'000           | \$'000         | \$'000          | \$'000         | \$'000           |
| <b>Segment revenue</b>                       |                  |                |                 |                |                  |
| External sales                               | 8,197,795        | 705,730        | 434,635         | -              | 9,338,160        |
| Inter-segment sales                          | 1,364            | 557            | 3,077           | (4,998)        | -                |
| <b>Total segment revenue</b>                 | <b>8,199,159</b> | <b>706,287</b> | <b>437,712</b>  | <b>(4,998)</b> | <b>9,338,160</b> |
| Interest income                              |                  |                |                 |                | 1,994            |
| <b>Total revenue</b>                         |                  |                |                 |                | <b>9,340,154</b> |
| <b>Result</b>                                |                  |                |                 |                |                  |
| <b>Segment NPBT</b>                          | <b>2,106,241</b> | <b>77,344</b>  | <b>(59,730)</b> | <b>-</b>       | <b>2,123,855</b> |
| Unallocated interest expense                 |                  |                |                 |                | (46,650)         |
| <b>Profit before tax</b>                     |                  |                |                 |                | <b>2,077,205</b> |
| Income tax expense                           |                  |                |                 |                | (561,739)        |
| <b>Profit after income tax expense</b>       |                  |                |                 |                | <b>1,515,466</b> |
| <b>Allocated interest expense</b>            | <b>27,748</b>    | <b>4,505</b>   | <b>916</b>      | <b>-</b>       | <b>33,169</b>    |
| <b>Depreciation and amortisation expense</b> | <b>505,178</b>   | <b>76,567</b>  | <b>93,672</b>   | <b>-</b>       | <b>675,417</b>   |
| <b>EBITDA</b>                                | <b>2,638,392</b> | <b>158,414</b> | <b>33,641</b>   | <b>-</b>       | <b>2,830,447</b> |
| <b>Other non-cash items</b>                  | <b>(44,790)</b>  | <b>7,696</b>   | <b>19,637</b>   | <b>-</b>       | <b>(17,457)</b>  |

For personal use only

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## Geographical information

|                          | Revenues from sales to external customers <sup>†</sup> |                  | Non-current assets <sup>†^</sup> |                   |
|--------------------------|--------------------------------------------------------|------------------|----------------------------------|-------------------|
|                          | 2023                                                   | 2022             | 2023                             | 2022              |
|                          | \$'000                                                 | \$'000           | \$'000                           | \$'000            |
| Australia                | 3,118,451                                              | 3,597,509        | 3,501,397                        | 3,426,719         |
| United States of America | 2,114,115                                              | 2,169,488        | 3,315,127                        | 3,171,789         |
| Germany                  | 1,549,544                                              | 2,025,115        | 1,934,401                        | 1,717,789         |
| Other                    | 1,373,221                                              | 1,546,048        | 1,882,359                        | 1,715,593         |
| <b>Total</b>             | <b>8,155,331</b>                                       | <b>9,338,160</b> | <b>10,633,284</b>                | <b>10,031,890</b> |

<sup>†</sup> Note that changes between years are affected by exchange rate movements and the timing of business acquisitions.

<sup>^</sup> Note that this includes all non-current assets other than financial instruments and deferred tax assets.

## NOTE 3 | REVENUE

|                                                            | 2023             | 2022             |
|------------------------------------------------------------|------------------|------------------|
|                                                            | \$'000           | \$'000           |
| <b>Services revenue</b>                                    |                  |                  |
| Medical services revenue                                   | 8,144,998        | 9,320,626        |
| <b>Other</b>                                               |                  |                  |
| Interest received or due and receivable                    | 13,089           | 1,611            |
| Finance income on net investment in lease                  | 528              | 383              |
| Income from sub-leasing right-of-use assets                | 5,009            | 4,774            |
| Other revenue                                              | 5,324            | 12,760           |
| <b>Total</b>                                               | <b>23,950</b>    | <b>19,528</b>    |
| <b>Total</b>                                               | <b>8,168,948</b> | <b>9,340,154</b> |
| <b>Disaggregated revenue</b>                               |                  |                  |
| Laboratory                                                 |                  |                  |
| USA                                                        | 2,113,808        | 2,169,227        |
| Australia                                                  | 1,938,334        | 2,457,107        |
| Germany                                                    | 1,549,497        | 2,024,926        |
| Switzerland                                                | 594,677          | 631,449          |
| UK & Ireland                                               | 593,539          | 706,214          |
| Belgium                                                    | 154,747          | 175,218          |
| New Zealand                                                | 28,834           | 31,740           |
| Non-laboratory                                             |                  |                  |
| Radiology                                                  | 795,101          | 705,423          |
| Other (medical centres, occupational health services etc.) | 381,785          | 432,082          |
| <b>Total</b>                                               | <b>8,150,322</b> | <b>9,333,386</b> |

Contract asset balances of \$3,208,000 (2022: \$5,538,000) and \$5,135,000 (2022: \$4,434,000) have been recognised in current receivables and non-current receivables as at 30 June 2023 relating to upfront doctor payments in the medical centre and occupational health businesses.

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## NOTE 4 | EXPENSES

|                                                                   | 2023           | 2022           |
|-------------------------------------------------------------------|----------------|----------------|
|                                                                   | \$'000         | \$'000         |
| Profit before income tax includes the following specific expenses |                |                |
| <b>Finance costs</b>                                              |                |                |
| Finance charges on capitalised leases                             | 37,595         | 31,137         |
| Other borrowing costs                                             | 49,430         | 48,682         |
| <b>Total borrowing costs</b>                                      | <b>87,025</b>  | <b>79,819</b>  |
| <b>Amortisation of intangibles</b>                                | <b>71,630</b>  | <b>67,990</b>  |
| <b>Depreciation of</b>                                            |                |                |
| Plant and equipment                                               | 252,422        | 247,672        |
| Buildings                                                         | 8,721          | 6,975          |
| <b>Total depreciation</b>                                         | <b>261,143</b> | <b>254,647</b> |
| <b>Depreciation charge of right-of-use assets</b>                 |                |                |
| Buildings                                                         | 360,450        | 343,041        |
| Equipment                                                         | 9,705          | 9,739          |
| <b>Total right-of-use asset depreciation</b>                      | <b>370,155</b> | <b>352,780</b> |
| <b>Lease expense</b>                                              |                |                |
| Short-term leases                                                 | 38,059         | 38,079         |
| Low-value leases                                                  | 4,033          | 4,026          |
| Variable leases - Other                                           | 19,527         | 22,518         |
| <b>Total lease expense</b>                                        | <b>61,619</b>  | <b>64,623</b>  |
| <b>Defined contribution superannuation expense</b>                | <b>168,494</b> | <b>153,180</b> |
| <b>Bad and doubtful trade debtors</b>                             | <b>164,747</b> | <b>136,984</b> |

For personal use only

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## NOTE 5 | DIVIDENDS

|                                                                                                                                                                                                                                                                                                                                                                                          | 2023    | 2022    |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|---------|
|                                                                                                                                                                                                                                                                                                                                                                                          | \$'000  | \$'000  |
| <b>Total dividends paid on ordinary shares during the year</b>                                                                                                                                                                                                                                                                                                                           |         |         |
| Final dividend for the year ended 30 June 2022 of 60 cents (2021: 55 cents) per share paid on 21 September 2022 (2021: 22 September 2021), franked to 100% (2021: 65%)                                                                                                                                                                                                                   | 283,382 | 263,441 |
| Interim dividend for the year ended 30 June 2023 of 42 cents (2022: 40 cents) per share paid on 22 March 2023 (2022: 23 March 2022), franked to 100% (2022: 100%)                                                                                                                                                                                                                        | 196,971 | 191,956 |
|                                                                                                                                                                                                                                                                                                                                                                                          | 480,353 | 455,397 |
| <b>Dividends not recognised at year end</b>                                                                                                                                                                                                                                                                                                                                              |         |         |
| In addition to the above dividends, since year end the Directors declared a final dividend of 62 cents (2022: 60 cents) per ordinary share, franked to 100% (2022: 100%) based on tax paid at 30%. The aggregate amount of the final dividend paid on 21 September 2023 (2022: 21 September 2022) out of retained earnings at the end of the year, but not recognised as a liability is: | 293,923 | 283,382 |
| <b>Franked dividends</b>                                                                                                                                                                                                                                                                                                                                                                 |         |         |
| The 2023 final dividend declared after the year end was 100% franked out of franking credits available at year end and those arising from the payment of income tax in the year ending 30 June 2024.                                                                                                                                                                                     |         |         |
| Franking credits available at the year end for subsequent financial years based on a tax rate of 30%                                                                                                                                                                                                                                                                                     | 32,672  | 17,557  |

The consolidated amounts include franking credits that would be available if distributable profits of subsidiaries not part of the Australian tax group were paid as dividends.

### Dividend Reinvestment Plan

The Company's Dividend Reinvestment Plan remained suspended for the FY2023 final dividend, as it was through the 2023 and 2022 financial years.

For personal use only

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## NOTE 6 | INCOME TAX

### a) Income tax expense

|                                                                             | 2023           | 2022           |
|-----------------------------------------------------------------------------|----------------|----------------|
|                                                                             | \$'000         | \$'000         |
| Current tax                                                                 | 193,623        | 493,939        |
| Deferred tax                                                                | 34,371         | 68,987         |
| Under/(over) provision in prior years – deferred tax                        | 17,123         | (10,690)       |
| (Over)/under provision in prior years – current tax                         | (21,860)       | 9,503          |
| <b>Income tax expense</b>                                                   | <b>223,257</b> | <b>561,739</b> |
| <b>Deferred income tax expense included in income tax expense comprises</b> |                |                |
| (Increase)/decrease in deferred tax assets (Note 15)                        | (9,373)        | 1,974          |
| Increase in deferred tax liabilities (Note 23)                              | 60,867         | 56,323         |
|                                                                             | 51,494         | 58,297         |

### b) Income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

|                                                                                               |                |                |
|-----------------------------------------------------------------------------------------------|----------------|----------------|
| Profit before income tax expense                                                              | 931,188        | 2,077,205      |
| <b>Tax at the Australian tax rate of 30% (2022: 30%)</b>                                      | <b>279,356</b> | <b>623,162</b> |
| <b>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income</b> |                |                |
| Difference in overseas tax rates                                                              | (27,294)       | (54,170)       |
| Potential deductions relating to equity remuneration                                          | (25,457)       | (8,417)        |
| (Over) provision in prior years                                                               | (4,737)        | (1,187)        |
| Other deductible/non-taxable items (net)                                                      | 1,389          | 2,351          |
| <b>Income tax expense</b>                                                                     | <b>223,257</b> | <b>561,739</b> |

### c) Tax expense relating to items of other comprehensive income

|                                                                    |              |              |
|--------------------------------------------------------------------|--------------|--------------|
| Actuarial gains on retirement benefit obligations                  | 520          | 5,378        |
| Fair value gain on financial asset                                 | 822          | -            |
| <b>Tax expense relating to items of other comprehensive income</b> | <b>1,342</b> | <b>5,378</b> |

### d) Amounts recognised directly in equity

|                              |          |          |
|------------------------------|----------|----------|
| <b>Capital raising costs</b> | <b>4</b> | <b>8</b> |
|------------------------------|----------|----------|

For personal use only

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## e) Tax losses

Deferred tax assets of \$14,411,000 (2022: \$3,319,000) on the Group's Balance Sheet at 30 June 2023 relate to income tax losses (Note 15) across the Group. Income tax losses for which no deferred tax asset has been recognised total \$12,591,000 (2022: \$14,693,000).

The benefit of tax losses will only be obtained if:

- i) the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, or
- ii) the losses are transferred to an eligible entity in the Group, and
- iii) the Group continues to comply with the conditions for deductibility imposed by tax legislation, and
- iv) no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the losses.

## f) Unrecognised temporary differences

|                                                                                                                                             | 2023           | 2022          |
|---------------------------------------------------------------------------------------------------------------------------------------------|----------------|---------------|
|                                                                                                                                             | \$'000         | \$'000        |
| <b>Temporary differences relating to investments in subsidiaries for which deferred tax assets and liabilities have not been recognised</b> |                |               |
| Foreign currency translation                                                                                                                | 142,728        | 50,090        |
| Undistributed earnings                                                                                                                      | 2,660          | 2,584         |
|                                                                                                                                             | <b>145,388</b> | <b>52,674</b> |

A deferred tax asset has not been recognised in respect of temporary differences arising as a result of the translation of the financial statements of the Group's overseas subsidiaries. The deferred tax asset will only arise in the event of disposal of the subsidiaries, and no such disposals are expected in the foreseeable future.

Certain subsidiaries of Sonic Healthcare Limited have undistributed earnings which, if paid out as dividends, would be unfranked and therefore subject to tax in the hands of the recipient. A taxable temporary difference exists, however no deferred tax liability has been recognised as the Parent Company is able to control the timing of distributions from these subsidiaries and is not expected to distribute these profits in the foreseeable future.

## g) Tax consolidation legislation

Sonic Healthcare Limited and its wholly-owned Australian subsidiaries implemented the Australian tax consolidation legislation at 30 June 2004. The accounting policy in relation to this legislation is set out in Note 1(c).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement. In the opinion of the Directors, the tax sharing agreement is a valid agreement under the tax consolidation legislation and limits the joint and several liability of the wholly-owned entities in the case of a default by Sonic Healthcare Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Sonic Healthcare Limited for any current tax payable assumed and are compensated by Sonic Healthcare Limited for any current tax receivable and deferred tax assets related to unused tax losses or unused tax credits that are transferred to Sonic Healthcare Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables.

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## NOTE 7 | RECEIVABLES – CURRENT

|                                                       | 2023      | 2022      |
|-------------------------------------------------------|-----------|-----------|
|                                                       | \$'000    | \$'000    |
| Trade debtors                                         | 941,962   | 1,105,304 |
| Less: provision for impairment (a)                    | (170,999) | (174,368) |
|                                                       | 770,963   | 930,936   |
| Accrued revenue                                       | 133,499   | 156,359   |
| Amounts owing from other entities and contract assets | 4,702     | 6,665     |
| Net investment in finance lease receivables           | 6,481     | 6,406     |
| Sundry debtors                                        | 106,530   | 117,096   |
|                                                       | 1,022,175 | 1,217,462 |

### Significant terms and conditions

Trade debtors are generally required to be settled within 30 days.

Sundry debtors generally arise from transactions outside the usual trading activities of the Group. Collateral is not normally obtained.

Transactions outside the usual operating activities of the Group have given rise to amounts owing from other entities. Repayments are specified by agreements.

### a) Impaired trade debtors

A provision for impairment loss is recognised using the simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables and adjusts for any known forward-looking issues specific to the debtors and the economic environment. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. As at 30 June 2023 current trade debtors of the Group with a nominal value of \$170,999,000 (2022: \$174,368,000) were impaired.

Movements in the provision for impairment of receivables were as follows:

|                                                  | 2023           | 2022           |
|--------------------------------------------------|----------------|----------------|
|                                                  | \$'000         | \$'000         |
| Opening balance at 1 July                        | 174,368        | 191,568        |
| Provisions on acquisition of controlled entities | 20             | 4,923          |
| Provision for impairment expensed <sup>+</sup>   | 152,818        | 126,099        |
| Foreign exchange movements                       | 7,042          | 11,226         |
| Receivables written off                          | (163,249)      | (159,448)      |
| <b>Closing balance at 30 June</b>                | <b>170,999</b> | <b>174,368</b> |

<sup>+</sup> Excludes amounts written off directly to the Income Statement.

Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash in excess of the cost of recovery.

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## b) Ageing analysis

At 30 June 2023, the ageing analysis and expected credit losses of trade debtors are as follows:

|                                   | Gross value    |                  | Expected credit losses |                |
|-----------------------------------|----------------|------------------|------------------------|----------------|
|                                   | 2023           | 2022             | 2023                   | 2022           |
|                                   | \$'000         | \$'000           | \$'000                 | \$'000         |
| Not past due                      | 513,912        | 649,781          | 24,674                 | 26,056         |
| 30-60 days past due               | 153,297        | 156,342          | 28,976                 | 29,858         |
| 60-90 days past due               | 83,594         | 61,732           | 32,646                 | 28,409         |
| 90-120 days past due              | 62,253         | 66,522           | 30,142                 | 28,035         |
| 120 days+ past due <sup>^</sup>   | 128,906        | 170,927          | 54,561                 | 62,010         |
| <b>Closing balance at 30 June</b> | <b>941,962</b> | <b>1,105,304</b> | <b>170,999</b>         | <b>174,368</b> |

<sup>^</sup> FY2022 included a \$20 million delayed payment related to a government contract for which no expected credit loss was booked. Payment was received post 30 June 2022.

All other trade debtors and classes within 'Receivables - current' do not contain impaired assets and are not past due. Based on the credit history of these receivables, it is expected that these amounts will be received when due. The Group does not hold collateral in relation to these receivables.

## c) Foreign exchange and interest rate risk

Information about the Group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in Note 38. No material carrying amounts of the Group's trade debtors are denominated in a non-functional currency.

## d) Fair value and credit risk

Due to the short-term nature of these receivables, the carrying value is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above.

## NOTE 8 | INVENTORIES - CURRENT

|                           | 2023    | 2022    |
|---------------------------|---------|---------|
|                           | \$'000  | \$'000  |
| Consumable stores at cost | 199,201 | 216,193 |

## NOTE 9 | OTHER ASSETS - CURRENT

|             | 2023    | 2022   |
|-------------|---------|--------|
|             | \$'000  | \$'000 |
| Prepayments | 113,801 | 92,258 |

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## NOTE 10 | RECEIVABLES – NON-CURRENT

|                                                       | 2023   | 2022   |
|-------------------------------------------------------|--------|--------|
|                                                       | \$'000 | \$'000 |
| Amounts owing from other entities and contract assets | 24,759 | 23,708 |
| Net investment in finance lease receivables           | 12,980 | 14,483 |
|                                                       | 37,739 | 38,191 |

| Undiscounted lease payments receivable |                |                              |                              |                              |                              |              |        |                         |                |
|----------------------------------------|----------------|------------------------------|------------------------------|------------------------------|------------------------------|--------------|--------|-------------------------|----------------|
|                                        | 1 year or less | Over 1 and less than 2 years | Over 2 and less than 3 years | Over 3 and less than 4 years | Over 4 and less than 5 years | Over 5 years | Total  | Unearned finance income | Carrying value |
|                                        | \$'000         | \$'000                       | \$'000                       | \$'000                       | \$'000                       | \$'000       | \$'000 | \$'000                  | \$'000         |
| Finance leases                         | 6,944          | 5,360                        | 4,300                        | 2,452                        | 935                          | 572          | 20,563 | (1,102)                 | 19,461         |
| Operating leases                       | 271            | 99                           | 23                           | –                            | –                            | –            | 393    |                         |                |
|                                        | 7,215          | 5,459                        | 4,323                        | 2,452                        | 935                          | 572          | 20,956 |                         |                |

### Amounts owing from other entities

Transactions outside the usual operating activities of the Group give rise to these amounts receivable. Interest is charged at commercial rates and repayments are specified by agreements.

### Fair values

The carrying value of non-current receivables approximates their fair value.

### Credit risk exposures

The credit risk on financial assets of the Group which have been recognised on the Balance Sheet, other than investments in shares, is generally the carrying amount, net of any provisions for impairment. Where entities have a right of set-off and intend to settle on a net basis, this set-off has been reflected in the financial statements in accordance with accounting standards.

None of the non-current receivables are past due or impaired.

## NOTE 11 | INVESTMENTS – NON-CURRENT

|                                                   | 2023    | 2022    |
|---------------------------------------------------|---------|---------|
|                                                   | \$'000  | \$'000  |
| Investments accounted for using the equity method | 61,667  | 63,170  |
| Other financial assets                            | 114,132 | 82,052  |
|                                                   | 175,799 | 145,222 |

The Group has interests in a number of associates and joint ventures that are accounted for using the equity method. The contribution of these investments is not material to the Group. The most significant amount included within other financial assets is the Group's investment into Harrison.ai which is held at cost.

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## NOTE 12 | PROPERTY, PLANT AND EQUIPMENT – NON-CURRENT

|                                                   | Freehold land<br>& buildings | Plant &<br>equipment | Total            |
|---------------------------------------------------|------------------------------|----------------------|------------------|
|                                                   | \$'000                       | \$'000               | \$'000           |
| <b>At 30 June 2021</b>                            |                              |                      |                  |
| Cost                                              | 342,797                      | 2,823,383            | 3,166,180        |
| Accumulated depreciation                          | (83,451)                     | (1,824,347)          | (1,907,798)      |
| <b>Net book amount</b>                            | <b>259,346</b>               | <b>999,036</b>       | <b>1,258,382</b> |
| <b>Year ended 30 June 2022</b>                    |                              |                      |                  |
| Opening net book amount                           | 259,346                      | 999,036              | 1,258,382        |
| Additions                                         | 4,210                        | 296,438              | 300,648          |
| Additions through business combinations           | -                            | 22,887               | 22,887           |
| Disposals                                         | (141)                        | (4,582)              | (4,723)          |
| Depreciation (Note 4)                             | (6,975)                      | (247,672)            | (254,647)        |
| Foreign exchange movements                        | 1,895                        | (3,321)              | (1,426)          |
| <b>Closing net book amount</b>                    | <b>258,335</b>               | <b>1,062,786</b>     | <b>1,321,121</b> |
| <b>At 30 June 2022</b>                            |                              |                      |                  |
| Cost                                              | 351,999                      | 3,079,569            | 3,431,568        |
| Accumulated depreciation                          | (93,664)                     | (2,016,783)          | (2,110,447)      |
| <b>Net book amount</b>                            | <b>258,335</b>               | <b>1,062,786</b>     | <b>1,321,121</b> |
| <b>Year ended 30 June 2023</b>                    |                              |                      |                  |
| Opening net book amount                           | 258,335                      | 1,062,786            | 1,321,121        |
| Additions                                         | 54,812                       | 342,873              | 397,685          |
| Additions through business combinations (Note 29) | -                            | 3,557                | 3,557            |
| Disposals                                         | (424)                        | (5,182)              | (5,606)          |
| Depreciation (Note 4)                             | (8,721)                      | (252,422)            | (261,143)        |
| Foreign exchange movements                        | 6,238                        | 49,078               | 55,316           |
| <b>Closing net book amount</b>                    | <b>310,240</b>               | <b>1,200,690</b>     | <b>1,510,930</b> |
| <b>At 30 June 2023</b>                            |                              |                      |                  |
| Cost                                              | 415,624                      | 3,496,813            | 3,912,437        |
| Accumulated depreciation                          | (105,384)                    | (2,296,123)          | (2,401,507)      |
| <b>Net book amount</b>                            | <b>310,240</b>               | <b>1,200,690</b>     | <b>1,510,930</b> |

### Non-current assets pledged as security

Refer to Note 32 for information on non-current assets pledged as security by the Group.

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## NOTE 13 | RIGHT-OF-USE ASSETS - NON-CURRENT

|           | 2023      | 2022      |
|-----------|-----------|-----------|
|           | \$'000    | \$'000    |
| Buildings | 1,272,246 | 1,284,249 |
| Equipment | 14,930    | 19,494    |
|           | 1,287,176 | 1,303,743 |

Additions to the right-of-use assets during the 2023 financial year comprised \$170,927,000 (2022: \$220,481,000) of new leases, including those added through business acquisitions, and \$175,615,000 (2022: \$173,211,000) of remeasured leases (including recognition of option periods).

For personal use only

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## NOTE 14 | INTANGIBLE ASSETS - NON-CURRENT

|                                         | Brand names    | Goodwill         | Software <sup>+</sup> | Other         | Total            |
|-----------------------------------------|----------------|------------------|-----------------------|---------------|------------------|
|                                         | \$'000         | \$'000           | \$'000                | \$'000        | \$'000           |
| <b>At 30 June 2021</b>                  |                |                  |                       |               |                  |
| Cost                                    | 188,962        | 6,331,159        | 801,719               | 20,735        | 7,342,575        |
| Accumulated amortisation and impairment | (55,022)       | (99,312)         | (467,264)             | (8,726)       | (630,324)        |
| <b>Net book amount</b>                  | <b>133,940</b> | <b>6,231,847</b> | <b>334,455</b>        | <b>12,009</b> | <b>6,712,251</b> |
| <b>Year ended 30 June 2022</b>          |                |                  |                       |               |                  |
| Opening net book amount                 | 133,940        | 6,231,847        | 334,455               | 12,009        | 6,712,251        |
| Acquisition of businesses               | -              | 476,461          | 102                   | -             | 476,563          |
| Additions - externally acquired         | -              | -                | 20,079                | 689           | 20,768           |
| Additions - internally generated        | -              | -                | 70,868                | -             | 70,868           |
| Disposals                               | -              | -                | (3)                   | -             | (3)              |
| Foreign exchange movements              | -              | 144,654          | 3,878                 | 497           | 149,029          |
| Amortisation charge (Note 4)            | -              | -                | (66,909)              | (1,081)       | (67,990)         |
| <b>Closing net book amount</b>          | <b>133,940</b> | <b>6,852,962</b> | <b>362,470</b>        | <b>12,114</b> | <b>7,361,486</b> |
| <b>At 30 June 2022</b>                  |                |                  |                       |               |                  |
| Cost                                    | 187,769        | 6,949,409        | 899,445               | 21,921        | 8,058,544        |
| Accumulated amortisation and impairment | (53,829)       | (96,447)         | (536,975)             | (9,807)       | (697,058)        |
| <b>Net book amount</b>                  | <b>133,940</b> | <b>6,852,962</b> | <b>362,470</b>        | <b>12,114</b> | <b>7,361,486</b> |
| <b>Year ended 30 June 2023</b>          |                |                  |                       |               |                  |
| Opening net book amount                 | 133,940        | 6,852,962        | 362,470               | 12,114        | 7,361,486        |
| Acquisition of businesses (Note 29)     | -              | 64,507           | 14                    | -             | 64,521           |
| Additions - externally acquired         | -              | -                | 28,709                | 2,500         | 31,209           |
| Additions - internally generated        | -              | -                | 76,679                | -             | 76,679           |
| Disposals                               | -              | -                | (113)                 | -             | (113)            |
| Foreign exchange movements              | -              | 319,960          | 7,217                 | 290           | 327,467          |
| Amortisation charge (Note 4)            | -              | -                | (70,101)              | (1,529)       | (71,630)         |
| <b>Closing net book amount</b>          | <b>133,940</b> | <b>7,237,429</b> | <b>404,875</b>        | <b>13,375</b> | <b>7,789,619</b> |
| <b>At 30 June 2023</b>                  |                |                  |                       |               |                  |
| Cost                                    | 188,493        | 7,335,616        | 1,031,525             | 24,711        | 8,580,345        |
| Accumulated amortisation and impairment | (54,553)       | (98,187)         | (626,650)             | (11,336)      | (790,726)        |
| <b>Net book amount</b>                  | <b>133,940</b> | <b>7,237,429</b> | <b>404,875</b>        | <b>13,375</b> | <b>7,789,619</b> |

<sup>+</sup> Software includes both externally acquired software and capitalised development costs, being an internally generated intangible asset.

For personal use only

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## a) Impairment testing of goodwill and intangibles with indefinite useful lives

Goodwill is allocated to the Group's cash-generating units (CGUs) for the purposes of assessing impairment according to business segment and geographic location. A summary of the goodwill allocation is presented below.

| 2023                 |               |                |                    |                        |                    |           |           |
|----------------------|---------------|----------------|--------------------|------------------------|--------------------|-----------|-----------|
| Australia Laboratory | UK Laboratory | USA Laboratory | Germany Laboratory | Switzerland Laboratory | Belgium Laboratory | Radiology | Total     |
| \$'000               | \$'000        | \$'000         | \$'000             | \$'000                 | \$'000             | \$'000    | \$'000    |
| 1,024,988            | 133,793       | 2,844,637      | 1,405,252          | 697,231                | 538,075            | 593,453   | 7,237,429 |

| 2022                 |               |                |                    |                        |                    |           |           |
|----------------------|---------------|----------------|--------------------|------------------------|--------------------|-----------|-----------|
| Australia Laboratory | UK Laboratory | USA Laboratory | Germany Laboratory | Switzerland Laboratory | Belgium Laboratory | Radiology | Total     |
| \$'000               | \$'000        | \$'000         | \$'000             | \$'000                 | \$'000             | \$'000    | \$'000    |
| 996,171              | 124,174       | 2,744,228      | 1,299,852          | 609,150                | 497,249            | 582,138   | 6,852,962 |

The carrying value of brand names of \$133,940,000 at 30 June 2023 relates solely to the Australia Laboratory CGU and the recoverable amounts are assessed as part of the recoverable amount of the CGU.

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use cash projections based on financial budgets/forecasts approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the terminal growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

## b) Key assumptions used for value in use calculations

The recoverable amount of each cash-generating unit is the net present value of the future cash flows of the cash-generating unit. Recoverable amounts have been assessed using management's best estimates of:

- FY2024 Board approved profit and loss and cash flow budgets for each cash-generating unit;
- forecast earnings growth factors (pre-tax) consistent with historical growth rates, current performance and expected changes;
- prevailing market based pre-tax discount rates taking into account the interest rate environment of different geographies; and
- assessments of terminal growth rates, predominantly based on long term inflation rates.

| 2023                         | Australia Laboratory | UK Laboratory | USA Laboratory | Germany Laboratory | Switzerland Laboratory | Belgium Laboratory | Radiology |
|------------------------------|----------------------|---------------|----------------|--------------------|------------------------|--------------------|-----------|
| Average earnings growth rate | ~7%                  | ~7%           | ~8%*           | ~5%                | ~5%                    | ~6%                | ~8%       |
| Discount rate                | 11.8%                | 11.6%         | 10.2%          | 10.8%              | 6.7%                   | 9.7%               | 11.8%     |
| Terminal growth rate         | 2.7%                 | 3.0%          | 2.6%           | 2.5%               | 0.5%                   | 2.5%               | 2.7%      |

| 2022                         | Australia Laboratory | UK Laboratory | USA Laboratory | Germany Laboratory | Switzerland Laboratory | Belgium Laboratory | Radiology |
|------------------------------|----------------------|---------------|----------------|--------------------|------------------------|--------------------|-----------|
| Average earnings growth rate | ~6%                  | ~7%           | ~7%            | ~4%                | ~5%                    | ~5%                | ~8%       |
| Discount rate                | 11.3%                | 10.2%         | 9.6%           | 9.9%               | 7.5%                   | 8.8%               | 11.3%     |
| Terminal growth rate         | 2.7%                 | 2.4%          | 2.5%           | 1.8%               | 0.5%                   | 2.3%               | 3.0%      |

\*The USA Laboratory average earnings growth rate shown above excludes the modelled expected benefits of an enhanced revenue collection system (~US\$60m p.a.) which has been trialled and is now being rolled out nationally and other specific initiatives planned to occur in FY2024 (~US\$30m p.a.).

# Notes to the Consolidated Financial Statements

30 JUNE 2023

After performing sensitivity analysis, management believes that any reasonably possible change in the key assumptions on which the recoverable amount has been assessed would not cause the carrying amount to exceed the recoverable amount in any of the cash-generating units other than potentially for the Belgium and USA Laboratory CGUs.

## Belgium

- An increase in the pre-tax discount rate of 28 basis points, decrease in the terminal growth rate of 25 basis points or decrease in the earnings growth rate of 125 basis points would cause the recoverable amount to be equal to the carrying value for the Belgium Laboratory CGU. Management action would be taken to respond to any adverse changes in assumptions to mitigate the impact of any such change.

## USA

- In the circumstance that the majority of the US\$90m p.a. of expected benefits noted above fail to materialise, and other management actions taken and/or business performance do not mitigate the impact of any such change, the carrying value of the US cash-generating unit would be in excess of the recoverable amount under the value in use valuation approach. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. In the circumstance described above, the Company would apply the fair value less costs of disposal methodology.

## NOTE 15 | DEFERRED TAX ASSETS - NON-CURRENT

|                                                                         | 2023           | 2022           |
|-------------------------------------------------------------------------|----------------|----------------|
|                                                                         | \$'000         | \$'000         |
| Deferred tax assets                                                     | 72,375         | 68,991         |
| <b>The balance comprises temporary differences attributable to</b>      |                |                |
| <b>Amounts recognised in profit or loss</b>                             |                |                |
| Doubtful debts                                                          | 50,144         | 57,383         |
| Employee benefits                                                       | 90,410         | 89,541         |
| Sundry accruals                                                         | 67,868         | 82,747         |
| Unrealised foreign exchange movements                                   | 2,015          | (310)          |
| Lease liability                                                         | 393,869        | 391,376        |
| Tax losses                                                              | 14,411         | 3,319          |
|                                                                         | 618,717        | 624,056        |
| <b>Amounts recognised directly in equity/other comprehensive income</b> |                |                |
| Share issue costs incurred in prior years                               | 7              | 552            |
| <b>Deferred tax assets</b>                                              | <b>618,724</b> | <b>624,608</b> |
| Less: amounts offset against deferred tax liabilities (Note 23)         | (546,349)      | (555,617)      |
| <b>Net deferred tax assets</b>                                          | <b>72,375</b>  | <b>68,991</b>  |
| <b>Movements</b>                                                        |                |                |
| Opening balance at 1 July                                               | 68,991         | 65,276         |
| Credited/(charged) to the Income Statement (Note 6)                     | 9,373          | (1,974)        |
| Foreign exchange movements                                              | (5,666)        | 3,291          |
| Acquisition/disposal of subsidiaries                                    | (323)          | 2,398          |
| <b>Closing balance at 30 June</b>                                       | <b>72,375</b>  | <b>68,991</b>  |

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## NOTE 16 | OTHER ASSETS - NON-CURRENT

|             | 2023   | 2022   |
|-------------|--------|--------|
|             | \$'000 | \$'000 |
| Prepayments | 7,820  | 7,349  |

## NOTE 17 | PAYABLES - CURRENT

|                               | 2023    | 2022      |
|-------------------------------|---------|-----------|
|                               | \$'000  | \$'000    |
| Trade creditors               | 255,799 | 243,800   |
| Sundry creditors and accruals | 704,193 | 774,752   |
|                               | 959,992 | 1,018,552 |

### Fair value and risk exposure

Due to the short-term nature of these payables, the carrying value is assumed to approximate their fair value. Information about the Group's exposure to foreign currency exchange rate risk is provided in Note 38.

## NOTE 18 | LEASE LIABILITIES

|             | 2023      | 2022      |
|-------------|-----------|-----------|
|             | \$'000    | \$'000    |
| Current     | 346,791   | 341,858   |
| Non-current | 1,080,228 | 1,093,945 |
|             | 1,427,019 | 1,435,803 |

For personal use only

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## NOTE 19 | TAX LIABILITIES – CURRENT

|            | 2023    | 2022    |
|------------|---------|---------|
|            | \$'000  | \$'000  |
| Income tax | 220,608 | 374,259 |

## NOTE 20 | PROVISIONS – CURRENT

|                   | 2023    | 2022    |
|-------------------|---------|---------|
|                   | \$'000  | \$'000  |
| Employee benefits | 342,608 | 328,166 |
| Lease exit costs  | 114     | 70      |
|                   | 342,722 | 328,236 |

The lease exit costs represent future payments for leased premises under non-cancellable operating leases. Movements in lease exit costs during the financial year are set out below:

|                                        | Total         |
|----------------------------------------|---------------|
|                                        | \$'000        |
| Carrying amount at 1 July 2022         | 20,957        |
| Amounts used during year               | (70)          |
| Additional provisions recognised       | 344           |
| Foreign exchange movements             | 1,752         |
| <b>Carrying amount at 30 June 2023</b> | <b>22,983</b> |
| <b>Representing lease exit costs:</b>  |               |
| Current                                | 114           |
| Non-current (Note 24)                  | 22,869        |
|                                        | 22,983        |

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## NOTE 21 | OTHER LIABILITIES – CURRENT

|                          | 2023         | 2022          |
|--------------------------|--------------|---------------|
|                          | \$'000       | \$'000        |
| <b>Unsecured</b>         |              |               |
| Amounts owing to vendors | 7,817        | 21,145        |
| Other                    | 413          | 224           |
|                          | <b>8,230</b> | <b>21,369</b> |

The amounts owing to vendors comprise deferred consideration for business acquisitions made in the current and prior periods (refer Note 29). Amounts owing to vendors and other loans are non-interest bearing. The carrying value of these amounts approximates their fair value.

## NOTE 22 | INTEREST-BEARING LIABILITIES – NON-CURRENT

|                  | 2023             | 2022             |
|------------------|------------------|------------------|
|                  | \$'000           | \$'000           |
| <b>Unsecured</b> |                  |                  |
| Bank loans       | 3,278            | –                |
| USPP notes (a)   | 1,670,183        | 1,576,934        |
|                  | <b>1,673,461</b> | <b>1,576,934</b> |

Details of the fair values and interest rate risk exposure relating to each of these liabilities are set out in Note 38.

### a) USPP notes

In November 2014 Sonic issued €110M of notes with a tenor of 10 years. In June 2016 and November 2016 Sonic issued €45M and €200M of notes with tenors of 10 years. In October 2017 Sonic issued €75M and €85M of notes with tenors of 7 and 15 years respectively. In January 2020 Sonic issued a further US\$300M, US\$150M and US\$100M of notes with tenors of 10,12 and 15 years respectively.

For personal use only

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## b) Financing facilities available

At 30 June 2023, the following financing facilities were available:

| 2023                                            | Total facilities at<br>30 June 2023 | Facilities used at<br>30 June 2023 | Facilities unused<br>at 30 June 2023 |
|-------------------------------------------------|-------------------------------------|------------------------------------|--------------------------------------|
|                                                 | 000's                               | 000's                              | 000's                                |
| Bank overdraft                                  | A\$4,647                            | A\$0                               | A\$4,647                             |
| Bank loans                                      |                                     |                                    |                                      |
| Syndicated facilities multicurrency Euro limits | €343,990                            | €2,000                             | €341,990                             |
| Syndicated facilities multicurrency CHF limits  | CHF125,000                          | CHF0                               | CHF125,000                           |
| Syndicated facilities multicurrency AUD limits  | A\$157,000                          | A\$0                               | A\$157,000                           |
| Syndicated facilities multicurrency USD limits  | US\$100,000                         | US\$0                              | US\$100,000                          |
| Bilateral facilities multicurrency Euro limits  | €165,000                            | €0                                 | €165,000                             |
| Notes held by USA investors – USD               | US\$550,000                         | US\$550,000                        | US\$0                                |
| Notes held by USA investors – Euro              | €515,000                            | €515,000                           | €0                                   |
| Leasing and hire purchase facilities            | A\$15,873                           | A\$10,873                          | A\$5,000                             |

| 2022                                            | Total facilities at<br>30 June 2022 | Facilities used at<br>30 June 2022 | Facilities unused<br>at 30 June 2022 |
|-------------------------------------------------|-------------------------------------|------------------------------------|--------------------------------------|
|                                                 | 000's                               | 000's                              | 000's                                |
| Bank overdraft                                  | A\$4,220                            | A\$0                               | A\$4,220                             |
| Bank loans                                      |                                     |                                    |                                      |
| Syndicated facilities multicurrency Euro limits | €279,990                            | €0                                 | €279,990                             |
| Syndicated facilities multicurrency CHF limits  | CHF125,000                          | CHF0                               | CHF125,000                           |
| Club revolving facility AUD limits              | A\$48,000                           | A\$0                               | A\$48,000                            |
| Club revolving facility USD limits              | US\$100,000                         | US\$0                              | US\$100,000                          |
| Notes held by USA investors – USD               | US\$550,000                         | US\$550,000                        | US\$0                                |
| Notes held by USA investors – Euro              | €515,000                            | €515,000                           | €0                                   |
| Leasing and hire purchase facilities            | A\$19,866                           | A\$14,866                          | A\$5,000                             |

Facilities used at 30 June 2023 total A\$1,684,334,000 (2022: A\$1,591,800,000).

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## NOTE 23 | DEFERRED TAX LIABILITIES - NON-CURRENT

|                                                                    | 2023           | 2022           |
|--------------------------------------------------------------------|----------------|----------------|
|                                                                    | \$'000         | \$'000         |
| Deferred tax liabilities                                           | 332,731        | 264,240        |
| <b>The balance comprises temporary differences attributable to</b> |                |                |
| <b>Amounts recognised in profit or loss</b>                        |                |                |
| Prepayments and sundry debtors                                     | 21,145         | 22,681         |
| Inventories                                                        | 15,291         | 19,450         |
| Accrued revenue                                                    | 21,099         | 22,673         |
| Right-of-use assets                                                | 357,585        | 357,471        |
| Intangibles                                                        | 346,704        | 293,008        |
| Property, plant and equipment                                      | 115,968        | 104,488        |
| Capitalised costs                                                  | 1,288          | 86             |
|                                                                    | 879,080        | 819,857        |
| Less: amounts offset against deferred tax assets (Note 15)         | (546,349)      | (555,617)      |
| <b>Net deferred tax liabilities</b>                                | <b>332,731</b> | <b>264,240</b> |
| <b>Movements</b>                                                   |                |                |
| Opening balance at 1 July                                          | 264,240        | 190,505        |
| Charged to the Income Statement (Note 6)                           | 60,867         | 56,323         |
| Charged to other comprehensive income                              | 1,342          | 5,233          |
| Amounts recognised directly in equity                              | (4)            | (8)            |
| Foreign exchange movements                                         | 6,286          | 12,187         |
| <b>Closing balance at 30 June</b>                                  | <b>332,731</b> | <b>264,240</b> |

For personal use only

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## NOTE 24 | PROVISIONS - NON-CURRENT

|                                | 2023    | 2022   |
|--------------------------------|---------|--------|
|                                | \$'000  | \$'000 |
| Employee benefits              | 33,871  | 33,973 |
| Retirement benefit obligations | 47,121  | 44,385 |
| Lease exit costs               | 22,869  | 20,887 |
|                                | 103,861 | 99,245 |

### a) Retirement benefit obligations

Certain employees of the Group are entitled to benefits from superannuation plans on retirement, disability or death. The Group contributes to defined contribution plans for the majority of employees. The defined contribution plans receive fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions. The Group has defined benefit plans in relation to certain non-Australian employees. The defined benefit plans provide lump sum benefits based on years of service and final average salary.

The following sets out details in respect of defined benefit plans only.

### b) Balance Sheet amounts

The amounts recognised in the Balance Sheet are determined as follows:

|                                                       | 2023          | 2022          |
|-------------------------------------------------------|---------------|---------------|
|                                                       | \$'000        | \$'000        |
| Present value of the defined benefit plan obligations | 432,768       | 366,388       |
| Fair value of defined benefit plan assets             | (385,647)     | (322,003)     |
| <b>Net liability in the Balance Sheet</b>             | <b>47,121</b> | <b>44,385</b> |

The Group has no legal obligation to settle this liability with an immediate contribution or additional one-off contributions. The Group intends to continue to contribute to the Medisupport Group and Medica Laboratory Group defined benefit plans at a percentage of insured salaries (2.4% to 10.3% dependent on the employee's age bracket) in line with the actuary's latest recommendations and Swiss laws. No contributions are required to be made by the Group to the Bioscientia Healthcare Group defined benefit plan as future benefits are paid directly by Bioscientia and not from a separate plan asset pool.

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## c) Categories of plan assets

The major categories of plan assets as a percentage of total plan assets are as follows:

|                                  | 2023  | 2022  |
|----------------------------------|-------|-------|
|                                  | %     | %     |
| Cash – quoted                    | 1.4   | 2.3   |
| Mortgages – quoted               | 1.4   | 1.3   |
| Real estate – quoted             | 16.0  | 15.7  |
| Bonds – quoted                   | 38.2  | 35.9  |
| Equities – quoted                | 37.2  | 38.4  |
| Alternative investments – quoted | 5.8   | 6.4   |
|                                  | 100.0 | 100.0 |

## d) Reconciliations

|                                                                                                      | 2023           | 2022           |
|------------------------------------------------------------------------------------------------------|----------------|----------------|
|                                                                                                      | \$'000         | \$'000         |
| <b>Reconciliation of the present value of the defined benefit obligation, which is partly funded</b> |                |                |
| Balance at the beginning of the year                                                                 | 366,388        | 380,917        |
| Current service cost                                                                                 | 9,840          | 10,287         |
| Past service cost                                                                                    | 1,846          | (2,434)        |
| Interest cost                                                                                        | 7,972          | 1,949          |
| Actuarial (gains)                                                                                    | (237)          | (52,684)       |
| Benefits paid                                                                                        | (5,274)        | (4,339)        |
| Member contributions                                                                                 | 10,892         | 8,687          |
| Additions through business combinations                                                              | 15,957         | -              |
| Other                                                                                                | (14,528)       | 9,482          |
| Foreign exchange movements                                                                           | 39,912         | 14,523         |
| <b>Balance at the end of the year</b>                                                                | <b>432,768</b> | <b>366,388</b> |
| <b>Reconciliation of the fair value of plan assets</b>                                               |                |                |
| Balance at the beginning of the year                                                                 | 322,003        | 305,675        |
| Interest income                                                                                      | 7,471          | 1,465          |
| Actuarial (losses)                                                                                   | (1,171)        | (23,618)       |
| Contributions by Group companies                                                                     | 13,423         | 10,438         |
| Benefits paid                                                                                        | (4,134)        | (3,228)        |
| Member contributions                                                                                 | 10,892         | 8,687          |
| Additions through business combinations                                                              | 16,008         | -              |
| Other                                                                                                | (14,528)       | 9,482          |
| Foreign exchange movements                                                                           | 35,683         | 13,102         |
| <b>Balance at the end of the year</b>                                                                | <b>385,647</b> | <b>322,003</b> |

For personal use only

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## e) Amounts recognised in Income Statement

|                                                       | 2023          | 2022         |
|-------------------------------------------------------|---------------|--------------|
|                                                       | \$'000        | \$'000       |
| Current service cost                                  | 9,840         | 10,287       |
| Past service cost                                     | 1,846         | (2,434)      |
| Net interest expense                                  | 501           | 484          |
| <b>Total included in the employee benefit expense</b> | <b>12,187</b> | <b>8,337</b> |

## f) Amounts recognised in Statement of Comprehensive Income

|                                                                                   |         |        |
|-----------------------------------------------------------------------------------|---------|--------|
| Actuarial (losses)/gains recognised in the year                                   | (1,454) | 23,688 |
| Cumulative actuarial (losses) recognised in the Statement of Comprehensive Income | (2,254) | (800)  |

## g) Principal actuarial assumptions

The principal actuarial assumptions used (expressed as weighted averages) were as follows:

|                         | 2023 | 2022 |
|-------------------------|------|------|
|                         | %    | %    |
| Discount rate           | 2.1  | 1.5  |
| Future salary increases | 1.4  | 1.2  |

If the discount rate had increased/decreased by 100 basis points (2022: 25 basis points), the impact on the net defined benefit obligation would have been a decrease of 85.6%/increase of 94.3% (2022: decrease of 19.2%/increase of 20.4%). The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the Balance Sheet.

## h) Employer contributions

### Medisupport Group and Medica Laboratory Group defined benefit plans

Employer contributions to the defined benefit plans are based on recommendations by the plan's actuary. Actuarial assessments are made on a yearly basis.

The objective of funding is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable. To achieve this objective, the actuary has adopted a method of funding which seeks to have benefits funded by means of a total contribution which is expected to be a percentage of members' insured salaries over their working lifetimes.

Using the funding method described above and actuarial assumptions, the actuary recommended in the latest actuarial review the payment of employer contributions varying from 2.4% to 10.3% (2022: 2.4% to 10.3%) of the insured salaries of employees based on the employee age bracket and in accordance with Swiss laws.

Total employer contributions expected to be paid by Group companies for the year ending 30 June 2024 are based on the 2023 rates and are estimated at \$14,780,000 (2022: \$10,118,000).

The weighted average duration of the defined benefit obligation is 13.3 years (2022: 13.4 years).

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## i) Experience adjustments

|                                                    | 2023    | 2022     |
|----------------------------------------------------|---------|----------|
|                                                    | \$'000  | \$'000   |
| Experience adjustments arising on plan liabilities | (4,130) | (17,740) |
| Experience adjustments arising on plan assets      | (1,171) | (23,618) |

## NOTE 25 | OTHER LIABILITIES - NON-CURRENT

|                          | 2023   | 2022   |
|--------------------------|--------|--------|
|                          | \$'000 | \$'000 |
| <b>Unsecured</b>         |        |        |
| Amounts owing to vendors | 23,915 | 4,990  |
| Other                    | 228    | 211    |
|                          | 24,143 | 5,201  |

The amounts owing to vendors comprises deferred consideration for business acquisitions made in current and prior periods (refer Note 29). These amounts are non-interest bearing. The carrying amount approximates their fair value.

## NOTE 26 | CONTRIBUTED EQUITY

### a) Share capital

|                                | 2023        | 2022        | 2023      | 2022      |
|--------------------------------|-------------|-------------|-----------|-----------|
|                                | Shares      | Shares      | \$'000    | \$'000    |
| Fully paid ordinary shares     | 470,805,824 | 471,798,972 | 3,842,423 | 3,866,850 |
| <b>Other equity securities</b> |             |             |           |           |
| Treasury shares                | -           | (162,347)   | -         | (5,902)   |
|                                | 470,805,824 | 471,636,625 | 3,842,423 | 3,860,948 |

### b) Movements in ordinary share capital

| Date    | Details                                                     | Number of shares | Issue price | Total     |
|---------|-------------------------------------------------------------|------------------|-------------|-----------|
| 2022    |                                                             |                  |             | \$'000    |
| 1/7/21  | Opening balance of the Group                                | 477,923,301      |             | 4,082,121 |
| Various | Own shares acquired during buyback                          | (8,294,495)      |             | (291,110) |
| Various | Shares issued following exercise of employee options/rights | 2,170,166        | Various     | 67,592    |
| Various | Transfers from equity remuneration reserve                  | -                |             | 8,265     |
| Various | Costs of share transactions net of tax                      | -                |             | (18)      |
| 30/6/22 | Balance of the Group                                        | 471,798,972      |             | 3,866,850 |

# Notes to the Consolidated Financial Statements

30 JUNE 2023

| Date           | Details                                                     | Number of shares   | Issue price | Total            |
|----------------|-------------------------------------------------------------|--------------------|-------------|------------------|
| <b>2023</b>    |                                                             |                    |             | <b>\$'000</b>    |
| 1/7/22         | Opening balance of the Group                                | 471,798,972        |             | 3,866,850        |
| Various        | Own shares acquired during buyback                          | (4,288,073)        |             | (134,100)        |
| Various        | Shares issued following exercise of employee options/rights | 3,294,925          | Various     | 100,763          |
| Various        | Transfers from equity remuneration reserve                  | -                  |             | 8,917            |
| Various        | Costs of share transactions net of tax                      | -                  |             | (7)              |
| <b>30/6/23</b> | <b>Balance of the Group</b>                                 | <b>470,805,824</b> |             | <b>3,842,423</b> |

## c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

## d) Options and performance rights

Details of options and performance rights issued, exercised and forfeited during the financial year and options and performance rights outstanding at the end of the financial year are set out in Note 34.

## e) Dividend Reinvestment Plan

The Company's DRP remained suspended for the 30 June 2023 final dividend.

## f) Treasury shares

Treasury shares are shares in Sonic Healthcare Limited that are held by the Sonic Healthcare Limited Employee Share Trust (SHEST) for the purpose of providing shares under selected Group equity plans.

| Date           | Details                                                               | Number of shares | Total         |
|----------------|-----------------------------------------------------------------------|------------------|---------------|
| <b>2022</b>    |                                                                       |                  | <b>\$'000</b> |
| 1/7/21         | Opening balance                                                       | 4,754            | 140           |
| Various        | On-market purchase of treasury shares by SHEST                        | 200,000          | 8,271         |
| 29/6/22        | Own shares acquired during buyback but not cancelled                  | 95,765           | 3,167         |
| Various        | Subscription for unissued shares by SHEST                             | 947,666          | 39,628        |
| Various        | Transfer of shares to employees to satisfy exercise of options/rights | (1,085,838)      | (45,304)      |
| <b>30/6/22</b> | <b>Balance of the Group</b>                                           | <b>162,347</b>   | <b>5,902</b>  |

| Date           | Details                                                               | Number of shares | Total         |
|----------------|-----------------------------------------------------------------------|------------------|---------------|
| <b>2023</b>    |                                                                       |                  | <b>\$'000</b> |
| 1/7/22         | Opening balance                                                       | 162,347          | 5,902         |
| 29/7/22        | Own shares acquired during buyback in FY2022, now cancelled           | (95,765)         | (3,167)       |
| Various        | Subscription for unissued shares by SHEST                             | 1,667,925        | 57,183        |
| Various        | Transfer of shares to employees to satisfy exercise of options/rights | (1,734,507)      | (59,918)      |
| <b>30/6/23</b> | <b>Balance of the Group</b>                                           | <b>-</b>         | <b>-</b>      |

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## NOTE 27 | RESERVES AND RETAINED EARNINGS

### a) Reserves

|                                                              |       | 2023             | 2022             |
|--------------------------------------------------------------|-------|------------------|------------------|
|                                                              |       | \$'000           | \$'000           |
| Equity remuneration reserve                                  | (i)   | (123,199)        | (113,512)        |
| Foreign currency translation reserve                         | (ii)  | 475,760          | 166,967          |
| Share option reserve                                         | (iii) | 16,427           | 16,427           |
| Revaluation reserve                                          | (iv)  | 3,272            | 3,272            |
| Financial assets at FVOCI reserve                            | (v)   | 1,921            | -                |
| Transactions with minority interests                         | (vi)  | (34,297)         | (11,982)         |
|                                                              |       | 339,884          | 61,172           |
| <b>Movements</b>                                             |       |                  |                  |
| <b>Equity remuneration reserve</b>                           |       |                  |                  |
| Balance 1 July                                               |       | (113,512)        | (98,060)         |
| Share-based payments                                         |       | 18,453           | 17,240           |
| Employee share scheme issue                                  |       | (19,223)         | (24,427)         |
| Transfer to share capital (options exercised)                |       | (8,917)          | (8,265)          |
| <b>Balance 30 June</b>                                       |       | <b>(123,199)</b> | <b>(113,512)</b> |
| <b>Foreign currency translation reserve</b>                  |       |                  |                  |
| Balance 1 July                                               |       | 166,967          | 70,871           |
| Net exchange movement on translation of foreign subsidiaries |       | 308,793          | 96,096           |
| <b>Balance 30 June</b>                                       |       | <b>475,760</b>   | <b>166,967</b>   |
| <b>Share option reserve</b>                                  |       |                  |                  |
| Balance 1 July                                               |       | 16,427           | 16,427           |
| Movement                                                     |       | -                | -                |
| <b>Balance 30 June</b>                                       |       | <b>16,427</b>    | <b>16,427</b>    |
| <b>Revaluation reserve</b>                                   |       |                  |                  |
| Balance 1 July                                               |       | 3,272            | 3,272            |
| Movement                                                     |       | -                | -                |
| <b>Balance 30 June</b>                                       |       | <b>3,272</b>     | <b>3,272</b>     |
| <b>Financial assets at FVOCI reserve</b>                     |       |                  |                  |
| Balance 1 July                                               |       | -                | -                |
| Fair value gain in period                                    |       | 1,921            | -                |
| <b>Balance 30 June</b>                                       |       | <b>1,921</b>     | <b>-</b>         |
| <b>Transactions with minority interests</b>                  |       |                  |                  |
| Balance 1 July                                               |       | (11,982)         | (11,668)         |
| Acquisition of minority interests                            |       | (21,125)         | -                |
| Net exchange movement                                        |       | (1,190)          | (314)            |
| <b>Balance 30 June</b>                                       |       | <b>(34,297)</b>  | <b>(11,982)</b>  |

For personal use only

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## i) Equity remuneration reserve

The equity remuneration reserve reflects the fair value of equity-settled share-based payments. Fair values are determined using a pricing model consistent with the Black Scholes methodology and recognised over the service period up to the vesting date. When shares are issued or options are exercised the associated fair values are transferred to share capital.

## ii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign subsidiaries are taken to the foreign currency translation reserve as described in accounting policy Note 1(d)(iii).

## iii) Share option reserve

The share option reserve reflects the value of options issued as part of consideration for business combinations. The value of the options represents the assessed fair value at the date they were granted and has been determined using a pricing model consistent with the Black Scholes methodology that takes into account the exercise price, the term of the option, the impact of dilution, the non-tradeable nature of the option, the current price and expected volatility of the underlying share, the expected dividend yield, and the risk-free interest rate for the term of the option.

## iv) Revaluation reserve

The revaluation reserve is used to record increments and decrements on the initial revaluation of non-current assets.

## v) Financial assets at FVOCI reserve

This reserve is used to measure the fair value movements in equity securities which are not held for trading and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be the most appropriate.

## vi) Transactions with minority interests

This reserve is used to record the differences described in Note 1(b) which may arise as a result of transactions with minority interests that do not result in a loss of control in addition to transfers from the minority interests account on disposal of a subsidiary.

## b) Retained earnings

|                                                                      | 2023             | 2022             |
|----------------------------------------------------------------------|------------------|------------------|
|                                                                      | \$'000           | \$'000           |
| Retained earnings at the beginning of the financial year             | 3,351,020        | 2,322,163        |
| Net profit attributable to members of Sonic Healthcare Limited       | 684,984          | 1,460,566        |
| Dividends paid in the year (Note 5)                                  | (480,353)        | (455,397)        |
| Actuarial (losses)/gains on retirement benefit obligations (Note 24) | (1,454)          | 23,688           |
| <b>Retained earnings at the end of the financial year</b>            | <b>3,554,197</b> | <b>3,351,020</b> |

## NOTE 28 | DEED OF CROSS GUARANTEE

The 'Closed Group' (refer Note 29) are parties to a Deed of Cross Guarantee dated 25 May 2022 under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities which are large proprietary companies have been relieved from the requirements of the *Corporations Act 2001* to prepare and lodge a financial report, directors' report and auditor's report under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

The companies represent a 'Closed Group' for the purposes of the Instrument, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Sonic Healthcare Limited, they also represent the 'Extended Closed Group'.

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## a) Consolidated Income Statement of the Extended Closed Group

|                                                                        | 2023             | 2022        |
|------------------------------------------------------------------------|------------------|-------------|
|                                                                        | \$'000           | \$'000      |
| <b>Revenue</b>                                                         | <b>3,561,635</b> | 3,969,384   |
| Labour and related costs                                               | (1,661,100)      | (1,620,115) |
| Consumables used                                                       | (344,243)        | (377,696)   |
| Depreciation                                                           | (363,568)        | (353,596)   |
| Utilities                                                              | (75,678)         | (78,349)    |
| Borrowing costs                                                        | (52,004)         | (57,045)    |
| Amortisation of intangibles                                            | (34,934)         | (31,381)    |
| Transportation                                                         | (24,159)         | (22,836)    |
| Other expenses from ordinary activities                                | (311,578)        | (291,853)   |
| <b>Profit before income tax expense</b>                                | <b>694,371</b>   | 1,136,513   |
| Income tax expense                                                     | (91,625)         | (289,214)   |
| <b>Net profit attributable to members of the Extended Closed Group</b> | <b>602,746</b>   | 847,299     |

## b) Consolidated Statement of Comprehensive Income of the Extended Closed Group

|                                                                 |                |         |
|-----------------------------------------------------------------|----------------|---------|
| <b>Profit from ordinary activities after income tax expense</b> | <b>602,746</b> | 847,299 |
| <b>Other comprehensive income</b>                               |                |         |
| <b>Items that may be reclassified to profit or loss</b>         |                |         |
| Exchange differences on translation of foreign operations       | 2,279          | (873)   |
| <b>Items that will not be reclassified to profit or loss</b>    |                |         |
| Fair value gain on financial asset                              | 1,921          | -       |
| <b>Other comprehensive income for the period, net of tax</b>    | <b>4,200</b>   | (873)   |
| <b>Total comprehensive income for the period</b>                | <b>606,946</b> | 846,426 |

## c) Reconciliation of retained earnings

|                                                           |                  |           |
|-----------------------------------------------------------|------------------|-----------|
| Retained earnings at the beginning of the financial year  | 943,196          | 551,294   |
| Profit from ordinary activities after income tax expense  | 602,746          | 847,299   |
| Dividends paid during the year                            | (480,353)        | (455,397) |
| <b>Retained earnings at the end of the financial year</b> | <b>1,065,589</b> | 943,196   |

For personal use only

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## d) Consolidated Balance Sheet of the Extended Closed Group

|                                      | 2023             | 2022             |
|--------------------------------------|------------------|------------------|
|                                      | \$'000           | \$'000           |
| <b>Current assets</b>                |                  |                  |
| Cash and cash equivalents            | 141,954          | 245,624          |
| Receivables                          | 1,180,154        | 1,177,851        |
| Inventories                          | 56,355           | 65,047           |
| Other                                | 30,010           | 22,559           |
| <b>Total current assets</b>          | <b>1,408,473</b> | <b>1,511,081</b> |
| <b>Non-current assets</b>            |                  |                  |
| Receivables                          | 31,289           | 33,623           |
| Investments                          | 3,255,876        | 3,113,022        |
| Property, plant and equipment        | 688,691          | 648,166          |
| Right-of-use assets                  | 689,617          | 720,386          |
| Intangible assets                    | 1,888,420        | 1,856,964        |
| Deferred tax assets                  | 29,807           | 17,038           |
| Other                                | 63               | -                |
| <b>Total non-current assets</b>      | <b>6,583,763</b> | <b>6,389,199</b> |
| <b>Total assets</b>                  | <b>7,992,236</b> | <b>7,900,280</b> |
| <b>Current liabilities</b>           |                  |                  |
| Payables                             | 639,057          | 546,448          |
| Lease liabilities                    | 234,356          | 233,138          |
| Current tax liabilities              | 106,186          | 240,686          |
| Provisions                           | 266,603          | 254,606          |
| Other                                | 495              | 150              |
| <b>Total current liabilities</b>     | <b>1,246,697</b> | <b>1,275,028</b> |
| <b>Non-current liabilities</b>       |                  |                  |
| Interest-bearing liabilities         | 1,276,198        | 1,246,986        |
| Lease liabilities                    | 517,534          | 545,181          |
| Provisions                           | 24,905           | 24,759           |
| Deferred tax liabilities             | 24,954           | 14,634           |
| Other                                | 605              | 705              |
| <b>Total non-current liabilities</b> | <b>1,844,196</b> | <b>1,832,265</b> |
| <b>Total liabilities</b>             | <b>3,090,893</b> | <b>3,107,293</b> |
| <b>Net assets</b>                    | <b>4,901,343</b> | <b>4,792,987</b> |
| <b>Equity</b>                        |                  |                  |
| <b>Parent Company interest</b>       |                  |                  |
| Contributed equity                   | 3,921,317        | 3,929,866        |
| Reserves                             | (85,563)         | (80,075)         |
| Retained earnings                    | 1,065,589        | 943,196          |
| <b>Total equity</b>                  | <b>4,901,343</b> | <b>4,792,987</b> |

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## NOTE 29 | INVESTMENTS IN SUBSIDIARIES

| Details of subsidiaries                              | Country of incorporation | Class of share | Beneficial interest | Beneficial interest |
|------------------------------------------------------|--------------------------|----------------|---------------------|---------------------|
|                                                      |                          |                | 2023                | 2022                |
| Subsidiaries of Sonic Healthcare Limited             |                          |                | %                   | %                   |
| Clinpath Laboratories Pty Limited (i)                | Australia                | Ord            | 100                 | 100                 |
| Douglass Hanly Moir Pathology Pty Limited (i)        | Australia                | Ord            | 100                 | 100                 |
| Lifescree Australia Pty Limited                      | Australia                | Ord            | 100                 | 100                 |
| Redlands X-Ray Services Pty Limited                  | Australia                | Ord            | 100                 | 100                 |
| Sonic Healthcare Genetics Pty Limited                | Australia                | Ord            | 100                 | 100                 |
| Sonic Clinical Trials Pty Limited                    | Australia                | Ord            | 100                 | 100                 |
| Sonic Healthcare Services Pty Limited (i)            | Australia                | Ord            | 100                 | 100                 |
| Sonic Healthcare Australia Radiology Pty Limited (i) | Australia                | Ord            | 100                 | 100                 |
| Southern Pathology Services Pty Limited (i)          | Australia                | Ord            | 100                 | 100                 |
| Sonic Clinical Services Pty Limited (i)              | Australia                | Ord            | 100                 | 100                 |
| Sonic Healthcare (UK) Pty Limited                    | Australia                | Ord            | 100                 | 100                 |
| Sonic Healthcare (Ireland) Limited                   | Ireland                  | Ord            | 100                 | 100                 |
| Sonic Healthcare Holding Company                     | United Kingdom           | Ord            | 100                 | 100                 |
| Sonic Healthcare Europe GmbH                         | Germany                  | Ord            | 100                 | 100                 |
| Sonic Healthcare Germany GmbH & Co. KG               | Germany                  |                | 100                 | 100                 |
| Other subsidiaries in the Group                      |                          |                |                     |                     |
| Canberra X-Ray Pty Limited (i)                       | Australia                | Ord            | 100                 | 100                 |
| Capital Pathology Pty Limited (i)                    | Australia                | Ord            | 100                 | 100                 |
| Castlereagh Co Pty Limited (i)                       | Australia                | Ord            | 100                 | 100                 |
| Castlereagh Services Pty Limited (i)                 | Australia                | Ord            | 100                 | 100                 |
| Consultant Pathology Services Pty Limited (i)        | Australia                | Ord            | 100                 | 100                 |
| Diagnostic Services Pty Limited (i)                  | Australia                | Ord            | 100                 | 100                 |
| Hanly Moir Pathology Pty Limited (i)                 | Australia                | Ord            | 100                 | 100                 |
| San Pathology Pty Limited (i)                        | Australia                | Ord            | 100                 | 100                 |
| Hunter Imaging Group Pty Limited (i)                 | Australia                | Ord            | 100                 | 100                 |
| Hunter Valley X-Ray Pty Limited                      | Australia                | Ord            | 100                 | 100                 |
| Sonic Healthcare Australia Pathology Pty Limited (i) | Australia                | Ord            | 100                 | 100                 |
| IRG Co Pty Limited (i)                               | Australia                | Ord            | 100                 | 100                 |
| L & A Services Pty Limited (i)                       | Australia                | Ord            | 100                 | 100                 |
| Melbourne Pathology Pty Limited (i)                  | Australia                | Ord            | 100                 | 100                 |
| Melbourne Pathology Services Pty Limited             | Australia                | Ord            | 100                 | 100                 |
| Melbourne Pathology Cabrini Pty Limited              | Australia                | Ord            | 50.1                | 50.1                |
| Epworth Pathology                                    | Australia                |                | 50.1                | 50.1                |
| Epworth Medical Imaging Pty Limited                  | Australia                | Ord            | 80                  | 80                  |
| Radiology Victoria Pty Limited                       | Australia                | Ord            | 100                 | 100                 |
| Northern Pathology Pty Limited (i)                   | Australia                | Ord            | 100                 | 100                 |
| Pacific Medical Imaging Pty Limited (i)              | Australia                | Ord            | 100                 | 100                 |

(i) These subsidiaries comprise the 'Closed Group' under the Deed of Cross Guarantee. By entering into the deed wholly-owned entities which are large proprietary companies have been granted relief from the necessity to prepare a financial report, directors' report and auditor's report in accordance with ASIC Corporations (Wholly-owned Companies) Instrument 2016/785. For further information see Note 28.

For personal use only

# Notes to the Consolidated Financial Statements

30 JUNE 2023

For personal use only

| Details of subsidiaries                                | Country of incorporation | Class of share | Beneficial interest | Beneficial interest |
|--------------------------------------------------------|--------------------------|----------------|---------------------|---------------------|
|                                                        |                          |                | 2023                | 2022                |
|                                                        |                          |                | %                   | %                   |
| Paedu Pty Limited (i)                                  | Australia                | Ord            | 100                 | 100                 |
| Queensland X-Ray Pty Limited (i)                       | Australia                | Ord            | 100                 | 100                 |
| Ultrarad No 2 Trust                                    | Australia                | Units          | 99.9                | 99.9                |
| SKG Radiology Pty Limited (i)                          | Australia                | Ord            | 100                 | 100                 |
| Sonic Healthcare International Pty Limited (i)         | Australia                | Ord            | 100                 | 100                 |
| Sonic Healthcare Pathology Pty Limited                 | Australia                | Ord            | 100                 | 100                 |
| A.C.N. 094 980 944 Pty Limited (i)                     | Australia                | Ord            | 100                 | 100                 |
| Sonic Medlab Holdings Australia Pty Limited (i)        | Australia                | Ord            | 100                 | 100                 |
| Sonic Pathology (Queensland) Pty Limited (i)           | Australia                | Ord            | 100                 | 100                 |
| Sonic Pathology (Victoria) Pty Limited (i)             | Australia                | Ord            | 100                 | 100                 |
| A.C.N. 002 889 545 Pty Limited (i)                     | Australia                | Ord            | 100                 | 100                 |
| Clinipath Pathology Pty Limited (i)                    | Australia                | Ord            | 100                 | 100                 |
| Sullivan Nicolaides Pty Limited (i)                    | Australia                | Ord            | 100                 | 100                 |
| Sunton Pty Limited (i)                                 | Australia                | Ord            | 100                 | 100                 |
| IPN Healthcare Pty Limited (i)                         | Australia                | Ord            | 100                 | 100                 |
| IPN Healthcare (VIC) Pty Limited (i)                   | Australia                | Ord            | 100                 | 100                 |
| IPN Medical Centres Pty Limited (i)                    | Australia                | Ord            | 100                 | 100                 |
| IPN Medical Centres (QLD) Pty Limited (i)              | Australia                | Ord            | 100                 | 100                 |
| IPN Medical Centres (NSW) Pty Limited (i)              | Australia                | Ord            | 100                 | 100                 |
| IPN Medical Centres (VIC) Pty Limited (i)              | Australia                | Ord            | 100                 | 100                 |
| Medihelp Services Pty Limited (i)                      | Australia                | Ord            | 100                 | 100                 |
| Sonic HealthPlus Pty Limited (i)                       | Australia                | Ord            | 100                 | 100                 |
| Gemini Medical Services Pty Limited (i)                | Australia                | Ord            | 100                 | 100                 |
| Prime Health Group Pty Limited (i)                     | Australia                | Ord            | 100                 | 100                 |
| IPN Clinics Victoria Pty Limited (i)                   | Australia                | Ord            | 100                 | 100                 |
| IPN Medical Victoria Pty Limited (i)                   | Australia                | Ord            | 100                 | 100                 |
| Matrix Skin Cancer Clinics Pty Limited (i)             | Australia                | Ord            | 100                 | 100                 |
| Vita Group Limited                                     | Australia                | Ord            | 100                 | -                   |
| Artisan Aesthetics Group Pty Limited                   | Australia                | Ord            | 100                 | -                   |
| Cosmedcloud Pty Limited                                | Australia                | Ord            | 100                 | -                   |
| LabKom Biochemische Dienstleistungen GmbH              | Germany                  | Ord            | 100                 | 100                 |
| Bioscientia Institut für medizinische Diagnostik GmbH  | Germany                  | Ord            | 100                 | 100                 |
| Labor Augsburg MVZ GmbH                                | Germany                  | Ord            | 100                 | 100                 |
| Labor 28 GmbH                                          | Germany                  | Ord            | 100                 | 100                 |
| GLP medical GmbH                                       | Germany                  | Ord            | 100                 | 100                 |
| Labor Dr. von Foreich GmbH                             | Germany                  | Ord            | 100                 | 100                 |
| Labor Lademannbogen MVZ GmbH                           | Germany                  | Ord            | 100                 | 100                 |
| MVZ Labor für Cytopathologie Dr. Steinberg GmbH        | Germany                  | Ord            | 100                 | 100                 |
| MVZ Medizinisches Labor Oldenburg Dr. Müller GmbH      | Germany                  | Ord            | 100                 | 100                 |
| MVZ Pathologie Berlin Berger Fietze Linke Nadjari GmbH | Germany                  | Ord            | 100                 | 100                 |

(i) These subsidiaries comprise the 'Closed Group' under the Deed of Cross Guarantee. By entering into the deed wholly-owned entities which are large proprietary companies have been granted relief from the necessity to prepare a financial report, directors' report and auditor's report in accordance with ASIC Corporations (Wholly-owned Companies) Instrument 2016/785. For further information see Note 28.

# Notes to the Consolidated Financial Statements

30 JUNE 2023

For personal use only

| Details of subsidiaries                                            | Country of incorporation | Class of share | Beneficial interest | Beneficial interest |
|--------------------------------------------------------------------|--------------------------|----------------|---------------------|---------------------|
|                                                                    |                          |                | 2023                | 2022                |
|                                                                    |                          |                | %                   | %                   |
| Labor Deutscher Platz Leipzig MVZ GmbH                             | Germany                  | Ord            | 100                 | 100                 |
| MVZ für Histologie, Zytologie und molekulare Diagnostik Trier GmbH | Germany                  | Ord            | 100                 | 100                 |
| MVZ für Histologie, Zytologie und molekulare Diagnostik Düren GmbH | Germany                  | Ord            | 100                 | 100                 |
| MVZ Medizinisches Labor Nord GmbH                                  | Germany                  | Ord            | 100                 | 100                 |
| MVZ Bioscientia Labor Duisburg GmbH                                | Germany                  | Ord            | 100                 | 100                 |
| Biovis Diagnostik MVZ GmbH                                         | Germany                  | Ord            | 100                 | 100                 |
| Dr. Staber & Kollegen GmbH                                         | Germany                  | Ord            | 100                 | 100                 |
| Med-Lab Med. Dienstleistungs GmbH                                  | Germany                  | Ord            | 100                 | 100                 |
| Med-Lab GmbH Kassel                                                | Germany                  | Ord            | 100                 | 100                 |
| MVZ Medizinisches Labor Bremen GmbH                                | Germany                  | Ord            | 100                 | 100                 |
| MVZ Medizinisches Labor Celle GmbH                                 | Germany                  | Ord            | 100                 | 100                 |
| Medlab Central Limited (i)                                         | New Zealand              | Ord            | 100                 | 100                 |
| Medica Ärztebedarf AG                                              | Switzerland              | Ord            | 100                 | 100                 |
| Medica Medizinische Laboratorien Dr F Kaeppli AG                   | Switzerland              | Ord            | 100                 | 100                 |
| Medisupport SA                                                     | Switzerland              | Ord            | 100                 | 100                 |
| Dianalabs SA                                                       | Switzerland              | Ord            | 99.8                | 99.8                |
| Dianapath SA                                                       | Switzerland              | Ord            | 100                 | 100                 |
| Imagerie du Flon SA                                                | Switzerland              | Ord            | 78.8                | -                   |
| MCL Medizinische Laboratorien AG                                   | Switzerland              | Ord            | 100                 | 100                 |
| Ortho-Analytic AG                                                  | Switzerland              | Ord            | 100                 | 100                 |
| Polyanalytic S.A.                                                  | Switzerland              | Ord            | 90                  | 90                  |
| Proxilab analyses médicales SA                                     | Switzerland              | Ord            | 100                 | 100                 |
| Aurigen SA                                                         | Switzerland              | Ord            | 100                 | 100                 |
| Laboratoires BBV S.A.                                              | Switzerland              | Ord            | 100                 | 100                 |
| Bioexam AG                                                         | Switzerland              | Ord            | 100                 | 100                 |
| Medizinische Laboratorien Dr. Toggweiler AG                        | Switzerland              | Ord            | 100                 | 100                 |
| Bioanalytica AG                                                    | Switzerland              | Ord            | 100                 | 100                 |
| Ecobion SA                                                         | Switzerland              | Ord            | 100                 | 100                 |
| The Doctors Laboratory Limited                                     | United Kingdom           | Ord            | 100                 | 100                 |
| TDL Genetics Limited                                               | United Kingdom           | Ord            | 100                 | 100                 |
| NWLHT Analytical LLP                                               | United Kingdom           |                | 100                 | 100                 |
| NWLHT Facilities LLP                                               | United Kingdom           |                | 100                 | 100                 |
| Health Services Laboratories LLP                                   | United Kingdom           |                | 51                  | 51                  |
| HSL (Nominee) Ltd                                                  | United Kingdom           | Ord            | 51                  | 51                  |
| HSL (Analytics) LLP                                                | United Kingdom           |                | 51                  | 51                  |
| HSL (FM) LLP                                                       | United Kingdom           |                | 51                  | 51                  |
| HSL Pathology LLP                                                  | United Kingdom           |                | 51                  | 51                  |
| LABex Analytics LLP                                                | United Kingdom           |                | 100                 | 100                 |
| LABex Facilities LLP                                               | United Kingdom           |                | 100                 | 100                 |
| SH Euro Finance PLC                                                | United Kingdom           | Ord            | 100                 | 100                 |
| Medlab Pathology Limited                                           | Ireland                  | Ord            | 100                 | 100                 |

(i) These subsidiaries comprise the 'Closed Group' under the Deed of Cross Guarantee. By entering into the deed wholly-owned entities which are large proprietary companies have been granted relief from the necessity to prepare a financial report, directors' report and auditor's report in accordance with ASIC Corporations (Wholly-owned Companies) Instrument 2016/785. For further information see Note 28.

# Notes to the Consolidated Financial Statements

30 JUNE 2023

For personal use only

| Details of subsidiaries                                    | Country of incorporation | Class of share | Beneficial interest | Beneficial interest |
|------------------------------------------------------------|--------------------------|----------------|---------------------|---------------------|
|                                                            |                          |                | 2023                | 2022                |
|                                                            |                          |                | %                   | %                   |
| Sonic Healthcare USA Investments, Inc.                     | United States            | Ord            | 100                 | 100                 |
| Clinical Pathology Laboratories, Inc.                      | United States            | Ord            | 100                 | 100                 |
| Pathology Laboratories, Inc.                               | United States            | Ord            | 100                 | 100                 |
| American Esoteric Laboratories, Inc.                       | United States            | Ord            | 100                 | 100                 |
| Memphis Pathology Laboratory                               | United States            |                | 100                 | 100                 |
| Sonic Healthcare USA, Inc.                                 | United States            | Ord            | 100                 | 100                 |
| Sunrise Medical Laboratories, Inc.                         | United States            | Ord            | 100                 | 100                 |
| Clinical Laboratories of Hawaii, LLP                       | United States            |                | 100                 | 100                 |
| Pan Pacific Pathologists, LLC                              | United States            |                | 100                 | 100                 |
| BMHSI/AEL Microbiology Laboratory, GP                      | United States            |                | 74.6                | 74.6                |
| East Side Clinical Laboratory, Inc.                        | United States            | Ord            | 100                 | 100                 |
| Connecticut Laboratory Partnership, LLC                    | United States            |                | 51                  | 51                  |
| CBLPath, Inc.                                              | United States            | Ord            | 100                 | 100                 |
| WestPac Labs, Inc.                                         | United States            | Ord            | 100                 | 100                 |
| Aurora Diagnostics, LLC                                    | United States            |                | 100                 | 100                 |
| Aurora Research Institute, LLC                             | United States            |                | 100                 | 100                 |
| Bernhardt Laboratories, Inc.                               | United States            | Ord            | 100                 | 100                 |
| Cleveland Skin Pathology Laboratory, Inc.                  | United States            | Ord            | 100                 | 100                 |
| Consultants in Laboratory Medicine of Greater Toledo, Inc. | United States            | Ord            | 100                 | 100                 |
| Cytopath, Inc.                                             | United States            | Ord            | 100                 | 100                 |
| Dermopath New England, LLC                                 | United States            |                | 100                 | 100                 |
| Greensboro Pathology, LLC                                  | United States            |                | 100                 | 100                 |
| Pathology Solutions, LLC                                   | United States            |                | 100                 | 100                 |
| Richard Bernert, LLC                                       | United States            |                | 100                 | 100                 |
| Seacoast Pathology, Inc.                                   | United States            | Ord            | 100                 | 100                 |
| Twin Cities Dermatopathology, LLC                          | United States            |                | 100                 | 100                 |
| ProPath Services, LLC                                      | United States            |                | 100                 | 100                 |
| New England Tissue Issue, PLLC                             | United States            |                | 100                 | 100                 |
| Sonic Healthcare Benelux NV                                | Belgium                  | Ord            | 100                 | 100                 |
| Medvet BV                                                  | Belgium                  | Ord            | 100                 | 100                 |
| A.M.L. BV                                                  | Belgium                  | Ord            | 100                 | 100                 |
| Klinisch Labo Rigo BV                                      | Belgium                  | Ord            | 100                 | 100                 |
| A.M.L. West BV                                             | Belgium                  | Ord            | 100                 | 100                 |

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## Business combinations

### a) Acquisition of subsidiaries/business assets

Acquisitions of subsidiaries/business assets in the period comprised a number of small healthcare and related businesses.

The initial accounting for these business combinations has only been determined provisionally at the date of this report, as the Group is still in the process of reviewing the acquisition balance sheets and identifying assets and liabilities not previously recorded so as to determine the fair values of the identifiable assets, liabilities and contingent liabilities acquired. The contribution the acquisitions made to the Group's profit during the period was immaterial individually and in aggregate.

The aggregate cost of the acquisitions, the provisional values of the identifiable assets and liabilities, and the goodwill arising on acquisition are detailed below:

|                                                                     | Total         |
|---------------------------------------------------------------------|---------------|
|                                                                     | \$'000        |
| Consideration - cash paid                                           | 61,375        |
| Less: cash of entities acquired                                     | (7,849)       |
|                                                                     | 53,526        |
| Deferred consideration                                              | 8,209         |
| <b>Total consideration</b>                                          | <b>61,735</b> |
| <b>Fair value of identifiable net assets of businesses acquired</b> |               |
| Debtors and other receivables                                       | 5,879         |
| Prepayments                                                         | 386           |
| Inventory                                                           | 385           |
| Property, plant and equipment                                       | 3,557         |
| Right-of-use assets                                                 | 3,211         |
| Identifiable intangibles                                            | 14            |
| Deferred tax assets                                                 | 54            |
| Trade creditors                                                     | (76)          |
| Sundry creditors and accruals                                       | (10,735)      |
| Lease liabilities                                                   | (3,211)       |
| Current tax liabilities                                             | (309)         |
| Deferred tax liabilities                                            | (377)         |
| Provisions                                                          | (250)         |
|                                                                     | (1,472)       |
| Minority interests                                                  | 1,300         |
| <b>Goodwill</b>                                                     | <b>64,507</b> |

The goodwill arising from the business acquisitions is attributable to their reputation in the local market, the benefit of marginal profit and synergies expected to be achieved from integrating the business with existing operations, expected revenue growth, future market development, the assembled workforce and knowledge of local markets. These benefits are not able to be individually identified or recognised separately from goodwill. None of the purchased goodwill recognised is expected to be deductible for income tax purposes.

Acquisition related costs of \$883,000 are included in other expenses in the Income Statement.

The fair value of acquired debtors and other receivables is \$5,879,000. The gross contractual amount due is \$5,899,000 of which \$20,000 is expected to be uncollectible.

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## b) Reconciliation of cash paid to Cash Flow Statement

|                                                                                 | 2023          | 2022           |
|---------------------------------------------------------------------------------|---------------|----------------|
|                                                                                 | \$'000        | \$'000         |
| Cash consideration for acquisitions in the financial year                       | 61,375        | 489,358        |
| Cash consideration for acquisition of minority interests in the financial year  | 9,501         | -              |
| Acquisition costs                                                               | 883           | 3,348          |
| Cash consideration paid to vendors for acquisitions in previous financial years | 18,480        | 68,071         |
| Less: cash of entities acquired                                                 | (7,849)       | (13,617)       |
| <b>Payment for purchase of controlled entities, net of cash acquired</b>        | <b>82,390</b> | <b>547,160</b> |

## NOTE 30 | COMMITMENTS FOR EXPENDITURE

### Capital commitments

|                                                                                                                                                  | 2023   | 2022   |
|--------------------------------------------------------------------------------------------------------------------------------------------------|--------|--------|
|                                                                                                                                                  | \$'000 | \$'000 |
| Commitments for the acquisition of property, plant and equipment contracted for at the reporting date but not recognised as liabilities, payable |        |        |
| Within one year                                                                                                                                  | 69,136 | 39,324 |

## NOTE 31 | CONTINGENT LIABILITIES

Sonic Healthcare Limited and certain subsidiaries, as disclosed in Note 29, are parties to a Deed of Cross Guarantee under which each company guarantees the debts of the others.

The Group has provided guarantees in respect of workers compensation insurance of \$13,625,000 (2022: \$12,456,000) and for the performance of certain contracts by subsidiary entities. It is not expected that these guarantees will be called upon.

The Group presently has litigation (including in relation to medical malpractice claims between 2011 and 2019) and other claims for which the timing of resolution and potential economic outflow are uncertain. Obligations assessed as having probable future economic outflows capable of reliable measurement are provided at reporting date. Individually significant matters, including narrative on potential future exposures incapable of reliable measurement have not been disclosed so as to not prejudice the Group.

## NOTE 32 | SECURED BORROWINGS

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of a default. Refer to Notes 13 and 18 for details of the carrying value of leased assets and liabilities.

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## NOTE 33 | REMUNERATION OF AUDITORS

|                                                                                                                          | 2023             | 2022             |
|--------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
|                                                                                                                          | \$               | \$               |
| <b>PricewaterhouseCoopers - Australian firm</b>                                                                          |                  |                  |
| Audit and review of financial reports of Group entities                                                                  | 1,729,777        | 1,591,756        |
| Other assurance services                                                                                                 | -                | 15,000           |
| Taxation and other services                                                                                              | -                | 25,300           |
| <b>Total audit, taxation and other services</b>                                                                          | <b>1,729,777</b> | <b>1,632,056</b> |
| <b>Related practices of PricewaterhouseCoopers Australian firm<br/>(including overseas PricewaterhouseCoopers firms)</b> |                  |                  |
| Audit and review of financial reports of Group entities                                                                  | 1,341,485        | 1,008,244        |
| Taxation and other services                                                                                              | -                | 43,020           |
| <b>Total audit, taxation and other services</b>                                                                          | <b>1,341,485</b> | <b>1,051,264</b> |
| <b>Non-PricewaterhouseCoopers audit firms</b>                                                                            |                  |                  |
| Audit and review of financial reports of Group entities                                                                  | 334,823          | 316,794          |

The non-audit services provided were not considered to be of a nature that could give rise to a conflict of interest or loss of independence for the external auditors.

For personal use only

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## NOTE 34 | SHARE-BASED PAYMENTS

The Group has several equity-settled share-based compensation plans for executives and employees. The fair value of equity remuneration granted under the various plans is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to shares and options ('the vesting period'). Details of the pricing model and the measurement inputs utilised to determine the fair value of shares and options granted are disclosed in Note 1(q) to the financial statements.

### a) Sonic Healthcare Limited Employee Option Plan

Options are granted under the Sonic Healthcare Limited Employee Option Plan for no consideration. Options granted are able to be exercised subject to the following vesting periods unless otherwise specified:

- Up to 50% may be exercised after 30 months from the date of grant.
- Up to 75% may be exercised after 42 months from the date of grant.
- Up to 100% may be exercised after 54 months from the date of grant.

Options granted under the plan expire after 58 months (unless otherwise specified) and carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share. No option holder has any right under the options to participate in any other share issue of the Company or of any other entity.

The grants of options on 5 December 2019, 22 May 2020, 19 November 2021, 26 October 2022 and 22 May 2023 are subject to different vesting and expiry periods with 100% becoming exercisable three years after grant date until expiry one year later, subject to vesting conditions.

The following options and performance rights<sup>+</sup> were granted under executive Long-Term Incentive (LTI) arrangements and are also subject to different vesting and expiry periods. Vesting is subject to challenging performance conditions, details of which are set out in the relevant annual Remuneration Report. The percentage of the options and rights which met the performance conditions is shown in the table below.

| Grant date       | Options | Performance rights <sup>+</sup> | Earliest vesting date <sup>^</sup> | Performance conditions measurement period | % to vest | Expiry date      |
|------------------|---------|---------------------------------|------------------------------------|-------------------------------------------|-----------|------------------|
| 17 November 2016 | 671,089 | 87,843                          | 17 November 2019                   | 3 years to 30 June 2019                   | 35.4%     | 17 November 2021 |
| 22 November 2017 | 675,145 | 87,762                          | 22 November 2020                   | 3 years to 30 June 2020                   | 70.9%     | 22 November 2022 |
| 21 November 2018 | 667,787 | 87,560                          | 21 November 2021                   | 3 years to 30 June 2021                   | 100.0%    | 21 November 2023 |
| 19 November 2019 | 588,894 | 64,907                          | 19 November 2022                   | 3 years to 30 June 2022                   | 100.0%    | 19 November 2024 |
| 18 November 2020 | 527,191 | 69,624                          | 18 November 2023                   | 3 years to 30 June 2023                   | 84.3%     | 18 November 2025 |
| 18 November 2021 | 343,367 | 54,427                          | 18 November 2024                   | 3 years to 30 June 2024                   | tbd       | 18 November 2026 |
| 17 November 2022 | 377,504 | 66,371                          | 17 November 2025                   | 3 years to 30 June 2025                   | tbd       | 17 November 2027 |

<sup>+</sup> See b) below for details of the Performance Rights Plan.

<sup>^</sup> Options can only vest when the market price of Sonic shares is higher than the exercise price.

# Notes to the Consolidated Financial Statements

30 JUNE 2023

Sonic Healthcare ordinary shares to be awarded on exercise/conversion of the options and performance rights may be satisfied by the issue of new shares or the purchase of shares on-market.

Set out below are summaries of options granted under the Sonic Healthcare Limited Employee Option Plan.

| 2023                                   |             |                |                              |                         |                           |                           |                         |                            |                                |                                |
|----------------------------------------|-------------|----------------|------------------------------|-------------------------|---------------------------|---------------------------|-------------------------|----------------------------|--------------------------------|--------------------------------|
| Grant date                             | Expiry date | Exercise price | Balance at start of the year | Granted during the year | Forfeited during the year | Exercised during the year | Expired during the year | Balance at end of the year | Exercisable at end of the year | Balance at date of this report |
|                                        |             |                | Number                       | Number                  | Number                    | Number                    | Number                  | Number                     | Number                         | Number                         |
| 22/11/17                               | 22/11/22    | \$21.64        | 478,846                      | -                       | -                         | (478,846)                 | -                       | -                          | -                              | -                              |
| 21/11/18                               | 21/11/23    | \$21.69        | 667,787                      | -                       | -                         | -                         | -                       | 667,787                    | 667,787                        | -                              |
| 14/12/18                               | 14/10/23    | \$21.83        | 1,280,000                    | -                       | -                         | (476,000)                 | -                       | 804,000                    | 804,000                        | 140,000                        |
| 21/02/19                               | 21/12/23    | \$24.30        | 725,000                      | -                       | (105,000)                 | (212,500)                 | -                       | 407,500                    | 195,000                        | 246,500                        |
| 19/11/19                               | 19/11/24    | \$29.26        | 588,894                      | -                       | -                         | -                         | -                       | 588,894                    | 588,894                        | 588,894                        |
| 05/12/19                               | 05/12/23    | \$28.58        | 4,286,199                    | -                       | (40,000)                  | (1,673,000)               | -                       | 2,573,199                  | 2,573,199                      | 1,532,199                      |
| 22/05/20                               | 22/05/24    | \$27.28        | 5,120,000                    | -                       | (90,000)                  | (386,500)                 | -                       | 4,643,500                  | 4,643,500                      | 3,761,500                      |
| 18/11/20                               | 18/11/25    | \$34.21        | 527,191                      | -                       | -                         | -                         | -                       | 527,191                    | -                              | 444,207                        |
| 18/11/21                               | 18/11/26    | \$38.90        | 343,367                      | -                       | -                         | -                         | -                       | 343,367                    | -                              | 343,367                        |
| 19/11/21                               | 19/11/25    | \$39.75        | 4,656,633                    | -                       | (40,000)                  | -                         | -                       | 4,616,633                  | -                              | 4,616,633                      |
| 26/10/22                               | 26/10/26    | \$31.59        | -                            | 4,602,206               | -                         | -                         | -                       | 4,602,206                  | -                              | 4,592,206                      |
| 17/11/22                               | 17/11/27    | \$32.79        | -                            | 377,504                 | -                         | -                         | -                       | 377,504                    | -                              | 377,504                        |
| 22/05/23                               | 22/05/27    | \$35.93        | -                            | 100,000                 | -                         | -                         | -                       | 100,000                    | -                              | 100,000                        |
| <b>Total</b>                           |             |                | <b>18,673,917</b>            | <b>5,079,710</b>        | <b>(275,000)</b>          | <b>(3,226,846)</b>        | <b>-</b>                | <b>20,251,781</b>          | <b>9,472,380</b>               | <b>16,743,010</b>              |
| <b>Weighted average exercise price</b> |             |                | <b>\$30.33</b>               | <b>\$31.76</b>          | <b>\$28.15</b>            | <b>\$26.12</b>            | <b>-</b>                | <b>\$31.39</b>             | <b>\$26.84</b>                 |                                |

For personal use only

# Notes to the Consolidated Financial Statements

30 JUNE 2023

| 2022                                   |             |                |                              |                         |                           |                           |                         |                            |                                |
|----------------------------------------|-------------|----------------|------------------------------|-------------------------|---------------------------|---------------------------|-------------------------|----------------------------|--------------------------------|
| Grant date                             | Expiry date | Exercise price | Balance at start of the year | Granted during the year | Forfeited during the year | Exercised during the year | Expired during the year | Balance at end of the year | Exercisable at end of the year |
|                                        |             |                | Number                       | Number                  | Number                    | Number                    | Number                  | Number                     | Number                         |
| 17/11/16                               | 17/09/21    | \$21.62        | 305,000                      | -                       | -                         | (305,000)                 | -                       | -                          | -                              |
| 17/11/16                               | 17/09/21    | \$22.02        | 117,500                      | -                       | -                         | (117,500)                 | -                       | -                          | -                              |
| 17/11/16                               | 17/11/21    | \$21.62        | 237,666                      | -                       | -                         | (237,666)                 | -                       | -                          | -                              |
| 05/07/17                               | 05/05/22    | \$23.34        | 660,000                      | -                       | (15,000)                  | (615,000)                 | (30,000)                | -                          | -                              |
| 22/11/17                               | 22/11/22    | \$21.64        | 478,846                      | -                       | -                         | -                         | -                       | 478,846                    | 478,846                        |
| 21/11/18                               | 21/11/23    | \$21.69        | 667,787                      | -                       | -                         | -                         | -                       | 667,787                    | 667,787                        |
| 14/12/18                               | 14/10/23    | \$21.83        | 2,000,000                    | -                       | (80,000)                  | (640,000)                 | -                       | 1,280,000                  | 800,000                        |
| 21/02/19                               | 21/12/23    | \$24.30        | 980,000                      | -                       | -                         | (255,000)                 | -                       | 725,000                    | 235,000                        |
| 19/11/19                               | 19/11/24    | \$29.26        | 588,894                      | -                       | -                         | -                         | -                       | 588,894                    | -                              |
| 05/12/19                               | 05/12/23    | \$28.58        | 4,336,199                    | -                       | (50,000)                  | -                         | -                       | 4,286,199                  | -                              |
| 22/05/20                               | 22/05/24    | \$27.28        | 5,170,000                    | -                       | (50,000)                  | -                         | -                       | 5,120,000                  | -                              |
| 18/11/20                               | 18/11/25    | \$34.21        | 527,191                      | -                       | -                         | -                         | -                       | 527,191                    | -                              |
| 18/11/21                               | 18/11/26    | \$38.90        | -                            | 343,367                 | -                         | -                         | -                       | 343,367                    | -                              |
| 19/11/21                               | 19/11/25    | \$39.75        | -                            | 4,656,633               | -                         | -                         | -                       | 4,656,633                  | -                              |
| <b>Total</b>                           |             |                | 16,069,083                   | 5,000,000               | (195,000)                 | (2,170,166)               | (30,000)                | 18,673,917                 | 2,181,633                      |
| <b>Weighted average exercise price</b> |             |                | \$26.28                      | \$39.69                 | \$25.07                   | \$22.51                   | \$23.34                 | \$30.33                    | \$22.01                        |

The weighted average share price at the date of exercise for options exercised in the 2023 year was \$34.35 (2022: \$40.91).

The weighted average remaining contractual life of share options on issue at the end of the year was 1.9 years (2022: 2.2 years).

## Fair value of options granted

The average assessed fair value of options granted during the year ended 30 June 2023 was \$4.75 per option (2022: \$5.35).

The valuation model inputs for options granted during the years ended 30 June 2023 and 30 June 2022 included:

| Grant date | Expiry date | Exercise price | Share price at time of grant | Expected life (years from date of issue) | Share price volatility (based on 3 year historic prices) | Risk free rate | Dividend yield |
|------------|-------------|----------------|------------------------------|------------------------------------------|----------------------------------------------------------|----------------|----------------|
| 18/11/21   | 18/11/26    | \$38.90        | \$38.90                      | 4.0                                      | 23.1%                                                    | 1.4%           | 2.6%           |
| 19/11/21   | 19/11/25    | \$39.75        | \$39.75                      | 3.5                                      | 23.1%                                                    | 1.0%           | 2.6%           |
| 26/10/22   | 26/10/26    | \$31.59        | \$31.59                      | 3.5                                      | 22.6%                                                    | 3.5%           | 3.2%           |
| 17/11/22   | 17/11/27    | \$32.79        | \$32.79                      | 4.0                                      | 21.0%                                                    | 3.4%           | 3.3%           |
| 22/05/23   | 22/05/27    | \$35.93        | \$35.93                      | 3.5                                      | 18.7%                                                    | 3.3%           | 3.1%           |

A Monte Carlo simulation was applied to fair value the relative Total Shareholder Return (TSR) performance condition element of options granted. The model simulated Sonic's TSR and compared it against the peer group over the vesting periods.

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## b) Sonic Healthcare Limited Performance Rights Plan

Performance rights are granted under the Sonic Healthcare Limited Performance Rights Plan for no consideration and carry no dividend or voting rights. When exercisable, each performance right is convertible into one ordinary share. No rights holder has any right to participate in any other share issue of the Company or of any other entity.

| 2023         |             |                |                              |                         |                           |                           |                         |                            |                                |                                |
|--------------|-------------|----------------|------------------------------|-------------------------|---------------------------|---------------------------|-------------------------|----------------------------|--------------------------------|--------------------------------|
| Grant date   | Expiry date | Exercise price | Balance at start of the year | Granted during the year | Forfeited during the year | Exercised during the year | Expired during the year | Balance at end of the year | Exercisable at end of the year | Balance at date of this report |
|              |             |                | Number                       | Number                  | Number                    | Number                    | Number                  | Number                     | Number                         | Number                         |
| 19/11/19     | 19/11/24    | Nil            | 64,907                       | -                       | -                         | (64,907)                  | -                       | -                          | -                              | -                              |
| 18/11/20     | 18/11/25    | Nil            | 69,624                       | -                       | -                         | -                         | -                       | 69,624                     | -                              | 58,665                         |
| 23/09/21     | See below*  | Nil            | 52,911                       | -                       | (7,831)                   | (15,023)                  | -                       | 30,057                     | -                              | 14,093                         |
| 18/11/21     | 18/11/26    | Nil            | 54,427                       | -                       | -                         | -                         | -                       | 54,427                     | -                              | 54,427                         |
| 21/09/22     | 01/10/23    | Nil            | -                            | 63,374                  | -                         | (51,559)                  | -                       | 11,815                     | 11,815                         | -                              |
| 17/11/22     | 01/10/23    | Nil            | -                            | 3,172                   | -                         | (3,172)                   | -                       | -                          | -                              | -                              |
| 17/11/22     | 17/11/27    | Nil            | -                            | 66,371                  | -                         | -                         | -                       | 66,371                     | -                              | 66,371                         |
| 26/09/23     | 01/10/24    | Nil            | -                            | -                       | -                         | -                         | -                       | -                          | -                              | 16,080                         |
| <b>Total</b> |             |                | <b>241,869</b>               | <b>132,917</b>          | <b>(7,831)</b>            | <b>(134,661)</b>          | <b>-</b>                | <b>232,294</b>             | <b>11,815</b>                  | <b>209,636</b>                 |

| 2022         |             |                |                              |                         |                           |                           |                         |                            |                                |
|--------------|-------------|----------------|------------------------------|-------------------------|---------------------------|---------------------------|-------------------------|----------------------------|--------------------------------|
| Grant date   | Expiry date | Exercise price | Balance at start of the year | Granted during the year | Forfeited during the year | Exercised during the year | Expired during the year | Balance at end of the year | Exercisable at end of the year |
|              |             |                | Number                       | Number                  | Number                    | Number                    | Number                  | Number                     | Number                         |
| 21/11/18     | 21/11/23    | Nil            | 87,560                       | -                       | -                         | (87,560)                  | -                       | -                          | -                              |
| 19/11/19     | 19/11/24    | Nil            | 64,907                       | -                       | -                         | -                         | -                       | 64,907                     | -                              |
| 18/11/20     | 18/11/25    | Nil            | 69,624                       | -                       | -                         | -                         | -                       | 69,624                     | -                              |
| 23/09/21     | 01/10/22    | Nil            | -                            | 47,907                  | -                         | (47,907)                  | -                       | -                          | -                              |
| 23/09/21     | See below*  | Nil            | -                            | 52,911                  | -                         | -                         | -                       | 52,911                     | -                              |
| 18/11/21     | 01/10/22    | Nil            | -                            | 2,782                   | (77)                      | (2,705)                   | -                       | -                          | -                              |
| 18/11/21     | 18/11/26    | Nil            | -                            | 54,427                  | -                         | -                         | -                       | 54,427                     | -                              |
| <b>Total</b> |             |                | <b>222,091</b>               | <b>158,027</b>          | <b>(77)</b>               | <b>(138,172)</b>          | <b>-</b>                | <b>241,869</b>             | <b>-</b>                       |

\*One third expire on 01/09/22, one third on 01/09/23 and one third on 01/09/24.

The weighted average remaining contractual life of performance rights on issue at the end of the year was 2.9 years (2022: 2.9 years).

### Fair value of rights granted

The average assessed fair value of rights granted during the year ended 30 June 2023 was \$25.64 per right (2022: \$32.51).

The valuation model inputs for performance rights granted during the years ended 30 June 2023 and 30 June 2022 included:

| Grant date | Expiry date | Exercise price | Share price at time of grant | Expected life (years from date of issue) | Share price volatility (based on 3 year historic prices) | Risk free rate | Dividend yield |
|------------|-------------|----------------|------------------------------|------------------------------------------|----------------------------------------------------------|----------------|----------------|
| 23/09/21   | Various     | Nil            | \$41.72                      | 1.9                                      | 21.7%                                                    | 0.1%           | 2.5%           |
| 18/11/21   | 01/10/22    | Nil            | \$38.90                      | 0.3                                      | 23.1%                                                    | 0.2%           | 2.6%           |
| 18/11/21   | 18/11/26    | Nil            | \$38.90                      | 3.0                                      | 23.1%                                                    | 1.0%           | 2.6%           |
| 17/11/22   | 01/10/23    | Nil            | \$32.79                      | 0.3                                      | 21.0%                                                    | 3.1%           | 3.3%           |
| 17/11/22   | 17/11/27    | Nil            | \$32.79                      | 3.0                                      | 21.0%                                                    | 3.2%           | 3.3%           |

A Monte Carlo simulation was applied to fair value the TSR performance condition element of performance rights granted. The model simulated Sonic's TSR and compared it against the peer group over the vesting periods.

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## c) Expenses arising from share-based payment transactions

Total expenses arising from equity-settled share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

|                     | 2023   | 2022   |
|---------------------|--------|--------|
|                     | \$'000 | \$'000 |
| Equity remuneration | 18,453 | 17,240 |

## d) Shares issued on the exercise of options/rights up to the date of this report

### i) Sonic Healthcare Limited Employee Option Plan

A total of 3,226,846 ordinary shares of Sonic were issued during the year ended 30 June 2023 under the Sonic Healthcare Limited Employee Option Plan. 3,415,787 options have been exercised since that date, but prior to the date of this report, resulting in the issue of 3,415,787 ordinary shares. The amounts paid on issue of those shares were:

| Number of options exercised | Amounts paid (per share) |
|-----------------------------|--------------------------|
| 478,846                     | \$21.64                  |
| 667,787                     | \$21.69                  |
| 1,140,000                   | \$21.83                  |
| 373,500                     | \$24.30                  |
| 2,714,000                   | \$28.58                  |
| 1,268,500                   | \$27.28                  |
| <b>6,642,633</b>            |                          |

### ii) Sonic Healthcare Limited Performance Rights Plan

A total of 134,661 performance rights were exercised during the year ended 30 June 2023 under the Sonic Healthcare Limited Performance Rights Plan, satisfied by 66,582 shares purchased on-market and 68,079 by the issue of ordinary shares of Sonic. 25,898 performance rights have been exercised since 30 June 2023 and up to the date of this report, satisfied by shares purchased on-market. No amounts were payable on issue of those shares.

## e) Options and rights granted to officers

During the year nil options or rights were issued to the five highest remunerated officers of the Company who are not already disclosed as key management personnel.

For personal use only

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## NOTE 35 | RELATED PARTIES

### a) Parent entities and subsidiaries

Sonic Healthcare Limited is the ultimate Parent Company in the Group comprising the Company and its subsidiaries as detailed in Note 29.

### b) Key management personnel compensation

Details of remuneration of key management personnel and transactions with them have been disclosed in the Remuneration Report within the Directors' Report. The aggregate remuneration of the key management personnel is shown below:

|                              | 2023              | 2022              |
|------------------------------|-------------------|-------------------|
|                              | \$                | \$                |
| Short-term employee benefits | 6,615,811         | 7,926,875         |
| Long-term employee benefits  | 87,660            | 59,386            |
| Post-employment benefits     | 218,846           | 198,823           |
| Share-based payments         | 3,936,513         | 5,047,965         |
| <b>Total compensation</b>    | <b>10,858,830</b> | <b>13,233,049</b> |

### c) Transactions and outstanding balances with associates

|                                       | 2023   | 2022   |
|---------------------------------------|--------|--------|
|                                       | \$'000 | \$'000 |
| Provision of services to associates   | 99,804 | 89,562 |
| Provision of services from associates | 1,837  | 3,275  |
| Interest income                       | 146    | 143    |
| Current payables                      | 7,102  | 6,144  |
| Current receivables                   | 11,544 | 11,038 |
| Loans receivable                      | 2,153  | 3,153  |

For personal use only

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## NOTE 36 | EARNINGS PER SHARE

|                            | 2023  | 2022  |
|----------------------------|-------|-------|
|                            | Cents | Cents |
| Basic earnings per share   | 145.8 | 305.5 |
| Diluted earnings per share | 145.0 | 302.5 |

|                                                                                                                                            | 2023        | 2022        |
|--------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------|
| Weighted average number of ordinary shares used as the denominator                                                                         | Shares      | Shares      |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share                                 | 469,768,140 | 478,143,904 |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share | 472,443,512 | 482,880,012 |

Options and performance rights over ordinary shares are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options and rights have not been included in the determination of basic earnings per share.

Details of the options and rights exercised, forfeited and issued in the period between the reporting date and the date of this report are detailed in Note 34.

|                                                                    | 2023     | 2022      |
|--------------------------------------------------------------------|----------|-----------|
| Reconciliations of earnings used in calculating earnings per share | \$'000   | \$'000    |
| Net profit                                                         | 707,931  | 1,515,466 |
| Net (profit) attributable to minority interests                    | (22,947) | (54,900)  |
| Earnings used in calculating basic and diluted earnings per share  | 684,984  | 1,460,566 |

## NOTE 37 | STATEMENT OF CASH FLOWS

### a) Cash at bank and on hand

|                          | 2023    | 2022    |
|--------------------------|---------|---------|
|                          | \$'000  | \$'000  |
| Cash at bank and on hand | 797,994 | 779,997 |

Cash balances bear interest rates of between 0.00% – 4.71% (2022: 0.00% – 1.25%).

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## b) Reconciliation of net cash inflow from operating activities to operating profit after income tax

|                                                                               | 2023             | 2022             |
|-------------------------------------------------------------------------------|------------------|------------------|
|                                                                               | \$'000           | \$'000           |
| Operating profit after income tax                                             | 707,931          | 1,515,466        |
| Add non-cash items                                                            | 722,389          | 684,462          |
| <b>Add/(less) changes in assets and liabilities during the financial year</b> |                  |                  |
| (Increase)/decrease in sundry debtors and prepayments                         | 2,606            | (50,936)         |
| (Increase)/decrease in trade debtors and accrued revenue                      | 244,257          | (83,017)         |
| (Increase)/decrease in inventories                                            | 27,465           | 9,882            |
| (Increase)/decrease in deferred tax assets                                    | (2,366)          | (7,437)          |
| Increase/(decrease) in trade creditors and accrued expenses                   | (128,824)        | (42,554)         |
| Increase/(decrease) in deferred tax liabilities                               | 55,645           | 67,284           |
| Increase/(decrease) in current tax liabilities                                | (165,201)        | 123,546          |
| Increase/(decrease) in other provisions                                       | 333              | 276              |
| Increase/(decrease) in other liabilities                                      | (394)            | (12,088)         |
| Increase/(decrease) in provision for employee entitlements                    | 7,192            | 20,937           |
| <b>Net cash inflow from operating activities</b>                              | <b>1,471,033</b> | <b>2,225,821</b> |

## c) Non-cash financing and investing activities

The following non-cash financing and investing activities occurred during the year and are not reflected in the Cash Flow Statement:

- Acquisition of right-of-use assets (Note 13)
- Options and rights issued to employees for no cash consideration (Note 34)

## d) Reconciliation of liabilities arising from financing activities

|                   | Balance at<br>1 July 2022 | Cash flows       | Acquisition/<br>(disposal) | Other non-cash<br>movements | Foreign<br>exchange<br>adjustments | Balance at<br>30 June 2023 |
|-------------------|---------------------------|------------------|----------------------------|-----------------------------|------------------------------------|----------------------------|
|                   | \$'000                    | \$'000           | \$'000                     | \$'000                      | \$'000                             | \$'000                     |
| Lease liabilities | 1,435,803                 | (371,204)        | 3,211                      | 318,692                     | 40,517                             | 1,427,019                  |
| Bank loans        | -                         | 3,109            | -                          | -                           | 169                                | 3,278                      |
| USPP notes        | 1,576,934                 | -                | -                          | -                           | 93,249                             | 1,670,183                  |
| <b>Total</b>      | <b>3,012,737</b>          | <b>(368,095)</b> | <b>3,211</b>               | <b>318,692</b>              | <b>133,935</b>                     | <b>3,100,480</b>           |

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## NOTE 38 | FINANCIAL RISK MANAGEMENT

The Group is exposed to the following categories of financial risks as part of its overall capital structure; market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's risk management program addresses the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Group has adopted the following philosophies towards financial risk management:

- to take a proactive approach in identifying and managing material treasury risks;
- not to take speculative derivative positions;
- to structure hedging to reflect underlying business objectives; and
- to reduce volatility and provide more certainty of earnings.

Financial risk management is carried out by a central treasury department ('Group Treasury') which identifies, evaluates and hedges financial risks to support the Group's strategic and operational objectives. Group Treasury operates within the parameters of a Board-approved Treasury Policy. The Treasury Policy provides written principles for overall financial risk management as well as policies covering specific areas, such as liquidity, funding and interest rate risk, foreign exchange risk, credit risk and operational treasury risk. One of the key responsibilities of Group Treasury is the management of the Group's debt facilities.

### a) Capital risk management

The Group's objectives when managing capital are to safeguard the consolidated entity's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group is proactively managed by issuing new shares by way of institutional placements, shareholder purchase plans, rights issues, as part consideration for acquisitions, or activation from time to time of the Company's Dividend Reinvestment Plan; by utilising the SHEST to buy Sonic's shares on market; by conducting on-market share buybacks; or by varying the amount of dividends paid to shareholders.

The capital structure of the Group is mainly monitored on the basis of the Net Debt to Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) Ratio, which is also a covenant under Sonic's senior debt facilities (with a maximum permitted level of 3.5 times). Other ratios considered are the Gearing Ratio and Interest Cover Ratio, which are also covenants under senior debt facilities. Each covenant is calculated excluding the impact of AASB 16 Leases. Future compliance with these debt covenants is modelled by reference to a rolling 5-year financial forecast model.

During 2022 and 2023 the Group maintained a Net Debt to EBITDA ratio of between 0.3 to 0.6 times. The Company's pre-pandemic history demonstrates Net Debt to EBITDA being conservatively and consistently managed around the middle of a 2 to 3 times range.

The Net Debt to EBITDA ratio is calculated as Net (of cash) Interest Bearing Debt divided by EBITDA. EBITDA is normalised for acquisitions made during a period, equity remuneration expense (a non-cash item) and for acquisition-related costs which are expensed under AASB 3 *Business Combinations*. Net Interest Bearing Debt is adjusted for currency rate fluctuations.

The Gearing Ratio is calculated as Net Interest Bearing Debt divided by Net Interest Bearing Debt plus Equity (per the Balance Sheet excluding the impacts of AASB 16), and must be maintained below 55% under most of the Company's USPP note agreements. The Gearing Ratio is not a covenant under the Company's bank debt facilities and most recent USPP note agreement.

The Group is required to maintain an Interest Cover Ratio greater than 3.25 times under the debt facilities, calculated as EBITA divided by Net Interest Expense. EBITA is normalised for equity remuneration expense and acquisition-related costs.

These three ratios are the only financial undertakings under Sonic's debt facilities.

For personal use only

# Notes to the Consolidated Financial Statements

30 JUNE 2023

The ratios calculated using the facility definitions, which exclude the impact of AASB 16, at 30 June 2023 and 30 June 2022 were as follows:

|                            | 2023 | 2022 |
|----------------------------|------|------|
| Net Debt to EBITDA (times) | 0.6  | 0.3  |
| Gearing                    | 9.9% | 9.7% |
| Interest Cover (times)     | 29.4 | 47.3 |

## b) Market risk

### i) Foreign currency risk

Foreign currency risk refers to the risk that the value of a financial commitment, recognised asset or liability will fluctuate due to changes in foreign currency rates.

Foreign currency risk arising on the translation of the net assets of the Group's foreign controlled entities, which have a different functional currency, is managed at the Group level. The Group manages this foreign exchange translation risk by 'natural' balance sheet hedges, i.e. having borrowings denominated in the same functional currencies of the foreign controlled entities. The foreign currency gains or losses arising from this risk are recorded through the foreign currency translation reserve. As Sonic's foreign currency earnings grow, interest rates change and debt is repaid, the natural hedge becomes less effective, so AUD reported earnings do fluctuate. The underlying earnings in foreign currency however are not affected. Capital hedging is not undertaken given the cash flow implications of ongoing hedging and the long-term nature of investments.

The Group is not significantly exposed to transactional foreign currency risk associated with receipts and payments that are required to be settled in foreign currencies. These transactions are limited in number; therefore the exposure is typically identified and managed on a case-by-case basis, usually by the spot or forward purchase of foreign currencies.

The carrying amount of the Group's bank loans and USPP notes (2022: USPP notes) are denominated in the following currencies (amounts in AUD):

|      | 2023      | 2022      |
|------|-----------|-----------|
|      | \$'000    | \$'000    |
| USD  | 826,198   | 796,986   |
| EURO | 847,263   | 779,948   |
|      | 1,673,461 | 1,576,934 |

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## Hedge of net investments in foreign operations

Of the total bank loans and USPP notes (2022: USPP notes) of \$1,673,461,000 (2022: \$1,576,934,000), \$826,198,000 (2022: \$796,986,000) are denominated in USD and qualify as a hedge of the Group's net investment in operations in the United States. Gains or losses on retranslation of these borrowings are transferred to equity to offset any gains or losses on translation of the net investment in these operations. The ineffectiveness recognised in the Income Statement from net investment hedges was \$nil (2022: \$nil).

The remaining bank loans and USPP notes (2022: USPP notes) of \$847,263,000 (2022: \$779,948,000) denominated in EUR (2022: EUR) are in the same functional currency as Sonic's operations in Germany and Belgium (2022: Germany and Belgium) and act as a 'natural' balance sheet hedge against foreign currency earnings fluctuations.

## Sensitivity analysis

Based on the financial instruments held at 30 June 2023, had the Australian dollar weakened/strengthened by 10% (2022: 10%) against all relevant currencies, the Group's post-tax profit would have been \$nil higher/\$nil lower (2022: \$nil higher/\$nil lower), as a result of having minimal exposure to foreign currency denominated financial instruments. Other components of equity would have been \$nil lower/higher (2022: \$nil lower/higher).

### ii) Interest rate risk

Sonic Healthcare Limited and certain subsidiaries are party (from time to time) to derivative financial instruments such as interest rate swaps in the normal course of business in order to hedge exposure to fluctuations in interest rates. Derivatives are exclusively used for hedging purposes i.e. not as trading or speculative instruments. The Group's fixed rate borrowings are carried at amortised cost. They are therefore not subject to interest rate risk as defined in AASB 7.

### Interest rate swap contracts – cash flow hedge

The Group's main interest rate risk arises from bank loans that are subject to variable interest rates (relevant loans totalling 2023: \$3,278,000; 2022: \$nil). It is the Group's policy to protect against increasing interest rates by maintaining a level of fixed rate debt instruments such as USPP notes, which represented over 99% of total bank loans and USPP notes in 2023 (2022: 100%), and/or by entering into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

The Group's policy is to ensure exposure to increases in floating interest rates does not impact annual net profit after tax over a 3-year period by more than a specified percentage as defined within the hedging parameters of the Group's Treasury Policy, and will not result in a breach of the Interest Cover Ratio covenant under the Group's debt facilities. Hedging is undertaken as and when required to ensure exposure to interest rate risk is managed within these parameters.

There were no fixed interest rate swaps in place during the year or at balance sheet date in the current or previous financial year. There was no ineffective portion of swaps during either the current or previous financial year.

### Interest rate swap contracts – fair value hedge

The Group's strategy is to minimise interest expense and ensure exposure to movements in market interest rates are managed in line with the Treasury Policy. The Group enters into interest rate swap contracts from time to time under which it is obliged to receive interest at fixed rates and to pay interest at variable rates. The contracts are settled on a net basis. There were no contracts of this nature in place during 2023 and 2022.

For personal use only

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## Interest rate risk exposures

The Group's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following tables.

### Fixed interest rate maturities

|                                   | Notes  | 1 year or less | Over 1 year and less than 2 years | Over 2 years and less than 3 years | Over 3 years and less than 4 years | Over 4 years and less than 5 years | Over 5 years     | Non-interest bearing | Total            |
|-----------------------------------|--------|----------------|-----------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------|----------------------|------------------|
| <b>30 June 2023</b>               |        | <b>\$'000</b>  | <b>\$'000</b>                     | <b>\$'000</b>                      | <b>\$'000</b>                      | <b>\$'000</b>                      | <b>\$'000</b>    | <b>\$'000</b>        | <b>\$'000</b>    |
| <b>Assets</b>                     |        |                |                                   |                                    |                                    |                                    |                  |                      |                  |
| Cash and deposits                 |        | -              | -                                 | -                                  | -                                  | -                                  | -                | 26,890               | 26,890           |
| Trade debtors                     | 7      | -              | -                                 | -                                  | -                                  | -                                  | -                | 941,962              | 941,962          |
| Accrued revenue                   | 7      | -              | -                                 | -                                  | -                                  | -                                  | -                | 133,499              | 133,499          |
| Sundry debtors                    | 7      | -              | -                                 | -                                  | -                                  | -                                  | -                | 106,530              | 106,530          |
| Amounts owing from other entities | 7, 10  | 1,164          | 1,122                             | 3,109                              | 537                                | 364                                | 493              | 8,672                | 15,461           |
| Net investment in finance leases  | 7, 10  | 6,481          | 5,061                             | 4,096                              | 2,357                              | 903                                | 563              | -                    | 19,461           |
| Investments                       | 11     | -              | -                                 | -                                  | -                                  | -                                  | -                | 175,799              | 175,799          |
| <b>Total assets</b>               |        | <b>7,645</b>   | <b>6,183</b>                      | <b>7,205</b>                       | <b>2,894</b>                       | <b>1,267</b>                       | <b>1,056</b>     | <b>1,393,352</b>     | <b>1,419,602</b> |
| <b>Liabilities</b>                |        |                |                                   |                                    |                                    |                                    |                  |                      |                  |
| Trade and other creditors         | 17     | -              | -                                 | -                                  | -                                  | -                                  | -                | 959,992              | 959,992          |
| Amounts owing to vendors          | 21, 25 | -              | -                                 | -                                  | -                                  | -                                  | -                | 31,732               | 31,732           |
| Other liabilities                 | 21, 25 | -              | -                                 | -                                  | -                                  | -                                  | -                | 641                  | 641              |
| Lease liabilities                 | 18     | 346,791        | 275,089                           | 195,880                            | 137,142                            | 104,140                            | 367,977          | -                    | 1,427,019        |
| USPP notes                        | 22     | -              | 303,179                           | 73,746                             | 327,761                            | -                                  | 965,497          | -                    | 1,670,183        |
| <b>Total liabilities</b>          |        | <b>346,791</b> | <b>578,268</b>                    | <b>269,626</b>                     | <b>464,903</b>                     | <b>104,140</b>                     | <b>1,333,474</b> | <b>992,365</b>       | <b>4,089,567</b> |
| <b>30 June 2022</b>               |        | <b>\$'000</b>  | <b>\$'000</b>                     | <b>\$'000</b>                      | <b>\$'000</b>                      | <b>\$'000</b>                      | <b>\$'000</b>    | <b>\$'000</b>        | <b>\$'000</b>    |
| <b>Assets</b>                     |        |                |                                   |                                    |                                    |                                    |                  |                      |                  |
| Cash and deposits                 |        | 15,153         | -                                 | -                                  | -                                  | -                                  | -                | 48,897               | 64,050           |
| Trade debtors                     | 7      | -              | -                                 | -                                  | -                                  | -                                  | -                | 1,105,304            | 1,105,304        |
| Accrued revenue                   | 7      | -              | -                                 | -                                  | -                                  | -                                  | -                | 156,359              | 156,359          |
| Sundry debtors                    | 7      | -              | -                                 | -                                  | -                                  | -                                  | -                | 117,096              | 117,096          |
| Amounts owing from other entities | 7, 10  | 604            | 486                               | 425                                | 3,468                              | 193                                | 130              | 11,067               | 16,373           |
| Net investment in finance leases  | 7, 10  | 6,406          | 5,214                             | 3,909                              | 3,071                              | 1,260                              | 1,029            | -                    | 20,889           |
| Investments                       | 11     | -              | -                                 | -                                  | -                                  | -                                  | -                | 145,222              | 145,222          |
| <b>Total assets</b>               |        | <b>22,163</b>  | <b>5,700</b>                      | <b>4,334</b>                       | <b>6,539</b>                       | <b>1,453</b>                       | <b>1,159</b>     | <b>1,583,945</b>     | <b>1,625,293</b> |
| <b>Liabilities</b>                |        |                |                                   |                                    |                                    |                                    |                  |                      |                  |
| Trade and other creditors         | 17     | -              | -                                 | -                                  | -                                  | -                                  | -                | 1,018,552            | 1,018,552        |
| Amounts owing to vendors          | 21, 25 | -              | -                                 | -                                  | -                                  | -                                  | -                | 26,135               | 26,135           |
| Other liabilities                 | 21, 25 | -              | -                                 | -                                  | -                                  | -                                  | -                | 435                  | 435              |
| Lease liabilities                 | 18     | 341,858        | 275,374                           | 201,379                            | 139,226                            | 95,713                             | 382,253          | -                    | 1,435,803        |
| USPP notes                        | 22     | -              | -                                 | 280,176                            | 68,151                             | 302,892                            | 925,715          | -                    | 1,576,934        |
| <b>Total liabilities</b>          |        | <b>341,858</b> | <b>275,374</b>                    | <b>481,555</b>                     | <b>207,377</b>                     | <b>398,605</b>                     | <b>1,307,968</b> | <b>1,045,122</b>     | <b>4,057,859</b> |

For personal use only

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## Floating interest rate maturities

|                                   | Notes | 1 year or less | Over 1 year and less than 2 years | Over 2 years and less than 3 years | Over 3 years and less than 4 years | Over 4 years and less than 5 years | Over 5 years  | Total          | Weighted average interest rate |
|-----------------------------------|-------|----------------|-----------------------------------|------------------------------------|------------------------------------|------------------------------------|---------------|----------------|--------------------------------|
| <b>30 June 2023</b>               |       | <b>\$'000</b>  | <b>\$'000</b>                     | <b>\$'000</b>                      | <b>\$'000</b>                      | <b>\$'000</b>                      | <b>\$'000</b> | <b>\$'000</b>  | <b>%</b>                       |
| <b>Assets</b>                     |       |                |                                   |                                    |                                    |                                    |               |                |                                |
| Cash and deposits                 |       | 771,104        | -                                 | -                                  | -                                  | -                                  | -             | 771,104        | 1.07                           |
| Amounts owing from other entities | 10    | -              | -                                 | 14,000                             | -                                  | -                                  | -             | 14,000         | 6.31                           |
| <b>Total assets</b>               |       | <b>771,104</b> | <b>-</b>                          | <b>14,000</b>                      | <b>-</b>                           | <b>-</b>                           | <b>-</b>      | <b>785,104</b> |                                |
| <b>Liabilities</b>                |       |                |                                   |                                    |                                    |                                    |               |                |                                |
| Bank loans                        | 22    | -              | -                                 | -                                  | 3,278                              | -                                  | -             | 3,278          | 4.67                           |
| <b>Total liabilities</b>          |       | <b>-</b>       | <b>-</b>                          | <b>-</b>                           | <b>3,278</b>                       | <b>-</b>                           | <b>-</b>      | <b>3,278</b>   |                                |
| <b>30 June 2022</b>               |       | <b>\$'000</b>  | <b>\$'000</b>                     | <b>\$'000</b>                      | <b>\$'000</b>                      | <b>\$'000</b>                      | <b>\$'000</b> | <b>\$'000</b>  | <b>%</b>                       |
| <b>Assets</b>                     |       |                |                                   |                                    |                                    |                                    |               |                |                                |
| Cash and deposits                 |       | 715,947        | -                                 | -                                  | -                                  | -                                  | -             | 715,947        | 0.24                           |
| Amounts owing from other entities | 10    | -              | 14,000                            | -                                  | -                                  | -                                  | -             | 14,000         | 2.27                           |
| <b>Total assets</b>               |       | <b>715,947</b> | <b>14,000</b>                     | <b>-</b>                           | <b>-</b>                           | <b>-</b>                           | <b>-</b>      | <b>729,947</b> |                                |

### Sensitivity analysis

If interest rates in all relevant currencies applied to financial instruments held at 30 June 2023 had changed by -100/+100 basis points (2022: -10/+100 basis points) for the financial year with all other variables held constant, the Group's post-tax profit for the year would have been \$5,441,000/\$5,395,000 lower/higher mainly as a result of lower/higher interest income from cash and deposits (2022: \$511,000/\$5,110,000 lower/higher mainly as a result of lower/higher interest income from cash and deposits). Other components of equity would have been \$5,441,000/\$5,395,000 lower/higher as a result of a decrease/increase in interest income (2022: \$511,000/\$5,110,000 lower/higher as a result of a decrease/increase in interest income). The impacts on profit and equity of either change in rates are higher in 2023 due to the higher balance of floating rate cash and deposits noting that the sensitivity applied to the reduction in the interest rate in the prior year was lower by 90 basis points.

### iii) Other price risk

The Group does not have significant exposure to fluctuations in the fair values or future cash flows of financial instruments associated with changes in market prices.

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## c) Credit risk

The credit risk on financial assets of the Group which have been recognised on the Balance Sheet, other than investment in shares, is generally the carrying amount, net of any provisions for impairment. Where entities have a right of set-off and intend to settle on a net basis, this set-off has been reflected in the financial statements in accordance with accounting standards.

The Group does not have any material exposure to any individual customer or counterparty other than certain government or statutory funded bodies in the countries in which the Group operates. There are no other significant concentrations of credit risk within the Group.

Receivable balances and ageing analysis are monitored on an ongoing basis. In order to minimise the Group’s exposure to bad debts, rigorously enforced processes are in place to send reminder notices, demands for repayments and ultimately to refer to debt collection agencies. Credit limits are imposed and monitored for commercial customers. See Note 7 for further analysis of credit risk for receivable balances.

The Group has not renegotiated any material collection/repayment terms of any financial assets in the current or previous financial year.

Credit risk in the treasury context is defined as the risk of sustaining a loss as a result of a counterparty that has accepted a deposit from the Group and/or entered into a financial transaction with the Group related to the management of treasury related risks. Group Treasury seeks to only enter into transactions with counterparties who are senior lenders to the Group.

## d) Liquidity risk

The Group is exposed to funding and liquidity risks including the risk that in refinancing its debt, the Group may be exposed to an increased credit spread (the credit spread is the margin that must be paid over the equivalent government or risk free rate or swap rate) and the risk of not being able to refinance debt obligations or meet other cash outflow obligations at a reasonable cost when required.

The Group’s strong cash flows and Balance Sheet are a major mitigator of this type of risk, along with the dynamics of the medical diagnostic services market. The Group seeks to further mitigate these risks by structuring its debt with a spread of maturities, maintaining excellent relationships with a number of leading Australian and international banks, diversifying funding sources by accessing the private placement bond market in the USA and the syndicated bank loan market in Europe, and keeping sufficient committed credit lines available for short- to medium-term needs (balanced against the cost of maintaining such lines) in accordance with Sonic’s Treasury Policy.

The tables below analyse the Group’s financial liabilities and net-settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows including interest (other than in the ‘carrying value’ column). The table ignores the maturities of undrawn credit lines. For interest rate swaps the cash flows are estimated using forward interest rates applicable at the reporting date.

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## Contractual maturities of financial liabilities

|                               | Notes  | 1 year or less   | Over 1 year and less than 2 years | Over 2 years and less than 5 years | Over 5 years     | Total contractual cash flows | Carrying value   |
|-------------------------------|--------|------------------|-----------------------------------|------------------------------------|------------------|------------------------------|------------------|
| 30 June 2023                  |        | \$'000           | \$'000                            | \$'000                             | \$'000           | \$'000                       | \$'000           |
| <b>Liabilities</b>            |        |                  |                                   |                                    |                  |                              |                  |
| Trade and other creditors     | 17     | 959,992          | -                                 | -                                  | -                | 959,992                      | 959,992          |
| Amounts owing to vendors      | 21, 25 | 7,817            | 20,979                            | 2,936                              | -                | 31,732                       | 31,732           |
| Bank loans                    | 22     | 156              | 155                               | 3,562                              | -                | 3,873                        | 3,278            |
| USPP notes                    | 22     | 43,179           | 342,852                           | 498,128                            | 1,069,705        | 1,953,864                    | 1,670,183        |
| Other liabilities             | 21, 25 | 413              | 228                               | -                                  | -                | 641                          | 641              |
| Lease liabilities             | 18     | 384,451          | 301,770                           | 489,332                            | 424,911          | 1,600,464                    | 1,427,019        |
| Financial guarantee contracts |        | 13,625           | -                                 | -                                  | -                | 13,625                       | -                |
| <b>Total liabilities</b>      |        | <b>1,409,633</b> | <b>665,984</b>                    | <b>993,958</b>                     | <b>1,494,616</b> | <b>4,564,191</b>             | <b>4,092,845</b> |
| 30 June 2022                  |        | \$'000           | \$'000                            | \$'000                             | \$'000           | \$'000                       | \$'000           |
| <b>Liabilities</b>            |        |                  |                                   |                                    |                  |                              |                  |
| Trade and other creditors     | 17     | 1,018,552        | -                                 | -                                  | -                | 1,018,552                    | 1,018,552        |
| Amounts owing to vendors      | 21, 25 | 21,145           | 461                               | 4,529                              | -                | 26,135                       | 26,135           |
| USPP notes                    | 22     | 40,932           | 40,932                            | 753,650                            | 1,053,257        | 1,888,771                    | 1,576,934        |
| Other liabilities             | 21, 25 | 224              | 211                               | -                                  | -                | 435                          | 435              |
| Lease liabilities             | 18     | 371,082          | 297,292                           | 481,505                            | 438,299          | 1,588,178                    | 1,435,803        |
| Financial guarantee contracts |        | 12,456           | -                                 | -                                  | -                | 12,456                       | -                |
| <b>Total liabilities</b>      |        | <b>1,464,391</b> | <b>338,896</b>                    | <b>1,239,684</b>                   | <b>1,491,556</b> | <b>4,534,527</b>             | <b>4,057,859</b> |

The financial guarantee contracts relate to guarantees given by the Group in respect of workers compensation insurance. The guarantees are the maximum amounts allocated to the earliest period in which the guarantees could be called. The Group does not expect these payments to eventuate.

There have been no material breaches and no defaults of loans in the current or preceding reporting periods.

### e) Net fair value of financial assets and liabilities

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the Group approximates their carrying amounts.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

For non-traded equity investments, the net fair value is determined using valuation techniques (Note 1(j)).

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## f) Fair values

The carrying amounts of financial assets and liabilities on the Consolidated Group Balance Sheet approximate their fair values except for fixed rate long-term borrowings which had a fair value of \$1,457,870,000.

### Fair value hierarchy

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- i) quoted prices (unadjusted) in active markets for identified assets or liabilities (level 1),
- ii) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- iii) inputs for the asset or liability that are not based on observable market value (unobservable inputs) (level 3).

Level 1 includes an equity investment in a listed Australian entity which has been valued based on a quoted price in an active market. Level 3 includes amounts owing to vendors which are recognised based on the assessed fair value using the contractual nature of the terms and conditions of the deferred consideration.

There were no transfers between fair value hierarchies or changes to valuation techniques for recurring fair value measurements in the period.

## NOTE 39 | PARENT COMPANY FINANCIAL INFORMATION

### a) Summary financial information

The individual financial statements for the Parent Company show the following aggregate amounts:

|                                   | 2023             | 2022             |
|-----------------------------------|------------------|------------------|
| Balance sheet                     | \$'000           | \$'000           |
| Current assets                    | 3,994,985        | 4,080,050        |
| Total assets                      | 7,754,980        | 7,757,345        |
| Current liabilities               | 3,178,846        | 3,240,816        |
| Total liabilities                 | 3,277,762        | 3,346,136        |
| <b>Shareholders' equity</b>       |                  |                  |
| Contributed equity                | 3,961,543        | 3,968,856        |
| <b>Reserves</b>                   |                  |                  |
| Equity remuneration reserve       | (122,202)        | (112,515)        |
| Share option reserve              | 16,427           | 16,427           |
| Retained earnings                 | 621,450          | 538,441          |
| <b>Total equity</b>               | <b>4,477,218</b> | <b>4,411,209</b> |
| <b>Profit for the year</b>        | <b>563,362</b>   | <b>491,561</b>   |
| <b>Total comprehensive income</b> | <b>563,362</b>   | <b>491,561</b>   |

# Notes to the Consolidated Financial Statements

30 JUNE 2023

## b) Guarantees entered into by the Parent Company

The Parent Company is a party to the Deed of Cross Guarantee as disclosed in Note 28. No liabilities have been assumed by the Parent Company in relation to this guarantee as it is expected the parties to the Deed of Cross Guarantee will continue to generate positive cash flows. The Parent Company has further provided guarantees of \$147,183,000 (2022: \$145,083,000) in respect of property leases and workers compensation insurance for subsidiary entities. In addition the Parent Company has provided guarantees of the performance of certain contracts by subsidiary entities. No liability was recognised by the Parent Company or the Consolidated Group in relation to these guarantees, as their fair values are immaterial.

## c) Contingent liabilities of the Parent Company

The Parent Company had no contingent liabilities as at 30 June 2023 or 30 June 2022 other than as described in (b) above.

## d) Contractual commitments for the acquisition of property, plant or equipment

The Parent Company had contractual commitments for the acquisition of property, plant or equipment as at 30 June 2023 of \$28,821,000.

## NOTE 40 | 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 Group, the results of those operations or the state of affairs of the Consolidated Group in subsequent financial years, other than the settlement of the acquisition of Synlab Suisse on 3 July 2023 for a purchase price of CHF150 million (cash and debt free).

# Directors' Declaration

FOR THE YEAR ENDED 30 JUNE 2023

In the Directors' opinion:

- a) the financial statements and Notes set out on pages 66 to 143 are in accordance with the *Corporations Act 2001*, including:
  - i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - ii) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in Note 29 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee described in Note 28.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Managing Director and Finance Director required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.



**Dr C.S. Goldschmidt**  
Director



**C.D. Wilks**  
Director

Sydney  
26 September 2023

## Independent auditor's report

To the members of Sonic Healthcare Limited

### Report on the audit of the financial report

#### Our opinion

In our opinion:

The accompanying financial report of Sonic Healthcare Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2023
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated cash flow statement for the year then ended
- the consolidated income statement for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, ABN 52 780 433 757  
 One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001  
 T: +61 2 8266 0000, F: +61 2 8266 9999  
 Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124  
 T: +61 2 9659 2476, F: +61 2 8266 9999

Liability limited by a scheme approved under Professional Standards Legislation.

## Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



| Materiality                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Audit scope                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>For the purpose of our audit we used overall Group materiality of \$46.5 million, which represents approximately 5% of the Group's profit before tax.</li> <li>We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.</li> <li>We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured.</li> <li>We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.</li> </ul> | <ul style="list-style-type: none"> <li>Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.</li> <li>The Group comprises entities located globally with the most financially significant operations being located in Australia, the United States of America ("USA") and Germany. Accordingly, we structured our audit as follows: <ul style="list-style-type: none"> <li>The group audit was led by our team from PwC Australia ("group audit team"). The group audit team conducted an audit of the special purpose financial information of businesses operating in Australia and the USA used to prepare the consolidated financial statements.</li> <li>Under instruction from and on behalf of the group audit team, component auditors in Germany and Switzerland performed an audit of the special purpose financial information for those locations used to prepare the consolidated financial statements.</li> </ul> </li> <li>The group audit team had continuous involvement in the work performed by the component auditors, with each component team being provided with direct written instructions and the group audit team kept in regular communication throughout the year.</li> <li>The group audit team undertook the remaining audit procedures to obtain sufficient appropriate audit evidence to express an opinion on the Group's financial report as a whole.</li> </ul> |



## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit Committee.

| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | How our audit addressed the key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Estimated recoverable amount of Goodwill and Brand Names</b><br/>Refer to note 14</p> <p>Goodwill and brand names of \$7.4 billion are recognised on the consolidated balance sheet.</p> <p>Under Australian Accounting Standards, the Group is required to test these indefinite lived intangible assets annually for impairment. This assessment is inherently complex and requires judgement in forecasting the operational cash flows of the cash generating units ("CGU"), and determining discount rates and terminal value growth rates used in the discounted cash flow models used to assess impairment (the 'models').</p> <p>The recoverable amount of goodwill and brand names was considered a key audit matter given the:</p> <ul style="list-style-type: none"> <li>financial significance of the intangible assets on the consolidated balance sheet; and</li> <li>judgement applied by the Group in completing the impairment assessments.</li> </ul> | <p>We focussed our efforts on developing an understanding and testing the overall calculation and methodology of the Group's impairment assessment, including identification of the cash generating units (CGUs) of the Group for the purposes of impairment testing, and the attribution of assets, revenues and costs to those CGUs. In obtaining sufficient, appropriate audit evidence, our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>assessing the appropriateness of cash flow forecasts included in the model with reference to historical earnings and budget accuracy, Board and/or management approved budgets and forecasts;</li> <li>testing the mathematical calculations within the models;</li> <li>assessing the appropriateness of the discount rates and terminal value growth rates, with assistance from PwC valuation experts;</li> <li>considering the sensitivity of the models by varying key assumptions used in the models to assess any possibility of a reasonably possible change disclosure; and</li> <li>evaluating the related financial statement disclosures for consistency with Australian Accounting Standards requirements.</li> </ul> |



| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                      | How our audit addressed the key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Lease accounting</b><br/>Refer to note 1(l)(ac), 13, 18</p> <p>Lease accounting was a key audit matter due to the:</p> <ul style="list-style-type: none"> <li>financial significance of lease liabilities and right-of-use assets to the balance sheet; and</li> <li>significant judgements required by the Group such as determining the appropriate lease term and the incremental borrowing rate.</li> </ul> | <p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>for a sample of new lease arrangements, we agreed key inputs used in calculating the Group's lease liability and right-of-use asset, to underlying supporting documentation;</li> <li>evaluating and testing the appropriateness of the Group's assumptions relating to the exercise of option periods;</li> <li>assessing the appropriateness of incremental borrowing rates applied to discount future lease payments;</li> <li>assessing the completeness of lease liabilities;</li> <li>testing the mathematical accuracy of the Group's lease calculations; and</li> <li>evaluating the related financial statement disclosures for consistency with Australian Accounting Standards requirements.</li> </ul> |

#### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon through our opinion on the financial report. We have issued a separate opinion on the remuneration report.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



### Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf). This description forms part of our auditor's report.

### Report on the remuneration report

#### Our opinion on the remuneration report

We have audited the remuneration report included in pages 31 to 50 of the directors' report for the year ended 30 June 2023.

In our opinion, the remuneration report of Sonic Healthcare Limited for the year ended 30 June 2023 complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Brett Entwistle  
Partner

Sydney  
26 September 2023

For personal use only



# Shareholders' Information

## 1. INFORMATION RELATING TO SHAREHOLDERS

### a) Distribution schedule as at 8 September 2023

|                                                                          |                      | No. of holders<br>ordinary shares |
|--------------------------------------------------------------------------|----------------------|-----------------------------------|
| 1-1,000                                                                  |                      | 57,522                            |
| 1,001-5,000                                                              |                      | 25,303                            |
| 5,001-10,000                                                             |                      | 2,120                             |
| 10,001-100,000                                                           |                      | 938                               |
| 100,001 and over                                                         |                      | 95                                |
|                                                                          |                      | <b>85,978</b>                     |
| Voting rights                                                            | - on a show of hands | 1/member                          |
|                                                                          | - on a poll          | 1/share                           |
| Percentage of total shares held by the twenty largest registered holders |                      | 71.6%                             |
| Number of holders holding less than a marketable parcel                  |                      | 1,560                             |

### b) Substantial shareholders as at 8 September 2023

The Company has received substantial shareholding notices to 8 September 2023 in respect of the following holdings:

|                                                                                                         | No. of securities | Percentage held |
|---------------------------------------------------------------------------------------------------------|-------------------|-----------------|
| State Street Corporation and its subsidiaries                                                           | 29,790,944        | 6.28%           |
| BlackRock Group (including 761,907 American Depositary Receipts)                                        | 29,440,945        | 6.21%           |
| The Vanguard Group, Inc. and its controlled entities<br>(including 18,414 American Depositary Receipts) | 24,058,158        | 5.07%           |

# Shareholders' Information

## 1. INFORMATION RELATING TO SHAREHOLDERS

### c) Names of the 20 largest registered holders of equity securities as at 8 September 2023

|                                                                        | No. of securities  | Percentage held |
|------------------------------------------------------------------------|--------------------|-----------------|
| HSBC Custody Nominees (Australia) Limited                              | 176,359,869        | 37.20%          |
| J P Morgan Nominees Australia Pty Limited                              | 56,798,795         | 11.98%          |
| Citicorp Nominees Pty Limited                                          | 37,973,638         | 8.01%           |
| Jardvan Pty Ltd                                                        | 15,109,474         | 3.19%           |
| BNP Paribas Noms Pty Ltd <DRP>                                         | 12,126,944         | 2.56%           |
| National Nominees Limited                                              | 8,143,486          | 1.72%           |
| BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>                  | 4,266,490          | 0.90%           |
| Argo Investments Limited                                               | 3,726,053          | 0.79%           |
| HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C> | 3,262,081          | 0.69%           |
| Australian Foundation Investment Company Limited                       | 3,159,672          | 0.67%           |
| Netwealth Investments Limited <Wrap Services A/C>                      | 3,011,026          | 0.64%           |
| BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd <DRP A/C>        | 2,586,805          | 0.55%           |
| Blaise Mentha                                                          | 2,000,000          | 0.42%           |
| Polly Pty Ltd <A/C Patterson Family>                                   | 1,817,416          | 0.38%           |
| HSBC Custody Nominees (Australia) Limited - A/C 2                      | 1,688,971          | 0.36%           |
| Citicorp Nominees Pty Limited <Colonial First State INV A/C>           | 1,598,882          | 0.34%           |
| Quintal Pty Ltd <Harken Family A/C>                                    | 1,587,908          | 0.33%           |
| IOOF Investment Services Limited <IPS Superfund A/C>                   | 1,449,230          | 0.31%           |
| BNP Paribas Nominees Pty Ltd ACF Clearstream                           | 1,384,017          | 0.29%           |
| HSBC Custody Nominees (Australia) Limited                              | 1,346,103          | 0.28%           |
|                                                                        | <b>339,396,860</b> | <b>71.59%</b>   |

### d) On-market share buyback

On 21 February 2022, the Company announced its intention to undertake an on-market share buyback of its shares. The buyback was concluded in FY2023, with shares acquired for a total consideration of \$425 million.

# Shareholders' Information

## 2. UNQUOTED EQUITY SECURITIES AS AT 8 SEPTEMBER 2023

|                                       | No. on issue | No. of holders |
|---------------------------------------|--------------|----------------|
| Options over unissued ordinary shares | 16,978,494   | 370            |
| Performance rights                    | 204,515      | 126            |

## 3. SHARE REGISTRY

### Computershare Investor Services Pty Limited

Registered address: Level 5, 115 Grenfell Street, Adelaide, SA 5000  
Postal address: GPO Box 1903, Adelaide, SA 5001  
Enquiries within Australia: 1300 556 161  
Fax within Australia: 1300 534 987  
Enquiries outside Australia: 61 3 9415 4000  
Fax outside Australia: 61 3 9473 2408  
Email: [www.investorcentre.com/contact](http://www.investorcentre.com/contact)

Shareholders with enquiries should email, telephone or write to the Share Registry.

Separate shareholdings may be consolidated by advising the Share Registry in writing or by completing a Request to Consolidate Holdings form which can be found online at the above website.

Shareholders who are issuer-sponsored holders should notify the Share Registry of a change of address without delay. Shareholders who are broker-sponsored on the CHESS sub-register must notify their sponsoring broker of a change of address.

For Australian and New Zealand shareholders direct payment of dividends into a nominated Australian or New Zealand account must be arranged with the Share Registry. Shareholders should complete a payment instruction form online or advise the Share Registry in writing with particulars.

The Annual Report is produced for your information. However, should you receive more than one, or wish to be removed from the mailing list for the Annual Report, please advise the Share Registry. Unless you have elected to receive a hard copy of our Annual Report or you have not provided us with your email address, you will continue to receive an electronic copy in accordance with the Corporations Act, until Sonic Healthcare receives a written election from you.

### Supporting the environment through electronic communication

With your support of electronic communication channels, Sonic Healthcare has significantly decreased its shareholder communication print production. Less than 2% of Sonic's shareholders still request a hard copy Annual Report, and more than 64% of shareholders receive communications electronically. The result is a reduction in energy and water resources associated with paper production.

## 4. ANNUAL GENERAL MEETING

The 2023 Annual General Meeting (AGM) will be held at the Intercontinental Sydney Hotel, 117 Macquarie Street, Sydney at 10.00 am on Thursday 16 November 2023. In addition there will be an option to attend virtually.

For personal use only





For personal use only

**Inset**

Assoc. Prof. Cristina Vargas,  
Histopathologist, Douglass Hanly Moir Pathology,  
New South Wales, Australia

For personal use only