FY 2020 Results

Year ended 30 June 2020

21 August 2020

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Group results

Group $m	Underlying[1] FY 2020	Underlying[1] FY 2019	Reported[2] FY 2020	Reported[2] FY 2019
Revenue	**1,600.4**	1,565.4	**1,597.4**	1,566.4
EBIT	**102.7**	125.9	**76.0**	107.6
NPAT (continuing operations)	**55.4**	70.3	**72.0**	57.2
NPAT (inc. discontinued operations)			**(70.5)**	55.3

Underlying NPAT

- Above pcp and in line with guidance until mid-March
- Impacted by COVID-19 lock-down mid-March/April, but strong subsequent Pathology trading and initiatives underpin good overall result

Reported NPAT

- $142.5m loss from discontinued operations on sale of Healius Primary Care (HPC)[3], mainly due to a non-cash goodwill impairment
- $25.1m profit from refund on 2003-2007 tax ruling net of other non-underlying items. Laboratory platforms only non-underlying project in FY21
- $9.2m loss from adoption of AASB 16. Underlying excludes AASB 16 for comparability

Dividend

- 1H 20 2.6 cps dividend, delayed due to COVID-19, to be paid October 20
- Not considered appropriate to declare final dividend given assistance of stakeholders in 2H 20. Out-of-cycle dividend to be considered as part of capital structure review following completion of HPC sale

[1]All comments relate to underlying results unless noted
[2]Reconciliation – slide 32
[3]Healius Primary Care comprises 69 large scale medical centres, 13 Health & Co practices and 62 dental clinics. Four small scale medical centres have been retained by Healius and are in the process of being closed

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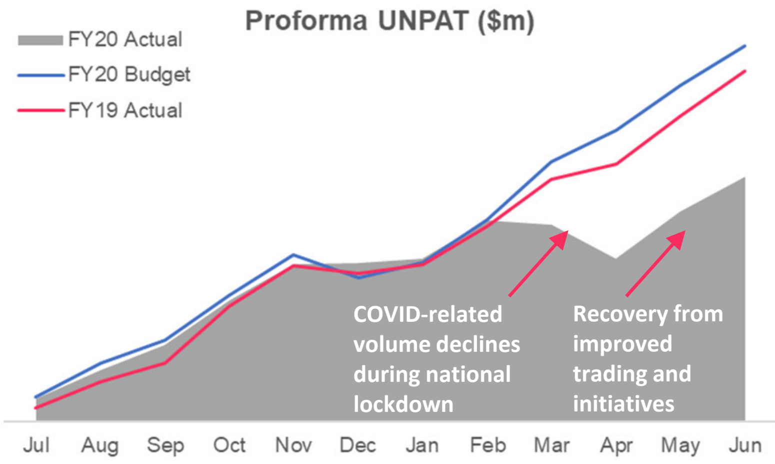
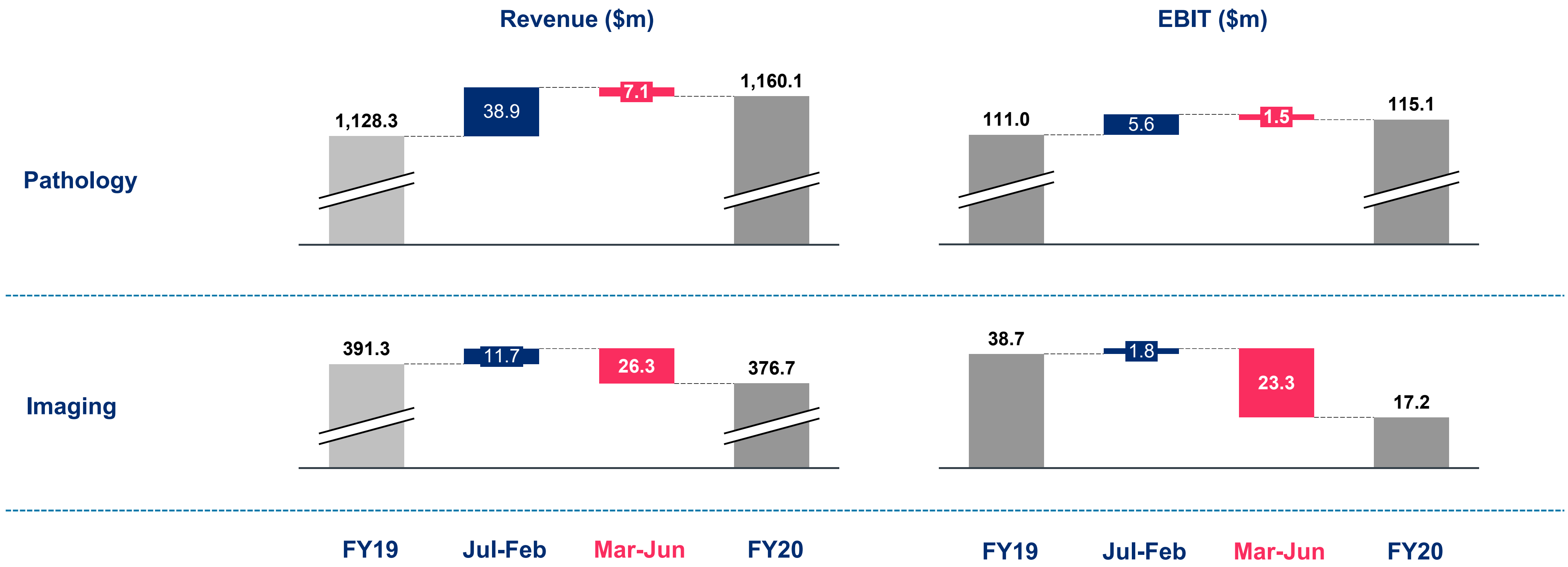
COVID-19 impact

- Group UNPAT tracking above pcp and in line with guidance until mid-March
- Significant and sharp volume reductions in March and April during national lock-down
- Initiatives to reduce costs at a time when extent of downturn unknown:
  - Cooperation from staff/unions enabling labour management, while keeping permanent workforce employed
  - Temporary closure of sites and $6.6m in rental concessions from landlords
  - Government assistance:
    - $11m accrued in Pathology in relation to April trading (in return for undertakings)
    - $1.1m in Healius Day Hospitals from viability agreements
    - $0.6m in Montserrat from JobKeeper
    - None in Imaging or IVF
    - Without assistance, further service cuts and cost savings would have been instituted
  - Senior executives and Board pay-cuts
- Incurred additional costs of PPE and screening to create safe environments
- V-shaped recovery in May and June from improved trading and initiatives
- Differing impact by division with a natural 'hedge' in Pathology from COVID-19 testing which is increasing in FY21



COVID-19 impact (continued)

Pathology and Imaging before and during lock-down



Trading and Healius Primary Care sale update

Trading

- Overall good start to FY21, in a dynamic environment
- Pathology:
  - Strong volumes in July and into August. COVID-19 testing escalation more than offsetting weaker underlying volumes
  - Commercial COVID growth as businesses endeavour to reopen with safe working environments
  - Revenue up 25% in July
- Imaging:
  - Revenue down 4% in July but with all states showing recovery except Victoria
  - Victoria further impacted by stage 4 lock-down and cessation of elective surgery in August
- Day Hospitals:
  - Combined division significantly ahead of pcp and delivered a positive contribution in July
  - Montserrat – revenue up 27% in July with good trading at all sites
  - IVF - revenue up 50%+ in July and HLS DSU supporting IVF volumes with revenue up 40%

Healius Primary Care sale

- Revenue up 7.5% in July
- Dental delivered two strong months in June and July above earn-out levels
- Separation program progressing with completion on track for 1H 21

All percentage movements are in comparison to July 19

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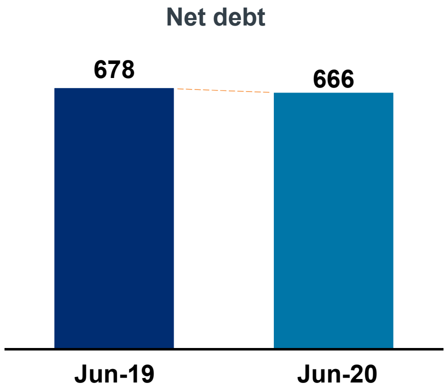
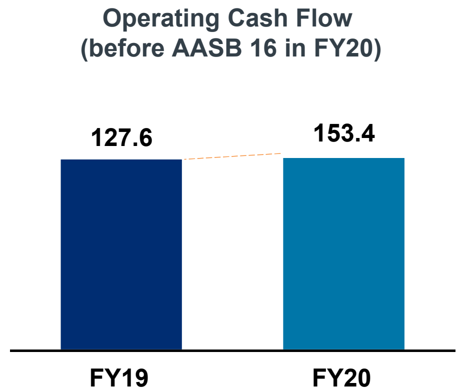
Balance sheet management

Improved net debt



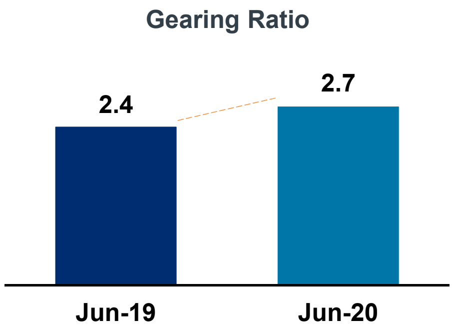
- Stringent cash management delivered improved net debt position in FY20
- Liquidity at 30 June 2020 ~ $424m following successful refinancing of Tranche A of borrowing facility in mid-June
- Cash proceeds of ~$470m[1] from Healius Primary Care sale to be delivered in FY21

Cash flow maintained despite disruption



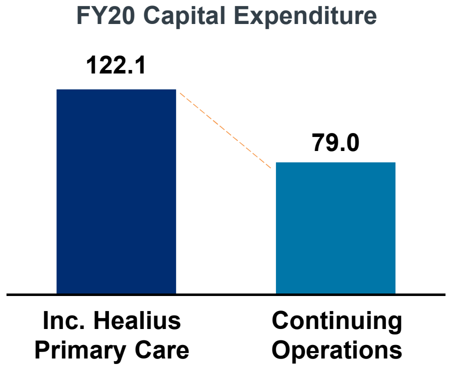
- Operating cash flow exceeded FY19 despite COVID-related trading disruption
- Achieved through cash conservation measures incl. network rationalisation, rental renegotiation and labour management

Gearing comfortably below covenant



- Comfortably below debt covenant of 3.5x despite significant COVID-related trading disruptions
- Gearing to drop substantially with cash proceeds from Healius Primary Care sale

Capex to reduce after sale of Healius Primary Care



- Deferment of non-essential capital expenditure in FY20 to manage cash
- Capital expenditure to reduce substantially after sale of Healius Primary Care
- Free cash flow to improve as a result

[1] Up to $75 million may be deferred up to 18 months, payable once the dental business returns to pre-COVID-19 trading levels. Also movements in working capital, capital expenditure and sale costs until completion

Streamlined portfolio

Foundation for growth

Divest Healius Primary Care

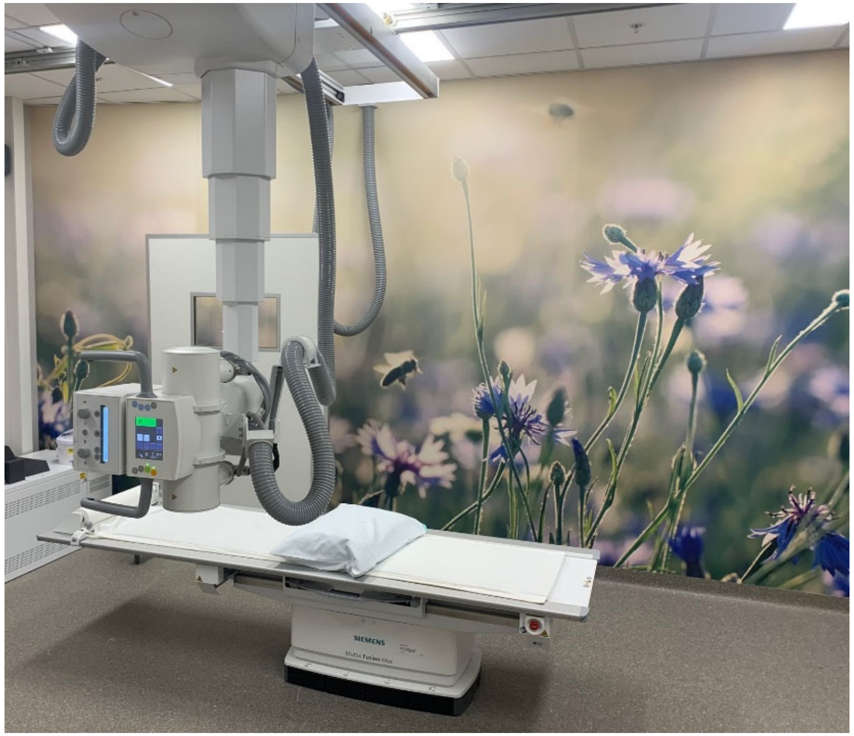
- $500m enterprise value was not fully reflected in historic share price
- Proceeds of $470m[1] to deliver significant balance sheet flexibility
- Improved free cash flow and removes capital-intensive business to deliver better ROIC

Focus on Pathology and Imaging

- 2nd and 3rd largest players respectively in their industries
- Scalable business platforms through increased investments in technology

Invest in Day Hospitals

- Sector with economic, technological and regulatory tailwinds as alternative to traditional overnight hospital care
- Fragmented market with opportunities for consolidation
- Building diversified platform for future growth



Healthcare Imaging, Kogarah

[1] *Up to $75 million may be deferred up to 18 months, payable once the dental business returns to pre-COVID-19 trading levels. Also movements in working capital, capital expenditure and sale costs until completion*

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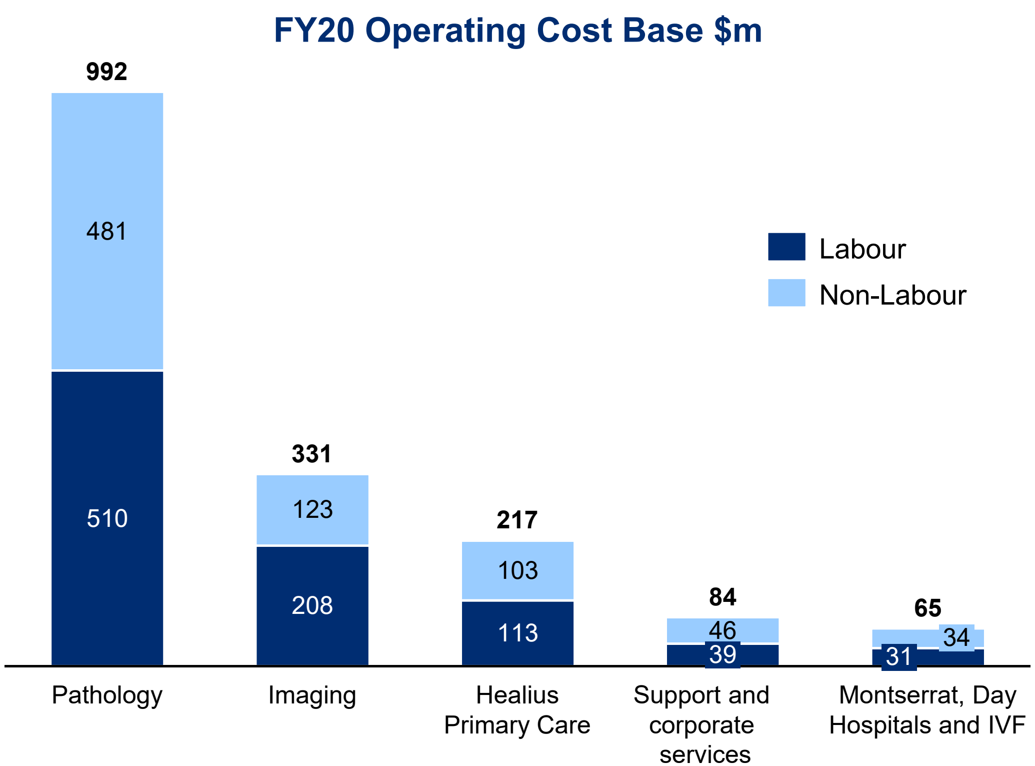
Sustainable Improvement Program FY19

Focus on quick-win savings

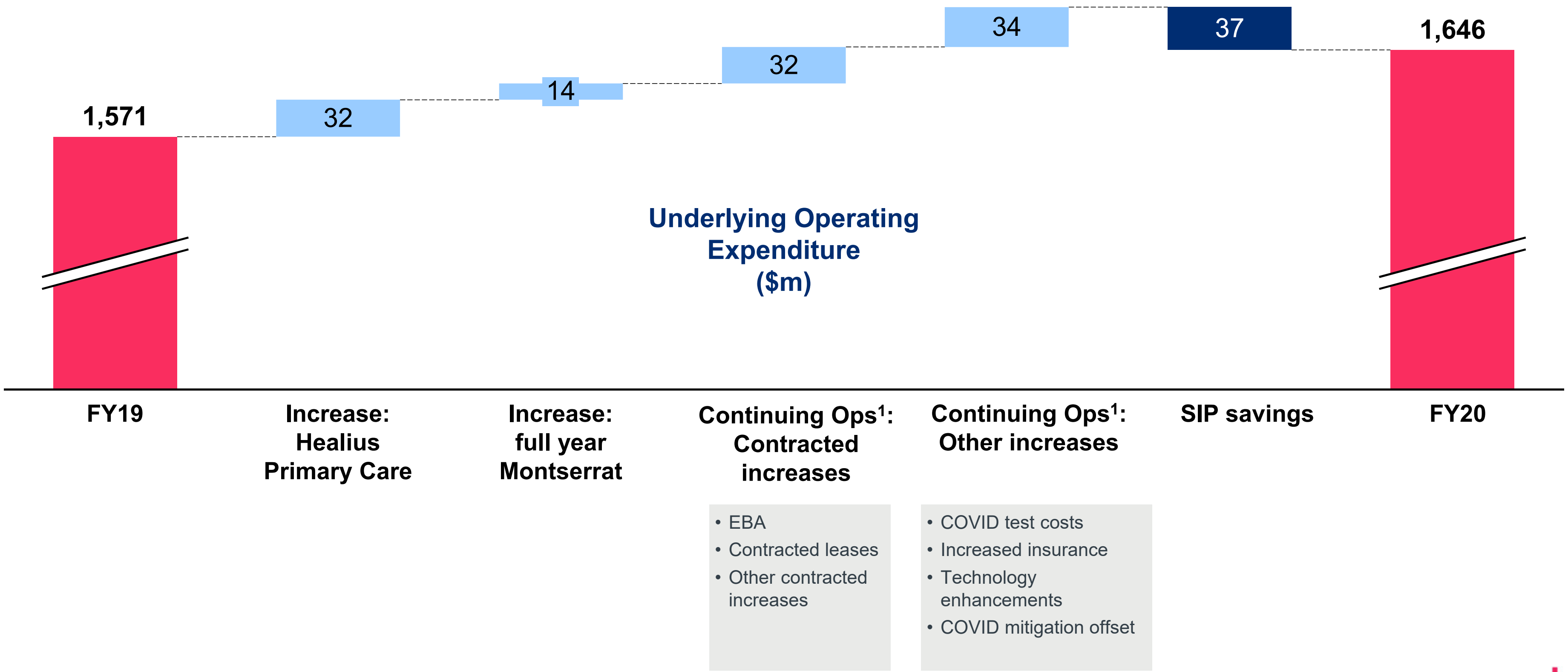


- FY19 launched SIP to systematically reduce costs and improve efficiencies
- Within ~$1.7b cost base, pathology and imaging labour, pathology property and pathology consumables identified as largest addressable opportunities
- Announced target of $70m annualised savings, 4-5% of cost base, to be delivered over 3-4 year period
- Focus on quick wins in duplications of functional roles and property renegotiations

Underlying costs before depreciation and amortisation and impact of AASB 16

Sustainable Improvement Program FY20: Cost Bridge

Driving efficiencies and price savings to offset cost inflation

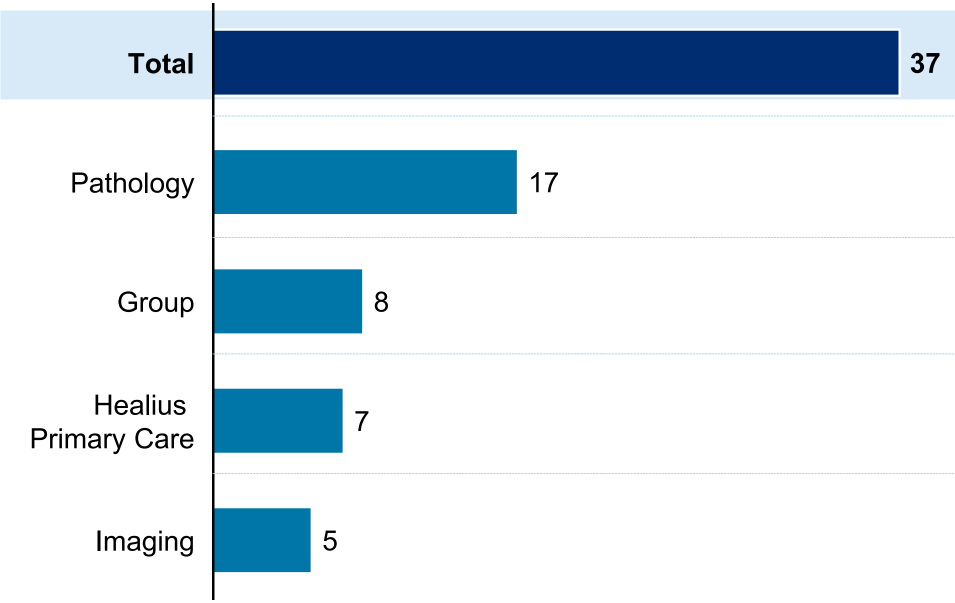


Underlying costs before depreciation and amortisation and impact of AASB 16. [1] Excluding Montserrat

Sustainable Improvement Program FY20: Savings

$37m[1] in-year saving and $54m[2] in run-rate saving achieved

SIP Savings $m



	Category	Key Initiatives
Pathology	• Labour initiatives $13m • Other $4m	• PIP initiatives around ACC and labs • Role consolidations • Serum Work Area upgrade
Group	• Labour initiatives $2m • Other initiatives $6m	• Management redundancies • Security in-sourcing • Telco contract mgmt
Healius Primary Care	• Labour initiatives $4m • Other initiatives $3m	• Closure of contact centre • Role consolidation • Lease renegotiations
Imaging	• Labour initiatives $4m • Consumables $1m	• Voice recognition technology • Shift to zero film • Role consolidations

[1] $37m in-year savings after implementation costs of $13m, include $7m relating to Healius Primary Care
[2] $54m annualised savings after implementation costs of $13m, include $10m relating to Healius Primary Care

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Sustainable Improvement Program FY21

Driving margin expansion

✓ **Program focused on addressing more complex but higher value structural improvements to drive margin improvement beyond BAU trading**

✓ **Expanded scope to include revenue growth initiatives and growth capex**

Digitisation and automation

- Improve ‘front-end’ with digital self-serve options for customers
- Make ‘back-end more efficient by standardising and automating processes

Network optimisation

- Rationalise network footprints in Pathology and Imaging, including ACCs, laboratories, warehouses, community imaging facilities

Workforce management

- Workload balancing to improve work rates
- Deploying more advanced rostering tools to schedule labour better

Sourcing

- Instigate direct sourcing or re-tendering to reduce costs of external spend, currently at $750m

Operating model redesign

- Redesign of corporate centre and head offices of business units delivering benchmark support cost model
- Healius Primary Care sale reduces operational complexity of group
- Further savings in overheads of $15m+ in FY21 and FY22:
  - Offshoring and outsourcing in transactional support services
  - Re-contracting key support service areas – Telco, Property Management
  - Streamlining IT and HR systems and processes

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FY 20 overview

Regular trading updates to be provided

Results

- ✓ FY20 underpinned by Pathology's strong trading
- ✓ Proactive response to COVID-19 with testing facilities, drive-throughs and GP telehealth, while maintaining permanent staffing levels

Current trading

- ✓ Strong trading in Pathology with elevated COVID testing supporting positive outlook for FY21

Balance sheet

- ✓ Cash conservation, capital constraint and debt refinance delivered gearing ratios within covenants and increased liquidity

Margin expansion

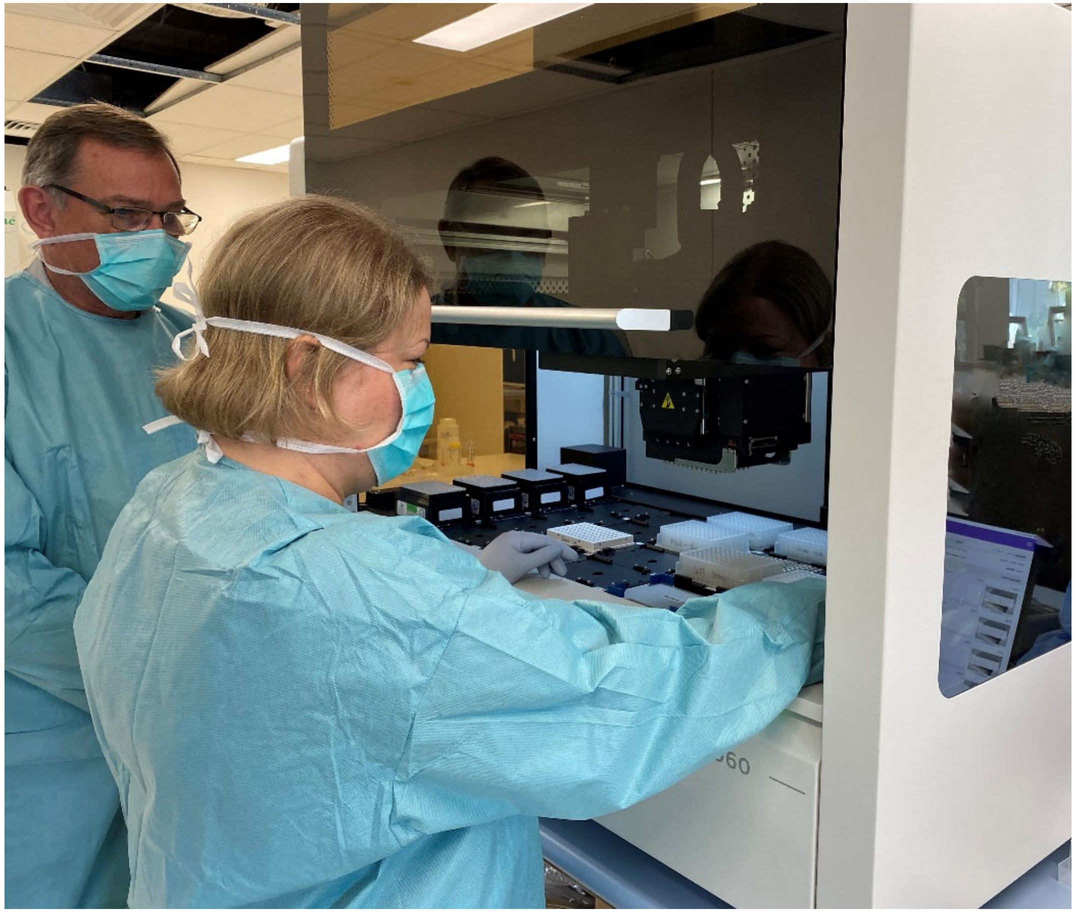
- ✓ Sustainable Improvement Program targeting margin expansion from more complex but higher value structural improvements
- ✓ Rationalisation of non-underlying spend

Portfolio simplification

- ✓ Sale of Healius Primary Care to deliver portfolio simplification, strengthened Balance Sheet and improved free cash flow
- ✓ Overheads to be right-sized following sale

Capital management

- ✓ Capital structure review including consideration of an out-of-cycle dividend and other capital uses



Divisional Results & Strategy

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Pathology

Underlying	FY 2020 $m	FY 2019 $m	Better/ (worse) %
Revenue	**1,160.1**	**1,128.3**	2.8
EBITDA	**142.3**	**136.1**	4.6
Depreciation	**(20.9)**	**(19.8)**	(5.6)
Amortisation	**(6.3)**	**(5.3)**	(18.9)
EBIT	**115.1**	**111.0**	3.7
Total capital expenditure	**36.9**	**35.1**	(5.1)

Revenue

- Volumes down 1.5% (3.6% excluding COVID-19 testing) including strong trading outside of COVID lock-down
- Average fee up 2.9% from HLS initiatives such as ECG private billing, overseas patient billing and health fund gap billing
- MBS COVID fee enabling private sector's contribution in fight against COVID-19

EBIT – small margin expansion despite COVID

- Mitigation measures included temporary closure of metropolitan sites and labour management. Employment levels maintained for permanent staff
- ~$11m in Government support accrued for April without which other measures would have been taken

Controlled capex spend, below pcp when adjusted for $5.2m M&A, focused on strategic projects, laboratory refurbishments and scientific equipment

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Pathology

Strategic initiatives

Revenue growth

- Commercial opportunities (COVID testing for Federal Government, AFL, passengers travelling to/via UAE)
- Continued growth in specialties including genetics (6% rise in FY20 to $6m EBIT)

Network optimisation

- Right-sizing ACC and laboratory footprint based on value not volume

Digitisation

- Customer journey (e-orders and results) to maximise efficiencies and improve experience
- Complete Serum Work Area upgrade (main lab testing equipment)
- Undertake Laboratory Information System upgrade *(See next slide)*

Workforce management

- Planning and rostering initiatives to drive operational efficiencies

Drive through COVID-19 testing clinic

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Pathology LIS

	Description	Benefits
Immediate risk mitigation	• Development of a modern database for core laboratory activity with additional work to support third party services e.g. Medicare APIs, and a new solution for transfusion medicine	• Greatly reduced risk of disruption to core pathology activities e.g. database end-of-life, IT security, billing continuation, and regulatory compliance
Unifying towards a single LIS	• Update of processes and systems to enable a single LIS solution for the business	• Reduced technology support costs, shorter development cycles, improved business intelligence, improved and more efficient quality control, de-risked transition for future core software upgrades
Next generation functionalities	• LIS upgrades for business optimisation across supply chain, logistics and back-office, but also on new functionalities like full 'track-and-trace' • Future functionalities can either be added through bolt-ons on an existing LIS or through a more comprehensive system upgrade	• Significant direct and indirect operational efficiencies and revenue opportunities

Imaging

Underlying	FY 2020 $m	FY 2019 $m	Better/ (worse) %
Revenue	**376.7**	**391.3**	(3.7)
EBITDA	**31.8**	**53.8**	(40.9)
Depreciation	**(12.1)**	**(13.4)**	9.7
Amortisation	**(2.5)**	**(2.0)**	(25.0)
EBIT	**17.2**	**38.4**	(55.2)
Total capital expenditure	**13.4**	**22.1**	39.4

Revenue

- 4.5% up Feb Y-T-D
- 19.1% down March-June with COVID-19 lockdown/some recovery with resumption of elective surgery
- No natural hedge, unlike Pathology with COVID testing

EBIT

- Largely fixed cost base but some mitigation measures including reduced opening hours, site closures and labour management
- No Government assistance. Nevertheless, employment levels maintained for permanent staff

Controlled capex spend below pcp, focused on strategic projects and site refurbishments

Imaging

Strategic initiatives

Revenue growth

- Continue to develop and grow higher margin hospital channel including new tenders
- Leverage iCAR to target top 5 speciality referral groups to grow revenue

Digitisation

- iCAR roll-out complete (exc. certain 'parked' sites) improving radiologist workflow, voice recognition, referrer delivery channel and images. Cost efficiencies being realised
- Digitisation of end-to-end patient journey (referral, booking forms, check-in, results) with benefit flows FY22 onwards

Network optimisation

- Rationalisation of national footprint in particular community sites in NSW

Workforce management

- Benchmarking and rostering initiatives to drive operational efficiencies

Healthcare Imaging, Kogarah

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Montserrat

Underlying	FY 2020 $m	FY 2019[1] $m	Better/ (worse) %
Revenue	**34.2**	**18.9**	81.0
EBITDA	**5.4**	**1.8**	200.0
Depreciation	**(2.3)**	**(1.2)**	(91.7)
Amortisation	**0.0**	**(0.2)**	100.0
EBIT	**3.1**	**0.5**	520.0
Total capital expenditure	**2.6**	**4.2**	(38.4)

Revenue

- Strong growth in 4 new sites[2] including flagship Westside Private in Brisbane
- Impacted by clinical restrictions in mid-March/April but moved back to pre-COVID levels in May/June

EBITDA

- Broadly at acquisition expectations[3], with new sites delivering $2.6m contribution
- $0.6m assistance from JobKeeper for 7 hospitals
- Importantly, revenue up 27% in July and EBITDA up nearly double pcp

Lower capex spend after investment in new hospitals in FY19

Westside Private Hospital

[1] FY 2019 consists of 8 months of trading
[2] Albany Day Hospital, Westside Private, Westside Haematology & Oncology and Western Haematology & Oncology
[3] $6m proforma EBITDA adjusted by $1m for WA M&A which did not transpire

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IVF / Healius Day Hospitals

IVF Underlying	FY 2020 $m	FY 2019 $m	Better/ (worse) %
Revenue	18.7	17.0	10.0
EBITDA	(1.8)	0.5	(460.0)
Depreciation	(1.2)	(0.9)	(33.3)
Amortisation	(0.2)	(0.1)	(100.0)
EBIT	(3.2)	(0.5)	(540.0)
Total capital expenditure	3.4	3.9	(13.4)

HLS Day Hospitals Underlying	FY 2020 $m	FY 2019 $m	Better/ (worse) %
Revenue	12.5	10.8	15.7
EBITDA	(5.3)	(2.5)	(112.0)
Depreciation	(1.4)	(0.8)	(75.0)
Amortisation	0.0	0.0	n.a.
EBIT	(6.7)	(3.3)	(103.0)
Total capital expenditure	2.2	6.2	(64.5)

IVF (Adora Fertility)

- $18.7m revenue up 10% on volume decline of 6% with 2H 20 volumes impacted by COVID-related restrictions
- $3.2m EBIT loss including COVID-19 impact, with no Government support during 4-week shut-down
- Importantly, June and July were profitable, with demand strong and pricing initiatives introduced

Healius Day Hospitals

- $12.5m revenue with 2H 20 volumes impacted by restrictions on elective surgery
- $6.7m EBIT loss including COVID-19 impact, closure of Bankstown, 1-offs from separation from Healius Primary Care
- $1.1m in viability agreements with State Governments, predominantly during 5-week restriction to category 1 surgeries

Day Hospitals

Strategic initiatives

Montserrat – strong growth expected to build third platform of Healius portfolio

- Continued ramp-up of 4 new sites which are expected to double contribution in FY21
- Oversight of cost control and efficiency
- Inorganic growth through acquisition

Healius Day Hospitals – turnaround loss to deliver value

- Margin improvement initiatives including labour management, merging billing systems to Montserrat's, and focus on business development
- Network optimisation with closure of Bankstown and sale of Eye Clinics - DSU to partner with GP owners rather than operating individual specialist clinics

IVF – capitalise and monetise market share to deliver profitable growth

- Optimisation of performance through digitisation of delivery activities
- Increase revenue per cycle by monetisation of selective services
- Capacity upgrade in WA

Westside Private Day Hospital

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Corporate

Underlying	FY 2020 $m	FY 2019 $m	Better/ (worse) %
Revenue	**0.1**	**0.3**	(66.7)
EBITDA	**(15.3)**	**(15.8)**	3.2
Depreciation	**(4.3)**	**(3.1)**	(38.7)
Amortisation	**(3.3)**	**(1.3)**	(153.8)
EBIT	**(22.9)**	**(20.2)**	(13.4)
Total capital expenditure	**9.7**	**6.6**	47.0

Support and corporate services

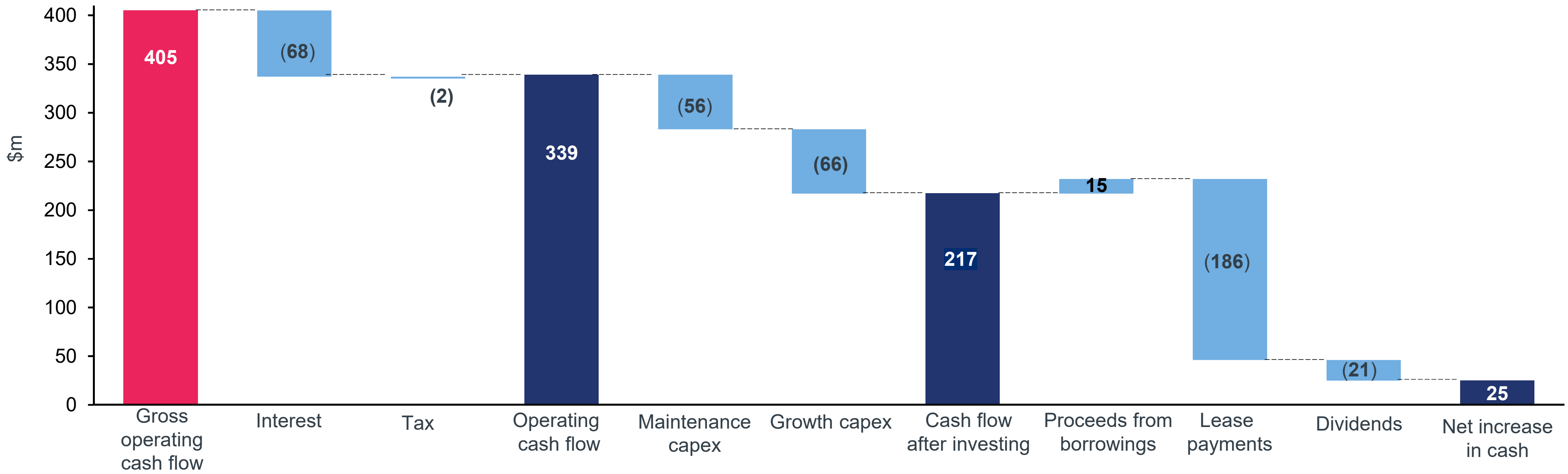
- $90m costs managed at a group level, primarily centralised support services and core corporate costs
- $70m divisional overhead allocations based on headcount, footprint, usage. Reset at appropriate go-forward rates in 2H 20
- Operating model redesign delivering a simpler model

FY 2020

- $8m in-year SIP savings primarily from labour ($7m+ annualised run-rate) and group network costs
- Partially offsetting increases, in particular IT and property costs and significant price rises in insurance
- Increase in capex related to projects: IT security and hybrid cloud, transformational payroll and finance projects

Cash flow, gearing & dividend

Cash flow



OCF

- OCF before AASB 16 $153.4m[1] (FY19 $127.6m). 2H 20 cash conservation and deferrals of taxes mitigated COVID-19 impacts

Capital expenditure

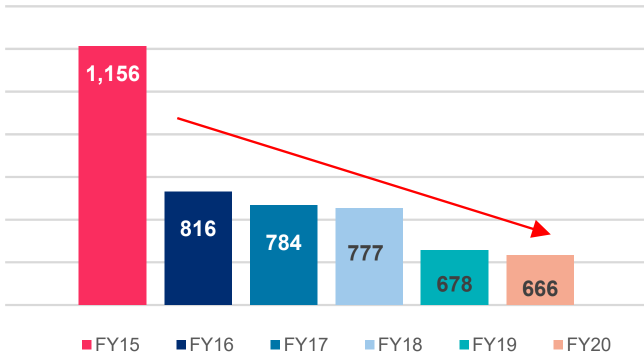
- Maintenance capex $55.9m of which continuing operations $34.3m (discontinued operations $21.6m including $18.0m HCP upfronts)
- Growth capex $66.0m (FY19 $176m incl $68m on Montserrat):
  - Continuing operations $44.7m:
    - $10.7m strategic projects[2]
    - $11.0m Montserrat earn-out for commissioning 4 new sites
    - $5.2m Pathology M&A
  - Discontinued operations $21.3m:
    - $10.4m earn-outs and acquisitions

[1] Refer slide 40 [2] Refer slide 36

Gearing and dividends

Reported $m	As at 30 June 2020	30-Jun-19
Bank and finance debt[1]	**810.5**	797.9
Cash[2]	**(144.5)**	(119.7)
Net debt	**666.0**	678.2
Equity	**1,935.4**	2,051.1
Bank gearing ratio (covenant <3.5x)[3]	**2.7x**	2.4x
Bank interest ratio (covenant >3.0x)	**8.9x**	9.5x

Net debt reduction



Gearing

- Significant improvement in leverage since FY15
- $470 million[4] cash proceeds from sale of HPC expected in 1H21
- Flexibility for value-generating M&A or other capital management

Dividends

- 1H 20 dividend declared but payment delayed to Oct 20 due to COVID
- Not considered appropriate to declare final FY20 dividend given assistance of stakeholders in 2H 20
- Out-of-cycle dividend to be considered as part of capital structure review following completion of HPC sale

[1] Bank loans and finance liabilities shown net of unamortised borrowing costs
[2] FY20 cash includes $137.5 million from continuing operations and $7.0 million from Healius Primary Care
[3] Bank gearing ratio is calculated based on underlying EBITDA before the impact of AASB 15 and 16 and adjusted for share-based payments
[4] Up to $75 million may be deferred up to 18 months, payable once the dental business returns to pre-COVID-19 trading levels. Also movements in working capital, capital expenditure and sale costs until completion. Excludes any contingent liabilities to be retained

Appendix Healius Group today

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A specialist diagnostic and day hospitals business with leading market positions and scalable platforms

Pathology

- Scale player in mature market (#2)
- 1 in 3 pathology samples tested in Healius laboratories
- Established brands
- Clinical leadership in growth areas including genetics and dermatology
- State-of-the-art, automated Serum Work Area
- Scalable platform where synergies can be delivered

Imaging

- Scale player in growing market (#3)
- 3m+ radiology examinations p.a.
- Strong position in attractive hospital sector, backed by success in major PPP hospital (Northern Beaches)
- Single, unified and leading IT platform completed
- Scalable platform where synergies can be delivered

Day Hospitals

- History of profitable growth in Montserrat
- Major player in fragmented industry
- Proven synergy platform
- Successful funding model including established HPPA[1] agreements
- Market with economic, technological and regulatory tailwinds
- Westside Private - the prototype for day surgery in Australia

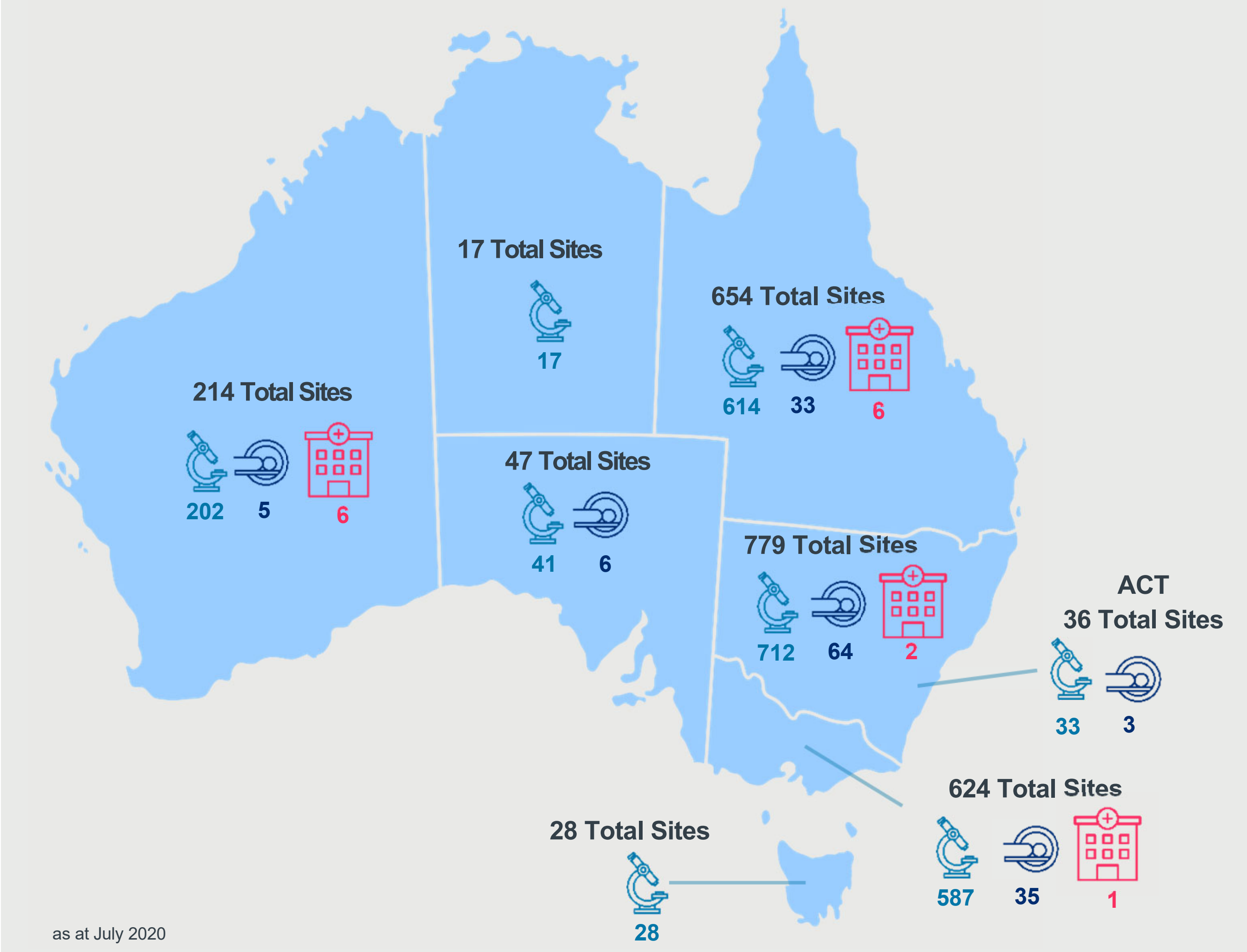
[1] *Hospital Purchaser Provider Agreement*

A market leading network

Australia-wide coverage[1]

2,399 Total sites

2,234 Pathology	**2,137 ACCs** **97 Laboratories**
15 Day Hospitals	**15 Montserrat** 4 IVF clinics
146 Imaging	**31 Hospitals** **61 Community Centres** **54 Medical Centres**



as at July 2020

[1] *Healius Primary Care is held for sale. It comprises 69 large scale medical centres, 13 Health & Co practices and 62 dental clinics. 4 other small scale medical centres have been retained by Healius and are in the process of being closed*

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Appendix
Reconciliations

Divisional reconciliation

Underlying EBIT

FY 2020 $m	Pathology	Imaging	Day Hospitals	Corporate	Group[1]
Revenue	1,160.1	376.7	65.4	0.1	**1,600.4**
EBITDA	142.3	31.8	(1.7)	(15.3)	**157.0**
Depreciation	(20.9)	(12.1)	(4.9)	(4.3)	**(42.3)**
Amortisation	(6.3)	(2.5)	(0.2)	(3.3)	**(12.0)**
EBIT	115.1	17.2	(6.8)	(22.9)	**102.7**

FY 2019 $m	Pathology[2]	Imaging[2]	Day Hospitals	Corporate[2]	Group[1]
Revenue	1,128.3	391.3	46.7	0.3	**1,565.4**
EBITDA	136.1	53.8	(0.2)	(15.8)	**174.0**
Depreciation	(19.8)	(13.4)	(2.9)	(3.1)	**(39.2)**
Amortisation	(5.3)	(2.0)	(0.3)	(1.3)	**(8.9)**
EBIT	111.0	38.4	(3.3)	(20.2)	**125.9**

[1] $1.9m of intercompany revenue/expenses have been eliminated at the Group level (FY19 $1.2m)
[2] FY19 includes minor restatement of long service leave balances: Pathology $0.1m, Imaging $0.3m, Corporate $0.1m

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Day Hospitals reconciliation

Underlying EBIT

FY 2020 $m	Montserrat	HLS DS	IVF	Day Hospitals Total
Revenue	34.2	12.5	18.7	**65.4**
EBITDA	5.4	(5.3)	(1.8)	**(1.7)**
Depreciation	(2.3)	(1.4)	(1.2)	**(4.9)**
Amortisation	0.0	0.0	(0.2)	**(0.2)**
EBIT	3.1	(6.7)	(3.2)	**(6.8)**

FY 2019 $m	Montserrat	HLS DS	IVF	Day Hospitals Total
Revenue	18.9	10.8	17.0	**46.7**
EBITDA	1.8	(2.5)	0.5	**(0.2)**
Depreciation	(1.2)	(0.8)	(0.9)	**(2.9)**
Amortisation	(0.2)	0.0	(0.1)	**(0.3)**
EBIT	0.5	(3.3)	(0.5)	**(3.3)**

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Underlying v reported reconciliation

FY 2020 $m	Reported	Discontinued Operations	Non Underlying Items	Non-Underlying ATO case	AASB 16 impact	Underlying
EBIT	**76.0**		43.2		(16.5)	**102.7**
Interest	**(29.6)**			(23.6)	29.7	**(23.5)**
PBT	**46.4**				13.2	**79.2**
Income Tax benefit/(expense)[1]	**25.6**			(46.6)	(4.0)	**(23.8)**
NPAT continuing operations	**72.0**				9.2	**55.4**
NPAT discontinued operatons	**(142.5)**	142.5				
		Slide 33	Slide 35	Slide 37	Slide 39	

[1] Reported and underlying tax expense does not reconcile due to non-deductible items within statutory tax expense. Underlying tax is assumed at 30%.

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Discontinued operations

Discontinued Operations Proft/(Loss) on disposal	FY 2020 $m	FY 2019 $m	
Revenue from Contracts with Customer	253.7	243.9	
Expenses	(236.3)	(234.9)	
Earnings before interest, tax and impairment	**17.4**	**9.0**	Slide 34
Net finance costs	(21.5)	(8.6)	
Profit before Tax	**(4.1)**	**0.4**	
Impairment less costs to sell	(151.0)	0.0	Primarily non-cash goodwill
Loss before tax from discontinued operations	**(155.1)**	**0.4**	
Income tax (expense) / benefit from discontinued operations before impairment loss	(1.6)	(2.3)	
Income tax benefit on impairment loss	14.2	0.0	
Profit / (Loss) for the year from discontinued operations	**(142.5)**	**(1.9)**	

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Discontinued operations (cont'd)

Discontinued Operations Reconciliation to Medical Centres segment	FY 2020 $m	FY 2019 $m	
Medical Centres underlying EBIT (profit)		37.4	Includes $0.2m restatement for LSL
Plus Day Hospitals underlying EBIT (loss)		3.3	
HPC EBIT	**27.5**	**40.7**	
Less: Non-underlying items (primarily Project leapfrog)	(21.7)	(16.7)	
Less: Transactions with continuing operations	**(9.7)**	(15.0)	Deduction for transactions with continuing operations which are required to be eliminated in reporting results of discontinued operations
Addback: AASB 16 adjustment	**21.3**	-	Impact of AASB 16
Reported EBIT	**17.4**	**9.0**	

Non-underlying items

	FY 2020 $m	
Strategic projects	18.3	Strategic projects in Pathology, Imaging and Corporate. Details slide 36
Montserrat acquisition	14.5	Montserrat earn-out increased due to expected improvement in performance
Impairments	11.6	Primarily impairments for Healius Day Hospitals and Eye Clinics, now stand-alone
Other	8.5	Including redundancies from organisational simplification, surplus HO space from more flexible operating model for HO employees
Transactions with discontinued operations	(9.7)	Credit for transactions with discontinued operations which are required in reported results but are not eliminated in underlying results
EBIT	43.2	

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Strategic projects

Only Laboratory Platforms to remain in FY21 and onwards

FY 2020 $m	Laboratory Platforms	iCAR	Corporate	Total
Total Opex (adjusted between reported and underlying)	**9.9**	**3.0**	**5.4**	**18.3**
Property, plant & equipment	1.8	0.8	0.0	**2.6**
Intangibles	4.0	4.1	0.0	**8.1**
Total Capex	**5.8**	**4.9**	**0.0**	**10.7**
Total Project Costs	**15.7**	**7.9**	**5.4**	**29.0**

- Opex costs are adjusted between reported and underlying results
- Future adjustments:
  - iCAR to cease after FY20
  - Corporate projects to cease after FY20
  - Leapfrog costs transferred to discontinued operations
  - Laboratory platforms in Pathology remain as non-underlying item

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Tax case 2003-2007

- Healius was advised in 2015 by the Commissioner of Taxation ("the Commissioner") that lump sum payments made by it to healthcare practitioners for the financial years 2010 to 2014 were tax deductible.
- Healius subsequently filed an application for similar tax deductions for the financial years 2003 to 2007[1], subject to the Commissioner's discretion in allowing an out-of-time objection.
- Following the Commissioner's decision not to allow such an objection, Healius commenced legal proceedings, which culminated in a favourable decision in November 2019 by the Federal Court of Australia.
- The Commissioner appealed to the Full Court of the Federal Court of Australia. A hearing was held on 11 and 14 August 2020 and the decision is pending
- Healius has recognised the following as one-off items in its reported results after the introduction of AASB Interpretation 23 (Clarification of accounting for uncertain tax treatments) and the favourable Federal Court ruling:
  - $46.6m income tax benefit and tax receivable
  - $23.6m interest benefit and receivable (less tax of $7.1m)

[1]*Healius was in a loss-making position for taxation purposes during FY 2008 and FY 2009*

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AASB 16: Key impacts FY20

AASB 16, which removes the distinction between operating and finance leases, was adopted on 1 July 2019. It has no economic impact on Healius, nor on its covenants, cash flows or shareholder value.

The financial impacts are as follows:

- On the P&L, interest and depreciation charges replace property rental expense, impacting EBITDA EBIT and NPAT, with a NPAT loss of $9.2 million
- On the Cash Flow, principal and interest payments replace payments to suppliers, impacting operating and financing cash flows, with nil impact on net cash flow
- On Balance Sheet, all leases (except for short-term leases / leases of low value assets) are recognised as an asset and a liability. Overall there is a closing net asset reduction of $57.5m

The overall net impact on Healius' reported results in FY20 is a loss of $9.2 million due to a range of factors including:

- Many of Healius' large leases are relatively new and the recognition of interest costs is higher in the early years,
- The majority of Pathology leases, which are small leases and/or have CPI increases, cannot be valued at a modified right of use asset value (which would be lower) delivering a higher P&L expense in FY20
- Both of the above impacts will unwind over the next three years with the P&L impact reversed (refer slide 39)

With sale of HPC, new leases will be entered into in FY21 which will have an estimated additional negative NPAT impact in excess of $5m

Healius has applied the new standard using the modified retrospective approach, which requires no restatement of comparative information. Because of this underlying performance has been stated before the impact of AASB 16. From FY21 onwards, underlying performance will be stated including the impact of AASB 16.

AASB 16: Key impacts FY20

P&L	FY 2020 $m	FY 2020 $m	
Property & other expenses	180.2		Operating lease expense reversed
EBITDA		**180.2**	
Depreciation	(163.7)		Depreciation of right of use asset recognised
EBIT		**16.5**	
Finance costs	(29.7)		Interest paid on lease liability recognised
Profit before tax		**(13.2)**	
Tax @ 30%	4.0		
NPAT		**(9.2)**	

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AASB 16: Key impacts FY20

Cash Flow	FY 2020 $m	FY 2020 $m	
Gross cash flows from operating activities	226.8		Operating lease payments reversed from gross operating cash flows
Interest paid on lease liabilities	(41.0)		Interest paid on lease liability recognised in operating cash flows
Net cash provided by operating activities		**185.8**	
Payments of lease liabilities	(185.8)		Principal payments on lease liability recognised in financing cash flows
Net cash used in financing activities		**(185.8)**	

Balance Sheet	FY 2020 $m	FY 2020 $m	
Right of use assets	876.9		Leases recognised as an asset and depreciated
Total assets		**876.9**	
Current interest bearing lease liabilities	(176.6)		Leases recognised as a liability representing
Non-current interest bearing lease liabilities	(757.8)		Future lease payments discounted at incremental borrowing rate
Total Liabilities		**(934.4)**	

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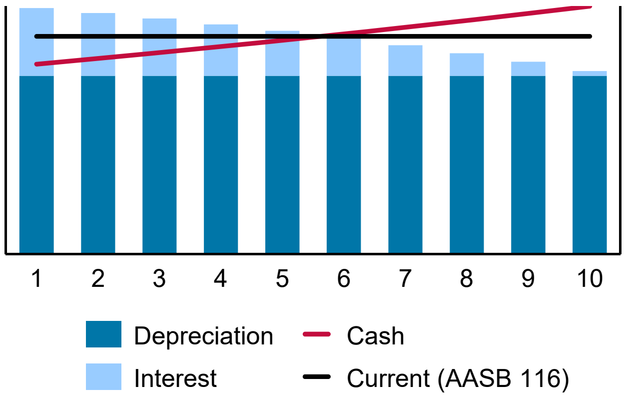
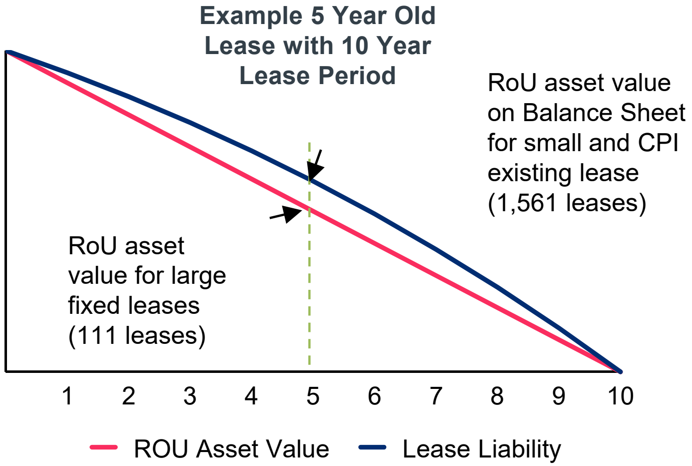
AASB 16: Key impacts going forward

Key P&L Impact Driver	Description	Illustration	P&L Impact	Forward Outlook
NEW LEASES **Diminishing Interest vs Straight Line Expense *(permanent)***	• Operating lease payments previously recognised as an expense on a straight-line basis over the lease term • Under AASB 16 this becomes depreciation of RoU asset + interest on lease liability		• Interest reduces over time as lease liability reduces • AASB 16 Less favourable to P&L in early lease years and more favourable in later lease years	P&L impact will reverse as the interest cost unwinds as the average lease age increases
EXISTING LEASES **Right of Use *(permanent)* & Modified Right-of-Use *(temporary)***	**CPI Leases And Small fixed rent increases:** ROU Asset Value = Lease liability = PV of future lease payments **Large (>$100,000 PA) with fixed rent increases** Modified ROU Asset Value = (notional WDV) Lease liability = PV of future lease payments		• CPI Leases: Not all existing leases can be valued using modified retrospective approach resulting in higher asset values and higher depreciation • Large Leases: Using the modified retrospective RoU approach results in a lower right-of-use asset on initial adoption and accordingly lower depreciation over the remaining lease term • Timing difference reduces opening equity by $29M which reverses over the term of the lease	This impact will unwind over time as leases expire and new RoU assets can be valued based on depreciated asset value

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