FY 2021 Results

Year ended 30 June 2021

30 August 2021

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Pivotal role in country’s response to COVID-19 pandemic

Huge effort by all staff with 5.75 million COVID-19 PCR tests to date

- Reconfiguring laboratories and investing in equipment to perform PCR testing
- Setting up and servicing multiple COVID testing centres
- Sourcing reagents, equipment, PPE, marquees, communications equipment
- Operating facilities often 24/7 in all sorts of conditions
- Maintaining capacity to manage surge testing during outbreaks

Innovation in systems

- Absorbed extra testing
- Moved testing between states delivering a seamless national service
- Introduced new technology and innovations

Building a sustainable business

Our Business

Sustainable Improvement Program aptly named with investment to drive growth

- ✓ Data-led operations
- ✓ Consumer-centricity
- ✓ Product innovation
- ✓ Network optimisation
- ✓ Core competencies for the future

Our Shareholders

Streamlined portfolio delivering higher returns and cash flows

Organic growth in Day Hospitals and diagnostic commercial streams

$101 million in share buy-back and $80.5 million in FY21 dividends

Strong capital position to fund growth

Our People

Extra 3 days leave to all over Christmas

Allowing leave balances to grow when holiday travel not possible

New parental leave policy

New resources hub

Rewards for hard work across the Group

Our Communities

Focus went far beyond budgeted metrics to ensuring we played a pivotal role in Australia’s public health response to the pandemic

Non-COVID healthcare services delivered safely, efficiently and effectively despite lockdowns

Our Customers

Commitment to carbon neutrality by 2025 and emissions reductions in train

Innovation in COVID-19 improved consumer interaction

Investing in leading-edge applications to permanently change for the better how consumers access diagnostic healthcare in Australia

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Group results

Group $m	Underlying[1] FY 2021	Underlying[1] FY 2020	Reported[2] FY 2021	Reported[2] FY 2020
Revenue	**1,913.1**	1,572.4	**1,900.7**	1,557.0
EBIT	**266.5**	129.0	**255.4**	92.1
NPAT (Reported inc. discontinued operations)	**148.4**	53.1	**43.7**	(70.5)
Cash flow from operating and investing activities			**912.9**	**285.0**
Dividend cps 100% franked			**13.25**	**2.6**

Underlying results at record levels and materially up on softer pcp

- Underpinned by a strong result in Pathology and Day Hospitals
- SIP focus on cost control and revenue growth
- Includes impact of AASB16 with pcp restated for comparability

Gap to reported results materially reduced

- Significant reduction in non-underlying spend on projects, 4% gap between underlying and reported EBIT[2]

Strong cash flow and capital recycling

- Strong operating cash flow ($525.9 million) and net capital recycling ($386.9 million) delivering significantly stronger balance sheet

Dividend

- Final dividend of 6.75 cps and total of 13.25 cps (62% of reported NPAT payout ratio after positive adjustment for ATO tax case[3])

[1]All comments relate to underlying results unless noted *[2] Reconciliation slide 26* *[3] Refer slide 28*

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Pathology

Underlying	FY 2021 $m	FY 2020 $m	Better/ (worse) %
Revenue[1]	**1,452.1**	**1,160.1**	25.2
EBITDA	**428.3**	**274.2**	56.2
Depreciation	**(168.2)**	**(143.5)**	(17.2)
Amortisation	**(7.3)**	**(6.3)**	(15.9)
EBIT	**252.8**	**124.4**	103.2
Total capital expenditure	**32.5**	**36.9**	11.9

Revenue up 25% and EBIT up 103%

- Extensive COVID-19 testing, with community testing through 89 dedicated sites, hospital and aged care facilities, supplemented by commercial initiatives for governments, workplaces, sporting codes and travel companies
- Growth in non-COVID revenue, with veterinary and genetics testing the highlight
- SIP initiatives included:
    - Successful ACC optimisation (8% network reduction) delivering EBIT benefit
    - Increased revenue from commercial initiatives

Targeted capital investment including new Western Diagnostics Laboratory and upgraded Serum Work Area together with digital initiatives

[1] *Revenue includes $9.8 million deferred government grants relating to April and May 2020. EBIT benefit offset by additional bad debts expense after review of old account balances e.g. overseas health funds and private accounts*

Imaging

Underlying	FY 2021 $m	FY 2020 $m	Better/ (worse) %
Revenue	**406.9**	**376.7**	8.0
EBITDA	**84.5**	**70.2**	20.4
Depreciation	**(50.8)**	**(45.8)**	(10.9)
Amortisation	**(2.8)**	**(2.5)**	(12.0)
EBIT	**30.9**	**21.9**	41.1
Total capital expenditure	**18.6**	**13.4**	(38.8)

Revenue up 8% and EBIT up 41%

- Revenue up, with a strong 2H 2021 up 18% on a softer pcp
- Broadly on a par with market, after adjusting for Victoria (where division has large hospital portfolio and strong metropolitan presence) / network optimisation (footprint 8% smaller)
- On-going growth at Northern Beaches Hospital a highlight
- Headline margin impacted by Victorian lockdowns (historically division's strongest performer) and additional COVID-19 related costs
- SIP initiatives delivered EBIT benefit from network optimisation. Productivity improvements in NSW trials to be rolled out in FY 2022

Targeted capital investment in Orange, NSW, upgraded equipment purchased outright rather than leased, and preparation for Lumus brand launch. Acquisition of Axis Diagnostics (completed in FY 2022) to extend existing footprint

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Day Hospitals

Underlying	FY 2021 $m	FY 2020 $m	Better/ (worse) %
Revenue	**49.5**	**37.4**	32.4
EBITDA	**15.5**	**9.7**	59.8
Depreciation	**(6.5)**	**(6.0)**	(8.3)
Amortisation	**0.0**	**0.0**	n.a.
EBIT	**9.0**	**3.7**	143.2
Total capital expenditure	**2.9**	**2.9**	0.0

Significant growth[1]

- Strong top line growth, with Montserrat hospitals contributing $45.8 million up 34% and Brookvale $3.7 million up 15%
- Montserrat's largest hospital, Westside Private, delivered 62% growth in revenue with good surgeon recruitment, record surgery numbers (almost 1,000 procedures in March), undertaking successful trials of short-stay orthopaedic surgery
- Montserrat achieved EBITDA at $14.8 million and EBIT of $8.3 million, materially above FY 2020 due to strong revenue growth combined with good cost control and despite COVID-19 lockdowns occasionally impacting procedure numbers
- Brookvale delivered a profitable result under the management of the Montserrat team, with EBITDA and EBIT of $0.7 million

Targeted capital investment in line with the previous year, primarily medical equipment and technology. Pipeline of greenfield and brownfield sites under consideration

[1] DH division now includes Montserrat and Brookvale Day Hospital. Adora and 3 co-located Day Hospitals are classified as discontinued operations

Corporate

Underlying	FY 2021 $m	FY 2020 $m	Better/ (worse) %
Revenue[1]	**6.8**	**0.1**	n.a.
EBITDA	**(14.5)**	**(10.4)**	(39.4)
Depreciation	**(8.0)**	**(7.5)**	(6.7)
Amortisation	**(3.7)**	**(3.1)**	(19.4)
EBIT	**(26.2)**	**(21.0)**	(24.8)
Total capital expenditure	**5.8**	**9.7**	40.2

Corporate overheads remain tightly controlled, under 2% of cost base

- Tightly managed on-going pressures in insurance, in particular D&O, and IT
- Achieved $15 million in support costs savings (for so-called ‘stranded’ costs after Medical Centres sale)
- 4Q21 commenced capability ramp up in strategy, corporate development incl. M&A, data analytics, and improved IT and HR support
- Expect corporate costs to rise by ~$5 million in FY 2022 with enhanced capabilities for managing existing portfolio and growth options and higher IT spend, while remaining below 2% of the total cost base

Targeted capital investment on IT security and payroll/time management systems

[1] Revenue from Transitional Services Agreement after HPC sale and subleases to Day Hospitals in Discontinued Operations – offset by increased costs

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Sustainability

Comprehensive review in progress to embed Sustainability across the Group

Environmental Initiatives

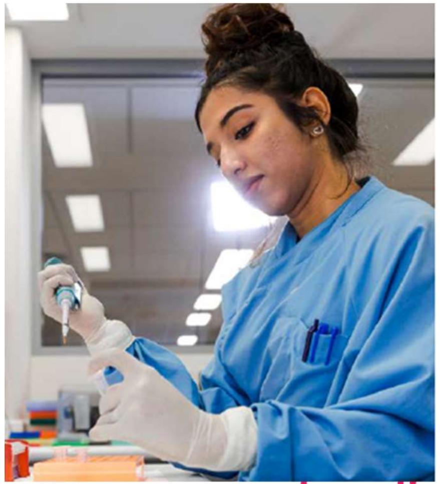
- **Stated goal to become carbon neutral by FY 2025**
- 34,000 CO_2-e scope 1 & 2 emissions in FY2021 (33,000 from Continuing Operations)
- Rolled-out solar panels & LED lights, consolidated waste management to two Tier 1 providers, approved acquisition of hybrid vehicles for courier fleet

Social Initiatives

- Already play a pivotal role in society through delivery of core healthcare services and now through our role in national COVID-19 public health response
- Series of programs for our people including paid parental leave, additional time-off over Christmas, wellbeing webinars

Governance Initiatives

- Undertaken a Board renewal process with 2 new female directors, meeting Board gender targets
- Investment in cyber security prevention



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Trading update

Very strong COVID-19 testing with emergence of Delta in Australia

Pathology

- Surge in COVID testing, especially in NSW, resulting in strong revenue
- COVID test numbers average above 40k per working day
- Non-COVID revenue ahead of pcp

Imaging

- Revenue slightly ahead of pcp with NSW impacted but VIC strongly up on weak comparative data

Day Hospitals

- Revenues on a par with pcp but some COVID impacts in August

Strategy

- Announced sale of Adora Fertility to Virtus
- Launched new Lumus Imaging brand and completed Axis acquisition in Imaging

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Capital management

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Capital Management

Delivering substantial improvement in shareholder returns

Capital Management Review December 2020

- Options to deploy the HPC sale proceeds
- Sustainable dividend policy providing certainty to shareholders and flexibility to the business within a range
- Capital needs of portfolio
- Headroom for growth scenarios
- Buffer for any future shocks
- Elimination of surplus debt facilities and hedges together with optimisation of funding costs

Outcomes

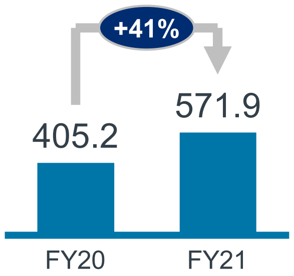
- On-market share buy-back $101 million completed by June 2021 (24.35 million shares at average of $4.14 per share)
- Aiming to return up to $200 million in CY 2021
- Revised dividend payout target of 50 – 70% of reported NPAT
- Aim of growing dividends in real terms over time
- Medium-term gearing target of 1.7x – 2.2x
- Debt facilities reduction by $495 million to $600 million
- Closing out of ineffective interest rate swaps

Capital position

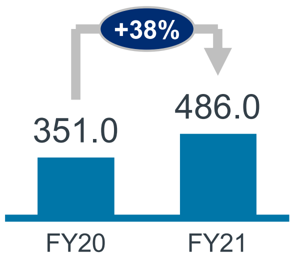
Strong balance sheet and cash conversion at 106%

Increasing cash generation

Gross operating cash flow



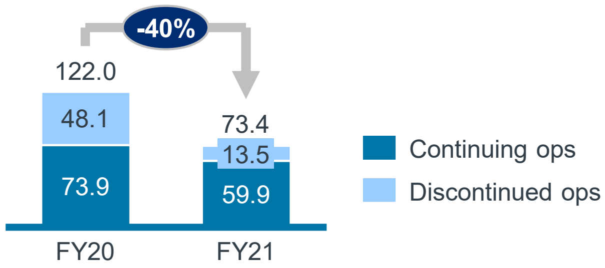
Free cash flow[1]



- Gross operating cash flow increased +41% to $571.9 million
  - 106% EBITDA conversion
  - Includes reversal of cash conservation measures from FY20
- Free cash flow[1] increased +38% to $486.0 million:
  - Increased contribution from Pathology
  - Significantly lower capital intensity

Reduction in capital requirements

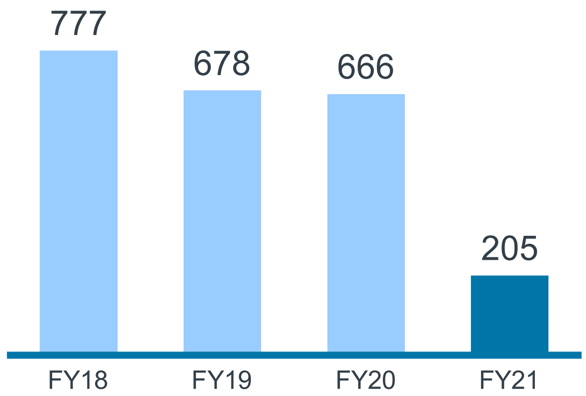
Capital Expenditure



- Capex reduced 20% to $59.9 million with disciplined expenditure:
  - New pathology laboratory in WA
  - Greenfield imaging facility in Orange, NSW
  - Upgrading imaging equipment and core IT systems repairing historic technology debt

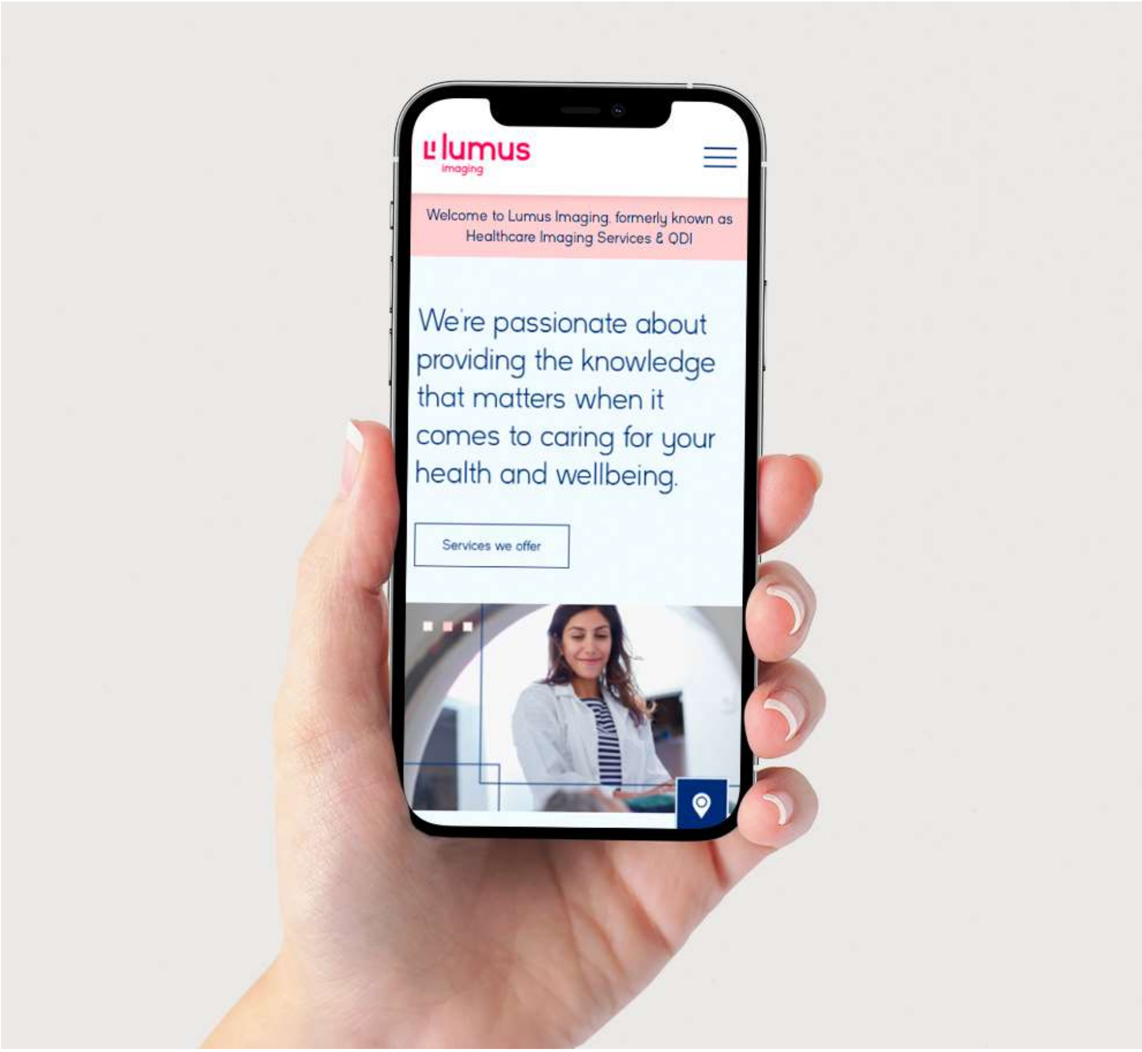
Flexible balance sheet

Net debt[2]



	As at	
	30-Jun-21	**30-Jun-20**
Bank gearing ratio (covenant <3.5x)[3]	**0.7x**	2.7x
Bank interest ratio (covenant >3.0x)	**10.0x**	8.9x

[1] Free cash flow measured by operating cash flow – maintenance capex
[2] Net debt shown net of unamortised borrowing costs together with $19.8 million of parent company guarantees
[3] Bank gearing ratio is calculated based on underlying EBITDA before the impact of AASB 15 and 16 and adjusted for share-based payments



Sustainable Improvement Program

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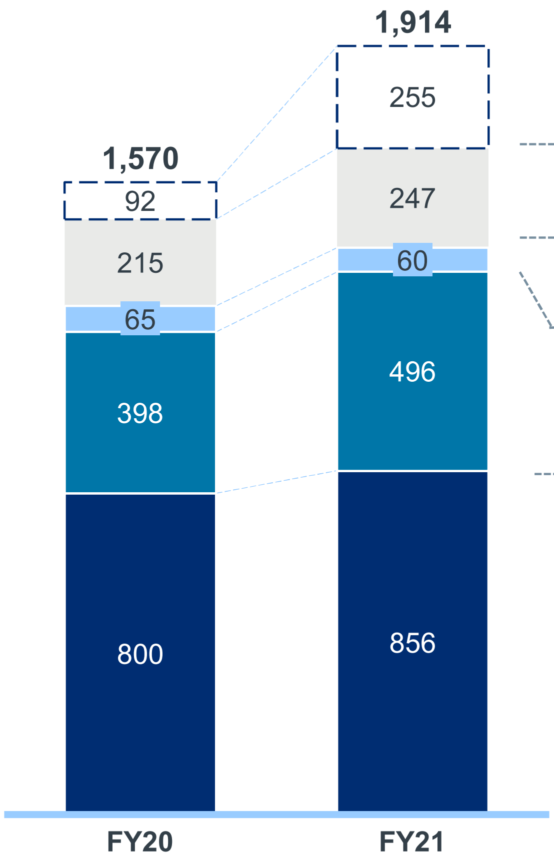
Cost management performance

Disciplined cost management: Costs +12% (before D&A) Revenue +22%



Revenue	+22%	COVID volumes and recovered BAU while reallocating staff and managing spend
EBIT	+177%	Cost management discipline and cost control initiatives Savings through SIP
Depreciation & amortisation	+15%	Mostly increased RoU asset values following HPC leases becoming subject to AASB16 post-sale
Property	-9%	Improving property asset productivity through increased volumes and footprint optimisation initiatives
Consumables, IT & other	+25%	Increases resulting from additional consumable expenses related to COVID testing and PPE requirements, and increased pricing as well as other costs associated with COVID testing (e.g. pop-up clinic set up)
Labour	+7%	Labour expense growth contained despite significant increase in activity. +2.8% vs +22% revenue (after normalising for leave provisions) Starting from low base in FY20 as a result of COVID management initiatives in Q4 2020 Supported by delivery of SIP initiatives to improve work force productivity and achieve labour savings Underpinned by labour cost management initiatives such as stronger governance around recruitment, re-skilling and redeployment of staff

Note: Continuing operations only; post-AASB16

Sustainable Improvement Program

Continued progress on strategic commitments

SIP Phase I

Target

- $70 million by FY 2021/22
- Addressable savings
- 4-5% of cost base

Outcomes

- Target met ahead of time in 1H21
- Included $58 million in continuing operations
- Over 200 initiatives delivered

Additional $15 million in 'stranded' costs removed after HPC sale

SIP Phase II

Target

- 300 bps margin expansion by FY 2023
- Growing capabilities in data-led operations, consumer-centricity, product innovation, network optimisation, and core competencies for the future
- Initiatives focused on digitisation, network, workforce management and sourcing

Progress

- Varying COVID-19 impacts in FY 2021:
  - Accelerating (e.g. digital go-to-market)
  - Delaying (e.g. training distributed workforces)
- Progress made in discovery, design, delivery and program enablers:
  - Optimisation of the Healius network footprint in Pathology and Imaging
  - Further sourcing savings across multiple categories
  - Growth of B2B and B2C COVID testing (see next slide)
  - Numerous other digital initiatives e.g. connected courier fleet, front-line productivity tools

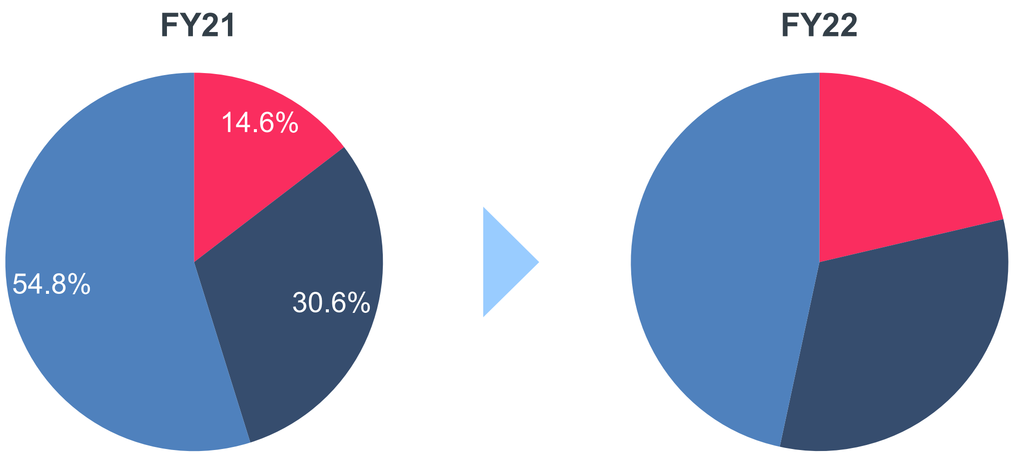
Delivery to accelerate in FY 2022

Extent and timing of COVID-19 may impact

Capital Investment

Additional investment planned for FY 2022

Operating Cash Flow Expenditure: Ratios



- **Investment** (maintenance & growth capex)
- **Shareholder Return** (dividend & buy-back)
- Leases and interest payments

Focus on growth & maintenance capex investment in FY22

Investing in the digital, commercial and operational in Pathology and Imaging under SIP:

- Pathology information systems
- Advanced rostering for distributed workforces
- Radiology equipment and lab fit-outs (purchase versus leasing)
- Imaging M&A (completed)
- Lumus Imaging national brand campaign and roll-out
- HR Information System

Healius Digital in Pathology

Continuing our technology modernisation

Current LIS is working well and has stood the test of COVID volumes

- Over 5.75 million COVID-19 tests conducted over normal testing
- Deployed QR-code based digital order automation for COVID
- Launched eCommerce portal for Travel
- Further strengthening underway for database capacity and disaster recovery

Continuing end-to-end, customer-centric digitisation

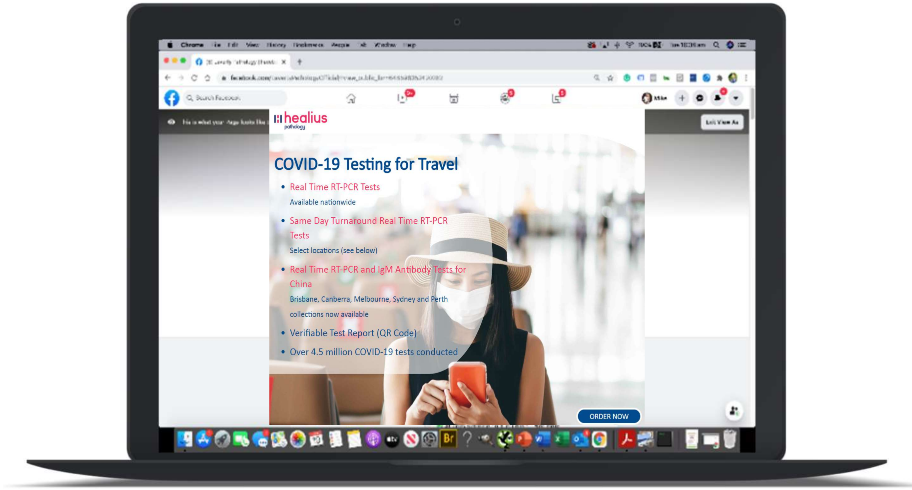
- Modular approach to: Referrals, Orders, Tests, Reports, Payments, and Insights
- In-house solutions in combination with proven off-the-shelf products
- Prioritising patient & doctor touchpoints (collections and results)
- 1 national smart instrument manager to standardise test panels and results
- Leveraging synergies across Pathology and Imaging

Core digital capability build for the future

- Building core BAU internal talent
- Partnering with high-calibre tech companies

Work within the capital investment envelope

- Capital investment into digital within already announced $85-$90 million envelope



Healius Group today

FY 2021 in review

Year in review

- ✓ Focus went far beyond budgeted metrics to ensuring we played a pivotal role in Australia's public health response to the pandemic
- ✓ Core operations delivered safely, efficiently and effectively, and strong momentum on strategic initiatives

Results

- ✓ Record EBIT of $266.5 million with strong trading in Pathology, underpinned by COVID testing, and high growth in Montserrat
- ✓ $525.9 million operating cash flow
- ✓ Q1 FY 2022 new record COVID testing levels especially in NSW

Shareholder returns

- ✓ $101 million in share buy-back
- ✓ Sustainable dividend policy
- ✓ Strong capital position to fund strategic growth investments

Balance sheet

- ✓ Lowly geared
- ✓ Less capital-intensive portfolio delivering lower, targeted capex e.g. new laboratory in WA

Portfolio simplification

- ✓ Successful completion of Healius Primary Care divestment
- ✓ Sale of Adora Fertility
- ✓ Imaging bolt-on M&A
- ✓ Overheads right-sized with support costs reduced by $15 million

Growth

- ✓ Revenue growth in Day Hospitals and commercial streams in Pathology
- ✓ Sustainable Improvement Program (SIP) delivering on network optimisation and commercial revenue
- ✓ Material reduction in non-underlying spend

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A specialist diagnostic and day hospitals business

With the successful sale of Medical Centres, we are focused on leveraging established market positions, management capability and scalability in Pathology, Imaging and Day Hospitals

Pathology

- Scale player in mature market (#2)
- 1 in 3 pathology samples tested in Healius laboratories
- Established state-based brands
- Strong response to COVID-19 pandemic with 5.75m+ tests to-date
- Clinical leadership in growth areas including genetics and dermatology
- State-of-the-art, automated Serum Work Area
- Scalable platform with LIS upgrade to unlock further margin growth

Imaging

- Scale player in growing market (#3)
- 3m+ radiology examinations p.a.
- Strong position in attractive hospital sector
- Comprehensive, multi-disciplined community sites
- Single, unified and leading IT platform successfully delivered to unlock further margin growth

Day Hospitals

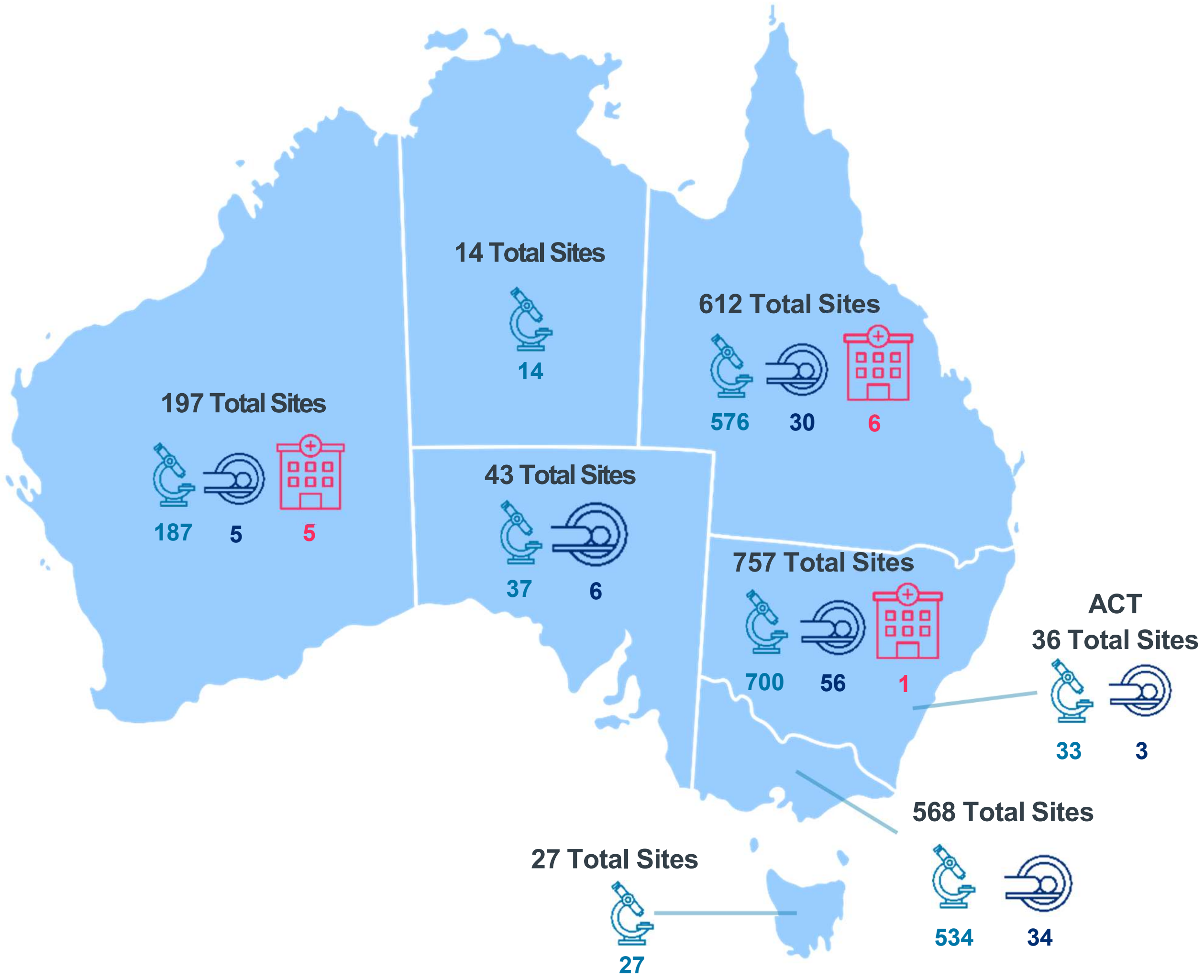
- Market with economic, technological and regulatory tailwinds
- Major player in a fragmented industry
- Westside Private - prototype for Short Stay surgery in Australia with large theatres, overnight beds and advanced sterilization facilities
- Strong growth since acquisition
- Successful funding model including established Hospital Purchaser Provider Agreements

A market leading network

Australia-wide coverage

2,251 Total sites

2,105 Pathology	2,010 ACCs 95 Laboratories
12 Day Hospitals	11 Montserrat 1 Brookvale Day Hospital
134 Imaging	30 Hospitals 55 Community Centres 49 Medical Centres



as at July 2021

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Appendices

Divisional Reconciliation

Underlying EBIT

FY 2021 $m	Pathology	Imaging	Day Hospitals	Corporate	Group[1]
Revenue	1,452.1	406.9	49.5	6.8	**1,913.1**
EBITDA	428.3	84.5	15.5	(14.5)	**513.8**
Depreciation	(168.2)	(50.8)	(6.5)	(8.0)	**(233.5)**
Amortisation	(7.3)	(2.8)	0.0	(3.7)	**(13.8)**
EBIT	252.8	30.9	9.0	(26.2)	**266.5**

FY 2020 $m	Pathology	Imaging	Day Hospitals	Corporate	Group[1]
Revenue	1,160.1	376.7	37.4	0.1	**1,572.4**
EBITDA	274.2	70.2	9.7	(10.4)	**343.7**
Depreciation	(143.5)	(45.8)	(6.0)	(7.5)	**(202.8)**
Amortisation	(6.3)	(2.5)	0.0	(3.1)	**(11.9)**
EBIT	124.4	21.9	3.7	(21.0)	**129.0**

[1] $2.2 million of intercompany revenue/expense has been eliminated at a Group level (FY 2020 $1.9 million)

FY 2020 Restatement reconciliation

Underlying EBIT

FY 2020 Restatement $m	Pathology	Imaging	Day Hospitals	Corporate	Continuing Operations
EBIT per FY20 Presentation	115.1	17.2	(6.8)	(22.8)	**102.7**
AASB 16	9.3	4.6	0.8	1.8	**16.5**
Discontinued operations	0.0	0.0	9.7	0.0	**9.7**
Restated EBIT	124.4	21.9	3.7	(21.0)	**129.0**

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Underlying v reported reconciliation

	FY 2021	
Underlying EBIT	**266.5**	**Key items**
Strategic projects	(11.3)	Including Pathology information systems upgrades
Montserrat deferred consideration expense	(3.0)	Finalisation of Montserrat settlement
Reinstatement of transactions with discontinued operations	4.3	Net rental costs reinstated in underlying
Other	(1.1)	
Total non-underlying items	(11.1)	
Reported EBIT	**255.4**	

	FY 2021	
Underlying NPAT	**148.4**	**Key items**
After-tax adjustments to underlying EBIT	(7.8)	
Finance costs	(6.6)	Debt facility reduction and close out of ineffective hedges
ATO case - tax	(46.6)	See slide 28
ATO case - interest	(16.5)	
Tax differential for non-deductible items[1]	(4.6)	
Total adjustments	(82.1)	
Reported NPAT	**66.3**	

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

Discontinued Operations

	FY 2021 $m	FY 2020 $m
HPC	**(24.0)**	(142.5)
Adora	**1.4**	(11.4)
Loss after tax from discontinued operations	**(22.6)**	(153.9)

- $24 million loss on HPC sale includes $13 million additional loss in 2H21 ($11 million 1H21) due to:
  - indemnification to the purchaser in connection with backpay for certain employees. The Fair Work Commission amended the appropriate method of calculating casual loading on overtime to align the Health Professionals and Support Services Award to the Nurses Award,
  - when an appeal against the amendment was lost in January 2021, Healius accrued for it.

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. These culminated in a favourable decision in November 2019 by the Federal Court of Australia.
- As a result of this decision, at 31 December 2019 as required by IFRIC 23, *"Uncertainty over Income Tax Treatments",* Healius recognised:
    - $46.6 million income tax benefit and tax receivable
    - $23.6 million interest benefit and receivable, less tax of $7.1 million, totalling
    - **$63.1 million after-tax credit to reported NPAT**
- The Commissioner appealed the decision to the Full Court of the Federal Court of Australia and, contrary to the decision in the Federal Court, the appeal was allowed in August 2020.
- In November 2020, Healius applied to the High Court of Australia seeking special leave to appeal. This leave was denied in March 2021
- Given the denial of special leave to appeal, the amounts previously recognised have been reversed in 2H 2021.
- This has resulted in a $126.2 million negative non-cash movement between FY 2020 and FY 2021 reported NPAT

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

AASB 16: Key impacts FY 2021

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. In FY 2020 it was not included in underlying results in order to ensure comparability with the prior year. However, in FY 2021 it has been included as part of underlying results with pcp results also adjusted. This treatment will continue in future years.

The financial impacts are as follows:

- On the P&L, interest and depreciation charges replace property and equipment rental/lease expense, impacting EBITDA EBIT and NPAT, with a NPAT loss of $8.0 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 $90.4 million

The overall net loss of $8.0 million in FY 2021 is 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, including new leases that have been entered into following the sale of HPC
- The majority of Pathology leases, which are small leases and/or have CPI increases, could not be valued at a modified right of use asset value on adoption of AASB 16 on 1 July 2019 (which would be lower) delivering a consequently higher P&L expense in FY 2021

AASB 16: Key impacts FY 2021

P&L	FY 2021 $m	FY 2021 $m	
Property & other expenses	217.9		Operating lease expense reversed
EBITDA		**217.9**	
Depreciation	(195.4)		Depreciation of right of use asset recognised
EBIT		**22.5**	
Finance costs	(34.0)		Interest paid on lease liability recognised
Profit before tax		**(11.5)**	
Tax @ 30%	3.4		
NPAT		**(8.0)**	

AASB 16: Key impacts FY 2021

Cash Flow	FY 2021 $m	FY 2021 $m	
Gross cash flows from operating activities	242.6		Operating lease payments reversed from gross operating cash flows
Net cash provided by operating activities		**242.6**	
Interest paid on lease liabilities	(39.5)		
Payments of lease liabilities	(203.1)		Principal payments on lease liability recognised in financing cash flows
Net cash used in financing activities		**(242.6)**	

Balance Sheet	FY 2021 $m	FY 2021 $m	
Right of use assets	1,087.2		Leases recognised as an asset and depreciated
Total assets		**1,087.2**	
Current interest bearing lease liabilities	(224.4)		Leases recognised as a liability representing
Non-current interest bearing lease liabilities	(953.2)		Future lease payments discounted at incremental borrowing rate
Total Liabilities		**(1,177.6)**	

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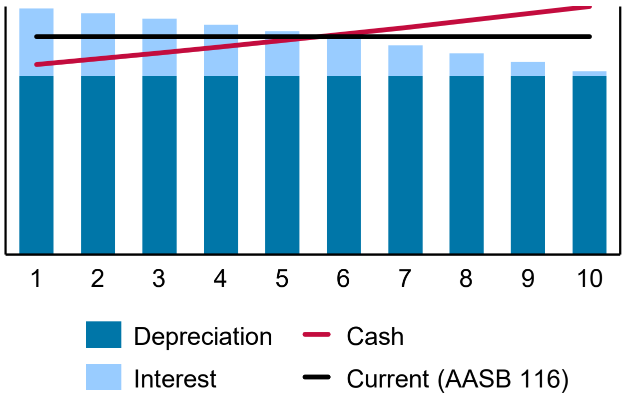
Financial impacts of individual leases over time

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

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EXISTING LEASES

Right of Use *(permanent)* & Modified Right-of-Use *(temporary)*

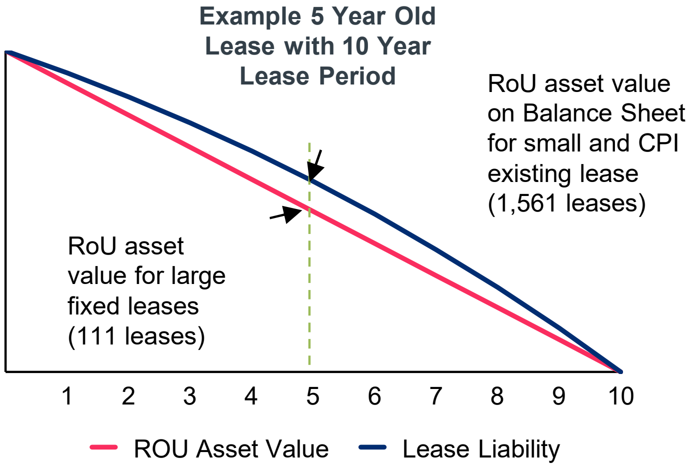
CPI Leases And Small fixed rent increases:

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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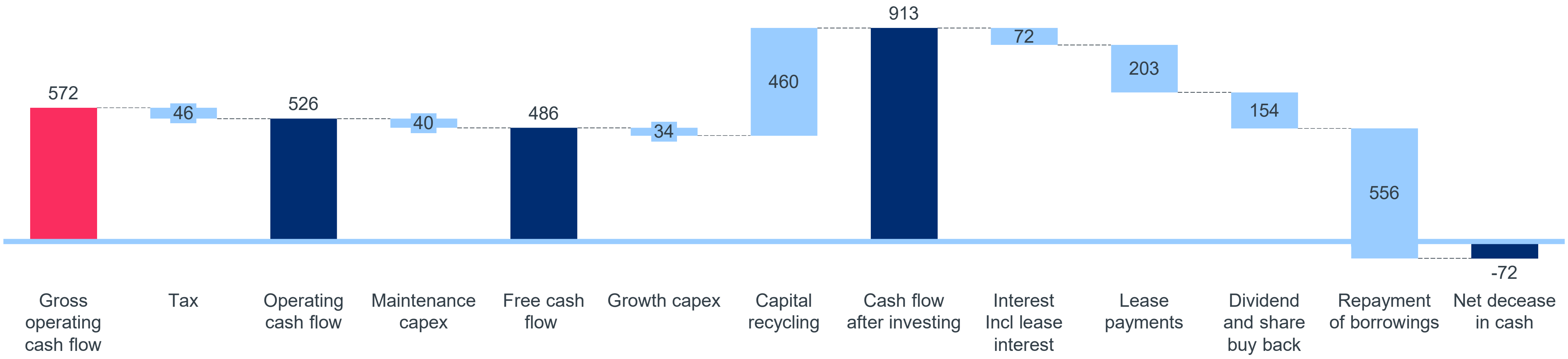
Cash flow bridge



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