Healius Limited

Appendix 4D – Half-Year Report

Results for announcement to the market

For the Half-Year ended 31 December 2022

This half-year report should be read in conjunction with the 30 June 2022 annual financial report of Healius Limited.

Attachment A - Interim Financial Report
For the Half-Year ended 31 December 2022

$m	% (Decrease)	31 December 2022 Total	31 December 2021 Total
Revenue from continuing operations	-34.2%	**864.1**	1,314.0
(Loss)/profit for the period after tax from continuing operations	-111.2%	**(25.9)**	231.9
(Loss)/profit for the period	-112.3%	**(28.7)**	233.2
Underlying profit for the period after tax [1]	-96.7%	**8.1**	244.0

Earnings/(loss) per share	2022 ¢ per share	2021 ¢ per share
Basic (loss)/earnings per share	**(5.0)**	39.5
Diluted (loss)/earnings per share	**(5.0)**	39.0
Underlying basic earnings per share	**1.4**	41.4
Underlying diluted earnings per share	**1.4**	40.8
Interim dividend [2]	**-**	10.0

[1] Underlying profit excludes the impact of non-recurring items. A reconciliation between reported loss and underlying profit is contained in the review of operations on page 7 of this Healius Limited interim financial report for the period ended 31 December 2022.
[2] No dividends expected to be paid for the period ended 31 December 2022.

Attachment A - Interim Financial Report
For the Half-Year ended 31 December 2022

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Your Directors present their report on the consolidated entity consisting of Healius Limited and the entities it controlled (referred to as "Healius", "the Company", or "the Group") at the end of, or during, the half-year ended 31 December 2022.

Directors

The Directors of Healius during the half-year ended 31 December 2022 and up to the date of this report were:

- Mr Gordon Davis
- Ms Sally Evans
- Mr John Mattick
- Ms Jenny Macdonald
- Ms Kate McKenzie
- Dr Malcolm Parmenter
- Mr Robert Hubbard (retired 19 September 2022)
- Dr Paul Jones (retired 20 October 2022)

Review of Operations

A Review of Operations of the Group during the half-year ended 31 December 2022, and the results of those operations, can be found on pages 3 to 8 of this Report.

Subsequent events

There has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Dividend

In respect of the half-year ended 31 December 2022, no dividends are expected to be paid.

Non-IFRS financial information

The Review of Operations attached to and forming part of this Directors' Report includes a number of non-IFRS financial measures. These non-IFRS financial measures are used internally by management to assess the performance of Healius' business and make decisions on the allocation of resources.

The Directors have included the additional line items EBITDA (earnings before interest, tax, depreciation and amortisation) and EBIT (earnings before interest and tax) within the Financial Report as such presentation is, in the Directors' view, necessary for and relevant to a full understanding of the Group's financial performance.

Rounding off of amounts

Healius is an entity of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016. In accordance with that Corporations Instrument, amounts in the Directors' Report and the half-year financial report are rounded off to the nearest hundred thousand dollars, unless otherwise indicated.

Auditor's independence declaration

The Auditor's Independence Declaration is set out on page 9 and forms part of this report.

Signed in accordance with a resolution of the Directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the Directors

Malcolm Parmenter
Managing Director & Chief Executive Officer

Sydney, 27 February 2023

GROUP PERFORMANCE

	31 DECEMBER 2022 $M UNDERLYING [1]	31 DECEMBER 2021 $M	31 DECEMBER 2022 $M REPORTED	31 DECEMBER 2021 $M
Revenue[2]	864.1	1315.1	864.1	1314.0
EBITDA	176.8	504.0	123.6	490.4
EBIT	40.0	373.1	(13.2)	359.3
NPAT (Reported incl. discontinued operations)	8.1	244.0	(28.7)	233.2

GROUP UNDERLYING RESULTS

Market conditions

In the six months ended 31 December 2022 (1H 2023), Australia's diagnostic market experienced a period of change. With COVID endemic in society, PCR testing dropped away with the volume decline compounded by the fee cut in October 2022.

Growth in core or BAU diagnostic testing commenced with imaging services enjoying a faster rate of return. Growth is expected to continue as the underlying drivers of diagnostic testing remain strong including a growing but ageing population enjoying greater longevity but with more complex health issues. In the short-term growth has been hampered by a shortage of GPs, a consequent reduction in bulk-billing levels and in face-to-face appointments, and an increase in the number of tests required after each GP visit[3].

The sector is characterised by high fixed costs including central pathology laboratories and collection networks. As a result, the market dynamics have driven a short-term reduction in margins in 1H 2023 across the sector which mirror the increases enjoyed during successive half years from 2H 2020 to 1H 2022 when extensive COVID-19 PCR testing occurred. Comparison to the prior comparable period (pcp) is particularly marked as 1H 2022 saw the peak of COVID-19 PCR testing coinciding with both the Delta and Omicron outbreaks.

Healius performance

The impact of nearly $500 million reduction COVID revenue is self-evident in the EBITDA and EBIT margins in 1H 2023 and the company responded by cutting the majority of its COVID costs during the period.

In response to the broader market conditions, Healius commenced a series of resets to its pathology laboratory labour to match volumes and pursued sourcing opportunities. These initiatives helped to deliver the $67 million annualised benefits identified in the Sustainable Improvement Program (SIP) Phase 2 with further savings from a review of the group-wide support costs. With a focus on medium-term revenue growth, Healius also continued to selectively invest in its network and in its consumer services.

Having reset its costs, Healius expects to deliver the margin expansion targeted under SIP once the base volumes catch up to the long-term growth trend assumed when the targets were set, driven by both a rebound in diagnostic market demand and Healius' own medium-term initiatives.

GROUP REPORTED RESULTS

The underlying results outlined in this review exclude non-underlying costs of $13.5 million relating to the Pathology digital transformation, corporate transactions, and restructuring and termination costs. Also excluded is a non-cash impairment of $39.1 million relating to Imaging assets predominantly based in GP clinics where performance is being impacted by GP shortages and changes to the operating model of the GP clinics. The Day Hospitals division's performance in the half and the costs associated with the upcoming completion of the sale process are recognised as part of discontinued operations in reported NPAT.

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1 All comments in this review of operations relate to underlying results for continuing operations unless otherwise noted. For a reconciliation to reported results, refer section below titled: Group reported results.

2 Group revenue is shown net of inter-segment sales of $0.2 million (1H 2022: $0.2 million).

3 Increased tests per GP consultation negatively impacts pathology revenues because, under the Medicare Benefits System (MBS), only the three highest tests in a GP bulk-billed referral are generally reimbursed by the Government.

DIVISIONAL RESULTS

PATHOLOGY

UNDERLYING	31 DECEMBER 2022 $M	31 DECEMBER 2021 $M	BETTER/(WORSE) %
Revenue – BAU	585.1	572.4	2.2
Revenue -COVID	64.4	539.9	(88.1)
EBITDA	136.5	473.1	(71.1)
EBIT	32.0	375.8	(91.5)

As aforementioned, 1H 2023 was a period of change for the pathology market with COVID-19 PCR testing dropping away. In line with the market, Healius Pathology saw its COVID-19 revenue down 88.1% or nearly $500 million in the six-month period, impacting its performance.

In response to the drop in COVID testing, Healius has cut its COVID costs including reducing the number of drive-throughs from 120 at their peak to four and removing its casual COVID labour. The only remaining COVID costs relate to equipment depreciation charges. Healius expects to utilise the equipment for base respiratory testing as volumes return.

The growth in core or BAU pathology testing commenced, however it was temporarily constrained by factors including a national GP shortage. Overall pathology Medicare Benefits Schedule (MBS) volumes were up on 1H 2022 and on 1H 2020 (the last pre-COVID period). However, they remained below long-term growth trends, indicating the latent backlog in demand for services exists.

Healius delivered core revenue of $585.1 million which was up 2.2% on 1H 2022 and up 1% normalised for working days and the Agilex acquisition. When compared to 1H 2020 (the last pre-COVID period), BAU revenue per ACC was up 8% reflecting the lower network base from the ACC optimisation program (refer below).

As noted above, the impact of the drop in COVID volumes is self-evident in the EBITDA and EBIT margins in 1H 2023. In addition to the COVID initiatives, Healius has undertaken a series of reset programs on its BAU costs. The labour base has been reduced with FTEs after resets at approximately 6,000 FTEs compared to 6,500 in 1H 2020. The cost resets will deliver improved margins as volumes return.

Over the last two years Healius has undertaken an ACC optimisation strategy to remove the tail of underperforming sites, reducing its ACC footprint by 10% from 2,223 in 1H 2020 to 1,998 in 2H 2022. This strategy has grown revenue per ACC. In 1H 2023 investment was made in identified gaps in the network which are set to deliver growth in the coming periods. ACC numbers at period end were 2,056.

Looking to the medium to longer-term, Healius has continued to deploy its customer facing and internal digital solutions including Referral Hub, Collectors Portal and Laboratory System in two of six main departments. The Results Portal solution is being deployed in Q3 2023.

In line with FY 2022, Agilex Biolabs is being reported in the Pathology division. This acquisition is a strategic adjacency in pathology offering a capital-light high-growth profile, revenue diversification away from MBS and complementary capabilities. Revenue for the period was $15.9 million, an increase of more than 29% on pcp (when the business was under different ownership). EBITDA was $2 million and EBIT was below $1 million. The transition of ownership and scale-up has been challenging but operational issues are being addressed, including the appointment of a new CEO, and Healius remains confident in the market fundamentals, strategic rationale for the acquisition, and Agilex's competitive position.

LUMUS IMAGING

UNDERLYING	31 DECEMBER 2022 $M	31 DECEMBER 2021 $M	BETTER/(WORSE) %
Revenue	212.8	199.6	6.6
EBITDA	46.9	43.5	7.8
EBIT	16.5	11.9	38.7

During the period, the diagnostic imaging market benefitted from the cessation of lockdowns and elective surgery bans which characterised the COVID-19 pandemic, with the return of in-hospital surgery leading growth. Overall imaging MBS volumes were up on 1H 2022 and on 1H 2020 (the last pre-COVID period). However, they remained below long-term growth trends, indicating the latent backlog in demand for services exists.

Lumus Imaging's revenue grew at 6.6% on pcp, including a strong performance in its community and hospital channels where combined revenue growth was over 10% (normalised for working days). Investment in e-referrals, a single-brand digital presence, and contract wins assisted in delivering above-market growth.

The division's volumes in its Medical Centres channel were uniquely impacted by reduced foot traffic due to GP shortages, ongoing use of telehealth and changes in the clinics' operating model. Healius took a non-cash pre-tax impairment of $39.1 million primarily relating to these medical centres (right of use assets under AASB 16), as part of its focus on growth in high-performing sites and management of a tail of lower-performing sites.

EBITDA and EBIT margins grew better than revenue. Of note, Lumus Imaging appointed a radiologist CEO, continued to recruit radiologists who are attracted by the new employment model, upgraded its clinics with 50% of the program completed, and improved its site utilisation rates with further benefits expected in 2H 2023.

CORPORATE

UNDERLYING	31 DECEMBER 2022 $M	31 DECEMBER 2021 $M	BETTER/(WORSE) %
Revenue	2.0	3.4	(41.2)
EBITDA	(6.6)	(12.6)	47.6
EBIT	(8.5)	(14.6)	41.8

Corporate functions include the management of centralised support services, where those functions benefit from scale, and core corporate costs including strategy, capital and stakeholder management, group finance, treasury, property, legal, Board and company secretarial costs and management incentives. Overheads are allocated to the divisions in the form of a charge based on headcount, footprint, or usage. The remaining costs are classified as corporate overheads, as shown above.

In 1H 2023, corporate overheads reduced in the period due to tight cost control coupled with lower accrual for management incentives.

CASH FLOW AND GEARING

Group cash flows (including continuing and discontinued operations) for 1H 2023 were as follows:

REPORTED	31 DECEMBER 2022 $M	31 DECEMBER 2021 $M
Gross cash flows from operating activities	248.1	408.3
Net income tax paid	(78.2)	(58.7)
Net cash flows from operating activities	169.9	349.6
Maintenance capex	(25.0)	(30.1)
Free cash flow	144.9	319.5
Growth capex	(18.0)	(12.7)
Proceeds from capital recycling	28.0	0.7
Payment for acquisition, deferred consideration and settlement	(3.8)	(48.6)
Net interest paid and finance costs (including on lease liabilities)	(28.2)	(24.0)
Payment of lease liabilities	(105.8)	(105.9)
Dividends, buyback of shares and shares purchased for LTIP	(43.2)	(163.0)
Net debt funding /(repayment)	25.0	70.0
Net increase/(decrease) in cash held	(1.1)	36.0

Healius achieved gross operating cash flow conversion in excess of 100% of reported and underlying EBITDA reflecting alignment of cash to revenue, together with receipt of COVID-related invoices, which were outstanding at June 2022.

Maintenance capex returned to more normal levels after an increase in 1H 2022. Selective investment was undertaken in digital and other growth initiatives including:

- Higher-margin modalities and upgraded facilities in Lumus Imaging,
- ACC network in Healius Pathology, and
- Customer and referrer digital experience in both divisions.

Group net debt and key ratios were as follows:

REPORTED	31 DECEMBER 2022 $M	30 JUNE 2022 $M
Bank loans and financing arrangements[4]	631.5	606.1
Cash[5]	(80.2)	(81.3)
Net debt	551.3	524.8
Bank gearing ratio (covenant <3.5x)[6]	2.98x	1.0x
Bank interest cover ratio (covenant >3.0x)[7]	10.5x	44x

Notwithstanding the lower EBITDA recorded in the period as a result of trading conditions, the Group's gearing was within covenants at 2.98x. Healius expects to remain within its covenants at the end of FY 2023 with cash proceeds of $127 million (before earn-out) from the Day Hospitals sale to be received in 2H 2023.

[4] Bank loans of $635 million (FY 2022: $610 million) are shown net of unamortised borrowing costs
[5] 1H 2023 cash includes cash in discontinued operations
[6] Bank gearing ratio is calculated based on underlying EBITDA before the impact of AASB 15 and 16 and is adjusted for share-based payments. Net debt is adjusted for parent company guarantees and unamortised borrowing costs.
[7] Bank interest cover ratio is calculated based on underlying EBITDA divided by finance costs (excluding AASB 16 interest)

GROUP REPORTED RESULTS

This review of operations focuses on the underlying results of Healius which adjust for items not considered to be part of core trading performance.

REVENUE

The reconciliation between reported and underlying revenue is as follows:

	31 DECEMBER 2022 $M	31 DECEMBER 2021 $M
Underlying revenue	864.1	1315.1
Transactions with discontinued operations	-	(1.1)
Reported revenue	864.1	1314.0

EBIT

The reconciliation between reported and underlying EBIT is as follows:

	31 DECEMBER 2022 $M	31 DECEMBER 2021 $M
Underlying EBIT	40.0	373.1
Pathology digital transformation	(8.0)	(5.8)
Corporate transactions	(1.7)	(6.0)
Restructuring & termination costs	(3.8)	-
Impairment of Imaging assets	(39.1)	-
Transactions with discontinued operations	(0.6)	(2.0)
Reported EBIT	(13.2)	359.3

NPAT

The reconciliation between reported and underlying NPAT is as follows:

	31 DECEMBER 2022 $M	31 DECEMBER 2021 $M
Underlying NPAT	8.1	244.0
After-tax adjustments to underlying EBIT (set out above)	(37.3)	(9.6)
Tax differential for non-deductible items (underlying tax calculated at 30%) [8]	3.3	(2.5)
After-tax profit/(loss) from discontinued operations	(2.8)	1.3
Reported NPAT incl. discontinued operations	(28.7)	233.2

[8] Refer note 4 to the Consolidated Financial Statements

STRATEGY

With the sale of the Day Hospitals, Healius has become a pure diagnostic business. Its vision is to create sustainable value for all stakeholders by supporting clinical decisions across the Australian healthcare system, realised through the provision of personalised insights and superior customer experience across a national network of general pathology and diagnostic imaging businesses.

The strategy rests on four pillars:

1. Operating Leverage - Growing clinical and financial value through a scaled and efficient national network
2. Service - Serving patients and clinicians with accessible and high-quality healthcare experiences
3. Insights - Delivering precise and comprehensive insights for screening, diagnosis, therapy, and research & development
4. People - Providing the best culture to work in and a fulfilling career in healthcare

This strategy is supported by longer-term tailwinds in healthcare including, but not limited to:

- the increasing importance of screening and diagnosis in reducing downstream healthcare costs,
- the autonomy and decision-making of individuals as healthcare consumers,
- the convergence of pathology and radiology in the treatment of disease,
- the innovations in diagnostic testing (especially genomics, specialty pathology, and AI), and
- the expansion of digital health.

Capital investment and group-wide programs demonstrate a commitment to long-term sustainable growth, improving returns from core diagnostic businesses and developing the right capabilities.

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Auditor's Independence Declaration to the Directors of Healius Limited

As lead auditor for the review of the half-year financial report of Healius Limited for the half-year ended 31 December 2022, I declare 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 review;

b. No contraventions of any applicable code of professional conduct in relation to the review; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of Healius Limited and the entities it controlled during the financial period.

Ernst & Young

Katrina Zdrilic
Partner
27 February 2023

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Independent auditor's review report to the members of Healius Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Healius Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed consolidated statement of financial position as at 31 December 2022, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. 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 and 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's consolidated financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Ernst & Young

Katrina Zdrilic
Partner
Sydney
27 February 2023

The Directors declare that:

(a) in the Directors' opinion, the attached financial statements and notes are in accordance with the *Corporations Act 2001*, including section 304 (compliance with Accounting Standards) and section 305 (true and fair view); and

(b) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors made pursuant to section 303(5) of the *Corporations Act 2001*.

On behalf of the Directors

Malcolm Parmenter
Managing Director & Chief Executive Officer

Sydney, 27 February 2023

Condensed consolidated statement of comprehensive income
For the half-year ended 31 December 2022

		CONSOLIDATED	
	Note	31 December 2022 $M	31 December 2021 $M
Revenue		864.1	**1,314.0**
Employee benefits expense		(440.6)	**(481.6)**
Property expenses		(28.8)	**(28.0)**
Consumables		(114.5)	**(168.0)**
Repairs and maintenance		(15.7)	**(14.4)**
IT expenses		(23.3)	**(22.7)**
Insurance		(3.6)	**(3.7)**
Short-term equipment hire		(2.8)	**(23.2)**
Other expenses		(58.6)	**(70.2)**
Depreciation - fixed assets	5	(21.4)	**(20.3)**
Depreciation - right of use asset	7	(107.5)	**(103.9)**
Amortisation of intangibles	6	(7.9)	**(6.9)**
Transaction and digital transformation costs	2	(9.7)	**(11.8)**
Write-down of leased assets	2 & 7	(39.1)	**-**
Restructuring and termination costs	2	(3.8)	**-**
(Loss)/earnings before interest and tax		(13.2)	**359.3**
Net finance costs	3	(28.5)	**(24.5)**
(Loss)/profit before tax		(41.7)	**334.8**
Income tax benefit/(expense)	4	15.8	**(102.9)**
(Loss)/profit for the period from continuing operations		(25.9)	**231.9**
(Loss)/ profit for the period from discontinued operations		(2.8)	**1.3**
(Loss)/profit for the period attributable to the shareholders of Healius Limited		(28.7)	**233.2**

(Loss)/earnings per share	2022 ¢ per share	2021 ¢ per share
Basic (loss)/earnings per share from continuing and discontinued operations	**(5.0)**	39.5
Diluted (loss)/earnings per share from continuing and discontinued operations	**(5.0)**	39.0
Basic (loss)/earnings per share from continuing operations	**(4.5)**	39.3
Diluted (loss)/earnings per share from continuing operations	**(4.5)**	38.8

Notes to the financial statements are included on pages 19 to 28

Condensed consolidated statement of comprehensive income

For the half-year ended 31 December 2022

	CONSOLIDATED	
	31 December 2022 $M	31 December 2021 $M
(Loss)/profit for the period	**(28.7)**	233.2
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on translation of foreign operations	**0.1**	-
Fair value gain on cash flow hedges	**0.5**	0.2
Reclassification adjustments relating to cash flow hedges for amounts recognised in profit or loss	**0.7**	2.7
Income tax relating to items that may be reclassified subsequently to profit and loss	**(0.3)**	(0.9)
Other comprehensive income for the period, net of income tax	**1.0**	2.0
Total comprehensive (loss)/income for the period	**(27.7)**	235.2

Notes to the financial statements are included on pages 19 to 28

Condensed consolidated statement of financial position
As at 31 December 2022

As at	Note	CONSOLIDATED 31 December 2022 $M	30 June 2022 $M
Current assets			
Cash	13(a)	**76.1**	81.3
Receivables		**167.7**	241.3
Consumables		**36.3**	49.2
Tax assets		**14.1**	-
Assets held for sale		**158.3**	-
Total current assets		**452.5**	371.8
Non-current assets			
Goodwill		**2,247.3**	2,344.3
Property, plant and equipment	5	**173.6**	196.0
Other intangible assets	6	**72.8**	75.2
Right of use asset	7	**1,021.5**	1,074.9
Other financial assets		**4.5**	5.8
Deferred tax asset		**87.3**	68.8
Total non-current assets		**3,607.0**	3,765.0
Total assets		**4,059.5**	4,136.8
Current liabilities			
Payables		**200.8**	169.6
Deferred consideration		**1.6**	5.7
Tax liabilities		**2.4**	67.3
Provisions		**157.5**	175.0
Lease liabilities	8	**199.8**	223.7
Liabilities held for sale		**46.1**	-
Total current liabilities		**608.2**	641.3
Non-current liabilities			
Provisions		**18.9**	18.6
Interest bearing liabilities	9	**631.5**	606.1
Lease liability	8	**957.6**	949.2
Total non-current liabilities		**1,608.0**	1,573.9
Total liabilities		**2,216.2**	2,215.2
Net assets		**1,843.3**	1,921.6
Equity			
Issued capital	11	**2,420.9**	2,422.9
Reserves		**6.6**	19.9
Accumulated losses		**(584.2)**	(521.2)
Total equity		**1,843.3**	1,921.6

Notes to the financial statements are included on pages 19 to 28

Condensed consolidated statement of changes in equity

For the half-year ended 31 December 2022

CONSOLIDATED $M	NOTE	Issued capital	Share-based payments reserve	Other reserves	Accumulated losses	Total
Balance at 1 July 2022		**2,422.9**	**20.8**	**(0.9)**	**(521.2)**	**1,921.6**
Loss for the period		**-**	**-**	**-**	**(28.7)**	**(28.7)**
Fair value gain on cash flow hedges		**-**	**-**	**0.5**	**-**	**0.5**
Reclassification adjustments relating to cash flow hedges recognised in profit or loss		**-**	**-**	**0.7**	**-**	**0.7**
Exchange differences arising on translation of foreign operations		**-**	**-**	**0.1**	**-**	**0.1**
Income tax relating to components of other comprehensive income		**-**	**-**	**(0.3)**	**-**	**(0.3)**
Total comprehensive loss for the period		**-**	**-**	**1.0**	**(28.7)**	**(27.7)**
Buy-back of shares	**11**	**(5.2)**	**-**	**-**	**-**	**(5.2)**
Shares purchased for Long Term Incentive Plan	**11**	**(3.7)**	**-**	**-**	**-**	**(3.7)**
Shares issued via Non-executive Director (NED) Share Plan	**11**	**0.2**	**-**	**-**	**-**	**0.2**
Payment of dividends	**12**	**-**	**-**	**-**	**(34.3)**	**(34.3)**
Share based payments		**-**	**(7.6)**	**-**	**-**	**(7.6)**
Transfers		**6.7**	**(6.7)**	**-**	**-**	**-**
Balance at 31 December 2022		**2,420.9**	**6.5**	**0.1**	**(584.2)**	**1,843.3**

Notes to the financial statements are included on pages 19 to 28

Condensed consolidated statement of changes in equity

For the half-year ended 31 December 2021

CONSOLIDATED $M	NOTE	Issued capital	Treasury shares	Cash flow hedge reserve	Share-based payments reserve	Other reserves	Accumulated losses	Total
Balance at 1 July 2021		**2,575.6**	**(3.6)**	**(4.5)**	**22.1**	**(0.7)**	**(731.6)**	**1,857.3**
Profit for the period		–	–	–	–	–	233.2	233.2
Fair value gain on cash flow hedges		–	–	0.2	–	–	–	0.2
Reclassification adjustments relating to cash flow hedges recognised in profit or loss		–	–	2.7	–	–	–	2.7
Income tax relating to components of other comprehensive income		–	–	(0.9)	–	–	–	(0.9)
Total comprehensive income for the period		**-**	**-**	**2.0**	**-**	**-**	**233.2**	**235.2**
Buy-back of shares		(97.2)	–	–	–	–	–	**(97.2)**
Share purchased for Long Term Incentive Plan		(22.2)	–	–	–	–	–	**(22.2)**
Shares issued via Non-executive Director (NED) Share Plan		0.1	–	–	–	–	–	**0.1**
Payment of dividends		–	–	–	–	–	(40.0)	**(40.0)**
Share based payments		–	–	–	4.1	–	–	**4.1**
Transfers		5.0	3.6	–	(9.2)	–	0.6	**-**
Balance at 31 December 2021		**2,461.3**	**-**	**(2.5)**	**17.0**	**(0.7)**	**(537.8)**	**1,937.3**

Notes to the financial statements are included on pages 19 to 28

Condensed consolidated statement of cashflow

For the half-year ended 31 December 2022

	Note	CONSOLIDATED 31 December 2022 $M	31 December 2021 $M
Cash flows from operating activities			
Receipts from customers		**1,012.4**	1,308.7
Payments to suppliers and employees		**(764.3)**	(900.4)
Gross cash flows from operating activities		**248.1**	408.3
Net income tax paid		**(78.2)**	(58.7)
Net cash provided by operating activities	13 (b)	**169.9**	349.6
Cash flows from investing activities			
Proceeds from sale of business - net of cash disposed		**1.2**	-
Proceeds from sale of property, plant and equipment and intangibles		**26.8**	0.7
Payments for property, plant and equipment		**(35.1)**	(37.2)
Payments for other intangibles		**(7.9)**	(5.6)
Payment for Imaging subsidiary acquired (net of cash acquired)		**-**	(12.6)
Deferred consideration and settlement		**(3.8)**	(36.0)
Net cash used in investing activities		**(18.8)**	(90.7)
Cash flows from financing activities			
Finance costs paid on interest bearing liabilities		**(11.3)**	(6.7)
Interest paid on lease liabilities		**(16.9)**	(17.3)
Payments for buyback of shares		**(5.2)**	(100.8)
Shares purchased for Long Term Incentive Plan		**(3.7)**	(22.2)
Net proceeds from borrowings		**25.0**	70.0
Dividends paid	12	**(34.3)**	(40.0)
Payment of lease liabilities		**(105.8)**	(105.9)
Net cash used in financing activities		**(152.2)**	(222.9)
Net (decrease)/increase in cash held		**(1.1)**	36.0
Cash at the beginning of the period		**81.3**	72.7
Effect of exchange rate movements on cash held in foreign currencies		**-**	-
Cash at the end of the period	13 (a)	**80.2**	108.7

Notes to the financial statements are included on pages 19 to 28

1. SIGNIFICANT ACCOUNTING POLICIES

Healius Limited ("Healius") is a for-profit entity domiciled in Australia. These financial statements represent the condensed consolidated financial statements of Healius for the half-year ended 31 December 2022 which comprises Healius and its subsidiaries (together referred to as "the consolidated entity" or "the Group").

Statement of compliance

This half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting.* This financial report does not include all of the notes normally included within the annual financial report and should be read in conjunction with the 30 June 2022 annual financial report of Healius Limited.

Basis of preparation

This half-year financial report has been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars.

The financial report has been prepared on a going concern basis. Where applicable, prior year comparatives have been restated in line with current year presentation.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's annual report for the financial year ended 30 June 2022. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

New and amended standards adopted

There are no new accounting standards or interpretations that are applicable for the first time in financial year 2023 which have a material impact on the disclosures or amounts recognised in the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Rounding of amounts

Healius is an entity of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the financial report are rounded off to the nearest hundred thousand dollars, unless otherwise indicated.

2. SEGMENT INFORMATION

Operating segments are identified based on the way that the Chief Executive Officer and Board of Directors (also collectively known as the chief operating decision makers) regularly review and assess the financial performance of the business and determine the allocation of resources. For internal management reporting purposes, the Group is organised into the following three divisions or operating segments:

Operating segment	Activity
Pathology	Provider of pathology services, including speciality pathology and clinical trials.
Imaging	Provider of imaging services from standalone imaging sites, hospitals and medical centres.
Other	Comprises corporate functions.

The Group operates predominantly in Australia.

Intersegment

Cross segment fees are charged for the use of facilities and services. These charges are eliminated on consolidation.

Presentation of segment revenue and results

Segment revenues and segment results are presented on an underlying basis.

Underlying results exclude the impact of impairment expenses and non-underlying items relating to:

- Strategic initiatives; and
- Other significant non-recurring items

Underlying results include the payment for rent, recharging of costs and other transactions with discontinued activities which are required to be excluded from reported results (see note 2).

2. SEGMENT INFORMATION (CONTINUED)

Underlying results

31 December 2022	Pathology $M	Imaging $M	Other $M	Total $M
Segment Revenue	**649.5**	**212.8**	**2.0**	**864.3**
Intersegment sales				**(0.2)**
Total Revenue				**864.1**
EBITDA [1]	**136.5**	**46.9**	**(6.6)**	**176.8**
Depreciation	**(12.7)**	**(8.4)**	**(0.3)**	**(21.4)**
Amortisation of intangibles	**(4.7)**	**(2.5)**	**(0.7)**	**(7.9)**
Depreciation - right of use	**(87.1)**	**(19.5)**	**(0.9)**	**(107.5)**
EBIT [2]	**32.0**	**16.5**	**(8.5)**	**40.0**

31 December 2021	Pathology $M	Imaging $M	Other $M	Total $M
Segment Revenue	1,112.3	199.6	3.4	1,315.3
Intersegment sales				(0.2)
Total Revenue				1,315.1
EBITDA [1]	473.1	43.5	(12.6)	504.0
Depreciation	(11.1)	(8.3)	(0.7)	(20.1)
Amortisation of intangibles	(4.2)	(1.9)	(0.8)	(6.9)
Depreciation - right of use	(82.0)	(21.4)	(0.5)	(103.9)
EBIT [2]	375.8	11.9	(14.6)	373.1

1. EBITDA is a non-statutory profit measure representing earnings before interest, tax, depreciation and amortisation.
2. EBIT is a non-statutory profit measure representing earnings before interest and tax.

2. SEGMENT INFORMATION (CONTINUED)

Reconciliation of underlying segment revenue to statutory revenue

	31 December 2022 $M	31 December 2021 $M
Segment revenue from continuing operations	**864.1**	1,315.1
Transactions with discontinued operations	**-**	(1.1)
Reported revenue	**864.1**	1,314.0

Reconciliation of underlying result to reported profit before tax

	31 December 2022 $M	31 December 2021 $M
Segment result from continuing operations before tax	**40.0**	373.1
Transaction and digital transformation costs	**(9.7)**	(11.8)
Write-down (impairment) of leased assets	**(39.1)**	-
Restructuring and termination costs	**(3.8)**	-
Transactions with discontinued operations	**(0.6)**	(2.0)
Reported EBIT	**(13.2)**	359.3
Net finance cost	**(28.5)**	(24.5)
Reported (loss)/profit before tax	**(41.7)**	334.8

3. NET FINANCE COSTS	31 December 2022 $M	31 December 2021 $M
Interest expense	**11.8**	6.2
Interest on lease liabilities	**16.2**	16.5
Amortisation of borrowing costs	**0.5**	1.8
Total net finance costs	**28.5**	24.5

4. INCOME TAX EXPENSE	31 December 2022 $M	31 December 2021 $M
The prima facie income tax expense on the pre-tax accounting result reconciles to the income tax expense in the financial statements as follows:		
(Loss)/profit before tax	**(41.7)**	334.8
Income tax calculated at 30% (2021: 30%)	**(12.5)**	100.4
Tax effect of amounts which are not deductible in calculating taxable income:		
Share related (benefit)/expense	**(3.4)**	1.2
Acquisition costs	**-**	1.0
Other items	**-**	0.2
	(3.4)	2.4
Under/(over) provision in prior years	**0.1**	0.1
Income tax (benefit)/expense	**(15.8)**	102.9

5. PROPERTY, PLANT AND EQUIPMENT

31 December 2022 $M	Plant and Equipment	Leasehold Improvements	Assets Under Construction	Total
Net book value				
Opening balance	**116.9**	**67.0**	**12.1**	**196.0**
Additions	**15.2**	**1.7**	**19.9**	**36.8**
Capitalisation of assets under construction	**8.9**	**7.4**	**(16.3)**	**-**
Transfers and disposals	**(17.9)**	**(8.4)**	**-**	**(26.3)**
Depreciation expense	**(15.9)**	**(5.5)**	**-**	**(21.4)**
Transfer to assets held for sale	**(8.7)**	**(2.7)**	**(0.1)**	**(11.5)**
Closing balance	**98.5**	**59.5**	**15.6**	**173.6**
Cost	**329.5**	**154.7**	**15.6**	**499.8**
Accumulated depreciation	**(231.0)**	**(95.2)**	**-**	**(326.2)**
Closing balance	**98.5**	**59.5**	**15.6**	**173.6**

6. OTHER INTANGIBLE ASSETS

31 December 2022 $M	IT Software	Licences	Intangibles Under Construction	Total
Net book value				
Opening balance	62.7	8.2	4.3	75.2
Additions	0.8	-	7.1	7.9
Capitalisation of intangible assets under construction	0.5	-	(0.5)	-
Transfers and disposals	-	-	(2.3)	(2.3)
Amortisation expense	(7.5)	(0.4)	-	(7.9)
Transfer to assets held for sale	(0.1)	-	-	(0.1)
Closing balance	56.4	7.8	8.6	72.8
Cost	156.6	40.4	8.6	205.6
Accumulated amortisation	(100.2)	(32.6)	-	(132.8)
Closing balance	56.4	7.8	8.6	72.8

7. RIGHT OF USE ASSET

	31 December 2022 $M
Opening balance	1,074.9
New leases and remeasurement of leases during the period	133.8
Impairment	(39.1)
Depreciation	(107.5)
Transfer to assets held for sale	(40.6)
Closing balance	1,021.5

8. LEASE LIABILITIES

	31 December 2022 $M
Opening balance	1,172.9
New leases and remeasurement of leases during the period	131.2
Interest	16.2
Payments including interest	(120.0)
Transfer to liabilities held for sale	(42.9)
Closing balance	1,157.4
Presented as:	
Current lease liabilities	199.8
Non-current lease liabilities	957.6
Total lease liabilities	1,157.4

9. INTEREST-BEARING LIABILITIES	31 December 2022 $M	30 June 2022 $M
Non-current		
Gross bank loans	**635.0**	610.0
Refinancing valuation adjustment	**-**	0.1
Unamortised borrowing costs	**(3.5)**	(4.0)
Closing balance	**631.5**	606.1

The Group had access to the following financing facilities as at the end of the reporting period:

	31 December 2022 $M	30 June 2022 $M
Financing facilities		
Non-current		
Unsecured Syndicated Debt Facilities		
Amount used	**635.0**	610.0
Amount unused	**365.0**	390.0
Closing balance	**1,000.0**	1,000.0

Amounts unused on non-current facilities are able to be drawn during the course of the ordinary working capital cycle of the Group.

10. NET TANGIBLE LIABILITY BACKING	31 December 2022 $	30 June 2022 $
Net tangible liability backing per share	**(0.99)**	(0.97)

11. ISSUED CAPITAL	No. of shares 31 December 2022 000's	No. of shares 30 June 2022 000's	31 December 2022 $M	30 June 2022 $M
Opening balance	**569,207**	599,446	**2,422.9**	2,575.6
Shares issued via Short Term Incentive Plan	**228**	–	**0.8**	–
Shares issued via Non-executive Director (NED) Share Plan	**35**	62	**0.2**	0.2
Shares issued via Long Term Incentive Plan	**2,660**	4,391	**5.9**	8.6
Own shares acquired for LTIP	**(976)**	(4,391)	**(3.7)**	(22.1)
Own shares acquired during buy back	**(1,651)**	(29,529)	**(5.2)**	(135.8)
Own shares acquired during buy back	**-**	(772)	**-**	(3.6)
Closing balance	**569,503**	569,207	**2,420.9**	2,422.9

Issued capital consists of fully paid ordinary shares carrying one vote per share and the right to dividends.

12. DIVIDENDS ON EQUITY INSTRUMENTS	31 December 2022 Cents per share	31 December 2021 Cents per share	31 December 2022 $M	31 December 2021 $M
Recognised amounts				
Final dividend – previous financial year	**6.00**	6.75	**34.3**	40.0
Total dividends paid	**6.00**	6.75	**34.3**	40.0
Unrecognised amounts				
Interim dividend – current financial period	**-**	10.0		

No dividends are expected to be paid for the period ended 31 December 2022 (2022: 10.0 cps, 100% franked). A final dividend of 6.00 cps was paid with regards to the year ended 30 June 2022.

13. NOTES TO THE CASH FLOW STATEMENT	31 December 2022 $M	31 December 2021 $M
(a) Reconciliation of cash		
For the purposes of the cash flow statement, cash includes cash on hand and in banks, net of outstanding bank overdrafts. Cash at the end of the period as shown in the cash flow statement is reconciled to the related items in the statement of financial position as follows:		
Cash as disclosed in the statement of financial position	**76.1**	107.5
Cash classified as asset held for sale	**4.1**	1.2
Total cash	**80.2**	108.7

(b) Reconciliation of profit from ordinary activities after related income tax to net cash flows from operating activities

(Loss)/profit attributable to equity holders	**(28.7)**	233.2
Net finance cost	**29.2**	25.3
Depreciation of plant and equipment	**21.4**	21.8
Depreciation of right of use asset	**107.5**	106.0
Impairment of assets and related items	**39.1**	–
Amortisation of HCP upfronts in revenue	**1.1**	1.7
Amortisation of intangibles	**7.9**	6.9
Share based payments expense	**(7.2)**	4.1
Gain on derecognition of ROU asset	**(3.6)**	–
Gain on sale of fixed assets	**(1.0)**	–
Other non-cash items	**(0.1)**	0.5
Increase/(decrease) in liabilities:		
Trade payables and accruals	**29.5**	8.2
Provisions	**(15.2)**	14.8
Deferred revenue	**0.8**	0.6
Income taxes and deferred taxes	**(95.6)**	45.0
Decrease/(increase) in assets:		
Receivables and prepayments	**73.5**	(109.3)
Consumables	**11.3**	(9.2)
Net cash provided by operating activities	**169.9**	349.6

14. DISCONTINUED OPERATIONS

(a) Adora IVF and Healius Day Surgeries Businesses (Adora)

The Group sold Adora on 1 June 2022. The results of the business to 31 December 2021 have been presented in the comparative results from discontinued operations.

(b) Day Hospital Businesses (Day Hospitals)

On 9 December 2022 the Group announced that it had entered into a binding agreement to sell the Day Hospitals business to Nexus Hospitals for an enterprise value of up to $138.6 million (including deferred contingent consideration of up to $11.4 million) on a cash and debt free basis.

The Day Hospitals business is classified as a discontinued operation as at 31 December 2022. Completion of the transaction is expected to occur in the first half of calendar year 2023 and remains subject to a limited number of conditions precedent customary for a transaction of this nature.

15. SUBSEQUENT EVENTS

There has not been any matter or circumstance that has arisen since the end of the period that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.