ASX Announcement (ASX: HLS)
ASX Limited
Market Announcements Office
Exchange Centre
Level 4, 20 Bridge Street
Sydney NSW 2000

5 September 2023

Dear Sir/ Madam

Healius Limited (ASX: HLS) – off-market takeover bid by Australian Clinical Labs Limited (ASX: ACL) – lodgement of Supplementary Target's Statement

On 4 May 2023, Healius Limited (ACN 064 530 516) (**Healius**) provided to the Australian Securities Exchange (**ASX**), as well as ASIC and Healius shareholders, a Target's Statement in response to the off-market takeover bid by Australian Clinical Labs Limited (ACN 645 711 128) (**ACL**) for all of the fully paid ordinary shares in Healius (**Target's Statement**).

We attach, as required by section 647(3)(b) of the *Corporations Act 2001* (Cth), a copy of a supplementary target's statement (**Supplementary Target's Statement**) of Healius which supplements and should be read with the Target's Statement.

The Supplementary Target's Statement sets out further information in support of the Healius Board's continued recommendation that Healius shareholders REJECT the Offer, following the release of Healius' financial results for the financial year ended 30 June 2023.

The Supplementary Target's Statement has been sent to ACL and lodged with the Australian Securities and Investments Commission today.

ENDS

The release of this announcement has been authorised by the Board.

Analysts and Market

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Shareholders

Shareholder Information Line
Phone: 1300 103 401

Investor Centre
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For over 30 years Healius has been one of Australia's leading healthcare companies, committed to supporting quality, affordable and accessible healthcare for all Australians. Today, Healius has two core diagnostics businesses, pathology and imaging. Through its unique footprint of centres and its 10,500 employees, Healius provides Australia-wide specialty diagnostic services to consumers and their referring practitioners.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to its contents, you should contact your financial, tax or other professional adviser immediately

Supplementary Target's Statement

This Supplementary Target's Statement supplements, and is to be read together with, the Target's Statement dated 4 May 2023 issued by

Healius Limited (ACN 064 530 516)

in respect of the off-market takeover bid made by Australian Clinical Labs Limited (ACN 645 711 128)

REJECT **the Offer**

Your Healius Directors continue to unanimously recommend that you **REJECT** the Offer **and DO NOTHING** in relation to any documents received from Australian Clinical Labs Limited

IF YOU HAVE ANY QUESTIONS IN RELATION TO THE OFFER YOU CAN CONTACT THE HEALIUS SHAREHOLDER INFORMATION LINE ON 1300 103 401 (WITHIN AUSTRALIA) OR +61 2 9066 4063 (OUTSIDE AUSTRALIA) WHICH IS AVAILABLE MONDAY TO FRIDAY, BETWEEN 9:00AM TO 5:00PM (SYDNEY TIME).

Important notices

This document is given by Healius under Part 6.5 Division 4 of the Corporations Act and is the first supplementary target's statement (**Supplementary Target's Statement**) to the Target's Statement dated 4 May 2023 (**Target's Statement**) issued by Healius Limited (ACN 064 530 516) and lodged with the Australian Securities and Investments Commission (**ASIC**) on 4 May 2023, in relation to the off-market takeover bid by Australian Clinical Labs Limited (ACN 645 711 128) (**Offer**). This Supplementary Target's Statement supplements, and is to be read together with the Target's Statement.

You should read both the Supplementary Target's Statement and the Target's Statement in their entirety before deciding as to whether or not to accept the Offer for your Healius Shares.

If you have recently sold all of your Healius Shares, please disregard this document.

Defined terms and interpretation

Unless the context otherwise requires, capitalised terms and certain abbreviations used but not defined in this Supplementary Target's Statement have the meanings given to them in Section 9.1 of the Target's Statement. The interpretation rules set out in Section 9.2 of the Target's Statement also apply to this Supplementary Target's Statement. This Supplementary Target's Statement prevails to the extent of any inconsistency with the Target's Statement.

All references to times in this Supplementary Target's Statement are references to time in Sydney, unless otherwise stated.

ASIC and ASX disclaimer

A copy of this Supplementary Target's Statement was lodged with ASIC and given to ASX on 5 September 2023. None of ASIC, ASX or any of their respective officers takes any responsibility for the content of this Supplementary Target's Statement.

Healius Shareholder Information Line

Healius has established a Healius Shareholder Information Line which Healius Shareholders should call if they have any queries in relation to the Offer. The telephone number for the Healius Shareholder Information Line is:

- 1300 103 401 (within Australia); or
- +61 2 9066 4063 (outside Australia),

which is available Monday to Friday between 9.00am and 5.00pm (Sydney time).

Further information relating to the Offer can be obtained from Healius' website at www.healius.com.au/ACL-takeover-offer.

Key dates

Date of Offer	21 April 2023
Date of the Target's Statement	4 May 2023
Date of this Supplementary Target's Statement	5 September 2023
Scheduled close of Offer Period (unless withdrawn or extended)	7:00pm (Sydney time) on 17 November 2023[1]

Note: the closing date of the Offer Period may change as permitted by the Corporations Act.

[1] Subject to ACL completing its purported variation of the Offer to extend the close of the Offer Period from 7:00pm (Sydney time) 29 September 2023 to 7:00pm (Sydney time) on 17 November 2023. See Section 2.1 of this Supplementary Target's Statement for further details of the steps required to be taken by ACL to complete the variation.

1 Healius Directors continue to recommend that you REJECT the Offer

1.1 Healius Directors' recommendation

Your Healius Directors continue to recommend that you **REJECT** the Offer for the reasons set out in Section 1 of the Target's Statement.

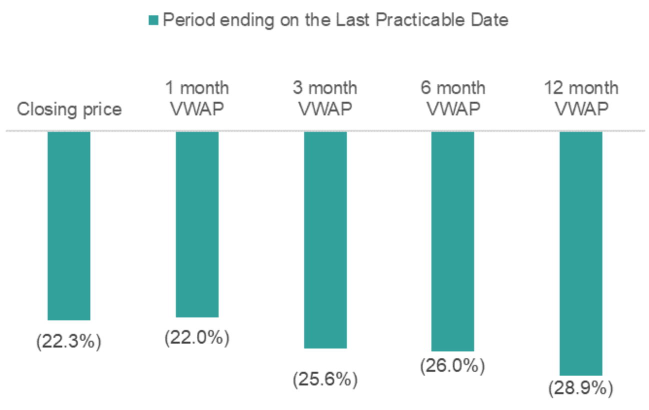
One of the reasons to **REJECT** the Offer set out in Section 1.1 of the Target's Statement is that the Offer is plainly inadequate. ACL is seeking control of Healius but offers no cash and no premium.

The implied value of the Offer based on the closing price of ACL Shares on 2 May 2023 (being the last practicable trading date on ASX prior to finalisation of the Target's Statement) was $2.67 per Healius Share. This represented a 13.0% discount to the closing price of Healius Shares of $3.07 on the same date.

Healius Shareholders should be aware that the implied value of the Offer has deteriorated further since that date. Based on the closing price of ACL Shares on 4 September 2023 (being the last practicable trading date on ASX prior to finalisation of this Supplementary Target's Statement) (**Last Practicable Date**), the implied value of the Offer had fallen to $2.19 per Healius Share. This represents:

- a discount of 22.3% to the closing price of Healius Shares on the Last Practicable Date;
- a discount of 22.0% to the 1-month VWAPs to the Last Practicable Date;
- a discount of 25.6% to the 3-month VWAPs to the Last Practicable Date;
- a discount of 26.0% to the 6-month VWAPs to the Last Practicable Date; and
- a discount of 28.9% to the 12-month VWAPs to the Last Practicable Date.[2]

Figure 1: Implied Offer Value discount to key trading metrics[3]

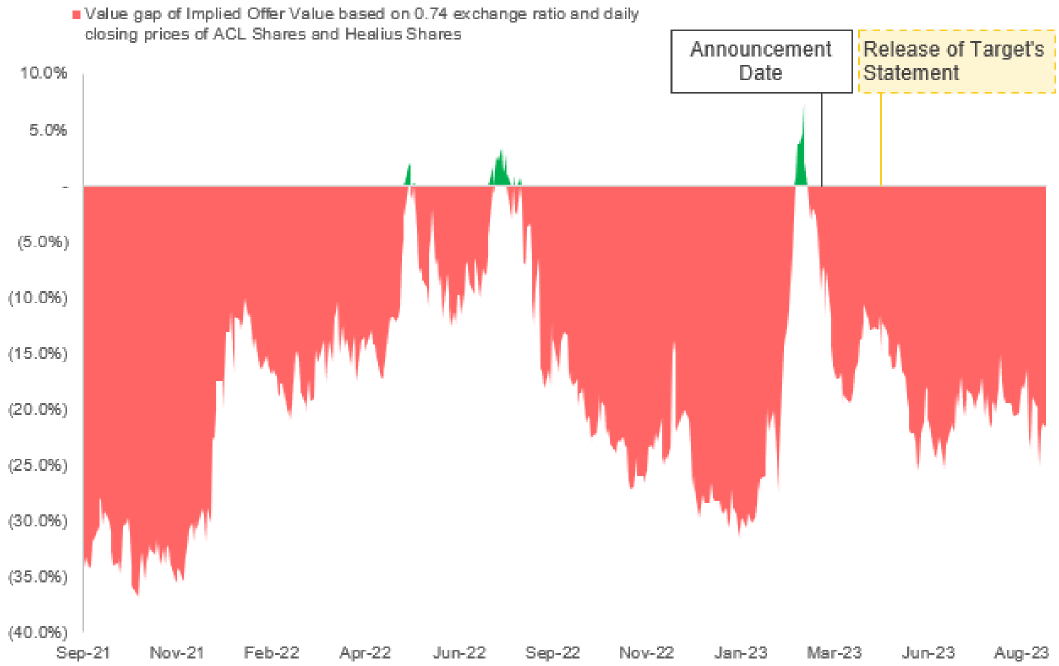


2 Trading data sourced from IRESS. As permitted by the *ASIC Corporations (Consents to Statements) Instrument 2016/72*, ASX share price trading information can be sourced from IRESS without its consent. 1-month VWAP calculated over the period 7 August 2023 to 4 September 2023. 3-month VWAP calculated over the period 5 June 2023 to 4 September 2023. 6-month VWAP calculated over the period 6 March 2023 to 4 September 2023. 12-month VWAP calculated over the period 5 September 2022 to 4 September 2023.

3 VWAP calculations as per footnote 2.

Other than on limited occasions (including immediately before the Announcement Date), the Implied Offer Value based on ACL's 0.74 exchange ratio has continued to represent a discount to the Healius Share price. This highlights the unfair transfer of value from Healius Shareholders to ACL Shareholders implied in the Offer.

Figure 2: Value gap of Implied Offer Value – since ACL's ASX listing



Considering the declining implied value of the Offer, and with a continued unfair transfer of value from Healius Shareholders to ACL Shareholders, your Healius Directors believe that the Offer continues to be plainly inadequate and continue to recommend that you REJECT the Offer.

To **REJECT** the Offer you should **DO NOTHING** and **TAKE NO ACTION** in relation to all documents sent to you by ACL.

1.2 Healius results

Healius announced its financial results for the financial year ended 30 June 2023 and released its unaudited preliminary final report for FY23 (**Healius FY23 Preliminary Report**) to the ASX on 30 August 2023. A copy of the Healius FY23 Preliminary Report is set out at Annexure A.

The highlights include:

- non-COVID revenue up 6.3% to $1.6 billion;
- core Pathology revenues recovering and Imaging revenues outpacing market;
- underlying EBIT of $99 million in line with May 2023 guidance;
- cost reset program completed and 240 basis points growth in EBIT margin for the six months to 30 June 2023;
- non-cash impairment charge to goodwill in the Pathology division of $349.8 million in the six months to 30 June 2023. This impairment relates primarily to Agilex, lower forecast cashflows post Covid, and an increase in the weighted average cost of capital; and

- bank gearing ratio (net debt to underlying EBITDA) at 3.48 times as at 30 June 2023. This gearing ratio was marginally below the original banking covenant of 3.5 times and below the increase to 4.0 times negotiated with Healius' banking group for the 30 June 2023 and 31 December 2023 testing dates.

Figure 3: Summary FY23 results

	2023 $M REPORTED	2023 $M UNDERLYING[1]	2022 $M REPORTED	2022 $M UNDERLYING[1]
Core revenue	1,623.1	1,623.2	1,525.4	1,526.8
COVID-19 revenue	83.8	83.8	763.5	763.5
Total Revenue[2]	1,706.9	1,707.0	2,288.9	2,290.3
Non-underlying items	(45.1)	-	(23.4)	-
Impairment charges	(388.9)	-	-	-
EBIT	(335.0)	99.0	463.6	487.0
Net Profit/(Loss) After Tax	(367.8)	25.7	307.9	306.6

Notes:

[1] Underlying results are defined as reported results adjusted for non-underlying items. The Healius Directors believe that presentation of non-IFRS (International Financial Reporting Standards) financial information is useful for investors to understand the entity's core results from operations, without the impact of non-underlying items. A reconciliation is set out on page 4 and in Note 2 of the Healius FY23 Preliminary Report.
[2] Gross revenue excluding Lumus Imaging revenues from Healius' old Medical Centres which are now under third party ownership.

The Healius Board has resolved not to pay a final dividend for FY23. The intention is to resume dividend payments as soon as practicable on the return of more normal market pathology volumes and improved operating cashflows.

Despite these highlights, the Healius results for FY23 are likely to result in a number of the Conditions of the Offer not being satisfied, as a consequence of components of the relevant results not being in line with the target amounts arbitrarily specified by ACL. See Section 2.3 below for an update on the status of the relevant Conditions.

2 Update on the Offer

2.1 Purported extension of Offer Period

Pursuant to a notice dated 20 July 2023 given by ACL to Healius (and ASIC and ASX) ACL purported to vary the Offer by extending the close of the Offer Period from 7:00pm (Sydney time) 29 September 2023 to 7:00pm (Sydney time) on 17 November 2023.

To give effect to the variation under section 650D of the Corporations Act, ACL is required to send a copy of the notice to each Healius Shareholder and other person referred to in section 650D(1)(c)(ii) of the Corporations Act (as modified by ASIC Class Order [13/521]) by 21 September 2023 (assuming the Offer remains conditional at that time). As at the date of this Supplementary Target's Statement, Healius is not aware of ACL having given that notice.

2.2 Level of acceptances under the Offer

The Offer has been open for acceptance by Healius Shareholders since 21 April 2023. However, since that date ACL has not released a change in substantial holder notice. This indicates that less than 1% of Healius Shares have been accepted into the Offer to date.

2.3 Status of Conditions

The Offer remains subject to an extensive list of Conditions which, if triggered, may cause the Offer to lapse. Those Conditions are set out in full in Section 11.9 of the Bidder's Statement.

In addition to Healius' comments on the Conditions set out in Section 5.3 of the Target's Statement, Healius provides the following updates on certain Conditions which have not been satisfied or which, in Healius' view, are unlikely to be satisfied based on the information presently available.[4] To the extent any of the Conditions are not satisfied and not waived by ACL, the Offer will lapse.

Name of Condition and Section of Bidder's Statement	Summary of Condition	Likely to be satisfied
Financial conditions		
Announcements regarding Healius' expected FY23 financial performance See Bidder's Statement Section 11.9(f)	Healius not making a public announcement that (or to the effect that) its underlying EBIT, reported EBIT and/or profit for the year from continuing operations (in each case for FY23) will be, or is expected or likely to be, less than specified amounts.	No. As set out in the Healius FY23 Preliminary Report: • underlying EBIT of the Healius Group for FY23 was $99.0 million; • reported EBIT of the Healius Group for FY23 was a loss of $335.0 million; and • loss for the year from continuing operations for the Healius Group for FY23 was $380.0 million. While underlying EBIT was in line with consensus, these amounts are all less than the target amounts arbitrarily specified by ACL of $99.7 million for underlying EBIT, $46.1 million for reported EBIT and a loss for the year from continuing operations of $2.1 million (each calculated with consideration of the criteria and exclusions set out in Section 11.9(f) and (g) of the Bidder's Statement). As noted in Section 5.3(a) of the Target's Statement, Healius considers that the amounts specified by ACL in Section 11.9(f) and (g) of the Bidder's Statement as the maximum permitted

[4] Healius notes that its Target's Statement and ASX announcements made on 1 and 2 May 2023 previously indicated that a number of events had occurred, or were expected to occur, that had resulted, or would or may result, in breaches of certain Conditions. In its Second Supplementary Bidder's Statement dated 22 May 2023, ACL reserved its right to rely on any breaches of the Conditions that had occurred or may occur as a result of the matters disclosed by Healius, and its right to waive any such breaches. ACL indicated that it expected to provide an update on these matters at the appropriate time following ACL's review of the Healius FY23 Results and related information.

Name of Condition and Section of Bidder's Statement	Summary of Condition	Likely to be satisfied
		amounts to be incurred by Healius (and excluded from the calculations of reported EBIT and profit from continuing operations for FY23) in respect of pathology digital transformation costs, restructuring & termination costs and Offer transaction costs were arbitrarily set by ACL, without due regard to previous disclosures Healius has made to the market, and the costs that might reasonably be incurred in Healius' circumstances. The actual pathology digital transformation costs, restructuring & termination costs and Offer transaction costs as set out in the Healius FY23 Preliminary Report exceeded the arbitrary amounts provided for by ACL. However, given the impact of the $388.9m of non-cash impairment charges to goodwill reported by Healius, the reported EBIT and profit from continuing operations for FY23 would have been below the target amounts specified by ACL even if pathology digital transformation costs, restructuring & termination costs and Offer transaction costs were excluded. As a result, this Condition has not been satisfied.
Healius' FY23 financial results See Bidder's Statement Section 11.9(g)	Healius releasing its audited financial statements and annual report for FY23 and those documents stating (or otherwise showing) that the Healius Group's free cash flow less growth capex, underlying EBIT, reported EBIT and profit for the year from continuing operations (in each case for FY23) are no less, and the Healius Group's net debt plus	No. For the reasons set out above, Healius' underlying EBIT, reported EBIT and profit from continuing operations for FY23 as set out in the Healius FY23 Preliminary Report are less than the target amounts arbitrarily specified by ACL. Further, as set out in the Healius FY23 Preliminary

Name of Condition and Section of Bidder's Statement	Summary of Condition	Likely to be satisfied
	current tax liabilities less current tax assets is no greater, than specified amounts.	Report, Healius' net debt plus current tax liabilities less current tax assets for FY23 was $442 million, which exceeds the $437.3 million limit specified by the relevant Condition (calculated with consideration of the criteria and exclusions set out in Section 11.9(g)(v) of the Bidder's Statement). While the Condition specifically relates to the release of Healius' audited financial statements and annual report for FY23, based on the amounts set out in the unaudited Healius FY23 Preliminary Report, Healius considers that this Condition will not be satisfied. Healius notes that, as set out in the Healius FY23 Preliminary Report, free cash flow less growth capex for the Healius Group for FY23 was $257.2 million. This exceeded the $250 million target amount specified by the relevant Condition (calculated with consideration of the criteria and exclusions set out in Section 11.9(g)(i) of the Bidder's Statement).
No material adverse change See Bidder's Statement Section 11.9(m)(i)	No material adverse change occurring (or, in certain cases, being disclosed or announced or becoming known to ACL) in the specified time period in respect of Healius, being certain occurrences or changes having, or being reasonably likely to have, the effect of (a) a diminution in the value of the Healius Group's net assets by at least $90 million or (b) the Healius Group's free cash flow less growth capex, revenue or profit for the year	No. As set out in the Healius FY23 Preliminary Report (and noted at Section 1.2 above), Healius incurred a non-cash impairment charge to goodwill of $349.8 million in the six months to 30 June 2023. This resulted in net current assets and consolidated net assets reducing from $1,843.3 million as at 31 December 2022 to $1506.2 million as at 30 June 2023 (being a diminution of $337.1 million).

Name of Condition and Section of Bidder's Statement	Summary of Condition	Likely to be satisfied
	from continuing operations in respect of a financial year after FY23 being less than the Healius Group's FY23 result.	This diminution is more than the threshold of $90 million set by ACL and as a result this Condition will not be satisfied.
Regulatory conditions		
ACCC Clearance Condition See Bidder's Statement Section 11.9(c)	ACCC confirming to ACL that it does not intend to conduct a public review of the acquisition of Healius Shares under the Offer, or that it does not intend to oppose, intervene or seek to prevent the acquisition of Healius Shares under the Offer (on an unconditional basis).	Unlikely. The ACCC commenced market enquiries with a provisional date of 22 June 2023 for the announcement of the ACCC's findings. On 20 July 2023, the ACCC released a Statement of Issues (**SOI**) in relation to the Offer. As announced to ASX by Healius on that date day, Healius continues to believe that it is unlikely that the ACCC Clearance Condition will be met based on the ACCC's concerns set out in the SOI. The SOI highlights three 'red lights' (issues of concern) and one 'amber light' (issues that may raise concerns) in relation to the Offer and notes that the ACCC's preliminary view is that the proposed acquisition would be likely to substantially lessen competition in Australian pathology services markets. In its SOI, the ACCC has invited market participants to submit information to assist in their assessment of the issues identified in the SOI. The closing date for submissions related to the SOI is 10 August 2023. The ACCC has indicated it expects to announce its final decision in relation to the Offer on 12 October 2023 (as a result the Offer Period has been purportedly extended by ACL - see Section 2.1 above).

3 Additional information

3.1 Date of Supplementary Target's Statement

This Supplementary Target's Statement is dated 5 September 2023, which is the date on which it was lodged with ASIC and provided to ASX.

3.2 Approval of Supplementary Target's Statement

This Supplementary Target's Statement has been approved by a resolution passed by the Healius Directors on 4 September 2023.

Jenny Macdonald
Chair
Healius Limited

Annexure A - Healius FY23 Preliminary Report

Results for announcement to the market

Healius Limited

ACN 064 530 516

Appendix 4E – Preliminary Final Report (Unaudited)

For the year ended 30 June 2023

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Appendix 4E – Preliminary Final Report (Unaudited)
Results for announcement to the market
For the year ended 30 June 2023

$M	2023 TOTAL	2022 TOTAL	$ CHANGE 2023 VS 2022	% CHANGE 2023 VS 2022
Revenue from continuing operations	1,706.9	2,288.9	(582.0)	(25.4%)
Underlying profit for the year after tax [1]	25.7	306.6	(280.9)	(91.6%)
(Loss)/profit for the year after tax from continuing operations	(380.0)	292.4	(672.4)	(230.0%)
(Loss)/profit for the year after tax	(367.8)	307.9	(675.7)	(219.5%)

CENTS PER SHARE [2]	2023 TOTAL	2022 TOTAL
Basic (loss)/earnings per share	(64.6)	52.8
Underlying basic earnings per share	4.5	52.5
Diluted (loss)/earnings per share	(64.5)	52.0
Underlying diluted earnings per share	4.5	51.8
Final dividend [3]	-	6.0
Interim dividend [3]	-	10.0
	-	16.0

[1] A reconciliation between reported loss and underlying profit after and before tax is contained in the following Review of Operations and in Note 2 respectively, of this preliminary final report for the year ended 30 June 2023.
[2] Weighted average number of shares at 30 June 2023 determined to be 569.8 million and 570.6 million for basic and diluted earnings per share calculations respectively. Refer to Note 6 for further information on earnings per share.
[3] No dividends expected to be paid for the year ended 30 June 2023.

GROUP PERFORMANCE

The Review of Operations includes an analysis and description of Underlying results which are defined as Reported results adjusted for non-underlying items. The Directors believe that presentation of Underlying results (non-IFRS (International Financial Reporting Standards) financial information) is useful for investors to understand the entity's core results from operations. A reconciliation is set out on page 4 and in Note 2 of this preliminary final report for the year ended 30 June 2023.

	2023 $M	2022 $M	BETTER/(WORSE) %
BAU revenue	**1,623.2**	1,526.8	6.3%
COVID-19 revenue	**83.8**	763.5	(89.0%)
Total revenue (Underlying)	**1,707.0**	2,290.3	(25.5%)
EBITDA (Underlying) [4]	**376.2**	758.2	(50.4%)
D&A	**(277.2)**	(271.2)	(2.2%)
EBIT (Underlying) [4]	**99.0**	487.0	(79.7%)
Non-underlying items	**(45.1)**	(23.4)	(92.7%)
Impairment charges	**(388.9)**	-	-
EBIT (Reported)	**(335.0)**	463.6	(172.3%)
Interest	**(62.3)**	(49.0)	(27.1%)
Tax	**17.3**	(122.2)	114.2%
Profit from discontinued operations	**12.2**	15.5	(21.3%)
NPAT (Reported)	**(367.8)**	307.9	(219.5%)

MARKET CONDITIONS

Healius operates within the Australian healthcare market. This market was impacted by significant changes in the year ended 30 June 2023 (FY 2023), in particular a substantial lessening in demand for COVID-19 PCR testing and broad-based GP workforce, supply and access challenges. These led to a significant drop in COVID revenues and to a soft year for GP-referred pathology services.

Compared to pre-COVID (FY 2023 v FY 2019), both Pathology and Imaging have grown below long-term trends due to the disruption caused by the pandemic. However, underlying demand drivers remain strong including a growing and ageing population with greater longevity and more complex health issues. These drivers are expected to underpin growth in the medium-term.

HEALIUS RESULTS

For Healius, Group underlying revenue dropped 25.5% between FY 2022 and FY 2023 mirroring the market conditions and in particular the decline in demand for COVID-19 PCR testing. Earnings and margins for the year were impacted by this revenue reduction. In response, Healius successfully completed a cost reset program which reduced the labour base and achieved further procurement savings helping to mitigate the impacts of inflationary pressures in the business.

Healius recorded underlying EBIT of $99.0 million which was in line with consensus.

[4] Underlying EBITDA and Underlying EBIT are non-IFRS (International Financial Reporting Standards) financial metrics.

Reported EBIT included items which Healius identified as non-underlying. The reconciliation is as follows:

	2023 $M	2022 $M
Underlying EBIT	**99.0**	487.0
Digital transformation costs	**(21.7)**	(10.5)
Restructuring, terminations and other costs	**(13.9)**	-
Transaction costs	**(3.2)**	(10.3)
Takeover bid costs	**(5.4)**	-
Transactions with discontinued operations	**(0.9)**	(2.6)
Non-underlying items	**(45.1)**	(23.4)
Impairment of goodwill	**(349.8)**	-
Impairment of leased assets	**(39.1)**	-
Impairment charges	**(388.9)**	-
Reported EBIT	**(335.0)**	463.6

The adjustments between underlying and reported EBIT are as follows:

- Digital costs of $21.7 million are part of the multi-year digital transformation program.
- Restructuring, termination and other costs of $13.9 million primarily relate to the reset of the cost base in response to the post-pandemic market conditions.
- $5.4 million of takeover bid costs are due to the hostile bid launched by ACL Pathology in March 2023, together with $3.2 million of other transaction costs.
- A non-cash impairment charge of $349.8 million has been made to goodwill in the Pathology division. This impairment relates primarily to Agilex, lower forecast cashflows post Covid, and an increase in the Weighted Average Cost of Capital to 8.5% (previously 7.8%).
- A leased asset impairment of $39.1 million in Lumus Imaging. This relates to the imaging facilities in the Medical Centres which are now owned by ForHealth and over which Healius has long-term leases. The impairment is due to lower Imaging volumes than were envisaged at the time of entering into the leases.

Interest costs of $62.3 million were 27.1% up on pcp, primarily due to increases in average debt levels and the cost of borrowing with a pre-tax weighted average cost of debt of 4.8% during the year.

The results of the Day Hospitals division prior to the completion of its sale in May 2023 and the gain on sale of the division, totalling $12.2 million post-tax, were recognised in discontinued operations.

The reconciliation between Reported and Underlying Profit/(Loss) after tax is as follows:

	2023 $M	2022 $M
Underlying Net Profit after tax	**25.7**	306.6
After-tax adjustments to underlying EBIT	**(303.8)**	(16.4)
Tax differential for non-deductible items (underlying tax calculated at 30%)	**(101.9)**	2.2
Profit from discontinued operations	**12.2**	15.5
Reported Profit/(Loss) after tax incl. discontinued operations	**(367.8)**	307.9

DIVISIONAL RESULTS

PATHOLOGY

UNDERLYING	2023 $M	2022 $M	BETTER/(WORSE) %
Revenue - Pathology Core	**1,155.8**	1,115.7	3.6%
Revenue - Pathology COVID	**83.8**	763.5	(89.0%)
Revenue - Agilex	**32.7**	11.2	192.0%
Revenue - Total	**1,272.3**	1,890.4	(32.7%)
EBITDA	**293.5**	702.6	(58.2%)
Depreciation and amortisation	**(214.8)**	(204.2)	(5.2%)
EBIT	**78.7**	498.4	(84.2%)

PATHOLOGY

Core revenue was up $40.1 million or 3.6% on pcp. Softness in GP pathology referrals impacted Healius due to its greater exposure to the GP market relative to its key peers. COVID-19 revenue was down $679.7 million or 89.0%.

The impact of the COVID-related drop in volumes on EBITDA and EBIT compared to pcp in a highly leveraged business was significant.

In FY 2023, Healius undertook a reset of both its COVID and core costs. In particular COVID labour costs were removed and core labour costs were held flat compared to pcp, with rightsizing and leave initiatives offsetting rate increases and legislated superannuation increases. Domestic FTEs in Pathology reduced by 11% on pcp.

Healius continues to deploy its customer facing digital solutions including Referral Hub, Collectors Portal, and Results Portal. Internally, the Laboratory Information System has been rolled out in two of six main departments and another three in progress.

Healius appointed an experienced pathologist, Dr Jan van Rooyen, as its new Group Executive, Pathology in June 2023.

AGILEX BIOLABS

Agilex Biolabs is a strategic adjacency offering a capital-light high-growth profile, revenue diversification away from MBS and complementary capabilities. While growth has been slower than initially forecast, Healius remains confident in the market fundamentals, strategic rationale for the acquisition, and Agilex's competitive position.

Revenue for the period was $32.7 million, EBITDA was $4.4 million and EBIT was $1.3 million. Importantly, the last quarter of 2023 delivered a strong exit run-rate, with operational issues from the ownership transition and scale-up of activities having been addressed.

LUMUS IMAGING

UNDERLYING	2023 $M	2022 $M	BETTER/(WORSE) %
Gross revenue [5]	**491.1**	457.7	7.3%
Statutory revenue	**431.2**	393.9	9.5%
EBITDA	**96.2**	81.8	17.6%
Depreciation and amortisation	**(58.4)**	(62.7)	6.9%
EBIT	**37.8**	19.1	97.9%

Lumus Imaging's gross[5] revenue grew above market at 7.3% on pcp. The community and hospital channels grew by 9.0% while the Medical Centres channel declined by 1%. Growth in volumes was supported by ongoing use of higher-end modalities driving higher average fees.

Compared to pre-COVID (FY 2019), Lumus Imaging delivered growth and improved efficiency with a gross revenue per FTE CAGR of 4.2% and an exams per FTE CAGR of 3.1% (excluding Medical Centres).

Lumus Imaging's underlying EBIT nearly doubled in FY 2023, due to the benefits of cost management and digital initiatives as well as the leverage impact of higher volumes on a fixed cost base. Of note in FY 2023, Lumus Imaging:

- appointed a radiologist, Dr Phil Lucas, as Group Executive, Imaging,
- recruited a number of radiologists in the period supported by the new employment model,
- developed a greenfield clinic pipeline, with three committed and a further three with advanced business cases, and
- continued the roll-out of customer-facing digital tools.

CORPORATE

UNDERLYING	2023 $M	2022 $M	BETTER/(WORSE) %
Revenue	**3.9**	6.5	(40.0%)
EBITDA	**(13.5)**	(26.2)	48.5%
Depreciation and amortisation	**(4.0)**	(4.3)	7.0%
EBIT	**(17.5)**	(30.5)	42.6%

Corporate functions include the management of centralised support services where those functions benefit from scale. Costs include strategy, capital and stakeholder management, group finance, people & culture, treasury, property, legal, ASX listing 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 FY 2023, corporate overheads reduced due to tight cost control coupled with lower accrual for management incentives with depressed market conditions meaning incentive targets were not met.

[5] Gross revenue is before and Statutory revenue is after deduction for radiologists' share of revenue under AASB15.

CASH FLOW AND GEARING

Group net debt and key ratios on 30 June 2023 were as follows:

REPORTED	30 JUNE 2023 $M	30 JUNE 2022 $M
Bank loans and financing arrangements [6]	**562.1**	606.1
Cash [7]	**(115.3)**	(81.3)
Net debt	**446.8**	524.8
Bank gearing ratio (covenant <4.0x) [8]	**3.48x**	1.0x
Bank interest cover ratio (covenant >3.0x) [9]	**4.81x**	44x

The Group's gearing was within its original debt covenant of 3.5x and within its negotiated increase of 4.0x for FY 2023 and 1H 2024.

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

REPORTED	2023 $M	2022 $M
Gross cash flows from operating activities	**404.4**	677.1
Net income tax paid	**(71.1)**	(90.3)
Net cash flows from operating activities	**333.3**	586.8
Maintenance capex	**(40.1)**	(54.6)
Free cash flow	**293.2**	532.2
Growth capex	**(36.0)**	(38.9)
Payments relating to acquisitions	**-**	(303.3)
Proceeds from sale of business & PPE	**147.2**	31.9
Payments for earn-out, settlement and deferred consideration	**(3.8)**	(36.8)
Net interest paid and finance costs (including on lease liabilities)	**(61.6)**	(48.2)
Payment of lease liabilities	**(216.8)**	(214.3)
Dividends, buyback of shares and shares purchased for LTIP	**(43.2)**	(259.6)
Net debt funding /(repayment)	**(45.0)**	345.6
Net increase in cash held	**34.0**	8.6

In FY 2023, Healius achieved gross operating cash flow conversion in excess of 100% of underlying EBITDA. Selective investments were undertaken in growth initiatives including digital customer and referrer portals and capabilities, extension to the ACC network in Healius Pathology, a new toxicology laboratory and instrumentation upgrades in Agilex, and upgrades to Lumus Imaging's facilities.

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[6] Bank loans of $565 million (FY 2022: $610 million) are shown net of unamortised borrowing costs.
[7] FY 2022 cash includes cash in discontinued operations.
[8] Bank gearing ratio is calculated on EBITDA of $129.3m (underlying EBITDA of $376.2m before $247.9m for AASB 16 and $1.0m for AASB 15 / gain on sale of assets) and net debt of $449.9m (net debt of $446.8m plus unamortised borrowing costs of $2.9m and parent company guarantees of $0.2m).
[9] Bank interest cover ratio is calculated based on bank underlying EBITDA divided by finance costs (excluding AASB 16 interest).

INITIATIVES UNDERTAKEN DURING FY 2023

Service

In order to deliver exceptional customer service and experiences, Healius is creating and implementing digital solutions that improve the way Healius interacts with clinicians and patients. Progress during the year included:

- Enhanced and expanded Electronic Referrals solution, making it easier for doctors to order Pathology and Imaging tests and to engage with patients directly with a mobile web experience.
- Introduced additional functionality to the Collections Portal to address manual and operational pain points. These include digitising collection workflows across patient registration, protocoling tests and specimen collection.
- Expanded Booking System to include self-service online appointments for diagnostic imaging services.
- Enhanced patient feedback mechanism with a high net promoter score emerging.
- Progressed with rebranding across Healius and subsidiary brands to strengthen identity and better connect online offerings.

Insights

Insights is focused on enabling new diagnostic technologies to deliver superior clinical insights, supporting the prevention and treatment of diseases, and improving health outcomes for patients. Progress during the year included:

- Built a new state-of-the-art secure database platform and successfully migrated 14 years history in pathology diagnosis spanning 275 million results. This will be one of the most valuable assets of the company with a single view of patients, doctors and results. Healius has provision to connect radiology data for a holistic diagnostic proposition.
- Progressed the build of the Results Portal (also referred to as Doctors Portal) to provide a modern experience for doctors to view and share reports, check history and get clinical support from Pathologists and Radiologists.
- Progressed the build of a Patient Portal to provide a modern digital self-service experience for patients to receive reports with simplified visualisation of their diagnostic history and health insights.
- Pursued strategic opportunities in new clinical domains, in the consumer health space and with major health players to diversify revenue sources and strengthen diagnostic technologies.

Operating leverage

To grow revenue beyond market growth, Healius is focused on extracting the maximum value from the network, which includes improving conversion, optimising the modalities and specialties on offer, and continuing to drive efficiency and productivity across the business. Progress during the year included:

- Progressed the new Laboratory Information System (also referred to as Lab Portal) as the company digitises the end-to-end workflow in clinical departments with nationally standardised tests, results, instrument configurations, and processes while also improving staff experience. Histology and Cytology modules were successfully delivered during the year, and development is underway for Microbiology, Haematology, and Biochemistry modules.
- Implemented robotic track-based automation in select pathology laboratory departments that are labour intensive to leverage economies of scale.
- Grew the core network and optimised the ACC footprint with a standardised approach to gross-margin based analysis.
- Developed a strong pipeline of commercial initiatives to extract maximum value from the pathology network.

- Realised savings across a number of procurement categories including consumables, voice telecommunications, teleradiology and transcription services, with additional categories expected to benefit in FY 2024.

People

Healius is focused on attracting, retaining and developing staff, particularly clinical, technical and frontline talent through enhancing the Group operating model and improving organisational structures and processes. Progress during the year included:

- Developed initiatives to attract and retain technical and frontline talent through a better employee value proposition and enhancing the people experience at Healius.
- Continued to progress the digital experience for people as well as streamlining workflows across payroll, recruitment, onboarding, and communications, in particular enabling dynamic rostering and addressing pain points for team members.
- Implemented a new operating model which includes the consolidation of several group and support functions, delivering efficiencies and increased productivity.

	NOTE	2023 $M	2022* $M
Revenue	3	**1,706.9**	2,288.9
Employee benefits expense		**(864.3)**	(932.1)
Property expenses		**(56.3)**	(50.8)
Consumables		**(223.7)**	(306.4)
Repairs and maintenance		**(30.4)**	(29.7)
IT expenses		**(46.2)**	(47.6)
Insurance		**(7.2)**	(7.6)
Short-term equipment hire		**(3.5)**	(35.7)
Other expenses		**(100.0)**	(123.4)
Depreciation – property, plant and equipment		**(40.8)**	(41.5)
Depreciation – right of use assets		**(220.9)**	(215.4)
Amortisation – intangibles		**(15.5)**	(14.3)
Digital transformation costs	2	**(21.7)**	(10.5)
Transaction costs	2	**(3.2)**	(10.3)
Takeover bid costs	2	**(5.4)**	–
Impairment of leased assets	2	**(39.1)**	–
Impairment of goodwill	2	**(349.8)**	–
Restructuring, termination and other costs	2	**(13.9)**	–
Earnings before interest and tax		**(335.0)**	463.6
Net finance costs	4	**(62.3)**	(49.0)
(Loss)/profit before tax		**(397.3)**	414.6
Income tax benefit/(expense)	5	**17.3**	(122.2)
(Loss)/profit for the year from continuing operations		**(380.0)**	292.4
Profit from discontinued operations	19	**12.2**	15.5
(Loss)/profit for the year		**(367.8)**	307.9
Attributable to:			
Equity holders of Healius Limited		**(367.8)**	307.9

* The results of entities disposed in FY23 are excluded from continuing operations and presented as results from discontinued operations.

Notes to the financial statements are included on pages 16 to 30.

Consolidated statement of other comprehensive income *for the year end 30 June 2023*

	2023 $M	2022 $M
(Loss)/profit for the year	**(367.8)**	307.9
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Fair value gain on cash flow hedges	**4.1**	0.8
Reclassification adjustments relating to realised cash flow hedges recognised in profit or loss	**0.7**	5.3
Income tax relating to items that may be reclassified subsequently to profit or loss	**(1.4)**	(1.8)
Other comprehensive income for the year, net of income tax	**3.4**	4.3
Total comprehensive (loss)/income for the year	**(364.4)**	312.2

Notes to the financial statements are included on pages 16 to 30.

Consolidated statement of financial position as at 30 June 2023

	NOTE	30 JUNE 2023 $M	30 JUNE 2022 $M
Current assets			
Cash	18 (a)	**115.3**	81.3
Receivables	7	**189.5**	241.3
Consumables		**32.8**	49.2
Tax assets		**6.7**	-
Total current assets		**344.3**	371.8
Non-current assets			
Goodwill	8	**1,897.5**	2,344.3
Right of use assets	12	**1,067.3**	1,074.9
Property, plant and equipment	9	**176.0**	196.0
Other intangible assets	10	**73.1**	75.2
Other financial assets		**7.1**	5.8
Deferred tax asset		**87.9**	68.8
Total non-current assets		**3,308.9**	3,765.0
Total assets		**3,653.2**	4,136.8
Current liabilities			
Payables	13	**218.0**	169.6
Deferred consideration		**0.9**	5.7
Tax liabilities		**1.9**	67.3
Provisions	14 (a)	**145.8**	175.0
Lease liabilities	11	**263.0**	223.7
Total current liabilities		**629.6**	641.3
Non-current liabilities			
Provisions	14 (b)	**14.4**	18.6
Interest bearing liabilities	15	**562.1**	606.1
Lease liabilities	11	**940.9**	949.2
Total non-current liabilities		**1,517.4**	1,573.9
Total liabilities		**2,147.0**	2,215.2
Net assets		**1,506.2**	1,921.6
Equity			
Issued capital	16	**2,421.0**	2,422.9
Reserves		**8.5**	19.9
Accumulated losses		**(923.3)**	(521.2)
Total equity		**1,506.2**	1,921.6

Notes to the financial statements are included on pages 16 to 30.

Consolidated statement of changes in equity *for the year ended 30 June 2023*

$M	ISSUED CAPITAL	CASH FLOW HEDGE RESERVE	SHARE-BASED PAYMENTS RESERVE	OTHER RESERVES	ACCUMULATED LOSSES	TOTAL
Balance at 1 July 2022	**2,422.9**	**(0.2)**	**20.8**	**(0.7)**	**(521.2)**	**1,921.6**
Loss for the year	–	–	–	–	(367.8)	(367.8)
Fair value gain on cash flow hedges	–	4.1	–	–	–	4.1
Reclassification adjustments relating to realised cash flow hedges recognised in profit or loss	–	0.7	–	–	–	0.7
Income tax relating to components of other comprehensive income	–	(1.4)	–	–	–	(1.4)
Total comprehensive loss	**–**	**3.4**	**–**	**–**	**(367.8)**	**(364.4)**
Buy-back of shares	(5.2)	–	–	–	–	(5.2)
Shares issued via Non-executive Director (NED) Share Plan	0.3	–	–	–	–	0.3
Payment of dividends	–	–	–	–	(34.3)	(34.3)
Shares purchased for Long Term Incentive Plan	(3.7)	–	–	–	–	(3.7)
Share based payments	–	–	(8.1)	–	–	(8.1)
Transfers	6.7	–	(6.7)	–	–	–
Balance at 30 June 2023	**2,421.0**	**3.2**	**6.0**	**(0.7)**	**(923.3)**	**1,506.2**

Notes to the financial statements are included on pages 16 to 30.

Consolidated statement of changes in equity *for the year ended 30 June 2022*

$M	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 year	–	–	–	–	–	307.9	307.9
Fair value gain on cash flow hedges	–	–	0.8	–	–	–	0.8
Reclassification adjustments relating to realised cash flow hedges recognised in profit or loss	–	–	5.3	–	–	–	5.3
Income tax relating to components of other comprehensive income	–	–	(1.8)	–	–	–	(1.8)
Total comprehensive income	–	–	4.3	–	–	307.9	312.2
Buy-back of shares	(135.8)	–	–	–	–	–	(135.8)
Shares issued via Non-executive Director (NED) Share Plan	0.2	–	–	–	–	–	0.2
Payment of dividends	–	–	–	–	–	(98.1)	(98.1)
Shares purchased for Long Term Incentive Plan	(22.1)	–	–	–	–	–	(22.1)
Share based payments	–	–	–	7.9	–	–	7.9
Transfers	5.0	3.6	–	(9.2)	–	0.6	–
Balance at 30 June 2022	2,422.9	–	(0.2)	20.8	(0.7)	(521.2)	1,921.6

Notes to the financial statements are included on pages 16 to 30.

Consolidated statement of cash flows for the year ended 30 June 2023

	NOTE	2023 $M	2022 $M
Cash flows from operating activities			
Receipts from customers		1,904.8	2,456.2
Payments to suppliers and employees		(1,500.4)	(1,779.1)
Gross cash flows from operating activities		404.4	677.1
Net income tax paid		(71.1)	(90.3)
Net cash provided by operating activities	18 (b)	333.3	586.8
Cash flows from investing activities			
Proceeds from sale of business (net of cash disposed and transaction costs)		116.3	28.2
Payment for property, plant and equipment		(62.7)	(81.4)
Payment for other intangibles		(13.4)	(12.1)
Proceeds from the sale of property, plant and equipment and intangibles		30.9	3.7
Payment for business acquired (net of cash received) - Agilex Biolabs		-	(290.7)
Payment for business acquired (net of cash received) - Axis Diagnostics		-	(12.6)
Payments for earn out, settlement and deferred consideration		(3.8)	(36.8)
Net cash from/(used in) investing activities		67.3	(401.7)
Cash flows from financing activities			
Finance costs on interest bearing liabilities		(28.5)	(13.3)
Interest received		1.6	0.3
Interest paid on lease liabilities		(34.7)	(35.2)
Payment of lease liabilities		(216.8)	(214.3)
Payments for buyback of shares		(5.2)	(139.4)
Shares purchased for Long Term Incentive Plan		(3.7)	(22.1)
Proceeds from borrowings		135.0	510.6
Repayment of borrowings		(180.0)	(165.0)
Dividends paid		(34.3)	(98.1)
Net cash used in financing activities		(366.6)	(176.5)
Net increase in cash held		34.0	8.6
Cash at the beginning of the year	18 (a)	81.3	72.7
Cash at the end of the year	18 (a)	115.3	81.3

Notes to the financial statements are included on pages 16 to 30.

1. SIGNIFICANT ACCOUNTING POLICIES

Healius Limited (Healius), is a for-profit entity domiciled in Australia. These financial statements represent the consolidated financial statements of Healius for the financial year ended 30 June 2023 and comprise Healius and its subsidiaries (together referred to as "the consolidated entity" or "the Group").

Statement of compliance

The preliminary financial report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E. This preliminary financial report does not include all the notes included with the annual financial report.

Basis of preparation

This 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.

The accounting policies and methods of computation adopted in the preparation of the preliminary 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 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) instruments 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument, amounts in the financial report are rounded to the nearest hundred thousand dollars, unless otherwise indicated.

Comparative information

Where necessary, comparative amounts have been reclassified and repositioned for consistency with current period disclosures including amounts pertaining to Day Hospitals in the prior period which have been reclassified to discontinued operations (refer note 19 for details). Further details on the nature and reason for amounts that have been reclassified and repositioned for consistency with current period disclosures, where considered material, are referred to separately in the preliminary financial report or notes thereto.

2. SEGMENT INFORMATION

Operating segments are identified based on the way that the Chief Executive Officer and the Board of Directors (also known as the chief operating decision makers) regularly review and assess the financial performance of the business and determine the allocation of resources. Pursuant to the disposal of the Day Hospitals business, the Group's continuing operations comprise the following three divisions or operating segments. The segment results of the prior year have been restated for consistency with the current year operating segments:

OPERATING SEGMENT	ACTIVITY
Pathology	Provider of pathology services, including specialty pathology and clinical trials.
Imaging	Provider of imaging services from stand-alone 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 of 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

2023	PATHOLOGY $M	IMAGING $M	OTHER $M	TOTAL CONTINUING OPERATIONS $M
Segment revenue	**1,272.3**	**431.2**	**3.9**	**1,707.4**
Intersegment sales				**(0.4)**
Total revenue				**1,707.0**
EBITDA[1]	**293.5**	**96.2**	**(13.5)**	**376.2**
Depreciation – property, plant and equipment	**(25.4)**	**(14.7)**	**(0.7)**	**(40.8)**
Amortisation – intangibles	**(9.5)**	**(4.6)**	**(1.4)**	**(15.5)**
Depreciation – right of use assets	**(179.9)**	**(39.1)**	**(1.9)**	**(220.9)**
EBIT[2]	**78.7**	**37.8**	**(17.5)**	**99.0**

2022	PATHOLOGY $M	IMAGING $M	OTHER $M	TOTAL CONTINUING OPERATIONS[3] $M
Segment revenue	1,890.4	393.9	6.5	2,290.8
Intersegment sales				(0.5)
Total revenue				2,290.3
EBITDA[1]	702.6	81.8	(26.2)	758.2
Depreciation – property, plant and equipment	(22.8)	(17.0)	(1.7)	(41.5)
Amortisation – intangibles	(8.8)	(3.9)	(1.6)	(14.3)
Depreciation – right of use assets	(172.6)	(41.8)	(1.0)	(215.4)
EBIT[2]	498.4	19.1	(30.5)	487.0

[1] EBITDA is a non-statutory profit measure representing underlying earnings before interest, tax, depreciation and amortisation.
[2] EBIT is a non-statutory profit measure representing underlying earnings before interest and tax.
[3] The results of entities disposed in FY23 are excluded from continuing operations and presented as results from discontinued operations.

2. SEGMENT INFORMATION (CONTINUED)

Reconciliation of underlying segment revenue to reported revenue

	SEGMENT RESULT	
	2023 $M	2022* $M
Total underlying segment revenue from continuing operations	**1,707.0**	2,290.3
Transactions with discontinued operations	**(0.1)**	(1.4)
Total reported revenue (Note 3)	**1,706.9**	2,288.9

Reconciliation of underlying segment result to reported (loss)/profit before tax

	SEGMENT RESULT	
	2023 $M	2022* $M
Underlying results from continuing operations before tax	**99.0**	487.0
Digital transformation costs	**(21.7)**	(10.5)
Transaction costs	**(3.2)**	(10.3)
Takeover bid costs	**(5.4)**	-
Impairment of leased assets	**(39.1)**	-
Impairment of goodwill	**(349.8)**	-
Restructuring, termination and other costs	**(13.9)**	-
Transactions with discontinued operations	**(0.9)**	(2.6)
Reported EBIT	**(335.0)**	463.6
Finance costs	(62.3)	(49.0)
Reported (loss)/profit before tax	**(397.3)**	414.6

3. REVENUE

	2023 $M	2022* $M
Trading revenue	**1,706.9**	2,288.9

4. NET FINANCE COSTS

	2023 $M	2022* $M
Interest expense	**27.5**	12.8
Interest on lease liabilities	**33.7**	33.5
Amortisation of borrowing costs	**1.1**	2.7
	62.3	49.0

* The results of entities disposed in FY23 are excluded from continuing operations and presented as results from discontinued operations.

5. INCOME TAX EXPENSE

	2023 $M	2022* $M
The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:		
(Loss)/profit before tax	**(397.3)**	414.6
Income tax calculated at 30% (2022 30%)	**(119.2)**	124.4
Tax effect of non-temporary differences:		
Non-deductible asset impairment expense	**104.9**	-
Share related expense/(benefit)	**(3.5)**	(4.2)
Non-deductible acquisition costs	**-**	1.6
Other items	**0.4**	0.3
Under/(over) provision in prior years	**0.1**	0.1
Income tax (benefit)/expense	**(17.3)**	122.2

6. EARNINGS PER SHARE

Basic and diluted earnings per share

EARNINGS	2023 $M	2022* $M
The earnings used in the calculation of basic and diluted earnings per share are the same and can be reconciled to the consolidated statement of profit or loss as follows:		
(Loss)/profit for the year from continuing operations	**(380.0)**	292.4
(Loss)/profit attributable to equity holders of Healius Limited	**(367.8)**	307.9

EARNINGS PER SHARE	2023 CENTS	2022* CENTS
Basic earnings per share	**(64.6)**	52.8
Basic underlying earnings per share	**4.5**	52.5
Diluted earnings per share	**(64.5)**	52.0
Diluted underlying earnings per share	**4.5**	51.8

Any share options and performance rights on issue are contingently issuable shares. They are included in the calculation of diluted earnings per share only when the performance conditions have been met.

* The results of entities disposed in FY23 are excluded from continuing operations and presented as results from discontinued operations.

7. RECEIVABLES

	2023 $M	2022 $M
Measured at amortised cost		
Current		
Trade receivables	**143.7**	199.5
Allowance for expected credit losses	**(23.0)**	(22.0)
	120.7	177.5
Prepayments	**24.9**	21.6
Accrued revenue	**35.8**	36.3
Other receivables	**8.1**	5.9
	189.5	241.3

8. GOODWILL

	2023 $M	2022 $M
Carrying value		
Opening balance	**2,344.3**	2,042.3
Acquisition of businesses	**(0.3)**	302.0
Impairment of goodwill	**(349.8)**	-
Business divestments	**(96.7)**	-
Closing balance	**1,897.5**	2,344.3
Goodwill is allocated to the Group's cash-generating units (CGUs) as follows:		
Pathology	**1,526.0**	1,876.1
Imaging	**371.5**	371.5
Montserrat	**-**	96.7
	1,897.5	2,344.3

The accounting for the acquisition of Agilex Biolabs Pty Ltd ("Agilex") has been finalised and the Group has allocated the goodwill arising from this acquisition to the Pathology CGU.

The carrying amount of goodwill is tested for impairment annually at 30 June and whenever there is an indicator that the asset may be impaired. Where an asset is deemed to be impaired, it is written down to its recoverable amount.

In its impairment assessment, the Group determines the recoverable amount based on a fair value less costs of disposal calculation, under a five-year discounted cash flow model cross checked to available market data. The five-year discounted cash flow uses:

- year one cash flows derived from the financial year 2024 Board approved budget; and
- For financial years 2025 – 2028, growth rates have been determined with reference to historical company experience, industry data and a long-term growth rates expected for the industry.

A non-cash impairment charge of $349.8 million has been made to goodwill in the Pathology division. This impairment relates primarily to Agilex, lower forecast cashflows post Covid, and an increase in the Weighted Average Cost of Capital to 8.5% (previously 7.8%).

9. PROPERTY, PLANT AND EQUIPMENT

2023 $M	PLANT AND EQUIPMENT	LEASEHOLD IMPROVEMENTS	ASSETS UNDER CONSTRUCTION	TOTAL
Net book value				
Opening balance	**116.9**	**67.0**	**12.1**	**196.0**
Additions	**21.7**	**3.4**	**34.0**	**59.1**
Capitalisation of assets under construction	**29.8**	**7.9**	**(37.7)**	**-**
Transfers and disposals	**(26.5)**	**(0.3)**	**-**	**(26.8)**
Business divestments	**(8.7)**	**(2.7)**	**(0.1)**	**(11.5)**
Depreciation expense	**(29.4)**	**(11.4)**	**-**	**(40.8)**
Closing balance	**103.8**	**63.9**	**8.3**	**176.0**
Cost	**343.1**	**171.7**	**8.3**	**523.1**
Accumulated depreciation and impairment	**(239.3)**	**(107.8)**	**-**	**(347.1)**
Closing balance	**103.8**	**63.9**	**8.3**	**176.0**

2022 $M	PLANT AND EQUIPMENT	LEASEHOLD IMPROVEMENTS	ASSETS UNDER CONSTRUCTION	TOTAL
Net book value				
Opening balance	79.7	72.3	5.7	157.7
Additions	39.1	0.8	41.5	81.4
Business combinations	6.2	0.3	0.8	7.3
Capitalisation of assets under construction	25.9	6.2	(32.1)	-
Transfers and disposals	(1.5)	(0.6)	(3.8)	(5.9)
Depreciation expense	(32.5)	(12.0)	-	(44.5)
Closing balance	116.9	67.0	12.1	196.0
Cost	377.2	170.0	12.1	559.3
Accumulated depreciation and impairment	(260.3)	(103.0)	-	(363.3)
Closing balance	116.9	67.0	12.1	196.0

10. OTHER INTANGIBLE ASSETS

2023 $M	IT SOFTWARE	LICENCES	INTANGIBLES UNDER CONSTRUCTION	TOTAL
Net book value				
Opening balance	**62.7**	**8.2**	**4.3**	**75.2**
Additions	**0.6**	**-**	**13.0**	**13.6**
Capitalisation of intangible assets under construction	**3.1**	**-**	**(3.1)**	**-**
Transfers and disposals	**(0.1)**	**-**	**(0.1)**	**(0.2)**
Amortisation expense	**(14.6)**	**(0.9)**	**-**	**(15.5)**
Closing balance	**51.7**	**7.3**	**14.1**	**73.1**
Cost	**159.1**	**40.4**	**14.1**	**213.6**
Accumulated amortisation and impairment	**(107.4)**	**(33.1)**	**-**	**(140.5)**
Closing balance	**51.7**	**7.3**	**14.1**	**73.1**

2022 $M	IT SOFTWARE	LICENCES	INTANGIBLES UNDER CONSTRUCTION	TOTAL
Net book value				
Opening balance	64.5	9.0	2.8	76.3
Additions	4.2	-	7.9	12.1
Business combinations	0.3	-	-	0.3
Capitalisation of intangible assets under construction	7.2	-	(7.2)	-
Other	-	-	0.8	0.8
Amortisation expense	(13.5)	(0.8)	-	(14.3)
Closing balance	62.7	8.2	4.3	75.2
Cost	156.5	40.4	4.3	201.2
Accumulated amortisation and impairment	(93.8)	(32.2)	-	(126.0)
Closing balance	62.7	8.2	4.3	75.2

11. LEASE LIABILITIES

	2023 $M	2022 $M
Opening balance	**1,172.9**	1,177.6
New leases and remeasurement of leases during the year	**287.4**	208.6
Business divestments	**(42.9)**	-
Interest	**33.7**	35.2
Payments	**(247.2)**	(248.5)
Closing balance	**1,203.9**	1,172.9
Presented as:		
Current lease liabilities	**263.0**	223.7
Non-current lease liabilities	**940.9**	949.2
Total lease liabilities	**1,203.9**	1,172.9

12. RIGHT OF USE ASSETS

	2023 $M	2022 $M
Opening balance	**1,074.9**	1,087.2
New leases and remeasurements of leases during the year	**293.0**	207.4
Depreciation	**(220.9)**	(219.7)
Business divestments	**(40.6)**	-
Impairment	**(39.1)**	-
Closing Balance	**1,067.3**	1,074.9

13. PAYABLES

	2023 $M	2022 $M
Current		
Trade payables and accruals	**218.0**	169.6
Total payables	**218.0**	169.6

14. PROVISIONS

	2023 $M	2022 $M
(a) Current		
Provision for employee benefits	**118.6**	155.5
Self-insurance provision	**6.7**	5.9
Make good provision	**-**	3.3
Other current provisions	**20.5**	10.3
	145.8	175.0
(b) Non-current		
Provision for employee benefits	**8.4**	10.1
Self-insurance provision	**3.8**	7.1
Make good provision	**2.2**	1.4
	14.4	18.6

15. INTEREST BEARING LIABILITIES

	2023 $M	2022 $M
Non-current		
Gross bank loans	**565.0**	610.0
Refinancing valuation adjustment	**-**	0.1
Unamortised borrowing costs	**(2.9)**	(4.0)
Closing Balance	**562.1**	606.1

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

	2023 $M	2022 $M
Financing facilities		
Non-current		
Unsecured Syndicated Debt Facilities		
Amount used	**565.0**	610.0
Amount unused	**435.0**	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.

16. ISSUED CAPITAL

	2023 NO. OF SHARES 000'S	2022 NO. OF SHARES 000'S	2023 $M	2022 $M
Opening balance	**569,207**	599,446	**2,422.9**	2,575.6
Shares issued via Short Term Incentive Plan (deferred equity)	**228**	-	**0.8**	-
Shares issued via Non-Executive Director Share Plan	**61**	62	**0.3**	0.2
Shares issued via Long Term Incentive Plan	**2,660**	4,391	**5.9**	8.6
Own shares acquired for Long Term Incentive Plan	**(976)**	(4,391)	**(3.7)**	(22.1)
Own shares acquired during buy back	**(1,651)**	(29,529)	**(5.2)**	(135.8)
Treasury shares cancelled	**-**	(772)	**-**	(3.6)
Closing balance	**569,529**	569,207	**2,421.0**	2,422.9

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

Transaction costs that are incurred directly in connection with the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate.

Share options on issue

As at 30 June 2023, the company had 24,262,825 (2022: 36,394,239) share options on issue, exercisable on a 1:1 basis for 24,262,825 (2022: 36,394,239) ordinary shares of Healius at an exercise price of $3.05. The share options will vest between July 2023 and July 2024 subject to the satisfaction of applicable service and performance conditions and carry no rights to dividends and no voting rights.

Rights on issue

As at 30 June 2023, the company had 246,426 (2022: 228,341) service rights on issue, exercisable on a 1:1 basis for 246,426 (2022: 228,341) ordinary shares of Healius at an exercise price of $nil.

As at 30 June 2023, the company had 6,731,128 (2022: 5,549,056) performance rights on issue, exercisable on a 1:1 basis for 6,731,128 (2022: 5,549,056) ordinary shares of Healius at an exercise price of $nil. The performance rights will vest between July 2023 and October 2025 subject to the satisfaction of applicable service and performance conditions and carry no rights to dividends and no voting rights.

As at 30 June 2023, the company had 25,660 (2022: 35,140) Non-Executive Director (NED) share rights on issue, exercisable on 1:1 basis for 25,660 (2022: 35,140) ordinary shares of Healius at an exercise price of $nil.

Restricted shares on issue

As at 30 June 2023, the company had 78,585 (2022: 76,024) restricted shares on issue.

17. DIVIDENDS ON EQUITY INSTRUMENTS

	2023 CENTS PER SHARE	2022 CENTS PER SHARE	2023 $M	2022 $M
Recognised amounts				
Final dividend – previous financial year	**6.00**	6.75	**34.3**	40.2
Interim dividend – this financial year	**-**	10.00	**-**	57.9
	6.00	16.75	**34.3**	98.1
Unrecognised amounts				
Final dividend – this financial year	**-**	6.0	-	34.2

No dividends are expected to be paid for the year ended 30 June 2023. A final dividend of 6.00 cps was paid with regards to the year ended 30 June 2022.

FRANKING ACCOUNT	2023 $M	2022 $M
Closing balance as at 30 June	**178.4**	194.4

18. NOTES TO THE STATEMENT OF CASH FLOWS

	NOTE	2023 $M	2022 $M
(a) Reconciliation of cash			
For the purpose of the statement of cash flows, cash includes cash on hand and in banks.			
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:			
Cash as disclosed in statement of financial position		**115.3**	81.3
Cash as disclosed in the Group statement of cash flows		**115.3**	81.3

	NOTE	2023 $M	2022 $M
(b) Reconciliation of profit from ordinary activities after related income tax to net cash flows from operating activities			
(Loss)/profit for the year		**(367.8)**	307.9
Finance costs		**63.4**	50.7
Depreciation of plant and equipment		**40.8**	44.5
Depreciation of right of use asset		**220.9**	219.7
Amortisation of intangibles		**15.5**	14.3
Amortisation of HCP upfronts		**1.8**	2.4
Share-based payment expense		**(7.8)**	7.9
Gain on sale of Day Hospitals	19	**(6.8)**	-
Gain on sale of Adora	19	**-**	(16.5)
Gain on derecognition of ROU asset		**(4.2)**	(0.5)
(Gain)/loss on sale of PP&E and intangibles		**(1.1)**	0.3
Impairment of leased assets		**39.1**	-
Impairment of goodwill		**349.8**	-
Other non-cash items		**(1.3)**	(1.3)
Increase/(decrease) in:			
Trade payables and accruals		**40.1**	(36.4)
Provisions		**(31.6)**	2.5
Deferred revenue		**4.7**	2.8
Income tax and deferred taxes		**(89.3)**	33.9
Decrease/(increase) in:			
Consumables		**14.5**	(12.4)
Receivables and prepayments		**52.6**	(33.0)
Net cash provided by operating activities		**333.3**	586.8

Financing facilities

Details of financing facilities available to the Group are provided at note 15.

19. DISCONTINUED OPERATIONS

(a) 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 sale completed on 30 April 2023.

The results of the business have been presented in the results from discontinued operations in the 2023 financial year.

(b) 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.

The results of discontinued operations for the year are presented below:

	2023 $M	2022 $M
Revenue and other gains	**43.7**	74.9
Expenses	**(38.1)**	(72.2)
Earnings before interest and tax	**5.6**	2.7
Finance costs	**(1.1)**	(1.7)
Earnings before tax	**4.5**	1.0
Profit on sale	**6.8**	16.5
Profit before tax from discontinued operations	**11.3**	17.5
Income tax benefit/(expense)	**0.9**	(2.0)
Profit from discontinued operations	**12.2**	15.5

The net cash flows of discontinued operations are:

	2023 $M	2022 $M
Operating	**6.6**	13.3
Investing	**113.2**	24.5
Financing	**(4.3)**	(6.0)
Net cash inflow	**115.5**	31.8

The profit per share attributable to discontinued operations is as follows:

	2023 Cents	2022 Cents
Basic profit per share from discontinued operations	2.1	2.7
Diluted profit per share from discontinued operations	2.1	2.6

20. 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.

21. NET TANGIBLE LIABILITY BACKING

	2023 $	2022 $
Net tangible liability backing per share	**(0.97)**	(0.97)

Net tangible liability backing is calculated based upon net assets excluding goodwill, deferred taxation and other intangible assets.

This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX.

Identify other standards used: NIL

This report, and the accounts upon which the report is based (if separate), use the same accounting policies.

This report gives a true and fair view of the matters disclosed.

This report is based on accounts to which one of the following applies.
(Tick one)

☐ The accounts have been audited.	☐ The accounts have been subject to review.
✓ The accounts are in the process of being audited.	☐ The accounts have *not* yet been audited or reviewed.

If the audit report or review by the auditor is not attached, details of any qualifications will follow immediately they are available.

The entity has a formally constituted audit committee.

Sign here: Date: 30 August 2023

(Director)
Print name: Maxine Jaquet