

AGM – FURTHER DETAIL OF FY18 PERFORMANCE RIGHTS GRANT TO MD AND CEO

3 OCTOBER 2017

Healthscope's annual general meeting is scheduled to be held at 10am on 19 October 2017 at the Langham Hotel, Melbourne.

At the annual general meeting, the Company is seeking shareholder approval for the grant of performance rights to the MD and CEO, Mr Gordon Ballantyne, as part of his long-term incentive award for the year ending 30 June 2018, as well as for the issue of any shares on vesting of the performance rights.

The Explanatory Memorandum to the Notice of Annual General Meeting outlines details of the proposed grant including that the LTI award will be split into two tranches:

- Tranche one – 50% of the performance rights will be subject to an EPS growth hurdle;
- Tranche two – 50% of the performance rights will be subject to a Relative Total Shareholder Return hurdle

The EPS growth hurdle measures Healthscope's EPS compound annual growth rate (**CAGR**) over the three year performance period. EPS is calculated using operating NPAT (which is statutory NPAT for continuing operations, excluding non operating items unrelated to business as usual operations) divided by the weighted average number of shares on issue during the year.

In order to give more information to shareholders in relation to the EPS growth hurdles for the FY18 performance rights grant, the Board announced today that the threshold hurdle for the proposed grant has been set at 5% CAGR and the level at which maximum vesting will occur has been set at 10% CAGR. Given the challenges for the Hospitals division for FY18 which were outlined as part of Healthscope's FY17 results presentation, the EPS growth rate hurdles of 5% threshold and 10% maximum reflect an expectation of annual double digit EPS growth from FY19.

The percentage of performance rights subject to tranche one that vest will be determined by reference to the following vesting schedule:

Tranche one: EPS performance (50% weighting)	Portion of performance rights that will vest against EPS performance hurdle
Less than the threshold hurdle (less than 5%)	Nil
Equal to threshold hurdle (5%)	50%
Greater than the threshold hurdle, up to maximum hurdle (10%)	Straight line vesting between 50% and 100%
At or above maximum hurdle	100%

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