

UPDATE ON 1QFY19 TRADING, NORTHERN BEACHES HOSPITAL AND POTENTIAL PROPERTY TRANSACTION

31 October 2018

Healthscope Limited ("Healthscope") today issued an update to the market in relation to:

- Healthscope's Hospital division trading performance for the quarter of FY19 (ending 30 September 2018);
- the successful opening of Northern Beaches Hospital; and
- progress on the establishment of an unlisted property trust.

Update in relation to 1QFY19 trading and affirmation of FY19 guidance

While hospital revenue growth remained subdued across the market, Healthscope achieved Hospital Operating EBITDA growth for the 1QFY19 of 10.4%. This compares with a decline in Hospital Operating EBITDA in 1QFY18 of 6.8%.

Healthscope continues to target FY19 Hospital Operating EBITDA growth of at least 10% compared with FY18.

Northern Beaches Hospital successfully opened

On 30 October, Northern Beaches Hospital opened as planned and Healthscope, in partnership with the State, commenced transferring patients from Manly and Mona Vale public hospitals. All patient transfers will be completed by 31 October as Manly and Mona Vale hospitals cease to deliver acute inpatient services.

Northern Beaches Hospital was delivered on time and on budget, and represents a landmark project with the potential to become a new model for healthcare delivery in Australia.

Northern Beaches Hospital has been designed, constructed, fitted out and commissioned at a total cost of approximately \$840 million. The Company expects to receive a State Capital Payment of more than \$400 million in early calendar 2019.

Northern Beaches Hospital is expected to make a positive contribution to Hospital Operating EBITDA in FY19. Public and private patient volumes are expected to achieve a full ramp up within four to five years. At this point, Northern Beaches Hospital is expected to deliver over \$300 million in additional revenue and an EBITDA return on invested capital of at least 15%.



Update on the establishment of an unlisted property trust

Following a detailed strategic review of its freehold property assets, Healthscope announced on 21 August 2018 the intention to establish a new unlisted property trust which will hold the majority of Healthscope's freehold property assets. Healthscope would enter into a long term lease over each of the properties owned by the property trust. Healthscope will own a 51% interest in the property trust and a new co-investor will be introduced to own 49%.

Healthscope has identified 20 of its hospital freehold properties for potential inclusion in the property trust. The operating businesses at those locations generated approximately 65% of Healthscope's FY18 Hospital Operating EBITDA. It is anticipated that the property trust will receive rental payments from Healthscope of approximately \$85 to \$90 million in the first year.

Healthscope currently anticipates that the value of the properties in the trust would be in the range of \$1.6 - \$1.8 billion (on a 100% ownership basis), significantly in excess of the current book value of these properties of \$1.1 billion.

Healthscope has commenced a competitive process to select a preferred co-investor for the property trust. During September and October, approximately 100 parties were contacted globally in relation to this opportunity. Healthscope management, together with its advisers, have met with numerous specialist property and infrastructure investors in Australia and overseas to discuss an investment in the proposed property trust. Strong interest was received from a number of high quality parties with positive feedback in relation to:

- the quality of the assets to be included in the property trust;
- the proposed transaction structure;
- the proposed lease terms and governance arrangements; and
- valuation.

This positive feedback strengthens Healthscope's confidence in the ability of the proposed transaction to achieve the expected benefits for shareholders.

The process is expected to be completed early in calendar 2019.

AGM and Audio Webcast Details

Healthscope's Annual General Meeting is scheduled to be held at 10.00am on 31 October 2018 at the Sheraton Melbourne Hotel, 27 Little Collins Street, Melbourne.

You will be able to follow a live audio webcast of the AGM proceedings at:
<http://healthscope.com.au/investor-centre/agm>



Healthscope

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About Healthscope

Healthscope (ticker: HSO) is a leading private healthcare provider with 43 private hospitals in Australia and pathology operations across New Zealand.

In FY18 Healthscope employed over 18,000 people who, together with our 17,500 doctors, provided approximately 12 million episodes of care to patients, ranging from pathology tests to complex surgery.

We place the highest priority on quality clinical outcomes, transparency of reporting and elevating the overall patient experience. Healthscope was the first private hospital operator in Australia to report performance against quality and clinical outcome metrics publicly, just one part of our program to maintain and continually improve our high standards.