



FY16 results

For the period ending 30 June 2016

Robert Cooke
Managing Director
& Chief Executive Officer

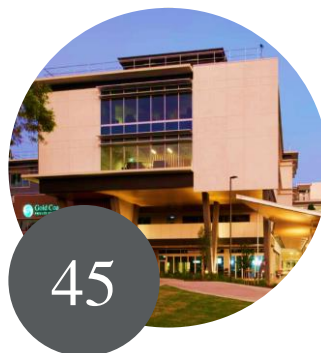
Michael Sammells
Chief Financial Officer

23 August 2016



Healthscope group

The year in review



45

45 hospitals offering inpatient and outpatient services²



18k

Over 18,000 employees delivered high quality care to our patients



60k

Treatment of over 60,000 patients in our emergency departments



9m

Over 9 million pathology episodes undertaken in New Zealand, Malaysia, Singapore and Vietnam



2m

Provision of approximately 2 million GP consultations in our medical centres

1. As at 30 June 2016
2. Frankston Private and Peninsula Oncology combined to form an integrated facility

Highlights



Financial

Continuing operations

- Statutory NPAT up 18.9% to \$182.8m (FY15: \$153.7m)
- Group revenue up 6.2% to \$2,291m (FY15: \$2,157m)
- Group Operating EBITDA up 7.1% to \$407.9m¹ (FY15: \$380.8m)
- Group Operating EBIT up 6.7% to \$310.4m¹ (FY15: \$291.0m)
- Group Operating NPAT up 25.1% to \$194.6m¹ (FY15: \$155.6m)
- Hospital Operating EBITDA up 8.3% to \$354.9m¹ (FY15: \$327.6m) with margin expansion of 50bp
- New Zealand Pathology² Operating EBITDA up 21.8% to \$50.7m (FY15: \$41.6m)
- Full year dividend of 7.4cps, includes a final dividend of 3.9cps (FY15: 7.0cps)



Operational

- Continued organic growth and margin expansion across hospital operations
- Renegotiated multi-year contracts with major health fund providers – Bupa, Medibank, HCF
- Invested \$440 million in growth capital projects
- Completed seven hospital expansion projects, including Gold Coast Private, Knox Private and National Capital Private
- Expanded hospital footprint – Hunter Valley Private and La Trobe Private
- Preferred partnership with Icon Group to enhance cancer care offering
- Successfully implemented new pathology services contract to the greater Wellington region in NZ

1. "Operating" results represent Statutory results from continuing operations adjusted for items of other income and expense of \$11.8m (net of tax) (FY15: \$1.9m) – refer Appendix 1
2. As a result of the divestment of the Australian Pathology operations, reportable segments have been revised to Hospitals, New Zealand Pathology and Other

Financial performance

Results underpinned by strong performance of Hospital and New Zealand Pathology divisions

Continuing operations profit and loss

	FY16 (\$m)	FY15 (\$m)	Movement
Revenue	2,290.9	2,156.6	6.2%
Operating EBITDA	407.9	380.8	7.1%
Depreciation and amortisation	(97.5)	(89.8)	8.6%
Operating EBIT	310.4	291.0	6.7%
Net interest expense	(43.8)	(70.3)	(37.7)%
Operating profit / (loss) before tax	266.6	220.7	20.8%
Operating net profit / (loss) after tax	194.6	155.6	25.1%
Non-operating expenses after tax	(11.8)	(1.9)	-
Net profit/(loss) after tax	182.8	153.7	18.9%
<i>Operating EBITDA margin (%)¹</i>	<i>17.8%</i>	<i>17.7%</i>	10bp
<i>Operating EBIT margin (%)¹</i>	<i>13.5%</i>	<i>13.5%</i>	-
Operating cash flow	391.7	377.6	3.7%
Operating cash flow conversion	96.0%	99.2%	

1. Includes prostheses revenue and costs

2. Refer to Appendix 3 for further details

3. "Operating" results represent Statutory results from continuing operations adjusted for items of other income and expense of \$11.8m (net of tax) (FY15: \$1.9m) – refer Appendix 1

7.1% 

Operating EBITDA

\$407.9m

25.1% 

Operating NPAT

\$194.6m

- Increase in corporate costs reflecting investment in new employee share scheme and a full year of listed company costs
- Significant reduction in interest as a result of post-IPO capital structure having been in place for the full financial year
- Non-operating expenses of \$11.8 million (net of tax) predominantly relating to the commissioning of Gold Coast Private, the closure of Allamanda Private and the acquisition of Hunter Valley Private²
- Effective tax rate of 27.3% with underlying ongoing tax rate of approximately 29%

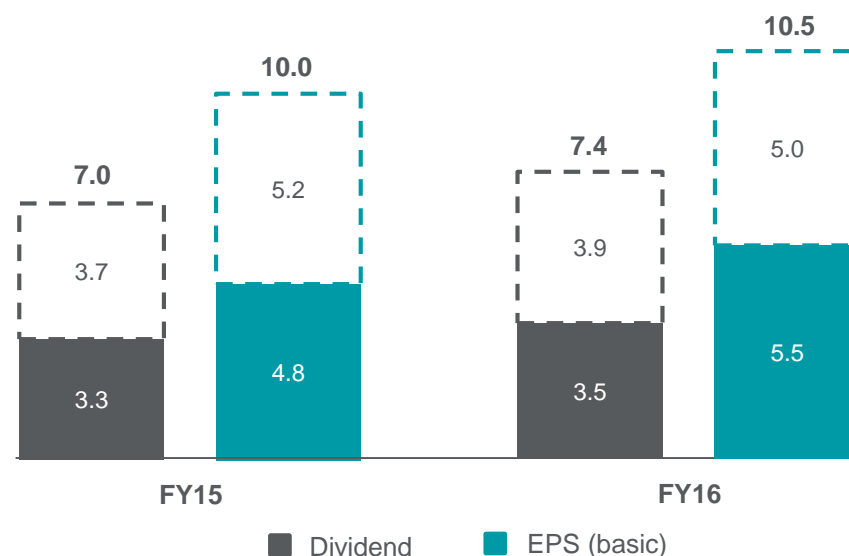
EPS and dividend growth

EPS growth of 5.0% and unfranked dividend of 7.4 cents per share

	FY16	FY15
NPAT (\$m)	182.8¹	173.0²
EPS (basic) (cents)	10.5 ¹	10.0 ²
Dividend per share (cents)		
Interim	3.5	3.3
Final	3.9	3.7
Total	7.4	7.0
Franking ³	0%	0%
Key dividend dates		
Ex-dividend date	13 September 2016	
Record date	14 September 2016	
Payment date	28 September 2016	

1. Continuing operations
2. Pro-forma
3. Dividends are unfranked

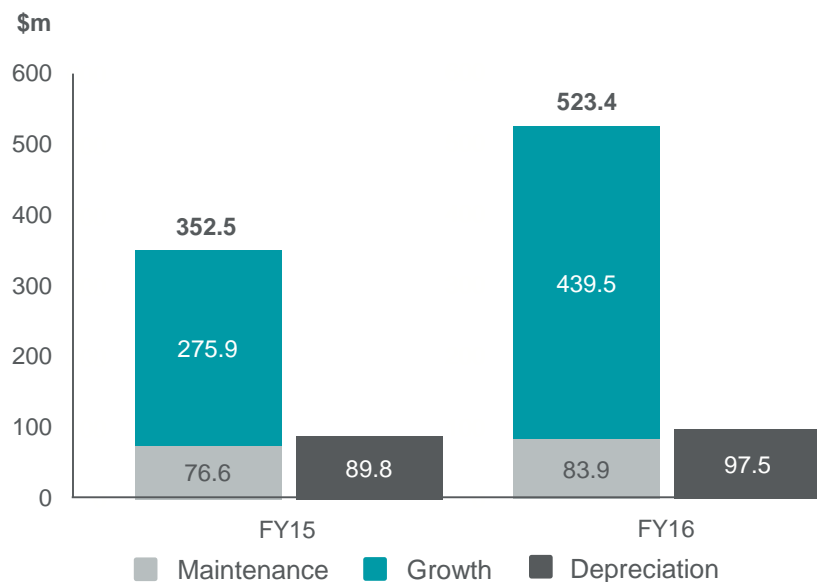
Dividend and EPS (cps)



Group capital expenditure

Significant investment in hospital expansion program

Group capital expenditure and depreciation^{1,2}



1. Continuing operations only

2. Depreciation refers to depreciation and amortisation

- 17 hospital construction projects underway in FY16, including nine major hospital projects
- Three major projects completed in 2HFY16
 - Gold Coast Private (relocation from Allamanda Private)
 - Knox Private
 - National Capital Private
- Increase in depreciation as completed projects come on line with full year impact of these projects to be reflected in FY17

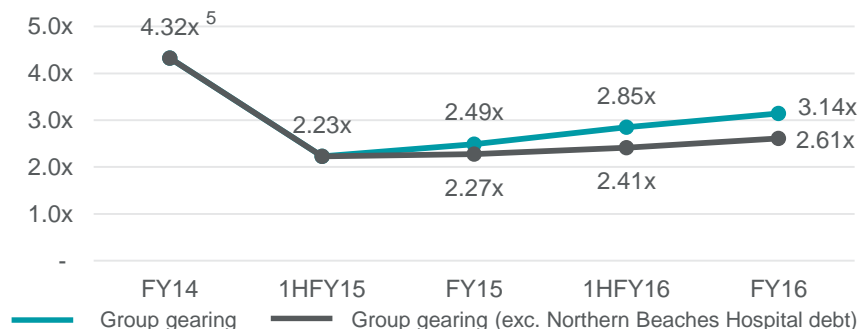
Gearing

Strong balance sheet with capacity to support future growth

Funding summary

	30 June 16	30 June 15
Senior debt facilities (\$m)	850.0	995.0
US private placement (\$m)	404.0 ¹	-
Gold Coast project finance (\$m)	-	84.1
Northern Beaches project finance (\$m)	296.0	95.8
Other debt facilities (\$m)	10.9	17.8
Total debt (\$m)²	1,560.9	1,192.8
Cash (\$m)	278.8	225.8
Net debt (\$m)	1,282.1	967.0
Net interest	43.8	70.3³
Net debt / net debt + equity	35.1%	29.5%
Net debt / LTM EBITDA	3.14x	2.49x
ICR (LTM EBITDA / LTM net interest exp)	9.31x	8.55x ⁴

Historical gearing position



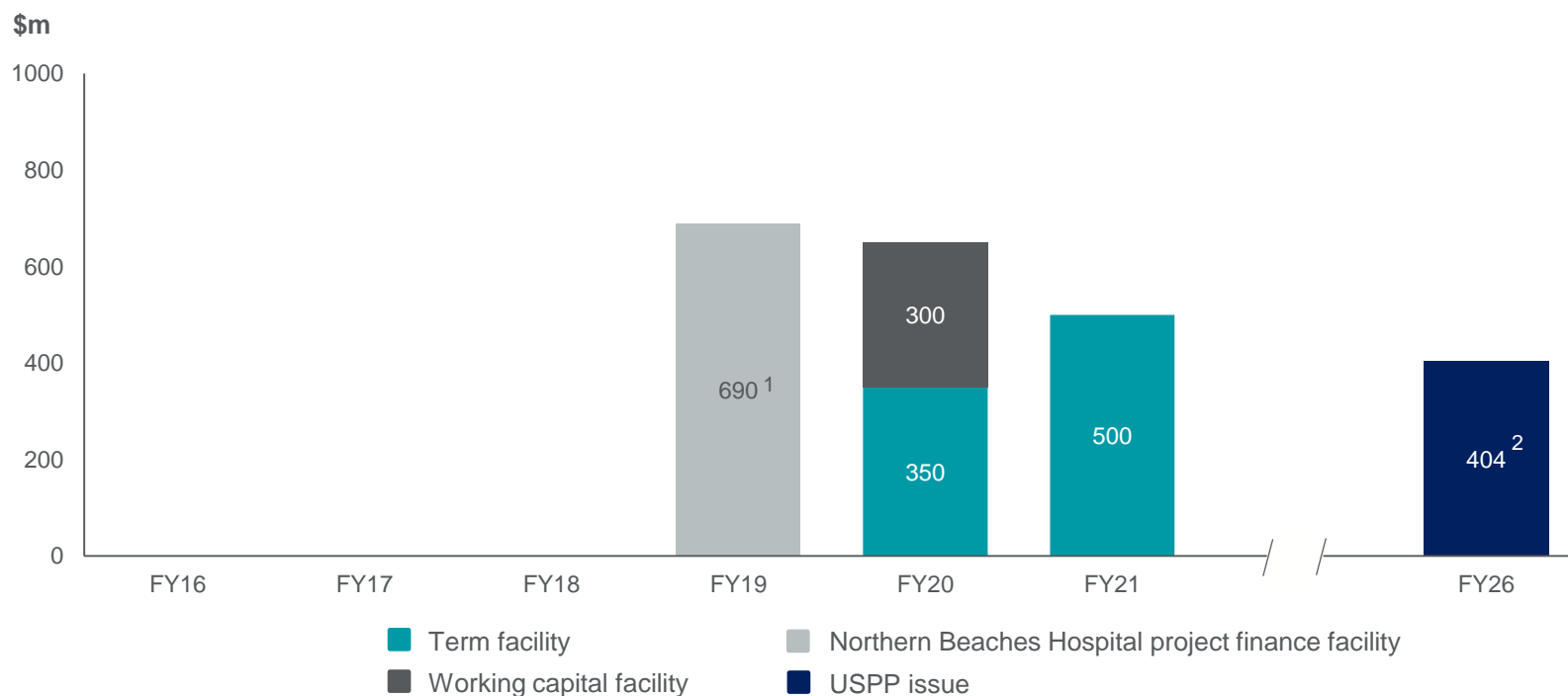
- Brownfield capital investments continue to be funded through a combination of cash reserves, operating cash flow and available debt facilities
- Comfortable headroom under senior debt covenants
- Northern Beaches Hospital
 - Fully funded by Healthscope during construction phase
 - Capital payment to be received from the NSW Government as reimbursement for the public component of the hospital and a portion of the shared facilities once the hospital is operational

1. Excludes fair value adjustment associated with hedge accounting
2. Excludes capitalised facility costs
3. Includes interest on pre-IPO debt structure for the period prior to 28 July 2014
4. Based on pro-forma annualised interest for the full year to 30 June 2015
5. Reflects pre-IPO gearing structure under private equity ownership

Debt maturity profile

Attractive long term funding arrangements

- Debt maturity profile and future funding flexibility enhanced via an amend and extend refinancing of the senior debt facilities in November 2015 and entry into the US Private Placement (USPP) market in May 2016



1. Northern Beaches Hospital project finance facility will be partially repaid by the NSW State Government Capital Payment upon completion of the hospital with the remaining debt converting to an already established corporate term facility

2. USD 300 million swapped into AUD. Excludes fair value adjustment associated with hedge accounting

Divisional performance



Hospitals

Strong Operating EBITDA growth of 8.3%

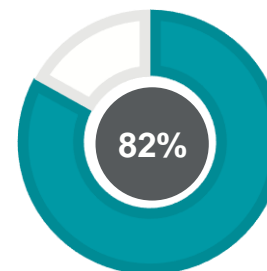
	FY16 (\$m)	FY15 (\$m)	Movement
Revenue ¹	1,947.7	1,852.5	5.1%
Operating EBITDA	354.9	327.6	8.3%
Operating EBIT	281.4	263.3	6.9%
<i>Operating EBITDA margin¹</i>	<i>18.2%</i>	<i>17.7%</i>	50bp
<i>Operating EBIT margin¹</i>	<i>14.4%</i>	<i>14.2%</i>	20bp

1. Includes prostheses revenue and costs

Performance

- Revenue growth largely organic reflecting admissions growth, case mix and rate increases
- Labour, procurement and revenue initiatives continued to deliver margin improvement
- Renegotiated multi-year contracts with major health fund partners – Bupa, Medibank and HCF
- Expansion program remains on track with successful relocation of Allamanda Private to Gold Coast Private and brownfield expansions at Knox Private and National Capital Private completed in 2HFY16

FY16 Operating EBITDA contribution to continuing operations



Strategic objectives

- Continued investment in expansion program
- Earnings delivery at brownfields sites
 - Volume ramp up
 - Optimisation of case mix
- Continue to explore expansion opportunities at sites where capacity constraints exist (e.g. Melbourne Private, Prince of Wales Private)
- Work with Federal and State Governments to deliver positive healthcare reforms and expand the role of the private sector in the delivery of services

New Zealand Pathology

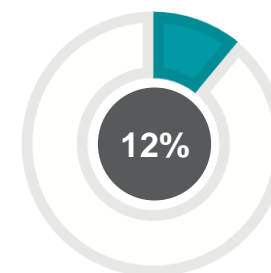
Successful integration of new Wellington contract delivered strong growth

	FY16 (\$m)	FY15 (\$m)	Movement
Revenue	222.7	182.2	22.2%
Operating EBITDA	50.7	41.6	21.8%
Operating EBIT	40.1	31.1	28.9%
<i>Operating EBITDA margin</i>	22.8%	22.9%	(10)bp
<i>Operating EBIT margin</i>	18.0%	17.1%	90bp

Performance

- Revenue growth largely attributable to new Wellington contract
 - Commenced providing services to the greater Wellington region in July 2015
 - Successful commissioning of new state-of-the-art laboratory in November 2015
- Upgrade and expansion of core Auckland laboratory
 - 16 new analysers commissioned
 - Gained accreditation as a WADA approved drug testing facility

FY16 Operating EBITDA contribution to continuing operations



Strategic objectives

- Focus will be on maintaining strong relationships with government and delivery of efficiency improvements benefiting both Healthscope and our DHB partners
- Grow community pathology volumes and explore adjacent revenue streams
- Tender for new contracts as they come to market

1. As a result of the divestment of the Australian Pathology operations, reportable segments have been revised to Hospitals, New Zealand Pathology and Other

Other

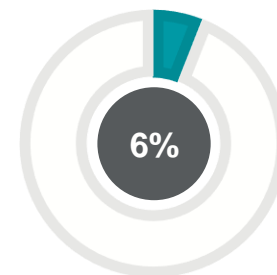
Operations provide platform for growth but face some short term headwinds

	FY16 (\$m)	FY15 (\$m)	Movement
Revenue	120.5	121.9	(1.2)%
Operating EBITDA	28.8	33.4	(13.7)%
Operating EBIT	20.0	23.2	(13.8)%
<i>Operating EBITDA margin</i>	23.9%	27.4%	(350)bp
<i>Operating EBIT margin</i>	16.6%	19.0%	(240)bp

Performance

- Singapore pathology (revenue growth 6.4%, EBITDA growth 5.3%)²
 - Strong organic revenue growth from further penetration in specialist and commercial markets
 - Partially offset by investment in growth including relocation of Paragon lab to larger premises with new state-of-the-art automation and wider test menu
- Malaysia pathology (revenue decline 3.8%, EBITDA decline 6.6%)²
 - Earnings impacted by introduction of GST in April 2015 and continued reduction in health screening for foreign workers
 - New laboratories established in two private hospitals in Kuala Lumpur
- Medical centres (revenue decline 4.7%, EBITDA decline 30.2%)
 - Revenue and earnings impacted by divestment of six skin clinics as part of the Australian Pathology divestment, softness in volumes and the reintroduction of the MBS fee freeze in July 2015

FY16 Operating EBITDA contribution to continuing operations



Strategic objectives

- Singapore, Malaysia and Vietnam pathology
 - Deliver revenue growth and optimise case mix through targeted value added service offering and increased penetration of specialists, commercial and hospital contracts
 - Continue to strengthen reputation for leadership in quality and clinical practices
- Medical centres
 - Strengthen links to hospitals and private health insurers (e.g. co-ordinated care trials with Medibank)
 - Explore opportunities arising from the Federal Government's review of primary health care

1. As a result of the divestment of the Australian pathology operations, reportable segments have been revised to Hospitals, New Zealand Pathology and Other
 2. Based on results in local currency

Industry update



Industry update

Attractive industry fundamentals continue to underpin long term growth

✓ Population growth and ageing

Concentrated in growth corridors within major cities with the 65+ age group forecast to increase by 37% over the next decade¹

✓ Increase in lifestyle and degenerative diseases

Chronic diseases, such as diabetes, heart disease and cancer, have continued to grow with 9 out of 10 deaths in Aust due to chronic disease in 2011²

✓ Advancements in medical technology and treatments

Whilst life expectancy is projected to reach 94 years by 2025 more years are being lived with disability³

✓ Public hospital system under on-going pressure

42% decline in public hospital beds per '000 people aged over 65 since 1994⁴

✓ Government policies encourage PHI participation

Health insurance rebate, Medicare levy surcharge, Lifetime health cover



Key long term drivers
remain unchanged

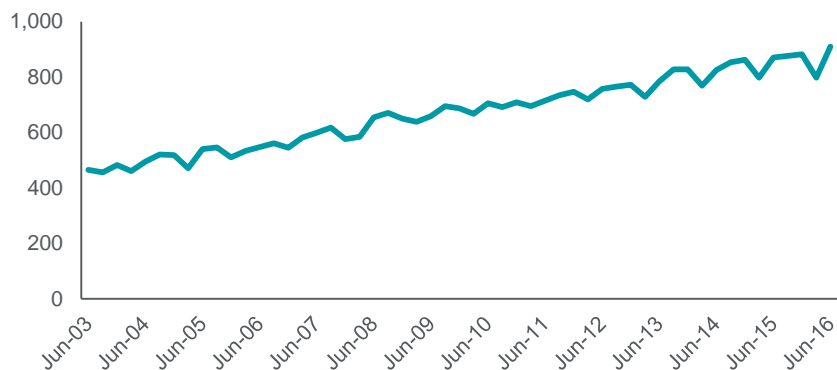
1. ABS: 3101 (March 2015); 3222 (2012). 2. Deloitte: Dept of Health and Human Services Victoria – Horizon Scan of Health Trends (June 2016). 3. 2015 Intergenerational Report Australia in 2055 (March 2015). 4. AIHW: Australian Hospital Statistics, ABS: Australian demographic statistics

Industry update

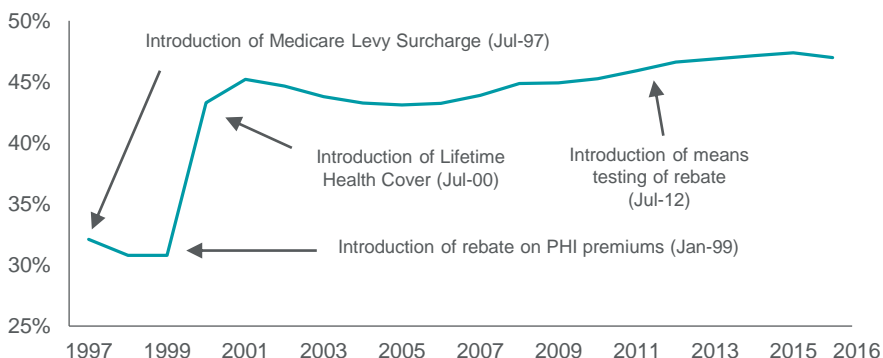
The private sector plays a vital role in Australia's health infrastructure

- Private hospitals now perform 67% of all elective surgeries in Australia
- Long term upward trend in industry volumes continues
- Private health insurance (PHI) participation remains strong with product downgrading and 'junk policies' an on-going area of focus for the Government's PHI review
- Private sector also expected to play an increasing role in the delivery of public services in future (e.g. Northern Beaches Hospital, public hospital waiting list work)

Private hospital volumes



Private health insurance participation



Source: APRA

Hospitals operational update



Hospital growth strategy

Consistent and proven strategy provides foundations for sustainable growth

ORGANIC



Labour, occupancy and utilisation improvements

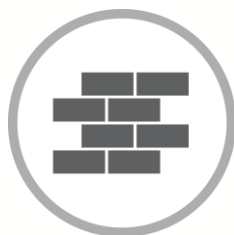
Acuity mix optimisation

Pay-for-quality initiatives

Direct sourcing opportunities

Collaboration with health funds

BROWNFIELDS



Focus on large, acute hospitals which are capacity constrained

Typically located in high growth corridors and/or are co-located

RELOCATE AND GROW



Construct newer, larger facility close to an existing facility and relocate services

PPPs / GOVERNMENT OUTSOURCING



Further opportunities for private sector participation in delivery of public hospital services

INTERNATIONAL GROWTH



Hospital management opportunities

Operational update

Continuous improvement and innovation

- Maintaining leadership in quality and clinical outcomes
 - Introduced “Always Events” in collaboration with Bupa
 - Further expanded our transparent public reporting of clinical outcomes via the MyHealthscope website
- Partnerships
 - Expansion of cancer care services at key growth sites through partnership with Icon Group¹
 - Re-negotiated multi-year health fund contracts with our major health fund partners – Bupa, Medibank and HCF
 - Invested in a number of indigenous health and education initiatives alongside the Cape York Group and the Institute for Urban Indigenous Health
- Nursing and clinical education
 - Supported nursing and allied health students by providing over 100,000 clinical placement days (up 67% on FY15)
 - Introduced Clinical Chair positions at Holmesglen Private and La Trobe Private – joint roles across Healthscope and their respective universities to promote research and education
- Workforce
 - Significant investment in training and development and leadership programs
 - Successfully negotiated key EBAs, including those covering our nursing workforce in NSW and VIC

1. Refer to slide 25 for further details

Hospital expansion program

Construction program remains on track with three major projects completed in FY16

- Seven projects completed in FY16 delivered 163 additional beds and 9 additional operating theatres^{1,2}
 - Major projects – Gold Coast Private (QLD), Knox Private (VIC), National Capital Private (ACT)
 - Other projects – John Fawkner Private (VIC), Nepean Private (NSW), Mount Hospital (WA), Geelong Private (VIC)
- Ten projects under construction will deliver a further 762 beds and 43 operating theatres by the end of FY19³
 - Total capital expenditure of approximately \$1.2 billion⁴
- Two approved projects in the final stages of planning will deliver 71 additional beds and ten operating theatres³
 - Total capital expenditure of approximately \$102 million⁴
 - Projects include Gold Coast Private Hospital Stage 2 which was added to the pipeline in 2HFY16

1. Net of Allamanda Private closure (220 beds and 10 operating theatres)

2. Refer to Appendix 5 for further detail

3. Refer to Appendix 6 for further detail

4. Inclusive of capital invested in prior periods

Recent completed developments

Gold Coast Private (QLD)



- State-of-the-art 284 bed facility with 13 operating theatres and an emergency department
- Co-located with 750 bed Gold Coast University Public Hospital and Griffith University within the Gold Coast Health and Knowledge Precinct
- Designed with flexibility to accommodate future demand
- Completed in March 2016
- Successful transition of patients from Allamanda Private
- 100% integrated operating theatres, 4th generation Da Vinci robot, hybrid operating theatre and integrated patient monitoring platform
- Medical specialty services include cardiology, oncology, urology and orthopaedics
- New specialties introduced, including obstetrics and neurosurgery
- Stage 2 expansion approved in June 2016 – additional 30 beds and 8 operating theatres

Recent completed developments



Knox Private – Stage 2 (VIC)

- Additional 60 beds
- Upgraded shared infrastructure to future proof Stage 3, 4 and 5 developments
- Completed in February 2016

National Capital Private (ACT)

- Additional 41 beds and 3 operating theatres
- Completed in March 2016
- Exploring further brownfield potential

Construction pipeline

Ten projects currently under construction

Table does not include Board approved projects not yet under construction – refer to Appendix 6 for further details

Financial year			FY17		FY18		FY19	
Project	Beds	OTs	1H	2H	1H	2H	1H	2H
Darwin Private (NT)	-	2						
Holmesglen Private (VIC)	147	8						
Northpark Private (VIC)	ED ¹							
Norwest Private (NSW)	60	3						
Newcastle Private (NSW)	16	2						
Frankston Private (VIC)	60	2						
Sydney Southwest Private (NSW)	0	2						
Sunnybank Private (QLD)	-	2						
Northern Beaches (NSW)	450	20						
Brisbane Private (QLD)	29	2						
Total	762	43						

1. Emergency department

Major project updates

Northern Beaches Hospital (NSW) – 450 beds and 20 operating theatres

- Construction commenced in March 2015 – remains on time and budget
- Continued positive engagement with key stakeholders, including NSW Government, Area Health Network, the community and specialists
- Workforce planning has commenced
- Innovative operating model likely to be a catalyst for future government opportunities



[Click here to watch a 90 second fly through of the Northern Beaches Hospital](#) ►

Major project updates

**Holmesglen Private Hospital (VIC) –
147 beds and 8 operating theatres**



**Norwest Private Hospital (NSW) –
60 beds and 3 operating theatres**

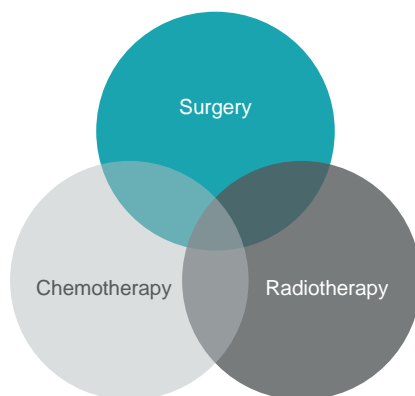


Targeting growth specialties

Cancer care

- Represents a growing area of the healthcare sector with most patients receiving more than one form of treatment
- Preferred partner arrangements entered into with Icon Group, Australia's largest integrated cancer care provider, to establish radiation oncology centres at key growth sites
- Icon Group intends to invest in excess of \$65 million to establish these centres within our facilities
- Will enhance Healthscope's existing cancer care offering and provide patients with access to the full spectrum of cancer care treatments within an integrated setting using world's best practice technology

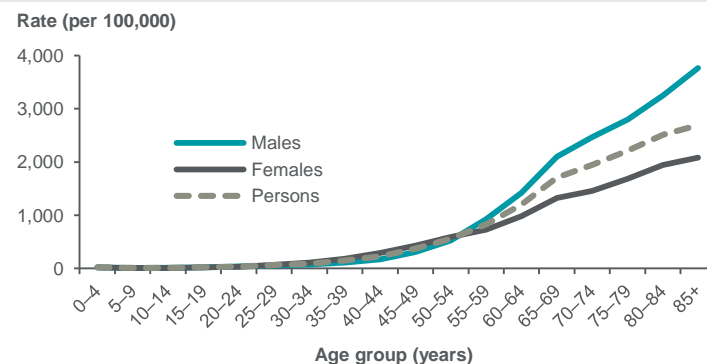
Integrated cancer care treatment model



Cancer related healthcare statistics^{1,2}

- Primary reason for 1 in 10 hospitalisations in 2012-13¹
- Probability of cancer diagnosis by age 85
 - Male: 1 in 2
 - Female: 1 in 3
- ~50% of cancer diagnoses are admitted for elective surgery²
- Clinical data suggests that of all new cancer patients 48% would benefit from radiotherapy³

Incidence of cancer increases dramatically with age¹



1. AIHW, Cancer in Australia: an overview of 2014

2. AIHW, 2013-14

3. Delany G et al (2005), The role of radiotherapy in cancer treatment

Summary and outlook



Summary

- Strong FY16 result underpinned by continued growth in Hospital and New Zealand Pathology divisions
- Continue to focus on efficiency improvements and innovation
- Hospital expansion program remains on track, with three major projects completed and additional projects added to the pipeline
- Well positioned to leverage existing platforms for future growth opportunities across the portfolio
- Strong balance sheet provides funding flexibility
- Continue to be recognised as a leader in quality and clinical outcomes
- Remain actively involved in Government healthcare review processes and continue to respond to opportunities to expand the role of the private sector in delivery of services

Outlook

- FY16 has seen Healthscope deliver sustained growth with brownfield projects being delivered on time and operational strategies continuing to deliver margin improvements
- Whilst the industry volume growth rate moderated slightly, the location of our brownfield capital investments in catchments of growing and ageing populations continue to lay the foundation for strong growth over the medium term
- FY17 will be another year of significant investment with ten projects under construction ensuring we are well positioned to meet future demand. Continuous improvement in underlying operations will also remain a key focus



Questions



Appendices



Appendix 1: Reconciliation of net profit / (loss) to Operating EBIT and Operating EBITDA

	FY16 (\$m)	FY15 (\$m)
Net profit / (loss) after tax	181.1	140.9
<i>Add back</i>		
Discontinued operations	1.7	12.9
Net profit / (loss) after tax from continuing operations	182.8	153.7
<i>Add back</i>		
Non-operating expenses after tax	11.8	1.9
Operating NPAT (Operating net profit after tax)	194.6	155.6
Income tax expense	71.9	65.1
Net finance costs	43.8	70.3
Operating EBIT (Operating earnings before finance costs and income tax)	310.4	291.0
<i>Add back</i>		
Depreciation and amortisation	97.5	89.8
Operating EBITDA (Operating earnings before finance costs, income tax, depreciation and amortisation)	407.9	380.8

Appendix 2: Bridge of continuing operations to Group result

	FY16 statutory continuing operations (\$m)	FY16 statutory discontinued operations (\$m)	FY16 Group (\$m)
Revenue	2,290.9	3.0	2,293.9
Operating EBITDA	407.9	(2.4)	405.5
Depreciation and amortisation	(97.5)	-	(97.5)
Operating EBIT	310.4	(2.4)	308.0
Net interest expense	(43.8)	-	(43.8)
Operating profit / (loss) before tax	266.6	(2.4)	264.1
Tax (expense) / benefit	(71.9)	0.7	(71.2)
Operating NPAT	194.6	(1.7)	192.9
Non-operating expenses after tax	(11.8)	-	(11.8)
Net profit / (loss) after tax	182.8	(1.7)	181.1

Appendix 3: Non-operating expenses

Continuing operations

	FY16 (\$m)	FY15 (\$m)
Restructure and other costs	2.4	1.2
Allamanda Private Hospital closure costs	7.4	-
Acquisition and tender costs	3.5	1.0
Commissioning costs	1.8	-
Total pre tax	15.1	2.2
Tax	(3.2)	(0.3)
Total post tax	11.8	1.9

Appendix 4: Weighted average number of shares

	FY16	FY15
No. of shares	1,733,930,068	1,647,003,373
Performance rights	2,909,682	1,575,529
Total	1,736,839,751	1,648,578,901

- Weighted average number of shares used as basis for determining EPS

Appendix 5: Hospital expansion program

Projects completed in FY16

	Beds	Operating theatres	Other
Gold Coast Private (QLD)	284 (net 64)	13 (net 3)	ED, consulting suites, radiology
Knox Private (VIC)	60	-	Infrastructure upgrade
National Capital Private (ACT)	41	3	Consulting suites
John Fawcner Private (VIC)	-	-	Day surgery, ED
Nepean Private (NSW)	-	1	Hybrid catheter lab
Mount Hospital (WA)	-	2	Theatre refurbishments
Geelong Private (VIC)	(2)	-	ICU
Total	163	9	

Appendix 6: Hospital expansion program

Projects under construction

	Beds	Operating theatres	Other
Northern Beaches (NSW)	450	20	ED, consulting suites, radiology, GP clinic
Holmesglen Private (VIC)	147	8	Consulting suites, oncology bays, ICU, ED
Norwest Private (NSW)	60	3	Consulting suites
Frankston Private (VIC)	60	2	Oncology department, car parking
Brisbane Private (QLD)	29	2	Consulting suites, car parking, rehab gym, retail
Newcastle Private (NSW)	16	2	Consulting suites, car parking
Darwin Private (NT)	-	2	CSSD relocation
Sunnybank Private (QLD)	-	2	Consulting suites, car parking, day surgery expansion
Sydney Southwest Private (NSW)	-	2	Consulting suites, car parking
Northpark Private (VIC)	-	-	ED
Total	762	43	

Approved projects

	Beds	Operating theatres	Other
John Fawcner Private (VIC)	41	2	Expand CCU, car parking
Gold Coast Private (QLD)	30	8	-
Total	71	10	

Glossary

Cash flow conversion	Group Operating EBITDA to cash flow
Continuing operations	Excludes Australian pathology operations which were divested on 6 July 2015
DHB	District Health Board (New Zealand)
EPS	Earnings per share
ICR	Interest coverage ratio
LTM	Last twelve months
Operating	Excludes non-operating expenses

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