Healthscope Notes Ltd
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Healthscope announces results for year ended 30 June 2012

29 August 2012

Healthscope Notes today announced results for the Healthscope Group for the year ended 30 June 2012.

Financial results for the period include:

- Revenue of $2,115.8 million;
- EBITDA before restructure and acquisition costs of $303.0 million (Operating EBITDA);
- Restructure and acquisition costs totalled $10.6 million;
- Net profit after tax of $15.5 million;(1)
- Cash flows from operations of $301.4 million;
- Operating EBITDA cash conversion of 99.4%.

(1) Including restructure and acquisition costs.

The Group result was driven by robust results from the Hospitals, International Pathology and Medical Centre divisions. The challenges facing the Australian Pathology division continued, with the division reporting a disappointing result.

In reflecting on the annual results, Healthscope's Executive Chairman, Mr Robert Cooke, said "The good momentum continued across the Hospitals, Medical Centres and International Pathology businesses, with these divisions reporting good revenue and earnings growth."

With regard to the performance of Healthscope's Hospitals, Mr Cooke said "Revenue growth was underpinned by solid organic and brownfield volume growth. Cost control, in particular around labour and consumables, ensured revenue growth translated to margin growth. Furthermore, we are starting to see the benefits of procurement initiatives flow to the bottom line."

In commenting on the growth profile for Healthscope's hospitals, Mr Cooke said "Significant work has been undertaken in prioritising the brownfield opportunities across the portfolio, with a number of exciting projects in the pipeline. The strong brownfield pipeline, together with continued robust demand for private hospital services, and the new Gold Coast Private Hospital expected to open in 2015, presents a very attractive growth profile for the hospital portfolio going forward."

Turning to Australian Pathology, Mr Cooke said "Despite industry growth stabilising, Healthscope's Australian Pathology division continued to be burdened by an inflated cost base, partly driven by the escalation in collection centre rents that occurred across the industry following deregulation. Focus continues to be on reducing the cost base to a more appropriate level, which has included closing over 150 collection centres over the last 12 months."

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In relation to the proposed sale of Healthscope's human and commercial pathology businesses in Queensland, New South Wales (including ACT) and Western Australia to Sonic Healthcare Ltd (Sonic), Mr Cooke said "In view of the challenges facing our pathology businesses, in May we announced the proposed sale of Healthscope's pathology businesses in QLD, NSW/ACT and WA to Sonic, and we are awaiting the ACCCs review of these transactions. Notwithstanding this, we are committed to growing and optimising the performance of our remaining pathology divisions in Victoria, South Australia and Northern Territory, as well as our international pathology businesses."

In summarising the performance of Healthscope's other businesses, Mr Cooke said "Healthscope's Medical Centres division continued its transformation to larger multi-disciplinary centres, and our International Pathology division delivered another excellent result."

Commenting on other developments during the year, Mr Cook said "In April, an exciting partnership with Bupa was announced, which provides Bupa members with special offers across Healthscope's network of hospitals, pathology and medical centres. This innovative partnership is part of a broader move to build stronger and more beneficial relationships with key business partners."

Recognising Healthscope's commitment to quality and the success of the MyHealthscope website, Mr Cooke said "I am delighted to announce that the MyHealthscope website received two awards in the Australian Business Awards 2012, relating to Innovation and Community Initiative. The awards specifically recognise Healthscope's achievement as the first Australian private healthcare provider to publish detailed quality performance data of its hospitals on a dedicated website, allowing the community at large to view and compare our progress in constantly raising quality standards."

Divisional results

Hospitals

The Hospitals division recorded solid revenue growth through a combination of volume and rate increases. Recently completed brownfield projects are performing largely in line with expectations, with strong growth being delivered from major developments such as Knox, Norwest and Prince of Wales. Furthermore, a number of new projects were completed during FY12 that will benefit future periods as they mature. Since 1 July 2011, brownfield projects were completed at Brisbane Waters, Norwest, Pine Rivers, The Melbourne Clinic, Northpark, Sunnybank and Brisbane Private, delivering 130 new beds and 7 operating theatres.

Margin uplift is attributable to the benefits of economies of scale, and good control around labour and consumables costs. In the second half of the year we started to see procurement savings emerge as renegotiated contract terms started to be realised.

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Healthscope successfully renewed a number of health fund contracts during the year. The new health fund team are taking a more pro-active and collaborative approach to renewals and the Bupa partnership is just one example of exploring ways of working together with health funds.

Australian Pathology

Australian Pathology revenue growth was below market, partly due to the loss of referrals from the Allied Medical Group, which was acquired by Sonic during the year.

The Australian Pathology business is focused on recalibrating its cost base to the size of the business. A number of cost out initiatives have been implemented for the continuing business. Some recent management changes will ensure a more experienced and cost focused team takes Healthscope's pathology businesses forward.

Healthscope is continuing to co-operate with the ACCC's review on the proposed sale of Healthscope's human and commercial pathology businesses in Queensland, New South Wales (including ACT) and Western Australia to Sonic.

Following the transition of these businesses to Sonic, Healthscope will be focused on maximising the performance of its core pathology businesses in Victoria, South Australia and Northern Territory, together with its international pathology operations.

Medical Centres

Medical Centres reported pleasing revenue and earnings growth during the period. The transition of Healthscope's medical centre portfolio to larger, multi-disciplinary centres gained traction during FY12, with the merger of a further six centres. Healthscope now has 46 medical centres, of which 60% are considered multi-disciplinary centres, and 18 specialist skin clinics.

A renewed focus on doctor recruitment to fill capacity at existing centres was successful, with 25 doctors added in FY12.

International Pathology

International Pathology reported another excellent result with strong revenue, earnings and margin growth across all regions. In New Zealand, the new Christchurch laboratory was successfully commissioned and services to the Canterbury region commenced. We also completed the acquisition of Medlab South Limited, which gives Healthscope a clear leadership position across the South Island.

In Singapore, a strategic focus on the private specialist market improved the revenue mix and the new laboratory opened in May 2011 is delivering significant operating efficiencies.

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The Malaysian business delivered a very strong result, with a number of new private hospitals, corporate contracts and foreign worker screening programs underpinning strong revenue and earnings growth.

Cashflow and balance sheet

Cash flows from operations was $301.4 million during the trading period. Operating EBITDA to cash flow conversion for the period was 99.4%.

Healthscope Group had net debt of $1,522.3 million as at 30 June 2012.[1]

As at 30 June 2012 the Healthscope Group continued to meet all of its banking covenants.

Healthscope Notes FY13 Interest Payment Dates

Healthscope Notes advises the following dates relevant to interest payments for FY13.

Interest Payments	Ex Date	Record Date	Actual Payment Date*
September 2012	11 September 2012	17 September 2012	25 September 2012
December 2012	11 December 2012	17 December 2012	27 December 2012
March 2013	8 March 2013	15 March 2013	25 March 2013
June 2013	11 June 2013	17 June 2013	25 June 2013

* Actual interest payment dates are provided which take into account where the Interest Payment Date prescribed in the Terms of Issue falls on a day when Victorian banks are not open for business, in which case interest payments will be made on the next day on which those banks are open for business.

Further enquiries:

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[1] Net debt calculation excludes capitalised loan establishment fees.

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NOTE 1: BACKGROUND

Healthscope Notes Limited was incorporated on 8 November 2010 as a special purpose vehicle to issue publicly listed debt instruments and on-lend the net proceeds raised from the issue of the debt instruments to Healthscope Finance Pty Ltd, a member of the Healthscope Group. As a result of its listing on the ASX, Healthscope Notes Limited is required to lodge annual and half yearly financial reports in accordance with the ASX Listing Rules and the Corporations Act. In addition, it will lodge with the ASX annual and half yearly financial reports for the Healthscope Group, which aggregate the financial performance, the financial position and the cash flows of:

- Healthscope Hospitals Holdings No. 2 Pty. Ltd ACN 145 126 094 and its controlled entities;
- Healthscope Pathology Holdings No. 2 Pty Ltd ACN 146 342 832 and its controlled entities; and
- CT HSP Holdings (Dutch) B.V. registration no. 34308383 and its controlled entities;

(together the 'Healthscope Group') to provide the holders of Healthscope Notes with an understanding of the financial position of the Healthscope Group, which was referred to in Healthscope Notes Ltd's prospectus dated 24 November 2010 as the 'Security Group'.

NOTE 2: RECONCILIATION TO NET PROFIT / LOSS

The following table reconciles the net profit/loss for the period to EBITDA before restructure and acquisition costs.

	Year ended 30 June 2012 $'000	Year ended 30 June 2011 $'000(1)
Net profit/(loss) for the period	**15,492**	**(63,806)**
Add back: Income tax expense/(benefit)	6,643	(35,257)
Net finance cost	185,614	130,541
Depreciation and amortisation	84,705	54,138
Earnings before finance costs, income tax depreciation and amortisation, (EBITDA)	**292,454**	**85,616**
Add back: Acquisition costs	1,794	81,632
Restructure and other costs	8,798	34,623
	10,592	116,255
EBITDA before restructure and acquisition costs (Operating EBITDA)	**303,046**	**201,871**

(1) Healthscope Limited (ACN. 006 405 152), and its controlled entities were acquired by funds advised and managed by The Carlyle Group and TPG Capital on 12 October 2010, hence the trading results of the former Healthscope Limited are included in the comparative from the period 12 October 2010 to 30 June 2011.

(2) The comparative figures presented have been restated following the finalisation of the accounting for the acquisition of Healthscope Limited.