



# Offer of Healthscope Subordinated Notes II

March 2013

*Robert Cooke, Executive Chairman and Managing Director*

*Michael Sammells, Chief Financial Officer*



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## Financial data

All dollar values are in Australian dollars (A\$) and the pro forma financial information is presented as at 31 December 2012 unless otherwise stated. The pro forma financial information provided in this presentation is for illustrative purposes only and does not represent a forecast or expectation by Healthscope Notes Limited as to its future financial condition and/or performance.

## Effect of rounding

A number of figures, amounts, percentages, estimates, calculations of value and fractions in this presentation are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this presentation.

## Offer summary

Instrument	<ul style="list-style-type: none"><li>• Healthscope Subordinated Notes II ("Notes II")<ul style="list-style-type: none"><li>– subordinated to Healthscope's Senior Creditors</li><li>– rank equally with \$200m of Notes I, however Notes I will mature before Notes II</li><li>– 5 year maturity</li><li>– exchangeable on an IPO (if an IPO occurs)</li><li>– ASX listed</li></ul></li></ul>
Issuer	<ul style="list-style-type: none"><li>• Healthscope Notes Limited ("Healthscope" or "Issuer")</li><li>• Healthscope Group is one of Australia's leading private healthcare service providers with revenue of \$2,115.8 million and EBITDA before significant items of \$303.0 million for the 12 months ended 30 June 2012</li></ul>
Offer size	<ul style="list-style-type: none"><li>• \$150 million, with the ability to raise more or less</li></ul>
Use of proceeds	<ul style="list-style-type: none"><li>• The proceeds of the Offer will be used to voluntarily repay some of the Healthscope Group's Senior Debt, which will create additional financial flexibility for the Healthscope Group to pursue its growth strategy in Hospitals, including the advancement of its hospital brownfield projects</li></ul>
Offer structure	<ul style="list-style-type: none"><li>• The Offer comprises an Institutional Offer, a Broker Firm Offer, a Securityholder Offer and a General Offer</li></ul>
Bookbuild Date	<ul style="list-style-type: none"><li>• Expected to commence on 4 March 2013 and complete on 12 March 2013</li></ul>
Joint lead managers	<ul style="list-style-type: none"><li>• Credit Suisse, Macquarie Capital, UBS, ANZ, Commonwealth Bank, National Australia Bank, Westpac Institutional Bank</li></ul>

# Notes II summary

Issuer	<ul style="list-style-type: none"><li>• Healthscope Notes Limited</li></ul>
Comparison to Notes I	<ul style="list-style-type: none"><li>• Notes I and Notes II are different securities, however they have substantially the same terms, although there are differences including, amongst other things, different interest rates and different maturity dates</li></ul>
Ranking	<ul style="list-style-type: none"><li>• Subordinated to Senior Debt of c.\$1,259.4 million on the issuance of the Notes II</li><li>• Equal with \$200 million of Notes I</li><li>• Senior to related party loans and \$765.1 million of book equity, on the issuance of Notes II</li></ul>
Maturity date	<ul style="list-style-type: none"><li>• 25 March 2018 (5 years), unless earlier redeemed or exchanged into an IPO in relation to the Healthscope Group</li></ul>
Issue price/ face value	<ul style="list-style-type: none"><li>• \$100 per Note II</li></ul>
Interest payments	<ul style="list-style-type: none"><li>• Fixed rate, unfranked cash interest payments</li><li>• Bookbuild range of 10.25% to 10.75% p.a.</li><li>• Payable quarterly in arrears and must be paid to Holders unless subject to suspension</li></ul>
Suspension of interest	<ul style="list-style-type: none"><li>• Issuer must pay interest unless a Suspension Condition applies. Refer to Section 3 of this Presentation for more information on the Suspension Condition</li><li>• At any time interest payments are suspended, additional interest will accrue daily and compound quarterly on the suspended interest at a rate equal to the Interest Rate plus 2.00% per annum</li></ul>

## Notes II summary (continued)

Security	<ul style="list-style-type: none"><li>• Second ranking and subordinated security against assets of the Healthscope Group Obligors</li><li>• Secured assets comprise c.95% of Healthscope's EBITDA and c.98% of total assets of the Healthscope Group</li></ul>
Issuer redemption	<ul style="list-style-type: none"><li>• Redeemable by the Issuer</li><li>• Holders will be paid a premium if the Issuer elects to redeem Notes II in the first four years other than for a redemption due to a tax event</li><li>• May require prior consent from Senior Creditors</li></ul>
Holder redemption	<ul style="list-style-type: none"><li>• No general right</li><li>• Holders have the right to request redemption upon a Delisting Event</li><li>• May require prior consent from Senior Creditors</li></ul>
IPO exchange	<ul style="list-style-type: none"><li>• Eligible holders of Notes II will have a priority right to the general public to subscribe in an IPO in relation to the Healthscope Group (which is not guaranteed to occur) by “exchanging” all or part of their Notes II for the securities being issued pursuant to the IPO at a 2.5% discount to the price offered to retail investors</li></ul>
Distribution restrictions	<ul style="list-style-type: none"><li>• If the payment of interest is suspended, the Issuer and the Obligors must not pay any distribution (including interest, dividends or return of capital) on any shareholder securities that rank behind Notes II, subject to limited exceptions</li><li>• For example, if this restriction applies, Obligors could not pay dividends or make a return of capital to the Current Owners</li></ul>
Limitation on additional debt facilities	<ul style="list-style-type: none"><li>• The Total Leverage Ratio is required to be below 5.00x (prior to a Material Disposal) or 4.25x (on or after a Material Disposal) before additional debt facilities can be incurred by the Issuer or other member of the Security Group</li><li>• Investors should note, however, that further Permitted Finance Debt can be drawn under the Senior Facilities and without needing to satisfy the Total Leverage Ratio</li></ul>
Listing	<ul style="list-style-type: none"><li>• Notes II to be quoted on the ASX under code "HLNGA"</li></ul>

# Contents

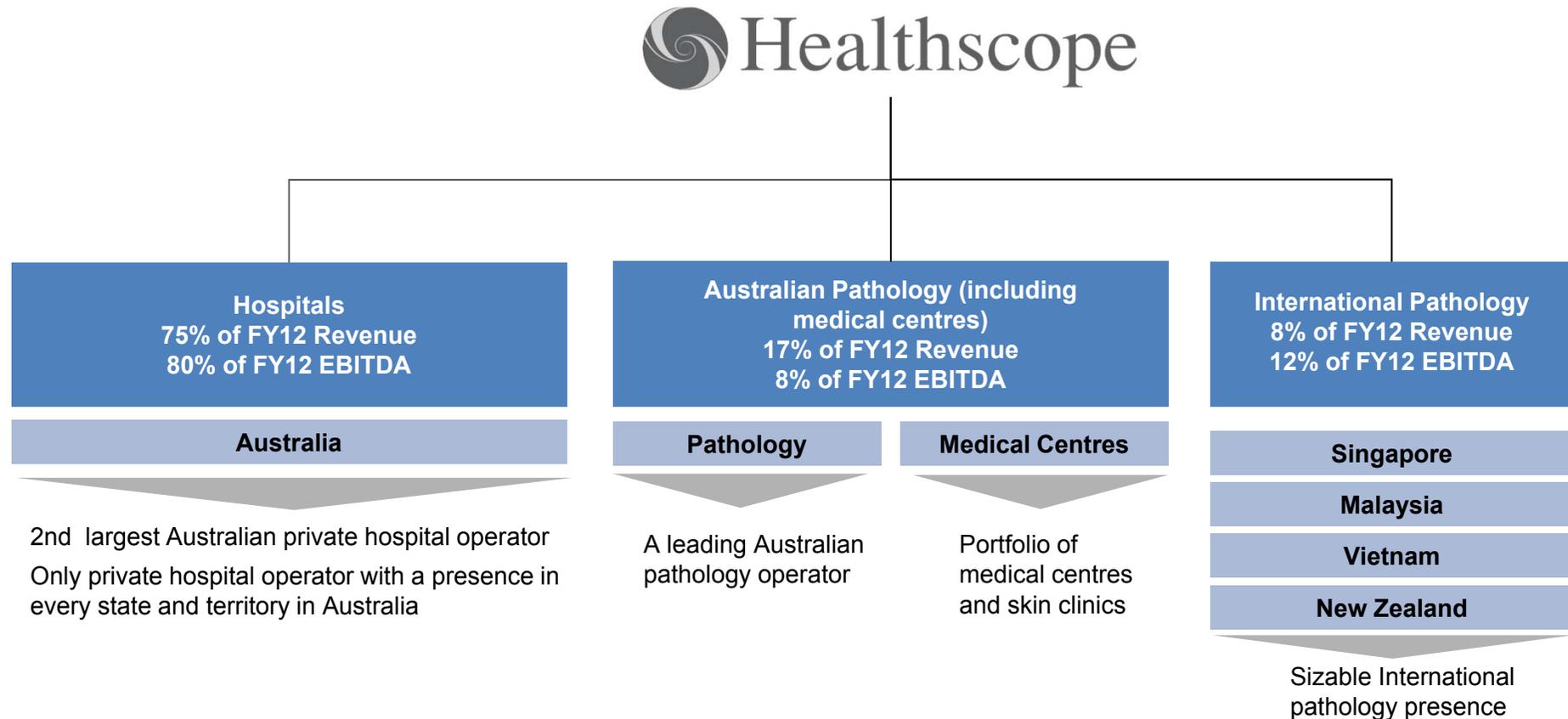
- 1. About the Healthscope Group**
- 2. Financial information**
- 3. Key features of Notes II**
- 4. Summary of risks**
- 5. Key dates & contact details**

# 1. About the Healthscope Group



# Overview of the Healthscope Group

A leading private healthcare services provider with strong market positions, acquired by funds advised and managed by The Carlyle Group and TPG in 2010



# Leading private healthcare services provider

The Healthscope Group has operations in all states and territories as well as internationally



Hospitals include:

- Prince of Wales Private Hospital
- Norwest Private Hospital
- Melbourne Private Hospital
- Knox Private Hospital
- Mount Hospital

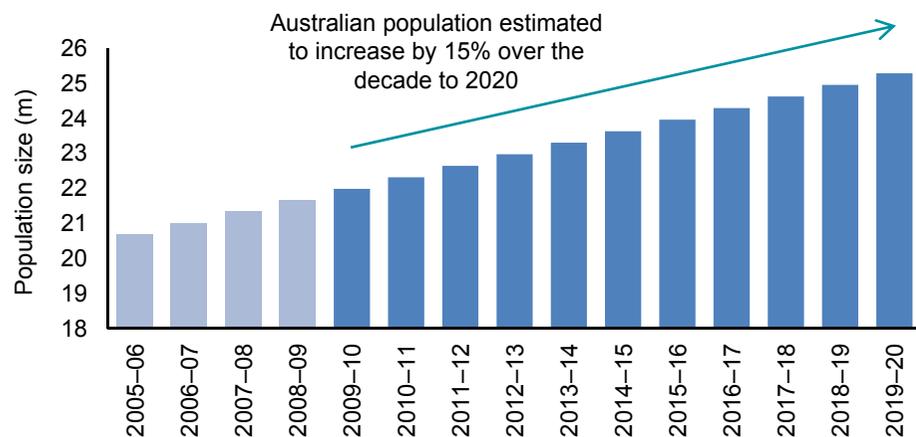
Notes:

1. Medical centres include skin care clinics
2. Includes 3 hospitals operated on behalf of the Adelaide Community Healthcare Alliance ("ACHA")
3. Pathology collection centre numbers as at 28 February 2013

# Attractive health sector fundamentals

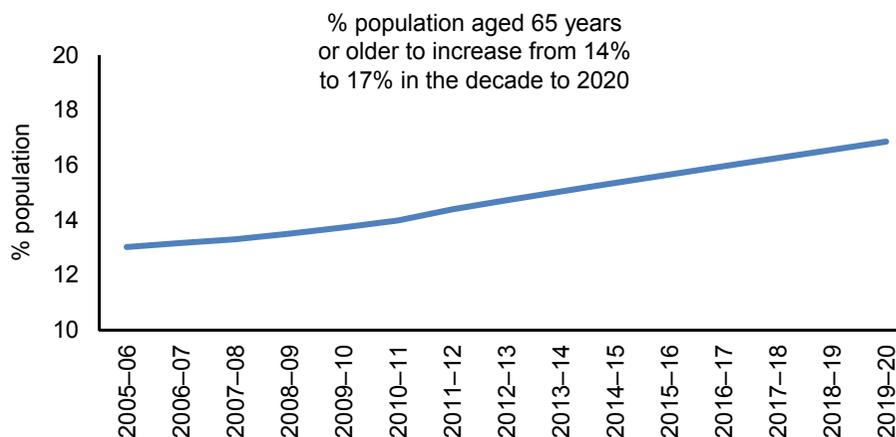
## Population growth and an increasing average population age are key drivers of demand for healthcare services

Australia's population is estimated to increase ...



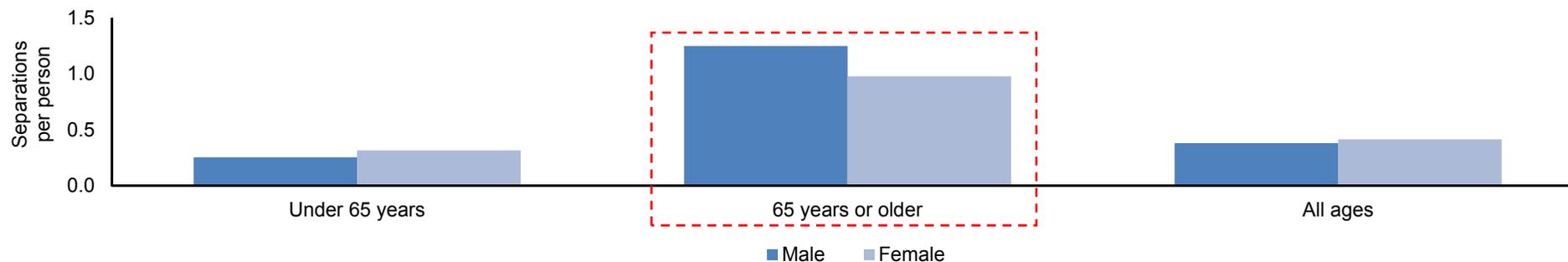
Source: ABS

... as is the proportion of those aged 65 years +



Source: ABS

## Australians aged over 65 years have a higher average rate of separations<sup>1</sup> per person



Source: ABS, AIHW

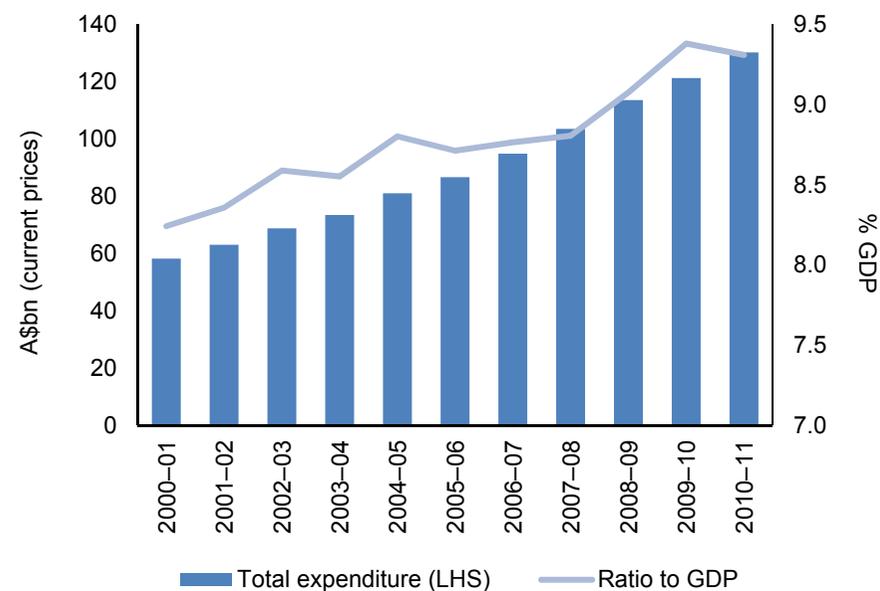
Note:

1. Incidences of patients leaving healthcare facilities

# Attractive health sector fundamentals (continued)

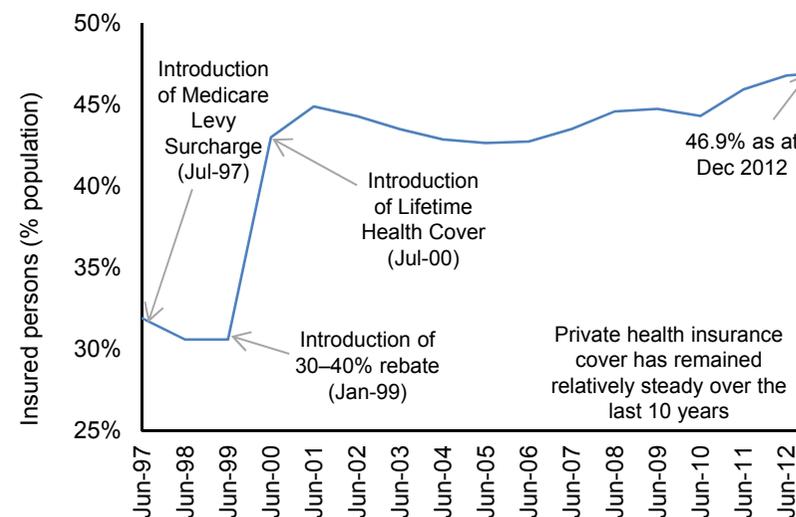
## Total public and private expenditure on health goods and services has grown significantly

Total expenditure on health goods and services



Source: AIHW, ABS

Private health insurance coverage<sup>1</sup>



Source: PHIAC

- Approximately two-thirds of private hospital funding is related directly or indirectly to private health insurance
- A further 21% of funding is provided indirectly through Government rebates of private health premiums
- Over the last decade, the percentage of population insured (with hospital treatment) in Australia has risen moderately from 44.3% at 30 June 2002 to 46.9% at 31 December 2012

Note:  
1. Hospital treatment insurance coverage

# Hospitals

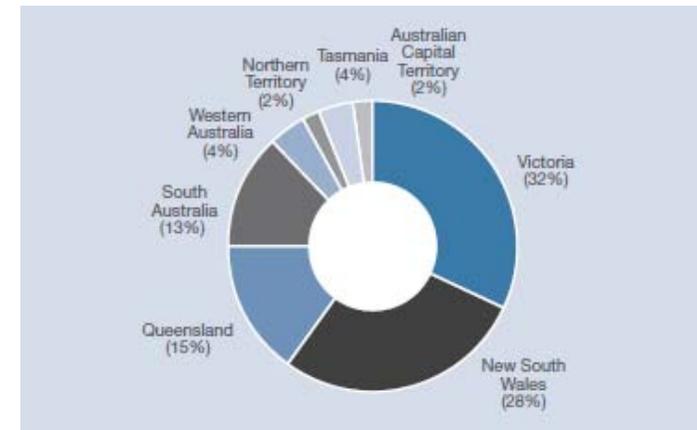
## The Healthscope Group is Australia's second largest private hospital operator

- Healthscope's largest operating division, representing c.75% of FY12 revenues
- Portfolio of 44<sup>1</sup> private hospitals nationwide, comprising 30 owned hospitals, 11 leased hospitals and 3 hospitals operated on behalf of the Adelaide Community Healthcare Alliance (“ACHA”)
  - concentrated in large metropolitan centres in every state and territory in Australia
  - includes large high acuity hospitals, with six co-located with large public teaching hospitals
- Portfolio has grown substantially over the last 20 years
  - number of hospitals has grown from 3 hospitals in to 44 since 1994
  - significant capacity expansion through brownfield projects at existing hospitals (since October 2010, 16 projects were completed, which have added 16 new operating theatres and 237 new beds)

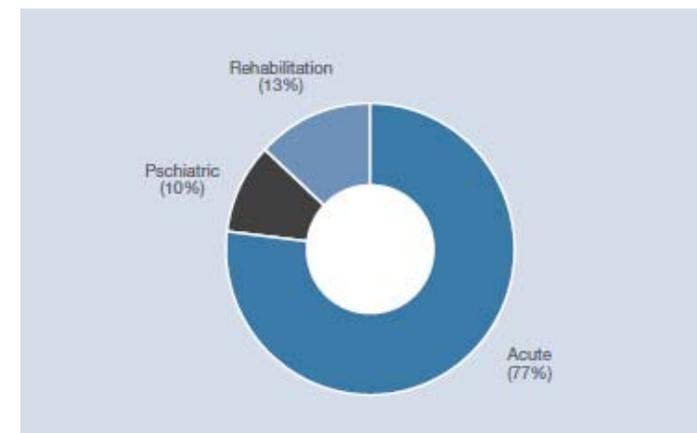
Note:

1. Includes three hospitals operated on behalf of the Adelaide Community Healthcare Alliance (“ACHA”).

Beds by state



Beds by hospital type



# Australian Pathology and Medical Centres

**A sizeable presence in Pathology within VIC and SA, with smaller presences in NSW, QLD and NT, along with a national footprint of 46 medical centres and 13 skin clinics**

- Healthscope's Australian Pathology division, which includes Medical Centres, represents c.17% of FY12 revenue
- Pathology
  - provides a comprehensive range of pathology services across all disciplines including anatomical pathology, biochemistry, haematology, microbiology and molecular pathology
  - business comprises a network of over 550 collection centres and 70 NATA accredited laboratories, and performed over 5 million patient episodes in 2012
  - following the regulatory and industry changes, Healthscope has significantly restructured its operations and is currently focused on improving the performance of its Australian Pathology business by improving the efficiency and throughput of its laboratory and collection centre portfolio
- Medical centres
  - owns and operates 46 medical centres and 13 specialist skin cancer clinics around Australia
  - provides serviced medical centres to over 420 general practitioners, who performed over 2 million patient consultations in 2012
  - provides a source of referrals for the Healthscope Group's Australian pathology and hospital operations

# International Pathology

## Market leading pathology business in New Zealand, Singapore, and Malaysia

- Operations in New Zealand, Singapore, Malaysia and Vietnam, represents c.8% of FY12 revenue
- Originally acquired as part of the Gribbles Pathology Group acquisition in 2004, and developed through a combination of organic growth and acquisitions
- New Zealand
  - a market leader in community pathology in New Zealand
  - provided over 4.6 million patient episodes in 21 laboratories in 2012
  - in December 2011, Healthscope was awarded a new pathology contract in the Canterbury region and in April 2012 the acquisition of Medlab South was completed
- Singapore, Malaysia and Vietnam
  - one of the largest community pathology providers in Singapore, with one central laboratory supported by two satellite laboratories and serviced over 1.3 million patient episodes in 2012
  - one of the largest community pathology providers in Malaysia, with 24 laboratories across the country servicing c.1.5 million patient episodes in 2012
  - in Vietnam, Healthscope operates one laboratory in a large hospital outside Ho Chi Minh City specialising in women's and children's health

# Progress since de-listing in 2010

## Significant progress has been achieved across Healthscope's businesses since acquisition by The Carlyle Group and TPG in 2010

- ✓ A number of new senior executives appointed with significant healthcare experience, across all divisions and in corporate office;
- ✓ Launch of My Healthscope website, making Healthscope the first Australian private hospital group to publicly disclose quality indicators;
- ✓ Delivery of brownfield projects, with 237 new beds and 16 new operating theatres since October 2010;
- ✓ Greater collaboration with health funds;
- ✓ Conditional agreement reached with Queensland Health to build and operate Gold Coast Private Hospital;
- ✓ Focus on improved labour management through a number of labour initiatives;
- ✓ Realisation of procurement savings through a number of initiatives;
- ✓ Seven medical centres transformed to large, multidisciplinary centres;
- ✓ Secured contract to supply pathology services to Christchurch (New Zealand); and
- ✓ Acquisition of Medlab South, a pathology business in New Zealand

# Strategy for future earnings growth—hospitals

## Identifying opportunities for growth in the business alongside expected population growth and an aging population will drive demand for healthcare services

- The key elements of the hospitals growth strategy are increasing occupancy and utilisation across the hospital portfolio, capacity expansion through brownfield projects at existing hospitals, as well as building new hospitals in areas of high demand

Organic	Brownfield	Expansion
<ul style="list-style-type: none"> <li>• The fundamental drivers of private hospitals remain strong, with favourable underlying demographic trends</li> <li>• Healthscope has a number of strategies in place to drive organic revenue growth, which includes                             <ul style="list-style-type: none"> <li>– attracting new medical professionals to its facilities</li> <li>– targeting specialty growth</li> </ul> </li> <li>• Healthscope also has a number of operational initiatives in place which are aimed at delivering further growth in earnings, including labour management and procurement initiatives</li> </ul>	<ul style="list-style-type: none"> <li>• Brownfield developments deliver additional facilities such as beds and operating theatres at existing hospitals that are at or near full capacity in areas where management have identified strong demand for healthcare services                             <ul style="list-style-type: none"> <li>– since October 2010, the Healthscope Group has successfully completed 16 projects which have added 16 new operating theatres and 237 new beds</li> </ul> </li> <li>• Strong pipeline of future brownfield projects with plans in place to increase the number of beds and theatres at a number of key facilities</li> </ul>	<ul style="list-style-type: none"> <li>• Healthscope has reached conditional agreement to build and operate the Gold Coast Private Hospital, a key component of its expansion strategy                             <ul style="list-style-type: none"> <li>– this large scale private hospital will be co-located with a new public hospital on the Gold Coast</li> <li>– this development is expected to open in 2015, and have over 230 beds, with the capacity to increase to more than 350 beds based on future demand</li> </ul> </li> </ul>

# Strategy for future earnings growth—pathology and medical centres

Improving domestic performance through rationalisation and restructure in pathology, and focusing on organic growth and operating efficiencies internationally

## Pathology and medical centres

- Strategy within Australian Pathology is to improve the performance of the business through rationalising collection centres, restructuring the New South Wales business, and focusing on profitable growth across its business
- Medical centres business is focused on increasing throughput at its existing centres and transforming more of its centres into large, multi-disciplinary centres either through expansion or merger of existing centres

## International Pathology

- In New Zealand, the focus is on realising the benefits from the recent Medlab South acquisition, as well as tendering for new DHB contracts as they come up for tender
- Pathology businesses in Singapore, Malaysia, and Vietnam will continue to focus on organic growth and operating efficiencies

# Experienced management team

## Robert and Michael have extensive experience in the healthcare industry



### **Robert Cooke—Executive Chairman and Managing Director**

- 30 year career in the health industry, and has worked in management and corporate leadership positions in the public and private health sectors
- Experience spans executive leadership of publicly listed and private health care companies, the management of private and public hospitals in Australia, and involvement in a number of due diligence teams for both Australian and international acquisitions
- Proven track record in setting strategy, successful interaction with the financial community, and above all understanding the many dynamics of the health care industry
- Previously a Director of Healthbridge Enterprises and Chairman of Spire Healthcare in the UK, a group of 36 private hospitals
- Previously the Managing Director and CEO of Symbion Health and Managing Director at Affinity Health
- Joined the Healthscope Group as Executive Chairman and Managing Director in November 2010



### **Michael Sammells—Chief Financial Officer**

- Michael was previously the Chief Financial Officer at Medibank Private
- Has a long and proven track record in the health industry, as well as in business and banking
- Prior to his role at Medibank Private, Michael was the Director of Finance and Corporate Services at Southern Health in Victoria
- Has also held corporate finance, as well as operational roles in private hospitals, over the 14 years he spent with the Mayne Group
- Joined the Healthscope Group as CFO in January 2012

# Experienced shareholders

Shareholders with healthcare industry experience and significant capital (c.\$1.5 billion) committed

## THE CARLYLE GROUP

- More than US\$157 billion of assets across 101 investment funds and 64 'fund of funds' vehicles
- Investment funds advised and managed by Carlyle have invested in a number of healthcare businesses

### Selected healthcare investments



- US\$54.5 billion of assets under management across a family of funds
- Investment funds advised and managed by TPG have invested in a number of healthcare businesses

### Selected healthcare investments

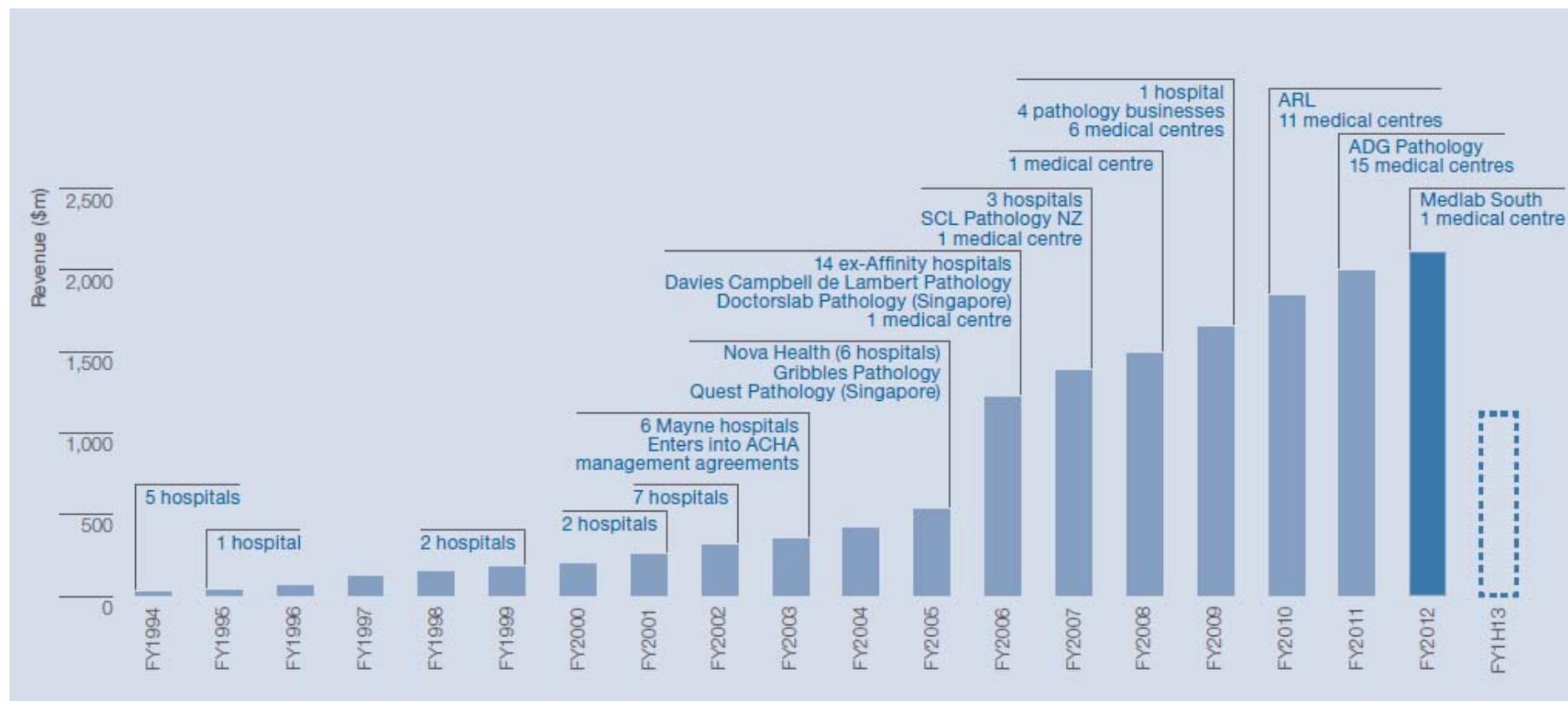


## 2. Financial information



# Group performance

Successful, long term track record of growth through the economic cycle



# Strong cash flow generation

The Healthscope Group has achieved a strong cash conversion ratio in excess of 95%

## Gross Operating Cash to EBITDA

\$ million, unless otherwise noted	FY11 <sup>1</sup>	FY12	H1 12	H1 13
Aggregated cash flows from Operating Activities	(2.0)	111.7	49.7	75.0
Add back				
– Net interest paid	101.6	172.0	85.8	86.6
– Income tax paid	1.6	5.0	4.6	2.4
– Significant items (cash)				
• Restructure and other costs	9.7	7.4	11.3	9.1
• Acquisition costs	78.5	2.2	1.9	0.4
• Other	1.6	3.0	2.7	2.3
	89.8	12.6	15.9	11.8
<b>Total Gross Operating Cash</b>	<b>190.9</b>	<b>301.4</b>	<b>155.9</b>	<b>175.8</b>
<b>EBITDA before significant items (Section 5.2.1)</b>	<b>201.9</b>	<b>303.0</b>	<b>151.4</b>	<b>156.0</b>
<b>Ratio of Gross Operating Cash to EBITDA before significant items</b>	<b>95%</b>	<b>99%</b>	<b>103%</b>	<b>113%</b>

Note:

1. Reflects the trading results of Healthscope Limited and its controlled entities from 12 October 2010.

# Capital structure

Aggregated balance sheet of the Healthscope Group, adjusted to reflect completion of the Offer as if it had occurred on 31 December 2012 is presented below

## Summary pro-forma Healthscope Group balance sheet

A\$ million	Pro-forma as at 31 December 2012 <sup>1</sup>
Cash	78.4
PP&E	1,183.0
Intangible assets	1,829.8
Other assets	225.9
<b>Total assets</b>	<b>3,317.1</b>
Senior debt <sup>2</sup>	1,259.4
Notes I	200.0
Notes II	150.0
Capitalised finance costs	(10.7)
Other liabilities	953.3
<b>Total liabilities</b>	<b>2,552.0</b>
<b>Total equity</b>	<b>765.1</b>

Note:

1. Net Adjustments reflect completion of the Offer as if it had occurred on 31 December 2012
2. Current component of Senior Debt is \$61.8 million as at 31 December 2012

## Debt maturity profile

- Notes II have a five year term maturing on 25 March 2018 (unless redeemed earlier)
- Existing Senior Facilities mature on 11 October 2015 and Notes I mature in June 2016
- The Healthscope Group has approximately \$1.5 billion of tangible assets as at 31 December 2012
- The Directors believe that the Healthscope Group's growth strategies and broader attractive healthcare industry fundamentals continue to support a positive outlook for growth in the Healthscope Group's revenue and EBITDA before significant items in the short to medium term (subject to no material change in business conditions)
- Notes II rank senior to related party loans and \$765.1 million of book equity

# Pro forma financial metrics

Financial covenants	Actual LTM to 31 Dec 12 <sup>1</sup>	Pro forma LTM to 31 Dec 12 <sup>2</sup>	Notes II Covenants		
			Senior Covenants	Suspension of Interest condition	Restriction on finance debt
Senior Leverage Ratio (times)	4.29x	3.82x	Less than 4.60x <sup>3</sup>		
Total Interest Cover Ratio (times)	1.80x	1.78x	More than 1.60x <sup>3</sup>		
Debt Service Cover Ratio (times)	1.36x	1.41x	More than 1.05x	More than 1.10x	
Total Leverage Ratio (times)	4.94x	4.96x			More than 5.00x

Notes:

1. Reflects covenant ratios for the twelve months to 31 December 2012.
2. Reflects covenant ratios for the twelve months to 31 December 2012 adjusted to reflect the Offer as if it had been in place (and impacted interest expense) for the full year to 31 December 2012 at an effective interest rate of 10.25% on principal of \$150 million.
3. Senior Leverage Ratio and Total Interest Cover Ratio covenants tighten over time. As such, The Healthscope Group will need to continue to increase its earnings and operating cash flow or reduce the principal outstanding of the Senior Debt in order to maintain compliance with its financial covenants. Refer to Section 6.5 of the Prospectus for further information.

For a detailed explanation of the relevance and calculation of the covenants please refer to Section 5.4 of the Prospectus.

### **3. Key Features of Notes II**



# Comparison to Notes I

Notes II have been structured to rank equally with Notes I, with substantially the same terms

	Notes I	Notes II
<b>Legal form</b>	Notes	Notes
<b>Security</b>	Second ranking and subordinated	Same as Notes I
<b>Ranking</b>	Ranks ahead of ordinary shares Ranks equally with Notes II (but are due to be repaid in June 2016 ahead of the Maturity Date for Notes II in March 2018) Ranks behind Senior Debt	Same as Notes I (but mature later)
<b>Interest rate</b>	Current yield to maturity of 9.76% <sup>2</sup>	10.25% to 10.75% p.a. as determined under the Bookbuild
<b>Term</b>	5.5 years, currently c.3.5 years remaining to maturity (17 June 2016)	5 year, maturity expected to be 25 March 2018
<b>Payments</b>	Fixed rate, quarterly pay (subject to suspension)	Same as Notes I
<b>Suspension</b>	If DSCR falls below 1.10 x	Same as Notes I
<b>Accumulation</b>	Any suspended interest payments are cumulative and compounding	Same as Notes I
<b>Early redemption</b>	In certain circumstances	In certain circumstances
<b>Financial covenants</b>	Incurrence of additional debt <sup>1</sup> limited at 5.0x (via the Maximum Leverage Level)	Same as Notes I
<b>ASX listing</b>	Yes, quoted on ASX (ASX:HLNG)	Yes, quoted on ASX (ASX: HLNGA) or the Offer will not proceed

Note:

1. Investors should note that further debt can be drawn under the Senior Facilities and other Permitted Finance Debt without needing to satisfy the Total Leverage Ratio.

2. Source: JLMs

# Key features of Notes II

Interest Payment	<ul style="list-style-type: none"> <li>• Fixed rate, unfranked cash interest payments</li> <li>• Payable quarterly in arrears and must be paid to Holders unless subject to suspension</li> </ul>
Interest Payment Dates	<ul style="list-style-type: none"> <li>• First interest payment is expected to be made on 25 June 2013 and thereafter on 25 September, 25 December, 25 March and 25 June</li> </ul>
Interest Rate	<ul style="list-style-type: none"> <li>• The interest rate for each interest period will be fixed until the Maturity Date</li> <li>• The interest rate will be determined under the Bookbuild and will be between 10.25% and 10.75% p.a.</li> </ul>
Maturity Date	<ul style="list-style-type: none"> <li>• 25 March 2018, unless redeemed or exchanged into an IPO in relation to the Healthscope Group earlier</li> <li>• The Healthscope Group must repay all of the Senior Debt before the Issuer may repay Notes II</li> <li>• The maturity date of the Senior Debt is currently 11 October 2015, which is before the Maturity Date of Notes I, but can be extended to the maturity date of Notes I, currently June 2016 or if Notes I are not outstanding, to the Maturity Date of Notes II</li> <li>• The Issuer is due to repay the Notes I holders before the Maturity Date of Notes II</li> </ul>
Ranking	<ul style="list-style-type: none"> <li>• Subordinated to Senior Debt of c.\$1,259.4 million on the issuance of the Notes II</li> <li>• Senior to related party loans and \$765.1 million of book equity on the issuance of Notes II</li> <li>• Subordinated in that no payment of face value, or interest if it is suspended, may be made to Holders until Senior Debt has been repaid in full</li> <li>• Notes II will rank equally with existing Notes I, however Notes I mature before Notes II</li> </ul>
Security	<ul style="list-style-type: none"> <li>• Second ranking and subordinated security against assets of the Healthscope Group Obligors</li> <li>• Secured assets comprise c.95% of Healthscope's EBITDA and c.98% of total assets of the Healthscope Group</li> <li>• Unsecured notes for the purposes of section 283BH of the Corporations Act</li> </ul>
Listing	<ul style="list-style-type: none"> <li>• Notes II to be quoted on the ASX under code "HLNGA"</li> </ul>

# Suspension of Interest

<p>No Optional Suspension of Interest</p>	<ul style="list-style-type: none"> <li>• Issuer may not elect to suspend interest payments at its discretion if a Suspension Condition does not apply on the relevant payment date</li> </ul>
<p>Mandatory Suspension on Interest</p>	<ul style="list-style-type: none"> <li>• Suspension Condition will apply if             <ul style="list-style-type: none"> <li>– the Debt Service Cover Ratio ("DSCR") is equal to or less than 1.10x or would be after payment of interest on Notes I or Notes II</li> <li>– an 'event default' or 'potential event of default' under the Senior Finance Documents subsists; or</li> <li>– any other condition to the making of permitted payments under the Intercreditor Deed is not satisfied</li> </ul> </li> <li>• DSCR was 1.41x<sup>1</sup> as compared to the threshold of 1.10x for the suspension of interest</li> <li>• Adjusted EBITDA for this ratio would need to reduce by 20% before interest would be suspended</li> </ul>
<p>Payment of Suspended Interest</p>	<ul style="list-style-type: none"> <li>• All suspended interest payments in respect of a Note II will be due and payable on             <ul style="list-style-type: none"> <li>– in the case of interest suspended on an Interest Payment Date, the next Interest Payment Date on which no Suspension Condition exists; and</li> <li>– in the case of interest suspended on a Redemption Date, the first date following the Suspension Condition ceasing or the date Notes II are exchanged</li> </ul> </li> </ul>
<p>Accumulation</p>	<ul style="list-style-type: none"> <li>• At any time interest payments are suspended, additional interest will accrue daily and compound quarterly on the suspended interest at a rate equal to the Interest Rate plus 2.00% per annum</li> </ul>
<p>Distribution Restrictions</p>	<ul style="list-style-type: none"> <li>• The Issuer must not, and must procure that each other Obligor does not, make distributions in respect of, or buy back, any ordinary shares or preference shares, or any other securities or similar indebtedness that are subordinated to Notes II if             <ul style="list-style-type: none"> <li>– any amount in respect of interest or principal on any Note is due and payable but unpaid or is suspended;</li> <li>– the Total Leverage Ratio on such day is greater than 4.5x or would be if such distribution was made; or</li> <li>– an Event of Default or Potential Event of Default exists at that time</li> </ul> </li> </ul>

Note:

1. At 31 December 2012

# Redemption features

When can Healthscope Redeem Notes Early?	<ul style="list-style-type: none"> <li>The Issuer may redeem Notes II early at its discretion in certain circumstances (subject to the restrictions on repayment of Notes II). The Issuer will need to obtain the prior consent of the Senior Creditors before exercising these redemption rights unless the Senior Debt has been repaid in full. Early redemption may or may not be advantageous for Holders of Notes II</li> </ul>
Early Redemption—Issuer's Discretion	<ul style="list-style-type: none"> <li>The Issuer may redeem all or part of Notes II at any time after the date that is 12 months after the Issue Date</li> <li>On redemption of Notes II, the Holders will receive             <ul style="list-style-type: none"> <li>a redemption amount between 105% and 100% of the principal amount outstanding (depending on the date of redemption); and</li> <li>any Outstanding Interest at the time</li> </ul> </li> </ul>
Early Redemption—Special Circumstances	<ul style="list-style-type: none"> <li>The Issuer may redeem all, but not some, Notes II on the occurrence of             <ul style="list-style-type: none"> <li>a Tax Event, for the principal amount then outstanding together with any Outstanding Interest; or</li> <li>a Clean Up Event, for a redemption amount between 105% and 100% of the principal amount outstanding (depending on the date of redemption)</li> </ul> </li> </ul>
Early Redemption—IPO Circumstances	<ul style="list-style-type: none"> <li>The Issuer may redeem all or part of Notes II following an IPO of the Healthscope Group (after taking into account elections by eligible Holders of Notes II to subscribe in the IPO pursuant to their exchange right)</li> <li>On redemption of Notes II, Holders will receive             <ul style="list-style-type: none"> <li>if Listed Securities are issued within 24 months of the Notes II issue date, 105% of the principal amount then outstanding plus any Outstanding Interest; or</li> <li>if the prospectus for the offer of Listed Securities is lodged with ASIC after the date that is 24 months after the Issue Date, 102.5% of the principal amount then outstanding plus any Outstanding Interest</li> </ul> </li> </ul>
Redemption at Maturity	<ul style="list-style-type: none"> <li>Holders will receive the principal amount then outstanding together with any Outstanding Interest</li> </ul>
Holders Redemption Right	<ul style="list-style-type: none"> <li>Holders have the right to request redemption only following a Delisting Event. On such redemption holders will receive the principal amount then outstanding together with any Outstanding Interest</li> <li>Prior consent of the Senior Creditors required unless the Senior Debt has been repaid in full</li> </ul>

## 4. Summary of risks



# Key risks

(See Section 7 of the Healthscope Subordinated Notes II Prospectus for more information)

Risk	Summary
<b>Insufficient cash flow to meet payments</b>	<ul style="list-style-type: none"> <li>The Healthscope Group may not generate sufficient cash flows or may be unable to obtain financing to enable the Issuer to meet its commitments to Holders to pay interest and repay principal of Notes II.</li> <li>If the Issuer does not pay some or all of the interest or principal as and when payable under the Terms of Issue, then you may not receive some or all of the money you invested in Notes II or interest that is due to be paid to you.</li> </ul>
<b>Suspension of interest payments</b>	<ul style="list-style-type: none"> <li>Interest payments on Notes II may be suspended potentially past the Maturity Date on 25 March 2018.</li> </ul>
<b>Senior Debt and subordination</b>	<ul style="list-style-type: none"> <li>Notes II rank behind and are subordinated to the Senior Debt. In an insolvency situation affecting the Healthscope Group, it is likely that insufficient monies will be available after the Senior Debt has been repaid in full to repay in full, or at all, amounts owed to Holders for their Notes II.</li> </ul>
<b>Substantial debt obligations</b>	<ul style="list-style-type: none"> <li>The Healthscope Group has a substantial amount of indebtedness through the Senior Debt (including any Additional Capex Facility) and Notes I, and will have indebtedness to Holders through Notes II. The Healthscope Group must meet its debt obligations through existing cash and available cash flow from operations. This indebtedness will require the Healthscope Group to dedicate a substantial portion of its cash flow from operations towards required interest and principal payments. The indebtedness may limit the Healthscope Group's flexibility in reacting to changes in the healthcare sector. It may also detract from its ability to successfully withstand a potential downturn in its businesses.</li> <li>If the operating performance of the Healthscope Group deteriorates: <ul style="list-style-type: none"> <li>the Healthscope Group may have insufficient cash flow to meet its debt obligations; and/or</li> <li>there may be an adverse change in the underlying credit quality of Notes II, which may adversely impact the market price of Notes II.</li> </ul> </li> </ul>
<b>Interest rate changes</b>	<ul style="list-style-type: none"> <li>The Interest Rate payable on Notes II is fixed for the term of Notes II. Interest rate rises may result in Notes II being less attractive when compared to the rates of return available on comparable securities. This may also reduce the market price of Notes II.</li> <li>Interest payments on the Senior Debt will increase if interest rates rise and this may put pressure on the Healthscope Group's ability to meet its debt obligations.</li> </ul>
<b>Healthscope Group may incur additional debt</b>	<ul style="list-style-type: none"> <li>The Healthscope Group has the right to incur additional debt, including debt that ranks in priority to Notes II. This additional debt could have an adverse effect on the Healthscope Group's ability to pay interest and principal on Notes II. It could also reduce the amount that Holders would receive on a winding up of the Healthscope Group.</li> </ul>

## Key risks (cont.)

(See Section 7 of the Healthscope Subordinated Notes II Prospectus for more information)

Risk	Summary
<b>Debt refinancing</b>	<ul style="list-style-type: none"> <li>The existing Senior Facilities mature on 11 October 2015 and will need to be refinanced or extended by that date. A risk exists that this debt will not be able to be refinanced or will be refinanced on terms less attractive than those that currently apply. This may have a materially adverse effect on the Issuer's ability to pay interest and repay principal on Notes II. If the Senior Facilities cannot be refinanced on acceptable terms on or prior to their maturity date, interest payments on Notes II may be suspended.</li> </ul>
<b>Limited Holder rights</b>	<ul style="list-style-type: none"> <li>In the event that the Issuer defaults on the payment of principal or interest, only the Trustee is able to take action directly against the Issuer. Holders' rights are limited to voting in meetings of Holders to request the Trustee to take action.</li> <li>In addition, the rights of the Trustee and Holders to take action against the Issuer upon the occurrence of an Event of Default are subject to further restrictions set out in the Intercreditor Deed, Security Trust Deed and the Trust Deed.</li> </ul>
<b>New Zealand investors and currency risk</b>	<ul style="list-style-type: none"> <li>The denomination and currency for payment for Notes II is Australian dollars and not New Zealand dollars. If you are a New Zealand resident, the Offer may involve a currency exchange risk. The value of the securities in New Zealand dollars will go up or down according to changes in the exchange rate between Australian dollars and New Zealand dollars. These changes may be significant. Payments to Holders will be made in Australian dollars and Holders may incur fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.</li> </ul>
<b>Private health insurance</b>	<ul style="list-style-type: none"> <li>Means testing of the Federal Government rebate on private health insurance may result in a decline in membership and may have a negative effect on the Healthscope Group's revenue.</li> </ul>

## **5. Key dates & contact details**



## About the Offer

### Institutional Offer

- For Institutional Investors who are invited by a Structuring Adviser to bid for Notes II in the Bookbuild

### Broker Firm Offer

- For eligible clients of Syndicate Brokers who have received a firm allocation under the Bookbuild

### Securityholder Offer

- For Eligible Securityholders, who will receive a general priority over Applicants under the General Offer
  - an Eligible Securityholder is a person who is a registered holder of Notes I on 25 February 2013, is shown on the applicable register as having an address in Australia or New Zealand, and is not in the United States or acting as a nominee for a person in the United States

### General Offer

- For members of the general public who are resident in Australia or New Zealand

# Transaction timetable

## Key Dates for the Offer (offer dates are indicative and may change)

Lodgement of Prospectus with ASIC	4 March 2013
Bookbuild commenced	4 March 2013
Announcement of Interest Rate and lodgement of replacement prospectus with ASIC	13 March 2013
Offer opens	13 March 2013
Closing Date for Healthscope Securityholder Offer and General Offer (paper applications)	19 March 2013
Closing Date for Healthscope Securityholder Offer and General Offer (online applications)	25 March 2013
Closing Date for Broker Firm Offer	26 March 2013
Issue of Healthscope Subordinated Notes II	27 March 2013
Healthscope Subordinated Notes II expected to commence trading on ASX on a deferred settlement basis	28 March 2013

## Key Dates for Notes II

First Interest Payment Date	25 June 2013
Subsequent Interest Payment Dates	25 March, 25 June, 25 September, 25 December
Maturity Date	25 March 2018

# Key contacts

## Joint Lead Managers

ANZ	Tariq Holdich	<a href="mailto:tariq.holdich@anz.com">tariq.holdich@anz.com</a>	(02) 9226 6946
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Westpac Institutional Bank	Allan O'Sullivan	<a href="mailto:aosullivan@westpac.com.au">aosullivan@westpac.com.au</a>	(02) 8254 1425

## Healthscope Group management

Executive Chairman and Managing Director	Robert Cooke	<a href="mailto:robert.cooke@healthscope.com.au">robert.cooke@healthscope.com.au</a>	(03) 9926 7500
Chief Financial Officer	Michael Sammells	<a href="mailto:michael.sammells@healthscope.com.au">michael.sammells@healthscope.com.au</a>	(03) 9926 7500
Investor Relations and Corporate Strategy	Caroline Sladen	<a href="mailto:caroline.sladen@healthscope.com.au">caroline.sladen@healthscope.com.au</a>	(03) 9926 7524

## Healthscope Subordinated Notes II

Information line	1300 038 928 (within Australia) and +61 3 9938 4386 (international)
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