
**UPDATE ON NON-BINDING ACQUISITION PROPOSALS
ANNOUNCEMENT OF A STRATEGIC REVIEW OF HEALTHSCOPE'S HOSPITAL
PROPERTY PORTFOLIO**

22 May 2018

Healthscope Limited ("Healthscope") today announced that it has decided not to provide due diligence access to either the BGH – AustralianSuper Consortium or Brookfield. Healthscope also announced it will undertake a strategic review of its hospital property portfolio.

The Healthscope Board, together with its advisers, has carefully reviewed both proposals. Based on the information which is currently available to the Company, the Board believes that the proposals undervalue Healthscope having regard to various matters including the expected:

- improvement in operating performance in FY19 and beyond;
- returns from Healthscope's brownfield capital investment program;
- contribution from Healthscope's investment in the Northern Beaches Hospital; and
- value of Healthscope's underlying property portfolio.

Each proposal would have required extensive due diligence at a critical time prior to the opening of the Northern Beaches Hospital. Further, each proposal was subject to numerous conditions and sought to impose various restrictions on Healthscope and on each other.

Consequently, the Board believes that it is not in the best interests of Healthscope shareholders to provide due diligence access to either party.

The Board is committed to maximising value for shareholders and has decided to commence a strategic review of Healthscope's substantial freehold property portfolio. Healthscope owns 29 freehold properties that are expected to have a market value well in excess of their current book value of approximately \$1.3 billion. The strategic review will explore the merits of a sale and leaseback transaction with a view to unlocking value for Healthscope shareholders in the near term.

Healthscope Chairman, Paula Dwyer, commented:

"The Directors have carefully considered each proposal and concluded that neither proposal adequately reflects the long term value of Healthscope, nor its underlying assets nor future potential.

"In the past twelve months, management has been laying the foundations for a significant improvement in business performance. We have taken the necessary steps to improve our core business, with the outcome of our portfolio review announced today. The executive team has been strengthened with some key operational appointments including a new State Manager, Victoria and Tasmania, Bronte Kumm, and the recent appointment of Arthur Yannakou as State Manager for Queensland, Northern Territory and Western Australia. This, along with our Group Hospitals Best Practice Project, is expected to drive greater operational efficiencies and improved operating performance in FY19 and beyond.

"In recent years we have made, and continue to make, significant investments in our hospitals portfolio that are expected to deliver profitable growth and increased returns for our shareholders.



Healthscope

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These approaches come just prior to the opening of the Northern Beaches Hospital, a landmark project that will commence operations in October 2018. The full value of this investment will be demonstrated in the coming years as hospital operations ramp up.

“Healthscope has an attractive and unique portfolio of property assets. A sale and leaseback transaction has the potential to reduce the quantum of property held on Healthscope's balance sheet, free up capital and release significant value to shareholders.”

Ms Dwyer concluded: “The long term industry fundamentals are robust. Moreover, based on the quality of our hospitals, our market leading healthcare capabilities, and the dedicated efforts of our accredited doctors and 18,000 employees, the prospects for Healthscope are positive.

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