Healthscope Limited
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TRANSACTION BOOKLET REGISTERED WITH AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION

UPDATE TO FY19 GUIDANCE

16 APRIL 2019

Healthscope Limited ("Healthscope") today announced that the Australian Securities and Investments Commission has registered the Transaction Booklet in relation to the proposed acquisition of Healthscope by an entity controlled by Brookfield Business Partners, and its institutional partners ("Brookfield") by way of a scheme of arrangement ("Scheme") and a simultaneous off-market takeover offer ("Takeover Offer").

A copy of the Transaction Booklet, which includes the Scheme Booklet, Bidder's Statement,[1] Target's Statement, Independent Expert's Report and Notices of Meeting for the Scheme and capital return, is attached to this announcement.

Shareholders should note that the Transaction Booklet contains an update to Healthscope's outlook for FY19. The Company is now targeting Hospital Operating EBITDA for FY19 in the range of $362 million to $376 million, representing growth of 5 – 9% as compared to FY18. The Company's revised outlook primarily reflects:

- the initial prioritisation of public patient services, relative to private patient services, in the ramp up of Northern Beaches Hospital; and
- continuing soft private hospital market conditions.

The Company had previously indicated that it was targeting FY19 Hospital Operating EBITDA growth of at least 10% compared with FY18. The Company reported Hospital Operating EBITDA of $344.7 million in FY18.

Copies of the Transaction Booklet will be sent to Healthscope shareholders on Tuesday, 23 April 2019. Those shareholders who have previously nominated an electronic means of notification to Healthscope's share registry will be able to access the Transaction Booklet and related materials electronically.

Further enquiries:

<u>Investors</u>

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[1] BCP VIG Holdings L.P., being the entity making the Takeover Offer, has authorised Healthscope to send the attached Transaction Booklet to the ASX for the purposes of section 633(1), item 5 of the *Corporations Act 2001* (Cth).

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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.

Healthscope has a team of 18,000 people and 17,500 Accredited Medical Practitioners, providing 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.

Healthscope Transaction Booklet

For the proposal by Brookfield to acquire all of your shares in Healthscope by way of Scheme of Arrangement and a simultaneous Takeover Offer.

Healthscope's Directors unanimously recommend that you:

- vote **IN FAVOUR** of the Scheme of Arrangement;
- **ACCEPT** the Takeover Offer; and
- vote **IN FAVOUR** of the Capital Return,

subject to the qualifications set out in this booklet.

This is an important document and requires your immediate attention.

If you are in any doubt about how to deal with this document, you should contact your broker, financial adviser or legal adviser immediately.

Important notices

General

This Booklet is an important document and requires your immediate attention. You should read this Booklet in full before making any decision as to how to vote at the Meetings and whether to accept the Takeover Offer.

Nature of this Booklet

This Booklet is:

- the explanatory statement for the Scheme of Arrangement required by section 412(1) of the Corporations Act;
- the bidder's statement (issued by BCP VIG Holdings L.P. (**Brookfield LP**)) for the Takeover Bid under Part 6.5 Division 2 of the Corporations Act;
- the target's statement (issued by Healthscope Limited (ACN 144 840 639) (**Healthscope**)) for the Takeover Bid under Part 6.5 Division 3 of the Corporations Act; and
- the explanatory statement for the Capital Return required by section 256C(4) of the Corporations Act.

Healthscope Shareholder information

Healthscope Shareholders can call the Healthscope Shareholder Information Line if they have any queries in relation to the Transaction on 1300 375 694 (within Australia) or +61 3 9415 4320 (outside Australia), between 8.30am and 5.00pm (Melbourne time), Monday to Friday.

ASIC and ASX

A copy of this Booklet was lodged with ASIC and given to ASX on 16 April 2019.

A copy of this Booklet was also provided to ASIC for examination for the purpose of section 411(2)(b) of the Corporations Act and has been registered by ASIC for the purpose of section 412(6) of the Corporations Act. ASIC has reviewed a copy of this Booklet.

Healthscope has asked ASIC to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme of Arrangement. ASIC's policy in relation to statements under section 411(17)(b) of the Corporations Act is that it will not provide such a statement until the Second Court Date. This is because ASIC will not be in a position to advise the Court until it has had an opportunity to observe the entire Scheme process. ASIC has expressed a view regarding the class composition for the Scheme of Arrangement which differs from the view expressed by Healthscope and Brookfield Bidco and has indicated that it does not currently intend to provide a statement of no objection.

Neither ASIC nor ASX nor any of their respective officers take any responsibility for the contents of this Booklet.

Important notice associated with Court order under section 411(1) of the Corporations Act

The fact that the Court has ordered under section 411(1) of the Corporations Act that the Scheme Meeting be convened and has directed that this Booklet accompany the Notice of Meetings does not mean that the Court:

- has formed any view as to the merits of the proposed Scheme or as to how Healthscope Shareholders should vote (on this matter Healthscope Shareholders must reach their own conclusion);
- has prepared, or is responsible for the content of, this Booklet; or
- has approved or will approve the terms of the Scheme of Arrangement.

Notice of Meetings

The Notice of Scheme Meeting and the Notice of Extraordinary General Meeting are set out in Annexure E.

Notice of Second Court Hearing

At the Second Court Hearing, the Court will consider whether to approve the Scheme following the vote at the Scheme Meeting.

Any Healthscope Shareholder may appear at the Second Court Hearing, expected to be held at 9.30am on 24 May 2019 at the Federal Court of Australia, 305 William Street, Melbourne Victoria.

Any Healthscope Shareholder who wishes to oppose approval of the Scheme at the Second Court Hearing may do so by filing with the Court and serving on Healthscope a notice of appearance in the prescribed form together with any affidavit that the Healthscope Shareholder proposes to rely on.

No investment advice

This Booklet has been prepared without reference to the investment objectives, financial and taxation situation or particular needs of any Healthscope Shareholder or any other person. The information and recommendations contained in this Booklet do not constitute, and should not be taken as, financial product advice. The Healthscope Directors encourage you to seek independent financial and taxation advice before making any investment decision and any decision as to whether or not to vote in favour of the Scheme and/or accept the Takeover Offer. This Booklet should be read in its entirety before making a decision on whether or not to vote in favour of the Scheme and/or accept the Takeover Offer. In particular, it is important that you consider the potential risks if the Transaction does not proceed and the views of the Independent Expert set out in the Independent Expert's Report contained in Annexure A. If you are in doubt as to the course you should follow, you should consult your legal, financial, taxation or other professional adviser.

Forward looking statements

Some of the statements appearing in this Booklet (including in the Independent Expert's Report) may be in the nature of forward looking statements. Forward looking statements or statements of intent in relation to future events in this Booklet (including in the Independent Expert's Report) should not be taken to be forecasts or predictions that those events will occur. Forward looking statements generally may be identified by the use of forward looking words such as 'believe', 'aim', 'expect', 'anticipate', 'intending', 'foreseeing', 'likely', 'should', 'planned', 'may', 'estimate', 'potential', or other similar words. Similarly, statements that describe the objectives, plans, goals, intentions or expectations of Healthscope, Brookfield, Brookfield LP, HoldCo or Brookfield BidCo are or may be forward looking statements. You should be aware that such statements are only opinions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to Healthscope, Brookfield, Brookfield LP, HoldCo or Brookfield BidCo or the industries in which they operate, as well as general economic conditions, prevailing exchange rates and interest rates and conditions in financial markets.

Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and deviations are both normal and to be expected. None of Healthscope, Brookfield, Brookfield LP, HoldCo or Brookfield BidCo or any of their respective officers, directors, employees or advisers or any person named in this Booklet or involved in the preparation of this Booklet makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement. Accordingly, you are cautioned not to place undue reliance on those statements.

The forward looking statements in this Booklet reflect views held only at the date of this Booklet. Subject to any continuing obligations under the Listing Rules or the Corporations Act, Healthscope, Brookfield, Brookfield LP, HoldCo and Brookfield BidCo, and their respective officers, directors, employees and advisers, disclaim any obligation or undertaking to distribute after the date of this Booklet any updates or revisions to any forward looking statements to reflect (a) any change in expectations in relation to such statements; or (b) any change in events, conditions or circumstances on which any such statement is based.

Responsibility statement

Healthscope has prepared, and is responsible for, the Healthscope Information (as defined in Section 15.1). Neither Brookfield, Brookfield LP, HoldCo or Brookfield BidCo nor any of their respective subsidiaries, directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of such information.

Brookfield BidCo and Brookfield LP have prepared, and are responsible for, the Brookfield Information (as defined in Section 15.1). Neither Healthscope nor any of its subsidiaries, directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of such information.

Grant Samuel & Associates Pty Limited has prepared the Independent Expert's Report (as set out in Annexure A) and takes responsibility for that report. None of Healthscope, Brookfield, Brookfield LP, HoldCo or Brookfield BidCo or any of their respective subsidiaries, directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of the information contained in the Independent Expert's Report, except in the case of Healthscope in relation to the information it has provided to Grant Samuel & Associates Pty Limited.

Foreign jurisdictions

The release, publication or distribution of this Booklet in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons outside of Australia who come into possession of this Booklet should seek advice on and observe any such restrictions. See Section 13.13 for further details.

Charts and diagrams

Any diagrams, charts, graphs or tables appearing in this Booklet are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, graphs and tables is based on information available as at 11 April 2019. Any discrepancies in any chart, graph or table between totals and sums of amounts presented or listed therein or to previously published financial figures are due to rounding.

External websites

Unless expressly stated otherwise, the content of the websites of Healthscope and Brookfield do not form part of this Booklet and Healthscope Shareholders should not rely on any such content.

Privacy

Healthscope may collect personal information in the process of implementing the Transaction. The purpose of the collection of personal information is to assist Healthscope to conduct the Meetings and implement the Transaction. See Section 13.15 for further details.

Date of Booklet

This Booklet is dated 16 April 2019.

Contents

Overview of the Transaction

This diagram shows the key features of the proposed Scheme of Arrangement and simultaneous Takeover Offer (together, the **Transaction**).

You should carefully read this Booklet in its entirety before making any decision in relation to the Scheme of Arrangement, the Takeover Offer or the Capital Return.

The Transaction

Brookfield proposes to aquire all of the shares in Healthscope by way of a scheme of arrangement and simultaneous takeover offer

Healthscope Shareholders vote on the Scheme of Arrangement and decide whether to accept the Takeover Offer

See Section 4 for key features of the Scheme

If the Scheme **IS APPROVED** by 75% of votes cast and other conditions are satisfied or waived

Healthscope Shareholders receive $2.465 cash per share or the Scrip Consideration

See Section 4.2 for information on the Scrip Consideration

If the Scheme is **NOT** Approved

Takeover Offer

See Section 5 for information on the Takeover Offer

If Brookfield receives acceptances of **AT LEAST** 50.1% of issued shares and other conditions are satisfied or waived

Sale and leaseback of hospital properties

See Section 8.1 for information on the sale and leaseback

Payment of the Special Dividend

See Section 8.2 for information on the Special Dividend

Payment of the Capital Return (if approved)

See Section 8.3 for information on the Capital Return

Accepting shareholders receive $2.365 cash per share, including the Special Dividend and the Capital Return

If the conditions of the Takeover Offer are **NOT** satisfied or waived

Healthscope Shareholders retain their shares

Letter from the Chairman of Healthscope

16 April 2019

Dear fellow Healthscope shareholder,

On behalf of the Healthscope Directors, I am pleased to present to you a proposal from Brookfield to acquire all of your shares in Healthscope by way of a scheme of arrangement and simultaneous takeover offer.

Your Board has conducted an extensive review of the alternatives available to the company to maximise shareholder value.

Your Directors believe that the proposal presented here is very attractive and will realise significant value for all Healthscope shareholders.

Your Directors unanimously recommend that you:

(1) **vote in favour** of the scheme of arrangement (and accept the scheme consideration in cash);

(2) **accept** the takeover offer for all of your shares in Healthscope; and

(3) **vote in favour** of the capital return,

in the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude that the scheme is in the best interests of shareholders and that the takeover offer is fair and reasonable (as applicable).

Scheme of arrangement

The Brookfield proposal has several components, but the main one is a scheme of arrangement under which you will be entitled to receive $2.465 cash[1] for each Healthscope share that you own.[2]

This consideration is in addition to the fully franked interim dividend of $0.035 per share paid on 26 March 2019. The consideration under the scheme of arrangement together with the interim dividend is $2.50 per share.

This amount represents:

- a significant 40% premium to Healthscope's undisturbed closing share price of $1.785 on 22 October 2018;[3]
- an implied acquisition multiple of approximately 14.6 x Healthscope EBITDA for the 12 months ending 31 December 2018; and
- an implied equity value of $4.4 billion and enterprise value of over $5.7 billion.

Your Directors recommend that you vote in favour of the scheme of arrangement. If the scheme is implemented you will receive the scheme consideration in cash. Instead of receiving the scheme consideration in cash, eligible Healthscope shareholders may elect (subject to certain limitations) to receive unlisted shares in the Brookfield controlled entity which will own Healthscope after implementation of the scheme. Electing to receive these unlisted shares carries additional risks, including:

- you will be subject to a different regulatory regime when compared to your current investment in Healthscope, there will be no active market or mechanism for achieving liquidity for the shares and there will be restrictions on transferring them;
- you will be a shareholder in a company that has a gearing ratio that is greater than the current gearing ratio of Healthscope;
- you will have fewer rights as a minority shareholder in the company when compared to your current investment in Healthscope; and
- you may be subject to dilution of your interests in the company in certain circumstances and you may also be subject to compulsory acquisition after 12 months if you hold less than 10,000 shares in the company.

Your Directors do not recommend that you make this election.[4]

The scheme of arrangement can only proceed if, among other conditions, the requisite majorities of Healthscope shareholders approve it. This requires more than 50% of shareholders present and voting and at least 75% of votes cast at the meeting to be in favour of the scheme. The scheme of arrangement also requires court approval.

Takeover offer

If the scheme of arrangement is not approved by Healthscope shareholders or by the court, the second component of Brookfield's proposal will come into play, namely a takeover offer which is conditional on (amongst other things) acceptances representing at least 50.1% of issued shares.

Under the takeover offer, accepting shareholders will receive $2.365 cash per share if the offer conditions are satisfied or waived. This consideration is in addition to the fully franked interim dividend of $0.035 per share paid on 26 March 2019. The consideration under the takeover offer together with the interim dividend is $2.40 per share.

The $2.365 cash per share will comprise 3 payments:

- $1.040 from Brookfield; plus
- a partly franked special dividend of $0.637 from Healthscope (assuming you hold your shares on the record date for the special dividend);[5] plus

1. A portion of the cash consideration payable under the scheme will be funded by a sale and leaseback by Healthscope of 22 hospital properties and a portion will be funded by way of third party debt financing arrangements. See Section 8.1 for further information on the sale and leaseback arrangements and Section 9.1(e) for further information on the third party debt financing arrangements.
2. Unless you make a valid scrip election.
3. Being the date prior to the announcement that Healthscope had received an indicative proposal from the BGH-AustralianSuper consortium for the acquisition of all Healthscope shares by way of a scheme of arrangement. The amount also represents a 14 cent per share premium to the BGH-AustralianSuper consortium's indicative proposal (which itself was highly conditional).
4. Healthscope shareholders should refer to Sections 3.3, 10 and 11.4 before making a scrip election.
5. Healthscope has lodged class ruling applications with the ATO seeking confirmation on specific Australian tax implications for shareholders in relation to certain aspects of the transaction, including the special dividend and capital return. The aggregate amount paid to shareholders will not change, however depending on the ATO's views, the amount that is considered capital and the amount that is considered dividend may change. See Section 8.2(e) for further information about the franking of the special dividend.

- a capital return (subject to shareholder approval) of $0.688 from Healthscope (assuming you hold your shares on the record date for the capital return).[5]

To receive $2.365 cash per share you will need to hold your shares on the record dates for the special dividend and capital return.

The special dividend and capital return will be funded by a sale and leaseback by Healthscope of 22 hospital properties and a refinancing of the Healthscope Group. The sale and leaseback is conditional on control of Healthscope passing to Brookfield. For this purpose, Healthscope has entered into agreements to sell the relevant hospitals for approximately $2.5 billion in aggregate to two North American real estate groups (Medical Properties Trust and NorthWest Healthcare or their respective affiliates) and to lease them back so that Healthscope will continue to operate the hospitals. See Section 8.1 for further information on the sale and leaseback arrangements.

Independent Expert's opinion

The Healthscope Directors appointed Grant Samuel & Associates Pty Limited as the independent expert to assess the merits of the transaction. The Independent Expert has concluded that the transaction is fair and reasonable, and therefore:

- the scheme of arrangement is in the best interests of Healthscope shareholders; and
- the takeover offer is fair and reasonable,

in the absence of a Superior Proposal.[6]

A copy of the Independent Expert's Report is included in Annexure A.

Action required

You should carefully read this booklet in its entirety before making any decision in relation to the scheme of arrangement, the takeover offer or the capital return.

(1) Vote on the scheme of arrangement

The scheme can only be implemented if approved by Healthscope shareholders at the scheme meeting which is scheduled for 10.00am on Wednesday, 22 May 2019 at the Mayfair Ballroom, Grand Hyatt, 123 Collins Street, Melbourne Victoria.

Your Directors unanimously recommend that you **vote in favour** of the scheme of arrangement, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the scheme is in the best interests of shareholders.

Subject to the same conditions, each Healthscope Director intends to vote all their shares in favour of the scheme of arrangement and accept the cash consideration.

(2) Decide whether to accept the takeover offer

In addition to voting in favour of the scheme of arrangement, your Directors unanimously recommend that you **accept** the takeover offer, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the takeover offer is fair and reasonable.

Subject to the same conditions, each Healthscope Director intends to accept the takeover offer in relation to all their shares.

The takeover offer is currently scheduled to close on Wednesday, 19 June 2019. This is after the scheduled date for the scheme meeting, and you may therefore choose to wait until the outcome of the scheme of arrangement is known before deciding whether to accept the takeover offer. Unless withdrawal rights are available or the takeover offer lapses, you will give up your right to sell your Healthscope shares on ASX or otherwise deal with your shares (including to accept an offer from a competing bidder) from the time you accept the takeover offer.

(3) Vote on the capital return

The capital return will only proceed if approved by Healthscope shareholders at the Extraordinary General Meeting, which is scheduled to be held immediately after the conclusion of the scheme meeting (and at the same place).

Each Healthscope Director intends to vote all their shares in favour of the capital return and recommends that you **vote in favour** of the capital return too.

Further information

If you have any questions or require further information in relation to this booklet or the transaction generally, you should contact the Healthscope Shareholder Information Line on 1300 375 694 (within Australia) or +61 3 9415 4320 (outside Australia), between 8.30am and 5.00pm (Melbourne time), Monday to Friday.

If you are in any doubt as to what you should do, please consult your legal, financial, tax or other professional adviser without delay.

On behalf of the Healthscope Board, I would like to take this opportunity to thank you for your continued support of Healthscope.

Yours sincerely

Paula J. Dwyer
Chairman,
Healthscope Limited

6. If the Independent Expert was required to provide its opinion on a transaction that only offered the scrip consideration, it would be likely to conclude that such a transaction was not fair.

Letter from the Chairman of ANZ Hospitals Pty Ltd

16 April 2019

Dear Healthscope Shareholder,

I am pleased to present you with this attractive opportunity from ANZ Hospitals Pty Ltd (**Brookfield BidCo**) and BCP VIG Holdings L.P. (**Brookfield LP**) to realise significant value for all of your Healthscope Shares.

Brookfield is committed to supporting Healthscope to continue delivering high quality clinical care and patient outcomes and investing in Healthscope through organic and inorganic growth and in offering the community a broader range of healthcare services.

A Compelling Offer for Healthscope Shareholders

As highlighted in the letter from the Chairman of Healthscope, Brookfield BidCo is proposing to acquire 100% of Healthscope by way of a scheme of arrangement (**Scheme**). If the Scheme is successfully implemented, you will receive $2.465 cash consideration,[7] for each Healthscope Share you own.

The $2.465 Scheme Consideration is in addition to the fully franked interim dividend of $0.035 per share paid on 26 March 2019. The sum of the consideration under the Scheme and the interim dividend[8] is $2.50 per share, representing a **premium of 40%** to the undisturbed closing price of Healthscope Shares on 22 October 2018.[9]

Brookfield considers that the Scheme is the best way for you to realise maximum value for your shares, and that it is clearly superior to any other available alternatives. However, the Scheme requires the approval of 75% of the voting Healthscope Shareholders (among other things), which cannot be guaranteed.

Having regard to the above, Brookfield LP is also making a simultaneous takeover offer for your Healthscope Shares (**Takeover Offer**) for consideration of $2.365 for each Healthscope Share you own. If the Scheme vote is not successful but Brookfield LP receives acceptances of 50.1% or more and the remaining conditions are satisfied, Healthscope Shareholders who accept into the Takeover Offer will receive the Takeover Consideration for their shares. Although lower than the Scheme Consideration, the Takeover Consideration of $2.365 per Healthscope Share also represents compelling value for your Healthscope Shares given it represents a **premium of 34%**[10] to the undisturbed closing price of Healthscope Shares on 22 October 2018. As noted in the letter from the Chairman of Healthscope, the Takeover Consideration will incorporate a partly franked special dividend.[11]

The Takeover Consideration of $2.365 is in addition to the fully franked interim dividend of $0.035 per share paid on 26 March 2019.[12]

The Scheme and Takeover Offer provide a compelling opportunity to realise value for your Healthscope Shares at a material premium to the undisturbed Healthscope share price without you having to incur brokerage costs. This should be considered against the risks and uncertainties that you, as a Healthscope Shareholder, are currently exposed to.

The Capital Return Vote is Important to the Takeover

As noted in the letter from the Chairman of Healthscope, Healthscope intends to pay shareholders a special dividend and effect a capital return, arising from the sale of a large proportion of the Healthscope hospital assets. The Special Dividend (if paid) will comprise part payment of the Takeover Offer consideration. As noted above, depending on your specific circumstances, you may be able to realise additional value from any franking credits attached to the Special Dividend.[13] However, Healthscope and Brookfield have agreed that whilst the Special Dividend will be franked to the maximum extent possible, this is subject to Healthscope retaining a prudent franking credit surplus after payment of the dividend and the after tax value of the cash consideration (for Australian superannuation funds) under the Scheme being at least $0.05 per share higher than the after tax value of the cash consideration under the Takeover Offer.

7. Unless you make a Scrip Election.
8. The interim dividend of $0.035 per share that was paid to Healthscope Shareholders on 26 March 2019.
9. Being the date prior to the announcement that Healthscope had received an indicative proposal from the BGH-AustralianSuper Consortium for the acquisition of all Healthscope Shares by way of a scheme of arrangement.
10. After including the interim dividend of $0.035 per share that was paid to Healthscope Shareholders on 26 March 2019.
11. The value of franking credits is generally not the same for all shareholders and varies depending on the tax position and circumstances of the individual shareholders (including whether a shareholder is an individual, a super fund or corporate entity). See Sections 8.2(e) and 12.4 for further tax information regarding the Special Dividend.
12. The sum of the consideration under the Takeover Offer and the interim dividend is $2.40 per share.
13. Refer to Section 12.4 for further tax information on the Special Dividend.

You should Vote in Favour of the Scheme and Accept into the Takeover

As described further in this booklet, you can vote in favour of the Scheme and accept the Takeover Offer and vote in favour of the Capital Return Resolution at the same time, and we recommend you do so as soon as practicable. The Healthscope Board also unanimously recommends you vote in favour of the Scheme and accept into the Takeover Offer in the absence of a Superior Proposal. Furthermore, the Independent Expert has concluded that the Transaction is fair and reasonable, and therefore the Scheme is in the best interests of Healthscope Shareholders and the Takeover Offer is fair and reasonable, in the absence of a Superior Proposal.

If the Scheme is successful, you will receive the higher consideration of $2.465 per Healthscope Share, even if you accepted into the Takeover Offer. If you have accepted into the Takeover Offer and the Scheme is unsuccessful and the 50.1% Takeover Bid Condition (as well as the other conditions to the Takeover Offer) are met, you will receive $2.365 per Healthscope Share.[14]

All Healthscope Shareholders are encouraged to expeditiously vote on the Scheme as it delivers greater value to Healthscope Shareholders than the Takeover Offer, and to accept the Takeover Offer as it presents an alternative control transaction at a lower approval threshold. Every vote in relation to the Scheme and every acceptance in relation to the Takeover Offer counts.

The Scheme vote is expected to occur at 10.00am (Melbourne time) on Wednesday, 22 May 2019. The Takeover Offer is open for acceptance until 7.00pm (Melbourne time) on Wednesday, 19 June 2019, unless extended in accordance with the Corporations Act.

If You Do Nothing, the Scheme and Takeover Offer May be Unsuccessful

If you do nothing and neither the Scheme nor Takeover Offer are successful, you will retain your Healthscope Shares. As further highlighted in this booklet, you cannot be certain about the future value of your Healthscope Shares in the absence of the Scheme or Takeover Offer and/or any other Superior Proposal arising. I therefore encourage you to read this booklet in its entirety and vote in favour of the Scheme and the Capital Return Resolution and accept the Takeover Offer as soon as practicable.

If you have any questions in relation to the Scheme or Takeover Offer, or how to vote in favour of the Scheme and the Capital Return Resolution and accept into the Takeover Offer, please contact the Healthscope Shareholder Information Line on 1300 375 694 (within Australia) or +61 3 9415 4320 (outside Australia), between 8.30am and 5.00pm (Melbourne time), Monday to Friday.

Yours sincerely,

Leonard Chersky
Chairman of ANZ Hospitals Pty Ltd
Managing Partner of Brookfield

14. Which may include the Special Dividend and the Capital Return.

Key dates

EVENT	TIME AND DATE
Court approval for dispatch of this Booklet	Tuesday, 16 April 2019
Scrip Election Deadline – Scrip Election Form (to receive unlisted HoldCo Class B Shares) must be lodged by the deadline to be valid	5.00pm on Friday, 10 May 2019
Announcement to ASX of Scrip Election results	Tuesday, 14 May 2019
Latest time to lodge the Proxy Forms with the Healthscope Share Registry for the Meetings	4.00pm on Monday, 20 May 2019
Time for determining eligibility to vote at the Meetings	7.00pm on Monday, 20 May 2019
Brookfield LP gives Unconditional Announcement[15]	Tuesday, 21 May 2019
Scheme Meeting	10.00am on Wednesday, 22 May 2019
Extraordinary General Meeting (to consider the Capital Return)	Immediately after the conclusion of the Scheme Meeting on Wednesday, 22 May 2019

IF THE SCHEME IS APPROVED BY HEALTHSCOPE SHAREHOLDERS	
Court hearing to approve the Scheme (Second Court Date)	Friday, 24 May 2019
Effective Date Court order to be lodged with ASIC Trading in Healthscope Shares on ASX suspended from close of trading	Friday, 24 May 2019
Scheme Record Date (for determining entitlements to Scheme Consideration)	7.00pm on Thursday, 30 May 2019
Implementation Date Payment of Scheme Consideration	Thursday, 6 June 2019

IF THE SCHEME IS <u>NOT</u> APPROVED BY HEALTHSCOPE SHAREHOLDERS[16]	
Healthscope Shares trade ex-Capital Return and ex-Special Dividend[17]	Tuesday, 28 May 2019
Capital Return Record Date and Special Dividend Record Date	7.00pm on Wednesday, 29 May 2019
Brookfield declares the Takeover Offer unconditional	Monday, 3 June 2019
Takeover Offer closes (unless extended or withdrawn)	7.00pm on Wednesday, 19 June 2019

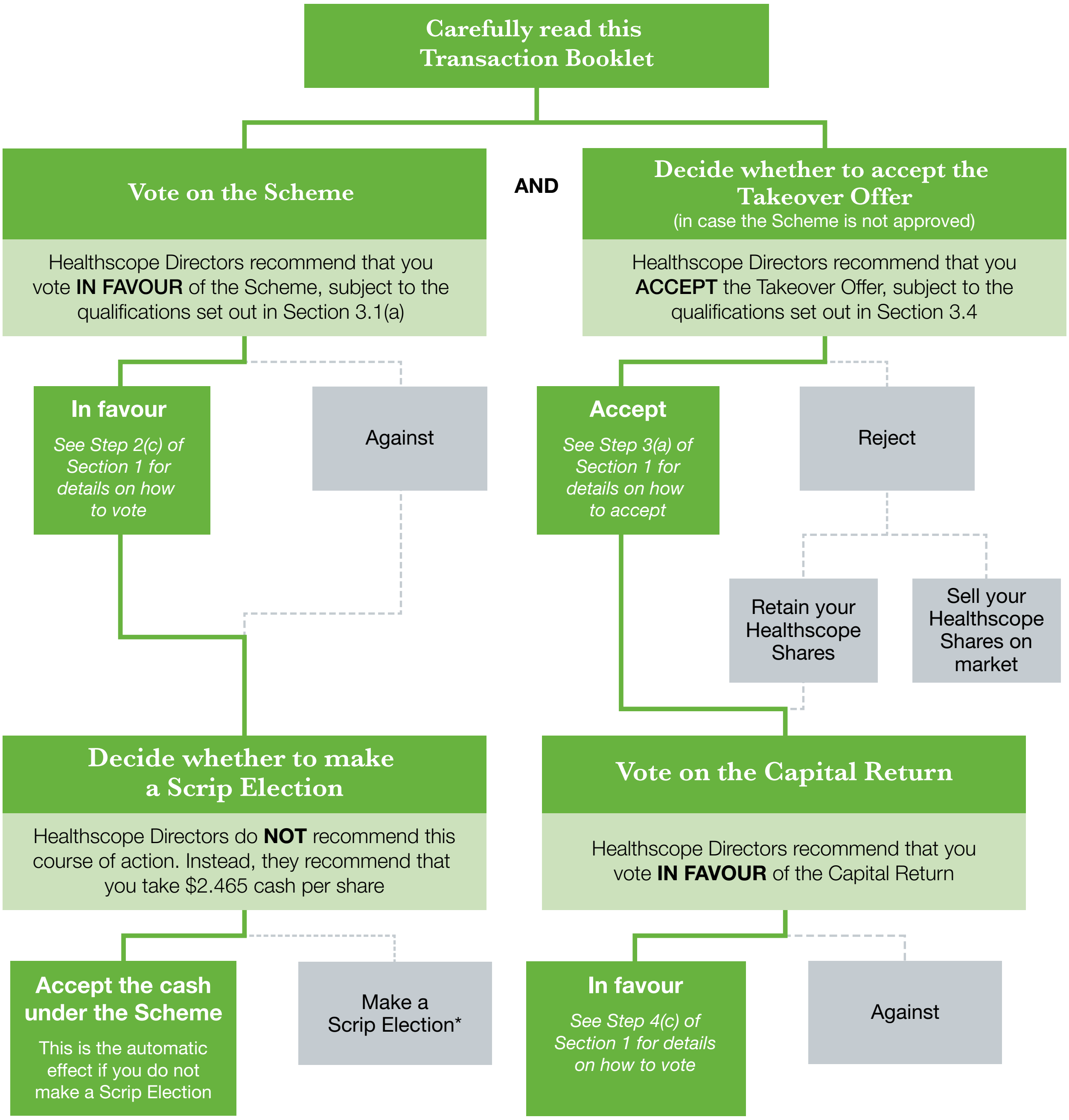
All times and dates in the above timetable are references to the time and date in Melbourne, Australia unless otherwise stated and all such times and dates are subject to change. Certain times and dates are conditional on the approval of the Scheme by Healthscope Shareholders and by the Court. Any changes to the timetable will be announced by Healthscope to ASX.

15. See Section 8.2(c) for further details on the Unconditional Announcement.
16. These times and dates assume Brookfield has obtained a Relevant Interest in at least 50.1% of Healthscope Shares before the latest time to lodge the Proxy Forms with the Healthscope Share Registry for the Scheme Meeting and Extraordinary General Meeting, being 4.00pm on Monday, 20 May 2019 and Brookfield has announced that if the Scheme Resolution is not passed, that it will declare the Takeover Offer to be unconditional after the Special Dividend Record Date. If these assumptions are not met and the Scheme Resolution is not passed, the dates in relation to the Capital Return and the Special Dividend will be announced by Healthscope to the ASX once they are known to Healthscope.
17. Healthscope Shares will trade on ASX under the status 'XD' and 'C' to represent the conditional nature of the Capital Return and the Special Dividend.

1. Action required

As a Healthscope Shareholder, you have a number of decisions to make in relation to the Scheme of Arrangement and simultaneous Takeover Offer. The key decisions for you to make are outlined in this diagram.

The Healthscope Directors unanimously recommend that you follow the **green boxes and bolded path** in this diagram when making your decisions in relation to the Transaction.



* There are significant risks associated with holding HoldCo Class B Shares. Healthscope Shareholders should refer to Section 11.4 before making a Scrip Election.

Step 1: Read this Booklet

You should carefully read this Booklet in its entirety before making a decision on how to vote on the Scheme and the Capital Return, and whether to accept the Takeover Offer.

If you have any questions about this Booklet or the Transaction generally, please contact the Healthscope Shareholder Information Line on 1300 375 694 (within Australia) or +61 3 9415 4320 (outside Australia), between 8.30am and 5.00pm (Melbourne time), Monday to Friday.

If you are in any doubt as to what you should do, please consult your legal, financial, tax or other professional adviser without delay.

Step 2: Vote on the Scheme Resolution

(a) Your vote is important

For the Scheme to proceed, it is necessary that sufficient Healthscope Shareholders vote in favour of the Scheme.

(b) Who is entitled to vote?

If you are registered on the Healthscope Share Register at 7.00pm on 20 May 2019, you will be entitled to vote on the Scheme.

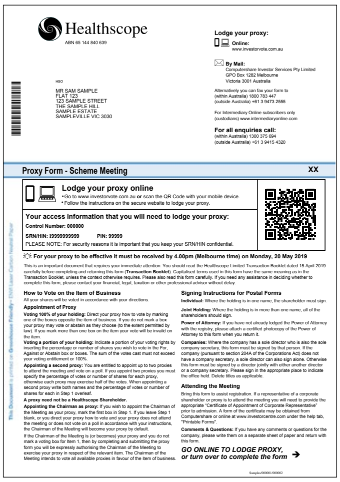
(c) How to vote?

You can vote:

- **in person**, by attending the Scheme Meeting;
- **by proxy**, by lodging a proxy online at www.investorvote.com.au or by completing, signing and lodging a white proxy form for the Scheme Meeting (see example alongside) in accordance with the instructions set out on the form. To be valid, your online proxy or white proxy form must be received by the Healthscope Share Registry by 4.00pm on 20 May 2019;
- **by attorney**, by appointing an attorney to attend and vote at the Scheme Meeting on your behalf and providing a duly executed power of attorney to the Healthscope Share Registry by 4.00pm on 20 May 2019; or
- **by corporate representative**, in the case of a body corporate which is a Healthscope Shareholder, by appointing a corporate representative to attend and vote at the Scheme Meeting on behalf of that Healthscope Shareholder and providing a duly executed certificate of appointment (in accordance with sections 250D and 253B of the Corporations Act) prior to admission to the Scheme Meeting.

Further details on how to vote are contained in Annexure E.

Proxy form for the Scheme Meeting (white)



Healthscope
ABN 65 144 840 639

Lodge your proxy:
Online: www.investorvote.com.au
By Mail: Computershare Investor Services Pty Limited GPO Box 1282 Melbourne Victoria 3001 Australia
Alternatively you can fax your form to (within Australia) 1800 783 447 (outside Australia) +61 3 9473 2555
For Intermediary Online subscribers only (custodians) www.intermediaryonline.com
For all enquiries call: (within Australia) 1300 375 694 (outside Australia) +61 3 9415 4320

HSO
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Proxy Form - Scheme Meeting XX

Lodge your proxy online
- Go to www.investorvote.com.au **or** scan the QR Code with your mobile device.
- Follow the instructions on the secure website to lodge your proxy.

Your access information that you will need to lodge your proxy:
Control Number: 000000
SRN/HIN: I9999999999 **PIN: 99999**
PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your proxy to be effective it must be received by 4.00pm (Melbourne time) on Monday, 20 May 2019

This is an important document that requires your immediate attention. You should read the Healthscope Limited Transaction Booklet dated 15 April 2019 carefully before completing and returning this form (**Transaction Booklet**). Capitalised terms used in this form have the same meaning as in the Transaction Booklet, unless the context otherwise requires. Please also read this form carefully. If you need any assistance in deciding whether to complete this form, please contact your financial, legal, taxation or other professional advisor without delay.

How to Vote on the Item of Business
All your shares will be voted in accordance with your directions.

Appointment of Proxy
Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite the item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on the item your vote will be invalid on the item.
Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of shares you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.
Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of shares for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of shares for each in Step 1 overleaf.
A proxy need not be a Healthscope Shareholder.
Appointing the Chairman as proxy: If you wish to appoint the Chairman of the Meeting as your proxy, mark the first box in Step 1. If you leave Step 1 blank, or you direct your proxy how to vote and your proxy does not attend the meeting or does not vote on a poll in accordance with your instructions, the Chairman of the Meeting will become your proxy by default.
If the Chairman of the Meeting is (or becomes) your proxy and you do not mark a voting box for Item 1, then by completing and submitting the proxy form you will be expressly authorising the Chairman of the Meeting to exercise your proxy in respect of the relevant item. The Chairman of the Meeting intends to vote all available proxies in favour of the item of business.

Signing Instructions for Postal Forms
Individual: Where the holding is in one name, the shareholder must sign.
Joint Holding: Where the holding is in more than one name, all of the shareholders should sign.
Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies: Where the company has a sole director who is also the sole company secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise this form must be signed by a director jointly with either another director or a company secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting
Bring this form to assist registration. If a representative of a corporate shareholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".
Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

GO ONLINE TO LODGE PROXY, or turn over to complete the form

Samples/000001/000002

(d) Decide whether to make a Scrip Election

You will receive cash under the Scheme unless you make a Scrip Election. If you wish to make a Scrip Election, see Section 4.2(e) for details.

The Healthscope Directors do not recommend that you take this course of action. Instead, the Healthscope Directors recommend that you accept the cash being offered under the Scheme.

Step 3: Decide whether to accept the Takeover Offer

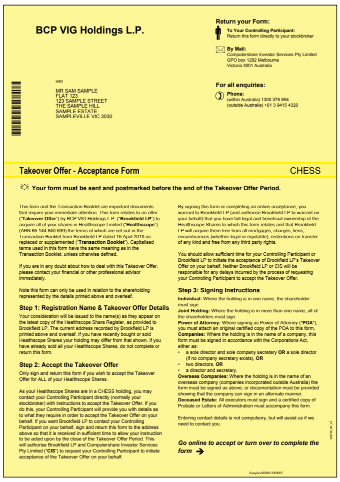
The Healthscope Directors unanimously recommend that you accept the Takeover Offer, subject to there being no Superior Proposal and the Independent Expert continuing to conclude that the Takeover Offer is fair and reasonable.

You have three choices currently available to you:

(a) Accept the Takeover Offer

To accept the Takeover Offer, submit your acceptance online at www.healthscopetransaction.com.au or your Acceptance Form (see examples below) in accordance with the instructions set out in Section 5.3 and on the form itself.

CHESS subregister (yellow)

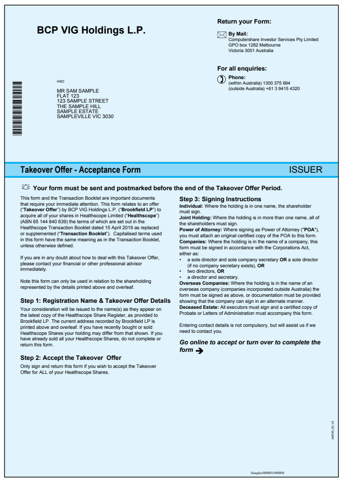


BCP VIG Holdings L.P.

Takeover Offer - Acceptance Form CHESS

Your form must be sent and postmarked before the end of the Takeover Offer Period.

Issuer sponsored subregister (blue)



BCP VIG Holdings L.P.

Takeover Offer - Acceptance Form ISSUER

Your form must be sent and postmarked before the end of the Takeover Offer Period.

(b) Sell your Healthscope Shares on market

If you have not accepted the Takeover Offer, you can sell your Healthscope Shares on market. You may be able to obtain a higher price by selling your Healthscope Shares on market as compared to the consideration under the Scheme or Takeover Offer.

The latest price for Healthscope Shares may be obtained from the ASX website (www.asx.com.au).

If you sell your shares and cease to be the holder of Healthscope Shares at the Scheme Record Date for the Scheme Meeting, you will not be able to vote on the Scheme and any proxy appointment will cease to be effective.

(c) Reject the Takeover Offer and retain your Healthscope Shares

If you do not wish to accept the Takeover Offer or sell your Healthscope Shares, you should do nothing.

There are a number of risks associated with an investment in Healthscope Shares if the Takeover Offer becomes unconditional and control passes to Brookfield, including those set out in Section 11.5. In that event, the Healthscope share price is likely to fall immediately following the end of the Takeover Offer Period, liquidity of Healthscope Shares may be lower than at present, Healthscope may be removed from the official list of ASX and, if Brookfield LP has a Relevant Interest in 90% or more of the Healthscope Shares during or at the end of the Takeover Offer Period, Brookfield LP will be entitled to compulsorily acquire any remaining Healthscope Shares.

Step 4: Vote on the Capital Return

(a) Your vote is important

If the Takeover Offer becomes unconditional and control passes to Brookfield, it is intended that Healthscope will pay a special dividend of $0.637 per share and make a capital return in the amount of $0.688 per share.[18]

For the Capital Return to proceed, it is necessary that more than 50% of votes cast at the Extraordinary General Meeting are in favour of the Capital Return.

If the Capital Return is paid, the $2.365 cash amount offered by Brookfield LP under the Takeover Offer will be reduced by the per share amount of the Capital Return.[19] If you hold your Healthscope Shares on the record date for the Capital Return, this will not reduce the aggregate amount that you receive.

(b) Who is entitled to vote?

If you are registered as a Healthscope Shareholder at 7.00pm on the date which is two days prior to the date of the Extraordinary General Meeting (two days prior is currently expected to be 20 May 2019), you will be entitled to vote on the Capital Return.

Brookfield LP will have certain proxy rights in relation to your Healthscope Shares (including to vote on your behalf) if you accept the Takeover Offer and it is or becomes unconditional.[20] In addition, even if the Takeover Offer remains conditional, Brookfield LP can vote on your behalf in relation to the Capital Return at the Extraordinary General Meeting, and you will not be able to attend or vote at that meeting, if Brookfield LP has a Relevant Interest in at least 50.1% of the Healthscope Shares (on a fully diluted basis).[21] This is the case even though the Capital Return itself is conditional on the Takeover Offer being declared or becoming unconditional. You should consider this before deciding whether to accept the Takeover Offer.

Healthscope must adjourn or postpone the Extraordinary General Meeting or cancel and reschedule the Extraordinary General Meeting on the request of Brookfield where Brookfield LP does not have a Relevant Interest in at least 50.1% of the Healthscope Shares (on a fully diluted basis) prior to the meeting.

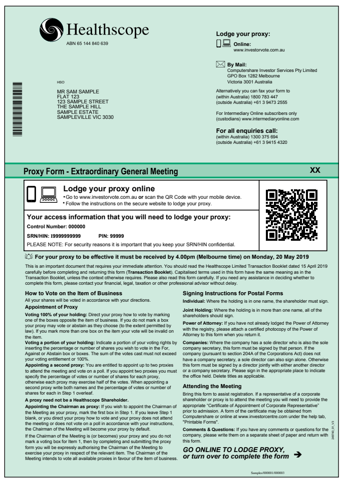
(c) How to vote?

You can vote:

- **in person**, by attending the Extraordinary General Meeting;
- **by proxy**, by lodging a proxy online at www.investorvote.com.au or by completing, signing and lodging a green proxy form for the Extraordinary General Meeting (see example alongside) in accordance with the instructions set out on the form. To be valid, your online proxy or green proxy form must be received by the Healthscope Share Registry by 4.00pm on 20 May 2019;
- **by attorney**, by appointing an attorney to attend and vote at the Extraordinary General Meeting on your behalf and providing a duly executed power of attorney to the Healthscope Share Registry by 4.00pm on 20 May 2019; or
- **by corporate representative**, in the case of a body corporate which is a Healthscope Shareholder, by appointing a corporate representative to attend and vote at the Extraordinary General Meeting on behalf of that Healthscope Shareholder and providing a duly executed certificate of appointment (in accordance with sections 250D and 253B of the Corporations Act) prior to admission to the Extraordinary General Meeting.

Further details on how to vote are contained in Annexure E.

Proxy form for the Extraordinary General Meeting (green)


Healthscope
Lodge your proxy:
Proxy Form - Extraordinary General Meeting
Lodge your proxy online
GO ONLINE TO LODGE PROXY, or turn over to complete the form

18. Healthscope has lodged class ruling applications with the ATO seeking confirmation on specific Australian tax implications for Healthscope Shareholders in relation to certain aspects of the Transaction, including the Special Dividend and Capital Return. The aggregate amount paid to shareholders will not change, however depending on the ATO's views, the amount that is considered capital and the amount that is considered dividend may change. See Section 8.2(e) for further information about the franking of the Special Dividend.
19. The $2.365 cash amount offered by Brookfield LP under the Takeover Offer will also be reduced by the per share amount of the Special Dividend.
20. See Section 5.13(a) for further information regarding the rights Brookfield LP will have, and the restrictions that will apply to you, in this situation.
21. See Section 5.13(b) for further information regarding the rights Brookfield LP will have, and the restrictions that will apply to you, in this situation.

2. Frequently asked questions

This Section 2 answers some questions you may have about the Transaction. It is not intended to address all relevant issues for Healthscope Shareholders. This Section 2 should be read together with the other parts of this Booklet.

QUESTION	ANSWER	MORE INFORMATION
OVERVIEW OF THE TRANSACTION		
What should I do now?	As a Healthscope Shareholder, you have a number of decisions to make in relation to the Transaction. For the reasons (and subject to the qualifications) set out in this Booklet, the Healthscope Directors unanimously recommend that you: (1) **vote in favour** of the Scheme; (2) **accept** the Takeover Offer for all of your Healthscope Shares; and (3) **vote in favour** of the Capital Return. You should carefully read this Booklet in its entirety before making any decision in relation to the Transaction.	N/A
What is the Transaction?	The Transaction is a proposal from Brookfield BidCo, an entity owned by the Brookfield Funds, to acquire all of Healthscope by way of the Scheme and a simultaneous proposal from Brookfield LP, an entity which is also owned by the Brookfield Funds, to acquire your Healthscope Shares by way of a Takeover Offer.	Overview of the Transaction
Why is there a Scheme and simultaneous Takeover Offer?	The Scheme can only proceed if, among other conditions, the requisite majorities of Healthscope Shareholders (being more than 50% in number present and voting and at least 75% of votes cast) vote in favour of the Scheme. As at the date of the Implementation Deed, the BGH-AustralianSuper Consortium had agreed to vote its Healthscope Shares against any competing offer. The BGH-AustralianSuper Consortium held 19.13% of the total Healthscope Shares on issue as at the date of its substantial shareholder notice on 9 November 2018. This resulted in a risk that the Scheme may not be approved, and thus Healthscope Shareholders would be unable to benefit from Brookfield's higher offer. Whilst the agreement between the BGH-AustralianSuper Consortium was terminated on 31 March 2019, the voting intentions of the former consortium members are not known. The simultaneous Takeover Offer can proceed with a lower threshold of acceptances from Healthscope Shareholders holding at least 50.1% of the shares (and the satisfaction or waiver of other conditions). The Takeover Offer enhances the possibility of delivering value to Healthscope Shareholders by increasing the prospects of a successful Brookfield transaction should the Scheme not be approved by the requisite majorities of Healthscope Shareholders.	N/A

QUESTION	ANSWER	MORE INFORMATION
Who are Brookfield, Brookfield BidCo, HoldCo and Brookfield LP?	Brookfield is a Toronto, Canada based global alternative asset manager offering investment strategies in property, infrastructure, renewable energy, private equity and public securities to institutional investors. Brookfield is one of the largest global managers of real assets and has significant funding capacity, with approximately US$350 billion of assets under management. Brookfield is present in 30 countries across 5 continents with over 750 investment professionals and more than 100,000 operating employees who actively manage high-quality assets that form the backbone of today's global economy. Brookfield has a long history of strategic value investing and operational experience which it believes provides a strong basis for creating value, and has been central to its investment approach. Brookfield BidCo is a special purpose company that was incorporated for the purpose of holding all Healthscope Shares following the Scheme. HoldCo is a special purpose company that was incorporated for the purpose of indirectly holding all shares in Brookfield BidCo, as well as issuing HoldCo Class B Shares to Healthscope Shareholders who make a Scrip Election. Brookfield LP is a special purpose limited partnership that was established for the purpose of making the Takeover Bid and holding all Healthscope Shares tendered into the Takeover Offer.	Section 7
How is Brookfield funding the Scheme and the Takeover Consideration?	Brookfield BidCo and Brookfield LP intend to fund the Scheme and Takeover Consideration (respectively) through a combination of equity committed by the Brookfield Funds, third party debt financing and proceeds from the Property Investors in connection with the sale and leaseback of the hospital properties.	Sections 9.1 and 9.2
Where can I get further information?	If you have any questions or require further information in relation to this Booklet or the Transaction, you should contact the Healthscope Shareholder Information Line on 1300 375 694 (within Australia) or +61 3 9415 4320 (outside Australia), between 8.30am and 5.00pm (Melbourne time), Monday to Friday. If you are in any doubt as to what you should do, please consult your legal, financial, tax or other professional adviser without delay.	N/A
THE SCHEME OF ARRANGEMENT		
What is the Scheme of Arrangement?	A scheme of arrangement is a statutory procedure that is commonly used to enable one company to acquire another company. The Scheme is a scheme of arrangement between Healthscope and its shareholders, and involves Brookfield BidCo acquiring your Healthscope Shares in exchange for the Scheme Consideration. The Scheme requires a vote in favour of the Scheme by the requisite majorities of Healthscope Shareholders at the Scheme Meeting and Court approval of the Scheme at the Second Court Hearing.	Section 4 and the Scheme of Arrangement attached as Annexure C

QUESTION	ANSWER	MORE INFORMATION
What is the Scheme Consideration?	If the Scheme is implemented, Healthscope Shareholders will receive $2.465 cash per Scheme Share (**Scheme Cash Consideration**). As an alternative to receiving the Scheme Cash Consideration, Healthscope Shareholders (other than Ineligible Foreign Shareholders) can elect to receive the Scrip Consideration comprising unlisted HoldCo Class B Shares. The Scrip Consideration will only be available if: • you elect to receive it; and • Healthscope Shareholders holding, in aggregate, at least 10% of the Healthscope Shares at the Scrip Election Deadline have made Scrip Elections.	Section 4.1
What is the Scrip Consideration?	The Scrip Consideration is 2.465 HoldCo Class B Shares for every Healthscope Share held as at the Scheme Record Date. Healthscope Shareholders who elect to receive the Scrip Consideration may be subject to the Scaleback Arrangements described in Section 4.2(f). The HoldCo Class B Shares are fully paid ordinary shares in HoldCo. HoldCo is a newly incorporated unlisted Australian public company which will provide Healthscope Shareholders who make a valid Scrip Election with a continuing indirect minority interest in Healthscope. The Healthscope Directors note that there are significant risks involved in an investment in unlisted shares which are additional to the risks you currently have as a shareholder in Healthscope, which is an ASX-listed company.	Sections 4.2 and 11.4
Who is an Ineligible Foreign Shareholder and how will they be treated under the Scheme?	You will be an Ineligible Foreign Shareholder if your address, as shown in the Healthscope Share Register as at the Scheme Record Date, is a place outside Australia or New Zealand, unless Brookfield BidCo and Healthscope agree otherwise. If you are an Ineligible Foreign Shareholder, you will receive the Scheme Cash Consideration for all of your Scheme Shares.	Section 4.2(b)
How do I make a Scrip Election?	If you are an Eligible Healthscope Shareholder, you may elect to receive the Scrip Consideration (instead of the Scheme Cash Consideration) for all your Scheme Shares by submitting a Scrip Election Form by 5.00pm on Friday, 10 May 2019. You can request a Scrip Election Form by contacting the Healthscope Shareholder Information Line on 1300 375 694 (within Australia) or +61 (3) 9415 4320 (outside Australia), between 8.30am and 5.00pm (Melbourne time), Monday to Friday.	Section 4.2(e)
What happens if I do not make a Scrip Election in time or if the Scrip Election is invalid?	If the Scheme becomes effective, and your Scrip Election is not received by the Healthscope Share Registry prior to the Scrip Election Deadline, you will receive the Scheme Cash Consideration for all of your Healthscope Shares held on the Scheme Record Date. If your Scrip Election is invalid for any reason whatsoever (including if you are an Ineligible Foreign Shareholder), you will receive the Scheme Cash Consideration for all your Healthscope Shares.	Section 4.2(e)

QUESTION	ANSWER	MORE INFORMATION
When and how will I receive my Scheme Consideration?	If the Scheme becomes effective, the Scheme Consideration will be paid or issued on the Implementation Date (currently proposed to be Thursday, 6 June 2019). If you are not receiving Scrip Consideration, and have validly registered your bank account details with the Healthscope Share Registry by the Scheme Record Date, the Scheme Cash Consideration will be sent directly to your bank account by electronic funds transfer. If you have not registered your bank account details with the Healthscope Share Registry, the Scheme Cash Consideration will be sent by cheque to your address as shown on the Healthscope Share Register as at the Scheme Record Date. If you are receiving Scrip Consideration, you (or the Nominee on your behalf) will be sent a certificate reflecting the issue of the Scrip Consideration within 5 Business Days after the Implementation Date.	Sections 4.1 and 4.4(g)
What are Brookfield BidCo's intentions if the Scheme is implemented?	If the Scheme is implemented, Brookfield BidCo currently intends to: • implement the sale and leaseback of the 22 hospital properties; • apply for the removal of Healthscope from the official list of ASX and convert Healthscope into a proprietary company limited by shares; • retain Healthscope's current head office in Melbourne; • continue Healthscope's focus on offering market leading services across its acute, rehabilitation and psychiatric hospitals in Australia as well as pathology services in New Zealand; • provide support for Healthscope to continue developments of existing sites and pursue other organic and acquisition-based growth opportunities as appropriate; • continue the business of Healthscope under its current name; • undertake a full review of Healthscope and its business, operations and assets to determine how best to operate and further develop and grow the company; • evaluate future management and employment requirements as appropriate and with regard to the operation of the business in the future; • consistent with Brookfield's intention to convert Healthscope into a proprietary company limited by shares, to replace Healthscope's existing constitution; and • consider the establishment of a customary equity incentive plan for eligible staff of Healthscope. Final decisions will only be made by Brookfield BidCo following a detailed review of Healthscope's business after implementation of the Scheme. The above intentions are therefore statements of current intention only and may change as new information becomes available or as circumstances change. Consistent with typical strategic investments of this nature, Brookfield BidCo may seek to 'exit' its investment in Healthscope in the future, and Brookfield BidCo may seek to divest certain sites or asset groupings to streamline its portfolio and efficiently repatriate proceeds to its shareholders, subject to necessary approvals and market conditions at the time. If the Scheme is not implemented and the Takeover Bid becomes unconditional, Brookfield LP will seek to implement the same intentions to the extent possible.	Section 8.4(b)

QUESTION	ANSWER	MORE INFORMATION
SCHEME CONDITIONS		
Are there any conditions to the Scheme?	Implementation of the Scheme is subject to the following outstanding conditions precedent: • approval of the Scheme by the requisite majorities of Healthscope Shareholders at the Scheme Meeting; • approval of the Scheme by the Court at the Second Court Hearing; • no Prescribed Occurrence occurs; • no court or Government Agency restrains or prevents implementation of the Scheme; • no Material Adverse Change occurs; and • the representations and warranties given by Healthscope and Brookfield BidCo to each other are accurate and not misleading. The Scheme was subject to Brookfield BidCo receiving FIRB and OIO approval in connection with the Scheme and the Property Investors receiving FIRB approval in connection with the purchase of the hospital properties. These conditions have been satisfied.	Section 4.3
When will the Scheme become effective and be implemented?	Subject to the satisfaction or waiver (as applicable) of the conditions precedent to the Scheme, the Scheme will become effective on the Effective Date (currently expected to be Friday, 24 May 2019) and will be implemented on the Implementation Date (currently expected to be Thursday, 6 June 2019).	Section 4.4
What is required for the Scheme to become effective?	The Scheme will only become effective if: • the Scheme is approved by the requisite majorities of Healthscope Shareholders at the Scheme Meeting; • the Court approves the Scheme at the Second Court Hearing; and • all other conditions precedent to the Scheme are satisfied or waived (as applicable).	Section 4.4
What happens if the Scheme does not become effective?	If the Scheme does not become effective: • Healthscope Shareholders will continue to hold Healthscope Shares (unless they accept the Takeover Offer); • Healthscope Shareholders will not receive the Scheme Consideration; • the sale and leaseback of the hospital properties will not complete (unless the Takeover Offer becomes unconditional); • a break fee of $43 million (excluding GST) may be payable by Healthscope to Brookfield LP under certain circumstances (unless the Takeover Offer becomes unconditional);[22] and • in the absence of a Superior Proposal and the Takeover Offer becoming unconditional, Healthscope will continue as an ASX-listed entity with management continuing to implement the business plan, and financial and operating strategies it had in place prior to the date of the Implementation Deed.	N/A

22. The break fee will not be payable as a result of the Scheme not receiving the requisite shareholder approval.

2. Frequently asked questions *cont.*

QUESTION	ANSWER	MORE INFORMATION
When and where will the Scheme Meeting be held?	The Scheme Meeting is to be held at 10.00am (Melbourne time) on Wednesday, 22 May 2019 at the Mayfair Ballroom, Grand Hyatt, 123 Collins Street, Melbourne Victoria.	Notice of Meetings contained in Annexure E
What will Healthscope Shareholders be asked to vote on at the Scheme Meeting?	Healthscope Shareholders will be asked at the Scheme Meeting to vote on the Scheme Resolution (set out in Annexure E) to approve the Scheme.	Notice of Meetings contained in Annexure E
What is the Healthscope Shareholder approval threshold for the Scheme?	The Scheme needs to be approved by the requisite majorities of Healthscope Shareholders at the Scheme Meeting, which are: • a majority in number (more than 50%) of Healthscope Shareholders present and voting (in person or by proxy, attorney or corporate representative); and • at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting.	Section 4.4(a)
Am I entitled to vote at the Scheme Meeting?	You will be entitled to vote at the Scheme Meeting if you are registered as a Healthscope Shareholder on the Healthscope Share Register at 7.00pm (Melbourne time) on the date which is two days before the Scheme Meeting (two days prior is currently expected to be Monday, 20 May 2019), irrespective of whether you have accepted Takeover Offer.	Notice of Meetings contained in Annexure E
How can I vote if I cannot attend the Scheme Meeting?	If you would like to vote but cannot attend the Scheme Meeting in person, you can vote by appointing a proxy, attorney or corporate representative (if applicable) to attend and vote on your behalf, including by lodging your proxy online at www.investorvote.com.au.	Notice of Meetings contained in Annexure E
When will the results of the Scheme Meeting be known?	The results of the Scheme Meeting will be available as soon as possible after the conclusion of the Scheme Meeting and will be announced to ASX (www.asx.com.au) once available.	Section 4.4(c)
What are the potential outcomes for Healthscope Shareholders in connection with the Scheme?	There are a number of potential outcomes for Healthscope Shareholders in connection with the Scheme: • the Scheme is implemented and all Healthscope Shareholders will receive the Scheme Consideration. Healthscope will be delisted from ASX and be acquired by Brookfield BidCo. In this scenario, the Takeover Bid will not proceed; and • the Scheme is not implemented and Healthscope Shareholders will not receive the Scheme Consideration and will retain their Healthscope Shares (subject to the Takeover Offer). In this scenario, the Takeover Offer will be available, subject to any unsatisfied conditions (see further questions and answers below regarding the Takeover Offer).	Letter from the Chairman of Healthscope

QUESTION	ANSWER	MORE INFORMATION
What happens to my Healthscope Shares if I do not vote, or if I vote against the Scheme, and the Scheme becomes effective and is implemented?	If you do not vote, or you vote against the Scheme, and the Scheme becomes effective and is implemented, any Scheme Shares held by you on the Scheme Record Date (currently expected to be 7.00pm on Thursday, 30 May 2019) will be transferred to Brookfield BidCo and you will be sent the Scheme Consideration, despite not having voted or having voted against the Scheme.	Section 4.4(c)
If the Scheme is implemented, when will Healthscope Shares cease trading on ASX?	Healthscope intends to apply to ASX for Healthscope Shares to be suspended from trading on ASX from close of trading on the Effective Date. Following the Implementation Date, Healthscope will apply for termination of the official quotation of Healthscope Shares on ASX and for Healthscope to be removed from the official list of ASX.	Section 4.6
TAKEOVER OFFER		
What is the Takeover Offer?	Brookfield LP is offering $2.365 cash for each Healthscope Share held by you if the offer conditions are satisfied or waived. This will comprise 3 payments: • $1.040 per share from Brookfield; plus • a partly franked special dividend of $0.688 per share from Healthscope (assuming you hold your shares on the record date for the Special Dividend);[23] plus • a capital return (subject to shareholder approval) of $0.691 per share from Healthscope (assuming you hold your shares on the record date for the Capital Return).[23]	Section 5.1(b)
What is the Special Dividend?	The Special Dividend is a payment, by way of a partly franked dividend, to Healthscope Shareholders of $0.637 per Healthscope Share.[24] The Special Dividend will only be paid to the holders of Healthscope Shares as at the Special Dividend Record Date. The Special Dividend is conditional, and will only be paid if the Takeover Offer becomes unconditional and a number of other conditions are satisfied.	Section 8.2
What is the Capital Return?	The Capital Return is a payment, by way of a capital return, to Healthscope Shareholders of $0.688 per Healthscope Share.[25] The Capital Return will only be paid to the holders of Healthscope Shares as at the Capital Return Record Date, which will be on the same date as the Special Dividend Record Date. The Capital Return is conditional, and will only be paid if the Capital Return Resolution is passed, the Takeover Offer becomes unconditional and a number of other conditions are satisfied.	Section 8.3

23. See footnote 18 on page 12.
24. See footnote 18 on page 12.
25. See footnote 18 on page 12.

QUESTION	ANSWER	MORE INFORMATION
Why are the Special Dividend and the Capital Return being proposed?	The Special Dividend and the Capital Return are being proposed to return some of the proceeds from the sale and leaseback of the hospital properties and the refinancing of the Healthscope Group to Healthscope Shareholders.	Sections 8.2(a) and 8.3(a)
Am I entitled to vote at the Extraordinary General Meeting?	Subject to the qualifications below, you will be entitled to vote at the Extraordinary General Meeting if you are registered as a Healthscope Shareholder on the Healthscope Share Register at 7.00pm on Monday, 20 May 2019. Brookfield LP will have certain proxy rights in relation to your Healthscope Shares (including to vote on your behalf) if you accept the Takeover Offer and it is or becomes unconditional.[26] In addition, if you accept the Takeover Offer, even if the Takeover Offer remains conditional, Brookfield LP can vote on your behalf in relation to the Capital Return at the Extraordinary General Meeting, and you will not be able to attend or vote at that meeting, if Brookfield LP has a Relevant Interest in at least 50.1% of the Healthscope Shares (on a fully diluted basis).[27] This is the case even though the Capital Return itself is conditional on the Takeover Offer being declared or becoming unconditional. You should consider this before deciding whether to accept the Takeover Offer.	Section 1 (Step 4), Section 5.13(b) and Notice of Meetings contained in Annexure E
What choice do I have as a Healthscope Shareholder in respect of the Takeover Offer?	As a Healthscope Shareholder, you have the following choices in respect of your Healthscope Shares in respect of the Takeover Offer: • accept the Takeover Offer; • sell your shares on ASX (unless you have previously accepted the Takeover Offer and you have not validly withdrawn your acceptance); or • do nothing. There are several implications in relation to each of these choices. A summary of these implications is set out in Section 1 (Step 3).	Section 1 (Step 3)
How do I accept the Takeover Offer?	Details of how to accept the Takeover Offer are set out in Section 5.3.	Section 5.3
Can I accept the Takeover Offer for part of my holding?	No. You cannot accept for part of your holding. You can only accept the Takeover Offer for all of your Healthscope Shares.	Section 5.3(a)(1)

26. See Section 5.13(a) for further information regarding the rights Brookfield LP will have, and the restrictions that will apply to you, in this situation.
27. See Section 5.13(b) for further information regarding the rights Brookfield LP will have, and the restrictions that will apply to you, in this situation.

QUESTION	ANSWER	MORE INFORMATION
What are the consequences of accepting the Takeover Offer now?	You will be entitled to payment of the Takeover Consideration when the Takeover Offer becomes or is declared unconditional. However, unless withdrawal rights are available (see below), you will give up your right to sell your Healthscope Shares on ASX or otherwise deal with your Healthscope Shares.	Section 5.5
Can I accept the Takeover Offer before the Scheme Meeting?	Yes. The Healthscope Directors unanimously recommend that you accept the Takeover Offer before the Scheme Meeting. However, **please also make sure you also vote on the Scheme**. Your vote will be very important in determining whether the Scheme will proceed. The Healthscope Directors urge you to read this Booklet carefully and to vote in favour of the Scheme, subject to the qualifications set out in this Booklet.	Section 5.3(a)(2)
If I accept the Takeover Offer, can I withdraw my acceptance?	You may only withdraw your acceptance if Brookfield LP varies the Takeover Offer in a way that postpones the time when Brookfield LP is required to satisfy its obligations by more than one month.	Section 5.5(a)
When does the Takeover Offer close?	The Takeover Offer is presently scheduled to close at 7.00pm on Wednesday, 19 June 2019, but it can be extended in certain circumstances.	Section 5.2
What are the conditions to the Takeover Offer?	The outstanding conditions to the Takeover Offer are: • no Prescribed Occurrence occurs; • no court or Government Agency restrains or prevents the Takeover Bid; • the Scheme is not approved by the requisite majorities of Healthscope Shareholders or by the Court; • Brookfield LP achieves a Relevant Interest in at least 50.1% of the Healthscope Shares (on a fully diluted basis); • no Material Adverse Change occurs; • the representations and warranties given by Healthscope are accurate and not misleading; and • Healthscope convenes the Extraordinary General Meeting. The Takeover Offer was subject to Brookfield receiving FIRB and OIO approval in connection with the Takeover Offer and the Property Investors receiving FIRB approval in connection with the purchase of the hospital properties. These conditions have been satisfied.	Section 5.7
What happens if the conditions of the Takeover Offer are not satisfied or waived?	The Takeover Offer will lapse if the remaining conditions are not satisfied or waived before the Takeover Offer Period closes (or in the case of the Takeover Bid Condition in Section 5.7(a) (No Prescribed Occurrence), the condition is not waived before the end of the third Business Day after the end of the Takeover Offer Period). If this happens, the Takeover Offer will not proceed and you will retain your Healthscope Shares. You would also be free to deal with your shares even if you had accepted the Takeover Offer.	Section 5.8

QUESTION	ANSWER	MORE INFORMATION
When will I receive payment under the Takeover Offer?	If you accept the Takeover Offer, you will be sent $1.040 cash per share from Brookfield LP on or before the earlier of: • one month after the date of your acceptance or, if the Takeover Offer is subject to a defeating condition when you accept the Takeover Offer, within one month after the Takeover Offer becomes unconditional; and • 21 days after the end of the Takeover Offer Period. In addition, once the conditions of payment have been satisfied, you will receive from Healthscope: • a partly franked special dividend of $0.637 per share (assuming you hold your shares on the record date for the Special Dividend);[28] plus • a capital return (subject to shareholder approval) of $0.688 per share (assuming you hold your shares on the record date for the Capital Return).[28] The Special Dividend and the Capital Return will be paid on the date the Takeover Consideration is first paid, or such later date as the conditions of the Special Dividend and the Capital Return are met and notice periods required under the Listing Rules have expired. It is possible that the person who receives the Special Dividend and Capital Return is different to the person who receives the payment of the Takeover Consideration. A hypothetical example of how this might occur is set out in Section 9.2.	Sections 5.6, 8.2(d), 8.3(c) and 9.2
What if the Scheme does not become effective and I accept the Takeover Offer?	If the Takeover Offer becomes unconditional, you will receive the Takeover Consideration.	Section 5.1(b)
What if the Scheme does not become effective and I do not accept the Takeover Offer?	You will continue to hold your Healthscope Shares, unless compulsorily acquired or sold.	Section 11.5(c)
What happens if Brookfield LP receives acceptances under the Takeover Bid of greater than 90%?	If Brookfield LP receives acceptances under the Takeover Bid of greater than 90%, Brookfield LP may compulsorily acquire your interests in Healthscope and you may be forced to receive consideration under the Takeover Offer.	Section 11.5(c)

28. See footnote 18 on page 12.

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QUESTION	ANSWER	MORE INFORMATION
What happens if Brookfield LP receives acceptances under the Takeover Bid of greater than 50.1%, but less than 90%?	If Brookfield LP becomes the holder of more than 50.1% but less than 90% of the Healthscope Shares pursuant to the Takeover Offer, Brookfield LP will acquire a majority shareholding in Healthscope but will not be able to compulsorily acquire the Healthscope Shares which have not been accepted into the Takeover Offer. In addition, if Brookfield LP acquires at least 75% of the Healthscope Shares, it will be able to pass a special resolution of Healthscope. This will enable Brookfield LP to, among other things, change Healthscope's constitution. In these circumstances, Brookfield LP is also not supportive of Healthscope's continued listing on ASX. While the decision to apply for removal of Healthscope from ASX lies with the Healthscope Board, Brookfield LP will actively encourage Healthscope to apply for removal of Healthscope from ASX to the extent that it is able to do so consistently with ASX guidance. In these circumstances, Brookfield LP will also implement the intentions in Section 8.4(c) to the extent possible. Brookfield LP will continue to deal with its stake in Healthscope with a view to maximising its returns.	Sections 8.4(c) and 11.5(a) and (b)
RECOMMENDATIONS AND INTENTIONS		
What do the Healthscope Directors recommend in relation to voting on the Scheme?	The Healthscope Directors unanimously recommend that you vote **in favour** of the Scheme, subject to no Superior Proposal emerging and the Independent Expert continuing to conclude that the Scheme is in the best interests of Healthscope Shareholders.	Section 3.1(a)
What do the Healthscope Directors recommend in relation to the Scheme Consideration?	The Healthscope Directors recommend that you **accept** the Scheme Cash Consideration. If you do not make a Scrip Election, you will automatically receive the Scheme Cash Consideration.	Section 3.3
What do the Healthscope Directors recommend in relation to the Takeover Offer?	The Healthscope Directors unanimously recommend that you **accept** the Takeover Offer, subject to no Superior Proposal emerging and the Independent Expert continuing to conclude that the Takeover Offer is fair and reasonable.	Section 3.4
What do the Healthscope Directors recommend in relation to the Capital Return?	The Healthscope Directors unanimously recommend that you vote **in favour** of the Capital Return.	Section 3.6

QUESTION	ANSWER	MORE INFORMATION
What do the Healthscope Directors intend to do?	Each Healthscope Director intends to: • vote in favour of the Scheme and not make a Scrip Election, subject to there being no Superior Proposal and the Independent Expert continuing to conclude that the Scheme is in the best interests of Healthscope Shareholders; • accept the Takeover Offer, subject to there being no Superior Proposal and the Independent Expert continuing to conclude that the Takeover Offer is fair and reasonable; and • vote in favour of the Capital Return.	Sections 3.1(a), 3.3, 3.4 and 3.6
INFORMATION ABOUT THE SALE AND LEASEBACK OF HOSPITAL PROPERTIES		
What is the sale and leaseback?	Healthscope has entered into agreements to sell 22 freehold hospital assets to MPT and NWH (or their nominated affiliates) for approximately $2.5 billion (in aggregate) and lease them back. The sale of the properties is conditional on the Scheme becoming effective or the Takeover Bid becoming unconditional.	Section 8.1
Who are the Property Investors?	The Property Investors are: • MPT with respect to the MPT Portfolio Properties; and • NWH with respect to the NWH Portfolio Properties. NWH has a right to acquire up to 13.41% of Healthscope Shares under the Forward. NWH's parent, NWH REIT, has undertaken in favour of Brookfield BidCo to procure that the Relevant Healthscope Shares are: – voted in favour of the Scheme in return for the Scheme Cash Consideration; – voted in favour of the Capital Return Resolution; – tendered into the Takeover Offer by no later than one Business Day prior to the Scheme Meeting Date; and – voted against any Competing Proposal, subject to, among other conditions, the Healthscope Directors continuing to recommend the Transaction and the Implementation Deed not being terminated. However, NWH REIT's voting commitment ceases to apply if, prior to the Scheme Meeting Date, it becomes known that settlement in respect of more than $250 million worth of properties which have been sold to NWH will be delayed. Each Property Investor may nominate an affiliate of that party to enter into the relevant Sale Contract.	Sections 8.1 and 13.7
Why did Healthscope select MPT and NWH as counterparties for the sale and leaseback arrangements?	After a comprehensive process to identify property investors, MPT and NWH offered the best terms. These terms were regarded as very attractive. This is explained fully in Section 8.1	Section 8.1

QUESTION	ANSWER	MORE INFORMATION
Am I required to vote on the sale and leaseback?	No. Healthscope Shareholders are not required to vote on the sale and leaseback.	N/A
OTHER QUESTIONS		
What is the Shareholders Agreement?	Healthscope Shareholders who receive HoldCo Class B Shares as Scrip Consideration will become parties to the Shareholders Agreement. This will occur pursuant to the Scheme, under which each Eligible Healthscope Shareholder who elects to receive Scrip Consideration agrees to accede to the Shareholders Agreement, without the need for the execution of a separate deed of adherence on their part. The Shareholders Agreement sets out the rights and obligations of shareholders in HoldCo. A full copy of the Shareholders Agreement was released to the ASX on or about 16 April 2019 and can be obtained from www.asx.com.au or www.healthscope.com.au.	Section 10.1
What happens if a competing proposal is received?	Under the Implementation Deed, Healthscope is bound by certain exclusivity obligations, including in relation to a competing proposal. Subject to Healthscope's exclusivity obligations under the Implementation Deed, the Healthscope Directors will carefully consider a competing proposal and advise you of their recommendation.	Section 13.4(b)
Is there a break fee?	Healthscope must pay to Brookfield LP a break fee of $43 million (excluding GST) in certain circumstances. The break fee will not be payable as a result of the Scheme not receiving the requisite shareholder approval.	Section 13.4(d)
Is there a reverse break fee?	Brookfield BidCo must pay to Healthscope a reverse break fee of $129 million (excluding GST) in certain circumstances.	Section 13.4(e)
Can I sell my Healthscope Shares now?	Yes. Provided you have not already accepted the Takeover Offer, you can sell your Healthscope Shares on market at any time before the close of trading on ASX on the Scheme Meeting Date (assuming the Scheme is approved by Healthscope Shareholders at the Scheme Meeting) at the prevailing market price at that time (which may vary from the Scheme Cash Consideration and Takeover Consideration). If you do so, you will not receive the Scheme Consideration or the Takeover Consideration and you may incur brokerage costs.	N/A

3. Key considerations in relation to the Transaction

3.1 Why you should vote in favour of the Scheme of Arrangement

(a) The Healthscope Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Healthscope Shareholders

The Healthscope Directors unanimously recommend that, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Healthscope Shareholders, you vote in favour of the Scheme Resolution at the Scheme Meeting. In reaching their recommendation, the Healthscope Directors have assessed the Scheme having regard to the reasons to vote in favour of, or against, the Scheme, as set out in this Section 3.1 and Section 3.2.

In the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Healthscope Shareholders, each Healthscope Director intends to vote all their Healthscope Shares in favour of the Scheme. The interests of the Healthscope Directors in Healthscope Shares are set out in Section 13.1.

(b) The Independent Expert has concluded that the Scheme is in the best interests of Healthscope Shareholders, in the absence of a Superior Proposal

Healthscope appointed Grant Samuel & Associates Pty Limited to prepare an Independent Expert's Report, including an opinion as to whether the Scheme is in the best interests of Healthscope Shareholders.

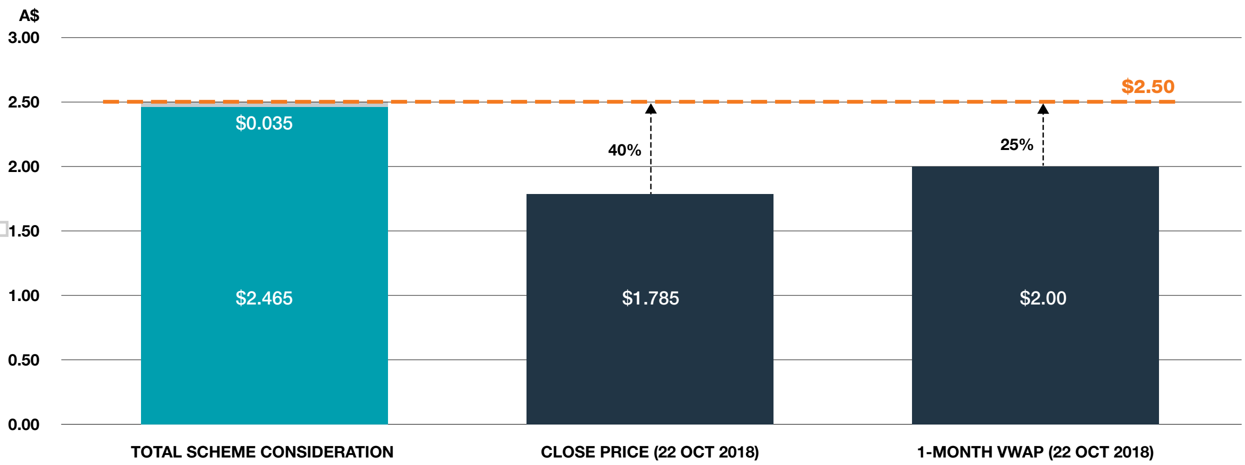
The Independent Expert has concluded that the Transaction is fair and reasonable, and therefore the Scheme is in the best interests of Healthscope Shareholders in the absence of a Superior Proposal.

The reasons why the Independent Expert reached these conclusions are set out in the Independent Expert's Report, a copy of which is included in Annexure A. The Healthscope Directors encourage you to read this report in its entirety.

(c) The consideration under the Scheme represents a significant premium to the undisturbed trading price of Healthscope Shares

The Scheme Cash Consideration of $2.465 per Scheme Share combined with the interim dividend of $0.035 per share[29] represents a:

- 40% premium to Healthscope's closing share price of $1.785 on 22 October 2018;[30] and
- 25% premium to the VWAP of Healthscope Shares on ASX of $2.00 per share for the one month period ended 22 October 2018.[31]



29. Interim dividend declared on 14 February 2019 and paid on 26 March 2019.
30. Being the date prior to the announcement that Healthscope had received an indicative proposal from the BGH-AustralianSuper Consortium for the acquisition of all Healthscope Shares by way of a scheme of arrangement.
31. VWAP is calculated based on cumulative value traded on ASX and CHI-X divided by cumulative volume traded on ASX and CHI-X. VWAP is calculated from 22 September 2018 to 22 October 2018 (inclusive). Source: IRESS.

(d) The Scheme Cash Consideration represents a significant acquisition multiple

The Scheme Cash Consideration of $2.465 per Scheme Share implies an acquisition multiple of approximately 14.6 x Healthscope EBITDA for the 12 months ending 31 December 2018.[32]

(e) Immediate, certain value with no associated brokerage costs

The Scheme Cash Consideration provides certainty of value for your Healthscope Shares (subject to the Scheme becoming effective) and the opportunity for you to realise certain value in the near term which may not be achieved if the Scheme does not proceed and the Takeover Offer does not become unconditional. The Scheme also provides an opportunity for you to sell all your Healthscope Shares at once with no associated brokerage costs.

In contrast, if the Scheme does not proceed and the Takeover Offer does not become unconditional, the Healthscope share price is likely to fall and you will be exposed to possible underperformance of Healthscope, including potential underperformance of its existing and planned projects.

(f) No Superior Proposal has emerged as at the date of this Booklet

Since Healthscope's announcement of the Transaction on 1 February 2019 and up to the date of this Booklet, no Superior Proposal has emerged and the Healthscope Directors are not aware of, and have not received, any Superior Proposal.

Whilst the BGH-AustralianSuper Consortium has made a number of indicative proposals to acquire Healthscope, the Healthscope Directors consider these to be inferior to the Scheme proposed by Brookfield BidCo and the Takeover Offer proposed by Brookfield LP.

(g) If the Scheme is not approved, outcomes under the Takeover Offer may be less favourable to Healthscope Shareholders

If the Scheme is not approved by the requisite majorities of Healthscope Shareholders or by the Court, Healthscope Shareholders will have the option of selling their shares under the Takeover Offer, subject to the conditions to the Takeover Offer being satisfied or waived.

The consideration under the Takeover Offer is $2.365 per Healthscope Share. This means that, if you accept the Takeover Offer, or if your Healthscope Shares are compulsorily acquired under the Takeover Offer, you will receive less consideration than the Scheme Consideration.

In addition, if you reject the Takeover Offer in circumstances where Brookfield achieves control of Healthscope under the Takeover Offer, but is unable to move to compulsorily acquire your Healthscope Shares, you will be exposed to the consequences of minority ownership, including those set out in Section 11.5(a).

3.2 Why you may consider voting against the Scheme

(a) You may disagree with the Healthscope Directors' unanimous recommendation or with the Independent Expert's conclusion

Despite the unanimous recommendation of the Healthscope Directors to vote in favour of the Scheme and the conclusion of the Independent Expert that the Scheme is in the best interests of Healthscope Shareholders, you may believe that the Scheme is not in your best interests.

(b) You may believe that there is potential for a Superior Proposal to be made in the future

You may consider that a Superior Proposal could emerge in the future. The Healthscope Directors are, as at the date of this Booklet, not aware of, and have not received, any Superior Proposal.

32. This assumes: (1) there are 1,748.6 million Healthscope Shares on a fully diluted basis; and (2) adjusted net borrowings (including payment of Healthscope's first half 2019 dividend of 3.5 cents per share) of $1,271.2 million, plus Healthscope's securitisation facility of $128.3 million, as at 31 December 2018.

(c) You may wish to maintain your direct investment in Healthscope as an independent ASX-listed company

If the Scheme is implemented and you receive the Scheme Cash Consideration, you will cease to hold an interest in Healthscope and will no longer have the rights of a Healthscope Shareholder. In particular, you will no longer be able to participate in Healthscope's future financial performance (including any future capital growth and dividends from Healthscope that may be paid), potential upside or the future prospects of its business with the added benefit of liquidity and the same level of information available to you, due to the continuous disclosure obligations on Healthscope, that you have now.

By electing to receive the Scrip Consideration, Eligible Healthscope Shareholders can choose to invest in HoldCo, a newly formed, unlisted company. This will provide those shareholders with an indirect, minority interest in Healthscope if the Scheme is implemented. However, an investment in HoldCo is not the same as an investment in Healthscope, and an investment in HoldCo will have different characteristics (including with respect to your rights and the returns and liquidity profiles) than your current investment in Healthscope. In particular, an investment in HoldCo will not involve various protections which shareholders experience when investing in an ASX-listed company, and as with all investments in shares, there can be no guarantee as to Healthscope's future performance.

See Sections 4.2 and 11.4 for further information on the Scrip Consideration and the risks associated with holding HoldCo Class B Shares.

(d) The tax consequences of the Scheme may not suit your current financial circumstances

Implementation of the Scheme may trigger different or adverse tax consequences for certain Healthscope Shareholders. The tax treatment may vary depending on the nature and characteristics of each Healthscope Shareholder and their specific circumstances. The tax consequences of the Scheme may not suit a Healthscope Shareholder's financial position. Healthscope Shareholders should seek financial, tax and other professional advice as necessary for their specific circumstances.

Healthscope Shareholders should read the tax implications outlined in Section 12. Section 12 is general in nature and Healthscope Shareholders should consult with their professional tax adviser regarding their particular circumstances.

3.3 Implications of making a Scrip Election

Instead of receiving cash under the Scheme, Eligible Healthscope Shareholders may elect (subject to certain limitations) to receive unlisted shares in the Brookfield controlled entity that will own Healthscope after implementation of the Scheme. Electing to receive unlisted shares in this entity carries additional risks (see Section 11.4 for further details).

The Healthscope Directors do not recommend that you take this course of action. Instead, the Healthscope Directors recommend that you accept the cash being offered under the Scheme.

(a) There are significant risks associated with holding HoldCo Class B Shares

There are significant risks associated with holding HoldCo Class B Shares. These are set out in Section 11.4 and include:

- you will be subject to a different regulatory regime when compared to your current investment in Healthscope (including the protections provided by Chapter 6 of the Corporations Act);
- you will be a shareholder in a company that has a gearing ratio that is greater than the current gearing ratio of Healthscope;
- you may find it difficult to ascertain the value of your HoldCo Class B Shares, as there will be no active market for their sale and purchase;
- you will receive less information about the Healthscope business than you currently receive;
- you will have fewer rights as a minority shareholder in HoldCo when compared to your current investment in Healthscope; and
- you may be subject to dilution of your interests if HoldCo raises additional capital through the issue of new shares in the future in order to meet the operating and/or financing requirements of itself and Healthscope. HoldCo may also issue shares to its management team under a management incentive scheme. Future capital raisings, equity funded acquisitions by the HoldCo Group or issuance of shares to management may dilute the holdings of a particular HoldCo Class B Shareholder relative to other HoldCo Class B Shareholders.

Any investment in the unlisted shares in HoldCo following implementation of the Scheme is fundamentally different from your current investment in Healthscope as an ASX-listed company and does not involve various protections which shareholders experience when investing in an ASX-listed company.

(b) There will be no active market for HoldCo Class B Shares and various restrictions on transferring them

HoldCo is not publicly listed on a financial market. There will be no active market for the sale of HoldCo Class B Shares. As such, there will be a lack of liquidity for HoldCo Class B Shares following implementation of the Scheme.

If the Scheme is implemented, the sale or disposal of HoldCo Class B Shares will only be permitted in very limited circumstances as set out in the Shareholders Agreement.

See Section 10.1 which sets out a summary of the rights and liabilities attaching to HoldCo Class B Shares under the Shareholders Agreement (which, importantly, restricts your ability to sell or dispose of HoldCo Class B Shares). See also Section 11.4 which sets out a summary of the risks relating to HoldCo Class B Shares.

(c) There is no guarantee that you will benefit from a future exit by Brookfield

Brookfield may seek to 'exit' its investment in the Healthscope business, by selling the business, in the future. This is subject to Brookfield's preferences, prevailing market conditions, the performance of the business and other factors which may be considered relevant at the time.

If a decision to sell the business is made by Brookfield, you may be forced to sell your HoldCo Class B Shares at the same time under the Shareholders Agreement. The future value of the Healthscope business at the time of the sale may be lower than the value of the Healthscope business today. In these circumstances, you may realise less value over the longer term through making a Scrip Election rather than receiving $2.465 per Healthscope Share under the Scheme.

As at the date of this Booklet, Brookfield has not determined the timing of any potential sale or the exit mechanism. Any future value of Healthscope will only be known at the time of any future sale.

Brookfield may also decide to exit the Healthscope business via an IPO. You may be forced to participate in an IPO under the Shareholders Agreement. The choice to undertake an IPO is at Brookfield's discretion, and the timing of any IPO may not suit HoldCo Class B Shareholders. There can be no assurance that the listing price will be equal to or higher than the Scheme Cash Consideration.

(d) There is no guarantee that there will be any dividends

If the Scheme is implemented, there is no guarantee that HoldCo will pay or declare any dividends following implementation of the Scheme. Under the Shareholders Agreement, the HoldCo Board has the flexibility to not declare or pay any dividends.

(e) You will have fewer rights as a HoldCo Class B Shareholder

Eligible Healthscope Shareholders who elect to receive the Scrip Consideration will automatically become parties to the Shareholders Agreement upon implementation of the Scheme. The terms of the Shareholders Agreement may not be acceptable to you, including because you will cease to have the rights and protections that you currently have as a shareholder of a public company listed on ASX. For example, because you will no longer have access to the disclosures made on ASX by Healthscope, your rights to information about HoldCo and its performance will be significantly less than your current rights as a Healthscope Shareholder. In addition, if the Scheme is implemented, the sale of HoldCo Class B Shares will only be permitted in very limited circumstances as set out in the Shareholders Agreement.

(f) You may be subject to the Scaleback Arrangements

Eligible Healthscope Shareholders who elect to receive the Scrip Consideration may be subject to the Scaleback Arrangements, as described in Section 4.2(f).

Therefore, you may not receive any HoldCo Class B Shares, or as many HoldCo Class B Shares as you would receive if the Scaleback Arrangements did not apply. You may also receive a combination of cash and HoldCo Class B Shares which is inconsistent with your preferences.

(g) Small holdings may be subject to compulsory acquisition after 12 months

After the first anniversary of the Implementation Date, the HoldCo Board may elect to require a HoldCo Class B Shareholder holding a parcel of HoldCo Class B Shares which had an aggregate issue price of $10,000 (the equivalent of 10,000 HoldCo Class B Shares) or less at the time of issue (**HoldCo Small Shareholder**) to dispose of its HoldCo Class B Shares. If the HoldCo Board makes such an election, the HoldCo Small Shareholder must sell or otherwise dispose of their HoldCo Class B Shares in the manner determined by the HoldCo Board, which may include a buy-back and cancellation of those HoldCo Class B Shares or the transfer of those HoldCo Class B Shares to a nominated purchaser (which may be a third-party purchaser or an existing HoldCo Shareholder). In either case, the sale price for the HoldCo Class B Shares will be their market value as at the date on which the HoldCo Board gives notice that the compulsory disposal provision will apply to the HoldCo Small Shareholder. That market value will be determined by the HoldCo Board, or if a HoldCo Small Shareholder disputes the market value determined by the HoldCo Board, the market value will be determined by an independent valuer.

Under the Shareholders Agreement, each HoldCo Shareholder will be contractually obliged to take all actions required by the HoldCo Board to give effect to this compulsory disposal provision, including entering into and executing all documentation. The power of attorney given by all HoldCo Class B Shareholders may be utilised by the HoldCo Class A Directors to give effect to this compulsory disposal provision. Please refer to Section 10.1 for further information.

Therefore, even if you make a Scrip Election, if you would be a HoldCo Small Shareholder, you may have your HoldCo Class B Shares compulsorily acquired after the 12 month anniversary of the Implementation Date.

(h) Summary of rights and liabilities attaching to HoldCo Class B Shares

TOPIC	OVERVIEW
Issue and Ranking	Immediately following implementation of the Scheme, HoldCo will have two classes of shares on issue, being HoldCo Class A Shares principally held by Brookfield and its affiliates and HoldCo Class B Shares held by Scheme Shareholders who make a Scrip Election (either directly or through the Nominee on behalf of such Scheme Shareholders) subject to the Scaleback Arrangements and the Minimum Scrip Threshold. HoldCo Class B Shares will be ordinary shares issued as fully paid and will rank equally with each other HoldCo Ordinary Share from the date of issue. The Investors will have rights under the Shareholders Agreement and the HoldCo Constitution that will be significantly more favourable to the Investors than the rights and obligations of HoldCo Class B Shareholders. Among other things, under the Shareholders Agreement, the Investors will exercise effective control over HoldCo and will have the ability to determine the timing and terms of any Exit (including through rights to appoint a majority of the HoldCo Board which will in turn control the management of the HoldCo Group). For further details, see articles 2.2 and 2.3 of the HoldCo Constitution and clause 6.2(g) of the Shareholders Agreement.
Dividends	The payment of any dividends will be at the sole discretion of the HoldCo Directors, subject to the Corporations Act, HoldCo Constitution and the Shareholders Agreement. Each HoldCo Class A Share and HoldCo Class B Share will rank equally for the payment of dividends. For further details, see articles 2.2, 2.3 and 16 of the HoldCo Constitution.
HoldCo Directors	The HoldCo Board will consist of a minimum of 3 directors and a maximum of 9 directors. A HoldCo Class B Shareholder who, together with its Permitted Holders, has an aggregate shareholding which comprises 20% or more of the total number of HoldCo Ordinary Shares on issue (including both HoldCo Class A Shares and HoldCo Class B Shares), will have the right to appoint 1 HoldCo Class B Director for each full 20% of the total number of HoldCo Ordinary Shares on issue which it and its Permitted Holders hold. HoldCo Class A Shareholders, acting with Investor Majority Approval, may appoint and remove the remaining balance of the HoldCo Board (each a ‘HoldCo Class A Director’).

TOPIC	OVERVIEW
HoldCo Directors *continued*	Notwithstanding the above, unless Investor Majority Approval has been received, a HoldCo Shareholder will not be entitled to appoint a director or officer of any HoldCo Group Member if that HoldCo Shareholder, any of its affiliates, or any of its Permitted Holders has, an Interest in a Competitor of the HoldCo Group. Each HoldCo Director will have one vote and all decisions of the HoldCo Board will be by majority vote, unless expressed otherwise in the Shareholders Agreement. For further details, see articles 10 and 12 of the HoldCo Constitution and Schedule 1 of the Shareholders Agreement.
HoldCo Board matters	HoldCo must not do, commit or approve, and must ensure that no other HoldCo Group Member does, any of the following without Special Board Approval: • amendment or variation of the maximum number of HoldCo Directors; • appointment or removal of an auditor for HoldCo; • amendment or variation of the HoldCo Constitution; • taking any steps to wind up or dissolve a HoldCo Group Member; • other than under the pre-emptive rights regime for new issuances or in connection with an Exit, any issue, allotment or grant of HoldCo securities (including HoldCo Class A Shares and HoldCo Class B Shares); • any determination that the HoldCo Board will buy back, redeem and/or cancel any securities under the ROFR; • taking any action which departs from a recommendation of the audit committee; • entering into or materially varying any related party arrangement other than in connection with an Exit in accordance with the terms of the Shareholders Agreement or the HoldCo Constitution or where the arrangement is on arm's length terms; • varying the rights attaching to Class B Shares or other classes of HoldCo securities which are held by HoldCo Class B Shareholders at that time in a manner which is adverse to the relevant HoldCo Class B Shareholders who hold those HoldCo securities; • materially altering the accounting standards of the HoldCo Group except as required by law; or • changing the accounting period of any HoldCo Group Member. Other material decisions related to the conduct of the HoldCo Group and the business and operations of Healthscope and HoldCo will only require majority approval of the HoldCo Board. As the Investors will control the composition of the HoldCo Board due to their HoldCo Director appointment rights, all of these matters will be able to be decided solely by the nominated directors or the HoldCo Class A Directors. For further details, see Schedule 2 of the Shareholders Agreement.
Shareholder voting	Subject to the requirements of the Corporations Act, the Shareholders Agreement and any rights or restrictions attached to any class or classes of shares, the Shareholders Agreement prescribes certain matters that must be approved by Special Shareholder Approval. These matters include approving the issuance of HoldCo Ordinary Shares or other HoldCo securities without compliance with the pre-emptive regime for new issuances outlined below, approving the issuance of HoldCo Ordinary Shares or other HoldCo securities to a Competitor, approving the disposal of HoldCo Ordinary Shares or other HoldCo securities without compliance with the ROFR and approving actions that would otherwise be in breach of the restraint as described below. Resolutions requiring 'Special Shareholder Approval', will only be passed if there is: • Investor Majority Approval; and • HoldCo Class B Shareholder Majority Approval. For further details, see article 9 of the HoldCo Constitution and clause 1.1 of the Shareholders Agreement.

TOPIC	OVERVIEW
Issue of further HoldCo shares	If HoldCo proposes to issue any new securities after the Scheme is implemented, it must first offer the existing HoldCo Shareholders the right to subscribe for those HoldCo securities. These pre-emptive rights on new issuances are subject to certain exceptions which permit HoldCo to issue new securities in certain circumstances without giving other HoldCo Shareholders a right to subscribe for those new securities. For further details, see article 2.1 of the HoldCo Constitution and clause 6 of the Shareholders Agreement.
Disposals	A HoldCo Class B Shareholder must not dispose of any of its HoldCo Ordinary Shares or other HoldCo securities (or any interest in them or any other HoldCo securities it holds at any time) except disposals in the following limited circumstances prescribed by the Shareholders Agreement: • to a Permitted Holder in accordance with the terms of the Shareholders Agreement; • to the Nominee; • re-transfers where a Permitted Holder of a HoldCo Class B Shareholder ceases to be an affiliate of the HoldCo Class B Shareholder in relation to which it acquired HoldCo Ordinary Shares or other HoldCo securities; • under the right of first refusal; • pursuant to the tag along provision; • required under the drag along provision; • in connection with an Exit; • under the compulsory disposal regime on default; • under the compulsory disposal regime for Small Holdings; or • in connection with a transaction which has received HoldCo Board approval. Subject to the tag along rights of other HoldCo Shareholders and also the restrictions on disposing of HoldCo shares to Competitors referred to below, the HoldCo Ordinary Shares or other HoldCo securities held by Investors are freely transferrable. Notwithstanding any disposal right, no HoldCo Ordinary Shares or other HoldCo securities may be disposed of to a Competitor other than: • in connection with an IPO; • in connection with a transaction in which tag along rights or drag along rights are exercisable; • in connection with a trade sale, if the Shareholders Agreement will be terminated on or before completion of the trade sale; • in connection with a disposal of HoldCo Ordinary Shares and/or other HoldCo securities which represent at least 66.67% of the aggregate number of all HoldCo Ordinary Shares and other HoldCo securities on issue (determined on a fully-diluted basis); or • with Special Shareholder Approval. For further details, see clause 7 of the Shareholders Agreement.
Exit	The Investors comprising an Investor Majority may require that HoldCo implement an Exit at any time. If an Exit is initiated, each HoldCo Shareholder must, amongst other things, use its best endeavours to ensure that the Exit occurs in accordance with the initiating Investors' requirements and must do all things required by HoldCo or those Investors for the Exit. If a HoldCo Shareholder along with its Permitted Holders holds 10% or more of all of the HoldCo Ordinary Shares and other HoldCo securities on issue at the time of an Exit, it may be required to escrow some of its relevant securities in connection with the IPO. For further details, see clause 11 of the Shareholders Agreement.

TOPIC	OVERVIEW
Right of first refusal	If a HoldCo Class B Shareholder wishes to sell any of its HoldCo Class B Shares other than in accordance with another specific transfer right referred to above, it must first comply with the ROFR. Even if a HoldCo Class B Shareholder does not sell all of its HoldCo Class B Shares under the ROFR, there are restrictions on its ability to sell the shares to third parties. For further details, see clause 8 of the Shareholders Agreement.
Tag along rights	If one or more Investors intend to dispose of HoldCo Ordinary Shares (or any other HoldCo securities which are on issue) which in aggregate comprise 50% more (by number) of the HoldCo Ordinary Shares and other HoldCo securities held by all Investors and their affiliates, to a non-affiliated third party, the Investors must provide a tag along option to the other HoldCo Shareholders. The tag along option allows HoldCo Shareholders to request the selling Investor to include in the disposal the same proportion of their HoldCo Ordinary Shares and other HoldCo securities as the proportion of the Investor's HoldCo Ordinary Shares and other HoldCo securities of which it is disposing (subject to a scaleback mechanism). The tag along rights will not apply to certain excepted transactions. For further details, see clause 9 of the Shareholders Agreement.
Drag along rights	If an Investor or multiple Investors who hold at least 50% of the HoldCo Class A Shares held by all Investors wish to sell some or all of their HoldCo Ordinary Shares or other HoldCo securities to a third party, the relevant Investor or Investors will be entitled to require the other HoldCo Shareholders to sell a proportionate number of their HoldCo Ordinary Shares or other HoldCo securities to the proposed buyer (for the same price per HoldCo Ordinary Share or other HoldCo security as the price payable to the relevant Investors). For further details, see clause 10 of the Shareholders Agreement.
Compulsory acquisition	A HoldCo Shareholder and its Permitted Holders will be subject to a compulsory disposal regime where a 'Trigger Event' has occurred in relation to it. A Trigger Event occurs where: • a HoldCo Shareholder becomes insolvent (without the written approval of the HoldCo Board); • in the case of a HoldCo Class B Shareholder who is not an individual, there is an upstream change of control (excluding where the change of control occurs as a result of a genuine merger or institutional superannuation funds); • a Permitted Holder of a HoldCo Class B Shareholder ceases to be an affiliate of the HoldCo Class B Shareholder in relation to which it acquired HoldCo Ordinary Shares or other HoldCo securities and the Permitted Holder has failed to re-transfer the HoldCo Ordinary Shares and other HoldCo securities it holds to the transferee HoldCo Class B Shareholder or another affiliate of that HoldCo Class B Shareholder; or • a HoldCo Shareholder commits a material breach of the Shareholders Agreement. The price payable for each of the Transfer Securities will be the price agreed between HoldCo and the defaulting HoldCo Shareholder, or failing agreement: • if the Trigger Event is that the defaulting HoldCo Shareholder is insolvent, market value of the Transfer Security at the date of the Transfer Notice; or • in all other cases, 90% of the market value of the Transfer Security at the date of the Transfer Notice. For further details, see Schedule 4 of the Shareholders Agreement.

TOPIC	OVERVIEW
Compulsory acquisition of Small Holdings	After the first anniversary of the Implementation Date, the HoldCo Board may elect to require a HoldCo Small Shareholder to dispose of their HoldCo Class B Shares. If the HoldCo Board makes such an election, the HoldCo Small Shareholder must sell or otherwise dispose of their HoldCo Class B Shares in the manner determined by the HoldCo Board, which may include a buy-back and cancellation of those HoldCo Class B Shares or the transfer of those HoldCo Class B Shares to a nominated purchaser (which may be a third-party purchaser or an existing HoldCo Shareholder). In either case, the sale price for the HoldCo Class B Shares will be their market value as at the date on which the HoldCo Board gives notice that the compulsory disposal provision will apply to the HoldCo Small Shareholder. That market value will be determined by the HoldCo Board, or if a HoldCo Small Shareholder disputes the market value will be determined by the HoldCo Board, the market value determined by an independent valuer. Under the Shareholders Agreement, each HoldCo Shareholder will be contractually obliged to take all actions required by the HoldCo Board to give effect to this compulsory disposal provision, including entering into and executing all documentation. The power of attorney given by all HoldCo Class B Shareholders may be utilised by the HoldCo Class A Directors to give effect to this compulsory disposal provision. For further details, see clause 12 of the Shareholders Agreement.
Nominee arrangements	A HoldCo Class B Shareholder (other than a HoldCo Class B Shareholder who has received Investor Majority Approval) must hold legal title to their HoldCo Class B Shares (and any other HoldCo securities) through the Nominee. The intention of the Nominee arrangements is that the voting, economic and other interests of the HoldCo Class B Shareholders are unaffected by the HoldCo Class B Shares and other HoldCo securities being held by the Nominee. For further details, see clause 16 of the Shareholders Agreement and the Nominee Deed.
Power of attorney	Each HoldCo Class B Shareholder appoints each HoldCo Class A Director from time to time as its attorney, with power to act on behalf of the HoldCo Class B Shareholder to do all acts and things appropriate to, amongst other things, negotiate and implement any action or transaction, or carry out any other matter, contemplated by the Shareholders Agreement, the HoldCo Constitution, the Nominee Deed or another relevant document. For further information see clause 20 of the Shareholders Agreement.
Restraint	Each HoldCo Shareholder undertakes to HoldCo that it will not directly or indirectly, whether solely or jointly with any other person and in any capacity, during the non-solicit period: • employ, solicit, canvas or entice away from any HoldCo Group Member any officer, medical specialist or senior employee; • take any action which could reasonably be expected to adversely interfere with or disrupt in any material respect the relationship between any HoldCo Group Member and its material customers, suppliers, officers, employees or consultants; • act in any way which could reasonably be expected to harm or prejudice the reputation or good name of HoldCo or any HoldCo Group Member; • use or infringe any intellectual property rights of the HoldCo Group; • attempt, counsel, procure or otherwise assist any person to do any of the above acts. The non-solicit period applies for so long as the HoldCo Shareholder is a party to the Shareholders Agreement and for a period 24 months from the time that the HoldCo Shareholder ceases to hold any HoldCo Ordinary Shares or other HoldCo securities. For further details, see clause 14 of the Shareholders Agreement.

TOPIC	OVERVIEW
Information rights and confidentiality	All HoldCo Shareholders will be entitled to receive the audited consolidated financial statements for HoldCo and any HoldCo Group Member for each financial year. HoldCo Class B Shareholders will not have any other rights under the Shareholders Agreement to receive information in relation to HoldCo. All HoldCo Shareholders and HoldCo will be bound by certain confidentiality obligations under the Shareholders Agreement. In addition, all HoldCo Shareholders will be bound by a further protocol governing the rights and obligations of the parties in relation to certain commercially sensitive information (which protocol will principally be of significance if a HoldCo Shareholder has a nominated director or observer of any HoldCo Group Member). For further details, see Schedules 3 and 5 of the Shareholders Agreement.
Amendment of the Shareholders Agreement	The Shareholders Agreement may only be amended with the consent of: • HoldCo; • Investor Majority Approval; and • if the amendment would adversely affect the rights of HoldCo Class B Shareholders in any material respect and there are any Rollover Shareholders at the relevant time, Special Shareholder Approval. The above regime does not apply in the case of certain complying amendments approved by an Investor Majority Approval in writing. For further details, see clause 27 of the Shareholders Agreement.

3.4 Why you should accept the Takeover Offer

In case the Scheme is not approved by Healthscope Shareholders or by the Court, Brookfield LP is making a simultaneous Takeover Offer.

The reasons why you should accept the Takeover Offer are similar to the reasons why you should vote in favour of the Scheme, as set out in Section 3.1.

In particular:

- the Healthscope Directors unanimously recommend that, in addition to voting in favour of the Scheme, you accept the Takeover Offer, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Takeover Offer is fair and reasonable;
- each Healthscope Director intends to accept the Takeover Offer with respect to all their Healthscope Shares, subject to the above qualifications;
- the Independent Expert has concluded that the Takeover Offer is fair and reasonable to Healthscope Shareholders, in the absence of a Superior Proposal;
- the consideration under the Takeover Offer of $2.365 cash per Healthscope Share combined with the interim dividend of $0.035 per share[33] represents a 34% premium to undisturbed trading price of Healthscope Shares on 22 October 2018;
- the Takeover Consideration also provides immediate, certain value with no associated brokerage costs (subject to the Takeover Offer becoming unconditional); and
- no Superior Proposal has emerged as at the date of this Booklet.

In addition, if the Scheme is not implemented and Brookfield BidCo does not receive sufficient acceptances under the Takeover Offer to achieve control of Healthscope, then the trading price of Healthscope Shares is likely to fall, in the absence of an alternative proposal.

33. Interim dividend declared on 14 February 2019 and paid on 26 March 2019.

Accepting the Takeover Offer removes your exposure to:

- an uncertain future market price for your Healthscope Shares;
- the possible underperformance of Healthscope, including the potential underperformance of its existing and planned projects; and
- the consequences of minority ownership in circumstances where Brookfield LP achieves control of Healthscope under the Takeover Offer but is unable to move to compulsorily acquire your Healthscope Shares (and the shares of any other Healthscope Shareholder that does not accept the Takeover Offer), including those consequences set out in Section 11.5(a).

3.5 Why you may consider rejecting the Takeover Offer

The reasons why you may consider rejecting the Takeover Offer are similar to the reasons why you may consider voting against the Scheme, as set out in Section 3.2.

In particular:

- you may disagree with the Healthscope Directors' unanimous recommendation or with the Independent Expert's conclusion;
- you may believe that there is potential for a Superior Proposal to be made in the future; and
- you may wish to remain a Healthscope Shareholder to be able to participate in the future financial performance of Healthscope.

In addition, you may want to sell your Healthscope Shares on ASX if you expect proceeds to be higher, or that you will be paid sooner. If you sell your Healthscope Shares on market, you:

- will receive the price on market, which may be higher or lower than the price under the Takeover Offer;
- will lose the ability to accept the Takeover Offer or any other offer which may eventuate;
- will not be entitled to receive any increased consideration if Brookfield BidCo subsequently increases the Takeover Consideration; and
- may incur brokerage.

3.6 Recommendation in relation to the Capital Return

The purpose of the Capital Return is to distribute surplus capital to Healthscope Shareholders which will exist following completion of the sale and leaseback of the hospital properties and the refinancing of the Healthscope Group.

Brookfield requested the Capital Return and was not prepared to proceed with the Scheme of Arrangement or the Takeover Offer without it. Therefore, the Healthscope Directors agreed to propose the Capital Return and to unanimously recommend that shareholders vote in favour of it.

The Healthscope Directors also agreed to adjourn, postpone or cancel and reschedule (at the request of Brookfield) the Extraordinary General Meeting at which the Capital Return will be considered by Healthscope Shareholders if Brookfield LP does not have a Relevant Interest in at least 50.1% of the Healthscope Shares (on a fully diluted basis) prior to the meeting. If the meeting is adjourned, postponed or cancelled, Brookfield may wait until it is in a position to cast a majority of the votes at the meeting,[34] and therefore approve the Capital Return.

As outlined in Section 8.3, payment of the Capital Return is conditional on a number of things, including the approval of Healthscope Shareholders, the Takeover Offer being declared or becoming unconditional and Brookfield LP having a Relevant Interest in more than 50% of the Healthscope Shares. If the Capital Return is paid it will reduce the amount of cash Brookfield LP needs to undertake the Takeover Offer.

Each Healthscope Director intends to vote all their Healthscope Shares in favour of the Capital Return.

See Section 8.3 for further information in relation to the Capital Return.

34. Even if the Takeover Offer remains conditional, Brookfield LP will be able to vote on your behalf at the Extraordinary General Meeting, and you will not be able to attend or vote at that meeting, if you accept the Takeover Offer and Brookfield LP has a Relevant Interest in at least 50.1% of the Healthscope Shares (on a fully diluted basis). See Section 5.13(b) for further information regarding the rights Brookfield LP will have, and the restrictions that will apply to you, in this situation.

4. Key features of the Scheme of Arrangement

4.1 Overview of the Scheme Consideration

If the Scheme is implemented, Scheme Shareholders will be entitled to receive either:

- the Scheme Cash Consideration of $2.465 cash per Scheme Share; or
- if they make a Scrip Election and certain other conditions are satisfied, the Scrip Consideration (see Section 4.2(b) for further details).

If the Scheme is implemented, Scheme Shareholders will receive the Scheme Cash Consideration unless they make a Scrip Election.

The Scheme Cash Consideration will be sent to Scheme Shareholders on the Implementation Date. Scheme Shareholders who have validly registered their bank account details with the Healthscope Share Registry before the Scheme Record Date will have their consideration sent directly to their bank account. Otherwise, a cheque will be sent to their address as shown on the Healthscope Share Register as at the Scheme Record Date.

4.2 Scrip Consideration

(a) Overview of the Scrip Consideration

For each Healthscope Share held as at the Scheme Record Date, the Scrip Consideration is (subject to the Scaleback Arrangements) 2.465 HoldCo Class B Shares.

HoldCo Class B Shares are fully paid ordinary shares in HoldCo and will rank equally with all existing HoldCo Class A Shares and HoldCo Class B Shares at the time they are issued. See Section 10.1 for a summary of the rights and liabilities attaching to HoldCo Class B Shares.

HoldCo is a newly incorporated unlisted Australian public company which will provide those Healthscope Shareholders who receive the Scrip Consideration with a continuing indirect minority interest in Healthscope.

The Healthscope Board notes that there are significant risks involved in an investment in unlisted shares which are additional to the risks you currently have as a shareholder in Healthscope, which is a company listed on ASX. See Section 11.4 for more information in relation to the risks relating to HoldCo Class B Shares.

(b) Eligibility and limitations

A Scheme Shareholder is only entitled to receive the Scrip Consideration if:

- the Scheme Shareholder has made a Scrip Election in respect of all of its Healthscope Shares held on the Scheme Record Date; and
- Healthscope Shareholders holding, in aggregate, at least 10% of the issued Healthscope Shares at the Scrip Election Deadline have made Scrip Elections.

Scheme Shareholders who acquire Scheme Shares after the Scrip Election Deadline and Ineligible Foreign Shareholders will receive the Scheme Cash Consideration in respect of all their Scheme Shares. They will not be able to make Scrip Elections, unless Brookfield BidCo and Healthscope agree otherwise.

Ineligible Foreign Shareholders are those Scheme Shareholders who have an address in the Healthscope Share Register as at the Scheme Record Date in a place outside Australia or New Zealand, unless Brookfield BidCo and Healthscope agree otherwise.

(c) Nominee arrangements

Brookfield BidCo has nominated the Nominee to hold all of the HoldCo Class B Shares of HoldCo Class B Shareholders (other than any HoldCo Class B Shareholders who have received Investor Majority Approval (as defined in Section 10)) to hold individually on their behalf as bare trustee (being a trustee who acts at the absolute discretion and for the benefit of the beneficiaries) rather than the former Healthscope Shareholders being the registered holder of those shares. This arrangement is governed by the Shareholders Agreement and the Nominee Deed. Please refer to Section 10 for further information about the Nominee and the Nominee Deed.

(d) Fractional entitlements

Where the calculation of the number of HoldCo Class B Shares to be issued to a particular Scheme Shareholder (or the Nominee on behalf of a Scheme Shareholder) would result in the Scheme Shareholder becoming entitled to a fraction of a HoldCo Class B Share, then the fractional entitlement will be rounded to the nearest whole number of HoldCo Class B Shares, with any such fractional entitlement of less than 0.5 being rounded down to the nearest whole number, and any such fractional entitlement of 0.5 or more being rounded up to the nearest whole number.

(e) Making a Scrip Election

To make a Scrip Election, you will need a Scrip Election Form. You can request a form by calling the Healthscope Shareholder Information Line on 1300 375 694 (within Australia) or +61 (3) 9415 4320 (outside Australia), between 8.30am and 5.00pm (Melbourne time), Monday to Friday.

To be valid, the Scrip Election Form must be lodged by the Scrip Election Deadline (being 5.00pm on Friday, 10 May 2019). If your Scrip Election is invalid for any reason whatsoever (including if you are an Ineligible Foreign Shareholder), your Scrip Election Form will have no effect and you will receive the Scheme Cash Consideration for all your Healthscope Shares.

If you are registered as the holder of one or more parcels of Healthscope Shares as trustee or nominee for, or otherwise on account of, another person, you may make a Scrip Election in respect of each of those distinct parcels and any distinct parcel you hold in your own right. If, for these purposes, you require additional copies of this Booklet and/or the Scrip Election Form, please call the Healthscope Shareholder Information Line on 1300 375 694 (within Australia) or +61 (3) 9415 4320 (outside Australia) to request those additional copies.

(f) Scaleback Arrangements

Brookfield intends to own at least 55% of HoldCo on implementation of the Scheme. There will be a scaleback if the aggregate amount of Scrip Elections would otherwise result in Scheme Shareholders owning more than 45%, and therefore Brookfield owning less than 55%, of HoldCo on implementation of the Scheme.

This means that there will be a scaleback if valid Scrip Elections are made for more than approximately 284 million Healthscope Shares (approximately 16% of issued Healthscope Shares as at the date of this Booklet). Any scaleback will be on a pro rata basis. If there is a scaleback, you will receive the Scheme Cash Consideration in place of those HoldCo Class B Shares which you would have received, but which were not issued to you due to the scaleback.

Healthscope intends to announce to ASX (www.asx.com.au) the amount of Scrip Elections made by Scheme Shareholders on Tuesday, 14 May 2019.

See clause 5.4 of the Scheme of Arrangement for further details on the scaleback.

4.3 Scheme Conditions

Implementation of the Scheme is subject to the following outstanding conditions precedent:

(a) **Shareholder approval**: Healthscope Shareholders agree to the Scheme at the Scheme Meeting by the requisite majorities;

(b) **Court approval**: the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act;

(c) **No Prescribed Occurrence**: no Prescribed Occurrence occurs between (and including) 1 February 2019 and 8.00am on the Second Court Date;

(d) **Restraints**: no restraining order, injunction or other order that would prevent or delay the Scheme made by a court of competent jurisdiction or Government Agency in Australia or New Zealand on the application of a Government Agency in one of those jurisdictions is in effect at 8.00am on the Second Court Date;

(e) **No Material Adverse Change**: no Material Adverse Change occurs, or is reasonably likely to occur, or is discovered, announced, disclosed or otherwise becomes known to Brookfield BidCo between (and including) 1 February 2019 and 8.00am on the Second Court Date; and

(f) **Representations and warranties**: the representations and warranties given by Healthscope and Brookfield BidCo to each other are accurate and not misleading at all times between (and including) 1 February 2019 and 8.00am on the Second Court Date.

The Scheme was subject to Brookfield BidCo receiving FIRB and OIO approval in connection with the Scheme and the Property Investors receiving FIRB approval in connection with the purchase of the hospital properties. These conditions have been satisfied.

The Scheme will not proceed unless all of the conditions precedent to the Scheme are satisfied or waived (as applicable) in accordance with the Implementation Deed.

As at the date of this Booklet, none of the Healthscope Directors, Brookfield BidCo or Brookfield LP are aware of any circumstances which would cause any condition precedent not to be satisfied.

4.4 Scheme procedure

(a) Scheme approval requirements

The Scheme will only become effective and be implemented if:

- it is approved by the requisite majorities of Healthscope Shareholders at the Scheme Meeting, being:
  - a majority in number (more than 50%) of Healthscope Shareholders present and voting at the Scheme Meeting (either in person or by proxy, attorney or, in the case of corporate Healthscope Shareholders, body corporate representative) – it should be noted that the Court has the power to waive this requirement; and
  - at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by Healthscope Shareholders present and voting at the Scheme Meeting (either in person or by proxy, attorney or, in the case of corporate Healthscope Shareholders, body corporate representative);
- in accordance with section 411(4)(b) of the Corporations Act, the Scheme (with or without alterations or conditions) is approved by an order of the Court. If the Scheme Resolution is passed by the requisite majorities and the other conditions precedent to the Scheme are satisfied or waived (as applicable), Healthscope intends to apply to the Court on the Business Day following the Scheme Meeting for the necessary orders to give effect to the Scheme; and
- the other Scheme Conditions outlined in Section 4.3 are satisfied or waived (as applicable).

(b) Scheme Meeting

The Court has ordered Healthscope to convene the Scheme Meeting at which Healthscope Shareholders will be asked to approve the Scheme. The Scheme Meeting will be held on Wednesday, 22 May 2019 at 10.00am.

The terms of the Scheme Resolution to be considered at the Scheme Meeting are contained in Annexure E.

(c) Attendance at the Scheme Meeting

Annexure E sets out:

- the entitlement of Healthscope Shareholders to attend and vote at the Scheme Meeting; and
- how to attend and vote at the Scheme Meeting (in person, by proxy, or in person through an attorney or corporate representative).

Voting is not compulsory. However, the Healthscope Directors unanimously recommend that Healthscope Shareholders vote in favour of the Scheme in the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Healthscope Shareholders.

You should be aware that even if you do not vote, or vote against the Scheme, the Scheme may still be implemented if it is approved by the requisite majorities of Healthscope Shareholders and the Court. If this occurs, your Healthscope Shares will be transferred to Brookfield BidCo and you will receive the Scheme Consideration even though you did not vote on, or voted against, the Scheme.

The results of the Scheme Meeting will be available as soon as possible after the conclusion of the Scheme Meeting and will be announced to ASX (www.asx.com.au) once available.

(d) Court approval of the Scheme

In the event that:

- the Scheme is approved by the requisite majorities of Healthscope Shareholders at the Scheme Meeting; and
- all conditions precedent to the Scheme (except Court approval of the Scheme) have been satisfied or waived (as applicable),

then Healthscope will apply to the Court for orders approving the Scheme.

Each Healthscope Shareholder has the right to appear at the Second Court Hearing.

(e) Effective Date

If the Court approves the Scheme, the Scheme will become effective on the date that an office copy of the Court order from the Second Court Hearing approving the Scheme is lodged with ASIC. Healthscope will, on the Scheme becoming effective, announce that on ASX.

(f) Scheme Record Date and entitlement to Scheme Consideration

Those Healthscope Shareholders on the Healthscope Share Register on the Scheme Record Date (currently proposed to be 7.00pm on Thursday, 30 May 2019) will be entitled to receive the Scheme Consideration in respect of the Healthscope Shares they hold at that time.

(g) Implementation Date and provision of Scrip Consideration

The Scheme Consideration will be provided to Scheme Shareholders on the Implementation Date (currently proposed to be Thursday, 6 June 2019).

For those Scheme Shareholders who elect, and are entitled, to receive the Scrip Consideration, certificates will be sent to the Scheme Shareholder (or the Nominee on behalf of a Scheme Shareholder) reflecting the issue of such HoldCo Class B Shares within 5 Business Days after the Implementation Date.

Under the Scheme, any Scheme Shareholder who becomes a HoldCo Class B Shareholder will be taken to be bound by the HoldCo Constitution and to be party to the Shareholders Agreement.

(h) Deed Poll

As at the date of this Booklet, the Deed Poll has been entered into by HoldCo and Brookfield BidCo, in favour of the Scheme Shareholders, to:

- provide the Scheme Consideration to each Scheme Shareholder in accordance with the terms of the Scheme; and
- undertake all other actions attributed to it under the Scheme.

A copy of the Deed Poll is contained in Annexure D.

4.5 Warranties by Scheme Shareholders

Under the terms of the Scheme, each Scheme Shareholder is taken to have warranted to Healthscope, HoldCo and Brookfield BidCo, and appointed and authorised Healthscope as its attorney and agent to warrant to HoldCo and Brookfield BidCo, that:

(a) all their Scheme Shares (including any rights and entitlements attaching to those shares) which are transferred under the Scheme will, at the date of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Properties Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind; and

(b) they have full power and capacity to transfer their Scheme Shares to Brookfield BidCo together with any rights and entitlements attaching to those shares.

4.6 Trading of Healthscope Shares

Healthscope intends to apply to ASX for Healthscope Shares to be suspended from trading on ASX from close of trading on the Effective Date.

Following the Implementation Date, Healthscope will apply for termination of the official quotation of Healthscope Shares on ASX and for Healthscope to be removed from the official list of ASX.

5. Terms and conditions of the Takeover Offer

In case the Scheme is not approved by Healthscope Shareholders or by the Court, Brookfield LP is making a simultaneous Takeover Offer.

Under the Takeover Offer (which is conditional on the Scheme of Arrangement not becoming effective), Brookfield LP is offering to acquire your Healthscope Shares on the terms and conditions set out in this Section 5.

This Section 5 has been prepared by Brookfield LP.

5.1 Takeover Offer

(c) Brookfield LP offers to acquire all (but not some only) of your Takeover Shares on and subject to the terms and conditions set out in this Section 5.

(d) The consideration under the Takeover Offer is $2.365 cash per Healthscope Share, provided that if:

(1) you accept the Takeover Offer and have (or any previous holder of the relevant Takeover Share has) received the Special Dividend or Capital Return; or

(2) you accept the Takeover Offer and are (or any previous holder of the relevant Takeover Share is) entitled to receive the Special Dividend or Capital Return under the terms of the Special Dividend or Capital Return,

then Brookfield LP may deduct the amount of the Special Dividend and Capital Return (as applicable) from any consideration otherwise payable to you.

This means that, if you accept the Takeover Offer and hold your Healthscope Shares on the Special Dividend Record Date and Capital Return Record Date, and all of the conditions to payment have been satisfied or waived, the $2.365 cash per Healthscope Share will comprise 3 payments as set out in the 'Takeover offer' section of the letter from the Chairman of Healthscope.

An example of payment of the Takeover Consideration, Special Dividend and Capital Return is set out in Section 9.2(b).

(e) By accepting the Takeover Offer, you undertake to transfer to Brookfield LP not only the Healthscope Shares to which the Takeover Offer relates, but also all Rights (excluding those Rights for which a deduction has been made in accordance with Section 5.1(b)) attached to those Healthscope Shares.

(f) The Takeover Offer is being made to each person registered as the holder of Healthscope Shares in the Healthscope Share Register on the Takeover Register Date. It also extends to:

(1) holders of securities that come to be Healthscope Shareholders during the period from the Takeover Register Date to the end of the Takeover Offer Period due to the conversion of, or exercise of rights conferred by, such securities and which are on issue as at the Takeover Register Date; and

(2) any person who becomes registered as the holder of Healthscope Shares during the Takeover Offer Period.

(g) If, at the time the Takeover Offer is made to you, or at any time during the Takeover Offer Period, another person is, or is entitled to be, registered as the holder of some or all of the Healthscope Shares to which the Takeover Offer relates:

(1) a corresponding offer on the same terms and conditions as the Takeover Offer will be deemed to have been made to that other person in respect of those Healthscope Shares;

(2) a corresponding offer on the same terms and conditions as the Takeover Offer will be deemed to have been made to you in respect of any other Healthscope Shares you hold to which the Takeover Offer relates; and

(3) the Takeover Offer will be deemed to have been withdrawn immediately at that time.

(h) If at any time during the Takeover Offer Period you are registered as the holder of one or more parcels of Healthscope Shares as trustee or nominee for, or otherwise on account of, another person, you may accept as if a separate and distinct Takeover Offer on the same terms and conditions as the Takeover Offer had been made in relation to each of those distinct parcels and any distinct parcel you hold in your own right. To validly accept the Takeover Offer for each parcel, you must comply with the procedure in section 653B(3) of the Corporations Act. If, for the purposes of complying with that procedure, you require additional copies of this Booklet and/or the Acceptance Form, please call the Healthscope Shareholder Information Line on 1300 375 694 (within Australia) or +61 (3) 9415 4320 (outside Australia) to request those additional copies.

(i) If your Healthscope Shares are registered in the name of a broker, investment dealer, bank, trust company or other nominee you should contact that nominee for assistance in accepting the Takeover Offer.

(j) The Takeover Offer is dated 23 April 2019.

5.2 Takeover Offer Period

(a) Unless withdrawn, the Takeover Offer will remain open for acceptance during the period commencing on the date of the Takeover Offer and ending at 7.00pm on the later of:

(1) 19 June 2019; or

(2) any date to which the Takeover Offer Period is extended.

(b) Subject to the terms and conditions set out in this Section 5, Brookfield LP reserves the right, exercisable in its sole discretion, to extend the Takeover Offer Period in accordance with the Corporations Act.

(c) If, within the last 7 days of the Takeover Offer Period, either of the following events occur:

(1) the Takeover Offer is varied to improve the consideration offered; or

(2) Brookfield LP's voting power in Healthscope increases to more than 50%,

then the Takeover Offer Period will be automatically extended so that it ends 14 days after the relevant event in accordance with section 624(2) of the Corporations Act (subject to any further permitted extension).

(d) Despite anything else in this Section 5:

(1) the Takeover Offer Period must not expire prior to the date that is 20 Business Days after the date of the Scheme Meeting; and

(2) Brookfield LP must not extend the Takeover Offer Period to a date that is more than 3 months after the date of the Scheme Meeting without the prior written consent of Healthscope, provided that no extension of the Takeover Offer Period is permitted after the Implementation Deed has been terminated.

5.3 How to accept the Takeover Offer

(a) General

(1) Subject to Sections 5.1(e) and (f), you may accept the Takeover Offer only for all (and not only for some) of your Takeover Shares.

(2) You may accept the Takeover Offer at any time during the Takeover Offer Period.

(3) Brookfield LP has established an institutional acceptance facility to facilitate the acceptance of the Takeover Offer by institutional Healthscope Shareholders. Only Healthscope Shareholders that hold or beneficially own at least 211,417 Healthscope Shares (approximately $500,000 worth based on the Takeover Consideration) are eligible to participate in the Institutional Acceptance Facility. See Section 13.8 further details about the Institutional Acceptance Facility.

(4) If some of your Takeover Shares are in different holdings, your acceptance of the Takeover Offer will require action under Sections 5.3(b) and 5.3(c) in relation to each of your holdings.

(b) Takeover Shares held in your name on Healthscope's issuer sponsored subregister

To accept the Takeover Offer for Takeover Shares held in your name on Healthscope's issuer sponsored subregister (in which case your Shareholder Reference Number will commence with 'I'), you may accept the Takeover Offer online or by using a physical blue acceptance form:

Online acceptance

(1) To accept the Takeover Offer online, you must:

(A) log in to www.healthscopetransaction.com.au and follow the instructions; and

(B) select the 'Accept' option, and submit your acceptance of the Takeover Offer. You will receive a confirmation of your acceptance of the Takeover Offer.

(2) You must accept the Takeover Offer online before the end of the Takeover Offer Period.

Blue acceptance form

To accept the Takeover Offer using a physical blue acceptance form, you must:

(1) complete and sign the blue acceptance form in accordance with the terms of the Takeover Offer and the instructions on the form; and

(2) ensure that the blue acceptance form (including any documents required by the terms of the Takeover Offer and the instructions on the form) is sent and postmarked before the end of the Takeover Offer Period, to the address shown on the form.

(c) Takeover Shares held in your name in a CHESS Holding

To accept the Takeover Offer for Takeover Shares held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with 'X'), you may accept the Takeover Offer online or by using a physical yellow acceptance form.

Online acceptance

(1) To accept the Takeover Offer, you must:

(A) log in to www.healthscopetransaction.com.au and follow the instructions;

(B) select the 'Accept' option, and submit your acceptance of the Takeover Offer. You will receive a confirmation of your acceptance of the Takeover Offer.

(2) You must accept the Takeover Offer online before the end of the Takeover Offer Period. This is because the Healthscope Share Registry will need to confirm with your Controlling Participant any online submission of your acceptance of the Takeover Offer before it can be taken as validly submitted. There may not be sufficient time to do so for any online acceptances submitted by you if you accept online too close to the end of the Takeover Offer Period.

Yellow acceptance form

(1) If Takeover Shares are held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with 'X') and you are not a Participant, you should instruct your Controlling Participant (for Healthscope Shareholders who are not institutions, this is normally the stockbroker through whom you bought Healthscope Shares or ordinarily acquire shares on ASX) to initiate acceptance of the Takeover Offer on your behalf in accordance with Rule 14.14 of the ASX Settlement Operating Rules in sufficient time for the Takeover Offer to be accepted before the end of the Takeover Offer Period. Neither Healthscope nor the Healthscope Share Registry will be responsible if your Controlling Participant does not acknowledge and confirm your acceptance in sufficient time.

(2) If Takeover Shares are held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with 'X') and you are a Participant, you should initiate acceptance of the Takeover Offer in accordance with rule 14.14 of the ASX Settlement Operating Rules in sufficient time for the Takeover Offer to be accepted before the end of the Takeover Offer Period.

(3) Alternatively, to accept the Takeover Offer for Takeover Shares held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with 'X'), you may complete and sign the yellow acceptance form in accordance with the terms of the Takeover Offer and the instructions on the form and ensure that it (including any documents required by the terms of the Takeover Offer and the instructions on the form) is sent and postmarked before the end of the Takeover Offer Period, to the address shown on the form.

(4) If your Takeover Shares are held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with 'X'), you must comply with any other applicable ASX Settlement Operating Rules.

In addition, eligible institutional shareholders may also accept the Takeover Offer by providing acceptance instructions into the Institutional Acceptance Facility. See Section 13.8 for details.

(d) Takeover Shares of which you are entitled to be registered

To accept the Takeover Offer for Takeover Shares which are not held in your name, but of which you are entitled to be registered as holder, you must contact the Healthscope Shareholder Information Line on 1300 375 694 (within Australia) or +61 (3) 9415 4320 (outside Australia) to obtain the appropriate Acceptance Form.

To accept the Takeover Offer, you must:

(1) complete and sign that Acceptance Form in accordance with the terms of the Takeover Offer and the instructions on that Acceptance Form; and

(2) ensure that that Acceptance Form (including any documents required by the terms of the Takeover Offer and the instructions on that Acceptance Form) is sent and postmarked before the end of the Takeover Offer Period, to one of the addresses shown on that Acceptance Form.

(e) Acceptance Form and other documents

(1) The Acceptance Form forms part of the Takeover Offer.

(2) If your Acceptance Form (including any documents required by the terms of the Takeover Offer and the instructions on the Acceptance Form) is returned by post, it will be deemed to be received in time if the envelope in which it is sent is post marked before the end of the Takeover Offer Period, even if it is received after that date.

(3) When using the Acceptance Form to accept the Takeover Offer in respect of Takeover Shares in a CHESS Holding, you must ensure that the Acceptance Form (and any documents required by the terms of the Takeover Offer and the instruction on the Acceptance Form) are received by Brookfield LP before the end of the Takeover Offer Period.

(4) The postage and transmission of the Acceptance Form and other documents are at your own risk.

5.4 Validity of acceptances

(a) Subject to this Section 5.4, your acceptance of the Takeover Offer will not be valid unless it is made in accordance with the procedures set out in Section 5.3.

(b) Brookfield LP will be entitled to determine, in its sole discretion, all questions as to the form of documents, eligibility to accept the Takeover Offer and time of receipt of an acceptance of the Takeover Offer. Brookfield LP is not required to communicate with the Takeover Shareholders prior to or after making this determination. The determination of Brookfield LP will be final and binding on all parties.

(c) Notwithstanding Sections 5.3(b), 5.3(c) and 5.3(e), Brookfield LP may, in its sole discretion, at any time and without further communication to Takeover Shareholders, deem any Acceptance Form it receives to be a valid acceptance in respect of Takeover Shares, even if a requirement for acceptance has not been complied with but the payment of the consideration in accordance with the Takeover Offer may be delayed until any irregularity has been resolved or waived and any other documents required to procure registration have been received by Brookfield LP.

(d) Where a Takeover Shareholder satisfies the requirements for acceptance in respect of only some of their Takeover Shares, Brookfield LP may, in its sole discretion, regard the Takeover Offer to be accepted in respect of those Takeover Shares but not the remainder.

(e) Brookfield LP will provide the consideration to you in accordance with Section 5.6, in respect of any part of an acceptance determined by Brookfield LP to be valid.

5.5 The effect of acceptance

(a) Once you have accepted the Takeover Offer, you will be unable to revoke your acceptance, the contract resulting from your acceptance will be binding on you and you will be unable to withdraw your Takeover Shares from the Takeover Offer or otherwise dispose of your Takeover Shares, except as follows:

(1) if:

(A) at the end of the Takeover Offer Period, any of the Takeover Bid Conditions in Section 5.7 have not been satisfied; and

(B) Brookfield LP has not declared the Takeover Bid to be free from that Takeover Bid Condition in accordance with Section 5.9,

the Takeover Offer will automatically terminate and the Takeover Shares will be returned to you; or

(2) if the Takeover Offer Period is extended for more than one month and the obligations of Brookfield LP to pay the consideration are postponed for more than one month and, at the time, the Takeover Offer is subject to one or more of the Takeover Bid Conditions in Section 5.7, you may be able to withdraw your acceptance and your Takeover Shares in accordance with section 650E of the Corporations Act. A notice will be sent to you at the time explaining your rights in this regard.

(b) By signing and returning the Acceptance Form, or otherwise accepting the Takeover Offer pursuant to Section 5.3, you will be deemed to have:

(1) accepted the Takeover Offer (and any variation of it) in respect of, and, subject to all of the Takeover Bid Conditions in Section 5.7 being satisfied or waived, agreed to transfer (or consented to the transfer in accordance with the ASX Settlement Operating Rules) to Brookfield LP, all your Takeover Shares (even if the number of Takeover Shares specified on the Acceptance Form or online differs from the number of Takeover Shares) and all Rights attached to those Takeover Shares (excluding those Rights for which a deduction has been made in accordance with Section 5.1(b)), subject to Section 5.1(e) and Section 5.1(f);

(2) represented and warranted to Brookfield LP, as a fundamental condition going to the root of the contract resulting from your acceptance, that at the time of acceptance, and the time the transfer of your Takeover Shares (including any relevant Rights) to Brookfield LP is registered, that your Takeover Shares are and will be fully paid and free from all mortgages, charges, liens, encumbrances and adverse interests of any nature (whether legal or otherwise)

and free from restrictions on transfer of any nature (whether legal or otherwise), that you have full power and capacity to accept the Takeover Offer and to sell and transfer the legal and beneficial ownership in your Takeover Shares (including any relevant Rights) to Brookfield LP, and that you have paid to Healthscope all amounts which at the time of acceptance have fallen due for payment to Healthscope in respect of your Takeover Shares;

(3) irrevocably authorised Brookfield LP (or any director, secretary or nominee of Brookfield LP) to alter the Acceptance Form on your behalf by inserting correct details of your Takeover Shares, filling in any blanks remaining on the form and rectifying any errors or omissions as may be considered necessary by Brookfield LP to make it an effective acceptance of the Takeover Offer or to enable registration of your Takeover Shares in the name of Brookfield LP;

(4) if you signed the Acceptance Form or accepted the Takeover Offer online in respect of Takeover Shares which are held in a CHESS Holding, irrevocably authorised Brookfield LP (or any director, secretary, nominee or agent of Brookfield LP) to initiate, or alternatively instruct your Controlling Participant to initiate, acceptance of the Takeover Offer in respect of your Takeover Shares in accordance with Rule 14.14 of the ASX Settlement Operating Rules;

(5) if you signed the Acceptance Form or accepted the Takeover Offer online in respect of Takeover Shares which are held in a CHESS Holding, irrevocably authorised Brookfield LP (or any director, secretary, nominee or agent of Brookfield LP) to give any other instructions in relation to your Takeover Shares to your Controlling Participant, as determined by Brookfield LP acting in its own interests as a beneficial owner and intended registered holder of those Takeover Shares;

(6) irrevocably authorised and directed Healthscope to pay to Brookfield LP, or to account to Brookfield LP for, all Rights in respect of your Takeover Shares (excluding those Rights for which a deduction has been made in accordance with Section 5.1(b)), subject, if the Takeover Offer is withdrawn, to Brookfield LP accounting to you for any such Rights received by Brookfield LP;

(7) irrevocably authorised Brookfield LP to notify Healthscope on your behalf that your place of address for the purpose of serving notices upon you in respect of your Takeover Shares is the address specified by Brookfield LP in the notification;

(8) agreed to do all such acts, matters and things that Brookfield LP may require to give effect to the matters the subject of this Section 5.5(b) (including the execution of a written form of proxy to the same effect as this Section 5.5(b) which complies in all respects with the requirements of the constitution of Healthscope) if requested by Brookfield LP;

(9) agreed to indemnify Brookfield LP in respect of any claim or action against it or any loss, damage or liability whatsoever incurred by it as a result of you not producing your Holder Identification Number or Shareholder Reference Number or in consequence of the transfer of your Takeover Shares to Brookfield LP being registered by Healthscope without production of your Holder Identification Number or your Shareholder Reference Number for your Takeover Shares;

(10) represented and warranted to Brookfield LP that, unless you have notified it in accordance with Section 5.1(f), your Takeover Shares do not consist of separate parcels of Takeover Shares;

(11) irrevocably authorised Brookfield LP (and any nominee) to transmit a message in accordance with Rule 14.17 of the ASX Settlement Operating Rules to transfer your Takeover Shares to Brookfield LP's Takeover Transferee Holding (as defined in the ASX Settlement Operating Rules), regardless of whether it has paid the consideration due to you under the Takeover Offer;

(12) where, at that time, you have a right to be registered as a holder of the Takeover Shares the subject of your acceptance as the result of an on-market purchase (but are not a Healthscope Shareholder):

(A) agreed to use best endeavours to procure the delivery of the Takeover Shares the subject of your acceptance to Brookfield LP in accordance with your acceptance (including giving Brookfield LP all documents necessary to vest those Takeover Shares in Brookfield LP or otherwise to give Brookfield LP the benefit or value of those Takeover Shares);

(B) agreed not to do or omit to do anything which may frustrate your acceptance of the Takeover Offer, or otherwise obstruct registration of the transfer of the Takeover Shares the subject of your acceptance to Brookfield LP;

(C) irrevocably assigned to Brookfield LP all contractual rights and recourse against the vendor in respect of your on-market purchase which contractual rights and recourse may arise by reason of that person's failure to complete that trade;

(D) agreed to assign to Brookfield LP (without any further action being required) all rights in respect of your on-market purchase immediately on any failure by you to complete that trade, including irrevocably assigning to Brookfield LP the right to (at Brookfield LP's sole discretion) complete that trade on your behalf and agreed that Brookfield LP may deduct from the consideration otherwise payable to you (pursuant to a valid acceptance of the Takeover Offer and the delivery of the Takeover Shares the subject of that acceptance) any amount paid by Brookfield LP in order to settle that on-market purchase on your behalf. If Brookfield LP does not, or cannot, make such a deduction, you must pay such amount to Brookfield LP; and

(E) agreed that if you are unable to assign to Brookfield LP any of the rights and recourse specified under Sections 5.5(b)(12)(C) and 5.5(b)(12)(D), you will assign such rights and recourse as soon as you are legally able to; and

(13) agreed, subject to the Takeover Bid Conditions in Section 5.7 being satisfied or waived, to execute all such documents, transfers and assurances, and do all such acts, matters and things that Brookfield LP may consider (acting reasonably) necessary or desirable to convey your Takeover Shares registered in your name and Rights (excluding those Rights for which a deduction has been made in accordance with Section 5.1(b)) to Brookfield LP.

(c) The undertakings and authorities referred to in Section 5.5(b) will remain in force after you receive the consideration for your Takeover Shares and after Brookfield LP becomes registered as the holder of your Takeover Shares.

(d) By accepting the Takeover Offer, you will be deemed to have agreed to the matters set out in Section 5.5(b), notwithstanding where the Takeover Offer has been caused to be accepted in accordance with ASX Settlement Operating Rules.

5.6 Payment of consideration

(a) Subject to this Section 5.6 and the Corporations Act, Brookfield LP will provide the consideration due to you for your Takeover Shares on or before the earlier of:

(1) one month after the date of your acceptance or, if the Takeover Offer is subject to a defeating condition when you accept the Takeover Offer, within one month after the Takeover Offer becomes unconditional; and

(2) 21 days after the end of the Takeover Offer Period.

(b) Where the Acceptance Form requires an additional document to be delivered with your Acceptance Form (such as a power of attorney):

(1) if that document is given with your Acceptance Form, Brookfield LP will provide the consideration in accordance with Section 5.6(a);

(2) if that document is given after your Acceptance Form and before the end of the Takeover Offer Period while the Takeover Offer is subject to a defeating condition, Brookfield LP will provide the consideration due to you on or before the earlier of one month after the Takeover Offer becomes unconditional and 21 days after the end of the Takeover Offer Period;

(3) if that document is given after your Acceptance Form and before the end of the Takeover Offer Period while the Takeover Offer is not subject to a defeating condition, Brookfield LP will provide the consideration due to you on or before the earlier of one month after that document is given and 21 days after the end of the Takeover Offer period; and

(4) if that document is given after the end of the Takeover Offer Period, and the Takeover Offer is not subject to a defeating condition, Brookfield LP will provide the consideration within 21 days after that document is delivered. However, if at the time the document is given, the Takeover Offer is still subject to a defeating condition that relates only to the happening of an event or circumstance referred to in section 652C(1) or (2) of the Corporations Act, Brookfield LP will provide the consideration due to you within 21 days after the Takeover Offer becomes unconditional.

If you do not provide the additional documents within one month after the end of the Takeover Offer Period, Brookfield LP may, in its sole discretion, rescind the contract resulting from your acceptance of the Takeover Offer.

(c) If you accept the Takeover Offer, Brookfield LP is entitled to all Rights (excluding those Rights for which a deduction has been made in accordance with Section 5.1(b)) in respect of your Takeover Shares. Brookfield LP may require you to provide all documents necessary to vest title to those Rights in Brookfield LP, or otherwise to give it the benefit or value of those Rights. If you do not give those documents to Brookfield LP or if you have (or any previous owner of your Takeover Shares has) received the benefit of those Rights:

(1) Brookfield LP will deduct from the consideration otherwise due to you the amount (or value, as reasonably assessed by Brookfield LP) of those Rights; and

(2) if it is reasonably able to assess the value to it of the franking credits, if any, attached to those Rights, Brookfield LP will be entitled to also deduct an amount equal to that value from the consideration otherwise due to you.

(d) Payment of the Takeover Consideration to which you are entitled will be made by:

(1) electronic funds transfer to the bank account validly registered with the Healthscope Share Registry before the end of the Takeover Offer Period; or

(2) cheque in Australian currency, if no bank account is validly registered with the Healthscope Share Registry (or if the transfer is otherwise unable to be made to the bank account you specify). Cheques will be posted to you at your risk by ordinary mail (or in the case of overseas shareholders, by airmail) at the address as shown either, at the sole discretion of Brookfield LP, on your Acceptance Form or the register copy supplied by Healthscope from time to time.

(e) If at the time you accept the Takeover Offer, any consent, authority, clearance or approval is required for you to receive any consideration for your Takeover Shares, including (but not limited to) any consent, authority, clearance or approval of:

(1) the Reserve Bank of Australia (whether under the *Banking (Foreign) Exchange Regulations 1959* (Cth) or otherwise);

(2) the Minister for Foreign Affairs (whether under the *Charter of the United Nations Act 1945* (Cth), the *Charter of the United Nations (Dealing with Assets) Regulations 2008* (Cth) or any other regulations made thereunder, or otherwise);

(3) the ATO; or

(4) any other person as required by any other law of Australia that would make it unlawful for Brookfield LP to provide any consideration for your Takeover Shares,

then acceptance of this Takeover Offer will not create or transfer to you any right (contractual or contingent) to receive, and you will not be entitled to receive, any consideration for your Takeover Shares unless and until all requisite consents, authorities, clearances or approvals have been received by Brookfield LP.

(f) If any amount (**withholding amount**) is required under any Australian law or by any Australian Government Agency to be:

(1) withheld or deducted from any consideration otherwise payable to you under the Takeover Offer and paid to a Government Agency;

(2) paid to the ATO under Subdivision 14-D of Schedule 1 of the *Taxation Administration Act 1953* (Cth) in respect of the acquisition of your Takeover Shares; or

(3) retained by Brookfield LP out of any consideration otherwise payable to you under the Takeover Offer,

Brookfield LP is permitted to deduct the withholding amount from the consideration payable to you under the Takeover Offer. The aggregate sum payable to you under the Takeover Offer shall not be increased to reflect the deduction and the net aggregate sum payable to you shall be taken to be full and final satisfaction of the amounts owing you under the Takeover Offer.

(g) If you are entitled to receive a fraction of a cent under the Takeover Offer, then the fractional entitlement will be rounded to the nearest whole cent, with any such fractional entitlement of less than 0.5 being rounded down to the nearest whole cent, and any such fractional entitlement of 0.5 or more being rounded up to the nearest whole cent.

(h) Under no circumstances will interest be paid on the consideration payable under the Takeover Offer, regardless of any delay in paying the consideration or any extension of the Takeover Offer.

5.7 Takeover Bid Conditions

Subject to Section 5.8, the completion of the Takeover Offer and any contract that results from the acceptance of the Takeover Offer will be subject to each of the following conditions (and no other defeating conditions):

(a) **No Prescribed Occurrence**: no Prescribed Occurrence occurs between (and including) 1 February 2019 and the end of the Takeover Offer Period;

(b) **Restraints**: no restraining order, injunction or other order that would prevent or delay the Takeover Bid made by a court of competent jurisdiction or Government Agency in Australia or New Zealand on the application of a Government Agency in one of those jurisdictions is in effect at the end of the Takeover Offer Period;

(c) **Scheme fails**: either:

(1) the Scheme is not approved at the Scheme Meeting by the requisite majorities of Scheme Shareholders under subparagraph 411(4)(a)(ii)(B) of the Corporations Act; or

(2) following the approval of the Scheme at the Scheme Meeting by the requisite majorities of Scheme Shareholders under subparagraph 411(4)(a)(ii)(B) of the Corporations Act, the Court does not approve the Scheme in accordance with section 411(4)(b) of the Corporations Act;

(d) **Minimum acceptance**: at the end of the Takeover Offer Period, Brookfield LP has a Relevant Interest in at least 50.1% of the Healthscope Shares (on a fully diluted basis);

(e) **No Material Adverse Change**: no Material Adverse Change occurs, or is reasonably likely to occur, or is discovered, announced, disclosed or otherwise becomes known to Brookfield LP between (and including) 1 February 2019 and the end of the Takeover Offer Period;

(f) **Healthscope Representations and Warranties**: the Healthscope Representations and Warranties are accurate and not misleading at all times between (and including) 1 February 2019 and the end of the Takeover Offer Period; and

(g) **Extraordinary General Meeting**: Healthscope having convened the Extraordinary General Meeting in accordance with clause 8.4(h) of the Implementation Deed and Healthscope's constitution.

5.8 Nature and benefit of Takeover Bid Conditions

(a) Each of the Takeover Bid Conditions in Section 5.7 are conditions subsequent. The non-satisfaction of any condition subsequent does not, until the end of the Takeover Offer Period (or in the case of the Takeover Bid Condition in Section 5.7(a) (No Prescribed Occurrence), until the end of the third Business Day after the end of the Takeover Offer Period), prevent a contract to sell Takeover Shares from arising, but will entitle Brookfield LP by written notice to Takeover Shareholders, to rescind the contract resulting from Takeover Shareholders' acceptance of the Takeover Offer.

(b) Subject to the Corporations Act and this Section 5, Brookfield LP alone is entitled to the benefit of the Takeover Bid Conditions in Section 5.7, or to rely on any non-satisfaction of any of them.

(c) Each Takeover Bid Condition in Section 5.7 is a separate, several and distinct condition. No Takeover Bid Condition will be taken to limit the meaning or effect of any other Takeover Bid Condition.

5.9 Waiver of Takeover Bid Conditions

(a) Subject to the Corporations Act and Section 5.9(b), Brookfield LP may declare the Takeover Bid to be free from any Takeover Bid Condition by giving written notice to Healthscope declaring the Takeover Offer to be free from the relevant Takeover Bid Condition or Takeover Bid Conditions specified, in accordance with section 650F of the Corporations Act. This notice may be given:

(1) in the case of the Takeover Bid Condition in Section 5.7(a) (No Prescribed Occurrence), not later than 3 Business Days after the end of the Takeover Offer Period; and

(2) in the case of all the other Takeover Bid Conditions in Section 5.7, not less than 7 days before the end of the Takeover Offer Period.

(b) The Takeover Bid Conditions in Sections 5.7(c) (Scheme fails) and 5.7(d) (minimum acceptance) may only be waived by Brookfield LP with the prior written consent of Healthscope (in its absolute discretion) in writing.

(c) If a Scheme Condition is waived or satisfied, Brookfield LP must declare the Takeover Bid free from the corresponding Takeover Bid Condition.

(d) If, at the end of the Takeover Offer Period (or in the case of the Takeover Bid Condition in Section 5.7(a) (No Prescribed Occurrence), at the end of the third Business Day after the end of the Takeover Offer Period), the Takeover Bid Conditions have not been satisfied and Brookfield LP has not declared the Takeover Offer (or it has not become) free from those Takeover Bid Conditions, all contracts resulting from the acceptance of the Takeover Offer will be automatically void.

5.10 Notice on status of Takeover Bid Conditions

The date for giving the notice on the status of the Takeover Bid Conditions required by section 630(1) of the Corporations Act is Tuesday, 11 June 2019 (subject to extension in accordance with section 630(2) of the Corporations Act if the Takeover Offer Period is extended).

5.11 Withdrawal of the Takeover Offer

(a) Brookfield LP will be entitled to withdraw the Takeover Offer with the consent in writing of ASIC, which consent may be subject to conditions. If ASIC gives such consent, Brookfield LP will give notice of the withdrawal to ASX and to Healthscope and will comply with any other conditions imposed by ASIC.

(b) If, at the time the Takeover Offer is withdrawn, all the Takeover Bid Conditions have been satisfied, all contracts arising from acceptance of the Takeover Offer before it was withdrawn will remain enforceable.

(c) If, at the time the Takeover Offer is withdrawn, the Takeover Offer remains subject to one or more of the Takeover Bid Conditions, all contracts arising from its acceptance will become void (whether or not the events referred to in the relevant conditions have occurred).

(d) A withdrawal pursuant to this Section 5.11 will be deemed to take effect:

(1) if the withdrawal is not subject to conditions imposed by ASIC, on and after the date on which that consent in writing is given by ASIC; or

(2) if the withdrawal is subject to conditions imposed by ASIC, on and after the date on which those conditions are satisfied.

5.12 Variation of the Takeover Offer

Brookfield LP is entitled to vary the Takeover Offer in accordance with the Corporations Act and the Implementation Deed.

5.13 Power of attorney

(a) Subject to the limited circumstances set out in Section 5.13(b), immediately upon the Takeover Offer being declared or becoming unconditional and until Healthscope registers Brookfield LP as the holder of the relevant Takeover Shares in the Healthscope Share Register, each Takeover Shareholder that has accepted the Takeover Offer:

(1) is deemed to have appointed Brookfield LP as attorney and agent (and directed Brookfield LP in each such capacity) to appoint any director, officer, secretary or agent nominated by Brookfield LP as its sole proxy and, where applicable or appropriate, corporate representative to attend shareholders' meetings, exercise the votes attaching to the relevant Takeover Shares registered in their name and sign any shareholders' resolution or document;

(2) must not attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to Section 5.13(a)(1));

(3) must take all other actions in the capacity of a registered holder of the relevant Takeover Shares as Brookfield LP reasonably directs; and

(4) acknowledges and agrees that in exercising the powers referred to in Section 5.13(a)(1), Brookfield LP and any director, officer, secretary or agent nominated by Brookfield LP under Section 5.13(a)(1) may act in the best interests of Brookfield LP as the intended registered holder of the relevant Takeover Shares.

(b) Immediately upon Brookfield LP obtaining a Relevant Interest in at least 50.1% of the Healthscope Shares (on a fully diluted basis) and until Healthscope registers Brookfield LP as the holder of the relevant Takeover Shares in the Healthscope Share Register, each Takeover Shareholder that has accepted the Takeover Offer:

(1) is deemed to have appointed Brookfield LP as attorney and agent (and directed Brookfield LP in each such capacity) to appoint any director, officer, secretary or agent nominated by Brookfield LP as its sole proxy and, where applicable or appropriate, corporate representative to attend the Extraordinary General Meeting, exercise the votes attaching to the relevant Takeover Shares at the Extraordinary General Meeting (including by voting in favour of the Capital Return Resolution (in person, by proxy or by corporate representative)) and sign any shareholders' resolution, proxy form or other related document;

(2) must not attend or vote at the Extraordinary General Meeting or sign any resolutions related to the Capital Return Resolution, whether in person, by proxy or by corporate representative (other than pursuant to Section 5.13(a)(1)); and

(3) acknowledges and agrees that in exercising the powers referred to in Section 5.13(b)(1), Brookfield LP and any director, officer, secretary or agent nominated by Brookfield LP under Section 5.13(b)(1) may act in the best interests of Brookfield LP.

5.14 Notices and other communications

Subject to the Corporations Act, a notice or other communication given by Brookfield LP to you in connection with the Takeover Offer will be deemed to be duly given if it is in writing and is:

(a) delivered to your address as recorded on the Healthscope Share Register or the address shown in the Acceptance Form; or

(b) sent by ordinary mail (or in the case of overseas shareholders, by airmail) to you at either of those addresses.

5.15 Return of documents

If:

(a) the Takeover Offer is withdrawn after your Acceptance Form has been sent to Brookfield LP, but before it has been received; or

(b) for any other reason Brookfield LP does not acquire the Takeover Shares to which your Acceptance Form relates,

you may request Brookfield LP by notice in writing to send (at your risk) your Acceptance Form together with all other documents forwarded by you, to such address as you nominate. The documents will be sent by ordinary mail (or in the case of overseas shareholders, by airmail) to you.

5.16 Stamp duty

Brookfield LP will pay any stamp duty on the transfer of your Takeover Shares to it under the Takeover Offer.

5.17 Foreign laws

The Takeover Offer is not registered in any jurisdiction outside Australia (unless an applicable foreign law treats it as registered as a result of this Booklet being lodged with ASIC). It is your sole responsibility to satisfy yourself that you are permitted by any foreign law applicable to you to accept the Takeover Offer.

5.18 Governing laws

The Takeover Offer and any contract that results from your acceptance of the Takeover Offer will be governed by the laws in force in Victoria, Australia.

6. Information on Healthscope

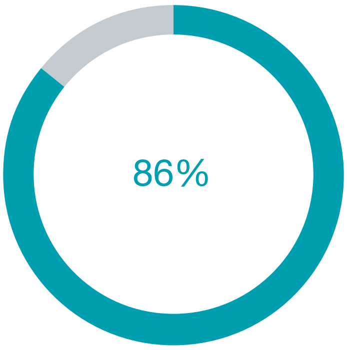
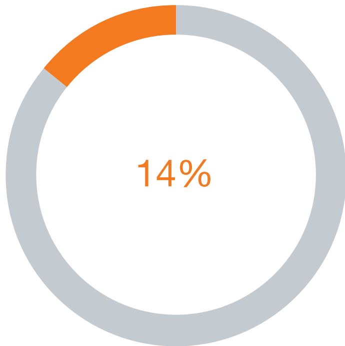
6.1 Overview of Healthscope

(a) Introduction

Healthscope is a leading private healthcare provider with 43 private hospitals in Australia and pathology operations across New Zealand.

Healthscope is headquartered in Melbourne, Australia.

Summary of FY18 operating results (continuing operations)

Hospitals	New Zealand Pathology
	
% of operating EBITDA	% of operating EBITDA
$2,101m FY18 Revenue	**$240m** FY18 Revenue
$345m FY18 Operating EBITDA	**$58m** FY18 Operating EBITDA

(b) Healthscope's business

Hospitals Australia

Healthscope's Hospital division operates facilities across every state and territory in Australia, with 43 private hospitals and more than 5,500 inpatient beds. Of these facilities, 28 facilities are owned by Healthscope, 12 are leased and three are managed on behalf of Adelaide Community Healthcare Alliance (ACHA).

Within its hospitals, Healthscope is focused on providing a range of specialist orientated, multi-disciplinary healthcare services from acute care through to rehabilitation and mental health services. Healthscope also has a significant hospital expansion and development program underway which will enable it to deliver an expanded range of services to the communities it supports over the next few years.

Across the portfolio, 31 hospitals provide acute care services to patients ranging from medical treatment to complex surgery and associated care. In addition, Healthscope provides industry leading care for patients with mental health conditions in six dedicated hospitals. A further six facilities are dedicated to rehabilitation.

Over 17,500 Accredited Medical Practitioners are credentialed to work within Healthscope hospitals and these specialists are supported by a workforce of over 15,700 staff who seek to provide the highest quality of care to patients, and support to doctors, at all times.

6. Information on Healthscope *cont.*

All of Healthscope's hospitals are accredited under the National Safety and Quality Health Services Standards and Healthscope prides itself on providing market leading quality outcomes and in promoting transparency across the industry. Leading by example, Healthscope reports 26 quality outcomes publicly on the MyHealthscope website, and outperforms the industry benchmark and its peers on the vast majority of indicators.

Northern Territory
Darwin Private

Western Australia
The Mount

South Australia
Ashford (ACHA)
Flinders (ACHA)
Griffith
Memorial (ACHA)
Parkwynd

Victoria
Bellbird
Dorset
Frankston
Holmesglen
John Fawkner
Knox
La Trobe
Melbourne Private
North Eastern Rehabilitation Centre
Northpark
Ringwood
The Geelong Clinic
The Melbourne Clinic
The Victoria Clinic
Victorian Rehabilitation Clinic

Queensland
Brisbane Private
Gold Coast
Pacific Private
Peninsula
Pine Rivers
Sunnybank
Tweed Day Surgery

New South Wales
Campbelltown
Hunter Valley
Lady Davidson
Nepean
Newcastle
Northern Beaches
Norwest
Prince of Wales
Sydney Southwest
The Hills Private
The Sydney Clinic

Australian Capital Territory
National Capital

Tasmania
Hobart
St. Helens

The Hospitals business model revolves around the provision of services to Accredited Medical Practitioners and their patients, as explained below.

- Accredited Medical Practitioners are the main source of patient admissions into Healthscope hospitals. Accredited Medical Practitioners are not generally employed or remunerated by Healthscope – they operate independently but are accredited by a Healthscope hospital to provide medical services to their patients at that Healthscope hospital. Accredited Medical Practitioners often practise at more than one hospital (including at public hospitals).
- Healthscope provides Accredited Medical Practitioners with a range of services in relation to their patients, including access to operating theatres, patient accommodation, nursing and other clinical care and consumables. Healthscope may also provide Accredited Medical Practitioners with access to conveniently located consulting suites.
- Approximately 90% of Healthscope's Hospitals revenue comes from private health insurance funds and government-related bodies (Department of Veterans' Affair and Transport Accident Commission) which have agreements in place with Healthscope. They typically pay Healthscope an amount to cover the services Healthscope provides in relation to an admission. Payments to the hospital are generally based on a pricing schedule set out in the agreements and payments are either on a case payment or per diem basis depending on the type of service provided. The majority of Healthscope's admissions to acute care hospitals (70-75%) are funded via case payments, whilst the majority of psychiatric and rehabilitation admissions are funded on a per diem basis.
- Accredited Medical Practitioners are typically remunerated through payments from Medicare, with a small component of fees paid directly by private health insurance funds and patient co-payments.

New Zealand Pathology

Healthscope is a leading provider of community pathology services in New Zealand. Healthscope's pathology businesses are focused on the examination of blood, tissue and other biological samples to diagnose disease.

The New Zealand community pathology market consists of 20 government funded District Health Boards who each enter into exclusive contracts with providers to service their local population. During FY18, Healthscope held contracts for a majority of the District Health Board regions, including the major cities of Auckland, Wellington and Christchurch.

These services are delivered under three Healthscope brands: Labtests, Southern Community Laboratories and Northland Pathology. Veterinary and analytical pathology services are also offered by Healthscope in New Zealand under the Gribbles brand.

Across New Zealand, Healthscope operates 24 laboratories and 145 collection centres. In FY18, New Zealand Pathology serviced over 6.7 million patient episodes. Patients are referred to Healthscope's pathology business via a medical practitioner. The vast majority of samples are collected in collection centres operated by Healthscope and transported to a Healthscope laboratory via couriers. Healthscope is paid for pathology testing services provided to patients by the District Health Boards based on agreed rates under each contract.

(c) Overview of assets and operations

Victoria

15 Private hospitals

New South Wales

11 Private hospitals

ACT

1 Private hospital

Queensland

7 Private hospitals

South Australia

5 Private hospitals

Western Australia

1 Private hospital

Tasmania

2 Private hospitals

Northern Territory

1 Private hospital

New Zealand

24 Pathology laboratories

(d) Healthscope's strategy

Healthscope's strategy and business model are founded on the highest quality of care, delivered efficiently, compassionately, and innovatively.

In FY18 Healthscope introduced a refreshed purpose:

'We work together for better care'

It describes who we are, what we do and why it matters – it is practical and patient centred.

Healthscope's purpose reflects its ongoing partnership and collaboration with other parts of the health system, Healthscope's long-standing commitment to quality clinical outcomes, and the evolving needs and expectations of today's healthcare consumer.

Healthscope's purpose also expresses the company's ambition to be a market leader across four strategic pillars, being: delivering quality clinical outcomes; exceptional patient care; creating extraordinary teams; and continually improving Healthscope's operations for strong market returns.

Healthscope's vision is to be a recognised leader of quality private healthcare services. In delivering this vision, Healthscope knows that when it provides service excellence for medical professionals and their patients, everything else takes care of itself. Healthscope operates in an environment where safety and quality are paramount, comfortably balanced against responsibilities to shareholders and stakeholders.

Healthscope's vision is underpinned by its STAR Values: service excellence; teamwork and integrity; aspiration; and responsibility:

- **Service excellence**: Healthscope aspires to provide the highest standard of healthcare, seeking ways to improve its care, service and delivery;
- **Teamwork and integrity**: Healthscope's people respect each other and openly and honestly communicate, allowing them to work together to achieve its goals;
- **Aspiration**: Creativity, being forward looking and continuously learning are integral to Healthscope's success; and
- **Responsibility**: Healthscope's people take responsibility for their actions and consider their impact on others, making decisions with a balanced focus on financial security and service excellence.

Healthscope has been pursuing a hospital expansion program with a view to delivering accelerated revenue and bottom line growth, and incremental returns on invested capital over time. Investment is targeted towards developments in population growth corridors with ageing population demographics and high levels of private healthcare insurance participation. These investments provide a strong platform for meaningful earnings growth over the medium to longer term. Seven projects are underway or have been completed in New South Wales, Queensland, Victoria and Western Australia which are planned to deliver an additional 530 beds and 28 operating theatres during FY19.

6.2 Healthscope Board and senior management

(a) Healthscope Board

The directors of Healthscope (as at the date of this Booklet) are listed below.

NAME	CURRENT POSITION
Paula Dwyer	Independent Non-Executive Chairman
Gordon Ballantyne	Managing Director and Chief Executive Officer
Antoni (Tony) Cipa	Independent Non-Executive Director
Jane McAloon	Independent Non-Executive Director
Rupert Myer AO	Independent Non-Executive Director
Paul O'Sullivan	Independent Non-Executive Director
Michael Stanford AM	Independent Non-Executive Director
Ziggy Switkowski AO	Independent Non-Executive Director

(b) Healthscope senior management

Healthscope's current senior management comprises the following members.

NAME	CURRENT POSITION
Gordon Ballantyne	Managing Director and Chief Executive Officer
Michael Sammells	Chief Financial Officer
Dr. Victoria Atkinson	Chief Medical Officer
Mark Briscoe	General Manager Operations
Stephen Gameren	Hospitals State Manager NSW & ACT
Richard Herman	Head of Assurance
Cathy Jones	National Manager Quality & Compliance
Bronte Kumm	Hospitals State Manager VIC & TAS
Katherine Paroz	Group Executive Human Resources
Ingrid Player	Group Executive Legal, Governance & Sustainability
Anoop Singh	General Manager International Pathology
Arthur Yannakou	Hospitals State Manager QLD, NT, WA & SA

6.3 Historical financial information

(a) Basis of preparation

This Section 6.3 sets out a summary of historical financial information in relation to Healthscope for the purposes of this Booklet. The financial information has been extracted from the 2017 and 2018 Healthscope Annual Reports and the 2019 Healthscope Half Year Report.

The historical financial information of Healthscope presented is in an abbreviated form and does not contain all the disclosures, presentation, statements, notes or comparatives that are usually provided in an annual report prepared in accordance with the Corporations Act. Healthscope considers that for the purposes of this Booklet the historical financial information presented in an abbreviated form is more meaningful to Healthscope Shareholders.

The full financial accounts of Healthscope, including all notes to those accounts, can be found in:

- the Healthscope Appendix 4D and the 2019 Healthscope Half Year Report (released to ASX on 14 February 2019);
- the Healthscope Appendix 4E and the 2018 Healthscope Annual Report (released to ASX on 21 August 2018); and
- the Healthscope Appendix 4E and the 2017 Healthscope Annual Report (released to ASX on 23 August 2017).

These documents are available on ASX's website (www.asx.com.au) and Healthscope's website (www.healthscope.com.au).

(b) Historical consolidated statement of profit or loss

Continuing operations comprise Hospitals Australia and New Zealand Pathology.

Discontinued operations FY17 comprise Medical Centres (disposed 30 September 2017).

Discontinued operations FY18 comprise Medical Centres (disposed 30 September 2017) and Asian Pathology (disposed 17 August 2018).

	HY19 $'M	FY18 $'M	FY17 $'M
Continuing operations			
Revenue	1,224.6	2,340.8	2,256.5
Employee benefits expense	(556.5)	(1,071.2)	(1,018.7)
Medical and consumable supplies	(152.7)	(289.7)	(272.9)
Prosthetics expenses	(154.2)	(302.1)	(290.8)
Occupancy costs	(33.4)	(72.0)	(60.8)
Service costs	(129.7)	(229.9)	(220.1)
Other income and expense items (Note 1)	(11.0)	(107.2)	(24.7)
Profit before finance costs, income tax, depreciation and amortisation	**187.1**	**268.7**	**368.5**
Depreciation and amortisation	(59.6)	(110.0)	(104.7)
Profit before finance costs and income tax	**127.5**	**158.7**	**263.8**
Net finance costs	(31.6)	(50.8)	(52.7)
Profit before income tax	**95.9**	**107.9**	**211.1**
Income tax expense	(29.0)	(32.1)	(60.0)
Profit for the year from continuing operations	**66.9**	**75.8**	**151.1**
Discontinued operations			
Net profit/(loss) for the year from discontinued operations	169.7	13.6	(40.2)
Net profit for the year	**236.6**	**89.4**	**110.9**
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations	9.7	(7.5)	(1.0)
Gain on cash flow hedges taken directly to equity	7.1	9.3	11.6
Income tax expense relating to other comprehensive income	(2.8)	(4.1)	(3.3)
Other comprehensive income for the year, net of tax	**14.0**	**(2.3)**	**7.3**
Total comprehensive income for the year	**250.6**	**87.1**	**118.2**

(c) Historical consolidated statement of financial position

	HY19 $'M	FY18 $'M	FY17 $'M
Current assets			
Cash and cash equivalents	108.7	156.8	195.9
Trade and other receivables (Note 2)	189.9	543.0	165.8
Consumables supplies at cost	57.2	52.9	54.6
Prepayments	17.2	15.8	16.4
Derivative financial instruments	0.7	–	–
Assets classified as held for sale (Note 3)	15.8	136.9	58.8
Total current assets	**389.5**	**905.4**	**491.5**
Non-current assets			
Other financial assets	8.3	8.2	8.1
Derivative financial instruments	4.7	–	–
Other receivable (Note 2)	–	–	298.3
Investments in joint ventures	0.7	1.2	0.9
Property, plant and equipment	2,197.0	2,235.9	2,077.0
Intangibles (Note 4)	1,783.7	1,642.2	1,739.1
Deferred tax assets	86.3	77.6	86.1
Total non-current assets	**4,080.7**	**3,965.1**	**4,209.5**
Total assets	**4,470.2**	**4,870.5**	**4,701.0**
Current liabilities			
Trade and other payables	258.0	236.7	251.6
Current tax liabilities	23.8	15.3	3.6
Borrowings (Note 5)	417.7	690.4	3.8
Derivative financial instruments	–	5.7	10.7
Other financial liabilities	3.5	3.9	3.6
Provisions	153.3	141.2	123.5
Liabilities directly associated with assets classified as held for sale	–	22.1	6.3
Total current liabilities	**856.3**	**1,115.3**	**403.1**
Non-current liabilities			
Borrowings (Note 5)	903.3	1,224.9	1,802.4
Derivative financial instruments	–	22.0	23.8
Other payables	20.4	22.5	23.8
Deferred tax liabilities	62.9	49.6	49.2
Provisions	88.8	90.6	31.0
Total non-current liabilities	**1,075.4**	**1,409.6**	**1,930.2**
Total liabilities	**1,931.7**	**2,524.9**	**2,333.3**
Net assets	**2,538.5**	**2,345.6**	**2,367.7**
Equity			
Issued capital	2,714.7	2,713.4	2,708.2
Reserves	(231.6)	(247.5)	(247.2)
Retained earnings/(Accumulated losses)	55.4	(120.3)	(93.3)
Total equity	**2,538.5**	**2,345.6**	**2,367.7**

(d) Historical consolidated statement of cash flows

	HY19 $'M	FY18 $'M	FY17 $'M
Continuing and Discontinued Operations			
Cash flows from operating activities			
Receipts from customers	1,238.7	2,436.6	2,410.7
Payments to suppliers and employees	(1,020.3)	(2,068.7)	(1,992.5)
Cash generated from operations	**218.4**	**367.9**	**418.2**
Interest received	2.1	3.1	3.7
Interest and costs of finance paid	(28.6)	(53.8)	(54.1)
Income tax paid	(18.4)	(15.4)	(13.7)
Other income and expense items	(16.4)	(18.4)	(23.1)
Net cash provided by operating activities	**157.1**	**283.4**	**331.0**
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment	0.1	0.8	4.0
Proceeds from disposal of operations	(2.7)	55.4	–
Payments for property, plant and equipment	(28.1)	(79.2)	(75.8)
Brownfield developments	(71.2)	(157.7)	(179.7)
Northern Beaches facility development	(80.5)	(154.4)	(309.5)
Payments for operating rights	–	–	(1.1)
Net payments for business combinations	268.2	(0.2)	(0.1)
Net cash used in investing activities	**85.9**	**(335.3)**	**(562.2)**
Cash flows from financing activities			
Proceeds from bank borrowings	65.0	–	–
Proceeds from project finance (Northern Beaches)	–	113.1	280.9
Proceeds from NSW State Government (Note 2)	398.4	–	–
Repayment of project finance (Note 5)	(690.0)	–	–
Net proceeds from receivables securitisation	(3.9)	20.0	0.8
Dividend reinvested through Dividend Reinvestment Plan	–	5.2	2.1
Finance leasing	(1.2)	(5.2)	(6.5)
Dividends paid	(59.6)	(116.4)	(128.5)
Facility fees paid	(0.1)	(0.3)	(0.1)
Net cash provided by finance activities	**(291.3)**	**16.4**	**148.7**
Net increase in cash and cash equivalents	**–**	**–**	**–**
Net decrease in cash and cash equivalents	**(48.3)**	**(35.5)**	**(82.5)**
Cash and cash equivalents at the beginning of the year	156.8	195.9	278.8
Cash and cash equivalents transferred to assets classified as held for sale	–	(3.7)	(0.2)
Effects of exchange rate changes on the balance of cash held in foreign currencies	0.2	0.1	(0.2)
Cash and cash equivalents at the end of the year	**108.7**	**156.8**	**195.9**

Notes to financial statements

Note 1. Other income and expense items

	HY19 $'M	FY18 $'M	FY17 $'M
Closure and restructure costs (i)	2.4	24.1	2.4
Loss relating to appointment of liquidators for a supplier group (ii)	–	0.2	5.7
Hospital commissioning costs (iii)	8.6	1.6	2.7
Acquisitions and tender costs (iv)	–	–	0.2
Impairment of hospital assets (v)	–	5.8	11.5
Onerous leases and related costs (vi)	(1.0)	62.5	2.2
Bid assessment costs (vii)	1.0	13.0	–
Total	**(11.0)**	**(107.2)**	**(24.7)**

(i) Closure costs relating to Geelong Private Hospital and Cotham Private Hospital (FY18) and Mosman Private (HY19) as well as restructure costs incurred in a general reorganisation within the Hospital Australia business.

(ii) Write-off of deposit paid to an insolvent supplier for the maintenance contract of theatre equipment (FY18) and costs written off in relation to stock in transit and deposits paid for the purchase of theatre equipment from a supplier group which entered into liquidation (FY17). These costs have not been recovered.

(iii) Costs incurred in relation to pre-opening of the Northern Beaches Hospital, commissioning of the completed brownfield projects at Brisbane Private Hospital and Sunnybank Private Hospital (FY18, HY19) and commissioning of Holmesglen Private Hospital (FY17).

(iv) Professional costs incurred in relation to the Maitland Hospital tender (FY17).

(v) Impairment of leasehold improvements and fittings held by the Frankston Private Hospital (FY18) and the impairment of plant and equipment held by the Geelong Private Hospital (FY17).

(vi) The FY18 expense relates to recognition of onerous lease provisions for Frankston Private Hospital property leases. In HY19 this cost primarily relates to the reversal of onerous and make good provisions previously provided for the hospital leases at Pacific Private Hospital upon re-assignment of these leases.

(vii) Financial advisory fees for the assessment of unsolicited and conditional acquisition proposals.

Note 2. Northern Beaches Hospital receivable

At 30 June 2017, other receivables (non-current) balance included a receivable from the NSW State Government of $298.3 million in relation to the Northern Beaches Hospital.

At 30 June 2018, this amount, along with additional accrued receivable amounts ($376.5 million), was reclassified to current trade and other receivables due to the scheduled timing of receipt i.e. within 12 month, upon the NSW government review process following the commissioning of the Northern Beaches Hospital, scheduled for late 2018.

This amount was received by the NSW State Government in the period ending December 2018.

Note 3. Assets classified as held for sale

The following assets were classified as held for sale in the periods presented:

- FY17: Medical Centres business; sale completed 30 September 2017.
- FY18: Asian Pathology; sale completed 17 August 2018 and Como Private Hospital; sale completed July 2018 and Cotham Private Hospital; sale completed April 2019.
- HY19: Como Private Hospital; sale completed July 2018 and Cotham Private Hospital; sale completed April 2019.

Note 4. Intangibles

The key movements between the periods presented is as follows:

- FY17 to FY18: Decrease in intangible balance driven by reclassification of $84.5 million of goodwill related to Asian Pathology to held for sale.
- FY18 to HY19: Increase of $138.4 million representing the shared portion of the co-located Northern Beaches Hospital, which has been transferred from Capital Works in Progress to intangible assets reflecting a 'right to use the assets' over the term of the Public-Private Partnership arrangement with the NSW Government.

Note 5. Borrowings

At 31 December 2018, there was a reclassification of bank loans of $415.0 million from non-current to current due to the maturity date of 31 October 2018. A decrease in current borrowings resulted from the repayment of the project finance of $690.0 million with the receipt of the NSW State Government capital payment.

(e) Material changes in financial position (since 31 December 2018)

Other than:

- the accumulation of earnings in the ordinary course of trading; and
- as disclosed in this Booklet or as otherwise disclosed to ASX by Healthscope,

within the knowledge of the Healthscope Board, the financial position of Healthscope has not materially changed since 31 December 2018, being the date of the Healthscope financial statements for the half year ended 31 December 2018 (released to ASX on 14 February 2019).

Healthscope Shareholders may obtain a copy of Healthscope's 2019 Half Year Report (including its audited financial statements in respect of the half year ended 31 December 2018) from ASX's website (www.asx.com.au), from Healthscope's website (www.healthscope.com.au) or by calling the Healthscope Shareholder Information Line on 1300 375 694 (within Australia) or +61 3 9415 4320 (outside Australia).

Healthscope has revised its outlook for FY19 and is now targeting Hospital Operating EBITDA in the range of $362 million to $376 million, representing growth of 5 – 9% as compared to FY18 Hospital Operating EBITDA of $344.7 million. Healthscope's guidance update primarily reflects:

- the initial prioritisation of public patient services, relative to private patient services, in the ramp up of Northern Beaches Hospital; and
- continuing soft private hospital market conditions.

Further information about Healthscope's financial performance is set out in the Independent Expert's Report which forms Annexure A to this Booklet.

6.4 Capital structure

As at the date of this Booklet, the capital structure of Healthscope is as follows:

TYPE OF SECURITY	NUMBER ON ISSUE
Healthscope Shares	1,741,161,795
Performance Rights granted under Healthscope's equity incentive plan	8,990,841

Additional details about Healthscope's equity incentive plan are set out in Section 13.6.

6.5 Substantial holders in Healthscope Shares

On 2 April 2019, the AustralianSuper Pty Ltd as trustee for AustralianSuper disclosed to ASX that it had a Relevant Interest in 276,211,611 Healthscope Shares. This represents voting power of 15.86% in Healthscope.

As at 16 April 2019, Deutsche Bank AG and its related bodies corporate disclosed to ASX that it had a Relevant Interest in 267,555,696 Healthscope Shares. This represents voting power of 15.37% in Healthscope.

As at 16 April 2019, NWH REIT and other entities affiliated with NWH REIT had a Relevant Interest in 233,528,600 Healthscope Shares.[35] This represents voting power of 13.41% in Healthscope.[36]

As at 16 April 2019, Brookfield BidCo, Brookfield LP and other entities affiliated with them had a Relevant Interest in 233,528,600 Healthscope Shares. Those are the same parcel of shares in which NWH REIT has a Relevant Interest. This represents voting power of 13.41% in Healthscope.

35. See Section 13.7 for further information regarding the nature of NWH REIT's Relevant Interest.
36. NWH REIT is not the registered holder of Healthscope Shares, but its subsidiary (NWH) has the right to acquire up to 13.41% of Healthscope Shares under a forward derivative contract entered into with Deutsche Bank AG, Sydney Branch (**DB**) on 8 May 2018. Under this contract, NWH REIT is taken to have a Relevant Interest in up to 13.41% of Healthscope Shares in which DB has a Relevant Interest under section 608(8) of the Corporations Act. Brookfield BidCo may be taken to have a Relevant Interest in the same Healthscope Shares in which NWH REIT has a Relevant Interest under section 608(8) of the Corporations Act.

6.6 Publicly available information about Healthscope

Healthscope is a listed disclosing entity for the purpose of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a company listed on ASX, Healthscope is subject to Listing Rules which require (subject to some exceptions) continuous disclosure of any information that Healthscope has that a reasonable person would expect to have a material effect on the price or value of Healthscope Shares.

ASX maintains files containing publicly disclosed information about all entities listed on ASX. Information disclosed to ASX by Healthscope is available on ASX's website at www.asx.com.au.

In addition, Healthscope is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by Healthscope may be obtained from an ASIC office.

Healthscope Shareholders may obtain a copy of Healthscope's 2019 Half Year Report (including its audited financial statements in respect of the half year ended 31 December 2018) from ASX's website (www.asx.com.au), from Healthscope's website (www.healthscope.com.au) or by calling the Healthscope Shareholder Information Line on 1300 375 694 (within Australia) or +61 3 9415 4320 (outside Australia).

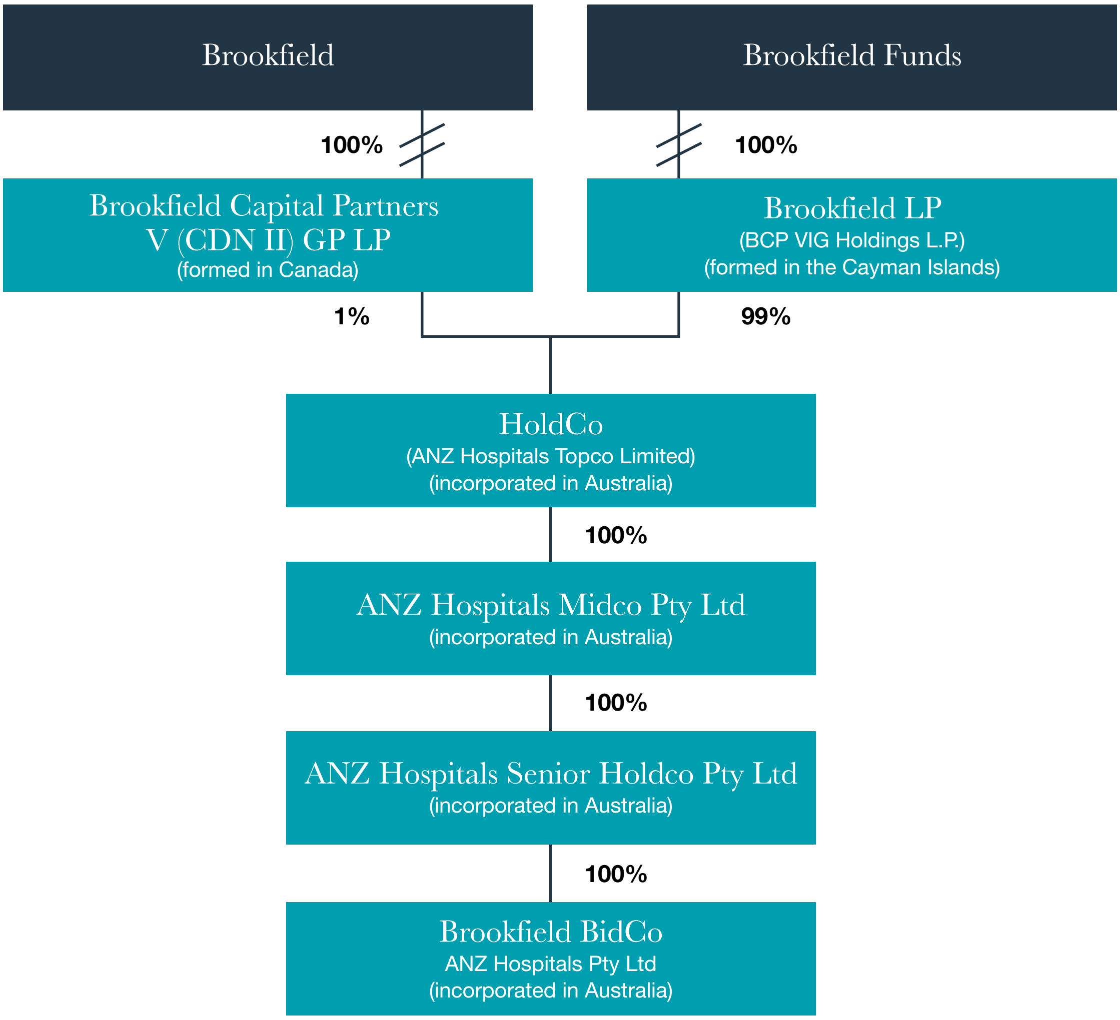
7. Information on Brookfield

This Section 7 has been prepared by Brookfield BidCo and Brookfield LP. The information concerning Brookfield and the views and opinions contained in this Section 7 are the responsibility of Brookfield BidCo and Brookfield LP.

7.1 Ownership structure

(a) Before implementation of the Scheme

BCP VIG Holdings L.P. (**Brookfield LP**), a foreign limited partnership, directly owns 99% of HoldCo, and Brookfield Capital Partners V (CDN II) GP LP (formed in Canada) directly owns 1% of HoldCo. HoldCo is an unlisted Australian incorporated public company. ANZ Hospitals Topco Limited wholly owns ANZ Hospitals Pty Ltd (**Brookfield BidCo**), an Australian incorporated proprietary company limited by shares, through various other wholly owned entities as illustrated in the group structure diagram below.



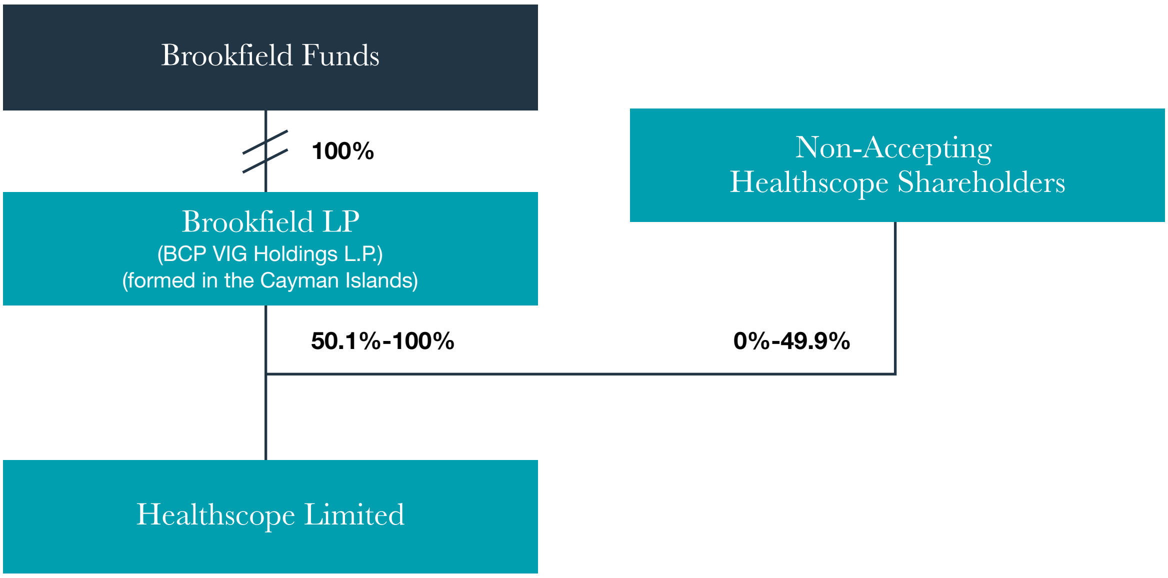
The Brookfield Funds comprise a series of foreign limited partnerships which are managed and controlled by subsidiaries of Brookfield Asset Management Inc. (**Brookfield Asset Management**). Brookfield Asset Management is listed on the New York Stock Exchange (NYSE:BAM), the Euronext (EURONEXT:BAMA) and the Toronto Stock Exchange (TSX:BAM.A).

(b) After implementation of the Scheme

If the Scheme is implemented, Brookfield LP together with Brookfield Capital Partners V (CDN II) GP LP (formed in Canada), certain passive investors, including investors in the Brookfield Funds and Scheme Shareholders who validly make a Scrip Election (provided that the Minimum Scrip Threshold is met), will directly and wholly own HoldCo. HoldCo will wholly own Healthscope through various other wholly owned entities (including Brookfield BidCo).

(c) After completion of the Takeover Offer

If the Takeover Offer becomes unconditional, Brookfield LP and certain passive investors, including investors, in the Brookfield Funds, together with Healthscope Shareholders that did not accept the Takeover Offer (**Non-Accepting Shareholders**), will directly own Healthscope. Depending on the number of acceptances by Healthscope Shareholders of the Takeover Offer, Brookfield LP may own between 50.1% and 100% of the Healthscope Shares after the Takeover Offer Period and Healthscope will become a wholly or partly owned subsidiary of Brookfield LP, as illustrated in the group structure diagram below.



If Brookfield LP acquires 90% or more of the Healthscope Shares pursuant to the Takeover Offer, it will be entitled to proceed to the compulsory acquisition of any outstanding Healthscope Shares and may give notices to compulsorily acquire any outstanding Healthscope Shares in accordance with the Corporations Act.

7.2 Overview of Brookfield

Brookfield is a Toronto, Canada based global alternative asset manager offering investment strategies in property, infrastructure, renewable energy, private equity and public securities to institutional investors. Brookfield is one of the largest global managers of real assets and has significant funding capacity, with approximately US$350 billion of assets under management.

Brookfield is present in 30 countries across 5 continents with over 750 investment professionals and more than 100,000 operating employees who actively manage high-quality assets that form the backbone of today's global economy.

In Australia, a Brookfield operating company of particular relevance to this transaction is Multiplex – a leading construction company with over 1,500 employees. Brookfield will seek to utilise the wide experience that Multiplex has in the construction industry around Australia under the ownership of Healthscope. Brookfield also has substantial infrastructure and property assets in Australia.

Further information on Brookfield is available at www.brookfield.com.

7.3 Overview of HoldCo

(a) General

HoldCo is a special purpose company that was incorporated for the purposes of:

- indirectly holding all the shares in Brookfield BidCo; and
- issuing HoldCo Class B Shares to Healthscope Shareholders who make a Scrip Election.

HoldCo is an unlisted, Australian public company that has not commenced trading or conducted business, and does not own any assets and or liabilities, other than in connection with its incorporation, the entry into transaction documents in connection with the Scheme and the taking of such other actions as are necessary to facilitate the Scheme (including actions in relation to the incurrence of costs, fees and expenses in connection with the Scheme).

The affairs of HoldCo are regulated under the HoldCo Constitution, the Nominee Deed and the Shareholders Agreement. Full copies of the HoldCo Constitution, the Nominee Deed and the Shareholders Agreement were lodged with ASX on or about 16 April 2019 and may be obtained by calling the Healthscope Shareholder Information Line on 1300 375 694 (within Australia) or +61 3 9415 4320 (outside Australia) or from Healthscope's website: http://www.healthscope.com.au/investor-centre or from ASX's website: www.asx.com.au. A summary of key rights and liabilities attaching to HoldCo Class B Shares under the HoldCo Constitution and the Shareholders Agreement are set out in Section 10.1.

(b) Current share capital structure of HoldCo

As at the date of this Booklet, Brookfield LP directly owns 99% of the shares in HoldCo, and Brookfield Capital Partners V (CDN II) GP LP (formed in Canada) directly owns 1% of the shares in HoldCo.

(c) Illustrative share capital structure of HoldCo at the Implementation Date

If the Scheme is implemented, Healthscope Shareholders will be entitled to receive either:

- the Scheme Cash Consideration of $2.465 cash per Healthscope Share held as at the Scheme Record Date; or
- if they make a Scrip Election and other conditions are satisfied, the Scrip Consideration (see Section 4.2(b) for further details).

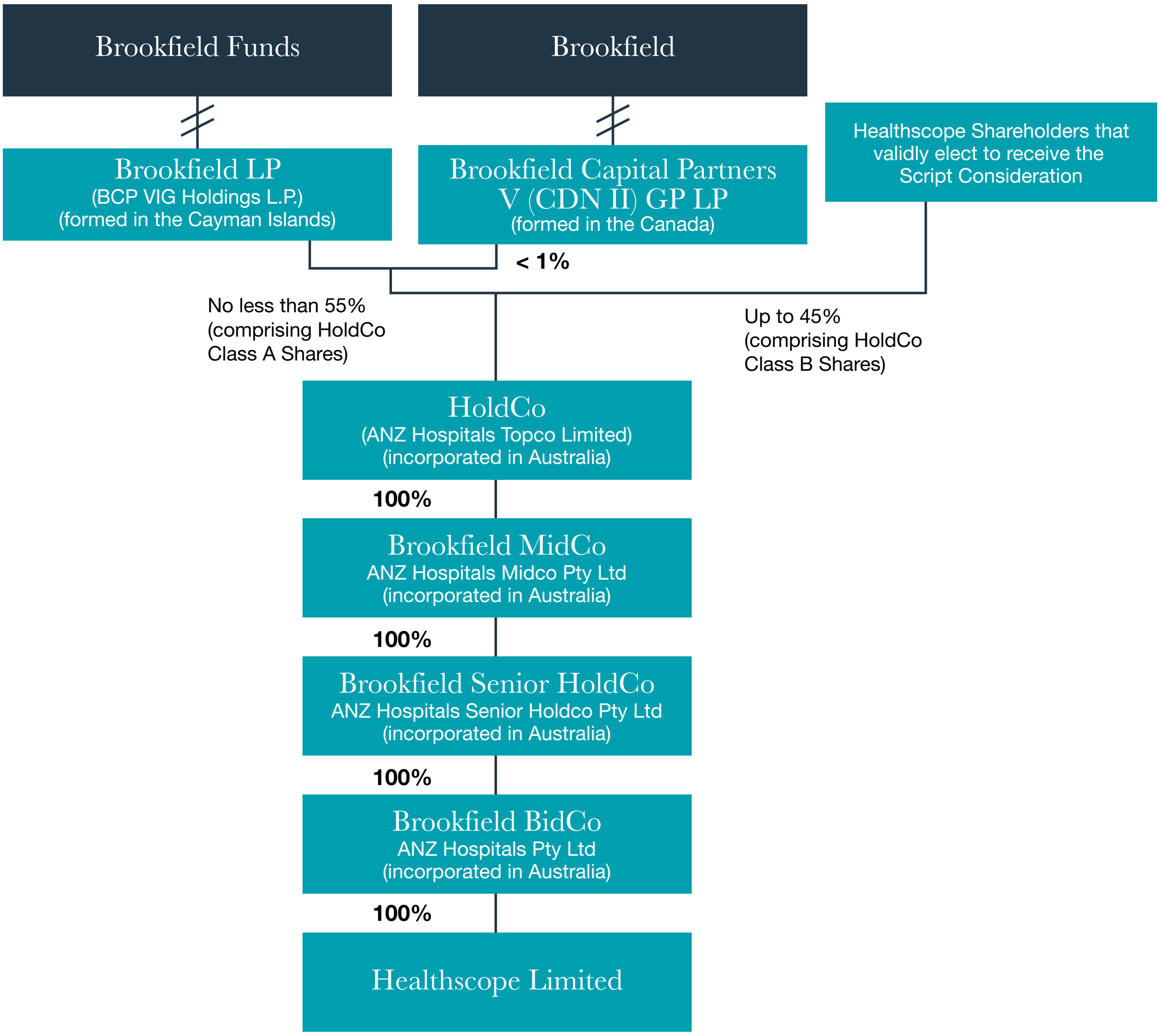
If the Scheme is implemented, Healthscope Shareholders will receive the Scheme Cash Consideration unless they make a Scrip Election.

Healthscope Shareholders that make a Scrip Election will receive, subject to the Scaleback Arrangements, 2.465 HoldCo Class B Shares for each Healthscope Share they hold on the Scheme Record Date. A summary of the rights and liabilities attaching to the HoldCo Class B Shares is contained in Section 10.1.

Brookfield LP intends that it, together with Brookfield Capital Partners V (CDN II) GP LP (formed in Canada) and certain passive investors, including investors in the Brookfield Funds, will own no less than 55% of HoldCo on implementation of the Scheme. There will be a scaleback if the aggregate amount of Scrip Elections will result in Scheme Shareholders owning more than 45% of HoldCo, such that Brookfield LP, together with Brookfield Capital Partners V (CDN II) GP LP (formed in Canada) and certain passive investors, including investors in the Brookfield Funds, will own no less than 55% of HoldCo on implementation of the Scheme. The scaleback will be conducted on a pro rata basis.

If the Scheme is implemented, HoldCo will have the two classes of shares on issue:

- HoldCo Class A Shares; and
- HoldCo Class B Shares.



7.4 Overview of Brookfield BidCo, Brookfield MidCo and Brookfield Senior HoldCo

Brookfield BidCo is a special purpose company that was incorporated for the purpose of holding 100% of the shares in Healthscope post implementation of the Scheme. Brookfield BidCo is an unlisted, Australian proprietary company that has not commenced trading or conducted business, and does not own any assets and or liabilities, other than in connection with its incorporation, the entry into transaction documents in connection with the Scheme and the taking of such other actions as are necessary to facilitate the Scheme (including actions in relation to the incurrence of costs, fees and expenses in connection with the Scheme).

Brookfield MidCo is a special purpose company that was incorporated for the purpose of holding 100% of the shares in Brookfield Senior HoldCo and Brookfield Senior HoldCo is a special purpose company that was incorporated for the purpose of holding 100% of the shares in Brookfield BidCo. Brookfield MidCo and Brookfield Senior HoldCo are both unlisted, Australian proprietary companies that have not commenced trading or conducted business, and do not own any assets and or liabilities, other than in connection with their incorporation, the entry into transaction documents in connection with the Transaction and the taking of such other actions as are necessary to facilitate the Transaction (including actions in relation to the incurrence of costs, fees and expenses in connection with the Transaction).

7.5 Director profiles

(a) HoldCo Directors

As at the date of this Booklet, the HoldCo directors are Leonard Chersky, Peter Gordon, Gregory Horan, Sophia Rihani and Michael Horowitz.

The profiles of these directors are set out below:

NAME	PROFILE
Leonard Chersky	Leonard Chersky joined Brookfield in 2013 and is a Managing Partner of Brookfield. Mr Chersky has over 20 years of commercial and investment experience, holding various senior positions in funds management and financial services organisations as well as executive roles in listed organisations in Australia. Mr Chersky holds a Bachelor of Science in Mathematics and a Bachelor of Law, both from the University of New South Wales.
Peter Gordon	Peter Gordon is a Managing Partner and Chief Operating Officer in Brookfield's Business Services and Industrials Group, responsible for the financial and operating performance of the group's broad portfolio of companies. Mr Gordon has over 35 years of industry experience in operations and finance within Brookfield companies and has led numerous operational turnarounds. Mr Gordon holds a Bachelor of Engineering from Queen's University and an MBA from the University of British Columbia. He also serves on the board of St Michael's Hospital in Toronto, Canada.
Gregory Horan	Gregory Horan joined Brookfield in 2017 and is a Senior Vice President at Brookfield. Mr Horan is the head of Business Services and Industrials Group for the Asia Pacific region. Mr Horan has over 15 years of experience in operational focused roles and was the General Manager of Dalrymple Bay Coal Terminal Management. Mr Horan holds a Bachelor of Mechanical Engineering and Business from Central Queensland University.
Sophia Rihani	Sophia Rihani joined Brookfield in 2013 and is a Senior Vice President at Brookfield. Ms Rihani is the head of Business Services and Industrials Group Transaction execution for the Asia Pacific region. Ms Rihani has over 11 years of experience in negotiation and execution of large scale complex transactions spanning public and private M&A, capital raisings, restructures, joint ventures and major projects. Prior to joining Brookfield, Ms Rihani worked as a solicitor at King & Wood Mallesons in their Sydney and Perth offices. Ms Rihani holds a Bachelor of Arts, Laws and Master of Laws from the Australian National University and Graduate Certificate in Finance from Macquarie University.
Michael Horowitz	Michael Horowitz is a Senior Vice President in Brookfield's Business Services and Industrials Group, responsible for investment origination, analysis and execution in North America. Mr Horowitz covers a variety of industries with a particular focus on Brookfield Private Equity's global Healthcare initiatives. Mr Horowitz has 13 years of finance and investing experience. Prior to joining Brookfield in 2011, he held a number of positions within Citigroup's corporate banking and workout groups. Mr Horowitz holds a Bachelor of Science in Economics from Duke University.

(b) Brookfield BidCo, Brookfield MidCo and Brookfield Senior HoldCo Directors

As at the date of this Booklet, the directors of Brookfield BidCo, Brookfield MidCo and Brookfield Senior HoldCo are Leonard Chersky, Peter Gordon, Gregory Horan, Sophia Rihani and Michael Horowitz. See Section 7.5(a) for the profiles of these directors.

7.6 Additional information of Brookfield, Brookfield LP, HoldCo and Brookfield BidCo

(a) Interests in Healthscope Shares

As at 16 April 2019:

- the voting power of Brookfield BidCo, Brookfield LP and their associates in Healthscope is 13.41%; and
- Brookfield BidCo, Brookfield LP and their associates have no Relevant Interest in any Healthscope Shares or any other class of shares of Healthscope apart from 13.41% of Healthscope Shares which they may have a Relevant Interest in under section 608(8) of the Corporations Act having regard to the commitments made by NWH REIT in the Process Deed and having regard to the forward derivative contract NWH entered into with Deutsche Bank AG, Sydney Branch on 8 May 2018.

(b) Dealings in Healthscope Shares in the previous four months

None of Brookfield BidCo or Brookfield LP nor any of their associates has provided, or agreed to provide, consideration for Healthscope Shares under a purchase or agreement during the period of four months before the date of this Booklet except for the Scheme Consideration which Brookfield BidCo and HoldCo have agreed to provide under the Scheme (as reflected in the Implementation Deed and the Deed Poll) or the Takeover Consideration which Brookfield LP has agreed to provide under the Takeover Offer.

(c) No inducing benefits given during previous four months

In the opinion of Brookfield BidCo or Brookfield LP, none of Brookfield BidCo or Brookfield LP nor any of their associates, during the period of four months before the date of this Booklet, gave, or offered to give or agreed to give, a benefit to another person which was likely to induce the other person, or an associate, to:

- vote in favour of the Scheme;
- accept the Takeover Offer; or
- dispose of Healthscope Shares,

and which benefit was not offered to all Healthscope Shareholders under the Scheme or the Takeover Offer (as applicable).

(d) No escalation agreements

None of Brookfield BidCo or Brookfield LP nor any of their associates has entered into any escalation agreement that is prohibited by section 622 of the Corporations Act.

(e) Benefits to Healthscope Directors

Neither Brookfield BidCo nor Brookfield LP will be making any payment or giving any benefit to any current Healthscope Director as compensation or consideration for, or otherwise in connection with, their resignation from the Healthscope Board, if the Scheme becomes effective or the Takeover Offer becomes unconditional and the Healthscope Board is accordingly reconstituted, other than as required under the relevant person's employment contract with Healthscope.

(f) No interests of Brookfield LP, HoldCo and Brookfield BidCo directors in Healthscope Shares

As at 16 April 2019, none of Brookfield LP, HoldCo and Brookfield BidCo, nor any of their directors has a Relevant Interest in any Healthscope Shares, apart from 13.41% of Healthscope Shares which Brookfield LP, HoldCo and Brookfield BidCo may have a Relevant Interest in under section 608(8) of the Corporations Act having regard to the commitments made by NWH REIT in the Process Deed and having regard to the forward derivative contract NWH entered into with Deutsche Bank AG, Sydney Branch on 8 May 2018.

(g) No other agreements or inducements

None of Brookfield LP or the HoldCo Group Members has made any agreement or arrangement with a Healthscope Director in connection with or conditional on the outcome of the Scheme or the Takeover Offer.

(h) Disclosure of interests and fees of certain people

Other than as set out in this Booklet or pursuant to existing employment agreements, consulting arrangements, directorships (including, in the case of the directors of the HoldCo Group, arrangements for staff participation in HoldCo) no:

- directors or proposed directors of the HoldCo Group;
- managers or proposed managers of Brookfield LP; or
- person named in this Booklet as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Booklet,

holds, or held at any time during the last two years, any interests in:

- the formation or promotion of Brookfield LP or the HoldCo Group Members;
- property acquired or proposed to be acquired by Brookfield LP or a HoldCo Group Member in connection with its formation or promotion or the offer of HoldCo Class B Shares under the Scheme; or
- the offer of HoldCo Class B Shares under the Scheme.

(i) Fees and benefits

Other than as set out in this Booklet or pursuant to existing employment agreements, consulting arrangements, directorships (including, in the case of the directors of the HoldCo Group, arrangements for staff participation in HoldCo), no one has paid or agreed to pay any amount, or given or agreed to give any benefit to a director, or proposed director, of the HoldCo Group:

- to induce them to become, or to qualify as, a director of the HoldCo Group; or
- for services provided in connection with the formation or promotion of the HoldCo Group or the offer of HoldCo Class B Shares under the Scheme.

8. Sale and Leaseback of Hospital Properties, Special Dividend, Capital Return and other intentions

This Section 8 sets out certain key information about the Healthscope Group after control of Healthscope passes to Brookfield. It includes information on:

- the proposed sale and leaseback of Healthscope's hospital properties, which is conditional on the Scheme becoming effective or the Takeover Offer becoming unconditional;
- the Special Dividend and Capital Return to be paid to Healthscope Shareholders if the Takeover Offer becomes unconditional and certain other conditions are satisfied; and
- the current intentions of Brookfield BidCo and Brookfield LP in relation to the Healthscope Group if the Scheme is implemented or the Takeover Offer becomes unconditional.

This Section 8 has been prepared by Brookfield BidCo and Brookfield LP.

8.1 Sale and Leaseback of Hospital Properties

(a) Introduction

On 21 August 2018, Healthscope announced to ASX that it had completed a strategic review of its freehold hospital property portfolio. The review identified an opportunity for Healthscope to realise value for shareholders by undertaking a sale and leaseback of the hospital properties utilising a trust which would be 51% owned by Healthscope and up to 49% owned by a property investor.

During the discussions between Healthscope and Brookfield which led to the Transaction being proposed, Brookfield indicated to Healthscope that a 100% sale and leaseback of the relevant properties would form part of Brookfield's binding proposal.

Accordingly, Healthscope and Brookfield agreed to each conduct concurrent and independent processes in relation to a sale and leaseback of the hospital properties. This involved Healthscope continuing the process it commenced following completion of the strategic review, and Brookfield undertaking a separate comprehensive and competitive process.

Ultimately this resulted in Healthscope entering into the Property Commitment Deeds at the same time as entering into the Implementation Deed with Brookfield BidCo. Pursuant to the Property Commitment Deeds, on certain conditions:

- Healthscope has certain obligations to procure the sale of 22 freehold hospital properties for approximately $2.5 billion to two North American real estate groups (MPT and NWH). Of the 22 freehold hospital properties, 11 are to be acquired by MPT (or its nominated affiliates) and 11 are to be acquired by NWH (or its nominated affiliates). Completion of the sale and leaseback is conditional on either the Scheme becoming effective or the Takeover Offer becoming unconditional; and
- prior to the sale of the relevant properties being effected:
  - Healthscope (as tenant) must enter into separate leases with each Healthscope Property Seller (as landlord) over each hospital property; and
  - Healthscope (as tenant) must sublease the relevant hospitals to the relevant Healthscope Property Operator (as sub-tenant).

The lease arrangements mean that each Healthscope Property Operator will continue to operate its relevant Portfolio Properties after all Portfolio Properties are sold.

A key consideration for Brookfield in selecting a property investor was the capitalisation rate that was proposed. Both MPT and NWH submitted proposals that provided for a more favourable capitalisation rate compared to other interested parties. Accordingly, the decision was made to shortlist both MPT and NWH to maintain competitive tension and minimise execution risk in case one investor dropped out for any reason.

The process for preparing the transaction documents in relation to the sale and leaseback involved Brookfield and its advisers negotiating substantially the full terms with MPT and its advisers. Once the full terms were substantially agreed, a proposal was put to NWH to enter into the sale and leaseback arrangement for half of the assets on the same terms. In the end, this resulted in the terms for MPT and NWH being substantially similar.

As a result, Brookfield believes:

- the proposed sale terms for the assets represent full and fair value for the assets; and
- all the terms (including the lease terms) were agreed between the parties on an arm's length basis.

As part of the arrangements, NWH REIT (the holder of a Relevant Interest in 13.41% of Healthscope Shares as at 16 April 2019) has agreed that, subject to certain terms and conditions, it will procure that the Relevant Healthscope Shares are voted in favour of the Scheme and the Capital Return Resolution and tendered into the Takeover Offer. See Section 13.7 for further information on the rights and obligations of NWH REIT (including NWH REIT's voting commitment) and MPT as set out in the Process Deed and Bilateral Deed, respectively.

Given NWH's position, the Independent Expert was asked to opine on certain aspects of the sale and leaseback arrangements with NWH. The Independent Expert has concluded that these arrangements do not confer a 'net benefit' on NWH for the purposes of Guidance Note 21: *Collateral Benefits*. The reasons for that opinion are summarised below:

- the sale and leaseback is a valid commercial transaction. Sale and leasebacks are a common funding technique (including in acquisitions) and NWH is a 'natural' acquirer of the hospital property assets;
- the sale and leaseback is the culmination of a formal competitive process involving a number of parties and extensive negotiations;
- MPT, a major United States based healthcare property owner, is buying the other half of the property portfolio on essentially identical terms to NWH (including cap rate,[37] indexation, term, extension options, brownfield funding and master lease documentation). MPT is an arm's length party and Brookfield has no reason to provide MPT with favourable terms inconsistent with standard market parameters or practice;
- the quantum of rental payments are broadly in line with market norms, if not at the upper end, and provide little or no scope for reversionary benefits to NWH;
- the implied cap rate[37] of 5% is in line with comparable transactions allowing for the attributes of the NWH Portfolio Properties; and
- the other terms of the lease arrangement do not confer any material benefits to NWH compared to market norms.

A copy of the Independent Expert's Report is included in Annexure A.

Healthscope Shareholders should consider the implications of the sale and leaseback arrangements in this Section 8.1 when making a decision on whether to vote in favour of the Scheme, whether to make a Scrip Election, and whether to accept the Takeover Offer.

Further information regarding the sale and leaseback of the hospital properties is set out below.

(b) Key terms

Under the terms of the sale and leaseback of the hospital properties:

- Healthscope has agreed to procure the sale, and MPT has agreed to procure the purchase, of the following hospital properties for a purchase price of (in aggregate) approximately $1.2 billion:

  (1) Nepean Private Hospital;

  (2) Campbelltown Private Hospital;

  (3) Sydney Southwest Private Hospital;

  (4) Sunnybank Private Hospital;

  (5) Pine Rivers Private Hospital;

  (6) The Geelong Clinic;

  (7) Northpark Private Hospital;

  (8) The Victorian Rehabilitation Clinic;

  (9) Mount Hospital;

  (10) Knox Private Hospital; and

  (11) Ringwood Private Hospital,

  (together, the **MPT Portfolio Properties**).

  Each MPT Portfolio Property is to be sold subject to a lease to Healthscope, with the commencing annual rent payable by Healthscope under its leases of the MPT Portfolio Properties being (in aggregate) approximately $60 million; and

37. Cap rate (or yield) is a standard property industry term calculated by dividing annualised (or passing) rental income by the value of the property.

- Healthscope has agreed to procure the sale, and NWH has agreed to procure the purchase, of the following hospital properties for a purchase price of (in aggregate) approximately $1.3 billion:
  (1) Norwest Private Hospital;
  (2) The Hills Private Hospital;
  (3) Darwin Private Hospital;
  (4) Griffith Rehabilitation Hospital;
  (5) The Melbourne Clinic;
  (6) John Fawkner Private Hospital;
  (7) The Sydney Clinic;
  (8) Lady Davidson Private Hospital;
  (9) Hunter Valley Rehabilitation Centre;
  (10) Brisbane Private Hospital; and
  (11) Newcastle Private Hospital,
  (together, the **NWH Portfolio Properties**).

  Each NWH Portfolio Property is to be sold subject to a lease to Healthscope, with the commencing annual rent payable by Healthscope under its leases of the NWH Portfolio Properties being (in aggregate) approximately $63 million.

MPT and NWH REIT (each a **Property Investor Guarantor**) will each guarantee the performance of the MPT and NWH buyers respectively in connection with the sale contracts for the relevant Portfolio Properties.

Each Property Investor may nominate an affiliate of that Property Investor to enter into each Sale Contract for the Portfolio Properties.

(c) Summary of the Sale Contracts and Sale Contracts Umbrella Deed

Each Healthscope Property Seller will enter into:

- separate sale contracts for each Portfolio Property with the buyer of each Portfolio Property and the relevant Property Investor Guarantor (**Sale Contracts**);
- an umbrella deed in respect of all of the Sale Contracts for the MPT Portfolio Properties with all buyers of the MPT Portfolio Properties and MPT (as the relevant Property Investor Guarantor); and
- an umbrella deed in respect of all of the Sale Contracts for the NWH Portfolio Properties with all buyers of the NWH Portfolio Properties and NWH REIT (as the relevant Property Investor Guarantor),

  (each, a **Sale Contracts Umbrella Deed**).

The key terms of the Sale Contracts and the Sale Contracts Umbrella Deed are set out below:

Conditions precedent

Completion under each Sale Contract is subject to either the Scheme becoming effective or the Takeover Bid becoming unconditional.

Completion

The scheduled date for completion will be:

- in the context of a Scheme, the next Business Day after the Implementation Date; and
- in the context of a Takeover Bid, the date notified by the Healthscope Property Seller as the settlement date (which cannot be less than 5 Business Days from the date of the notice) and such notice must be given within 2 Business Days after the date the Takeover Bid has become unconditional.

Sale of the Portfolio Property

Each Portfolio Property will be sold on an 'as is, where is' basis and free of all encumbrances (other than certain specified encumbrances and the relevant Lease).

No interdependence and delay

Where the Healthscope Property Seller is not able to complete a Sale Contract due to a caveat, encumbrance or other circumstance beyond its control, the Healthscope Property Seller can delay settlement for the affected Portfolio Property (a **Deferred Portfolio Property**).

8. Sale and Leaseback of Hospital Properties, Special Dividend, Capital Return and other intentions *cont.*

All Sale Contracts which are capable of completion on the scheduled date for completion will complete on that date (even if completion under some of the other Sale Contracts is delayed).

Guarantee

The Property Investor Guarantor guarantees the performance of the buyer under each of the Sale Contracts.

(d) Summary of the Leases and Portfolio Leases Umbrella Deed

Each Healthscope Property Seller will enter into:

- a lease for each Portfolio Property with Healthscope (as tenant) (Lease);
- an umbrella deed in respect of all of the Leases for the MPT Portfolio Properties with all of the Healthscope Property Sellers (as relevant landlords), Healthscope (as tenant) and Healthscope Operations (as guarantor); and
- an umbrella deed in respect of all of the Leases for the NWH Portfolio Properties with all of the Healthscope Property Sellers (as relevant landlords), Healthscope (as tenant) and Healthscope Operations (as guarantor),

  (each, a **Portfolio Leases Umbrella Deed**).

The key terms of each Lease and the Portfolio Leases Umbrella Deed are set out below:

Tenant

Healthscope will be the tenant under each Lease, and will be permitted to sublease the relevant Portfolio Property to the Healthscope Property Operator.

Concurrent

Each Lease and sublease will be granted subject to and concurrent with any existing tenancies of the Portfolio Property, such that:

- any existing tenants will remain in occupation under the terms of their existing arrangements; and
- (once the Lease and sublease are granted) the Healthscope Property Operator will administer any such existing tenancies.

Term and Options

Each Lease will have an initial term of 19, 20 or 21 years.

The tenant will have an option to renew each Lease for up to 8 further terms of 10 years each.

Rent

The commencing annual rent payable by the tenant under the Leases will be approximately:

- $60 million for the MPT Portfolio Properties (in aggregate); and
- $63 million for the NWH Portfolio Properties (in aggregate).

The annual rent payable by the tenant under each Lease will increase by 2.5% per year.

Termination

Subject to certain remedy and cure periods, the landlord will have a right to terminate a Lease only where:

- a payment default occurs in respect of an amount exceeding one month's rent; or
- the tenant is in breach of a specified essential term.

Absolute net lease

The tenant is (subject only to the agreed amounts of capital funding set out below) responsible for all outgoings, repair and capital costs associated with the Portfolio Property.

Landlord funded capital expenditure

The landlord agrees to make available:

- during the first 10 years of the Leases, an amount (initially $500 million, with reductions applying from the 4th year of the lease term) for application towards significant capital works at a Portfolio Property; and
- a further initial capital expenditure commitment amount of $50 million, applicable to a capital works project at a Portfolio Property.

(e) Relationship between the sale and leaseback, Scheme and Takeover Bid

Completion of the sale and leaseback will be conditional on:

- the Scheme becoming effective; or
- the Takeover Bid becoming unconditional.

If the Implementation Deed is terminated:

- the Property Commitment Deeds terminate automatically; and
- (where that termination occurs prior to the Scheme Meeting Date) any of the Sale Contracts which have been entered into also terminate.

(f) Summary of Propco Portfolio Loans

In order to ensure that the full amount of the Capital Return and Special Dividend can be paid to Healthscope Shareholders, Brookfield has obtained the agreement of NWH and MPT that, to the extent that any of their Portfolio Properties are Deferred Portfolio Properties, they will advance loans (a **Propco Portfolio Loan**) to the Healthscope Group.

The Propco Portfolio Loans are available to the Healthscope Group for the purpose of funding the Special Distribution.

The Propco Portfolio Loans are required to be repaid with the proceeds of the Deferred Portfolio Properties as the caveat, encumbrance or other circumstance beyond the control of the Healthscope Group that caused settlement of those properties to be delayed is resolved and those properties complete.

The representations and undertakings to be given by the Healthscope Group in relation to the Propco Portfolio Loans are customary for facilities of this nature.

8.2 Special Dividend

(a) Introduction

If the Takeover Offer becomes unconditional and certain other conditions discussed below are satisfied, Healthscope intends to pay Healthscope Shareholders a partly franked special dividend of $0.637 per share. The Special Dividend is not payable in connection with the Scheme.

The Special Dividend is being proposed to return some of the proceeds from the sale and leaseback of hospital properties and the refinancing of the Healthscope Group to Healthscope Shareholders. The Special Dividend is in addition to the Capital Return.

Healthscope has lodged class ruling applications with the ATO seeking confirmation on specific Australian tax implications for Healthscope Shareholders in relation to certain aspects of the Transaction, including the Special Dividend and Capital Return. Depending on the ATO's views, the precise amount of the Special Dividend and Capital Return may be varied, but the aggregate amount of the Special Dividend and Capital Return paid to shareholders would not change.

If the Special Dividend is paid, the $2.365 cash amount per share offered by Brookfield LP under the Takeover Offer will be reduced by the per share amount of the Special Dividend. However, if you hold your Healthscope Shares on the record date for the Special Dividend, this will not reduce the aggregate amount that you receive. See Section 9.2(a) for further details.

(b) Entitlement

Assuming Brookfield obtains a Relevant Interest in at least 50.1% of Healthscope Shares before the latest time to lodge the Proxy Forms with the Healthscope Share Registry for the Scheme Meeting and Extraordinary General Meeting, being 4.00pm on Monday, 20 May 2019, and Brookfield announces that if the Scheme Resolution is not passed that it will declare the Takeover Offer to be unconditional after the Special Dividend Record Date, the Special Dividend Record Date will be 7.00pm on Wednesday, 29 May 2019. The Special Dividend will only be paid to Healthscope Shareholders as at the Special Dividend Record Date.

If Brookfield obtains a Relevant Interest in at least 50.1% of Healthscope Shares after the Scheme Meeting Date, the Scheme Resolution is not passed and Brookfield announces its intention to declare the Takeover Offer to be unconditional after the Special Dividend Record Date, Healthscope will reschedule the Extraordinary General Meeting (if it was previously adjourned, postponed or cancelled) at which Brookfield will be in a position to cast a majority of votes and approve the Capital Return Resolution and Healthscope will determine to pay the Special Dividend. The Special Dividend Record Date (and the Capital Return Record Date) is expected to be 6 Business Days from the date of Brookfield's announcement.

(c) Unconditional Announcement

Brookfield LP will make an announcement to ASX if, prior to the latest time to lodge the Proxy Forms with the Healthscope Share Registry for the Scheme Meeting and Extraordinary General Meeting, it has a Relevant Interest in at least 50.1% of Healthscope Shares no later than one Business Day before the Scheme Meeting (currently expected to be 21 May 2019) (**Unconditional Announcement**). In the Unconditional Announcement, Brookfield LP will state that subject to none of the remaining Takeover Bid Conditions being breached, it will declare the Takeover Offer unconditional on the third Business Day after the Special Dividend Record Date.

(d) Payment and conditions

The Special Dividend is a conditional dividend and will be paid on the date the Takeover Consideration is first paid, or such later date as the conditions of the Special Dividend are met and notice periods required under the Listing Rules have expired.

The Special Dividend is conditional on:

- the sale and leaseback of hospital properties having completed (or, to the extent there are Deferred Portfolio Properties, Propco Portfolio Loans having been advanced by the relevant Property Investor to Healthscope in an amount equal to the purchase price for those Deferred Portfolio Properties);
- the proposed refinancing of the Healthscope Group completing;
- the Takeover Offer having been declared or becoming unconditional;
- Brookfield LP acquiring a Relevant Interest in more than 50% of the Healthscope Shares; and
- persons nominated by Brookfield LP being appointed as directors of Healthscope and those directors comprising a majority of the directors of Healthscope.

The Special Dividend will be paid once these conditions are satisfied. If any of these conditions are not satisfied, the Special Dividend will not be paid.

Healthscope Shareholders who have not already done so can nominate an Australian account for the payments to be made by direct credit by updating your payment details online at www.computershare.com.au or by telephoning the Healthscope Share Registry on 1300 850 505 (within Australia) or +61 (3) 9415 4000 (outside Australia), between 8.30am and 7.00pm (Melbourne time) Monday to Friday. Payment will be made by way of direct credit into a nominated account for Australian Healthscope Shareholders, or by cheque if banking details of a Healthscope Shareholder have not been provided to Healthscope by the Special Dividend Record Date.

(e) Franking and tax implications

Healthscope and Brookfield have agreed that the Special Dividend be franked to the maximum extent possible, subject only to Healthscope retaining a prudent franking credit surplus after payment of the dividend and the after tax value of the cash consideration (for Australian superannuation funds) under the Scheme being at least $0.05 per share higher than the after tax value of the cash consideration under the Takeover Offer.

On this basis, Healthscope intends to partly frank (approximately 50%) the Special Dividend.[38]

The value of the franking credits (and the resulting tax impact) will not be the same for all Healthscope Shareholders. It will vary depending on a shareholder's individual tax position, including whether the shareholder is an individual, a superannuation fund or a corporate entity.

Healthscope has sought a class ruling from the ATO in relation to the proposed franking of the Special Dividend. Healthscope's ability to frank the dividend therefore remains subject to confirmation from the ATO.

See Section 12.4(a) for an explanation of the franking and tax implications of the Special Dividend.

38. Healthscope has lodged class ruling applications with the ATO seeking confirmation on specific Australian tax implications for shareholders in relation to certain aspects of the Transaction, including the availability of any franking credits attached to the Special Dividend. Depending on the ATO's view, the franking of the Special Dividend may change. See section 8.2(e) for further information about the franking of the Special Dividend.

8.3 Capital Return

(a) Introduction

If the Takeover Offer becomes unconditional and certain conditions are satisfied (including Healthscope Shareholders approving the Capital Return at the Extraordinary General Meeting), Healthscope intends to pay to each Healthscope Shareholder an amount equal to $0.688 per share as a return of capital.[39] The Capital Return is not payable in connection with the Scheme.

The purpose for the Capital Return is to distribute surplus capital to Healthscope Shareholders following completion of the sale and leaseback of the hospital properties and the refinancing of the Healthscope Group. If the Capital Return is approved and paid, it will be in addition to the Special Dividend.

If the Capital Return is approved and paid, the $2.365 cash amount offered by Brookfield LP under the Takeover Offer will be reduced by the per share amount of the Capital Return. However, if you hold your Healthscope Shares on the record date for the Capital Return, this will not reduce the aggregate amount that you receive. See Section 9.2(a) for further details.

Healthscope has lodged class ruling applications with the ATO seeking confirmation on specific Australian tax implications for Healthscope Shareholders in relation to certain aspects of the Transaction, including the Special Dividend and Capital Return. Depending on the ATO's views, the precise amount of the Special Dividend and Capital Return may be varied, but the aggregate amount of the Special Dividend and Capital Return paid to shareholders would not change.

(b) Entitlement

The Capital Return will only be paid to Healthscope Shareholders as at the Capital Return Record Date, which will be on the same day as the Special Dividend Record Date.

(c) Payment and conditions

The Capital Return is conditional on:

- the sale and leaseback of the hospital properties has fully completed (or, to the extent there are Deferred Portfolio Properties, Propco Portfolio Loans have been advanced by the relevant Property Investor to Healthscope in an amount equal to the purchase price for those Deferred Portfolio Properties (see Section 8.1(c) for further details on delay events));
- the proposed refinancing of the Healthscope Group is completed;
- the Takeover Offer has been declared or has become unconditional;
- Brookfield LP has acquired a Relevant Interest in more than 50% of the Healthscope Shares;
- the Capital Return Resolution has been approved by the requisite majority at the Extraordinary General Meeting, being more than 50% of votes cast; and
- persons nominated by Brookfield LP to be appointed as directors of Healthscope comprise a majority of the directors of Healthscope.

The Capital Return will be paid once these conditions are satisfied. If any of these conditions are not satisfied, the Capital Return will not be paid.

Healthscope Shareholders who have not already done so can nominate an Australian account for the payments to be made by direct credit by updating your payment details online at www.computershare.com.au or by telephoning the Healthscope Share Registry on 1300 850 505 (within Australia) or +61 (3) 9415 4000 (outside Australia), between 8.30am and 7.00pm (Melbourne time) Monday to Friday. Payment will be made by way of direct credit into a nominated account for Australian Healthscope Shareholders, or by cheque if banking details of a Healthscope Shareholder have not been provided to Healthscope by the Capital Return Record Date.

(d) Capital Return procedure

For the Capital Return to be paid, it is necessary that more than 50% of votes cast at the Extraordinary General Meeting are in favour of the Capital Return Resolution. The Capital Return Resolution seeks Healthscope Shareholder approval for the distribution of capital on Healthscope Shares by way of an equal capital return under Section 256C of the Corporations Act. See Step 4(b) of Section 1 for information on whether you are entitled to vote on the Capital Return Resolution.

39. See footnote 18 on page 12.

Section 256B(1) of the Corporations Act permits a company to reduce its share capital, including by returning capital in cash or in kind, if the reduction:

- is fair and reasonable to the company's shareholders as a whole;
- does not materially prejudice the company's ability to pay its creditors; and
- is approved by shareholders under section 256C of the Corporations Act.

As set out in Section 8.4(c), if the Takeover Offer is declared or becomes unconditional, Brookfield LP acquires a Relevant Interest in more than 50% of the Healthscope Shares, then it is intended that within 2 Business Days the Healthscope Board will be reconstituted so that persons nominated by Brookfield LP will comprise a majority of the Healthscope Directors. If this occurs, the Healthscope Directors on the reconstituted board will make a final determination as to the appropriateness of the Capital Return, having regard to factors such as whether the Capital Return:

- is fair and reasonable to Healthscope Shareholders as a whole; and
- materially prejudices Healthscope's ability to pay its creditors.

The Healthscope Directors unanimously recommend that you vote in favour of the Capital Return.

(e) Impact of the Capital Return on Healthscope

The Capital Return will reduce the aggregate paid up capital of Healthscope from $2,715 million to $1,516 million. As a result of the proposed Capital Return, Healthscope's net assets will be reduced by approximately $1,198 million to approximately $1,340 million, the effect of which is shown in the pro forma financial information in Section 8.5.

Following the Capital Return, the gearing (debt to equity) ratio of Healthscope will increase. The Healthscope Directors at that time will take this into account as well as all other relevant factors before making a final determination to proceed with the Capital Return.

(f) Tax implications

The tax treatment may vary depending on the nature and characteristics of each Healthscope Shareholder and their specific circumstances. Healthscope Shareholders should seek professional advice in relation to their particular circumstances. See Section 12.4(b) for further information on the tax implications of the Capital Return.

8.4 Brookfield's other intentions for Healthscope

(a) Introduction

This Section 8.4 sets out the current intentions of Brookfield BidCo and Brookfield LP in relation to:

- the continuation of the business of Healthscope;
- any major changes to be made to the business of Healthscope, including any redeployment of the fixed assets of Healthscope; and
- the future employment of the present employees of Healthscope,

if the Scheme is implemented or if the Takeover Offer becomes unconditional.

These are in addition to implementing the sale and leaseback of hospital properties, and payment of the Special Dividend and Capital Return discussed above.

The intentions and statements of future conduct set out in this Section 8.4 must be read as being subject to the law (including the Corporations Act) and the Listing Rules as well as the legal obligations of the Healthscope Directors at the time.

Brookfield BidCo and Brookfield LP have reviewed information concerning Healthscope, its business and the general business environment which is available information at the time of the preparation of this Booklet. Brookfield BidCo and Brookfield LP have also conducted a limited due diligence review of certain non-public information provided to it by Healthscope. Brookfield BidCo and Brookfield LP do not currently have full knowledge of all material information, facts and circumstances that are necessary to assess all of the operational, commercial, taxation and financial implications of its current intentions. Final decisions in relation to these matters will only be reached after Brookfield BidCo and Brookfield LP have had an opportunity to undertake a detailed review of Healthscope's business following implementation of the Transaction. Accordingly, the intentions described below are statements of current intention only and may change as new information becomes available or as circumstances change.

(b) Intentions upon the Scheme being implemented or Brookfield LP becoming the holder of 90% or more of the Healthscope Shares under the Takeover Offer

This Section 8.4(b) sets out Brookfield BidCo's and Brookfield LP's current intentions if the Scheme is implemented or Brookfield LP becomes the holder of 90% or more of the Healthscope Shares pursuant to the Takeover Offer, and is entitled to proceed to compulsory acquisition of the outstanding Healthscope Shares.

Compulsory acquisition

If Brookfield LP obtains a Relevant Interest in at least 90% of Healthscope Shares and the Takeover Bid Conditions are satisfied or waived, Brookfield LP intends to give notices to compulsorily acquire any outstanding Healthscope Shares in accordance with Part 6A.1 (compulsory acquisition following a takeover bid) of the Corporations Act. If Brookfield LP compulsorily acquires the remaining Healthscope Shares under this avenue, the applicable Healthscope Shareholders will receive the Takeover Consideration.

Removal from ASX

Brookfield BidCo and Brookfield LP currently intend for Healthscope to be removed from the official list of ASX after the implementation of the Scheme or completion of the Takeover Offer and for Healthscope to be subsequently converted into a proprietary company limited by shares.

Head office

Brookfield BidCo and Brookfield LP currently intend for Healthscope to maintain its current head office in Melbourne following the implementation of the Scheme or completion of the Takeover Offer.

Business, operations and assets

Brookfield BidCo and Brookfield LP currently intend to continue Healthscope's focus on offering market leading services across its acute, rehabilitation and psychiatric hospitals in Australia as well as pathology services in New Zealand. Brookfield BidCo and Brookfield LP understand Healthscope's business model involves capital expenditure to continue to maintain market leading facilities to attract and retain the best staff and visiting medical officers. Brookfield BidCo and Brookfield LP intend to provide support for Healthscope to continue developments of existing sites and pursue other organic and acquisition-based growth opportunities as appropriate.

Brookfield BidCo and Brookfield LP intend to continue to operate the business of Healthscope under its current name.

Brookfield BidCo and Brookfield LP will undertake a full review of Healthscope and its business, operations, assets and employees following the implementation of the Scheme or completion of the Takeover Offer to determine how best to operate and further develop and grow the company. Decisions regarding future business operations will be made following the completion of that review and in light of circumstances at the relevant time.

Consistent with typical strategic investments of this nature, Brookfield BidCo and/or Brookfield LP may seek to 'exit' their investment in Healthscope in the future. Any decision to Exit will be subject to prevailing market conditions, the business' performance and other factors which may be considered relevant at the time. Similarly, Brookfield BidCo and/or Brookfield LP may seek to divest certain sites or asset groupings to streamline its portfolio and efficiently repatriate proceeds to its shareholders, subject to necessary approvals and market conditions at the time.

Employees

Brookfield BidCo and Brookfield LP view the Healthscope operating and hospital management teams as an integral part of the business. Brookfield BidCo and Brookfield LP intend to evaluate future management and employment requirements as appropriate and with regard to the operation of the business in the future. Brookfield BidCo and Brookfield LP may continue to support the implementation by Healthscope of its various existing initiatives to achieve labour productivity and efficiency improvements that are currently underway.

Changes to Healthscope's Constitution

Consistent with their current intention to convert Healthscope into a proprietary company limited by shares, Brookfield BidCo and Brookfield LP intend to replace Healthscope's existing constitution with a constitution appropriate for a proprietary company limited by shares following the implementation of the Scheme or completion of the Takeover Offer.

8. Sale and Leaseback of Hospital Properties, Special Dividend, Capital Return and other intentions *cont.*

Equity incentive plan

Brookfield BidCo and Brookfield LP acknowledges there is significant value, knowledge and expertise in the staff and management of Healthscope. Following implementation of the Scheme or completion of the Takeover Offer, Brookfield BidCo and/or Brookfield LP will consider the establishment of a customary equity incentive plan for eligible management of Healthscope.

Board composition

(1) **HoldCo Directors**

The directors of HoldCo following implementation of the Scheme or completion of the Takeover Offer will be comprised of a maximum of 9 nominees appointed by Brookfield LP and any HoldCo Class B Shareholder holding 20% or more of the voting shares of HoldCo, in accordance with the Shareholders Agreement. It is currently intended that the nominees to be appointed by Brookfield LP following implementation of the Scheme will be Leonard Chersky, Peter Gordon, Gregory Horan, Sophia Rihani and Michael Horowitz. Brookfield LP may also appoint additional directors to HoldCo, however as at the date of this Booklet, Brookfield LP has not confirmed the appointment of such persons.

In accordance with the Shareholders Agreement, a HoldCo Class B Shareholder (together with its associates) holding 20% or more of the voting shares of HoldCo will be entitled to appoint and remove one director of HoldCo for each parcel of 20% of voting shares of HoldCo it holds, provided that the HoldCo Class B Shareholder and its associates do not have an interest in a Competitor. The holders of a majority of HoldCo Class A Shares (which will be Brookfield and its affiliates) will be entitled to collectively appoint the balance of the directors of HoldCo after accounting for the directors elected by the HoldCo Class B Shareholders, up to the maximum board size of 9 directors. The Chair of the board of directors of HoldCo from time to time will be appointed and removed by directors elected by HoldCo Class A Shareholders and the Chair will not have a casting vote in addition to his or her vote as a director.

(2) **Brookfield BidCo, Brookfield MidCo, Brookfield Senior HoldCo and Healthscope Directors**

It is currently intended that the directors of Brookfield BidCo, Brookfield MidCo, Brookfield Senior HoldCo and Healthscope post implementation of the Scheme or completion of the Takeover Offer will be Leonard Chersky, Peter Gordon, Gregory Horan, Sophia Rihani and Michael Horowitz. See Section 7.5(a) for the profiles of these directors.

(c) Intentions upon Brookfield LP becoming the holder of less than 90% of the Healthscope Shares under the Takeover Offer

If Brookfield LP becomes the holder of less than 90% of the Healthscope Shares pursuant to the Takeover Offer then Brookfield LP will not be able to compulsorily acquire the Healthscope Shares which have not been accepted into the Takeover Offer.

General

In these circumstances Brookfield LP will implement the intentions in Section 8.4(b) to the extent possible. Brookfield LP will continue to deal with its stake in Healthscope with a view to maximising its returns.

Healthscope Directors

If the Takeover Offer is declared or becomes unconditional and Brookfield LP acquires a Relevant Interest in more than 50% of the Healthscope Shares, then it is intended that within 2 Business Days the Healthscope Board will be reconstituted so that persons nominated by Brookfield LP are appointed as new directors and all existing Healthscope Directors (other than 2 directors nominated by Healthscope at that time) resign from the Healthscope Board.

Brookfield intends to appoint Leonard Chersky (who will also act as Chair), Peter Gordon, Sophia Rihani, Michael Horowitz and Gregory Horan to the Healthscope Board in such circumstances.

Dividends

The payment of any dividends will be at the sole discretion of the Healthscope Directors who are appointed to the reconstituted Healthscope Board. Brookfield LP intends to review (through its nominees on the Healthscope Board) the dividend policy of Healthscope if the Takeover Offer becomes unconditional.

Capital structure

Brookfield LP will review Healthscope's capital structure and may determine from time to time to encourage Healthscope to raise future capital for the continued operations and growth of the business as required.

Removal from ASX

If the Takeover Offer becomes unconditional and Brookfield LP acquires a Relevant Interest in more than 75%, but less than 90%, of the Healthscope Shares, Brookfield LP will not be supportive of Healthscope's continued listing on ASX. While the decision to apply for removal of Healthscope from the official list of ASX lies with the Healthscope Board, Brookfield LP will actively encourage Healthscope to apply for removal of Healthscope from the official list of ASX to the extent that it is able to do so consistently with ASX guidance. ASX's guidance in relation to the removal of entities from the official list of ASX is set out in ASX Guidance Note 33.

ASX Guidance Note 33 sets out ASX's policy in relation to a request for removal from the official list of ASX. ASX guidance indicates that Healthscope Shareholder approval would not be required for the removal of Healthscope from the official list of ASX if the following factors are satisfied:

- Brookfield LP and its related bodies corporate own or control at least 75% of Healthscope Shares but do not meet the conditions for compulsory acquisition under the Corporations Act;
- excluding Brookfield LP and its related bodies corporate, the number of Healthscope Shareholders having holdings with a value of at least $500 (being a marketable parcel) is fewer than 150;
- Brookfield LP has foreshadowed in this Booklet that it intends, if it secured control, to cause Healthscope to apply for removal;
- the Takeover Offer remains open for at least two weeks following Brookfield LP and its related bodies corporate having attained ownership or control of at least 75% of Healthscope Shares; and
- Healthscope applies for removal no later than one month after the end of the Takeover Offer Period.

If these factors are satisfied and shareholder approval for the delisting of Healthscope is not required, Brookfield LP intends to send a written or electronic communication to all remaining Healthscope Shareholders advising them of the nominated time and date at which Healthscope would be removed from the official list of ASX, being a date not earlier than three months after the date the notice was given (**Removal Date**). The notice to the remaining Healthscope Shareholders would also state that:

- if they wish to sell their shares on ASX, they will need to do so before the Removal Date; and
- if they do not sell their shares before the Removal Date, thereafter, they will only be able to sell their shares off market.

Those remaining Healthscope Shareholders who do not sell their Healthscope Shares on ASX before the Removal Date would face risks associated with the potential reduced liquidity of an unlisted Healthscope Share.

If the factors in ASX Guidance Note 33 are not satisfied, Brookfield LP may still request that ASX remove Healthscope from the official list of ASX. ASX's guidance indicates that ASX's decision to act on Brookfield LP's decision may be subject to the satisfaction of certain conditions. The ASX imposed conditions ensure that the interests of the remaining Healthscope Shareholders are not unduly prejudiced by the removal and that trading in Healthscope Shares takes place in an orderly manner up to the date of its removal from the official list.

ASX's guidance indicates that (in some cases), these conditions may include, if Healthscope Shareholder approval is sought within 12 months of the end of the Takeover Offer Period, the approval of Healthscope Shareholders to the proposed removal with such approval to be by way of ordinary resolution on which Brookfield LP and its associates may be excluded from voting. Where more than 12 months have lapsed since the Takeover Period, ASX has indicated in ASX Guidance Note 33 that it would generally permit Brookfield LP and its associates to vote on a resolution approving Healthscope's removal from the official list.

Any decision by Healthscope to apply to ASX for removal from the official list would need to be made by the Healthscope Board, not Brookfield LP. The Healthscope Board, including any of Brookfield LP's nominees on the Healthscope Board, could only decide to seek a delisting if it is in the interest of Healthscope to do so at the relevant time.

(d) Continuation of the Healthscope business

Other than the completion of the sale and leaseback of hospital properties described in Section 8.1 and otherwise as set out in this Section 8.4, it is Brookfield BidCo's and Brookfield LP's intention to the extent possible:

- to continue the business of Healthscope; and
- not to make any major changes to the business of Healthscope nor to redeploy any of Healthscope's fixed assets.

8.5 Takeover Offer Pro forma Historical Financial Information

(a) Overview

The Takeover Offer Pro forma Historical Financial Information set out in this Section 8.5 has been prepared to illustrate the:

- pro forma historical statement of profit or loss of Healthscope for the financial year ended 30 June 2018 and half year period ended 31 December 2018 (**Pro forma Historical Statement of Profit or Loss**);
- pro forma historical statement of financial position of Healthscope as at 31 December 2018 (**Pro forma Historical Statement of Financial Position**); and
- pro forma historical statement of cash flows of Healthscope for the financial year ended 30 June 2018 and half year period ended 31 December 2018 (**Pro forma Historical Statement of Cash Flows**),

  (together, the **Takeover Offer Pro forma Historical Financial Information**).

All amounts disclosed in this Section 8.5 are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest million. Tables in this Section 8.5 have not been amended to correct immaterial summation differences that may arise from this rounding convention.

This Section 8.5 should be read by Healthscope Shareholders in conjunction with:

- the funding of the Takeover Consideration in Section 9.2;
- the Transaction risks summarised in Section 11; and
- Section 6.3, which includes the Healthscope statutory historical consolidated financial information.

The Takeover Offer Pro forma Historical Financial Information has been reviewed in accordance with the Australian Standard on Assurance Engagements *ASAE 3450 Assurance Engagements involving Fundraising and/or Prospective Financial Information* by Deloitte Corporate Finance Pty Limited (**Investigating Accountant**), whose Investigating Accountant's Report is set out in Annexure B. Healthscope Shareholders should note the scope and limitations of that report.

(b) Basis of preparation

The Takeover Offer Pro forma Historical Financial Information set out in this Section 8.5 has been prepared in order to provide Healthscope Shareholders an indication of the historical profit or loss, financial position and cash flows of Healthscope as if the Takeover Offer had completed on 1 July 2017 in respect of the profit or loss and cash flows and 31 December 2018 in respect of the statement of financial position.

The Takeover Offer Pro forma Historical Financial Information does not reflect the actual consolidated profit or loss, financial position and cash flows of Healthscope. It has been prepared solely for the purpose of inclusion in this Booklet and is provided for illustrative purposes only.

The Takeover Offer Pro forma Historical Financial Information has been derived from:

- the statutory historical consolidated financial statements of Healthscope for the financial year ended 30 June 2018 and half year period ended 31 December 2018; and
- pro forma adjustments described in this Section 8.5.

The statutory historical consolidated financial statements of Healthscope for the financial year ended 30 June 2018 were audited by Deloitte Touche Tohmatsu in accordance with Australian Auditing Standards. Deloitte Touche Tohmatsu issued an unmodified audit opinion in relation to these financial statements. The statutory historical consolidated financial statements of Healthscope for the half-year period ended 31 December 2018 were reviewed by Deloitte Touche Tohmatsu, who issued an unmodified review conclusion in relation to these financial statements.

The Takeover Offer Pro forma Historical Financial Information has been prepared to reflect the anticipated financial impacts on Healthscope of the Takeover Offer. The Takeover Offer Pro forma Historical Financial Information has been prepared in accordance with recognition and measurement principles contained in AAS, other than it includes pro forma adjustments made to reflect the intended operating and capital structure following completion of the Takeover Offer as if the transaction contemplated had completed as of 1 July 2017, apart from the Pro forma Historical Statement of Financial Position, and to exclude the discontinuing operations of Healthscope and other certain non-recurring items.

The Takeover Offer Pro forma Historical Financial Information has been prepared on the assumption that Brookfield LP becomes the holder of between 50.1% and 89.9% of Healthscope Shares under the Takeover Offer. Noting that if Brookfield acquires 89.9% or less of Healthscope Shares pursuant to the Takeover Offer, it will not be entitled to proceed with the compulsory acquisition of any outstanding Healthscope Shares.

(c) Presentation

The Takeover Offer Pro forma Historical Financial Information is presented in an abbreviated form and does not include all of the disclosures, statements or comparative information required by AAS applicable to annual financial reports prepared in accordance with the Corporations Act.

The Takeover Offer Pro forma Historical Financial Information is not representative or suggestive of likely prospective reported profit or loss, financial position or cash flows of Healthscope. Healthscope Shareholders should note that past results do not guarantee future performance.

The presentation of the Pro forma Historical Statements of Profit or Loss and Cash Flows reflects profits and cash flows from continuing operations only.

(d) Sale and leaseback transactions

The sale and leaseback transactions as described in Section 8.1 are assumed to have taken place on 1 July 2017. The leases to be entered into by Healthscope have been classified as operating leases in accordance with AASB 117 *Leases* which is the applicable accounting standard for the period 1 July 2017 to 31 December 2018. AASB 117 *Leases* is applicable to Healthscope until 30 June 2019.

(e) Application of AASB 16 *Leases*

AASB 16 *Leases* is applicable to Healthscope with effect from 1 July 2019. This new standard will require Healthscope to recognise new assets and liabilities for its operating leases of hospitals and laboratories in Australia and New Zealand. The nature of expense relating to those leases will change because Healthscope will recognise a depreciation charge for right of use assets and interest expense on lease liabilities, which will replace the existing operating lease charges recognised in accordance with AASB 117 *Leases* and reflected in the Takeover Offer Pro forma Historical Financial Information.

Healthscope disclosed in its half-year financial statements to 31 December 2018 that it has performed a preliminary assessment on the impact of AASB 16 *Leases* (excluding the sale and leaseback transactions) however, a reliable estimate of the quantitative impact cannot yet be provided due to unresolved matters, including the determination of lease term extension options in certain hospital leases, and conclusion on appropriate discount rates.

(f) Other pro forma adjustments

The Pro forma Historical Statement of Financial Position reflects the proposed Special Dividend and Capital Return in accordance with Sections 8.2 and 8.3 respectively.

8. Sale and Leaseback of Hospital Properties, Special Dividend, Capital Return and other intentions *cont.*

(g) Pro forma Historical Statement of Profit or Loss

Table 8.5a Pro forma Historical Statement of Profit or Loss from continuing operations for the financial year ended 30 June 2018

STATEMENT OF PROFIT OR LOSS		HEALTHSCOPE	PRO FORMA ADJUSTMENTS	HEALTHSCOPE
CURRENCY: AUD MILLIONS	REF	AUDITED STATUTORY (FY18)	ADJUSTMENTS SUB-TOTAL	PRO FORMA
Revenue		2,341	–	2,341
Employee benefits expense		(1,071)	–	(1,071)
Medical and consumable supplies		(290)	–	(290)
Prosthetics expenses		(302)	–	(302)
Occupancy costs	*1*	(72)	(123)	(195)
Service costs		(230)	–	(230)
Other income and expense items		(107)	–	(107)
EBITDA		269	(123)	145
Depreciation and amortisation	*2*	(110)	27	(83)
EBIT		159	(96)	62
Net finance costs	*3*	(51)	(60)	(111)
Profit/(Loss) Before Tax		108	(157)	(49)
Tax benefit/(expense)	*4*	(32)	47	15
Net Profit/(Loss) After Tax		76	(110)	(34)

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Table 8.5b Pro forma Historical Statement of Profit or Loss from continuing operations for the half-year period ended 31 December 2018

STATEMENT OF PROFIT OR LOSS		HEALTH-SCOPE	PRO FORMA ADJUST-MENTS	HEALTH-SCOPE
CURRENCY: AUD MILLIONS	*REF*	REVIEWED STATUTORY (1H19)	ADJUST-MENTS SUB-TOTAL	PRO FORMA
Revenue		1,225	–	1,225
Employee benefits expense		(557)	–	(557)
Medical and consumable supplies		(153)	–	(153)
Prosthetics expenses		(154)	–	(154)
Occupancy costs	*1*	(33)	(62)	(95)
Service costs		(130)	–	(130)
Other income and expense items		(11)	–	(11)
EBITDA		187	(62)	125
Depreciation and amortisation	*2*	(60)	15	(45)
EBIT		128	(47)	80
Net finance costs	*3*	(32)	(30)	(62)
Profit/(Loss) Before Tax		**96**	**(77)**	**19**
Tax benefit/(expense)	*4*	(29)	23	(6)
Net Profit/(Loss) After Tax		**67**	**(54)**	**13**

The pro forma adjustments to the statutory historical statements of profit or loss are set out below:

(1) The anticipated cost of leasing the Portfolio Properties after completion of the sale and lease back transaction has been recognised as an operating lease cost in the Pro forma Statement of Profit or Loss. The Portfolio Properties sale and leaseback transaction is summarised in Section 8.1.

(2) In accordance with the proposed sale and leaseback of the Portfolio Properties described in Section 8.1, the depreciation and amortisation expense has been reduced by the historical depreciation associated with the Portfolio Properties.

(3) As summarised in Section 9.2, it is envisaged that Healthscope will refinance its existing debt financing facilities with the Target Facilities. The pro forma adjustment to net interest costs represents the anticipated incremental financing costs.

(4) The effective income tax rate of Healthscope at completion of the Takeover Offer is anticipated to be 30.0% reflecting the Australian corporate income tax rate.

8. Sale and Leaseback of Hospital Properties, Special Dividend, Capital Return and other intentions *cont.*

(h) Pro forma Historical Statement of Financial Position

Table 8.5c Pro forma Historical Statement of Financial Position as at 31 December 2018

STATEMENT OF FINANCIAL POSITION: 31 DECEMBER 2018		HEALTHSCOPE	PRO FORMA ADJUSTMENTS			HEALTHSCOPE
CURRENCY: AUD MILLIONS	*REF*	REVIEWED STATUTORY	PORTFOLIO PROPERTIES TRANSACTION	TARGET FACILITIES	SPECIAL DIVIDEND AND CAPITAL RETURN	PRO FORMA
Current Assets						
Cash and cash equivalents		109	2,124	355	(2,343)	245
Trade and other receivables		190	–	–	–	190
Consumables supplies at cost		57	–	–	–	57
Prepayments		17	–	–	–	17
Assets classified as held for sale		16	–	–	–	16
Derivative financial instruments	*1*	1	–	(1)	–	–
Total current assets		**390**	**2,124**	**354**	**(2,343)**	**525**
Non-Current Assets						
Other financial assets		8	–	–	–	8
Derivative financial instruments	*1*	5	–	(5)	–	–
Investments in joint ventures		1	–	–	–	1
Property, plant and equipment		2,197	(1,178)	–	–	1,019
Intangibles		1,784	–	–	–	1,784
Deferred tax assets		86	–	14	10	111
Total non-current assets		**4,081**	**(1,178)**	**9**	**10**	**2,922**
Total assets		**4,470**	**946**	**363**	**(2,332)**	**3,447**
Current Liabilities						
Trade and other payables		258	–	–	–	258
Current tax liabilities		24	–	–	–	24
Borrowings	*2*	418	–	(418)	–	–
Other financial liabilities		4	–	–	–	4
Provisions		153	–	–	–	153
Total current liabilities		**856**	**–**	**(418)**	**–**	**439**
Non-Current Liabilities						
Borrowings	*2*	903	–	813	–	1,716
Other payables		20	–	–	–	20
Deferred tax liabilities		63	–	–	–	63
Provisions		89	–	–	–	89
Total non-current liabilities		**1,075**	**–**	**813**	**–**	**1,888**
Total liabilities		**1,932**	**–**	**395**	**–**	**2,327**
Net assets		**2,539**	**946**	**(32)**	**(2,332)**	**1,120**
Equity						
Issued capital	*3*	2,715	–	–	(1,198)	1,516
Reserves		(232)	–	–	–	(232)
Retained earnings/ (Accumulated losses)	*4*	55	946	(32)	(1,134)	(165)
Total equity		**2,539**	**946**	**(32)**	**(2,332)**	**1,120**

With reference to Table 8.5c, pro forma adjustments to the Statutory Historical Statement of Financial Position have been summarised below together with a *Cash and cash equivalents* balance reconciliation table.

Portfolio Properties transaction

In accordance with Section 8.1, Healthscope is assumed to sell and lease back the Portfolio Properties upon the Takeover Offer becoming unconditional.

The pro forma adjustment to property, plant & equipment reflects the sale of the Portfolio Properties.

Other pro forma adjustments

(1) Adjustment relates to the pro forma settlement of the cross currency interest rate swaps recorded at fair value associated with Healthscope's existing debt finance facilities;

(2) The borrowings presented in the Pro forma Historical Statement of Financial Position reflect the drawn Target Facilities of $1,800 million net of anticipated capitalised borrowing costs of $84 million;

(3) The adjustment to issued capital reflects the assumed Capital Return of $0.688 per Healthscope share; and

(4) The adjustment to retained earnings/(accumulated losses) includes:

- The assumed Special Dividend of $0.637 per Healthscope share;
- Anticipated transaction costs of $24 million (after tax) reflecting Healthscope adviser fees associated with the Takeover Offer; and
- Recognition of the after tax gain in relation to the Portfolio Properties transaction.

(i) Cash and cash equivalents reconciliation

A reconciliation of the pro forma adjustments within cash and cash equivalents is set out below:

CASH AND CASH EQUIVALENTS PRO FORMA RECONCILIATION		
CURRENCY: AUD MILLIONS	***REF***	
In flows		
Portfolio Properties disposal gross proceeds		2,467
Target Facilities net proceeds		479
In flows – total	***A***	**2,946**
Out flows		
Portfolio Properties – capital gains tax payable on disposal		(343)
Existing debt and Target Facilities related costs		(124)
Special dividend		(1,109)
Capital return		(1,198)
Takeover Offer transaction costs		(35)
Out flows – total	***B***	**(2,810)**
Net pro forma movement	***C = A - B***	**136**
Statutory balance – 31 December 2018		109
Pro forma balance – 31 December 2018		**245**

8. Sale and Leaseback of Hospital Properties, Special Dividend, Capital Return and other intentions *cont.*

(j) Pro forma Historical Statement of Cash Flows

The Takeover Offer Pro forma Historical Statement of Cash Flows excludes any cash flows from financing activities on the basis that Healthscope's financing activities and capital structure after completion of the Takeover Offer will vary significantly from that disclosed in Healthscope's statutory historical consolidated financial statements.

Table 8.5d Pro forma Historical Statement of Cash Flows from continuing operations for the financial year ended 30 June 2018

STATEMENT OF CASH FLOWS		HEALTHSCOPE	PRO FORMA ADJUSTMENTS	HEALTHSCOPE
CURRENCY: AUD MILLIONS	*REF*	AUDITED STATUTORY (FY18)	ADJUSTMENTS SUB-TOTAL	PRO FORMA
Cash Flows from operating activities				
Receipts from customers		2,437	–	2,437
Payments to suppliers and employees	*1*	(2,069)	(123)	(2,192)
Cash generated from operations		**368**	**(123)**	**245**
Interest received		3	–	3
Interest and costs of finance paid	*2*	(54)	(60)	(114)
Income tax paid	*3*	(15)	–	(15)
Other income and expense items		(18)	–	(18)
Net cash provided by operating activities		**283**	**(184)**	**100**
Cash Flows from investing activities				
Net Proceeds from disposal of property, plant and equipment		1	–	1
Proceeds from disposal of operations	*4*	55	(55)	–
Payments for property, plant and equipment		(79)	–	(79)
Brownfield developments		(158)	–	(158)
Northern Beaches facility development		(154)	–	(154)
Net cash used in investing activities		**(335)**	**(55)**	**(391)**
Net cash used in operating and investing activities		**(52)**	**(239)**	**(291)**

Table 8.5e Pro forma Historical Statement of Cash Flows from continuing operations for the half-year period ended 31 December 2018

STATEMENT OF CASH FLOWS		HEALTHSCOPE	PRO FORMA ADJUSTMENTS	HEALTHSCOPE
CURRENCY: AUD MILLIONS	*REF*	REVIEWED STATUTORY (1H19)	ADJUSTMENTS SUB-TOTAL	PRO FORMA
Cash Flows from operating activities				
Receipts from customers		1,239	–	1,239
Payments to suppliers and employees	*1*	(1,020)	(62)	(1,082)
Cash generated from operations		**218**	**(62)**	**157**
Interest received		2	–	2
Interest and costs of finance paid	*2*	(29)	(30)	(59)
Income tax paid	*3*	(18)	–	(18)
Other income and expense items		(16)	–	(16)
Net cash provided by operating activities		**157**	**(92)**	**65**
Cash Flows from investing activities				
Proceeds from disposal of operations	*4*	(3)	3	–
Payments for property, plant and equipment		(28)	–	(28)
Brownfield developments		(71)	–	(71)
Northern Beaches facility development		(81)	–	(81)
Net payments for business combinations	*4*	268	(268)	–
Net cash used in investing activities		**86**	**(266)**	**(180)**
Net cash used in operating and investing activities		**243**	**(357)**	**(114)**

The pro forma adjustments to the statutory historical statements of cash flows include:

(1) The anticipated cost of leasing the Portfolio Properties after completion of the sale and lease back transaction has been recognised as an operating cash flow ($123 million per annum) in accordance with the sale and leaseback of the Portfolio Properties described in Section 8.1.

(2) Interest and costs of finance paid represents the anticipated incremental financing cash cost of the Target Facilities.

(3) Healthscope's Australian income tax cash profile is assumed to be nil reflecting the implied income tax loss position of the Takeover Offer Pro forma Historical Financial Information with the statutory reported income tax cash payments relating to Healthscope's New Zealand operations.

(4) Proceeds from disposal of operations: On a consistent basis with the presentation of the Pro forma Statement of Profit or Loss, transactions relating to discontinued historical operations of Healthscope have been excluded from the Pro forma Historical Statement of Cash Flows.

9. Funding

This Section 9 outlines how Brookfield BidCo and Brookfield LP intend to fund the acquisition of all of the Healthscope Shares under the Scheme of Arrangement or the Takeover Offer.

This Section 9 has been prepared by Brookfield BidCo and Brookfield LP.

9.1 Funding of the Scheme

This Section 9.1 outlines how Brookfield BidCo intends to fund the Scheme.

(a) Maximum Scheme Consideration payable by Brookfield BidCo

If the Scheme is implemented, the Scheme Consideration payable to Healthscope Shareholders under the Scheme will be satisfied by a combination of the Scheme Cash Consideration of $2.465 per Healthscope Share and issue of a number of HoldCo Class B Shares the subject of Scrip Elections (provided the Minimum Scrip Threshold is met and subject to the Maximum Scrip Threshold and any application of the Scaleback Arrangements).

Based on the number of Healthscope Shares on issue as at the date of this Booklet, the maximum amount of Scheme Cash Consideration Brookfield BidCo may be required to pay to Scheme Shareholders under the Scheme is approximately $4,292 million (assuming the Minimum Scrip Threshold is not achieved).

(b) Cash funding arrangements

Brookfield BidCo intends to fund the Scheme Cash Consideration through a combination of:

- equity committed by the Brookfield Funds, as described in Section 9.1(d);
- third party debt financing, as described in Section 9.1(e); and
- proceeds from the Property Investors in connection with the sale and leaseback of hospital properties, as described in Section 9.1(e).

(c) Illustrative sources and uses of funds under various scenarios

The following two scenarios in relation to the sources and uses of funds are illustrative only.

Minimum Scrip Elections

If the Scheme is implemented, assuming no Scrip Consideration is issued (where the Minimum Scrip Threshold is not met), the illustrative sources and uses of funds can be depicted as follows:

SOURCES AND USES OF FUNDS	AMOUNT ($)
Sources	
Cash provided by Brookfield Funds[1]	1,720 million
Debt financing facilities provided to Brookfield BidCo	1,800 million
Cash provided by the Property Investors in connection with the sale and leaseback[2]	2,437 million
Total sources of funds	**5,957 million**
Uses	
Payment of the Scheme Cash Consideration to relevant Scheme Shareholders	4,310 million
Refinancing of existing Healthscope debt financing facilities[3]	1,492 million
Estimated transaction costs[4]	155 million
Total uses of funds	**5,957 million**

1. Brookfield Funds are treated as a single entity rather than identifying each individual party.
2. Cash provided through the Propco Bridge Loans described in Section 9.1(e).
3. Refinancing costs are subject to change.
4. Transaction costs are subject to change.

Maximum Scrip Elections

If the Scheme is implemented, assuming the maximum amount of Scrip Consideration is issued (where the Maximum Scrip Threshold is met), the illustrative sources and uses of funds can be depicted as follows:

SOURCES AND USES OF FUNDS	AMOUNT ($)
Sources	
Cash provided by Brookfield Funds[1]	1,020 million
Roll in value	700 million
Debt financing facilities provided to Brookfield BidCo	1,800 million
Cash provided by the Property Investors in connection with the sale and leaseback[2]	2,437 million
Total sources of funds	**5,957 million**
Uses	
Payment of the Scheme Cash Consideration to relevant Scheme Shareholders	4,310 million
Refinancing of existing Healthscope debt financing facilities[3]	1,492 million
Estimated transaction costs[4]	155 million
Total uses of funds	**5,957 million**

1. Brookfield Funds are treated as a single entity rather than identifying each individual party.
2. Cash provided through the Propco Bridge Loans described in Section 9.1(e).
3. Refinancing costs are subject to change.
4. Transaction costs are subject to change.

(d) Equity Commitments

Brookfield BidCo entered into a legally binding Equity Commitment Letter with Brookfield Capital Partners V LP (on behalf of the Brookfield Funds) and Healthscope on 1 February 2019. Under the Equity Commitment Letter, Brookfield Capital Partners V LP has agreed that, subject to the Scheme becoming Effective, it will subscribe for, or procure the subscription for, securities in Brookfield BidCo for an aggregate amount of up to $1.389 billion in sufficient time to enable Brookfield BidCo to receive by no later than one Business Day prior to the Implementation Date, an aggregate cash amount of up to $1.389 billion. That amount may only be used by Brookfield BidCo for the purpose of paying the Scheme Cash Consideration.

(e) Acquisition Facilities

Debt commitment letters

Brookfield BidCo has entered into:

- a commitment letter with the Mandated Lead Arrangers and Bookrunners attaching credit approved term sheets for the Scheme Facilities described below; and
- commitment letters with each of MPT and NWH attaching term sheets for the Propco Bridge Loans described below.

Scheme Facilities

Brookfield BidCo (**Borrower**) has obtained legally binding commitments for senior secured syndicated facilities (**Scheme Facilities**).

The Scheme Facilities will comprise:

- $360 million amortising term loan facility (**Tranche A**);
- $1,440 million bullet term loan facility (**Tranche B**);
- $250 million multicurrency revolving facility including cash advances and bank guarantees/letters of credit (up to a sub limit of $150 million) (**Tranche C**); and
- $100 million multicurrency revolving facility (**Tranche D**).

9. Funding *cont.*

Purpose of Scheme Facilities

Tranche A and Tranche B are available to Brookfield BidCo for the purposes of:

- paying the Scheme Cash Consideration;
- refinancing of existing Healthscope debt financing facilities; and
- paying Transaction fees and expenses.

Tranche C is available to fund ongoing working capital requirements and general corporate purposes of the Healthscope Group and may be drawn by bank guarantees/letters of credit or ancillary facilities.

Tranche D is available to fund growth capital expenditure, acquisitions and joint ventures.

Brookfield BidCo expects that a material proportion of Tranche C (excluding an amount of approximately $107 million required to be drawn in connection with letters of credit or similar contingent instruments issued under existing Healthscope's debt financing facilities) and Tranche D will remain undrawn immediately after the Implementation Date.

Conditions precedent

The availability of the Scheme Facilities are subject to the satisfaction of certain conditions precedent, which are customary for facilities of this kind and include confirmation that:

- implementation of the Scheme will occur;
- all material authorisations required for the Implementation Date have been obtained and all conditions precedent to implementation of the Scheme have been, or will on the date of the first drawdown under the Scheme Facilities, be satisfied or waived; and
- there has been no termination of, amendment to, or waiver under the Implementation Deed which is materially prejudicial to the interests of the financiers without the prior consent of the financiers (not to be unreasonably withheld).

It is expected that these conditions will be satisfied before the Second Court Date (other than certain conditions which are intended to be satisfied concurrently with, or prior to, the first drawdown under the Scheme Facilities including the payment of fees and expenses).

If all of the conditions precedent are satisfied or waived, then subject to the provisions set out in the paragraph below and provided that it is not unlawful for the financiers to do so, the financiers must fund their portion of the commitment under the Scheme Facilities. As at the date of this Booklet, Brookfield BidCo is not aware of any reason why any of the conditions precedent to the Scheme Facilities will not be satisfied, and are confident they will be satisfied in time to allow payment in full of the Scheme Cash Consideration as and when due under the terms of the Scheme.

The availability of the Scheme Facilities is subject to the correctness of certain material representations and to the non-occurrence of certain material events of default. As at the date of this Booklet, Brookfield BidCo is not aware of the occurrence of any such misrepresentation or event of default or any circumstance that would enable the financiers to withhold their funding.

As at the date of this Booklet, Brookfield BidCo is not aware of any reason why the Scheme Facilities will not be available to be drawn down for the purpose of funding the Scheme Cash Consideration as contemplated by the Scheme.

Guarantors and Security

The Scheme Facilities will be guaranteed and secured by security granted by Brookfield BidCo, Brookfield Senior HoldCo and each requisite wholly-owned subsidiary of Brookfield BidCo with positive EBITDA whose EBITDA and gross assets (in each case determined on an unconsolidated basis and excluding certain intra-group items) form at least 90% of consolidated EBITDA and aggregate total assets of all wholly-owned subsidiaries of group EBITDA (taking into account certain exclusions in reaching this calculation).

Repayment

Tranche A amortises on a semi-annual basis, while all other Tranches have bullet repayments due on the maturity date, 5 years from financial close of the Scheme Facilities.

The Borrower will be able to make voluntary prepayments under any Tranche (subject to minimum payment amounts and notice requirements) without any prepayment penalties other than customary break costs.

There are mandatory prepayment obligations (subject to customary exceptions and thresholds) for, among other things, excess cash flow sweep, asset disposals, acquisition/insurance proceeds or an IPO.

Interest Rates and pricing

The Scheme Facilities incur interest at a variable rate, being BBSY[40] (for AUD) or BKBM[41] (for NZD), plus a margin.

The margin is determined by reference to a pricing grid based on the most recently calculated 'Leverage Ratio'.

Facility Fees

Fees payable in connection with the Scheme Facilities are consistent with similar facilities made available for facilities of this nature and include:

- a one-off upfront fee payable on the date of initial drawdown of the Scheme Facilities;
- a commitment fee payable on the undrawn portion of Tranche C and D, set at a percentage of the applicable margin, paid quarterly in arrears;
- a bank guarantee fee payable only in relation to Tranche C set at a percentage of the applicable margin on the outstanding amount of the bank guarantees, paid quarterly in arrears.

Financial Covenants

The Scheme Facilities contain financial covenants which are customary for similar facilities. The financial covenants are tested quarterly, with the first calculation date being the first calendar quarter end date occurring 6 clear months after financial close of the Scheme Facilities:

- the ratio of net debt to EBITDA ('Leverage Ratio'); and
- the ratio of EBITDA plus rent to net interest expense plus rent ('Fixed Charge Cover Ratio').

For the purpose of calculating the financial covenants, a number of customary pro forma adjustments are made to EBITDA, net debt and net interest expense. These adjustments are not reflected in EBITDA, net debt or net interest expense shown in this Booklet or in statutory EBITDA, and therefore these measures will be different to the values used for covenant calculation under the Scheme Facilities.

Other relevant provisions

The Scheme Facilities also include other terms such as representations, undertakings and events of default typical for facilities of this nature. Any breach by the Borrower or an 'Obligor' under the Scheme Facilities of the financial covenants, representations or undertakings (which are not remedied within any applicable grace period), or the occurrence of an event of default, may lead to the Scheme Facilities becoming due and payable and/or the commitments being cancelled.

A change of control in Brookfield BidCo will trigger a review event. If a review event occurs, the parties are required to enter into a period of consultation and good faith negotiations for a period to agree appropriate amendments (if necessary) to the finance documents to allow the Scheme Facilities to continue. If agreement cannot be reached, the agent (acting on the instructions of the majority lenders) may, by written notice to the Borrower, require the obligors to prepay the Scheme Facilities in full by a specified date. If agreement can be reached and the Scheme Facilities continue, then a dissenting lender may elect to exit the relevant Scheme Facility by giving written notice to the Borrower that the loans made by that lender are to become due and payable and the relevant lenders' commitment cancelled.

Propco Bridge Loans

Brookfield BidCo has obtained legally binding commitments for bridge loans from each of MPT and NWH (each a **Propco Bridge Loan**, and together, the **Propco Bridge Loans**).

The Propco Bridge Loans are available to Brookfield BidCo for the purposes of:

- paying the Scheme Cash Consideration;
- refinancing of existing Healthscope debt financing facilities; and
- paying Transaction fees and expenses.

The Propco Bridge Loans are to be repaid with the proceeds of the sale and leaseback of the hospital properties as they complete.

40. 'BBSY' means the Australian Bank Bill Swap Reference Rate (Bid) administered by ASX Benchmarks Pty Limited (or any other person which takes over the administration of that rate).
41. 'BKBM' means the New Zealand Bank Bill Benchmark Rate (Bid) administered by the New Zealand Financial Markets Association (or any other person which takes over the administration of that rate).

The availability of the Propco Bridge Loans are subject to the satisfaction of customary conditions precedent which include:

- confirmation that the implementation of the Scheme will occur; and
- evidence that the Scheme Facilities together with the funds to be advanced under the Propco Bridge Loans and the cash provided by the Brookfield Funds will be sufficient to fund the Scheme Cash Consideration.

It is expected that these conditions will be satisfied before the Second Court Date (other than certain conditions which are intended to be satisfied concurrently with, or prior to, the first drawdown under each of the Propco Bridge Loans, including the payment of fees and expenses).

If the conditions precedent are satisfied or waived, then subject to the provisions set out in the paragraph below and provided that it is not unlawful for MPT and NWH to do so, MPT and NWH must provide the funding under the relevant Propco Bridge Loan. As at the date of this Booklet, Brookfield BidCo is not aware of any reason why any of the conditions precedent to each of the Propco Bridge Loans will not be satisfied, and are confident they will be satisfied in time to allow payment in full of the Scheme Cash Consideration as and when due under the terms of the Scheme.

The availability of the Propco Bridge Loans is subject to the correctness of certain material representations and to the non-occurrence of certain material events of default. As at the date of this Booklet, Brookfield BidCo is not aware of the occurrence of any such misrepresentation or event of default or any circumstance that would enable NWH or MPT to withhold their funding.

As at the date of this Booklet, Brookfield BidCo is not aware of any reason why the Propco Bridge Loans will not be available to be drawn for the purpose of funding the Scheme Cash Consideration as contemplated by the Scheme. See Section 13.7 for further information on the steps taken by Brookfield designed to provide additional certainty that funding commitments from NWH REIT and MPT will be met.

(f) Scrip Consideration arrangements

Brookfield BidCo and HoldCo have entered into the Deed Poll to covenant in favour of the Scheme Shareholders to perform their respective obligations in relation to the Scheme. This includes the obligation to provide or procure the provision of the Scheme Consideration to the Scheme Shareholders in accordance with the terms of the Scheme, including to issue all HoldCo Class B Shares the subject of Scrip Elections by the Scheme Shareholders under the terms of the Scheme.

(g) Conclusion

On the basis of the arrangements described above, Brookfield BidCo believes it has reasonable grounds for holding the view, and holds the view, that Brookfield BidCo will be able to satisfy its obligation to fund the Scheme Consideration as and when it is due and payable under the terms of the Scheme. Accordingly, Brookfield BidCo does not have in place nor does it believe it requires alternative sources of funding to discharge the Scheme Consideration.

9.2 Funding of the Takeover Consideration

This Section 9.2 outlines how Brookfield LP intends to fund the Takeover Consideration.

(a) Takeover Consideration

If the Takeover Offer becomes unconditional, the Takeover Shareholders will be entitled to receive $2.365 cash per Healthscope Share for which they accept the Takeover Offer, less the value of the Capital Return and Special Dividend (to the extent they are paid in relation to that Healthscope Share).

For a Healthscope Share, the Capital Return and Special Dividend will be paid to the same Healthscope Shareholder.

The Takeover Consideration is payable to a Healthscope Shareholder who validly accepted the Takeover Offer. However, as noted above, the Takeover Consideration received by that Healthscope Shareholder may be reduced by the per share amount of the Special Dividend and Capital Return.

(b) Example of payment of the Takeover Consideration, Capital Return and Special Dividend

Set out below is the timeline for a hypothetical example of a possible distribution of the Takeover Consideration, Capital Return and Special Dividend for a Healthscope Share.

Example: Hypothetical Timeline

15 February 2019		Individual A acquires a Healthscope Share
22 May 2019	Scheme Meeting Date Extraordinary General Meeting is held	the Scheme is not approved at the Scheme Meeting the Capital Return Resolution is approved at the Extraordinary General Meeting
29 May 2019	Special Dividend Record Date and Capital Return Record Date	Individual A is the holder of the Healthscope Share
3 June 2019		Brookfield declares the Takeover Offer unconditional
5 June 2019		Individual A transfers the Healthscope Share to Individual B
12 June 2019		Individual B accepts the Takeover Offer
19 June 2019	Takeover Offer Period expires	Individual B is the holder of the Healthscope Share

The above scenario assumes that Brookfield obtains a Relevant Interest in at least 50.1% of Healthscope Shares prior to the latest time to lodge the Proxy Forms with the Healthscope Share Registry for the Scheme Meeting and Extraordinary General Meeting and Brookfield announces that if the Scheme Resolution is not passed, that it will declare the Takeover Offer to be unconditional after the Special Dividend Record Date. In this event, Individual A is entitled to both the Special Dividend and Capital Return for the Healthscope Share because they were the holder of that Healthscope Share as at the Capital Return Record Date and the Special Dividend Record Date. However, Individual A is not entitled to the Takeover Consideration for the Healthscope Share because they did not accept the Takeover Offer. Instead, Individual B is entitled to the Takeover Consideration, being $1.040 (which is $2.365 reduced by $1.325, being the aggregate amount of the Special Dividend and Capital Return).

In summary, for that particular Healthscope Share:

- Individual A is entitled to the Capital Return and Special Dividend; and
- Individual B is entitled to the Takeover Consideration.

Similarly, in a case where Brookfield obtains a Relevant Interest in at least 50.1% of Healthscope Shares after the Scheme Meeting Date, the Scheme Resolution is not passed and Brookfield announces its intention to declare the Takeover Offer to be unconditional after the Special Dividend Record Date, Individual A (being the holder of the Healthscope Shares on the Special Dividend Record Date and Capital Return Record Date) will be entitled to the Special Dividend and Capital Return but will not be entitled to the Takeover Consideration if Individual B acquires the relevant Healthscope Shares and then accepts the Takeover Offer.

(c) Maximum Takeover Consideration payable by Brookfield LP

Based on the number of Healthscope Shares on issue as at the date of this Booklet, the maximum amount of Takeover Consideration Brookfield LP may be required to pay to Healthscope Shareholders under the Takeover Offer is approximately $1,828 million.

(d) Cash funding arrangements

Brookfield LP intends to fund the Takeover Consideration through equity committed by the Brookfield Funds, as described in Section 9.2(f).

The Takeover Consideration will be reduced by the amount of the Special Dividend and the Capital Return which are subject to the completion of the sale and leaseback of hospital properties and the refinancing of Healthscope's existing debt financing facilities with the Target Facilities. Section 8.1 contains a summary of the sale and leaseback and Section 9.2(g) contains a summary of the Target Facilities.

(e) Illustrative sources and uses of funds

The following two scenarios in relation to the sources and uses of funds are illustrative only.

Brookfield LP becomes the holder of 50.1% of Healthscope Shares under the Takeover Offer

If the Takeover Offer becomes unconditional and Healthscope Shareholders holding 50.1% of Healthscope Shares accept the Takeover Offer, the illustrative sources and uses of funds can be depicted as follows:

SOURCES AND USES OF FUNDS	AMOUNT ($)
Sources	
Cash provided by Brookfield Funds	869 million
Non-Accepting Equity value	865 million
Cash provided by the Property Investors in connection with the sale and leaseback[1]	2,124 million
Debt financing facilities provided to Healthscope or one of its wholly owned subsidiaries	1,800 million
Total sources of funds	**5,658 million**
Uses	
Payment of the Takeover Consideration to relevant Healthscope Shareholders[2]	916 million
Value of the Takeover Consideration to Non-Accepting Shareholders	912 million
Special Distribution	2,308 million
Refinancing of existing Healthscope debt financing facilities[3]	1,492 million
Estimated transaction costs[4]	31 million
Total uses of funds	**5,658 million**

1. Reflects aggregate of consideration for the sale of Portfolio Properties and, if required as a result of Deferred Portfolio Properties, proceeds of Propco Portfolio Loans described in Section 8.1(f).
2. Assumes the Special Distribution will be paid to Healthscope Shareholders.
3. Refinancing costs are subject to change.
4. Transaction costs are subject to change.

Brookfield LP becomes the holder of 89.9% of Healthscope Shares under the Takeover Offer

If the Takeover Offer becomes unconditional and Healthscope Shareholders holding 89.9% of Healthscope Shares accept the Takeover Offer, the illustrative sources and uses of funds can be depicted as follows:

SOURCES AND USES OF FUNDS	AMOUNT ($)
Sources	
Cash provided by Brookfield Funds	1,559 million
Non-Accepting Equity value	175 million
Cash provided by the Property Investors in connection with the sale and leaseback[1]	2,124 million
Debt financing facilities provided to Healthscope or one of its wholly owned subsidiaries	1,800 million
Total sources of funds	**5,658 million**
Uses	
Payment of the Takeover Consideration to relevant Healthscope Shareholders[2]	1,643 million
Value of the Takeover Consideration to Non-Accepting Shareholders	185 million
Refinancing of existing Healthscope debt financing facilities[3]	1,492 million
Special Distribution	2,308 million
Estimated transaction costs[4]	31 million
Total uses of funds	**5,658 million**

1. Reflects aggregate of consideration for the sale of Portfolio Properties and, if required as a result of Deferred Portfolio Properties, proceeds of Propco Portfolio Loans described in Section 8.1(f).
2. Assumes the Special Distribution will be paid to Healthscope Shareholders.
3. Refinancing costs are subject to change.
4. Transaction costs are subject to change.

(f) Equity Commitments

Under the Equity Commitment Letter, if the Scheme is not implemented, Brookfield Capital Partners V LP has agreed that, subject to (i) the Takeover Bid Conditions being satisfied and (ii) Brookfield LP becoming liable to pay the Takeover Consideration to the Healthscope Shareholders who have accepted the Takeover Offer, it will purchase, or procure the purchase of, securities of Brookfield LP, for an aggregate cash amount of up to $1,727 million.

(g) Target Facilities

Debt commitment letter

Brookfield BidCo has entered into a commitment letter with the Mandated Lead Arrangers and Bookrunners attaching credit approved term sheets for the Target Facilities described below.

Target Facilities

Brookfield BidCo has obtained commitments for senior secured syndicated facilities to be provided to Healthscope or one of its wholly owned subsidiaries (**Borrower**) in the event the Takeover Offer becomes unconditional (**Target Facilities**).

The Target Facilities will comprise:

- $360 million amortising term loan facility (**Tranche A**);
- $1,440 million bullet term loan facility (**Tranche B**);
- $250 million multicurrency revolving facility including cash advances and bank guarantees/letters of credit (up to a sub limit of $150 million) (**Tranche C**); and
- $100 million multicurrency revolving facility (**Tranche D**).

Conditions precedent

The Target Facilities will be available following satisfaction of customary conditions precedent for lending of this nature, including that the Takeover Offer has become unconditional.

Purpose of Target Facilities

Tranche A and Tranche B can be drawn by the Borrower for the purpose of:

- refinancing of existing Healthscope debt financing facilities;
- paying the Special Distribution; and
- paying Transaction costs and expenses.

Tranche C is available to fund ongoing working capital requirements and general corporate purposes of the Healthscope Group and may be drawn by bank guarantees/letters of credit or ancillary facilities.

Tranche D is available to fund growth capital expenditure, acquisitions and joint ventures.

Brookfield BidCo expects that a material proportion of Tranche C (excluding an amount of approximately $107 million required to be drawn in connection with letters of credit or similar contingent instruments issued under existing Healthscope's debt financing facilities) and Tranche D will remain undrawn immediately following financial close of the Target Facilities.

Guarantors and security

The Target Facilities will be guaranteed and secured by security granted by Healthscope, the Borrower and each requisite wholly-owned subsidiary of Healthscope with positive EBITDA whose EBITDA and gross assets (in each case determined on an unconsolidated basis and excluding certain intra-group items) form at least 90% of consolidated EBITDA and aggregate total assets of all wholly-owned subsidiaries of group EBITDA (taking into account certain exclusions in reaching this calculation).

Repayment

Tranche A amortises on a semi-annual basis, while all other Tranches have bullet repayments due on the maturity date, 5 years from financial close of the Target Facilities.

The Borrower will be able to make voluntary prepayments under any Tranche (subject to minimum payment amounts and notice requirements) without any prepayment penalties other than customary break costs.

There are mandatory prepayment obligations (subject to customary exceptions and thresholds) for, among other things, excess cash flow sweep, asset disposals, acquisition/insurance proceeds or an IPO.

Interest rates and pricing

The Target Facilities incur interest at a variable rate, being BBSY[42] (for AUD) or BKBM[43] (for NZD), plus a margin.

The margin is determined by reference to a pricing grid based on the most recently calculated 'Leverage Ratio'.

Facility fees

Fees payable in connection with the Target Facilities are consistent with similar facilities made available for facilities of this nature and include:

- a one-off upfront fee payable on the date of initial drawdown of the Target Facilities;
- a commitment fee payable on the undrawn portion of Tranche C and D, set at a percentage of the applicable margin, paid quarterly in arrears; and
- a bank guarantee fee payable only in relation to Tranche C set at a percentage of the applicable margin on the outstanding amount of the bank guarantees, paid quarterly in arrears.

Financial covenants

The Target Facilities contain financial covenants which are customary for similar facilities. The financial covenants are tested quarterly, with the first calculation date being the first calendar quarter end date occurring 6 clear months after financial close of the Target Facilities:

- the ratio of net debt to EBITDA ('Leverage Ratio'); and
- the ratio of EBITDA plus rent to net interest expense plus rent ('Fixed Charge Cover Ratio').

For the purpose of calculating the financial covenants, a number of customary pro forma adjustments are made to EBITDA, net debt and net interest expense. These adjustments are not reflected in EBITDA, net debt or net interest expense shown in this Booklet or in statutory EBITDA, and therefore these measures will be different to the values used for covenant calculation under the Target Facilities.

Other relevant provisions

The Target Facilities also include other terms such as representations, undertakings and events of default typical for facilities of this nature. Any breach by Healthscope, the Borrower or an 'obligor' under the Target Facilities (as the case may be) of the financial covenants, representations or undertakings (which are not remedied within any applicable grace period), or the occurrence of an event of default, may lead to the Target Facilities becoming due and payable and/or the commitments being cancelled.

A change of control in Healthscope will trigger a review event. If a review event occurs, the parties are required to enter into a period of consultation and good faith negotiations for a period to agree appropriate amendments (if necessary) to the finance documents to allow the Target Facilities to continue. If agreement cannot be reached, the agent (acting on the instructions of the majority lenders) may, by written notice to the Borrower, require the obligors to prepay the Target Facilities in full by a specified date. If agreement can be reached and the Target Facilities continue, then a dissenting lender may elect to exit the relevant Target Facility by giving written notice to the Borrower that the loans made by that lender are to become due and payable and the relevant lenders' commitment cancelled.

(h) Conclusion

On the basis of the arrangements described above, Brookfield LP believes it has reasonable grounds for holding the view, and holds the view, that Brookfield LP will be able to satisfy its obligation to fund the Takeover Consideration as and when it is due and payable under the terms of the Takeover Offer. Accordingly, Brookfield LP does not have in place nor does it believe it requires alternative sources of funding to discharge the Takeover Consideration.

42. 'BBSY' means the Australian Bank Bill Swap Reference Rate (Bid) administered by ASX Benchmarks Pty Limited (or any other person which takes over the administration of that rate).
43. 'BKBM' means the New Zealand Bank Bill Benchmark Rate (Bid) administered by the New Zealand Financial Markets Association (or any other person which takes over the administration of that rate).

10. Information on the HoldCo Class B Shares

This Section 10 sets out information about the HoldCo Class B Shares. This information will only apply to you if you are considering making a Scrip Election under the Scheme, instead of taking the Scheme Cash Consideration.

Before making a Scrip Election, you should carefully read this Booklet in its entirety and specifically consider the information in this Section 10 and the risks relating to HoldCo Class B Shares in Section 11.4 (noting that the Healthscope Directors have recommended that you accept the Scheme Cash Consideration rather than the Scrip Consideration).

This Section 10 has been prepared by Brookfield BidCo and Brookfield LP.

10.1 Rights and liabilities attaching to HoldCo Class B Shares

A summary of the key rights and liabilities attaching to HoldCo Class B Shares is set out below.

The summary below does not set out all rights and obligations of the HoldCo Class B Shareholders or the restrictions which those HoldCo Class B Shareholders will be subject to under the Shareholders Agreement and should be read subject to the full terms of the Shareholders Agreement, the HoldCo Constitution and the Nominee Deed. Healthscope Shareholders considering making a Scrip Election to receive the Scrip Consideration should read and understand the Shareholders Agreement, the HoldCo Constitution and the Nominee Deed in full and seek their own independent advice before making a decision.

Full copies of the HoldCo Constitution, the Nominee Deed and Shareholders Agreement were released to ASX on or about 16 April 2019 and can be obtained by calling the Healthscope Shareholder Information Line on 1300 375 694 (within Australia) or +61 3 9415 4320 (outside Australia) or from Healthscope's website: http://www.healthscope.com.au/investor-centre or from ASX's website: www.asx.com.au or www.healthscope.com.au.

The HoldCo Constitution and the Shareholders Agreement provide that the terms of the Shareholders Agreement will prevail in the event of any inconsistency between the provisions of the HoldCo Constitution, the Nominee Deed and the Shareholders Agreement.

TOPIC	OVERVIEW
Issue and Ranking	Immediately following implementation of the Scheme, HoldCo will have two classes of shares on issue, being HoldCo Class A Shares and HoldCo Class B Shares. HoldCo Class A Shares will principally be held by Brookfield and its affiliates. HoldCo Class B Shares will be held by Scheme Shareholders who make a Scrip Election (either directly or through the Nominee on behalf of such Scheme Shareholders) subject to the Scaleback Arrangements and the Minimum Scrip Threshold. HoldCo Class B Shares will be ordinary shares issued as fully paid in accordance with the terms of the Scheme and will rank equally with each other HoldCo Ordinary Share from the date of issue. However, Investors will have rights under the Shareholders Agreement and the HoldCo Constitution that will be significantly more favourable to the Investors than the rights and obligations of HoldCo Class B Shareholders. Among other things, under the Shareholders Agreement, Investors will exercise effective control over HoldCo and will have the ability to determine the timing and terms of any Exit (including through rights to appoint a majority of the HoldCo Board which will in turn control the management of the HoldCo Group). Any HoldCo Class B Shares that are transferred to an Investor or another HoldCo Shareholder who already holds HoldCo Class A Shares will automatically convert into HoldCo Class A Shares. Any HoldCo Class A Shares that are transferred to a HoldCo Class B Shareholder who already holds HoldCo Class B Shares will automatically convert into HoldCo Class B Shares. A Scheme Shareholder will not hold HoldCo Class A Shares at any time after the Implementation Date and will therefore not have any rights accorded to the Investors under the Shareholders Agreement. For further details, see articles 2.2 and 2.3 of the HoldCo Constitution and clause 6.2(g) of the Shareholders Agreement.

TOPIC	OVERVIEW
Variation of class rights	Subject to the terms of the HoldCo Constitution, the Shareholders Agreement, any incentive plan established by HoldCo from time to time and the terms on which any HoldCo Ordinary Shares are issued: • subject to the bullet point below, the rights attaching to a class of HoldCo Ordinary Shares (including HoldCo Class A Shares and HoldCo Class B Shares) may only be varied or cancelled by a HoldCo Board approval and: – a special resolution of the holders of HoldCo Ordinary Shares passed at a general meeting; or – the written consent of the holders of HoldCo Ordinary Shares who hold at least 75% of the issued HoldCo Ordinary Shares; and • the approval of the HoldCo Board (which will be a majority approval of the HoldCo Board unless the rights attaching to the HoldCo Class B Shares would be adversely varied in which case it must be an approval of the HoldCo Board which includes the approval of at least one HoldCo Class B Director (for so long as there is at least one HoldCo Class B Director appointed)). An action which affects the HoldCo Class A Shares and the HoldCo Class B Shares in the same manner and anything done under the express terms of the Shareholders Agreement, the HoldCo Constitution or the Nominee Deed will not be treated as an adverse variation of the rights attaching to HoldCo Class B Shares. For further details, see article 2.6 of the HoldCo Constitution and Schedule 2 of the Shareholders Agreement.
Dividends	The payment of any dividends will be at the sole discretion of the HoldCo Directors, subject to the Corporations Act, HoldCo Constitution and the Shareholders Agreement. Each HoldCo Class A Share and HoldCo Class B Share will rank equally for the payment of dividends. For so long as there are both HoldCo Class A Shares and HoldCo Class B Shares on issue, the HoldCo Board must not declare or determine that a dividend is payable on either HoldCo Class A Shares or HoldCo Class B Shares unless the HoldCo Board makes a corresponding declaration or determination to pay a dividend, of the same amount per HoldCo Ordinary Share amount, on the other class. For further details, see articles 2.2, 2.3 and 16 of the HoldCo Constitution.
Appointment of HoldCo Directors	The HoldCo Board will consist of a minimum of 3 directors and a maximum of 9 directors. Subject to the below in relation to Competing Shareholders, a HoldCo Class B Shareholder who, together with its Permitted Holders, has an aggregate shareholding which comprises 20% or more of the total number of HoldCo Ordinary Shares on issue (including both HoldCo Class A Shares and HoldCo Class B Shares), will have the right to appoint 1 HoldCo Director (each a designated '**HoldCo Class B Director**') for each full 20% of the total number of HoldCo Ordinary Shares on issue which it and its Permitted Holders hold. All HoldCo Class B Directors must be Australian citizens who ordinarily reside in Australia. HoldCo Class A Shareholders, acting with Investor Majority Approval, may appoint and remove the remaining balance of the HoldCo Board (each a **HoldCo Class A Director**). The HoldCo Class A Directors may, from time to time, nominate any of the Directors to become the chairperson.

TOPIC	OVERVIEW
Appointment of HoldCo Directors *continued*	Notwithstanding the above, unless Investor Majority Approval has been received, a HoldCo Shareholder will not be entitled to appoint a HoldCo Director, an observer on the HoldCo Board or a director or officer of any HoldCo Group Member if that HoldCo Shareholder, any of its affiliates, or any of its Permitted Holders: • has, an Interest in a Competitor of the HoldCo Group (a **Competing Shareholder**); or • has given a notice to HoldCo that it has reason to believe that it could become a Competing Shareholder (and all HoldCo Shareholders are obliged to give such a notice if they have a reason to so believe). In addition, a HoldCo Shareholder must immediately remove all HoldCo Directors, board observers, directors and other officers of any HoldCo Group Member appointed or otherwise nominated by it, its affiliates or its Permitted Holders if it becomes a Competing Shareholder or has given a notice to HoldCo that it has reason to believe that it could become a Competing Shareholder. For further details, see article 10 of the HoldCo Constitution and Schedule 1 of the Shareholders Agreement.
HoldCo Board Quorum and Voting	The quorum for a meeting of the HoldCo Board will be: • one HoldCo Class A Director; and • for so long as there is one or more HoldCo Class B Directors appointed, one HoldCo Class B Director(s). If a quorum is not present at a meeting of the HoldCo Board, the meeting must be adjourned to the same time and place on the date 2 Business Days after the date of the original meeting and the quorum at the reconvened meeting will consist of any HoldCo Directors capable of passing the proposed resolutions, provided that at least one HoldCo Class A Director is in attendance. At a meeting of the HoldCo Board: • on each resolution, each HoldCo Director has one vote; • the chairperson, if any, will not have a casting vote in addition to his or her deliberative vote; and • all decisions are by majority vote, unless expressed otherwise in the Shareholders Agreement. For further details, see article 12 of the HoldCo Constitution and Schedule 1 of the Shareholders Agreement.
HoldCo Board matters	HoldCo must not do, commit or approve, and must ensure that no other HoldCo Group Member does, commits or approves anything listed in: • Part A of Schedule 2 of the Shareholders Agreement without the approval of the HoldCo Board including at least one HoldCo Class B Director (for so long as there is a least one HoldCo Class B Director appointed) and a majority of the HoldCo Class A Directors (**Special Board Approval**), including: – the amendment or variation of the maximum number of HoldCo Directors; – the appointment or removal of an auditor for HoldCo; – the amendment or variation of the HoldCo Constitution; – taking any steps to wind up or dissolve a HoldCo Group Member; – other than under the pre-emptive rights regime for new issuances or in connection with an Exit, any issue, allotment or grant of HoldCo securities (including HoldCo Class A Shares and HoldCo Class B Shares); – any determination that the HoldCo Board will buy back, redeem and/or cancel any ROFR Securities (defined below); – taking any action which departs from a recommendation of the audit committee;

TOPIC	OVERVIEW
HoldCo Board matters *continued*	– entering into or materially varying any related party arrangement other than in connection with an Exit in accordance with the terms of the Shareholders Agreement or the HoldCo Constitution or where the arrangement is on arm's length terms; – varying the rights attaching to the Class B Shares or any other class of HoldCo securities which are held by the HoldCo Class B Shareholders at that time in a manner which is adverse to the relevant HoldCo Class B Shareholders who hold those HoldCo securities; – materially altering the accounting standards of the HoldCo Group except as required by law; or – changing the accounting period of any HoldCo Group Member; and • other material decisions related to the conduct of the HoldCo Group and the business and operations of Healthscope and HoldCo without majority approval of the HoldCo Board (which may be an approval of only the HoldCo Class A Directors) (such as the appointment and removal of senior officers and management, the establishment of any strategy of the HoldCo Group, approval of business plans and budgets and declaration of dividends). As the Investors will control the composition of the HoldCo Board due to their HoldCo Director appointment rights, all of these matters will be able to be decided solely by the nominated directors or the HoldCo Class A Directors. For further details, see Schedule 2 of the Shareholders Agreement.
Shareholder meetings and voting	The quorum for a general meeting is: • where HoldCo has only one HoldCo Shareholder, that HoldCo Shareholder; and • otherwise, at least 2 HoldCo Shareholders of which at least one must be a HoldCo Class A Shareholder. Subject to the terms of the HoldCo Constitution and the Corporations Act, each HoldCo Shareholder present in person or by proxy at a meeting of the HoldCo Shareholders and entitled to vote has one vote on a show of hands and has one vote for each fully paid HoldCo Ordinary Share held by the HoldCo Shareholder on a poll. **Special Shareholder Approval** Subject to the requirements of the Corporations Act, the Shareholders Agreement and any rights or restrictions for the time being attached to any class or classes of shares, the Shareholders Agreement prescribes certain matters that must be approved by Special Shareholder Approval. These matters include approving the issuance of HoldCo Ordinary Shares or other HoldCo securities without compliance with the pre-emptive regime for new issuances outlined below, approving the issuance of HoldCo Ordinary Shares or other HoldCo securities to a Competitor, approving the disposal of HoldCo Ordinary Shares or other HoldCo securities without compliance with the ROFR and approving actions that would otherwise be in breach of the restraint as described below. Resolutions requiring '**Special Shareholder Approval**', will only be passed if there is: • the approval of Investors holding more than 50% of the aggregate number of HoldCo Class A Shares held by the Investors at the relevant time (**Investor Majority Approval**); and • the approval of HoldCo Class B Shareholders holding more than 50% of the aggregate number of HoldCo Class B Shares on issue at the relevant time (**HoldCo Class B Shareholder Majority Approval**). For further details, see article 9 of the HoldCo Constitution and clause 1.1 of the Shareholders Agreement.

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TOPIC	OVERVIEW
Issue of further HoldCo shares	If HoldCo proposes to issue any new securities after the Scheme is implemented, it must first offer the existing HoldCo Shareholders the right to subscribe for those HoldCo securities. These pre-emptive rights on new issuances are subject to certain exceptions which permit HoldCo to issue new securities in certain circumstances without giving other HoldCo Shareholders a right to subscribe for those new securities, including: • in connection with the Scheme or otherwise pursuant to the transaction documents for the purposes of the Shareholders Agreement; • pursuant to the conversion of convertible securities (including the conversion of HoldCo Class A Shares and HoldCo Class B Shares); • in connection with an IPO; • pursuant to an Exit; • where approved by Special Shareholder Approval; • pursuant to an incentive scheme; • as non-cash consideration for an acquisition of a business, company or assets by a HoldCo Group Member; • to a HoldCo Shareholder following an emergency matter (including a default or review event under a debt financing facility of a HoldCo Group Member, a HoldCo Group Member becoming insolvent or any change in the financial or operational affairs of any HoldCo Group Member which would have a material and adverse effect on one or more HoldCo Group Members). If the exception for an emergency matter applies, the other HoldCo Shareholders will have a 'catch-up' right to subscribe for or acquire from the original subscribing HoldCo Shareholders the HoldCo securities which they otherwise would have been entitled to if the pre-emptive rights exception had not applied (on the same terms and conditions); • to a provider of debt finance as part of any genuine debt finance provided to a HoldCo Group Member; or • pursuant to certain reorganisation events or certain restructuring events. Notwithstanding the above, no HoldCo Ordinary Shares or other HoldCo securities may be issued, nor is HoldCo required to offer any securities to any person if to do so would require HoldCo to prepare a prospectus or other disclosure document or breach any applicable law (including the Corporations Act). For further details, see article 2.1 of the HoldCo Constitution and clause 6 of the Shareholders Agreement.
Disposals	A HoldCo Class B Shareholder must not dispose of any of its HoldCo Ordinary Shares or other HoldCo securities (or any interest in them or any other HoldCo securities it holds at any time) except for: • disposals to an affiliate of a HoldCo Class B Shareholder (**Permitted Holder**) in accordance with the terms of the Shareholders Agreement; • transfers to the Nominee; • re-transfers where a Permitted Holder of a HoldCo Class B Shareholder ceases to be an affiliate of the HoldCo Class B Shareholder in relation to which it acquired HoldCo Ordinary Shares or other HoldCo securities; • disposals by a HoldCo Class B Shareholder under the right of first refusal; • disposals by a HoldCo Shareholder pursuant to the tag along provision in the Shareholders Agreement; • disposals required under the drag along provision in the Shareholders Agreement; • disposals in connection with an Exit; • disposals under the compulsory disposal regime on default; • disposals under the compulsory disposal regime for Small Holdings; or • in connection with a transaction which has received HoldCo Board approval.

TOPIC	OVERVIEW
Disposals *continued*	Subject to the tag along rights of other HoldCo Shareholders and also the restrictions on disposing of HoldCo shares to Competitors referred to below, the HoldCo Ordinary Shares or other HoldCo securities held by Investors are freely transferrable. Notwithstanding any disposal right, no HoldCo Ordinary Shares or other HoldCo securities may be disposed of to a Competitor other than: • in connection with an IPO; • in connection with a transaction in which tag along rights or drag along rights are exercisable; • in connection with a disposal of HoldCo Ordinary Shares and/or other HoldCo securities which represent at least 66.67% of the aggregate number of all HoldCo Ordinary Shares and other HoldCo securities on issue (determined on a fully-diluted basis); • in connection with a trade sale if the Shareholders Agreement will be terminated on or before completion of the trade sale; or • with Special Shareholder Approval. If a HoldCo Class B Shareholder disposes of all of its HoldCo securities, that HoldCo Class B Shareholder will be deemed to have given a release in favour of HoldCo, the HoldCo Class A Shareholders and the other HoldCo Class B Shareholders in respect of any prior breach by any of them of the Shareholders Agreement. For further details, see clause 7 of the Shareholders Agreement.
Exit	The Investors comprising an Investor Majority at that time may require that HoldCo implement an Exit at any time. If an Exit is initiated, each HoldCo Shareholder must, amongst other things, use its best endeavours to ensure that the Exit occurs in accordance with the initiating Investors' requirements and must do all things required by HoldCo or those Investors for the Exit including executing all documents, providing all information and assistance, exercising consent and approval rights (including voting rights) to achieve the Exit and exchanging or disposing of its HoldCo Ordinary Shares and other HoldCo securities (provided that the price is the same for all HoldCo securities of the same class and type). A HoldCo Class B Shareholder may be required to sell its HoldCo Ordinary Shares in connection with an Exit, including to a buyer in an Exit and/or in connection with a restructuring of the Group to facilitate the Exit. **Escrow arrangements** Each HoldCo Shareholder agrees to: • such restrictions on the number of HoldCo Ordinary Shares, other HoldCo securities or shares in any special purpose vehicle established for the purpose of the IPO (as applicable) that it is permitted to realise for cash; and • if the HoldCo Shareholder along with its Permitted Holders holds 10% or more of all of the HoldCo Ordinary Shares and other HoldCo securities on issue at the time of an Exit, such escrow arrangements for its HoldCo Ordinary Shares or shares in any special purpose vehicle established for the purpose of the IPO, as the HoldCo Board may reasonably require having regard to the advice given by the financial adviser on what is reasonably required or desirable for a successful IPO.

TOPIC	OVERVIEW
Exit *continued*	**Business warranties and indemnities** If: • an Appointer Shareholder is participating in the tag along transaction; or • there is a drag along transaction or other Exit in which an Appointer Shareholder is participating, the Appointer Shareholder must give, for the benefit of the relevant acquirer, representations, warranties and indemnities that relate to the HoldCo Group, provided that: • liability for such representations, warranties and indemnities is individual and allocated pro rata between the Appointer Shareholders who are giving those representations, warranties and indemnities, based on their respective proceeds in connection with the transaction; • the maximum liability of an Appointer Shareholder under such representations, warranties and indemnities does not exceed: (i) 100% of the proceeds they will receive in connection with the transaction for matters relating to title, authority, group structure and capitalisation and tax, and (ii) for other matters, such amounts as are reasonable given the nature of the representations, warranties and indemnities and in any event will not be more than 100% of the proceeds to the Appointer Shareholder in connection with the transaction; and • the Investors and HoldCo procure that the legal exposure for those representations, warranties and indemnities is covered by warranty and indemnity insurance, an escrow or a comparable arrangement, subject to usual exclusions (the cost of which will be borne pro rata by the relevant Appointer Shareholders). For further details, see clause 11 of the Shareholders Agreement.
Right of first refusal	If a HoldCo Class B Shareholder wishes to sell any of its HoldCo Class B Shares other than in accordance with another specific transfer right referred to above, it must first comply with the right of first refusal (**ROFR**) provision in the Shareholders Agreement. A HoldCo Class B Shareholder (**ROFR Seller**) may initiate the ROFR by giving HoldCo no less than 40 Business Days' notice. The ROFR Seller must offer to sell all of its HoldCo Class B Shares and other HoldCo securities (**ROFR Securities**) under the ROFR at a specified cash price and cannot offer to only sell some of its HoldCo Class B Shares and other HoldCo securities. If a ROFR Seller gives a notice under the ROFR clause, the HoldCo Board (with Special Board Approval) may determine that HoldCo will buy back, redeem or cancel the ROFR Securities. If the HoldCo Board does not make such a determination in respect of all of the ROFR Securities within 20 Business Days, HoldCo must serve a notice on all HoldCo Shareholders (except for the ROFR Seller) giving them the right to purchase the ROFR Securities that are not being bought-back, redeemed or cancelled by HoldCo (**Remaining ROFR Securities**) at the cash price specified by the ROFR Seller within 25 Business Days of the receipt of the notice from the ROFR Seller. The other HoldCo Shareholders will then have a period of not less than 10 Business Days to determine whether to offer to buy any of the Remaining ROFR Securities. A HoldCo Shareholder may offer to buy more, equal to or less than the HoldCo Shareholder's then-existing shareholding proportion of the Remaining ROFR Securities.

TOPIC	OVERVIEW
Right of first refusal *continued*	At the end of the 10 Business Day acceptance period, the Remaining ROFR Securities will be allocated as follows: • If one or more HoldCo Shareholders accept the offer to purchase all of, but not more than, the Remaining ROFR Securities (**Accepting HoldCo Shareholder**), the ROFR Seller will be bound to sell to the Accepting HoldCo Shareholders the number of the ROFR Securities that each Accepting HoldCo Shareholder has offered to buy; • If the Accepting HoldCo Shareholders offer to purchase more than the Remaining ROFR Securities, then each Accepting HoldCo Shareholder will be entitled to purchase the lesser of its pro rata share of the Remaining ROFR Securities, and the Remaining ROFR Securities which it has offered to purchase. That allocation process will be repeated until all of the Remaining ROFR Securities have been allocated or each Accepting HoldCo Shareholder has been allocated as many Remaining ROFR Securities as it offered to purchase; and • If no HoldCo Shareholders have accepted the ROFR Seller's offer or the acceptances equate to less than the number of Remaining ROFR Securities, then the ROFR Seller may either (i) sell all (but not only some) of the Remaining ROFR Securities to a third party, or (ii) if any acceptance notices were given by Accepting HoldCo Shareholders, sell to those Accepting HoldCo Shareholders the number of Remaining ROFR Securities which they offered to purchase and sell all (but not only some) of the balance of the Remaining ROFR Securities to a third party. If a ROFR Seller is entitled to sell any Remaining ROFR Securities to a third party it may only do so within a period of 90 days after the ROFR offer period, the price per Remaining ROFR Security must be no less than the price at which the Remaining ROFR Securities were offered to the other HoldCo Shareholders and otherwise on terms which are no more favourable to the third party buyer. If the Remaining ROFR Securities are not all sold to a third party on those terms, then the ROFR Seller must wait a period of 6 months from the date it issued the ROFR notice before it may initiate another sale of its HoldCo Ordinary Shares or HoldCo securities under the ROFR. The ROFR will not apply in relation to disposals of HoldCo Ordinary Shares: • pursuant to an Exit; • with HoldCo Special Shareholder Approval; • disposal by a HoldCo Class B Shareholder to a Permitted Holder or re-transfers where a Permitted Holder of a HoldCo Class B Shareholder ceases to be an affiliate of the HoldCo Class B Shareholder in relation to which it acquired HoldCo Ordinary Shares or other HoldCo securities; • pursuant to a tag along transaction or drag along transaction; • pursuant to a disposal under the compulsory acquisition regime for Small Shareholdings; • pursuant to a disposal under the compulsory acquisition regime for defaults; and • on a transfer to the Nominee. For further details, see clause 8 of the Shareholders Agreement.
Tag along rights	If one or more Investors intend to dispose of HoldCo Ordinary Shares (or any other HoldCo securities which are on issue) which in aggregate comprise 50% more (by number) of the HoldCo Ordinary Shares and other HoldCo securities held by all Investors and their affiliates, to a non-affiliated third party, the Investor must provide a tag along option to the other HoldCo Shareholders. The tag along option allows HoldCo Shareholders to request the selling Investor to include in the disposal the same proportion of their HoldCo Ordinary Shares and other HoldCo securities as the proportion of the Investor's HoldCo Ordinary Shares and other HoldCo securities of which it is disposing. The exercise of the tag along option by a HoldCo Shareholder is irrevocable and must be for all (and not some) of the HoldCo securities that the HoldCo Shareholder is entitled to sell as part of the tag transaction.

TOPIC	OVERVIEW
Tag along rights *continued*	The number of tagging HoldCo Ordinary Shares and other HoldCo securities that a HoldCo Shareholder is entitled to sell as part of the tag transaction may be reduced if the buyer is not willing to purchase all of those HoldCo Ordinary Shares and other HoldCo securities provided the reduction is undertaken proportionately across all of the HoldCo Ordinary Shares and other HoldCo securities proposed to be disposed of by the initiating Investor(s) and the tagging HoldCo Shareholders. HoldCo Shareholders who elect to tag along will be required to: • execute substantially identical documents to those that the selling Investor(s) executes provided that HoldCo Shareholders will not be required to give business representations, warranties or indemnities unless they are an Appointer Shareholder in which case the paragraph relating to business warranties and indemnities in the Exit section above applies; • pay its pro rata share of all expenses incurred by the selling Investor(s), the participating HoldCo Shareholders and HoldCo in connection with the transaction (but only to the extent that the costs are not borne by HoldCo and are not individual costs); and • give unqualified title, authority and capacity representations, warranties and indemnities. Each HoldCo Shareholder who is an Appointer Shareholder may be required to comply with the obligations in relation to business representations, warranties and indemnities set out in the Exit section above. The tag along rights will not apply to any transfer of HoldCo Ordinary Shares or other HoldCo securities: • to a HoldCo Shareholder who has a 'catch-up right' following an issue of HoldCo Ordinary Shares or other HoldCo securities in connection with an emergency matter; • pursuant to the compulsory acquisition regime on default; • in connection with the exercise of drag rights; • in connection with the conversion of any HoldCo Ordinary Shares or other HoldCo securities; • in connection with an IPO; or • in connection with a transfer by an Investor to its affiliate. For further details, see clause 9 of the Shareholders Agreement.
Drag along rights	If an Investor or multiple Investors who hold at least 50% of the HoldCo Class A Shares held by all Investors at that time wish to sell some or all of their HoldCo Ordinary Shares or other HoldCo securities to a third party, the relevant Investor will be entitled to serve a notice on the other HoldCo Shareholders requiring that they sell a proportionate number of their HoldCo Ordinary Shares or other HoldCo securities to the proposed buyer, for the same price per HoldCo Ordinary Share or other HoldCo security as the price payable to the relevant Investors. A drag notice issued by an Investor may be withdrawn at any time by written notice to HoldCo. HoldCo Shareholders who are required to sell HoldCo Ordinary Shares or other HoldCo securities in a drag transaction will be required to: • execute, substantially identical documents to those that the selling Investor(s) execute provided that HoldCo Shareholders will not be required to give business representations, warranties or indemnities unless they are an Appointer Shareholder in which case the paragraph relating to business warranties and indemnities in the Exit section above applies; • pay its pro rata share of all expenses incurred by the selling Investor(s); and • give unqualified title, authority and capacity representations, warranties and indemnities. Each HoldCo Shareholder who is an Appointer Shareholder may be required to comply with the obligations in relation to business representations, warranties and indemnities set out in the Exit section above.

TOPIC	OVERVIEW
Drag along rights *continued*	Drag along rights do not apply to disposals of HoldCo Ordinary Shares or other HoldCo securities if the disposal is: • in connection with a conversion of any HoldCo Ordinary Shares or other HoldCo securities; • to a HoldCo Shareholder who has a 'catch-up right' following an issue of HoldCo Ordinary Shares or other HoldCo securities in connection with an emergency matter; • pursuant to the compulsory acquisition regime on default; • in connection with a disposal by an Investor to its affiliate; or • in connection with an IPO. For further details, see clause 10 of the Shareholders Agreement.
Compulsory acquisition	A HoldCo Shareholder and its Permitted Holders will be subject to a compulsory disposal regime where a 'Trigger Event' has occurred in relation to it. A Trigger Event occurs where: • a HoldCo Shareholder becomes insolvent (without the written approval of the HoldCo Board); • in the case of a HoldCo Class B Shareholder who is not an individual, there is an upstream change of control (excluding where the change of control occurs as a result of a genuine merger or institutional superannuation funds); • a Permitted Holder of a HoldCo Class B Shareholder ceases to be an affiliate of the HoldCo Class B Shareholder in relation to which it acquired HoldCo Ordinary Shares or other HoldCo securities and the Permitted Holder has failed to re-transfer the HoldCo Ordinary Shares and other HoldCo securities it holds to the transferee HoldCo Class B Shareholder or another affiliate of that HoldCo Class B Shareholder; or • a HoldCo Shareholder commits a material breach of the Shareholders Agreement. If the HoldCo Board determines that a Trigger Event has occurred in relation to a HoldCo Shareholder, HoldCo will have the option to buy back, redeem and/or cancel some or all of the HoldCo Ordinary Shares and any other HoldCo securities (if any) held by the defaulting HoldCo Shareholder and each of its Permitted Holders' (if any) (**Transfer Securities**). If the HoldCo Board does not elect to undertake such a buy back, redemption and/or cancellation of all of the Transfer Securities, HoldCo must issue a notice to the other HoldCo Shareholders offering them the right to purchase pro rata, based on their respective holdings of HoldCo Ordinary Shares and other HoldCo securities, any of the Transfer Securities which are not bought back, redeemed and/or cancelled by HoldCo. If all of the Transfer Securities are not bought-back, redeemed and/or cancelled by HoldCo or purchased by the other HoldCo Shareholders, the HoldCo Board may require the defaulting HoldCo Shareholder and its Permitted Holders' (if any) to transfer the remaining Transfer Securities to a person determined by the HoldCo Board. The price payable for each of the Transfer Securities will be the price agreed between HoldCo and the defaulting HoldCo Shareholder, or failing agreement: • if the Trigger Event is that the defaulting HoldCo Shareholder is insolvent, market value of the Transfer Security at the date of the Transfer Notice; or • in all other cases, 90% of the market value of the Transfer Security at the date of the Transfer Notice. For further details, see Schedule 4 of the Shareholders Agreement.

TOPIC	OVERVIEW
Compulsory acquisition of Small Holdings	After the first anniversary of the Implementation Date, the HoldCo Board may elect to require a HoldCo Small Shareholder to dispose of its HoldCo Class B Shares. If the HoldCo Board makes such an election, the HoldCo Small Shareholder must sell or otherwise dispose of their HoldCo Class B Shares in the manner determined by the HoldCo Board, which may include a buy-back and cancellation of those HoldCo Class B Shares or the transfer of those HoldCo Class B Shares to a nominated purchaser (which may be a third-party purchaser or an existing HoldCo Shareholder). In either case, the sale price for the HoldCo Class B Shares will be their market value as at the date on which the HoldCo Board gives notice that the compulsory disposal provision will apply to the HoldCo Small Shareholder. That market value will be determined by the HoldCo Board, or if a HoldCo Small Shareholder disputes the market value determined by the HoldCo Board, the market value will be determined by an independent valuer. Under the Shareholders Agreement, each HoldCo Shareholder will be contractually obliged to take all actions required by the HoldCo Board to give effect to this compulsory disposal provision, including entering into and executing all documentation. The power of attorney given by all HoldCo Class B Shareholders may be utilised by the HoldCo Class A Directors to give effect to this compulsory disposal provision. For further details, see clause 12 of the Shareholders Agreement.
Nominee arrangements	A HoldCo Class B Shareholder (other than a HoldCo Class B Shareholder who has received Investor Majority Approval) must dispose of their HoldCo Class B Shares (and any other HoldCo securities) to the Nominee. Each HoldCo Class B Shareholder must comply with the directions of HoldCo for the purposes of facilitating the disposal of its HoldCo Class B Shares to the Nominee. The intention of the Nominee arrangements is that the HoldCo Class B Shareholders will still have the rights as set out in this table, as if the HoldCo Class B Shareholder were holding the HoldCo Class B Shares directly, even if they transfer legal title to their HoldCo Class B Shares (and any other HoldCo securities) to the Nominee. That is, the voting, economic and other interests of the HoldCo Class B Shareholders are intended to be unaffected by the HoldCo Class B Shares and other HoldCo securities being held by the Nominee. Clause 16 of the Shareholders Agreement sets out the terms on which this intention is to be achieved, including how the provisions in the Shareholders Agreement and the definitions in the Shareholders Agreement are intended to operate where a HoldCo Class B Shareholder holds HoldCo Class B Shares (and any other HoldCo securities) through the Nominee. Specifically, each HoldCo Class B Shareholder: • will continue to have the benefit of, and be bound by, all the provisions of the Shareholders Agreement which would have otherwise applied to them had they held legal title to their HoldCo Class B Shares and other HoldCo securities directly; and • undertakes to HoldCo that it will not take any action, or omit to take any action (including actions through the Nominee they would not be permitted to take under the Shareholders Agreement) which would breach its obligations under the Shareholders Agreement. Any references in the Shareholders Agreement and the HoldCo Constitution to disposing of HoldCo Class B Shares or other HoldCo securities include disposals of a beneficial interest in any HoldCo Class B Shareholder's HoldCo Class B Shares or other HoldCo securities. For further details, see clause 16 of the Shareholders Agreement which sets out the terms on which this intention is intended to be achieved.

TOPIC	OVERVIEW
Nominee arrangements *continued*	The key terms of the custodian arrangements under the Nominee Deed in respect of the Healthscope Shareholders who elect to receive Scrip Consideration (each an **Appointing Beneficiary**) are as follows: • the Nominee holds the right, title and interest in the relevant HoldCo Class B Shares and other HoldCo securities of an Appointing Beneficiary on a separate bare trust for that Appointing Beneficiary; • the Nominee must, to the maximum extent permitted by law, act on the instructions of the Appointing Beneficiaries, with the intent that each Appointing Beneficiary exercises day-to-day control over the operation of the bare trust of which it is the Appointing Beneficiary; • the Nominee will only transfer or otherwise dispose of the property of a bare trust as the relevant Appointing Beneficiary of that bare trust or any attorney on behalf of that Appointing Beneficiary directs; • to the extent reasonably practicable, the Nominee must attend and/or vote at meetings of HoldCo Shareholders which the Nominee is instructed by an Appointing Beneficiary to attend and/or vote at (as applicable) (and in the absence of such a valid instruction, the Nominee will not attend any such meetings); • HoldCo will procure that any cash distribution or dividend that would otherwise be paid to the Nominee in respect of HoldCo Class B Shares or other HoldCo securities held by the Nominee as bare trustee for an Appointing Beneficiary is paid directly to the Appointing Beneficiary in place of the Nominee (or as it directs); and • each Appointing Beneficiary indemnifies HoldCo and the Nominee for, all claims and liabilities which HoldCo or the Nominee incurs arising out of or in connection with: – anything done by the Nominee at the instruction of that Appointing Beneficiary; – by reason of that Appointing Beneficiary's HoldCo Class B Shares and other HoldCo securities being registered in the name of the Nominee; and – any breach of the Shareholders Agreement or the Nominee Deed by the Appointing Beneficiary or the Nominee on the instruction of the Appointing Beneficiary.
Power of attorney	Each HoldCo Class B Shareholder appoints each HoldCo Class A Director from time to time as its attorney, with power to act on behalf of the HoldCo Class B Shareholder, to do all acts and things appropriate to, amongst other things: • negotiate and implement any action or transaction, or carry out any other matter, under or contemplated by the Shareholders Agreement, the HoldCo Constitution, the Nominee Deed or another relevant document; • implement a transfer of HoldCo Ordinary Shares or other HoldCo securities to the Nominee; • pass a resolution of HoldCo Shareholders to remove a director, observer or other officer of HoldCo or any HoldCo Group Member, which a HoldCo Shareholder has ceased to be entitled to appoint or nominate in accordance with the Shareholders Agreement; • to call for, agree to short notice being provided in respect of, speak at and attend general meetings of HoldCo (including any class meeting); • vote or grant proxy in favour of any person to vote (or appoint an authorised representative to vote) on behalf of the HoldCo Class B Shareholder (to the exclusion of the HoldCo Class B Shareholder) at any meeting or class meeting of holders of HoldCo Class B Shares or other HoldCo securities; • execute circulating resolutions on behalf of the HoldCo Class B Shareholder; and • remedy an unremedied breach by the HoldCo Class B Shareholder. For further information see clause 20 of the Shareholders Agreement.

TOPIC	OVERVIEW
Restraint	Each HoldCo Shareholder undertakes to HoldCo that it will not directly or indirectly, whether solely or jointly with any other person and in any capacity, during the non-solicit period: • employ, solicit, canvas or entice away from any HoldCo Group Member any officer, medical specialist or senior employee; • take any action which could reasonably be expected to adversely interfere with or disrupt in any material respect the relationship between any HoldCo Group Member and its material customers, suppliers, officers, employees or consultants; • act in any way which could reasonably be expected to harm or prejudice the reputation or good name of HoldCo or any HoldCo Group Member; • use or infringe any intellectual property rights of the HoldCo Group; • attempt, counsel, procure or otherwise assist any person to do any of the above acts. The non-solicit period applies for so long as the HoldCo Shareholder is a party to the Shareholders Agreement and for a period 24 months from the time that the HoldCo Shareholder ceases to hold any HoldCo Ordinary Shares or other HoldCo securities. The Shareholders Agreement has exceptions to the restraint which include any action or omission previously approved by Special Shareholder Approval, employing a person who contacts the HoldCo Shareholder of their own initiative and without any direct solicitation. A complete list of the exceptions to the restraint is contained in clause 14.6 of the Shareholders Agreement. For further details, see clause 14 of the Shareholders Agreement.
Information rights and confidentiality	All HoldCo Shareholders will be entitled to receive the audited consolidated financial statements for HoldCo and any HoldCo Group Member for each financial year. All HoldCo Shareholders and HoldCo will be bound by certain confidentiality obligations under the Shareholders Agreement. In addition, all HoldCo Shareholders will be bound by a further protocol governing the rights and obligations of the parties in relation to certain commercially sensitive information in relation to the HoldCo Group (which protocol will principally be of significance if a HoldCo Shareholder has a nominated director or observer of any HoldCo Group Member). For further details, see Schedules 3 and 5 of the Shareholders Agreement.
Amendment of the Shareholders Agreement	The Shareholders Agreement may only be amended with the consent of: • HoldCo; • Investor Majority Approval; and • if the amendment would adversely affect the rights of HoldCo Class B Shareholders in any material respect and there are any Rollover Shareholders at the relevant time, Special Shareholder Approval. The above regime does not apply in the case of certain complying amendments approved by an Investor Majority Approval in writing. For further details, see clause 27 of the Shareholders Agreement.

10.2 Different regulatory regime for HoldCo Class B Shares

A different regulatory regime will apply to HoldCo Class B Shares as compared to Healthscope Shares at present. HoldCo Class B Shares will be issued to Scheme Shareholders who make a Scrip Election, subject to the Scaleback Arrangements.

As HoldCo will be an unlisted public company with less than 50 shareholders following implementation of the Scheme, neither the Listing Rules nor Australia's takeover regime under the Corporations Act will apply.

The effect of this change in structure means that investor protections currently available to Healthscope Shareholders in respect of their Healthscope Shares under the Listing Rules and Chapter 6 of the Corporations Act will not apply to those Healthscope Shareholders who make a Scrip Election in respect of their HoldCo Class B Shares.

A summary of some of the key types of investor protections that will no longer apply is set out in the table below. The summary is not exhaustive:

HEALTHSCOPE SHARES	HOLDCO CLASS B SHARES
CONTINUOUS DISCLOSURE (LISTING RULES – CHAPTER 3)	
This Chapter contains obligations on listed entities to immediately disclose material price sensitive information to the market.	Neither HoldCo or Brookfield BidCo will have an obligation to disclose material price sensitive information following implementation of the Scheme.
SECURITIES (LISTING RULES – CHAPTER 6)	
This Chapter provides that each class of equity security must be appropriate and equitable in ASX's view. It also provides protections in relation to voting rights of holders of ordinary shares.	The terms of the HoldCo Class B Shares are not subject to ASX's approval.
CHANGES IN CAPITAL AND SHARE ISSUES (LISTING RULES – CHAPTER 7)	
This Chapter requires issuers who issue more than 15% of a listed entity's capital in a 12 month period to seek security holder approval, subject to certain exceptions. It also imposes limits on the ability of listed entities to issue shares under a rights issue, dividend or distribution plan or during a takeover unless prescribed conditions are met.	Holdings of HoldCo Class B Shares may be significantly diluted without the approval of HoldCo's shareholders at a general meeting.
TRANSACTIONS WITH PERSONS OF INFLUENCE (LISTING RULES – CHAPTER 10)	
This Chapter imposes restrictions on persons in a position of influence, such as related parties, a subsidiary, or a substantial holder, from entering into certain transactions with the listed entity unless certain conditions are met. In prescribed cases, transactions of this nature will require shareholder approval.	Transactions between HoldCo, Healthscope and/or their related parties may not require shareholder approval, unless shareholder approval is required pursuant to Chapter 2E of the Corporations Act.
SIGNIFICANT TRANSACTIONS (LISTING RULES – CHAPTER 11)	
This Chapter requires a listed entity to obtain the approval of shareholders in certain circumstances (and where required by ASX), if it proposes to make a significant change to the nature or scale of its activities.	A significant change to the operations of HoldCo and/or Healthscope may not require shareholder approval.

HEALTHSCOPE SHARES	HOLDCO CLASS B SHARES
TAKEOVERS (CORPORATIONS ACT – CHAPTER 6)	
This Chapter sets out Australia's takeover regime. This regime is supplemented by ASIC Regulatory Guides and guidance notes issued by the Australian Takeovers Panel. Chapter 6 prohibits a person from acquiring relevant interests in a listed company's shares where it would have the effect of causing the person's or someone else's voting power in the company to increase from 20% or below to above 20% or from a starting point of above 20% and below 90% unless an exception, such as a takeover bid or scheme of arrangement, applies. The takeover regime in Chapter 6 contains a range of rules designed to provide investors with sufficient time and detailed disclosure requirements relating to a takeover bid so that they may assess the offer put to them by the bidder. In addition, the takeover regime in Chapter 6 includes rules designed to provide for shareholders in a company which is the subject of a takeover to have an equal opportunity to participate in the offer and any takeover premium offered by the bidder.	A person may acquire control of HoldCo, Brookfield BidCo or Healthscope in a manner that would have not been permitted had Chapter 6 of the Corporations Act applied, for example without making a takeover bid or proposing a scheme of arrangement. A person may acquire control of HoldCo, Brookfield BidCo or Healthscope in circumstances where less information was disclosed to HoldCo Class B Shareholders or where less time was given to them to assess the offer put to them about the control transaction, than would have been permitted had Chapter 6 of the Corporations Act applied. A person may acquire control of HoldCo, Brookfield BidCo or Healthscope in a manner that does not give shareholders equal opportunity to participate in the offer and any takeover premium offered by the bidder.

10.3 Scheme Pro forma Historical Financial Information

(a) Overview

The Scheme Pro forma Historical Financial Information set out in this Section 10.3 has been prepared to illustrate the:

- pro forma historical statement of profit or loss for the financial year ended 30 June 2018 and half year period ended 31 December 2018 (**Pro forma Historical Statement of Profit or Loss**);
- pro forma historical statement of financial position as at 31 December 2018 (**Pro forma Historical Statement of Financial Position**); and
- pro forma historical statement of cash flows for the financial year ended 30 June 2018 and half year period ended 31 December 2018 (**Pro forma Historical Statement of Cash Flows**),

(together, the **Scheme Pro forma Historical Financial Information**).

All amounts disclosed in this Section 10.3 are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest million. Tables in this Section 10.3 have not been amended to correct immaterial summation differences that may arise from this rounding convention.

This Section 10.3 should be read by Healthscope Shareholders in conjunction with:

- the funding of the Scheme Consideration in Section 9.1;
- the Transaction risks summarised in Section 11; and
- Section 6.3, which includes the Healthscope statutory historical consolidated financial information.

The Scheme Pro forma Historical Financial Information has been reviewed in accordance with the Australian Standard on Assurance Engagements *ASAE 3450 Assurance Engagements involving Fundraising and/or Prospective Financial Information* by Deloitte Corporate Finance Pty Limited (**Investigating Accountant**), whose Investigating Accountant's Report is set out in Annexure B. Healthscope Shareholders should note the scope and limitations of that report.

(b) Basis of preparation

The Scheme Pro forma Historical Financial Information set out in this Section 10.3 has been prepared to reflect the anticipated financial impacts of the acquisition of Healthscope by HoldCo. The Scheme Pro forma Historical Information is intended to provide Healthscope Shareholders with an indication of the historical profit or loss, financial position and cash flows of HoldCo as if the Scheme had been implemented from 1 July 2017 in respect of the profit or loss and cash flows and 31 December 2018 in respect of the statement of financial position.

The Scheme Pro forma Historical Financial Information does not reflect the actual consolidated profit or loss, financial position and cash flows of HoldCo. It has been prepared solely for the purpose of inclusion in this Booklet and is provided for illustrative purposes only.

The Scheme Pro forma Historical Financial Information has been derived from:

- the statutory historical consolidated financial statements of Healthscope for the financial year ended 30 June 2018 and half year period ended 31 December 2018; and
- pro forma adjustments described in this Section 10.3.

The statutory historical consolidated financial statements of Healthscope for the financial year ended 30 June 2018 were audited by Deloitte Touche Tohmatsu in accordance with Australian Auditing Standards. Deloitte Touche Tohmatsu issued an unmodified audit opinion in relation to these financial statements. The statutory historical consolidated financial statements of Healthscope for the half-year period ended 31 December 2018 were reviewed by Deloitte Touche Tohmatsu, who issued an unmodified review conclusion in relation to these financial statements.

The Scheme Pro forma Historical Financial Information has been prepared in accordance with recognition and measurement principles contained in Australian Accounting Standards (**AAS**), other than it includes pro forma adjustments made to reflect HoldCo's intended operating and capital structure following the implementation of the Scheme as if the structures were in place as of 1 July 2017, apart from the Pro forma Historical Statement of Financial Position, and to exclude the discontinuing operations of Healthscope and other certain non-recurring items.

(c) Presentation

The Scheme Pro forma Historical Financial Information is presented in an abbreviated form and does not include all of the disclosures, statements or comparative information required by AAS applicable to annual financial reports prepared in accordance with the Corporations Act.

The Scheme Pro forma Historical Financial Information is not representative or suggestive of likely actual or prospective reported profit or loss, financial position or cash flows of HoldCo. Healthscope Shareholders should note that past results do not guarantee future performance.

HoldCo has adopted a 31 December financial year-end. The first set of financial statements to be issued will be for the year ending 31 December 2019.

The Scheme Pro forma Historical Financial Information assumes that:

- the Scheme is approved;
- the maximum number of shares are tendered under the scrip offer in accordance with the Maximum Scrip Election scenario in Section 9.1(c); and
- HoldCo will utilise the Scheme Facilities in accordance with Section 9.1(e), regardless of the Minimum or Maximum Scrip Election.

The presentation of the Pro forma Historical Statements of Profit or Loss and Cash Flows reflects profits and cash flows from Healthscope's continuing operations only.

(d) Preliminary purchase price accounting

On implementation of the Scheme, HoldCo would gain control over Healthscope and therefore in accordance with AASB 3 *Business Combinations*, HoldCo will be required to recognise the assets and liabilities of Healthscope at fair value on the date of acquisition.

AASB 3 *Business Combinations* allows an acquirer a period of 12 months from the date of acquisition to finalise the identification and valuation process of all assets and liabilities. On this basis, HoldCo will not complete this purchase price accounting process until after implementation of the Scheme.

For the purpose of the Scheme Pro forma Historical Financial Information in this Booklet, HoldCo has assumed the carrying value of assets and liabilities reported by Healthscope in the statutory statement of financial position as at 31 December 2018 to be equal to fair value, with the exception of the Portfolio Properties, which are to be sold in accordance with the sale and leaseback transaction as summarised in Section 8.1.

As the purchase price accounting process has not been completed, additional finite life intangible assets and associated amortisation expense may arise, which has not been reflected in the Scheme Pro forma Historical Financial Information.

The preliminary purchase price accounting summarised in Table 10.3a has been prepared in accordance with the principles of AASB 3 *Business Combinations*. Table 10.3a below should be considered in conjunction with the Pro forma Statement of Financial Position set out later in this Section.

Table 10.3a Preliminary purchase price accounting

PRELIMINARY PURCHASE PRICE ACCOUNTING		
CURRENCY: AUD MILLIONS	***REF***	
Consideration		
Scheme offer of $2.465 per share		4,310
Total consideration		***4,310***
Net assets acquired		
Healthscope net asset position – 31 December 2018	*1*	2,539
add: Hospital Properties fair value uplift	*2*	1,259
Healthscope costs		
Transaction and existing debt facilities exit costs	*3*	(70)
Net assets less costs		***3,728***
Increase in Goodwill and other intangibles on acquisition		***583***
Goodwill and other intangible assets reconciliation		
Healthscope statutory balance – 31 December 2018		1,784
Scheme impact (as above)		583
HoldCo pro forma goodwill and other intangible assets		***2,366***

With reference to Table 10.3a above:

(1) The Healthscope net assets as presented in the statutory historical statement of financial position as at 31 December 2018;

(2) Fair value uplift for the Portfolio Properties from written down value as at 31 December 2018 to fair value ($2,437 million); and

(3) Healthscope costs reflect transaction adviser fees and other costs associated with the Scheme, and anticipated costs to exit existing debt facilities.

(e) Application of AASB 16 *Leases*

HoldCo has adopted AASB 16 *Leases* with effect from 1 January 2019 and, as a consequence, applied this accounting standard to the sale and leaseback transaction in the presentation of the Pro forma Historical Statement of Financial Position as at 31 December 2018.

Healthscope, which is not required to adopt AASB 16 *Leases* until 1 July 2019 as its financial year ends on 30 June 2019, has a number of operating leases. In accordance with AASB 16 *Leases*, Healthscope will be required to recognise right of use assets and any associated liabilities for these leases in its statements of financial position and profit or loss from 1 July 2019.

Healthscope disclosed in its half-year financial statements to 31 December 2018 that it has performed a preliminary assessment on the impact of AASB 16 *Leases* (excluding the sale and leaseback transactions) however, a reliable estimate of the quantitative impact cannot yet be provided due to unresolved matters, including the determination of lease term extension options in certain hospital leases, and conclusion on appropriate discount rates. Accordingly, the impact of AASB 16 *Leases* in respect of the Healthscope operating leases will be finalised as part of the purchase price accounting at the date of acquisition.

As AASB 16 *Leases* was not applicable for the period prior to 1 January 2019, the Pro forma Historical Statement of Profit or Loss has not been adjusted to reflect the impact of AASB 16 *Leases*. The Pro forma Historical Statement of Profit or Loss reflects the annual operating lease payment of the Portfolio Properties together with an adjustment to depreciation and amortisation to reflect that Healthscope is assumed to dispose of the Portfolio Properties subject to completion of the sale and leaseback transaction summarised in Section 8.1.

(f) Pro forma Historical Statement of Profit or Loss

Table 10.3b Pro forma Historical Statement of Profit or Loss from continuing operations for the financial year ended 30 June 2018

STATEMENT OF PROFIT OR LOSS		HEALTHSCOPE	PRO FORMA ADJUSTMENTS	HOLDCO
CURRENCY: AUD MILLIONS	*REF*	AUDITED STATUTORY (FY18)	ADJUSTMENTS	PRO FORMA
Revenue		**2,341**	**–**	**2,341**
Employee benefits expense		(1,071)	–	(1,071)
Medical and consumable supplies		(290)	–	(290)
Prosthetics expenses		(302)	–	(302)
Occupancy costs	*1*	(72)	(123)	(195)
Service costs		(230)	–	(230)
Other income and expense items	*2*	(107)	2	(106)
EBITDA		**269**	**(122)**	**147**
Depreciation and amortisation	*3*	(110)	27	(83)
EBIT		**159**	**(95)**	**64**
Net finance costs	*4*	(51)	(60)	(111)
Profit/(Loss) Before Tax		**108**	**(155)**	**(47)**
Tax benefit/(expense)	*5*	(32)	46	14
Net Profit/(Loss) After Tax		**76**	**(109)**	**(33)**

Table 10.3c Pro forma Historical Statement of Profit or Loss from continuing operations for the half-year period ended 31 December 2018

STATEMENT OF PROFIT OR LOSS		HEALTH-SCOPE	PRO FORMA ADJUST-MENTS	HOLDCO
CURRENCY: AUD MILLIONS	*REF*	REVIEWED STATUTORY (1H19)	ADJUST-MENTS	PRO FORMA
Revenue		**1,225**	**–**	**1,225**
Employee benefits expense		(557)	–	(557)
Medical and consumable supplies		(153)	–	(153)
Prosthetics expenses		(154)	–	(154)
Occupancy costs	*1*	(33)	(62)	(95)
Service costs		(130)	–	(130)
Other income and expense items	*2*	(11)	1	(10)
EBITDA		**187**	**(61)**	**126**
Depreciation and amortisation	*3*	(60)	15	(45)
EBIT		**128**	**(46)**	**81**
Net finance costs	*4*	(32)	(30)	(62)
Profit/(Loss) Before Tax		**96**	**(76)**	**19**
Tax benefit/(expense)	*5*	(29)	23	(6)
Net Profit/(Loss) After Tax		**67**	**(53)**	**14**

With reference to Tables 10.3b and 10.3c, the pro forma adjustments to the statutory historical statements of profit or loss include:

(1) As AASB 16 *Leases* was not applicable for the periods prior to 31 December 2018, the anticipated cost of leasing the Portfolio Properties after completion of the sale and lease back transaction has been recognised as an increase in occupancy costs in the Pro forma Statement of Profit or Loss.

(2) An anticipated reduction of other expenses has been assumed in the Pro forma Historical Statement of Profit or Loss as Healthscope will delist from the ASX upon implementation of the Scheme. The adjustment represents estimated costs incurred as a publicly listed company.

(3) In accordance with the sale and leaseback of the Portfolio Properties described in Section 8.1, the depreciation and amortisation expense profile has been reduced by the historical depreciation associated with the Portfolio Properties.

(4) As summarised in Section 9.1, it is envisaged that upon implementation of the Scheme, HoldCo will replace the existing Healthscope debt facilities. The pro forma adjustment to net interest costs represents the anticipated incremental financing costs of the new debt facilities.

(5) The effective income tax rate of HoldCo upon implementation of the Scheme is anticipated to be 30.0% reflecting the Australian corporate income tax rate. On this basis, the adjustment to the Income tax benefit/(expense) line has been applied to the pro forma adjustments.

(g) Pro forma Historical Statement of Financial Position

Table 10.3d Pro forma Historical Statement of Financial Position as at 31 December 2018

STATEMENT OF FINANCIAL POSITION: 31 DECEMBER 2018		HEALTH-SCOPE	PRO FORMA ADJUSTMENTS		HOLDCO
CURRENCY: AUD MILLIONS	*REF*	REVIEWED STATUTORY	PRELIMINARY PPA	AASB16	PRO FORMA
Current Assets					
Cash and cash equivalents	*1*	109	147	–	256
Trade and other receivables		190	–	–	190
Consumables supplies at cost		57	–	–	57
Prepayments		17	–	–	17
Assets classified as held for sale		16	–	–	16
Derivative financial instruments	*2*	1	(1)	–	–
Total current assets		**390**	**146**	**–**	**536**
Non-Current Assets					
Other financial assets		8	–	–	8
Derivative financial instruments	*2*	5	(5)	–	–
Investments in joint ventures		1	–	–	1
Property, plant and equipment	*3*	2,197	(1,178)	–	1,019
Right of use assets	*7*	–	–	1,881	1,881
Intangibles	*4*	1,784	583	–	2,366
Deferred tax assets		86	9	–	95
Total non-current assets		**4,081**	**(591)**	**1,881**	**5,371**
Total assets		**4,470**	**(445)**	**1,881**	**5,907**
Current Liabilities					
Trade and other payables		258	–	–	258
Current tax liabilities		24	–	–	24
Borrowings	*5*	418	(418)	–	–
Lease liabilities	*8*	–	–	120	120
Other financial liabilities		4	–	–	4
Provisions		153	–	–	153
Total current liabilities		**856**	**(418)**	**120**	**559**
Non-Current Liabilities					
Borrowings	*5*	903	813	–	1,716
Lease liabilities	*8*	–	–	1,761	1,761
Other payables		20	–	–	20
Deferred tax liabilities		63	–	–	63
Provisions		89	–	–	89
Total non-current liabilities		**1,075**	**813**	**1,761**	**3,650**
Total liabilities		**1,932**	**395**	**1,881**	**4,208**
Net assets		**2,539**	**(840)**	**–**	**1,698**

STATEMENT OF FINANCIAL POSITION: 31 DECEMBER 2018		HEALTH-SCOPE	PRO FORMA ADJUSTMENTS		HOLDCO
CURRENCY: AUD MILLIONS	*REF*	REVIEWED STATUTORY	PRELIMINARY PPA	AASB16	PRO FORMA
Equity					
Issued capital	*6*	2,715	(995)	–	1,720
Reserves	*6*	(232)	232	–	–
Retained earnings/(Accumulated losses)	*7*	55	(77)	–	(21)
Total equity		**2,539**	**(840)**	**–**	**1,698**

With reference to Table 10.3d, pro forma adjustments to the Statutory Historical Statement of Financial Position have been categorised as follows:

Preliminary purchase price accounting:

The preliminary purchase price accounting has been reflected in the Pro forma Historical Statement of Financial Position. Intangibles presented in the Pro forma Historical Statement of Financial Position reflects the preliminary purchase price accounting estimate of goodwill and other intangible assets as summarised in this Section 10.3(b).

Specific pro forma adjustments in relation to the preliminary purchase price accounting include:

(1) Cash and cash equivalents: adjustment recognises incremental funds estimated to be drawn from the Scheme Facilities representing the anticipated indebtedness of Healthscope upon implementation of the Scheme relative to 31 December 2018, net of the anticipated Healthscope transaction costs relating to the Scheme;

(2) Derivative financial instruments: adjustment relates to the pro forma settlement of the cross currency interest rate swaps recorded at fair value associated with Healthscope's existing debt finance facilities;

(3) Property, plant and equipment: the adjustment represents:

- the recognition of the Portfolio Properties at fair value; and
- subsequent disposal of the Portfolio Properties in accordance with the sale and leaseback transaction summarised in Section 8.1 ($2,437 million);

The Pro forma Historical Statement of Financial Position reflects the written down value of Healthscope's remaining property, plant and equipment excluding the Portfolio Properties;

(4) The increase in Intangibles of $583 million is summarised in Table 10.3d presented in this Section 10.3(b);

(5) Borrowings: the adjustment to current and non-current borrowings represents the settlement of Healthscope's existing debt financing facilities and the utilisation of the Scheme Facilities (Section 9.1). The borrowings presented in the Pro forma Statement of Financial Position reflect the estimated drawn Scheme Facilities of $1,800 million net of anticipated capitalised borrowing costs of $84 million;

(6) Issued capital of $1,020 million reflects the equity investment in HoldCo by the Brookfield Funds and Healthscope Shareholders who accept the scrip offer as contemplated in this Booklet. The existing issued capital and reserves of Healthscope have been eliminated in the pro forma adjustment.

In accordance with the Maximum Scrip Election scenario in Section 9.1(c), Brookfield Funds will contribute $1,020 million in the form of A class shares and Healthscope Shareholders will receive B class shares valued at $700 million. The terms of each class of shares is set out in Section 7.3; and

(7) The Pro forma Historical Statement of Financial Position reflects the anticipated HoldCo Scheme transaction costs of HoldCo (net of income tax). The existing retained earnings of Healthscope have been eliminated in the pro forma adjustment.

AASB16 *Leases* adoption:

(8) In accordance with this Section 10.3(c), the Pro forma Historical Statement of Financial Position has recognised a non current right of use asset in relation to the Portfolio Properties that are assumed to be leased by HoldCo from the implementation date of the Scheme and completion of the sale and leaseback transaction in accordance with Section 8.1.

A corresponding lease liability representing the present value of future cash flows associated with the Portfolio Properties lease arrangements has also been reflected in the Pro forma Statement of Financial Position.

(h) Pro forma Historical Statement of Cash Flows

The Scheme Pro forma Historical Statement of Cash Flows exclude any cash flows from financing activities on the basis that the financing activities and capital structure of HoldCo after implementation of the Scheme will vary significantly from that of Healthscope.

Table 10.3e Pro forma Historical Statement of Cash Flows from continuing operations for the financial year ended 30 June 2018

STATEMENT OF CASH FLOWS		HEALTHSCOPE	PRO FORMA ADJUSTMENTS	HOLDCO
CURRENCY: AUD MILLIONS	*REF*	AUDITED STATUTORY (FY18)	ADJUSTMENTS	PRO FORMA
Cash Flows from Operating Activities				
Receipts from customers		2,437	–	2,437
Payments to suppliers and employees	*1*	(2,069)	(122)	(2,190)
Cash generated from operations		**368**	**(122)**	**246**
Interest received		3	–	3
Interest and costs of finance paid	*2*	(54)	(60)	(114)
Income tax paid	*3*	(15)	–	(15)
Other income and expense items		(18)	–	(18)
Net cash provided by operating activities		**283**	**(182)**	**101**
Cash Flows from Investing Activities				
Net Proceeds from disposal of property, plant and equipment		1	–	1
Proceeds from disposal of operations	*4*	55	(55)	–
Payments for property, plant and equipment		(79)	–	(79)
Brownfield developments		(158)	–	(158)
Northern Beaches facility development		(154)	–	(154)
Net cash used in investing activities		**(335)**	**(55)**	**(391)**
Net cash used in operating and investing activities		**(52)**	**(237)**	**(289)**

Table 10.3f Pro forma Historical Statement of Cash Flows from continuing operations for the half-year period ended 31 December 2018

STATEMENT OF CASH FLOWS		HEALTH-SCOPE	PRO FORMA ADJUST-MENTS	HOLDCO
CURRENCY: AUD MILLIONS	*REF*	REVIEWED STATUTORY (1H19)	ADJUST-MENTS	PRO FORMA
Cash Flows from Operating Activities				
Receipts from customers		1,239	–	1,239
Payments to suppliers and employees	*1*	(1,020)	(61)	(1,081)
Cash generated from operations		**218**	**(61)**	**158**
Interest received		2	–	2
Interest and costs of finance paid	*2*	(29)	(30)	(59)
Income tax paid	*3*	(18)	–	(18)
Other income and expense items		(16)	–	(16)
Net cash provided by operating activities		**157**	**(91)**	**66**
Cash Flows from Investing Activities				
Proceeds from disposal of operations	*4*	(3)	3	–
Payments for property, plant and equipment		(28)	–	(28)
Brownfield developments		(71)	–	(71)
Northern Beaches facility development		(81)	–	(81)
Net payments for business combinations	*4*	268	(268)	–
Net cash used in investing activities		**86**	**(266)**	**(180)**
Net cash used in operating and investing activities		**243**	**(357)**	**(114)**

With reference to Tables 10.3e and 10.3f, pro forma adjustments to the Statutory Historical Statements of Cash Flows include:

(1) The pro forma adjustment reflects:
- the anticipated annual cost of leasing the Portfolio Properties after completion of the sale and lease back transaction has been recognised as an operating cash flow in accordance with the sale and leaseback of the Portfolio Properties described in Section 8.1; and
- an anticipated reduction of operating expenses as Healthscope will delist from the ASX upon implementation of the Scheme ($2 million per annum);

(2) The pro forma adjustment represents the anticipated incremental financing cash cost of the Scheme Facilities.

(3) On a pro forma basis, HoldCo's Australian income tax cash profile is assumed to be nil reflecting the implied income tax loss position of the Scheme pro forma financial information with the statutory reported income tax cash payments relating to Healthscope's New Zealand operations.

(4) Proceeds from disposal of operations: On a consistent basis with the presentation of the Pro forma Statement of Profit or Loss, transactions relating to discontinued historical operations of Healthscope have been excluded from the Pro forma Historical Statement of Cash Flows.

11. Risks

11.1 Introduction

The Transaction presents a number of potential risks that Healthscope Shareholders should consider when deciding how to vote on the Scheme and Capital Return and whether to accept the Takeover Offer.

This Section outlines some of the:

- risks relating to the business and operations of Healthscope, including your current investment in Healthscope Shares (see Sections 11.2 and 11.3);
- risks relating to HoldCo Class B Shares (see Section 11.4); and
- risks to Healthscope Shareholders associated with the Takeover Offer becoming unconditional (see Section 11.5).

The risks in Sections 11.2 and 11.3 relating to the business and operations of Healthscope will only apply to you if:

- you retain your Healthscope Shares in circumstances where the Transaction does not proceed;
- you retain your Healthscope Shares in circumstances where the Scheme is not implemented, you have rejected the Takeover Offer that becomes unconditional and Brookfield LP acquires less than 90% of the Healthscope Shares under the Takeover Offer and is therefore unable to compulsorily acquire your outstanding Healthscope Shares (in which case, you will also be exposed to the risks in Section 11.5(a)); or
- you receive HoldCo Class B Shares by making a Scrip Election in circumstances where the Scheme is implemented, which gives you an ongoing exposure to the business of Healthscope through HoldCo (in which case, you will also be exposed to the risks in Section 11.4 relating to HoldCo Class B Shares).

You will not be exposed to the risks in this Section 11 if the Scheme is implemented and you receive the Scheme Cash Consideration. In light of this, the Healthscope Directors have unanimously recommended that you vote in favour of the Scheme and that you accept the Scheme Cash Consideration, subject to the qualifications set out in this Booklet.

The outline of risks in this Section 11 is a summary only and should not be considered exhaustive. This Section 11 does not purport to list every risk that may be associated with an investment in Healthscope now or in the future or that may be associated with the Scheme being implemented, the Takeover Offer becoming unconditional or the Capital Return being implemented. The occurrence or consequences of some of the risks described in Section 11 may be partially or completely outside the control of the Healthscope Group or Brookfield or their respective directors and senior management teams.

These risks do not take into account the individual investment objectives, financial situation, position or particular needs of Healthscope Shareholders. Before making a Scrip Election, you should have a sufficient understanding of these matters having regard to your own individual risk profile, portfolio strategy, investment objectives, financial circumstances and taxation position.

You should carefully consider the risks discussed in this Section 11, as well as the other information contained in this Booklet before voting on the Scheme and Capital Return or deciding to accept the Takeover Offer.

11.2 General risks

Healthscope Shares carry no guarantee in respect of profitability, dividends, return of capital or the price at which they may trade on ASX. If the Scheme does not become effective and the Takeover Offer does not become unconditional, the market price of Healthscope Shares and future distributions made to Healthscope Shareholders will be influenced by a number of factors beyond the control of the Healthscope Directors and management, including:

- changes in investor sentiment and overall performance of the Australian and international stock markets;
- changes in general economic conditions (both domestically and internationally) including inflation, interest rates, exchange rates and consumer demand;
- changes in government fiscal, monetary and regulatory policies;
- changes in accounting standards which affect the financial performance and position reported by Healthscope; and
- natural disasters and catastrophes, whether on a global, regional or local scale.

11.3 Risks relating to the business and operations of Healthscope

In considering the Transaction, you should be aware that there are a number of general risk factors, as well as risks specific to Healthscope and the industries in which it operates, which could materially and adversely affect the future operating and financial performance of Healthscope.

Many of these risks are currently relevant to Healthscope Shareholders and will only continue to be relevant to Healthscope Shareholders if:

- they retain their Healthscope Shares in circumstances where:
  - the Scheme is not implemented and the Takeover Offer does not become unconditional; or
  - the Scheme is not implemented, they reject the Takeover Offer that becomes unconditional and Brookfield LP acquires less than 90% of the Healthscope Shares and is therefore unable to move to compulsorily acquire the outstanding Healthscope Shares; or
- they receive HoldCo Class B Shares in circumstances where the Scheme has been implemented (by making a Scrip Election), which gives them exposure to the business of Healthscope through HoldCo.

(a) Government policy and regulation

Healthscope operates in the healthcare industry which is subject to extensive laws and regulations relating to, among other things, the conduct of operations, the licencing and accreditation of facilities and the addition and development of facilities and services. There are a number of government policies and regulations that, if changed, may have a material adverse impact on Healthscope's financial and operational performance.

The Australian Federal Opposition has announced a proposal to limit increases to private health insurance premiums to no more than 2% for two years. The proposal remains contingent on a number of factors (including the Australian Federal Opposition being elected into government and the proposal being enacted into law). If the proposal, or a similar proposal, is implemented it may adversely impact Healthscope's financial performance and the returns you receive on your Healthscope Shares.

(b) Arrangements with private health insurance funds

The majority of Healthscope's revenue is derived from private health insurance funds. The profitability of Healthscope's business is influenced by its ability to reach ongoing commercial agreements with private health insurance funds. A failure to reach a satisfactory commercial agreement with a key private health insurance fund may negatively impact Healthscope's financial and operational performance.

(c) Private health insurance fund membership and level of cover

A deterioration in the economic climate, changes to economic incentives, annual increases in private health insurance premiums and other factors may affect the participation rate or the level of private health insurance coverage of members in private health insurance funds. This has the potential to reduce demand for Healthscope's services, resulting in decreased revenues. In addition, if the profitability of private health insurance funds deteriorates, there is a risk of increased pricing pressures on private hospital operators such as Healthscope.

(d) Relationships with Accredited Medical Practitioners

Accredited Medical Practitioners prefer to work at hospitals which, amongst other things, provide high quality facilities, equipment and nursing staff, exceptional clinical safety outcomes and which are conveniently located. Accredited Medical Practitioners could cease to practise in or stop referring patients to Healthscope facilities if the hospitals become a less attractive place to work. This, would adversely impact Healthscope's financial and operational performance.

(e) Key management personnel

The successful operation of Healthscope's business relies on Healthscope's ability to retain experienced and high-performing key management and operating personnel. The unexpected loss of any key members of management or operating personnel, or the inability on the part of Healthscope to attract experienced personnel, may adversely affect Healthscope's ability to develop and implement its business strategies.

(f) Licences and accreditations

If Healthscope is unable to secure or retain licences or accreditations for the operation of its hospitals and pathology laboratories (where required) in the future, or any of its existing licences or accreditations are adversely amended or revoked, this may adversely impact Healthscope's ability to operate its businesses.

(g) Competition

There is a risk that the actions of Healthscope's current or potential future competitors will negatively affect Healthscope's ability to:

- attract and retain Accredited Medical Practitioners to practise in Healthscope hospitals; and
- successfully tender for contracts with the District Health Boards in New Zealand.

(h) Nursing labour

The most significant cost in Healthscope's hospital operations is nursing labour, with any increase in cost or tightening of supply likely to have a material impact on financial and operational performance.

(i) Industrial relations

Approximately 88% of Healthscope's employees, including nurses, are covered by enterprise bargaining agreements and other workplace agreements, which periodically require negotiation and renewal. A number of these agreements have passed or will soon pass their nominal expiry dates. Although these agreements will continue to operate until replaced or terminated, Healthscope may be approached by its employees to commence bargaining by the employees in respect of these agreements. Disputes may arise in the course of such negotiations which may lead to strikes or other forms of industrial action that could disrupt Healthscope's business operations. Further, any such negotiations could result in increased direct and indirect labour costs for Healthscope.

(j) Medical indemnity claims and associated costs

Current or former patients may, in the normal course of business, commence or threaten litigation for medical negligence against Healthscope. Subject to indemnity insurance arrangements, future medical malpractice litigation, or threatened litigation, could have an adverse impact on Healthscope's financial performance and position and future prospects.

(k) Insurance

Insurance coverage is maintained by Healthscope consistent with industry practice, including workers compensation, business interruption, property damage, public liability and medical malpractice. However, no assurance can be given that such insurance will be available in the future on commercially reasonable terms or that any cover will be adequate and available to cover all or any future claims.

(l) Development projects

Healthscope enters into development projects in its regular course of business such as brownfield and 'relocate and grow' hospital developments. There are a number of risks associated with development projects, including business disruption during construction, cost overruns and delays in anticipated revenues flowing from proposed developments.

(m) New Zealand pathology contracts

Healthscope currently has contracts in place with a large number of District Health Boards for the provision of pathology services in New Zealand. There is a risk that each time a contract is set to expire, the relevant District Health Board selects another party or renews the contract on less favourable terms with Healthscope.

(n) Information security and cyber attacks

Healthscope may be affected by cyber attacks or failure in critical data, processes or systems.

(o) ATO review

In July 2018, the ATO completed a streamlined assurance review of Healthscope's Australian business. The ATO has now initiated an audit in respect of various matters identified during the assurance review that relate to the pre-IPO period (October 2010 to July 2014), and Healthscope's utilisation in the post-IPO period of tax losses.

The outcome of this ATO audit will depend upon various factors and may result in a reduction in Healthscope's tax losses or further tax payments being made by the Healthscope Group.

11.4 Risks relating to HoldCo Class B Shares

This Section 11.4 sets out some of the key risks relating to HoldCo Class B Shares. These risks will only apply to Healthscope Shareholders who elect to receive the Scrip Consideration instead of the Scheme Cash Consideration.

Healthscope Shareholders should carefully read this Booklet in its entirety and specifically consider these risks before making a Scrip Election (noting that the Healthscope Directors have recommended that you accept the Scheme Cash Consideration rather than the Scrip Consideration).

These risks relating to HoldCo Class B Shares are materially different from, and in addition to, those risks set out in Sections 11.2 and 11.3 that apply to your current investment in Healthscope Shares. These risks may, individually or in combination, have a material adverse effect on HoldCo's future financial performance, financial position, cash flows distributions and/or your ability to dispose of HoldCo Class B Shares if you wish to do so and, consequently, on the value of your HoldCo Class B Shares.

Healthscope Shareholders should note that this Section 11.4 is not an exhaustive list of the risks relating to HoldCo Class B Shares, and that many of these risks are outside the control of Brookfield BidCo and any Brookfield Group Member and either cannot be mitigated or can only be partially mitigated.

You should carefully consider these risks in light of your personal circumstances and seek professional advice from your accountant, tax adviser, stockbroker, lawyer or other professional adviser before making a Scrip Election.

(a) Different regulatory regime

A different regulatory regime will apply to HoldCo Class B Shares as compared to Healthscope Shares at present. There is a risk that, because of the different regulatory regime, HoldCo Class B Shareholders may not realise the outcome with respect to their investment that they intended, or which might have been available were their investment in a listed entity.

See Section 10.2 for further information on the different regulatory regime that applies to HoldCo Class B Shares as compared to Healthscope Shares at present.

(b) Leverage

One source of funding for the cash component of the Scheme Cash Consideration is the commitments obtained by Brookfield BidCo under the Acquisition Facilities. As Brookfield BidCo is a directly wholly-owned subsidiary of HoldCo, a HoldCo Class B Shareholder will be exposed to risks arising from the commitments obtained by Brookfield BidCo under the Acquisition Facilities. Specifically, a HoldCo Class B Shareholder will be exposed to greater risks than they currently face arising from the leveraged position of the HoldCo Group which has a gearing (debt to equity) ratio that is greater than the current gearing ratio of Healthscope. However, that leverage is in line with recent leveraged buyout transactions in the healthcare sector in Australia and New Zealand. The Acquisition Facilities have been documented under various agreements which contain certain restrictions, undertakings and events of default that reflect the risk associated with the leveraged position of the HoldCo Group.

(c) Exit

Brookfield may seek to 'exit' its investment in the Healthscope business in the future. This is subject to Brookfield's preferences, prevailing market conditions, the performance of the business and other factors which may be considered relevant at the time. As such, the time period for the Exit is currently unknown and is at the discretion of Brookfield.

There is no guarantee that HoldCo Class B Shareholders will be able to sell their HoldCo Class B Shares if a decision to Exit is not made by Brookfield LP. In particular, there will be no active market for the sale and purchase of HoldCo Class B Shares following implementation of the Scheme.

Conversely, there is no guarantee that HoldCo Class B Shareholders will want to sell their HoldCo Class B Shares at the same time as a decision to Exit is made by Brookfield LP. Despite this, if a decision to Exit is made, HoldCo Class B Shareholders may be forced to sell their HoldCo Class B Shares under the Shareholders Agreement. HoldCo Class B Shareholders may not agree with the exit strategy adopted by Brookfield LP or receive the price and return on investment they expect.

(d) Lack of information

Healthscope Shareholders who receive HoldCo Class B Shares under the Scheme will receive significantly less information and reports about their investment than Healthscope Shareholders currently receive. Under the Shareholders Agreement, HoldCo Class B Shareholders are entitled to receive a copy of the latest audited consolidated financial statements for HoldCo and its subsidiaries if requested. HoldCo Class B Shareholders will not, however, receive reports such as remuneration reports or corporate governance reports and HoldCo will not be required to comply with the extensive continuous disclosure obligations set out in Chapter 3 of the Listing Rules and section 674 of the Corporations Act.

(e) Lack of liquidity

HoldCo is an unlisted company, and will continue to be an unlisted company following implementation of the Scheme.

There will be no active market for the sale and purchase of HoldCo Class B Shares following implementation of the Scheme. Healthscope Shareholders who receive HoldCo Class B Shares under the Scheme may only deal with their HoldCo Class B Shares in certain limited circumstances as permitted under the Shareholders Agreement (see the table in Section 10.1 for further details on the restrictions applicable to disposals of HoldCo Class B Shares).

In addition to the restrictions on the disposal of their HoldCo Class B Shares under the Shareholders Agreement, prospective sellers of HoldCo Class B Shares will need to find their own buyer in order to trade in their HoldCo Class B Shares (and even if such buyer is found, a sale or transfer to such buyer may not be permitted in any event due to the restrictions under the Shareholders Agreement). The lack of liquidity associated with HoldCo Class B Shares may affect the price that another person is willing to pay for those HoldCo Class B Shares (notwithstanding that the financial performance of HoldCo and the Healthscope business might suggest the value of those HoldCo Class B Shares is higher).

(f) Fewer rights as minority shareholders

As Healthscope Shareholders who receive HoldCo Class B Shares under the Scheme will collectively have no more than a 45% interest in HoldCo, they will be subject to risks that are inherent in minority shareholdings.

Healthscope Shareholders who receive the HoldCo Class B Shares under the Scheme will be issued HoldCo Class B Shares, which carry with them limited voting rights under the Shareholders Agreement. HoldCo Class A Shares carry rights to appoint a majority of the directors to the HoldCo Board (including the Chairman of HoldCo) so the holder of HoldCo Class A Shares will be able to exercise majority voting power, and will be in a position to determine the outcome of most decisions relating to HoldCo and the HoldCo Group more generally. An individual HoldCo Class B Shareholder or group of HoldCo Class B Shareholders, acting together (other than the holders of HoldCo Class A Shares), will not be able to affect those matters relating to HoldCo. Healthscope Shareholders who receive the HoldCo Class B Shares under the Scheme will therefore, in most cases, be subject to the decisions made by holders of HoldCo Class A Shares in relation to HoldCo and the HoldCo Group.

The Shareholders Agreement contains provisions under which HoldCo Class B Shareholders may be compelled to transfer their HoldCo Class B Shares. For example, the Shareholders Agreement include a 'drag along' provision, which allow holders of a majority of HoldCo Class A Shares to require each other HoldCo Class B Shareholder to transfer their HoldCo Class B Shares to the same transferee in certain circumstances (see the 'Drag along rights' section of the table in Section 10.1 for further details).

See Section 10.1 for further information about the rights and liabilities attaching to the HoldCo Class B Shares.

(g) Dilution

HoldCo may need to raise additional capital through the issue of new shares in the future in order to meet the operating and/or financing requirements of itself and Healthscope. HoldCo is likely to issue shares to its management team through the establishment of a management incentive scheme. Future capital raisings, equity funded acquisitions by the HoldCo Group or issuance of shares to management, may dilute the holdings of a particular HoldCo Class B Shareholder relative to other HoldCo Class B Shareholders.

(h) Lack of dividends

Whilst each HoldCo Class B Share and HoldCo Class A Share ranks equally with each other for payment of dividends, the declaration and payment of any dividends will be at the sole discretion of the HoldCo Board.

To the extent HoldCo pays any dividends in the future, the level of franking on any dividends on HoldCo Class B Shares will be affected by the level of HoldCo's available franking credits and distributable profits. HoldCo's level of franking credits may be affected by a wide range of factors, including its business performance, the jurisdictions in which Healthscope makes profits and pays tax and any other franked dividends it may receive (if any). HoldCo's distributable profits may also be affected by a wide range of factors including its level of earnings and any dividends it pays. The level of franking on any dividend may vary over time and dividends may be partially, fully or not franked. The value and availability of franking credits to a HoldCo Class B Shareholder will depend on that HoldCo Class B Shareholder's particular circumstances.

11.5 Risks to Healthscope Shareholders associated with the Takeover Offer becoming unconditional

This Section 11.5 sets out the risks to Healthscope Shareholders associated with the Takeover Offer becoming unconditional. The Takeover Offer will only become unconditional if the Scheme is not implemented and the other Takeover Bid Conditions have been satisfied or waived.

(a) Minority ownership (if Brookfield LP acquires more than 50% but less than 90% of the Healthscope Shares)

If Brookfield LP acquires more than 50% but less than 90% of the Healthscope Shares then Brookfield LP will acquire a majority shareholding in Healthscope but will not be entitled to compulsorily acquire the outstanding Healthscope Shares. In this situation, Healthscope Shareholders who do not accept the Takeover Offer will become minority shareholders in Healthscope. This has a number of possible implications, including:

- Healthscope Shareholders who do not accept the Takeover Offer will continue to hold Healthscope Shares, unless sold on-market, and remain exposed to the general risks set out in Section 11.2 and the specific risks relating to Healthscope's business and operations set out in Section 11.3;
- Brookfield LP will be in a position to cast the majority of votes at a general meeting of Healthscope. This will enable it to control the composition of Healthscope's board of directors and senior management, determine Healthscope's dividend policy and control the strategic direction of the businesses of the Healthscope Group;
- Healthscope will refinance its existing debt financing facilities and complete the sale and leaseback of hospital properties, which will expose the Healthscope Group to greater risks than they currently face arising from their increased leverage and rental obligations following the Transaction;
- the Healthscope share price is likely to fall immediately following the end of the Takeover Offer Period in the absence of a further takeover offer from Brookfield LP or a third party and it is unlikely that Healthscope's share price will contain any takeover premium;
- the Healthscope business will be subject to a number of additional listing and other compliance costs associated with Healthscope remaining an ASX listed company;
- liquidity of Healthscope Shares may be lower than at present and there is a risk that Healthscope could be fully or partially removed from certain S&P/ASX market indices due to lack of free float and/or liquidity;
- if the number of Healthscope Shareholders is less than that required by Listing Rules to maintain an ASX listing then Brookfield LP may seek to have Healthscope removed from the official list of ASX. If this occurs, Healthscope Shares will not be able to be bought or sold on ASX; and
- the future Healthscope dividend policy under the management of Brookfield LP may vary significantly from current Healthscope dividend policy.

(b) Special resolutions and ASX delisting (if Brookfield LP acquires more than 75% but less than 90% of the Healthscope Shares)

If Brookfield LP acquires more than 75% but less than 90% of the Healthscope Shares then all of the risks outlined in Section 11.5(a) will apply. In addition, if Brookfield LP acquires at least 75% of the Healthscope Shares, then it will be able to pass a special resolution of Healthscope. This will enable Brookfield LP to, among other things, change Healthscope's constitution. Healthscope may also be removed from the official list of ASX (see Section 8.4(c) for further details).

(c) Compulsory acquisition (if Brookfield LP acquires more than 90% of the Healthscope Shares)

If Brookfield LP acquires more than 90% of the Healthscope Shares, then Brookfield LP will be entitled to compulsorily acquire any Healthscope Shares in respect of which it has not received an acceptance of its Takeover Offer on the same terms as the Takeover Offer. In this situation, regardless of whether Healthscope Shareholders have accepted the Takeover Offer, it is possible that their Healthscope Shares may be compulsorily acquired under the Takeover Bid and they will be forced to receive the Takeover Consideration.

12. Tax implications

This Section 12 provides a summary of the general Australian tax consequences for Healthscope Shareholders in relation to the Scheme and the Takeover Bid and should be considered in conjunction with the rest of this Transaction Booklet. The information contained in this Section 12 is only a general guide and is not intended to be an authoritative or complete statement of the tax law applicable to the specific circumstances of each Healthscope Shareholder and should not be relied upon by Healthscope Shareholders as tax advice. Healthscope Shareholders are strongly advised to seek their own professional advice with respect to the tax implications of the Scheme and Takeover Bid.

12.1 Overview

The following is a general summary of the Australian tax (including CGT, GST and stamp duty) implications for Australian resident Healthscope Shareholders, who hold their Healthscope Shares on capital account, of participating in the Scheme (where the Scheme is implemented) or the Takeover Bid (where the Takeover Bid becomes unconditional).

This summary does not apply to Healthscope Shareholders who:

- are non-residents of Australia for Australian income tax purposes;
- hold their Healthscope Shares as revenue assets, as trading stock, or are subject to the Taxation of Financial Arrangements provisions in Division 230 of the ITAA 1997; or
- are financial institutions, insurance companies, partnerships, tax exempt organisations, dealers in securities or shareholders who change their tax residency while holding shares, each of which may be subject to specific additional tax rules.

The summary has been prepared on the basis of Australian taxation law and administrative practice as at the date of this Booklet. References to Australian resident Healthscope Shareholders are to Healthscope Shareholders who are residents of Australia for Australian income tax purposes and are not tax resident in any other jurisdiction.

12.2 Class ruling

Healthscope has lodged class ruling applications with the ATO seeking confirmation on specific Australian tax implications for Healthscope Shareholders of either implementing the Scheme, or accepting the Takeover Bid.

Specifically, the class ruling applications seek the ATO's confirmation on:

- the CGT implications for Australian resident Healthscope Shareholders of participating in the Scheme or Takeover Bid, including the availability of scrip for scrip roll-over relief for Healthscope Shareholders on the disposal of Healthscope Shares under the Scheme;
- that neither the Interim Dividend, nor the Special Dividend, constitute part of the capital proceeds received for the disposal of Healthscope Shares;
- the tax implications for Healthscope Shareholders of the receipt of the components of the Special Distribution under the Takeover Bid; and
- whether the ATO will seek to apply any of the relevant integrity measures to the Special Dividend and/or Capital Return.

The ATO is expected to provide Healthscope with a draft Scheme class ruling just before the Scheme Meeting, and provide Healthscope summary advice in respect of the Special Distribution by mid-May 2019.

It is anticipated that the views in the class ruling should be consistent with the summary in this Section 12, although it is possible that the ATO's views may differ. As part of the ATO's early engagement process the ATO should notify Healthscope if it has a material concern with any of the class ruling applications.

The final class ruling is only expected to be issued several weeks after implementation of the Scheme or the end of the Takeover Offer Period (as applicable), and only in respect of the transaction which proceeds. When published, the final class ruling will be available on the ATO's website (www.ato.gov.au) and Healthscope's website (www.healthscope.com.au).

Neither the Scheme, nor the Takeover Bid, are conditional on receipt of the class ruling.

12.3 Australian tax implications of the Scheme

(a) Disposal of Healthscope Shares by Australian residents

Australian capital gains tax

The disposal of Healthscope Shares by an Australian resident Healthscope Shareholder should constitute a CGT event for Australian income tax purposes on the Implementation Date.

Healthscope Shareholders should:

- make a capital gain if the proceeds from the disposal of their Healthscope Shares are greater than the cost base of their Healthscope Shares disposed of (subject to the application of roll-over relief, discussed below); or
- make a capital loss if the capital proceeds from the disposal of their Healthscope Shares are less than the reduced cost base of their Healthscope Shares.

Healthscope Shareholders who make a capital gain on disposal of their Healthscope Shares will be required to include the net capital gain (if any) for the income year in their assessable income. Specific CGT roll-over provisions are relevant to the Scheme and are outlined below.

Healthscope Shareholders who make a capital loss on the disposal of their Healthscope Shares can only offset the capital losses against capital gains realised in the same, or subsequent, income years. Specific loss recoupment rules apply to companies and may restrict their ability to utilise any such capital losses in a future period.

Capital proceeds

The capital proceeds from the disposal of Healthscope Shares under the Scheme should include either the Scheme Cash Consideration, or the market value of the Scrip Consideration (or both).

The Interim Dividend paid by Healthscope should not constitute capital proceeds from the disposal of Healthscope Shares.

Consequently, the capital proceeds should be equal to the value of the Scheme Consideration, being $2.465 per Healthscope Share.

Cost base

The cost base and reduced cost base of Healthscope Shares should generally include the amount paid to acquire the Healthscope Shares and the market value of any property given to acquire the Healthscope Shares, plus any incidental costs of acquisition (e.g. brokerage fees and stamp duty).

CGT discount

Generally, Australian resident Healthscope Shareholders who are individuals, trusts, or complying superannuation funds that have held their Healthscope Shares for at least 12 months at the time of their disposal should be entitled to the CGT discount in calculating the amount of capital gain on disposal of their Healthscope Shares.

The CGT discount is applied after available capital losses have been offset to reduce the capital gain.

The applicable CGT discount which should reduce a capital gain arising from the disposal of Healthscope Shares is as follows:

- 50% for individuals and trusts; and
- 33⅓% for a complying superannuation entity.

The CGT discount is not available for Australian resident Healthscope Shareholders who are companies.

(b) Scrip for scrip roll-over relief for Australian residents

Eligibility for scrip for scrip roll-over relief

Healthscope Shareholders who would otherwise make a capital gain on the disposal of their Healthscope Shares under the Scheme may choose scrip for scrip roll-over relief to the extent that the capital gain made on the disposal of their Healthscope Shares is attributable to the receipt of the Scrip Consideration. Healthscope Shareholders cannot choose to apply scrip for scrip roll-over relief if they make a capital loss on the disposal of their Healthscope Shares.

Consequences of choosing scrip for scrip roll-over relief

In the event that scrip for scrip roll-over relief is available and has been chosen:

- For Healthscope Shareholders who elect to, and do, receive only Scrip Consideration, all of the capital gain arising in relation to disposal of their Healthscope Shares should be disregarded;
- For Healthscope Shareholders who elect to receive Scheme Cash Consideration, none of the capital gain arising in relation to the disposal of their Healthscope Shares should be eligible to be disregarded; or
- For Healthscope Shareholders who receive a combination of both Scheme Cash Consideration and Scrip Consideration due to the application of Scaleback Arrangements, only that part of their capital gain relating to the receipt of the Scrip Consideration can be disregarded.

Where a Healthscope Shareholder receives Scrip Consideration and has applied scrip for scrip roll-over relief, the cost base of the HoldCo Class B Shares received should be equal to the cost base of their original Healthscope Shares disposed of.

Where a Healthscope Shareholder receives a combination of Scrip Consideration and Scheme Cash Consideration and has applied scrip for scrip roll-over relief, the cost base of the HoldCo Class B Shares received should be equal to the cost base of their original Healthscope Shares disposed of, reduced by the amount of the cost base that is reasonably attributable to Scheme Cash Consideration received.

Where scrip for scrip roll-over relief has been chosen by a Healthscope Shareholder, the HoldCo Class B Shares should be deemed to have been acquired at the time the Healthscope Shares were originally acquired. This should be relevant for the purposes of determining eligibility for the CGT discount for a subsequent disposal of HoldCo Class B Shares.

The benefit of choosing scrip for scrip roll-over relief should depend upon the individual circumstances of each Healthscope Shareholder.

Choosing roll-over relief

A choice to adopt scrip for scrip roll-over relief generally must be made by a Healthscope Shareholder before lodgement of that Healthscope Shareholder's income tax return for the income year in which the CGT event occurs.

Consequences of not choosing CGT scrip for scrip roll-over relief

Healthscope Shareholders who are ineligible to choose scrip for scrip roll-over relief, or elect not to choose it, should be assessed on any capital gain arising on the disposal of their Healthscope Shares.

The first element of the cost base of the HoldCo Class B Shares received in consideration for the disposal of Healthscope Shares should be equal to the market value of those Healthscope Shares disposed of on the date the HoldCo Class B Shares are issued.

The acquisition date of the HoldCo Class B Shares should be the issue date. This should be relevant for the purposes of determining whether a Healthscope Shareholder is eligible for the CGT discount in relation to a subsequent disposal of HoldCo Class B Shares.

(c) GST

The sale of Healthscope Shares by the Healthscope Shareholders and the acquisition of HoldCo Class B Shares (where a Healthscope Shareholder elects to receive the Scrip Consideration) should not give rise to a liability to account for GST. Healthscope Shareholders should obtain independent advice in relation to the precise GST implications associated with the disposal of the securities and acquisition of the HoldCo Class B Shares.

(d) Stamp duty

There should not be stamp duty (including landholder duty) payable by Healthscope Shareholders on the disposal of their Healthscope Shares or on the acquisition of HoldCo Class B Shares (where relevant).

12.4 Tax implications of the Takeover Bid

(a) Special Dividend

Australian resident individuals, companies and complying superannuation funds

The component of the Special Distribution which constitutes a dividend for Australian income tax purposes will form the Special Dividend.

The Special Dividend to be paid by Healthscope will constitute assessable income of an Australian resident Healthscope Shareholder. Australian resident Healthscope Shareholders should include the Special Dividend in their assessable income in the year that the Special Dividend is paid, together with any franking credits attached to the Special Dividend (subject to certain conditions, outlined below).

Healthscope Shareholders should be entitled to a tax offset equal to any franking credits attached to the Special Dividend that is paid by Healthscope (subject to certain conditions, outlined below). Where the tax offset exceeds the tax payable on the Healthscope Shareholder's taxable income, those Healthscope Shareholders who are individuals or complying superannuation entities may be entitled to a tax refund for the amount of the excess.

The Australian Federal Opposition has announced a proposal that certain individuals and superannuation funds will no longer be entitled to receive a refund of franking credits. The proposal is intended to apply from 1 July 2019 and remains contingent on a number of factors (including the Australian Federal Opposition being elected into government and the proposal being enacted into law). If the proposal is implemented it may adversely affect the returns you receive on your Healthscope Shares. If the Special Dividend is paid on or after 1 July 2019, implementation of the proposed changes may adversely affect the returns you receive on your Healthscope Shares.

Australian resident trusts

Healthscope Shareholders who are trustees (other than a trustee that is a corporate tax entity, or a trustee of a complying superannuation entity) must include the amount of the Special Dividend, together with any franking credits received on the Special Dividend, in determining the net income of the trust for the income year in which the Special Dividend is paid. The applicable laws relating to the treatment of dividends, and in particular franked dividends, for trusts are complex but, providing that certain conditions are satisfied, both the liability to pay tax on the Special Dividend (and any franking credits) and the tax offset provided by any franking credits should be able to flow through to the beneficiaries.

Entitlement to utilise franking credits

In order to be entitled to claim a tax offset for franking credits paid on the Special Dividend, an Australian resident Healthscope Shareholder must have held their Healthscope Shares 'at risk' for a period of at least 45 continuous days during the relevant qualification period (not including the date of acquisition or the date of disposal of the Healthscope Shares within the relevant qualification period).

In the context of the Takeover Bid, Healthscope Shareholders who have agreed to sell their Healthscope Shares before the Takeover Bid becomes unconditional are unlikely to hold their Healthscope Shares 'at risk' from the date the Takeover Bid becomes unconditional. The earliest date on which Brookfield intends to declare the Takeover Bid unconditional is 3 June 2019.

In calculating whether the 45 day period has been met, Healthscope Shareholders should also consider whether there are any other days (prior to the Takeover Offer becoming unconditional) during which, by reference to their individual facts and circumstances, their Healthscope Shares were not held 'at risk'.

The relevant qualification period that a Healthscope Shareholder is required to hold their Healthscope Shares 'at risk' for a continuous period of 45 days is between 15 April 2019 to 2 June 2019 (at the earliest). The period that the Healthscope Shares are held 'at risk' may run until a date after 2 June 2019 if the Takeover Bid becomes unconditional on a later date, with the latest relevant date 14 July 2019, being the end of the relevant qualification period.

Application of dividend franking integrity measures

The ATO has available a number of integrity measures which may be applied to prevent a Healthscope Shareholder from being entitled to a tax offset for the franking credits attached to the Special Dividend. The class ruling request lodged by Healthscope seeks the ATO's confirmation that none of those integrity measures will be applied in relation to the Special Dividend. In the event that the ATO sought to apply these integrity measures, the ATO may issue a determination that no franking credits are available to a Healthscope Shareholder in respect of the Special Dividend.

(b) Receipt of Capital Return by Australian residents

Australian capital gains tax (CGT)

The component of the Special Distribution which constitutes a distribution of capital for Australian income tax purposes will form the Capital Return.

The Capital Return should not constitute a dividend for Australian income tax purposes.

The receipt of the Capital Return by a Healthscope Shareholder who is an Australian tax resident should constitute a CGT event for Australian income tax purposes on the date that Healthscope distributes the Capital Return to those Healthscope Shareholders.

Healthscope Shareholders who hold their Healthscope Shares on both the Capital Return Record Date and on the day the Capital Return is distributed should:

- have the cost base of each of their Healthscope Shares reduced by the proceeds of the Capital Return per share where the proceeds of the Capital Return per share are less than the cost base of each of their Healthscope shares; or
- make a capital gain if the proceeds of the Capital Return received per share are greater than the cost base of each of their Healthscope Shares, with the capital gain equal to the excess. The cost base of the Healthscope Shareholder's Healthscope Shares should also be reduced to nil.

Healthscope Shareholders who hold their Healthscope Shares on the Capital Return Record Date but who dispose of their Healthscope Shares before the Capital Return is distributed should realise a taxable capital gain equal to the amount of the Capital Return received.

Capital proceeds

The capital proceeds for the CGT event arising from the receipt of the Capital Return should be the amount of the Capital Return distributed by Healthscope to the relevant Healthscope Shareholder.

Cost base

The cost base and reduced cost base of Healthscope Shares is outlined in Section 12.3(a).

CGT discount

The CGT discount rules are outlined in Section 12.3(a).

Application of capital distribution integrity measures

The ATO has available a number of integrity measures which may be applied to deem certain distributions which may otherwise be capital in nature to be recharacterised as dividends.

The class ruling request lodged by Healthscope seeks the ATO's confirmation that none of those integrity measures will be applied in relation to the Capital Return.

(c) Disposal of Healthscope Shares by Australian residents

Australian capital gains tax (CGT)

The disposal of Healthscope Shares by a Healthscope Shareholder who is an Australian resident will constitute a CGT event for Australian income tax purposes.

The CGT event should occur:

- for a Healthscope Shareholder who has agreed to sell their Healthscope Shares under the Takeover Bid prior to the Takeover Bid becoming unconditional, when the Takeover Bid becomes unconditional; or
- for a Healthscope Shareholder who subsequently sells their Healthscope Shares as part of the Takeover Bid after the Takeover Bid becomes unconditional, when the Healthscope Shareholder accepts the offer from Brookfield LP to acquire their Healthscope Shares.

Healthscope Shareholders should:

- make a capital gain if the proceeds from the disposal of their Healthscope Shares are greater than the cost base of their Healthscope Shares disposed of; or
- make a capital loss if the capital proceeds from the disposal of their Healthscope Shares are less than the reduced cost base of their Healthscope Shares.

Healthscope Shareholders who make a capital gain on disposal of their Healthscope Shares will be required to include the net capital gain (if any) for the income year in their assessable income.

Healthscope Shareholders who make a capital loss on the disposal of their Healthscope Shares can only offset the capital losses against capital gains realised in the same, or subsequent, income years. Specific loss recoupment rules apply to companies and may restrict their ability to utilise any such capital losses in a future period.

Capital proceeds

The capital proceeds for the CGT event arising from the disposal of Healthscope Shares under the Takeover Bid should be the Takeover Consideration less the amount of the Special Dividend and the Capital Return.

The Special Dividend to be paid by Healthscope should not constitute capital proceeds from the disposal of Healthscope Shares. This matter is not free from doubt and forms part of the class ruling to be lodged with the ATO.

Should the ATO regard the Special Dividend as forming part of the Capital Proceeds received by a Healthscope Shareholder for the disposal of their Healthscope Shares:

- Healthscope Shareholders who realise a capital gain on the disposal of their Healthscope Shares when including the Special Dividend in their capital proceeds for the purposes of determining the capital gain should reduce the resulting capital gain by the amount of the Special Dividend. The reduction should only apply to reduce a Healthscope Shareholder's capital gain to nil, with any excess of the Special Dividend over the capital gain not giving rise to a capital loss for the Healthscope Shareholder; or
- Healthscope Shareholders who realise a capital loss on the disposal of their Healthscope Shares when including the Special Dividend in their capital proceeds for the purposes of determining the capital loss should not be eligible to increase their capital loss by the amount of the Special Dividend.

Cost base

The cost base and reduced cost base of Healthscope Shares is outlined in Section 12.3(a).

CGT discount

The CGT discount rules are outlined in Section 12.3(a).

(d) GST

The payment of the Special Dividend to a Healthscope Shareholder should not give rise to any liability to account for GST by the Shareholder.

The sale of Healthscope Shares by the Healthscope Shareholders should not give rise to a liability to account for GST (including the component of the Special Distribution that forms the Capital Return). Healthscope Shareholders should obtain independent advice in relation to the precise GST implications associated with the disposal of the Healthscope Shares.

(e) Stamp duty

There should not be stamp duty (including landholder duty) payable by Healthscope Shareholders on the disposal of their Healthscope Shares.

12.5 Foreign resident capital gains withholding tax

Foreign resident capital gains withholding tax applies to a transaction involving the acquisition of the ownership of an asset that is an Australian indirect real property interest from a 'relevant foreign resident'.

Under the Australian foreign resident capital gains withholding tax rules, Brookfield BidCo, as purchaser of your Healthscope Shares under the Scheme, or Brookfield LP, as purchaser of your Healthscope Shares under the Takeover Bid, is required to assess whether you as a Healthscope Shareholder are a 'relevant foreign resident'.

For the purposes of these rules, a 'relevant foreign resident' is any Healthscope Shareholder, at the time of the transaction, that is:

- known or reasonably believed by Brookfield BidCo or Brookfield LP (as applicable) to be a foreign resident;
- is not reasonably believed by Brookfield BidCo or Brookfield LP (as applicable) to be an Australian resident, and has an address outside Australia or has authorised Brookfield BidCo or Brookfield LP (as applicable) to provide a financial benefit to a place outside Australia; or
- has a connection outside Australia of a kind specified in the regulations.

If Brookfield BidCo or Brookfield LP (as applicable), consider or reasonably believe you are a 'relevant foreign resident', you will be provided (with this Booklet) a foreign resident capital gains withholding tax declaration form.

A number of factors will be considered in determining whether Brookfield BidCo or Brookfield LP (as applicable) consider or reasonably believe you as a Healthscope Shareholder are a 'relevant foreign resident', including where you:

- are classified as a non-resident or have a non-Australian domicile in the Shareholder Register;
- have a foreign registered address; or
- in the case of a corporate shareholder, are not incorporated in Australia or have a registered name which leads Brookfield BidCo or Brookfield LP (as applicable) to reasonably believe you are not an Australian incorporated entity.

If for whatever reason, you think that you are a foreign resident but do not receive a declaration form you should contact Healthscope's registry to request a declaration form.

In the foreign resident capital gains withholding tax declaration form, a Healthscope Shareholder may provide Brookfield BidCo or Brookfield LP (as applicable) with a declaration that:

- the registered holder of the relevant Healthscope Shares is an Australian tax resident; or
- the registered holder of the relevant Healthscope Shares, together with its associates, has not held an interest of 10% or more in Healthscope as at the Implementation Date or for a twelve month period during the last two years preceding the Implementation Date.

If you received a declaration form you should read it in full and follow the instructions provided on the form.

Unless a signed foreign resident capital gains withholding tax declaration form regarding your residency, or interest, is provided to Brookfield BidCo by the Scheme Record Date or Brookfield LP by the close of the Takeover Offer Period, you may be treated as being a 'relevant foreign resident' for the purposes of the Scheme or the Takeover Bid.

Where you are treated as being a 'relevant foreign resident' for the purposes of the Scheme or the Takeover Bid, Brookfield BidCo or Brookfield LP (as applicable) may withhold, and remit, an amount equal to 12.5% (or some lesser amount approved by the Commissioner of Taxation) of your Scheme Consideration or Takeover Consideration payable to you, to the Commissioner of Taxation.

Healthscope Shareholders who have an amount withheld should generally be entitled to a credit for that amount withheld upon lodging an Australian income tax return.

Healthscope Shareholders should seek their own independent tax advice as to the tax implications of the foreign resident capital gains withholding tax and the making of a foreign resident capital gains withholding tax declaration.

13. Additional information

13.1 Interests of Healthscope Directors in Healthscope Shares

As at the date of this Booklet, the Healthscope Directors have the following Relevant Interests in Healthscope Shares:

HEALTHSCOPE DIRECTOR	NUMBER OF HEALTHSCOPE SHARES
Paula Dwyer	250,000
Gordon Ballantyne	444,836
Antoni (Tony) Cipa	129,342
Jane McAloon	71,451
Rupert Myer AO	255,221
Paul O'Sullivan	111,000
Michael Stanford AM	23,000
Ziggy Switkowski AO	120,000

In addition, Gordon Ballantyne holds 2,541,910 Performance Rights under Healthscope's equity incentive plan.

No Healthscope Director acquired or disposed of a Relevant Interest in any Healthscope Shares in the four month period ending on the date immediately prior to the date of this Booklet.

13.2 Interests in HoldCo Class B Shares and BidCo Shares

As at the date of this Booklet:

(a) no Healthscope Director has a Relevant Interest in any HoldCo Class B Shares or BidCo Shares; and

(b) no Healthscope Director acquired or disposed of a Relevant Interest in any HoldCo Class B Shares or BidCo Shares in the four month period ending on the date immediately prior to the date of this Booklet.

13.3 Benefits and agreements

(a) Benefits in connection with retirement from office

There is no payment or other benefit that is proposed to be made or given to any director, secretary or executive officer of Healthscope (or any of its related bodies corporate) as compensation for the loss of, or consideration for or in connection with his or her retirement from, office in Healthscope (or any of its related bodies corporate) in connection with the Scheme.

(b) Agreements connected with or conditional on the Scheme

Except in accordance with Section 13.6, there are no agreements or arrangements made between any Healthscope Director and any other person in connection with, or conditional on, the outcome of the Scheme.

(c) Agreements connected with or conditional on the Takeover Offer

Except in accordance with Section 13.6, there are no agreements or arrangements made between any Healthscope Director and any other person in connection with, or conditional on, the outcome of the Takeover Offer.

(d) Interests of Healthscope Directors in contracts with Brookfield BidCo and HoldCo

None of the Healthscope Directors have any interest in any contract entered into by HoldCo or Brookfield BidCo, or any of their related bodies corporate.

(e) Benefits from Brookfield BidCo and HoldCo

None of the Healthscope Directors have agreed to receive, or is entitled to receive, any benefit from HoldCo and Brookfield BidCo, or any of their related bodies corporate, which is conditional on, or is related to, the Scheme.

13.4 Implementation Deed

(a) Overview

On 1 February 2019, Healthscope, Brookfield BidCo and Brookfield LP entered into an Implementation Deed, which governs the conduct of the Scheme and Takeover Offer and related transactions. On 15 April 2019, the parties agreed to amend the Implementation Deed to reflect:

- the removal of all references to preference shares in HoldCo, which no longer form part of the Scrip Consideration under the Scheme; and
- the revised timetable in relation to the payment of the Special Dividend and Capital Return, which is set out in this Booklet.

A summary of the key elements of the Implementation Deed is set out below. A full copy of the (unamended) Implementation Deed was released to ASX on 1 February 2019 and can be obtained from www.asx.com.au or www.healthscope.com.au.

Capitalised expressions used in this Section but not otherwise defined in this Booklet, have the meaning given to them in the Implementation Deed.

(b) Exclusivity

The Implementation Deed contains certain exclusivity arrangements in favour of Brookfield BidCo. These arrangements are in line with Australian market practice in this regard and may be summarised as follows:

- **No shop**: Healthscope must not solicit any enquiries, discussions or proposals with a view to, or that may encourage or lead to, a Competing Proposal;
- **No talk**: subject to a fiduciary exception on market standard terms, Healthscope must not negotiate or enter into or participate in any discussions regarding any agreement or arrangement that may encourage or lead to a Competing Transaction;
- **No due diligence**: subject to a fiduciary exception on market standard terms, Healthscope must not enable any person other than Brookfield BidCo to undertake due diligence investigations on the Healthscope Group or make available any non-public information, premises, employees or officers of Healthscope to any other person;
- **Non-public information**: if any non-public information about the business or affairs of the Healthscope Group is provided to any person in connection with any Competing Proposal which has not previously been provided to Brookfield BidCo, Healthscope must promptly (and in any event, within 2 Business Days), provide a copy or written statement of that information to Brookfield BidCo;
- **Notification**: Healthscope must notify Brookfield BidCo within 2 Business Days if it becomes aware of any proposal in relation to a Competing Proposal, request for non-public information about the business or affairs of Healthscope or access to the books or records of Healthscope that may relate to a Competing Proposal or any provision by Healthscope of any information relating to Healthscope in relation to a Competing Proposal; and
- **Matching right**: Healthscope is prohibited from entering into an agreement to give effect to any Competing Proposal and any Healthscope Director is prohibited from changing their recommendation to publicly recommend a Competing Proposal unless the Healthscope Board determines that the Competing Proposal would be a Superior Proposal, Healthscope has provided Brookfield BidCo with the terms and conditions of the Competing Proposal (including price and identity of the party making the Competing Proposal), Healthscope has given Brookfield BidCo until the 5 Business Days after the date of the provision of that information to provide a matching or superior proposal to the terms of the Competing Proposal and Brookfield BidCo has not announced a matching or superior proposal by that date.

These exclusivity arrangements are set out in full in clause 14 of the Implementation Deed.

(c) Healthscope Board recommendation

Healthscope must use its best endeavours to procure that each Healthscope Director does not change or withdraw their recommendation or intention in relation to the Scheme or the Takeover Offer subject to:

- the Independent Expert concluding that, in each case, the Scheme is in the best interests of Healthscope Shareholders or the Takeover Offer is fair and reasonable;
- there being no Superior Proposal; and
- the Healthscope Board not determining that, by virtue of the director's duties of its members, the Healthscope Board is required to change, withdraw or modify its recommendation.

(d) Break fee payable by Healthscope

In accordance with Australian market practice, Healthscope has agreed to pay a break fee of $43 million (excluding GST) in certain circumstances.

These circumstances are:

- Brookfield BidCo terminates the Implementation Deed as a result of Healthscope being in material breach of the Implementation Deed (including a material breach of warranty);
- any Healthscope Director changes his or her recommendation in relation to the Transaction, except as a result of:
  - the Independent Expert opining that the Scheme is not in the best interests of Healthscope Shareholders or the Takeover Offer is not fair and reasonable (other than because of a Competing Proposal);
  - Healthscope terminating the Implementation Deed for material breach; or
  - certain Scheme Conditions or Takeover Bid Conditions not being satisfied; or
- a Competing Proposal is announced prior to the Second Court Date and, within 9 months, that third party acquires voting power of 50% or more in Healthscope or otherwise acquires or merges with Healthscope.

The Healthscope Directors consider the break fee to represent a genuine and reasonable estimate of cost and loss that would be suffered by Brookfield LP if neither of the Scheme or the Takeover Bid were to proceed, and believe that it is reasonable and appropriate in the circumstances for Healthscope to agree to the break fee in order to secure the participation of Brookfield BidCo and Brookfield LP in the Transaction.

The break fee arrangements are set out in full in clause 15 of the Implementation Deed.

(e) Reverse break fee payable by Brookfield BidCo

Brookfield BidCo has agreed to pay a reverse break fee of $129 million (excluding GST) in the case of breach by Brookfield BidCo where Healthscope terminates the Implementation Deed as a result of Brookfield BidCo being in material breach of the Implementation Deed.

The reverse break fee arrangements are set out in full in clause 16 of the Implementation Deed.

(f) Representations and warranties

Each of Healthscope and Brookfield BidCo has given representations and warranties to the other which are customary for an agreement of this kind.

These representations and warranties are set out in Schedule 2 (in the case of Healthscope) and Schedule 3 (in the case of Brookfield BidCo) of the Implementation Deed.

(g) Termination

Each of Healthscope and Brookfield BidCo may terminate the Implementation Deed if:

- the other is in material breach of the Implementation Deed;
- a majority of the Healthscope Board changes or withdraws their recommendation in relation to the Transaction or recommends a Superior Proposal;
- the Scheme is not effective by the End Date; or
- Brookfield BidCo withdraws its Takeover Bid or it lapses.

In addition, Brookfield BidCo may terminate the Implementation Deed if Healthscope repudiates the Sale and Leaseback Documents or a Property Investor terminates the Sale and Leaseback Documents for breach by Healthscope.

The termination rights are set out in full in clause 18 of the Implementation Deed.

13.5 Effect of the Transaction on Healthscope's material contracts

If the Scheme is implemented or the Takeover Offer becomes unconditional, a change of control in Healthscope will occur. It is possible that material contracts to which Healthscope is a party may be subject to pre-emptive rights, review or termination upon this change of control. While Brookfield BidCo and Brookfield LP are not aware of any counterparty that may wish to terminate a material contract, should any such contracts be terminated, Healthscope would lose the benefit of the contract and may be unable to obtain similar terms upon entry into replacement contracts (should such replacement contracts be available).

13.6 Healthscope equity incentive arrangements

(a) Overview of arrangements

As detailed in the 2018 Healthscope Annual Report, Healthscope operates an equity incentive plan under which Performance Rights have been granted to senior management. A Performance Right entitles the holder to receive one Healthscope Share subject to the satisfaction of certain conditions.

As at the date of this Booklet, there are 8,990,841 Performance Rights on issue, comprising the following:

- 6,150,655 long term incentive Performance Rights, which are subject to performance conditions;
- 1,532,128 equity incentive plan Performance Rights, which are subject to service conditions; and
- 1,308,058 deferred short term incentive Performance Rights, which have been granted following satisfaction of performance conditions and which are subject to service conditions.

(b) Implications of the Scheme and Takeover Offer for plan participants

In accordance with the equity incentive plan rules and relevant terms of offers to the participants, the Healthscope Board has taken into account various considerations, including Healthscope's performance to date, and determined that subject to the Scheme becoming effective or the Takeover Offer becoming unconditional:

- all FY17 long term incentive Performance Rights (1,458,142 as at the date of this Booklet) will lapse; and
- all other Performance Rights (7,532,699 as at the date of this Booklet) will vest,

on the Effective Date or the date the Takeover Offer becomes unconditional (as applicable).

On vesting of the Performance Rights, Healthscope intends to allocate Healthscope Shares to relevant holders by firstly utilising the 65,918 unallocated shares in Healthscope's Employee Share Trust, and secondly by issuing Healthscope Shares. In the case of the Scheme, this will enable relevant holders to participate in the Scheme and receive the Scheme Consideration.

Discussions regarding the treatment of Performance Rights occurred after negotiations concluded about the price at which Brookfield would offer to acquire Healthscope Shares. In other words, the outcome for holders of Performance Rights has not impacted on the outcome for Healthscope Shareholders.

13.7 Process Deed and Bilateral Deed

On 4 February 2019, Brookfield BidCo disclosed to ASX that it had entered into a Process, Voting Commitment and Exclusivity Deed with NorthWest Healthcare Properties Real Estate Investment Trust (**NWH REIT**) (**Process Deed**). A copy of the Process Deed can be obtained from the ASX website (www.asx.com.au). Brookfield BidCo has also entered into a Bilateral Deed with MPT Operating Partnership, L.P. (**MPT**) (**Bilateral Deed**) on 28 January 2019.

NWH has the right to acquire up to 13.41% of the Healthscope Shares under a forward derivative contract entered into with Deutsche Bank AG, Sydney Branch on 8 May 2018.

Under the Process Deed, NWH REIT has undertaken in favour of Brookfield BidCo to procure that approximately 13.41% of all Healthscope Shares on issue and any other Healthscope Shares in which NWH REIT or its associates have a Relevant Interest prior to the Scheme Meeting Date are:

- voted in favour of the Scheme (and if the Scheme is successful, not make a Scrip Election);
- voted in favour of the Capital Return Resolution;
- tendered into the Takeover Offer by no later than one Business Day prior to the Scheme Meeting Date; and
- voted against any Competing Proposal,

subject to, among other conditions, the Healthscope Directors continuing to recommend the Transaction and the Implementation Deed not being terminated. However, NWH REIT's voting commitment ceases to apply if, as at 2 Business Days prior to the Scheme Meeting Date, settlement in respect of more than $250 million worth of properties which have been sold to NWH will be delayed beyond (in the case of the Scheme) one Business Day after the Implementation Date and (in the case of the Takeover Offer) 2 Business Days before the first payment under the Takeover Offer is due to be made (**Delay Scenario**).

As at 16 April 2019, NWH REIT and its associates have a Relevant Interest in approximately 13.41% of all Healthscope Shares on issue.[44]

44. At the time of entry into the Implementation Deed, NWH REIT and its associates had disclosed a Relevant Interest in approximately 8.74% of all Healthscope Shares on issue.

Healthscope has agreed to provide the Court with a voting report detailing how NWH REIT and its associates vote at the Scheme Meeting. This would enable the Court to identify votes in the event the Court considers that it ought to discount or disregard any votes cast on the grounds of an extraneous commercial interest.

MPT has not disclosed any interest in Healthscope Shares and accordingly the Bilateral Deed does not contain any voting undertakings. However, in other respects, the Process Deed and Bilateral Deed have similar terms. Notably:

- Brookfield is required to seek the consent of each of NWH REIT or MPT (as relevant) prior to Brookfield waiving certain conditions of the Scheme or Takeover Offer, where that waiver would be materially prejudicial to NWH REIT or MPT (unless NWH REIT or MPT has provided its prior written consent, which is not to be unreasonably withheld). In addition, Brookfield is required, if directed to do so by NWH REIT, to terminate the Implementation Deed, or reserve its rights to terminate the Implementation Deed to permit Brookfield and Healthscope to agree an extension to the timetable for the Scheme or Takeover Offer, where Healthscope and its associates breach their obligations which could reasonably be expected to result in there being a Delay Scenario;
- each of NWH REIT and MPT has agreed not to participate, encourage, initiate or solicit a competing proposal to the Transaction. The exclusivity arrangements end on the date on which Brookfield ceases to pursue or Healthscope ceases to recommend the Transaction;
- both NWH REIT and MPT have agreed to comply with and not vary without Brookfield's consent any of the transaction documents under which each of them is to acquire and lease back its respective property portfolio;
- the Process Deed and Bilateral Deed contain provisions designed to secure payment of the consideration owing by NWH REIT and MPT. These provisions include:
  - in the case of both NWH REIT and MPT, a liquidated damages payment obligation of up to $250 million each if the property transaction documents are terminated as a result of breach or default by it or its affiliates (without prejudice to any additional damages that Brookfield may be entitled to in law);
  - the provision by each of MPT and NWH REIT of a deposit and letter of credit (respectively) in the amount of $50 million;
  - in the case of NWH REIT, a requirement (to be satisfied prior to the Scheme Meeting Date) to provide funding of up to $453.5 million into an escrow account or by way of a letter of credit together with a requirement to demonstrate that all of the condition precedent of NWH REIT's debt funding facilities which are capable of being satisfied by that time have been satisfied. In the case of MPT, the escrow funding amount required is higher ($1,209,252,714 less any amount drawn by Brookfield on MPT's deposit) as MPT is not relying on third party debt financing; and
- the Process Deed and Bilateral Deed set out 'step up rights' for each of NWT REIT and MPT. In the event that Healthscope's sale and leaseback arrangements with one Property Investor is terminated, the properties subject to those arrangements can then be acquired by the other Property Investor. In these circumstances, NWH REIT has an obligation to use best endeavours to 'step up', whilst MPT's obligation to 'step up' is an absolute obligation.

13.8 Institutional Acceptance Facility

(a) General

Brookfield LP has established an institutional acceptance facility open to professional investors (as defined in section 9 of the Corporations Act) that hold or beneficially own at least 211,417 Healthscope Shares (**Eligible Institutional Shareholders**) (approximately $500,000 worth based on the Takeover Consideration) in order to facilitate receipt of acceptances of the Takeover Offer (**Institutional Acceptance Facility**). Healthscope Shareholders who are not Eligible Institutional Shareholders cannot participate in the Institutional Acceptance Facility.

The Institutional Acceptance Facility has been established to enable Eligible Institutional Shareholders to indicate their intentions to accept the Takeover Offer, as Brookfield LP recognises that some of these shareholders may be unwilling or unable to accept the Takeover Offer, for example, by reason of their investment mandates, until the Takeover Offer becomes or is declared unconditional.

The operator of the Institutional Acceptance Facility is Computershare Clearing Pty Limited (ACN 063 826 228) (**Institutional Acceptance Facility Operator**).

To ensure that Brookfield LP is able to fulfil the Takeover Bid Conditions (including acceptance of the Takeover Bid by at least 50.1% of Healthscope Shareholders), put itself in a position to declare the Takeover Offer unconditional and therefore pay the cash consideration available under the Takeover Offer, Brookfield LP encourages you to accept the Takeover Offer or, if you are an Eligible Institutional Shareholder, provide your acceptance instructions into the Institutional Acceptance Facility as soon as possible.

Before making a decision whether or not to participate in the Institutional Acceptance Facility, Eligible Institutional Shareholders are encouraged to consult with their financial or other professional adviser.

(b) Operation of the Institutional Acceptance Facility

The Institutional Acceptance Facility will operate in the following way:

- Eligible Institutional Shareholders may demonstrate their intention to accept the Takeover Offer by lodging with the Institutional Acceptance Facility Operator acceptance instructions in the form of:
  - where the Eligible Institutional Shareholder is recorded as the holder of Healthscope Shares, a duly completed and executed Acceptance Form; and/or
  - where the Eligible Institutional Shareholder is a beneficial holder whose securities are held by a custodian on the person's behalf, directions to its custodian (the form of which will be made available to Eligible Institutional Shareholders on request by the Institutional Acceptance Facility Operator) (**Nominee Directions**) to accept the Takeover Offer, (referred to as **Acceptance Instructions**) thereby demonstrating their intention to accept the Takeover Offer.
- The Institutional Acceptance Facility Operator will hold the Acceptance Instructions as acceptance facility collection agent only and subject to a bare trust.
- Under ASIC Class Order 13/520 and under the terms of appointment of the Institutional Acceptance Facility Operator contained in the Acceptance Instructions, Brookfield LP will not acquire a Relevant Interest in any Healthscope Shares through the receipt by the Institutional Acceptance Facility Operator of an Acceptance Instruction, because the Institutional Acceptance Facility has been established on the basis that it fulfils the requirements of subsection 609(8A) as inserted by ASIC Class Order 13/520.
- The Institutional Acceptance Facility Operator must deliver:
  - the Acceptance Forms in accordance with the instructions on the relevant Acceptance Forms; and
  - the Nominee Directions to the relevant custodians,

  immediately after the Institutional Acceptance Facility Operator receives written notice from Brookfield LP (**Confirmation Notice**) that:
  - Brookfield LP declares the Takeover Offer free from all conditions;
  - Brookfield LP will declare the Takeover Offer free from all conditions no later than the time that all Acceptance Instructions lodged with the Institutional Acceptance Facility Operator are processed; or
  - Brookfield LP will declare the Takeover Offer free from all conditions that have not been fulfilled or previously freed once all Acceptance Instructions lodged with the Facility Operator are processed.
- Brookfield LP reserves the right to free the Takeover Offer from all conditions and deliver the Confirmation Notice to the Institutional Acceptance Facility Operator at any time before the end of the Takeover Offer Period (subject to Section 5.9(b), the Corporations Act, Implementation Deed, or in the case of the condition set out in Section 5.7(a) (No Prescribed Occurrences), until the end of the Takeover Offer Period), irrespective of the number of acceptances held by Brookfield LP or the number of Acceptance Instructions held by the Institutional Acceptance Facility Operator.
- Eligible Institutional Shareholders are able to withdraw their Acceptance Instructions at any time prior to the Institutional Acceptance Facility Operator receiving the Confirmation Notice from Brookfield LP. Until the Institutional Acceptance Facility Agent receives the Confirmation Notice from Brookfield LP, Eligible Healthscope Shareholders will retain all rights in relation to their Healthscope Shares.
- A copy of the appointment of the Institutional Acceptance Facility Operator (including the terms of the appointment and the form of the Nominee Direction) will be provided to Eligible Institutional Shareholders and may also be requested from the Institutional Acceptance Facility Operator by email to custodians@computershare.com.au or phone on 1800 095 862 (within Australia) and +61 3 9415 4325 (outside Australia).

(c) Disclosure of Acceptance Instructions

The Institutional Acceptance Facility Operator will inform Brookfield LP of the number of Healthscope Shares in respect of which Acceptance Instructions have been received on a regular basis during the Takeover Offer Period. Following receipt of this information from the Institutional Acceptance Facility Operator, pursuant to ASIC Class Order 13/520, for every movement of at least 1% in the aggregate level of Brookfield's voting power during the Takeover Offer Period, Brookfield will announce to ASX by 9.30am on the next trading day after the movement a notice setting out the aggregate number and percentage of Healthscope Shares:

- in which Brookfield LP has a Relevant Interest; and
- which are the subject of Acceptance Instructions,

and a breakdown between the two categories above.

13.9 Regulatory relief

ASIC has granted the following relief in relation to the Transaction:

- Paragraph 8302(h) of Part 3 of Schedule 8 of the *Corporations Regulations 2001* (Cth) requires an explanatory statement to set out whether, within the knowledge of the Healthscope Directors, the financial position of Healthscope has materially changed since the date of the last balance sheet laid before Healthscope Shareholders in accordance with sections 314 or 317 of the Corporations Act, being 30 June 2018. ASIC has granted Healthscope relief from this requirement so that this Booklet only need set out whether, within the knowledge of the Healthscope Directors, the financial position of Healthscope has materially changed since 31 December 2018 (being the last date of the period to which the financial statements for the half-year ended 31 December 2018 relate).
- Section 648C of the Corporations Act requires takeover documents to be sent to shareholders by post or courier. ASIC has granted Healthscope and Brookfield relief from this requirement so that this Booklet (and any supplementary booklet) can be despatched electronically to those Healthscope Shareholders who have nominated an email address for the purposes of receiving communications from Healthscope.
- Section 631 of the Corporations Act requires a takeover offer to open within 2 months of the public proposal of a takeover bid. As this Booklet contains the bidder's statement for the Takeover Offer, ASIC has granted Brookfield relief from this requirement so that this Booklet can be despatched and the Takeover Offer can open within 2 months and 23 days of the public proposal of the Takeover Bid.

13.10 Consents, disclosures and fees

(a) Consents

This Booklet contains statements made by, or statements said to be based on statements made by:

- Healthscope in respect of the Healthscope Information only;
- Brookfield BidCo and Brookfield LP in respect of the Brookfield Information only;
- Grant Samuel & Associates Pty Limited as the Independent Expert; and
- Deloitte Corporate Finance Pty Ltd as the Investigating Accountant.

Each of those persons named above has consented to the inclusion of each statement it has made in the form and context in which the statements appear and has not withdrawn that consent at the date of this Booklet.

The following parties have given and have not, before the time of registration of this Booklet with ASIC, withdrawn their consent to be named in this Booklet in the form and context in which they are named:

- Computershare Investor Services Pty Limited as the Healthscope Share Registry; and
- Computershare Clearing Pty Limited as the Institutional Acceptance Facility Operator.

This Booklet includes statements which are made in, or based on statements made in, documents lodged with ASIC or given to ASX. Under the terms of ASIC Class Order 13/521, the parties making those statements are not required to consent to, and have not consented to, inclusion of those statements in this Booklet. If you would like to receive a copy of any of those documents, or the relevant parts of the documents containing the statements, free of charge, during the Takeover Offer Period, please contact the Healthscope Shareholder Information Line on 1300 375 694 (within Australia) or +61 (3) 9415 4320 (outside Australia).

As permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72 (**Corporations Instrument 2016/72**), this Booklet may include or be accompanied by certain statements:

- which fairly represent what purports to be a statement by an official person; or
- which are a correct and fair copy of, or extract from, what purports to be a public official document; or
- which are a correct and fair copy of, or extract from, a statement which has already been published in a book, journal or comparable publication.

In addition, as permitted by Corporations Instrument 2016/72, this Booklet contains trading data sourced from IRESS provided without their consent.

(b) Disclosures and responsibility

Further, each person named in Section 13.10(a):

- has not authorised or caused the issue of this Booklet, other than:
  - Healthscope in respect of the Healthscope Information only; and
  - Brookfield BidCo and Brookfield LP in respect of the Brookfield Information only;
- does not make, or purport to make, any statement in this Booklet or any statement on which a statement in this Booklet is based, other than:
  - Healthscope in respect of the Healthscope Information only;
  - Brookfield BidCo and Brookfield LP in respect of the Brookfield Information only;
  - Grant Samuel & Associates Pty Limited in relation to its Independent Expert's Report; and
  - Deloitte Corporate Finance Pty Ltd in relation to its Investigating Accountant's Report; and
- to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Booklet other than a reference to its name and the statement (if any) included in this Booklet with the consent of that party as specified in this Section 13.10(b).

(c) Fees

The persons named in this Booklet as performing a function in a professional or advisory capacity in connection with the Transaction and the preparation of this Booklet on behalf of Healthscope and Brookfield are set out in Section 13.10(a).

(1) **Fees payable by Healthscope**

The fees set out in this Section 13.10(c)(1) only relate to fees paid or payable by Healthscope in connection with the Transaction and with the preparation of this Booklet. As at 11 April 2019, such fees include amounts paid or payable to:

- Grant Samuel & Associates Pty Limited for acting as the Independent Expert of up to approximately $0.9 million (excluding GST); and
- Computershare Investor Services Pty Limited for acting as the Healthscope Share Registry of up to approximately $0.34 million (excluding GST).

In aggregate, if the Scheme is implemented, Healthscope expects to pay approximately $35 million (excluding GST) in transaction costs. In aggregate, if the Scheme is not implemented but the Takeover Offer becomes unconditional, Healthscope expects to pay approximately $35 million (excluding GST) in transaction costs. In aggregate, if the Scheme is not implemented and the Takeover Offer does not become unconditional, Healthscope expects to pay approximately $11 million (excluding GST) in transaction costs.

(2) **Fees payable by Brookfield**

The fees set out in this Section 13.10(c)(2) only relate to fees paid or payable by Brookfield in connection with the Transaction and with the preparation of this Booklet. As at 11 April 2019, such fees include amounts paid or payable to:

- Deloitte Corporate Finance Pty Ltd for acting as investigating accountant to Brookfield of up to approximately $0.2 million (excluding GST); and
- Computershare Investor Services Pty Limited for acting as registry services provider to Brookfield and Computershare Clearing Pty Limited for acting as the Institutional Acceptance Facility Operator of a total of up to approximately $0.25 million (excluding GST).

In aggregate, if the Scheme is implemented, Brookfield expects to pay approximately $155 million (excluding GST) in transaction costs. In aggregate, if the Scheme is not implemented but the Takeover Offer becomes unconditional, Brookfield expects to pay approximately $31 million (excluding GST) in transaction costs. In aggregate, if the Scheme is not implemented and the Takeover Offer does not become unconditional, Brookfield expects to pay approximately $20 million (excluding GST) in transaction costs.

13.11 Social security and superannuation implications of the Takeover Offer

Acceptance of the Takeover Offer may have implications under your superannuation arrangements or on your social security entitlements. If in any doubt, you should seek specialist advice.

13.12 No unacceptable circumstances

The Healthscope Directors believe that the Scheme does not involve any circumstances in relation to the affairs of Healthscope that could reasonably be characterised as constituting 'unacceptable circumstances' for the purposes of section 657A of the Corporations Act.

13.13 Foreign jurisdictions

The release, publication or distribution of this Booklet in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons outside of Australia who come into possession of this Booklet should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. Healthscope disclaims all liabilities to such persons who contravene these laws.

Healthscope Shareholders who are nominees, trustees or custodians are encouraged to seek independent advice as to how they should proceed.

No action has been taken to register or qualify this Booklet or any aspect of the transaction in any jurisdiction outside of Australia.

This Booklet has been prepared in accordance with the laws of Australia and the information contained in this Booklet may not be the same as that which would have been disclosed if this Booklet had been prepared in accordance with the laws and regulations of a jurisdiction outside of Australia. This Booklet does not constitute an offer of HoldCo Class B Shares in any place which, or to any person whom, it would not be lawful to make such an offer.

A Scheme Shareholder whose address shown in the Healthscope Share Register is a place outside Australia or New Zealand as at the Scheme Record Date will be an Ineligible Foreign Shareholder unless Brookfield BidCo and Healthscope agree otherwise in writing that it is lawful and not unduly onerous or impractical to issue HoldCo Class B Shares to that Scheme Shareholder under the Scheme.

If you are an Ineligible Foreign Shareholder and you elect to receive the Scrip Consideration, your election will be invalid and have no effect and you will receive the Scheme Cash Consideration for all of your Healthscope Shares held on the Scheme Record Date.

13.14 Warning statement to New Zealand investors

This offer of HoldCo Class B Shares to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

This offer and the content of this Booklet are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and the regulations made under that Act set out how the offer must be made.

There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Financial Markets Authority, New Zealand (http://www.fma.govt.nz). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

13.15 Privacy

Healthscope may collect personal information in the process of implementing the Transaction. The type of information that it may collect about you includes your name, contact details and information on your shareholding in Healthscope and the names of persons appointed by you to act as a proxy, attorney or corporate representative at the Meetings as relevant to you. The collection of some of this information is required or authorised by the Corporations Act.

The purpose of the collection of personal information is to assist Healthscope to conduct the Meetings and implement the Transaction. Without this information, Healthscope may be hindered in its ability to issue this Booklet and implement the Transaction. Personal information of the type described above may be disclosed to the Healthscope Share Registry, third party service providers (including print and mail service providers and parties otherwise involved in the conduct of the Meetings), authorised brokers, professional advisers, related bodies corporate of Healthscope, Government Agencies, and also where disclosure is otherwise required or allowed by law.

If you would like to obtain details of the information about you held by the Healthscope Share Registry in connection with Healthscope Shares, please contact the Healthscope Share Registry. Healthscope Shareholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Meetings should ensure that they inform such an individual of the matters outlined above. Further information about how Healthscope collects, uses and discloses personal information, and about procedures in respect of information access, correction and complaints, is contained in Healthscope's Privacy Policy located at www.healthscopehospitals.com.au/PDFs/HealthscopePrivacyPolicy.pdf.

13.16 Nature of the Healthscope Information and Brookfield Information

All Healthscope Information is included in this Booklet in connection with Healthscope's obligation to issue a target's statement for the Takeover Bid under Chapter 6 Part 6.5 Division 3 of the Corporations Act and is subject to the liability regime in Chapter 6B of the Corporations Act.

All Brookfield Information is included in this Booklet in connection with Brookfield's obligation to issue a bidder's statement for the Takeover Bid under Chapter 6 Part 6.5 Division 2 of the Corporations Act and is subject to the liability regime in Chapter 6B of the Corporations Act.

13.17 Supplementary disclosure

As may be required by law or the Court, Healthscope and Brookfield LP will issue a supplementary document to this Booklet if it becomes aware of any of the following between the date of this Booklet and the close of the Takeover Offer Period:

- a material statement in this Booklet is false or misleading in a material respect;
- a material omission from this Booklet;
- a significant change affecting a matter included in this Booklet; or
- a significant new matter has arisen and it would have been required to be included in this Booklet if it had arisen before the date of this Booklet.

Depending on the nature and timing of the changed circumstances, and subject to obtaining any relevant approvals, Healthscope may circulate and publish any supplementary document by:

- making an announcement to ASX;
- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- posting the supplementary document to Healthscope Shareholders at their address shown on the Healthscope Share Register; or
- posting a statement on Healthscope's website at www.healthscope.com.au,

as Healthscope, in its absolute discretion, considers appropriate.

14. Approval of Booklet

14.1 Brookfield Information

The Brookfield Information in this Booklet has been approved by a resolution passed by the Brookfield BidCo Directors and the managers of Brookfield Private Equity Holdings LLC, as general partner of Brookfield Capital Partners V (CDN II) GP LP (formed in Canada), as general partner of Brookfield LP (**Brookfield LP Managers**). All Brookfield BidCo Directors and Brookfield LP Managers voted in favour of the respective resolutions.

date: 16 April 2019

Signed for and on behalf of
Brookfield BidCo
by

sign here: ➨

Director

print name: Len Chersky

date: 16 April 2019

Signed for and on behalf of
Brookfield LP
by its general partner Brookfield Capital Partners V (CDN II) GP LP
(formed in Canada)
by its general partner Brookfield Private Equity Holdings LLC

sign here: ➨ Kirsten Haase

Vice President and Secretary

print name: Kirsten Haase

14.2 Healthscope Information

The Healthscope Information in this Booklet has been approved by a resolution passed by the Healthscope Directors. All Healthscope Directors voted in favour of that resolution.

date: 16 April 2019

Signed for and on behalf of
Healthscope Limited
by

sign here: ➨

Director

print name: Paula Dwyer

15. Definitions and interpretation

15.1 Glossary

In this Booklet, unless the context otherwise appears, the following terms have the meanings shown below:

TERM	MEANING
Acceptance Form	the acceptance form in connection with the Takeover Offer, being either: (1) the yellow acceptance form (if you hold your Healthscope Shares in a CHESS Holding); or (2) the blue acceptance form (if you hold your Healthscope Shares through an issuer sponsored subregister).
Accepting HoldCo Shareholder	has the meaning given in Section 10.1.
Acquisition Facilities	the debt facilities described in Section 9.1(e).
Appointer Shareholder	a HoldCo Shareholder who (either in its own right or with its affiliates and Permitted Holders, as applicable) has, or had at any time in the prior 12 month period, appointed one or more directors to the HoldCo Board or the board of directors of any HoldCo Group Member and/or nominated an observer of the HoldCo Board.
Appointing Beneficiary	has the meaning given in Section 10.1.
ASIC	the Australian Securities and Investments Commission.
ASX	ASX Limited (ABN 98 008 624 691) and, where the context requires, the financial market that it operates.
ASX Settlement	ASX Settlement Pty Ltd (ACN 008 504 532).
ASX Settlement Operating Rules	the operating rules of ASX Settlement.
ATO	the Australian Taxation Office.
BGH-AustralianSuper Consortium	the consortium of BGH Capital Pty Ltd as manager and adviser to the constituent entities of the BGH Capital Fund I, AustralianSuper Pty Ltd as trustee for AustralianSuper, Canadian Pension Plan Investment Board on its own behalf and on behalf of each of its controlled entities, GIC Private Limited, Carob Investment Private Limited, GIC Special Investments Pte Ltd, GIC (Ventures) Pte Ltd and Ontario Teachers' Pension Plan Board on its own behalf and on behalf of each of its controlled entities.
BidCo Share	a fully paid ordinary share in the capital of Brookfield BidCo.
Bilateral Deed	the Bilateral Deed dated 28 January 2019 between MPT and Brookfield Bidco.
Brookfield	Brookfield Asset Management and each of its affiliates and a reference to a 'Brookfield Group Member' is a reference to any of those persons.
Brookfield Asset Management	Brookfield Asset Management Inc.
Brookfield BidCo	ANZ Hospitals Pty Ltd (ACN 631 014 938) (formerly known as VIG Bidco Pty Ltd).

TERM	MEANING
Brookfield Funds	a series of foreign limited partnerships comprising the Brookfield Capital Partners V Fund and managed by subsidiaries of Brookfield Asset Management.
Brookfield Information	any information contained in: (1) Letter from the Chairman of ANZ Hospitals Pty Ltd; (2) Section 3.3 (Implications of making a Scrip Election), excluding paragraph 2 in Section 3.3; (3) Section 5 (Terms and conditions of the Takeover Offer); (4) Section 6.5 (Substantial holders in Healthscope Shares), excluding paragraphs 1 and 2; (5) Section 7 (Information on Brookfield); (6) Section 8 (Sale and Leaseback of Hospital Properties, Special Dividend, Capital Return and other intentions), excluding paragraph 3 in Section 8.2(a), paragraphs 2 and 4 in Section 8.2(e), paragraph 4 in Section 8.3(a) and the last paragraph in Section 8.3(d); (7) Section 9 (Funding); (8) Section 10 (Information on the HoldCo Class B Shares); (9) Section 11.4 (Risks relating to HoldCo Class B Shares); (10) Section 11.5 (Risks to Healthscope Shareholders associated with the Takeover Offer becoming unconditional); (11) Section 13.7 (Process Deed and Bilateral Deed); (12) Section 13.8 (Institutional Acceptance Facility); (13) Section 13.10 (Consents, disclosures and fees), to the extent it relates to Brookfield; (14) Section 13.16 (Nature of the Healthscope Information and Brookfield Information), to the extent it relates to Brookfield; and (15) the following sections of Section 2 (Frequently asked questions): – Why is there a Scheme and simultaneous Takeover Bid? – Who are Brookfield, Brookfield BidCo, HoldCo and Brookfield LP? – How is Brookfield funding the Scheme and the Takeover Consideration? – What are Brookfield BidCo's intentions if the Scheme is implemented? – What is the Takeover Offer? – What is the Special Dividend? – What is the Capital Return? – Why are the Special Dividend and the Capital Return being proposed? – How do I accept the Takeover Offer? – Can I accept the Takeover Offer for part of my holdings? – What are the consequences of accepting the Takeover Offer now? – Can I accept the Takeover Offer before the Scheme Meeting? – If I accept the Takeover Offer, can I withdraw my acceptance? – When does the Takeover Offer close?

TERM	MEANING
Brookfield Information *continued*	– What are the conditions to the Takeover Offer? – What happens if the conditions of the Takeover Offer are not satisfied or waived? – When will I receive payment under the Takeover Offer? – What if the Scheme does not become effective and I accept the Takeover Offer? – What if the Scheme does not become effective and I do not accept the Takeover Offer? – What happens if Brookfield LP receives acceptances under the Takeover Bid of greater than 90%? – What happens if Brookfield LP receives acceptances under the Takeover Bid of greater than 50.1%, but less than 90%? – What is the sale and leaseback? – Who are the Property Investors? – Why did Healthscope select MPT and NWH as counterparties for the sale and leaseback arrangements? – Am I required to vote on the sale and leaseback? – What is the Shareholders Agreement?
Brookfield LP	BCP VIG Holdings L.P., a Cayman Island limited partnership.
Brookfield MidCo	ANZ Hospitals Midco Pty Ltd (ACN 613 014 947) (formerly known as VIG Midco Pty Ltd).
Brookfield Senior HoldCo	ANZ Hospitals Senior HoldCo Pty Ltd (ACN 631 014 956) (formerly known as VIG Senior HoldCo Pty Ltd).
Business Day	a day on which trading banks are open for business in each of Melbourne, Victoria and Sydney, New South Wales (not being a Saturday, Sunday or public holiday in that place).
Capital Return	the expected $0.688 per Healthscope Share capital return to be paid in accordance with the terms of the Capital Return Resolution (if approved at the Extraordinary General Meeting).
Capital Return Record Date	expected to be the date of the Special Dividend Record Date.
Capital Return Resolution	the resolution set out in Section 2 in Annexure E to be considered at the Extraordinary General Meeting by Healthscope Shareholders in relation to the Capital Return.
CGT	the Australian capital gains tax regime, as contained within Part 3-1 of the ITAA 1997.
CHESS Holding	a holding of Healthscope Shares that are registered on the Healthscope Share Register, which is administered by ASX Settlement and which records uncertificated holdings of Healthscope Shares.
CHI-X	CHI-X Australia Pty Ltd (ACN 129 584 667) and, where the context requires, the financial market that it operates.

TERM	MEANING
Competing Proposal	an offer, proposal, agreement, arrangement or transaction, whether existing before, on or after the date of the Implementation Deed, which, if entered into or completed, could mean that a person other than Brookfield or its associates (either alone or with any associate thereof) would: (1) directly or indirectly acquire Voting Power in, or have a right to acquire a legal, beneficial or economic interest in, or control of, 20% or more of the securities in any member of the Healthscope Group; (2) acquire Control of any member of the Healthscope Group; (3) directly or indirectly acquire or become the holder of, or otherwise acquire or have a right to acquire a legal, beneficial or economic interest in, or control of, all or substantially all or a material part of the business or assets of any member of the Healthscope Group; (4) otherwise directly or indirectly acquire, be stapled with or merge with Healthscope; or (5) require Brookfield to abandon, or otherwise fail to proceed with, the Transaction, whether by way of a takeover bid, scheme of arrangement, shareholder approved acquisition, capital reduction, buy back, sale, lease or purchase of shares, other securities or assets, assignment of assets or liabilities, joint venture, dual listed company (or other synthetic merger), deed of company arrangements, any debt for equity arrangement or other transaction or arrangement.
Competing Shareholder	has the meaning given in Section 10.1.
Competitor	from time to time, any person who: (1) has a business in Australia or any country in which the HoldCo Group operates which is similar to or the same as a business operated by the HoldCo Group or which otherwise directly or indirectly competes with any business operated by the HoldCo Group from time to time (including any new business a HoldCo Group Member is actively taking steps to establish or acquire, or which the business plan of HoldCo at that time contemplates will be established or acquired); (2) is an affiliate of a person referred to in subparagraph 1; (3) is a person in whom a person referred to in subparagraph 1 has an interest; or (4) has an interest in a person referred to in subparagraphs 1, 2 and 3 of this definition, but not including any such person which an Investor Majority Approval determines will not be a Competitor for a specific purpose, or for all purposes, under the Shareholders Agreement.
Control	with respect to any person (other than an individual) the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such person whether through the ownership of voting securities, by agreement or otherwise, and for the avoidance of doubt, a general partner is deemed to Control a limited partnership of which it is the general partner and, solely for the purposes of this deed, a fund advised or managed directly or indirectly by a person will also be deemed to be Controlled by such person, and, in respect of Brookfield, will also include any fund, account, client, limited partnership or other collective investment vehicle or other person which is managed or advised by Brookfield BidCo or an associate of Brookfield BidCo.
Controlling Participant	in relation to the Healthscope Shares, has the same meaning as in the ASX Settlement Operating Rules.

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TERM	MEANING
Corporations Act	the *Corporations Act 2001* (Cth).
Court	the Federal Court of Australia, or such other court agreed to in writing by Brookfield BidCo and Healthscope.
DB	Deutsche Bank AG, Sydney Branch.
Deed Poll	the deed poll provided by HoldCo and Brookfield BidCo attached as Annexure D.
EBITDA	earnings before interest, tax, depreciation and amortisation.
Effective Date	the date on which the Scheme becomes effective (currently expected to be Friday, 24 May 2019).
Eligible Healthscope Shareholder	a Healthscope Shareholder (other than an Ineligible Foreign Shareholder).
End Date	31 October 2019.
Equity Commitment Letter	the Equity Commitment Letter between Brookfield Capital Partners V L.P. and Healthscope dated 1 February 2019, in relation to the Transaction.
Exit	(1) an IPO; (2) means the sale of all the business and assets of the HoldCo Group or a sale of part of assets of the HoldCo Group which in aggregate generate 50% or more of the consolidated revenue of the HoldCo Group, excluding any genuine corporate restructuring transaction and any reorganisation event (including a bonus issue of shares in HoldCo or a sub-division or consolidation of shares in HoldCo); or (3) a disposal or series of related disposals of HoldCo shares which collectively represent 50% or more of the HoldCo shares on issue (other than in connection with an IPO).
Extraordinary General Meeting	the extraordinary general meeting of Healthscope Shareholders convened to consider the Capital Return Resolution.
FATA	the *Foreign Acquisitions and Takeovers Act 1975* (Cth).
FIRB	the Foreign Investment Review Board.
Forward	the share forward transaction with a trade date of 8 May 2018 between NWH and DB in the form disclosed to ASX on 8 May 2018.
Government Agency	includes: (1) ASX, Australian Competition and Consumer Commission, ASIC, FIRB and the Takeovers Panel; (2) a government or governmental, semi-governmental or judicial entity or authority; (3) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and (4) any regulatory organisation established under statute.
GST	Goods and Services Tax.

15. Definitions and interpretation *cont.*

TERM	MEANING
Healthscope	Healthscope Limited (ACN 144 840 639).
Healthscope Board	the board of directors of Healthscope.
Healthscope Director	a director of Healthscope comprising part of the Healthscope Board.
Healthscope Group	Healthscope and each of its subsidiaries, and a reference to a 'Healthscope Group Member' or a 'member of the Healthscope Group' is to Healthscope or any of its subsidiaries.
Healthscope Information	all information included in this Booklet, other than the Brookfield Information, the Independent Expert's Report, the Investigating Accountant's Report and any other report or opinion prepared by an external adviser to Healthscope.
Healthscope Operations	Healthscope Operations Pty Ltd (ACN 006 405 152).
Healthscope Property Operator	a Healthscope Group Member that currently operates a Portfolio Property.
Healthscope Property Seller	a Healthscope Group Member that currently owns a Portfolio Property.
Healthscope Representations and Warranties	the representations and warranties of Healthscope set out in Schedule 2 of the Implementation Deed.
Healthscope Share	a fully paid ordinary share in the capital of Healthscope.
Healthscope Share Register	the register of members of Healthscope maintained by the Healthscope Share Registry in accordance with the Corporations Act.
Healthscope Share Registry	Computershare Investor Services Pty Limited (ACN 078 279 277).
Healthscope Shareholder	each person who is registered as the holder of a Healthscope Share in the Healthscope Share Register.
Healthscope Shareholder Information Line	1300 375 694 (within Australia) or +61 3 9415 4320 (outside Australia), between 8.30am and 5.00pm (Melbourne time), Monday to Friday.
HoldCo	ANZ Hospitals Topco Limited (ACN 631 014 965).
HoldCo Board	the board of directors of HoldCo.
HoldCo Catch-up Offeree	has the meaning given in Section 10.1.
HoldCo Class A Director	has the meaning given in Section 10.1.
HoldCo Class A Share	a 'Class A' convertible ordinary share in the capital of HoldCo issued on the terms set out in the HoldCo Constitution.

TERM	MEANING
HoldCo Class A Shareholder	a HoldCo Class B Shareholder that owns HoldCo Class A Shares.
HoldCo Class B Director	has the meaning given in Section 10.1.
HoldCo Class B Share	a 'Class B' convertible ordinary share in the capital of HoldCo issued on the terms set out in the HoldCo Constitution.
HoldCo Class B Shareholder	each person who is registered as the holder of a HoldCo Class B Share in the register of members of HoldCo.
HoldCo Class B Shareholder Majority Approval	has the meaning given in Section 10.1.
HoldCo Constitution	the constitution of HoldCo.
HoldCo Director	a director of HoldCo comprising part of the HoldCo Board.
HoldCo Group	HoldCo and each of its subsidiaries, and a reference to a 'HoldCo Group Member' or a 'member of the HoldCo Group' is to HoldCo or any of its subsidiaries.
HoldCo Ordinary Share	a fully paid ordinary share in the capital of HoldCo.
HoldCo Shareholder	a shareholder of HoldCo, including the HoldCo Class A Shareholders and HoldCo Class B Shareholders.
HoldCo Small Shareholder	has the meaning given in Section 3.3(g).
Holder Identification Number	has the same meaning as in the ASX Settlement Operating Rules.
Implementation Date	the fifth Business Day after the Scheme Record Date.
Implementation Deed	the Implementation Deed dated 1 February 2019 between Brookfield BidCo, Brookfield LP and Healthscope relating to the Transaction, as amended from time to time.
Independent Expert	the independent expert in respect of the Transaction appointed by Healthscope, being Grant Samuel & Associates Pty Limited.
Independent Expert's Report	the report from the Independent Expert as attached at Annexure A, including any update or supplementary report, stating an opinion whether or not: (1) the Scheme is in the best interests of Healthscope Shareholders and setting out its reasons for that opinion; (2) the Takeover Offer is fair and reasonable and setting out its reasons for that opinion; and (3) the sale and leaseback of hospital properties do not confer on NWH a 'net benefit' for the purposes of the Takeovers Panel's Guidance Note 21: *Collateral Benefits*.

TERM	MEANING
Ineligible Foreign Shareholder	a Scheme Shareholder whose address in the Healthscope Share Register as at the Scheme Record Date is a place outside Australia or New Zealand unless Brookfield BidCo and Healthscope agree in writing that it is lawful and not unduly onerous or impractical to issue HoldCo Class B Shares to that Scheme Shareholder if the Scheme Shareholder so elects under the Scheme.
Institutional Acceptance Facility	has the meaning given in Section 13.8.
Interest	(1) a direct or indirect legal or equitable interest of any kind, other than a passive ownership interest which comprises 5% or less of the aggregate number of securities in that entity (on a fully-diluted basis) and which does not confer any control, information or governance rights of any type; or (2) otherwise directly or indirectly carrying on, participating in or otherwise being involved in, managing, advising or influencing or providing funding to.
Interim Dividend	the $0.035 per Healthscope Share fully franked dividend paid by Healthscope on 26 March 2019.
IPO	initial public offering.
ITAA 1997	the *Income Tax Assessment Act 1997* (Cth).
Investor	a HoldCo Shareholder who is an 'Investor' for the purposes of the Shareholders Agreement.
Investor Majority	means, from time to time, Investors holding more than 50% of the aggregate number of HoldCo Class A Shares held by the Investors at that time.
Investor Majority Approval	has the meaning given in Section 10.1
Lease	has the meaning given in Section 8.1(d).
Listing Rules	the official listing rules of ASX.
Mandated Lead Arrangers and Bookrunners	Bank of America, N.A., Australian Branch, Barclays Capital Asia Limited, Barclays Bank PLC, ING Bank N.V., Singapore Branch, J.P. Morgan Securities Australia Limited, MUFG Bank, Ltd., National Australia Bank Limited and Sumitomo Mitsui Banking Corporation.

TERM	MEANING
Material Adverse Change	any matter, event or circumstance that occurs after the date of the Implementation Deed, or occurs before that date but is only announced or publicly disclosed after that date, which has resulted in, or is reasonably likely to result in (either individually or when aggregated with any other event, occurrence or matter): (1) a diminution in the consolidated net assets of the Healthscope Group by at least $235 million; or (2) EBITDA being reduced by at least $40 million in the Healthscope Group's financial years ending 30 June 2019 and/or 30 June 2020, determined after taking into account any matters which offset the impact of the matter, event or circumstance giving rise to the adverse effect and, in each case, disregarding any such matter, event or circumstance: (3) required to be done or procured by Healthscope, or expressly permitted, under the Implementation Deed or the Scheme or the transactions contemplated by either, the sale and leaseback of hospital properties, the Capital Return, the Dividend or the Target Facilities; (4) which Brookfield BidCo has previously approved or requested in writing; (5) fairly disclosed in the Due Diligence Materials, the Disclosure Letter or in documents that were publicly available from public filings of Healthscope with ASX or ASIC prior to the date of the Implementation Deed; (6) relating to third party costs and expenses incurred by Healthscope associated with the Transactions or the sale and leaseback; (7) resulting from changes in generally accepted accounting principles or standards, or the interpretation of any of them; (8) any outbreak or escalation of war or major hostilities, act of terrorism, an act of God, lightning, storm, flood, fire, earthquake or explosion, cyclone, tidal wave, landslide, or adverse weather conditions; or (9) comprising or resulting from any change in general economic or business conditions in the markets and jurisdictions in which Healthscope operates, or any change in law, regulation or policy.
Maximum Scrip Threshold	45% of the issued share capital in HoldCo (on a fully diluted basis).
Meetings	means: (1) the Scheme Meeting; and (2) the Extraordinary General Meeting
Minimum Scrip Threshold	10% of the issued share capital in Healthscope (on a fully diluted basis).
MPT	MPT Operating Partnership, L.P.
MPT Portfolio Properties	has the meaning given in Section 8.1(b).
Nominee	the independent third party trustee company appointed from time to time by HoldCo under the Nominee Deed to hold HoldCo Class B Shares on bare trust in accordance with the Shareholders Agreement and the Nominee Deed.

TERM	MEANING
Nominee Deed	any custodian deed entered into on or about the date of the Shareholders Agreement between HoldCo, the Nominee and the appointing beneficiaries.
NWH	NWH Australia AssetCo Pty Ltd (ACN 617 449 948) as trustee of the NWH Australia Asset Trust.
NWH Portfolio Properties	has the meaning given in Section 8.1(b).
NWH REIT	NorthWest Healthcare Properties Real Estate Investment Trust.
OIO	the Overseas Investment Office administering the *Overseas Investment Act 2005* (NZ) and *Overseas Investment Regulations 2005* (NZ).
Participant	an entity admitted to participate in the Clearing House Electronic Sub-register System under Rules 4.3.1 and 4.4.1 of the ASX Settlement Operating Rules.
Performance Right	a right issued under an employee incentive plan which confers on the holder a right to acquire a Healthscope Share, as set out in Section 13.6.
Permitted Dividend	the dividend permitted to be paid in accordance with clause 8.1 of the Implementation Deed.
Permitted Holder	has the meaning given in Section 10.1.
Portfolio Leases Umbrella Deed	has the meaning given in Section 8.1(d).
Portfolio Properties	the MPT Portfolio Properties and the NWH Portfolio Properties.
Prescribed Occurrence	the occurrence of any of the following: (1) Healthscope converting all or any of its shares into a larger or smaller number of shares; (2) Healthscope resolving to reduce its share capital in any way or reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its shares (other than the Capital Return Resolution); (3) Healthscope entering into a buy-back agreement or resolving to approve the terms of a buy-back agreement; (4) a member of the Healthscope Group issuing shares, securities convertible into shares or debt securities or granting a performance right or an option over its shares, or agreeing to make such an issue or grant other than in respect of an existing Performance Share or to Healthscope or a related body corporate of Healthscope (provided that the total number of Healthscope Shares on the Scheme Record Date and the Implementation Date does not exceed 1,750,152,636 Healthscope Shares); (5) Healthscope declaring, paying or distributing any dividend, bonus or other share of its profits or assets, other than the Permitted Dividend and the Special Dividend; (6) a member of the Healthscope Group disposing, or agreeing to dispose, of the whole, or a substantial part, of the Healthscope Group's business or property; (7) a member of the Healthscope Group granting a security interest, or agreeing to grant a security interest, over the whole, or a substantial part, of its business or property; (8) a member of the Healthscope Group making any change to its constitution; or

TERM	MEANING
Prescribed Occurrence *continue*	(9) a member of the Healthscope Group resolving that it be wound up, a liquidator or provisional liquidator of a member of the Healthscope Group being appointed, a court making an order for the winding up of a member of the Healthscope Group, an administrator of a member of the Healthscope Group being appointed under the Corporations Act, a member of the Healthscope Group executing a deed of company arrangement or a receiver being appointed in relation to the whole, or a substantial part, of any member of the Healthscope Group, other than as expressly required or permitted by the Implementation Deed or the Transaction, as publicly disclosed by Healthscope to ASX prior to the date of the Implementation Deed, as disclosed in the Due Diligence Materials or the Disclosure Letter or with the written consent of Brookfield BidCo.
Process Deed	the Process, Voting Commitment and Exclusivity Deed dated 1 February 2019 between NWH REIT and Brookfield BidCo.
Propco Bridge Loans	the bridge loans in connection with the sale and leaseback of hospital properties as described in Section 9.1(e).
Property Commitment Deeds	the Commitment Deeds dated 1 February 2019 entered into between Healthscope and each respective Property Investor to give effect to the sale and leaseback of the hospital properties.
Property Investor Guarantor	has the meaning given in Section 8.1(b).
Property Investors	each of: (1) MPT; and (2) NWH.
Proxy Forms	each of: (1) the white proxy form for the Scheme Meeting; and (2) the green proxy form for the Extraordinary General Meeting.
Relevant Healthscope Shares	if DB: (1) does not exercise its 'Election Right' (as that term is defined in the Forward), 231,387,330 Healthscope Shares which represent 13.3% of the Healthscope Shares on issue as at the date of this Booklet; or (2) does exercise its 'Election Right' (as that term is defined in the Forward), 233,528,600 Healthscope Shares which represent 13.41% of the Healthscope Shares on issue as at the date of this Booklet, plus any other Healthscope Shares in which NWH REIT or an affiliate of NWH REIT acquires a Relevant Interest in prior to the Scheme Meeting Date.
Relevant Interests	has the meaning given in sections 608 and 609 of the Corporations Act.
Remaining ROFR Securities	has the meaning given in Section 10.1.
Removal Date	the date that Brookfield LP intends to delist Healthscope from the official list of ASX (if it becomes entitled to do so).

15. Definitions and interpretation *cont.*

TERM	MEANING
Rights	all rights or benefits of whatever kind attaching or arising from Healthscope Shares directly or indirectly, including, but not limited to, all dividends or other distributions (including the Special Dividend and Capital Return), other than: (1) voting rights attaching to Healthscope Shares during the period expiring at the end of the Scheme Meeting on the day after the date on which all of the Takeover Bid Conditions have been satisfied or waived; (2) the Permitted Dividend, and any franking credits attaching to any Permitted Dividend, which is paid prior to the date on which all of the Takeover Bid Conditions have been satisfied or waived; and (3) any franking credits attaching to the Special Dividend.
ROFR	the right of first refusal provision in the Shareholders Agreement.
ROFR Seller	has the meaning given in Section 10.1.
Sale and Leaseback Documents	each Property Commitment Deed and, on and from the date when it comes into effect, each document entered into or in accordance with each Property Commitment Deed.
Sale Contracts	has the meaning given in Section 8.1(c).
Sale Contracts Umbrella Deed	has the meaning given in Section 8.1(c).
Scaleback Arrangements	the scaleback arrangements as described in clause 5.4 of the Scheme of Arrangement (attached as Annexure C).
Scheme or **Scheme of Arrangement**	the scheme of arrangement under Part 5.1 of the Corporations Act between Healthscope and the Scheme Shareholders, the form of which is attached as Annexure C, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and agreed to in writing by Brookfield BidCo and Healthscope.
Scheme Cash Consideration	$2.465 cash per Scheme Share held as at the Scheme Record Date.
Scheme Conditions	the conditions set out in Section 4.3.
Scheme Consideration	the consideration to be provided to each Scheme Shareholder for the transfer to Brookfield BidCo of each Scheme Share, being for each Healthscope Share held by a Scheme Shareholder as at the Scheme Record Date being either: (1) the Scheme Cash Consideration; or (2) the Scrip Consideration.
Scheme Meeting	the meeting of Healthscope Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on the Scheme and includes any meeting convened following any adjournment or postponement of that meeting.
Scheme Meeting Date	Wednesday, 22 May 2019.
Scheme Pro forma Historical Financial Information	has the meaning given in Section 10.3.

TERM	MEANING
Scheme Record Date	7.00pm on the fourth Business Day after the Effective Date.
Scheme Resolution	the resolution set out in Section 1 in Annexure E to agree to the terms of the Scheme.
Scheme Share	a Healthscope Share held by a Scheme Shareholder as at the Scheme Record Date.
Scheme Shareholder	a holder of Healthscope Shares recorded in the Healthscope Share Register as at the Scheme Record Date.
Scrip Consideration	has the meaning given in Section 4.2.
Scrip Election	a valid election that a Scheme Shareholder makes in accordance with the Scheme to receive the Scrip Consideration in respect of all (but not less than all) Healthscope Shares held by them on the Scheme Record Date, subject to the Scaleback Arrangements.
Scrip Election Deadline	5.00pm on the date that is 8 Business Days before the Scheme Meeting, currently being 10 May 2019, or such other time as Healthscope and Brookfield BidCo agree in writing.
Scrip Election Form	the form by which a Scheme Shareholder can make a Scrip Election.
Second Court Date	the day on which the Court makes an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme.
Second Court Hearing	the hearing of the application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme.
Security Interest	has the meaning given in section 51A of the Corporations Act.
Shareholders Agreement	the HoldCo Shareholders Agreement released to ASX on or about 16 April 2019.
Small Holding	the HoldCo Class B Shares held by a HoldCo Small Shareholder.
Special Board Approval	has the meaning given in Section 10.1.
Special Distribution	the Special Dividend and the Capital Return which may be paid by Healthscope to Healthscope Shareholders in connection with the Takeover Bid.
Special Dividend	the expected $0.637 per Healthscope Share dividend, intended to be partly franked to approximately 50%, to be paid by Healthscope on the first Business Day on which Brookfield pays the Takeover Consideration under the Takeover Offer.

TERM	MEANING
Special Dividend Record Date	where Brookfield obtains a Relevant Interest in at least 50.1% of Healthscope Shares: (1) prior to the latest time to lodge the Proxy Forms with the Healthscope Share Registry for the Scheme Meeting and Extraordinary General Meeting and Brookfield announces that if the Scheme Resolution is not passed, that it will declare the Takeover Offer to be unconditional after the Special Dividend Record Date, 7.00pm on 29 May 2019; (2) after the Scheme Meeting Date, the Scheme Resolution is not passed and Brookfield announces that it will declare the Takeover Offer to be unconditional after the Special Dividend Record Date, 7.00pm on the date that is expected to be 6 Business Days from the date of Brookfield's announcement; or such other date agreed by Healthscope and Brookfield BidCo.
Special Shareholder Approval	has the meaning given in Section 10.1.
Superior Proposal	a bona fide Competing Proposal which the Healthscope Board, acting in good faith in the interests of Healthscope and its shareholders, and after taking advice from its legal and financial advisers, determines: (1) is reasonably capable of being completed taking into account all aspects of the Competing Proposal, including its conditions, the identity, reputation and financial condition of the person making such proposal, and all relevant legal, regulatory and financial matters; and (2) would be more favourable to Healthscope Shareholders than the Transaction, taking into account all aspects of the Competing Proposal and the Transaction, including the identity, reputation and financial condition of the person making such proposal, legal, regulatory and financial matters, certainty and likely timing required to implement or complete the Competing Proposal and the Transaction, the break fee (if payable) and any other matters affecting the probability of the relevant Competing Proposal and the Transaction being completed in accordance with its terms.
Takeover Bid	the off-market takeover bid constituted by the dispatch of the Takeover Offers in accordance with the Corporations Act.
Takeover Bid Conditions	the conditions set out in Section 5.7.
Takeover Consideration	$2.365 cash for each Healthscope Share, less the value of any Rights that are deducted in accordance with Section 5.1(b).
Takeover Offer	the offer for Healthscope Shares under the terms and conditions set out in Section 5.
Takeover Offer Period	the period during which the Takeover Offer will remain open for acceptance in accordance with Section 5.2.
Takeover Offer Pro forma Historical Financial Information	has the meaning given in Section 8.5.
Takeover Register Date	the date set by Brookfield LP under section 633(2) of the Corporations Act, being 7.00pm (Melbourne) on 12 April 2019.

TERM	MEANING
Takeover Share	a Healthscope Share: (1) held by a Takeover Shareholder as at the Takeover Register Date; or (2) held by a person who is able to give good title at the time of acceptance of the Takeover Offer during the Takeover Offer Period.
Takeover Shareholder	each person who is: (1) recorded in the Healthscope Share Register as at the Takeover Register Date; or (2) able to give good title at the time of acceptance of the Takeover Offer during the Takeover Offer Period.
Takeover Transferee Holding	has the same meaning as in the ASX Settlement Operating Rules.
Transaction	as the context requires: (1) the Scheme; and/or (2) the Takeover Bid.
Transfer Securities	has the meaning given in Section 10.1.
Unconditional Announcement	has the meaning given in Section 8.2(c).
Voting Power	the meaning it is given in section 610 of the Corporations Act.
VWAP	volume weighted average price.

15.2 Interpretation

In this Booklet, unless the context otherwise appears:

(a) capitalised expressions used, but not otherwise defined, in this Booklet, have the meaning given to them in the HoldCo Constitution and Shareholders Agreement;

(b) words and phrases have the same meaning (if any) given to them in the Corporations Act;

(c) words importing a gender include any gender;

(d) words importing the singular include the plural and vice versa;

(e) an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;

(f) a reference to a section or annexure is a reference to a section of and an annexure to this Booklet as relevant;

(g) a reference to any statute, regulation, proclamation, ordinance or by law includes all statutes, regulations, proclamations, ordinances, or by laws amending, varying, consolidating or replacing it and a reference to a statute includes all regulations, proclamations, ordinances and by laws issued under that statute;

(h) headings and bold type are for convenience only and do not affect the interpretation of this Booklet;

(i) a reference to time and date is a reference to time and date in Melbourne, Australia;

(j) a reference to time and date relating to the Transaction may change and, among other things, is subject to all necessary approvals from Government Agencies; and

(k) a reference to dollars, $, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

GRANT SAMUEL

16 April 2019

The Directors
Healthscope Limited
Level 1, 312 St Kilda Road
Melbourne VIC 3004

Dear Directors

Brookfield Transaction

1 Introduction

On 1 February 2019, Healthscope Limited ("Healthscope") entered into an Implementation Deed with ANZ Hospitals Pty Ltd ("Brookfield BidCo") and BCP VIG Holdings L.P. ("Brookfield LP") (together, "Brookfield") to acquire 100% of Healthscope by way of a scheme of arrangement ("Scheme") and a simultaneous off-market takeover offer ("Takeover Offer") (together, the "Brookfield Transaction").

If the Scheme is implemented, Healthscope shareholders (other than ineligible foreign shareholders) will have the option to receive consideration for each Healthscope share of:

- $2.465 cash ("Scheme Cash Consideration"); or
- 2.465 fully paid Class B ordinary shares in an unlisted company controlled by Brookfield LP ("HoldCo") ("HoldCo Class B shares") that would own 100% of Healthscope after implementation of the Scheme ("Scrip Consideration"). Receipt of the Scrip Consideration is subject to certain limitations, including a minimum threshold of 10%, a maximum threshold of 45% and scaleback provisions.

Under the Takeover Offer, shareholders will receive cash of $2.365 per share ("Takeover Consideration"), comprising:

- $1.040 per share from Brookfield; plus
- a partly franked special dividend of $0.637 per share from Healthscope (assuming shares are held on the record date for the special dividend, which is expected to be 29 May 2019[1]). The franking percentage is expected to be approximately 50%; plus
- a capital return (subject to shareholder approval) of $0.688 per share from Healthscope (assuming shares are held on the record date for the capital return, which is also expected to be 29 May 2019).

The Takeover Offer is conditional upon, among other things:

- the Scheme not becoming effective;
- Brookfield having a relevant interest in at least 50.1% of Healthscope shares (on a fully diluted basis) at the end of the offer period; and
- Healthscope convening the general meeting to consider the capital return resolution associated with the Takeover Offer.

[1] But could be later if Brookfield obtains a relevant interest in at least 50.1% of Healthscope shares after the date of the Scheme meeting (which is expected to be held on 22 May 2019).

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The Takeover Offer will remain open for a period of at least 20 business days after the date of the Scheme meeting so that shareholders will have the opportunity to consider the Takeover Offer after they have voted on the Scheme and the outcome of the Scheme is known.

The consideration under the Brookfield Transaction is in addition to the fully franked interim dividend of $0.035 per share paid on 26 March 2019.

The directors of Healthscope have unanimously recommended the Brookfield Transaction in the absence of a superior proposal and subject to an independent expert concluding that the Scheme is in the best interests of Healthscope shareholders and the Takeover Offer is fair and reasonable. The Healthscope directors have also unanimously recommended that shareholders:

- accept the Scheme Cash Consideration (i.e. do not make an election to receive the Scrip Consideration); and
- vote in favour of the capital return associated with the Takeover Offer.

In conjunction with the announcement of the Brookfield Transaction, Healthscope announced that it had also entered into agreements to sell 11 properties to Medical Properties Trust, Inc. ("MPT") and 11 properties to NorthWest Healthcare Properties Real Estate Investment Trust or its controlled affiliates ("NorthWest") for an aggregate sum of approximately $2.5 billion and lease them back, conditional on the Scheme becoming effective or the Takeover Offer becoming unconditional ("Property Transaction"). NorthWest has a relevant interest in 13.41% of Healthscope shares as a result of a forward derivative contract entered into with Deutsche Bank AG, Sydney Branch ("Deutsche") on 8 May 2018, and, under a Process, Voting Commitment and Exclusivity Deed entered into with Brookfield BidCo, has an obligation to procure the vote of approximately 13.41% of Healthscope shares in favour of the Scheme and capital return and to procure the tendering of approximately 13.41% of Healthscope shares into the Takeover Offer.

The directors of Healthscope have engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report setting out whether, in its opinion:

- the Scheme is in the best interests of Healthscope shareholders and to state reasons for that opinion; and
- the Takeover Offer is fair and reasonable.

Grant Samuel has also been requested to give its opinion as to whether the Property Transaction confers on NorthWest a "net benefit" for the purposes of Guidance Note 21: *Collateral Benefits* ("GN21"). This opinion is intended to meet the requirements of paragraph 17c of GN21 (and not 17a or 17b).

A copy of the report (including this letter) will accompany the Transaction Booklet to be sent to shareholders by Healthscope. This letter contains a summary of Grant Samuel's opinion and main conclusions.

2 Opinion

In Grant Samuel's opinion the Brookfield Transaction is fair and reasonable and, therefore:

- **the Scheme is in the best interests of Healthscope shareholders; and**
- **the Takeover Offer is fair and reasonable,**

in the absence of a superior proposal.

Grant Samuel has also concluded that the Property Transaction does not confer a "net benefit" on NorthWest for the purposes of GN21.

3 Key Conclusions

- **The equity in Healthscope has been valued in the range $4.1-4.5 billion, equivalent to $2.34-2.58 per share**

Grant Samuel's valuation of Healthscope is summarised below:

HEALTHSCOPE - VALUATION SUMMARY ($ MILLIONS)

	FULL REPORT SECTION REFERENCE	VALUE RANGE	
		LOW	HIGH
Hospitals	5.4	5,250.0	5,650.0
New Zealand Pathology	5.5	500.0	550.0
Corporate costs (net of savings)	5.6	(310.0)	(340.0)
Value of business operations		**5,440.0**	**5,860.0**
Other assets and liabilities	5.7	(69.8)	(69.8)
Enterprise value		**5,370.2**	**5,790.2**
Adjusted net borrowings at 31 December 2018	5.8	(1,271.2)	(1,271.2)
Value of equity		**4,099.0**	**4,519.0**
Fully diluted shares on issue (millions)	4.6	1,748.6	1,748.6
Value per share		**$2.34**	**$2.58**

The valuation represents the estimated full underlying value of Healthscope assuming 100% of the company was available to be acquired and includes a premium for control. The value exceeds the price at which, based on current market conditions, Grant Samuel would expect Healthscope shares to trade on the Australian Securities Exchange ("ASX") in the absence of a change of control proposal.

The value attributed to the business operations of $5.4-5.9 billion is an overall judgement having regard to a number of valuation methodologies and parameters, including capitalisation of earnings (multiples of EBITDA[2] and EBITA[3]) and discounted cash flow ("DCF") analysis.

Grant Samuel has placed more emphasis on earnings multiple analysis than it has on DCF analysis in forming its views on value. The results of the DCF analysis for Healthscope's Hospitals division and New Zealand Pathology need to be treated with caution given the wide array of credible assumptions that can be adopted and the very broad range of net present values than can be calculated. However, the valuation ranges are supported by earnings multiple analysis, which Grant Samuel considers to be a more reliable indicator of value.

The valuation allows for:

- the capitalised value of unallocated corporate costs, net of cost savings that could be achieved by any acquirer of Healthscope (refer to Section 5.6 of the full report for details);
- other assets and liabilities, which are primarily onerous lease cost and other provisions (after tax where appropriate), rent received in advance, one off corporate capital expenditure to be incurred in 2HY19[4], land and buildings at closed owned hospitals, the promissory note in relation to the sale of the Australian pathology business and investments in joint ventures; and
- payment of the 1HY19[5] dividend of $0.035 per share on 26 March 2019.

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2 EBITDA is operating earnings before net interest, tax, depreciation and amortisation and non-operating expenses.

3 EBITA is operating earnings before net interest, tax, amortisation of acquired intangible assets and non-operating expenses.

4 2HY19 is the six months ending 30 June 2019.

5 1HY19 is the six months ended 31 December 2018.

- **The multiples implied by the valuation of Healthscope reflect the recent completion of a number of brownfield developments and the ramp up of Northern Beaches Hospital**

The multiples implied by the valuation of Healthscope's business operations are summarised below:

HEALTHSCOPE'S BUSINESS OPERATIONS – IMPLIED MULTIPLES

	VARIABLE ($ MILLION)	RANGE OF PARAMETERS	
		LOW	HIGH
Multiple of EBITDA			
Year ended 30 June 2018 (actual)	375.9	14.5	15.6
Year ending 30 June 2019 (broker median)[6]	409.0	13.3	14.3
Year ending 30 June 2020 (broker median)[6]	446.7	12.2	13.1
Year ending 30 June 2021 (broker median)[6]	480.0	11.3	12.2
Multiple of EBITA			
Year ended 30 June 2018 (actual)	268.5	20.3	21.8
Year ending 30 June 2019 (broker median)[6]	287.4	18.9	20.4
Year ending 30 June 2020 (broker median)[6]	315.5	17.2	18.6
Year ending 30 June 2021 (broker median)[6]	344.5	15.8	17.0

The implied multiples are blended multiples for the private hospitals business in Australia and the pathology services business in New Zealand, although the Hospitals division represents around 90% of revenue and earnings and, as a result, the overall multiples primarily represent the valuation of the Hospitals division. The historical FY18[7] and forecast FY19 multiples implied by the valuation are very high. However, in Grant Samuel's opinion, it is appropriate to place more weight on the forecast FY20 and FY21 implied multiples as these multiples more fully incorporate the positive short term outlook for the Hospitals division, including:

- achieving operational efficiencies. The first full year impact of $10 million in operational efficiencies is FY19;
- the impact of recently completed brownfield projects (both towards the end of FY18 and in 1HY19) and brownfield projects currently under construction, which will not achieve their full impact until at least FY21 (based on Healthscope's target of achieving a return on invested capital of not less than 15% for each project by the end of year three of the capacity being open); and
- the ramp up of Northern Beaches Hospital over the next 4-5 years (i.e. by FY23), albeit this is not without risk given it is more in the nature of a greenfield development with no trading history as well as a combination of public and private services which is also new to Healthscope.

The implied multiples for Healthscope's business operations also reflect the specific attributes of New Zealand Pathology such as:

- its leading share of the pathology services market in New Zealand. Scale provides operational efficiencies and the ability to replicate its business model across each of its 12 District Health Board ("DHB") contracts, which assists in winning new tenders and renegotiating existing DHB contracts;
- the steady but modest growth outlook for the core business, primarily reflecting the nature of DHB contracts (where performance is not driven by volumes); and
- upside potential from revenue opportunities outside DHB contracts, in particular in the Gribbles veterinary business and in food and environmental testing.

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6 Healthscope has not included any forecast information in the Transaction Booklet. To provide an indication of Healthscope's expected financial performance, Grant Samuel has considered broker's forecasts (see Appendix 1 to the full report).

7 FYXX is the year end 30 June 20XX (e.g. FY18 is the year end 30 June 2018).

The forecast FY20 and FY21 implied multiples are still above the range of multiples implied by recent transactions involving private hospitals (of around 8 times forecast EBITDA and around 13 times forecast EBITA), although each of these transactions was considerably smaller than Healthscope (including the 2010 acquisition of Healthscope by funds managed by TPG Capital and The Carlyle Group). Grant Samuel believes these higher multiples are appropriate taking into account:

- the size and quality of the private hospital portfolio (43 hospitals across Australia, the majority of which are attractively located in high population growth catchment areas and/or co-located with public hospitals), which would be extremely difficult to replicate and therefore has scarcity value;
- the potential for further brownfield opportunities as well as relocate and grow possibilities; and
- the attractive long term fundamentals for private hospitals and pathology, which are underpinned by a growing and ageing population, notwithstanding short term challenges in the private hospitals sector (such as the impact on volumes of declining private health insurance participation rates (and reduced levels of cover), pressure from private health insurers to limit funding increases and public hospitals competing for private patients) and other risks of operating in the Australian private hospital and New Zealand pathology sectors including:
  - the highly regulated nature of the Australian private hospitals sector and exposure to potential changes in government policy/regulation (particularly following the Federal election in May 2019), the requirement for ongoing commercial agreements with private health insurance funds as the major source of revenue, the importance of relationships with accredited medical practitioners and the impact of competition on Healthscope's ability to attract and retain accredited medical practitioners; and
  - the risk that on contract expiry, a DHB replaces New Zealand Pathology with a competitor (or adopts a multi-supplier strategy) or renews a contract on less favourable terms (albeit the majority of contracts are multi-year contracts).

- **The DCF analysis generates values for the Hospitals division and New Zealand Pathology that are consistent with the value range of $5.4-5.9 billion**

  Grant Samuel has used DCF analysis as a cross check of the capitalisation of earnings based valuations. High level models have been developed having regard to the FY19 Budget[8] with longer term assumption made by Grant Samuel with reference to the 3 Year Plan[9] and following discussions with Healthscope management.

  The DCF analysis for each of the Hospitals division and New Zealand Pathology:

  - allows the key drivers of revenue, costs and capital expenditure to be modelled, including:
    - for the Hospitals division, further brownfield development opportunities and the ramp up of Northern Beaches Hospital; and
    - for New Zealand Pathology, recontracting discounts on renewal of DHB contracts and more significant growth in non-DHB revenue reflecting the increased focus on the veterinary business and food and environmental testing;
  - forecasts nominal, ungeared, after tax cash flows from 1 January 2019 to 30 June 2028, with a terminal value calculated to represent the value of cash flows into perpetuity (assuming a terminal growth rate of 3% for the Hospitals division and 2.5% for New Zealand Pathology);
  - applies a discount rate of 9-10%; and
  - considers a number of different scenarios in forming a view on value.

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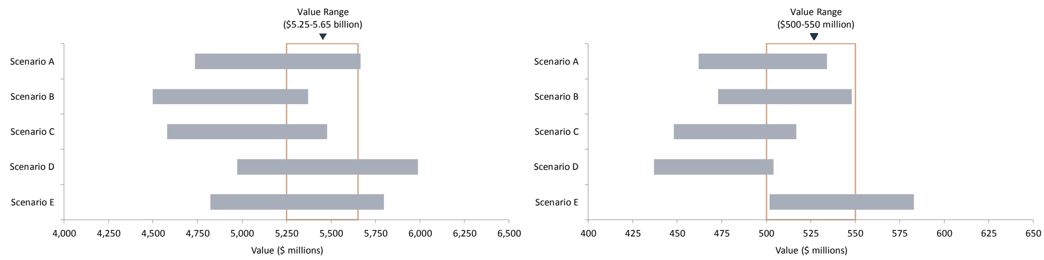
8 The budget for the year ending 30 June 2019 prepared by Healthscope management (based on actual performance for the six months ended 31 December 2018).

9 The three year plan for the period ending 30 June 2021 prepared by Healthscope management.

The net present value ("NPV") outcomes are depicted diagrammatically below:

BUSINESS OPERATIONS – NPV OUTCOMES

HOSPITALS | **NEW ZEALAND PATHOLOGY**



NPV outcomes from DCF analysis are subject to significant limitations and should always be treated with considerable caution. The range of NPVs produced by the scenarios is wider than the value range Grant Samuel has placed on the Hospitals division and New Zealand Pathology. Grant Samuel has considered the outcome of all of the scenarios in determining its value range for the Hospitals division and New Zealand Pathology and believes that the values produced by the DCF analysis support a range of values of $5.25-5.65 billion for the Hospitals division and $500-550 million for New Zealand Pathology.

- **The Brookfield Transaction is fair and reasonable. Therefore the Scheme is in the best interests of Healthscope shareholders and the Takeover Offer is fair and reasonable, in the absence of a superior proposal**

  Grant Samuel has assessed the full underlying value of Healthscope to be in the range $2.34-2.58 per share. The Scheme Cash Consideration of $2.465 per share and the Takeover Consideration of $2.365 per share both fall within this range. Accordingly, the Brookfield Transaction is fair.

  While the Takeover Consideration is lower than the Scheme Cash Consideration, the bottom of the value range represents the relevant threshold for fairness. Any price above the bottom of the range is, by definition, fair and it is irrelevant where in the range an offer price falls. It is intended that $0.637 per share of the Takeover Consideration be paid as a special dividend that will be partly franked (to approximately 50%)[10]. For shareholders who can use the attached franking credits, this dividend may deliver additional value of up to $0.137 per share[11], compared to receiving the same amount as a capital gain.

  As the Brookfield Transaction is fair, it is also reasonable.

- **There are a number of other factors that support the reasonableness of the Brookfield Transaction**

  Healthscope shareholders should consider the following other factors in determining whether to vote for or against the Scheme or accept or reject the Takeover Offer:

  - the Brookfield Transaction is the outcome of events that commenced on 26 April 2018, with the announcement by Healthscope that it had received a preliminary, non-binding and conditional

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10 Healthscope has lodged class ruling applications with the Australian Taxation Office ("ATO") seeking confirmation of the Australian tax consequences for shareholders of certain aspects of the Brookfield Transaction, including the special dividend and the capital return. Depending on the view of the ATO, the amount that is considered capital return and the amount that is considered special dividend may change, however, the aggregate amount paid to shareholders will not change. The ability to frank the special dividend is also subject to confirmation from the ATO. Healthscope and Brookfield have agreed that the special dividend be franked to the maximum extent possible, subject to Healthscope retaining a prudent franking credit surplus after payment of the dividend and the after tax value of the cash consideration (for Australian industry superannuation funds) under the Scheme being at least $0.05 per share higher than the after tax value of the Takeover Consideration.

11 The ability to utilise any franking credits attached to the special dividend is subject to receipt of a class ruling in relation to, among other things, whether the ATO will apply certain integrity measures to deny access to the franking credits. This class ruling will not be issued until after the end of the Takeover Offer period (if this is the transaction that proceeds.

indication of interest to acquire all the shares in the company for $2.36 cash per share from a consortium of financial investors led by BGH Capital Fund I and AustralianSuper Pty Ltd as trustee for AustralianSuper ("AustralianSuper") (the "BGH-AustralianSuper Consortium") and culminated with Healthscope and Brookfield entering into the Implementation Deed on 1 February 2019. The process undertaken by Healthscope and its advisers, particularly having regard to the multiple competing proposals from the BGH-AustralianSuper Consortium and Brookfield, as well as the decision to establish an unlisted property trust (and the benefits it would provide), is such that it is reasonable to conclude that the Brookfield Transaction reflects the full underlying value of Healthscope. On these grounds alone (even before the consideration of theoretical valuation analysis for Healthscope), in Grant Samuel's view it is appropriate to conclude that the Brookfield Transaction is likely to represent fair value;

- the Scheme Cash Consideration of $2.465 per share represents a:
  - 30% premium to the price at which Healthscope shares last traded prior to market rumours of an initial proposal for the acquisition of Healthscope (on 11 April 2018). The premium is slightly lower (27-29%) when compared to prices over the prior six months; and
  - 38% premium to the price at which Healthscope shares last traded prior to the announcement that Healthscope had received a revised indicative proposal from the BGH-AustralianSuper Consortium (on 22 October 2018). The premium is lower (23-33%) when compared to prices over the week and month prior to the announcement and lower again (14-17%) compared to prices over the prior six months (as this period includes trading in April/May 2018 and the following period which was impacted by the earlier change of control proposals).

  The Takeover Consideration $2.365 per share represents premiums that are around 500-600 basis points lower than those for the Scheme Cash Consideration. However, the focus should be on the premiums implied by the Scheme Cash Consideration as this is the higher offer available to shareholders.

  The Scheme Cash Consideration and the Takeover Consideration premiums are generally within the 20-35% range observed in takeovers;

- Healthscope has effectively been "in play" since it announced that it had received a preliminary, non-binding and conditional indication of interest at $2.36 cash per share (inclusive of the $0.035 per share interim dividend) from the BGH-AustralianSuper Consortium on 26 April 2018. The subsequent indicative proposal from Brookfield Asset Management and the further indicative offers from the BGH-AustralianSuper Consortium and Brookfield were well publicised. It is reasonable to assume that every credible potential buyer of Healthscope (including international buyers) would have been aware of the opportunity.

  There are practical constraints against progressing any alternative proposal. The nature of the likely acquirers of Healthscope means that they would want to undertake due diligence prior to making a formal offer and unless the directors of Healthscope determine that an alternative offer is superior, or likely to become superior, to the Brookfield Transaction (subject to Brookfield's rights to match), the alternative proposal cannot proceed. Forming the view that an alternative offer is superior, or likely to become superior and providing access to due diligence exposes the Healthscope directors to the risk that the current transaction (in this case, the Brookfield Transaction) falls away and the alternative acquirer ultimately finds its due diligence unsatisfactory and withdraws or seeks to amend/reduce its offer.

  The alternative for Healthscope shareholders would be to vote against the Scheme and reject the Takeover Offer in the hope that they could realise greater value through a subsequent alternative offer. However, in Grant Samuel's view, this would be imprudent. Given the period of time that Healthscope has been "in-play", the prospects of a superior offer in the short term appear unlikely.

The BGH-AustralianSuper Consortium indicative proposal remains as an alternative for Healthscope shareholders if the Brookfield Transaction is not successful. However, Healthscope has already rejected indicative proposals at the consideration offered by the BGH-AustralianSuper Consortium, there is no certainty that the BGH-AustralianSuper Consortium would increase the consideration offered following due diligence or that any transaction would be formally proposed and, following termination of the Co-Operation and Process Agreement on 31 March 2019, it appears unlikely that the BGH-AustralianSuper Consortium would pursue an alternative proposal. Furthermore, even if an alternative proposal was put forward, there would be no reason for the BGH-AustralianSuper Consortium to offer any more than its last indicative offer (on the basis that it would, at that stage, likely be the only offer available to Healthscope shareholders) or, at best, the low end of Grant Samuel's valuation range for Healthscope.

In any case, it remains open for the BGH-AustralianSuper Consortium or any other interested party to make a superior offer prior to the Scheme becoming effective, currently expected to be 24 May 2019 (or the Takeover Offer becoming unconditional in the event that the Scheme is not approved).

Healthscope shareholders could also vote against the Scheme and reject the Takeover Offer on the basis that they consider Healthscope's proposal to establish a new unlisted property trust to hold the majority of its freehold property assets and lease them back to Healthscope (the "Healthscope sale and leaseback") could realise greater value. If the Brookfield Transaction is not implemented, the Healthscope Board could subsequently make the decision to reactivate and implement the Healthscope sale and leaseback, although it is not certain that the Healthscope Board would make this decision. While shareholders would retain the benefit of any future upside through continued ownership of their Healthscope shares, in Grant Samuel's opinion, implementation of the Healthscope sale and leaseback would be unlikely to realise greater value than the Brookfield Transaction for Healthscope shareholders in the short term as:

- Healthscope would be required to pay tax on the proceeds from sale of the hospital properties (reducing any potential capital return to shareholders); and
- shareholders would retain a minority equity interest in the residual Healthscope entity which will have higher operating leverage and increased volatility in earnings (as a result of the rental payments to the property trust) and for which they will not receive any control premium.

In any event, Healthscope did not reach the stage of agreeing the terms of a sale and leaseback transaction so there is no ability to compare any outcome of a sale and leaseback transaction to the Brookfield Transaction. Furthermore, in recommending the Brookfield Transaction, the Healthscope directors have formed the view that any potential Healthscope sale and leaseback would not deliver greater value than the Brookfield Transaction;

- if the Scheme is not implemented and the Takeover Offer is unsuccessful, the Healthscope share price may, in the short term, be supported by the possibility that the BGH-AustralianSuper Consortium could make a further offer for Healthscope (although this appears unlikely following termination of the Co-operation and Process Agreement on 31 March 2019). In Grant Samuel's view, in the absence of an expectation of some other corporate transaction for Healthscope, the Healthscope share price would fall, perhaps significantly, if shareholders voted against the Scheme and rejected the Takeover Offer.

  It is conceivable that the Healthscope share price could reach levels around or above the Scheme Cash Consideration in the medium to longer term. However, the Scheme Cash Consideration crystallises value for Healthscope shareholders that could only be delivered if Healthscope consistently achieves relatively high rates of earnings growth. While Healthscope management is projecting high rates of earnings growth in the short term (i.e. at least 10% growth in FY19 EBITDA for the Hospitals division), the achievement of this growth (and ongoing growth in earnings) is not without risk. Moreover, it would require an ongoing stream of brownfield and other development opportunities. In this context, the certain cash consideration of $2.465 per share delivered by the Scheme is, in Grant Samuel's view, attractive.

- **The Scrip Consideration under the Scheme is unlikely to be attractive to most shareholders**

The Scrip Consideration is only available under the Scheme. For eligible shareholders, the decision to elect the Scrip Consideration and receive HoldCo Class B shares is independent of a decision to approve the Scheme.

Healthscope shareholders who elect the Scrip Consideration will retain an economic interest in Healthscope's business operations and assets (although the extent of this interest could be diluted in the event that any scaleback applies). These shareholders:

- will, to the extent that they elect the Scrip Consideration and receive HoldCo Class B shares, be able to defer the capital gains consequences of the Scheme as capital gains tax rollover relief will be available (see Section 12.3 of the Transaction Booklet); and
- may be able to participate in any future exit by Brookfield of its investment in Healthscope (which may be at a higher value or a lower value than the Scheme Cash Consideration). However, the timing of any potential exit and the exit mechanism have not yet been determined.

On the other hand:

- Brookfield will have control over Healthscope through its minimum 55% interest and the rights attaching to the HoldCo Class A shares held by it and will therefore be in a position to determine the outcome of most decisions relating to HoldCo;
- shareholders will hold a greater share of the equity in HoldCo than they do in Healthscope (subject to any scaleback that applies) and will therefore have greater exposure to any equity upside. However, they will also have an investment in a company that is highly leveraged and will be exposed to greater risk. HoldCo will have gearing and debt cover ratios that are significantly greater than, and an interest cover ratio that is significantly lower than, those of Healthscope and other similar ASX-listed companies (such as Ramsay);
- shareholders will no longer have the protections offered under the ASX Listing Rules and Australian corporate law for listed public companies in relation to takeovers, acquisition of substantial shareholdings and certain minority protection rights;
- shareholders will be subject to the provisions of the Shareholders' Agreement (see Sections 10.1 and 11.4 of the Transaction Booklet for a summary of the rights attaching to HoldCo Class B shares and the risks associated with holding these shares); and
- most importantly, shareholders will no longer have a liquid market in which to realise their investment.

Prima facie, the underlying value of the HoldCo Class B shares received by a Healthscope shareholder electing the Scrip Consideration will, on implementation of the Scheme, be the same as the underlying value of the shares held in Healthscope before implementation of the Scheme. However, the realisable value of HoldCo Class B shares on implementation of the Scheme will be quite different. Shareholders who elect the Scrip Consideration will hold shares in an unlisted, highly illiquid vehicle where:

- there are substantial restrictions on the ability to transfer shares (see Section 10.1 of the Transaction Booklet); and
- there is no guarantee as to whether or when shareholders might be able to extract value, and what price, if any, shareholders might be able to realise for their shares.

In the short term, shareholders may not be able to readily realise any value for their shares. No market of any kind is envisaged for the HoldCo Class B shares and Brookfield has given no undertaking that it would be prepared to acquire any shares that become available. Even if a buyer could be found, the price that shareholders might ultimately realise for their shares will be influenced by a variety of factors, including the future performance of the business, the terms of the Shareholders' Agreement and the likelihood of a future realisation event for the business. Given these factors and the associated uncertainties, it is not possible to reliably estimate the value that might ultimately be realised for the shares. However, absent a subsequent sale of the business or other liquidity event (which may be some years away), the realisable value per share would be expected to incorporate a substantial discount reflecting the illiquidity of the market for the shares.

The level of discount observed for a minority interest and lack of marketability is typically in excess of 50% (on a combined basis), although the actual discount will depend entirely on the specific circumstances of each case, including, in addition to the factors outlined above, the number of shareholders, which, in the case of HoldCo Class B shares, is currently unknown.

Discounts in the order of 50% would result in a fair value for a HoldCo Class B share that was significantly less than the Scheme Cash Consideration of $2.465 per share and well below Grant Samuel's full underlying value range for Healthscope shares of $2.34-2.58[12].

In addition, under the Shareholders' Agreement, Brookfield will, after the first anniversary of the implementation date, be able to compulsorily acquire the HoldCo Class B shares held by a shareholder where those shares have an aggregate issue price of $10,000 (the equivalent of 10,000 HoldCo Class B shares) or less at the time of issue. The price payable per HoldCo Class B share will be the market value of a HoldCo Class B share at the time of the compulsory disposal. The market value will be determined by the HoldCo Board, or, in the event of a dispute, determined by an independent valuer.

As a result, electing to receive the Scrip Consideration is likely to be unattractive to the majority of retail Healthscope shareholders and the directors of Healthscope do not recommend that shareholders make this election. There may be some institutional Healthscope shareholders that find the Scrip Consideration attractive and consider that they "can look after themselves" vis-à-vis Brookfield. However, they need to carefully consider the rights, liabilities and risks attaching to HoldCo Class B shares before making a decision to elect the receive the Scrip Consideration.

- **There will be implications for shareholders if Brookfield acquires 50.1% or more but less than 90% of Healthscope's shares under the Takeover Offer**

  If Brookfield acquires 50.1% or more but less than 90% of Healthscope's shares under the Takeover Offer, the implications for remaining Healthscope shareholders include:

  - Brookfield will control Healthscope, being able to determine the outcome of resolutions requiring approval of at least 50% of the votes cast by shareholders entitled to vote on a resolution. At 75% or more Brookfield would also be able to determine the outcome of special resolutions. In this context, Brookfield intends to actively encourage Healthscope's board to apply for removal of Healthscope from the official list of the ASX.

    Brookfield's control of the ongoing management of Healthscope means it could seek changes to Healthscope's business operations, dividend policy and gearing levels (including refinancing Healthscope's borrowings, increasing borrowings from $1.3 billion to $1.8 billion). Furthermore, if Healthscope is delisted from the ASX, remaining shareholders would hold unlisted shares reducing their ability to realise value;
  - Healthscope will meet transaction costs in relation to the Brookfield Transaction of approximately $35 million (before tax);

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[12] If Grant Samuel was required to provide its opinion on a transaction that only offered the Scrip Consideration, it would be likely to conclude that such a transaction was not fair. However, it is not necessary for Grant Samuel to form an opinion on whether the Scheme is fair based on the likely realisable value of a HoldCo Class B share as the default consideration under the Scheme that is available to all shareholders is cash, and the cash consideration is fair.

- there will be an adverse impact on the market for Healthscope shares, particularly if Healthscope is delisted; and
- the prospects of receiving a fully priced offer in the future for their investment in Healthscope would be greatly reduced.

If Brookfield does succeed in acquiring 50.1% or more of Healthscope shares and declares the Takeover Offer unconditional, any remaining Healthscope shareholders who have not accepted the Takeover Offer should carefully consider their position prior to the Takeover Offer closing.

- **The Property Transaction does not confer a "net benefit" on NorthWest for the purposes of GN21**

  In Grant Samuel's opinion, the Property Transaction does not confer a "net benefit" on NorthWest. The reasons for that opinion are summarised below:

  - the Property Transaction is a valid commercial transaction. Sale and leasebacks are a common funding technique (including in acquisitions) and NorthWest is a "natural" acquirer of the hospital property assets;
  - the Property Transaction is the culmination of a formal competitive process involving a number of parties and extensive negotiations;
  - MPT, a major United States based healthcare property owner, is buying the other half of the Healthscope properties on essentially identical terms to NorthWest (including cap rate[13], indexation, term, extension options, brownfield funding and master lease documentation). MPT is an arm's length party and Brookfield has no reason to provide MPT with favourable terms inconsistent with standard market parameters or practice;
  - the quantum of rental payments are broadly in line with market norms, if not at the upper end, and provide little or no scope for reversionary benefits to NorthWest;
  - the implied cap rate of 5% is in line with comparable transactions allowing for the attributes of the NorthWest Portfolio. Cap rates for quality hospital properties tend to mostly fall in the range 5.5-6.0%. Even allowing for any premium rating for the scarcity value and the attraction of acquiring a substantial portfolio and the differences between an "absolute net lease" and the more typical "triple net lease", the 5% cap rate is reasonable, if not highly attractive, from the vendor's perspective;
  - the other terms of the lease arrangement do not confer any material benefits to NorthWest compared to market norms; and
  - it is reasonable to conclude that there is no measurable special benefit to NorthWest in acquiring the NorthWest Portfolio (e.g. through cost savings or synergies). The acquisition does provide strategic benefits to Northwest in terms of the development of its business in Australia and New Zealand but such benefits are not measurable, do not comprise "special value" as that term is defined in GN21[14] and, in any event, underpin many acquisitions.

4 Other Matters

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual Healthscope shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Transaction Booklet in relation to the Brookfield Transaction.

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[13] Yield (or cap rate) is a standard property industry term calculated by dividing annualised (or passing) rental by the value of the property.

[14] "Special value" is, in Grant Samuel's view, value that is attributable to only one acquirer and which is not otherwise reflected in the market price achieved in a competitive process.

Grant Samuel has not been engaged to provide a recommendation to shareholders in relation to the Brookfield Transaction, the responsibility for which lies with the directors of Healthscope. In any event, the decision to vote for or against the Scheme or accept or reject the Takeover Offer is a matter for individual shareholders, based on their own views as to value and business strategy, their expectations about future economic and market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in doubt as to the action they should take in relation to the Brookfield Transaction should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in Healthscope or HoldCo. These are investment decisions upon which Grant Samuel does not offer an opinion and are independent of a decision on whether to vote for or against the Scheme or accept or reject the Takeover Offer. Shareholders should consult their own professional adviser in this regard.

Grant Samuel has prepared a Financial Services Guide as required by the *Corporations Act 2001 (Cth)*. The Financial Services Guide is included at the beginning of the full report.

This letter is a summary of Grant Samuel's opinion. The full report from which this summary has been extracted is attached and should be read in conjunction with this summary.

The opinion is made as at the date of this letter and reflects circumstances and conditions as at that date.

Yours faithfully
GRANT SAMUEL & ASSOCIATES PTY LIMITED

Grant Samuel & Associates

Healthscope

FINANCIAL SERVICES GUIDE
AND
INDEPENDENT EXPERT'S REPORT
IN RELATION TO THE PROPOSAL FROM BROOKFIELD

GRANT SAMUEL & ASSOCIATES PTY LIMITED
ABN 28 050 036 372

16 APRIL 2019

GRANT SAMUEL

FINANCIAL SERVICES GUIDE

Grant Samuel & Associates Pty Limited ("Grant Samuel") holds Australian Financial Services Licence No. 240985 authorising it to provide financial product advice on securities and interests in managed investments schemes to wholesale and retail clients.

The *Corporations Act 2001 (Cth)* requires Grant Samuel to provide this Financial Services Guide ("FSG") in connection with its provision of an independent expert's report ("Report") which is included in a document ("Disclosure Document") provided to members by the company or other entity ("Entity") for which Grant Samuel prepares the Report.

Grant Samuel does not accept instructions from retail clients. Grant Samuel provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Samuel does not provide any personal retail financial product advice to retail investors nor does it provide market-related advice to retail investors.

When providing Reports, Grant Samuel's client is the Entity to which it provides the Report. Grant Samuel receives its remuneration from the Entity. In respect of the Report for Healthscope Limited in relation to the proposal from Brookfield Business Partners, and its institutional partners ("the Healthscope Report"), Grant Samuel will receive a fixed fee of $900,000 plus reimbursement of out-of-pocket expenses for the preparation of the Report (as stated in Section 8.3 of the Healthscope Report).

No related body corporate of Grant Samuel, or any of the directors or employees of Grant Samuel or of any of those related bodies or any associate receives any remuneration or other benefit attributable to the preparation and provision of the Healthscope Report.

Grant Samuel is required to be independent of the Entity in order to provide a Report. The guidelines for independence in the preparation of Reports are set out in Regulatory Guide 112 issued by the Australian Securities & Investments Commission on 30 March 2011. The following information in relation to the independence of Grant Samuel is stated in Section 8.3 of the Healthscope Report:

> ***"Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationship with Healthscope, Brookfield, NorthWest or MPT or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Brookfield Transaction and the Property Transaction.***
>
> ***Grant Samuel had no part in the formulation of the Brookfield Transaction or the Property Transaction. Its only role has been the preparation of this report.***
>
> ***Grant Samuel will receive a fixed fee of $900,000 for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Brookfield Transaction or the Property Transaction. Grant Samuel's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.***
>
> ***Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 March 2011."***

Grant Samuel has internal complaints-handling mechanisms and is a member of the Australian Financial Complaints Authority, No. 11929. If you have any concerns regarding the Healthscope Report, please contact the Compliance Officer in writing at Level 19, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000. If you are not satisfied with how we respond, you may contact the Australian Financial Complaints Authority at GPO Box 3 Melbourne VIC 3001 or 1800 931 678. This service is provided free of charge.

Grant Samuel holds professional indemnity insurance which satisfies the compensation requirements of the *Corporations Act 2001 (Cth)*.

Grant Samuel is only responsible for the Healthscope Report and this FSG. Complaints or questions about the Disclosure Document should not be directed to Grant Samuel which is not responsible for that document. Grant Samuel will not respond in any way that might involve any provision of financial product advice to any retail investor.

GRANT SAMUEL

TABLE OF CONTENTS

Appendices

GRANT SAMUEL

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GRANT SAMUEL

1 Details of the Proposals

Brookfield Transaction

On 1 February 2019, Healthscope Limited ("Healthscope") entered into an Implementation Deed with ANZ Hospitals Pty Ltd (formerly known as VIG Bidco Pty Ltd) ("Brookfield BidCo") and BCP VIG Holdings L.P. ("Brookfield LP") (together, "Brookfield") to acquire 100% of Healthscope by way of a scheme of arrangement ("Scheme") and a simultaneous off-market takeover offer ("Takeover Offer") (together, the "Brookfield Transaction").

If the Scheme is implemented, Healthscope shareholders (other than ineligible foreign shareholders[1]) will have the option to receive consideration for each Healthscope share of:

- $2.465 cash ("Scheme Cash Consideration"); or
- 2.465 fully paid Class B ordinary shares[2] in an unlisted company controlled by Brookfield LP ("HoldCo") ("HoldCo Class B shares") that would own 100% of Healthscope after implementation of the Scheme ("Scrip Consideration"). Receipt of the Scrip Consideration is subject to certain limitations:
  - no HoldCo Class B shares will be issued to ineligible foreign shareholders. Ineligible foreign shareholders will receive the Scheme Cash Consideration;
  - eligible shareholders must make an election to receive the Scrip Consideration in respect of all of their Healthscope shares;
  - eligible shareholders holding, in aggregate, at least 10% of Healthscope's issued shares must make valid elections to receive the Scrip Consideration. If eligible shareholders holding, in aggregate, less than 10% of Healthscope's issued shares make valid elections to receive the Scrip Consideration, all shareholders will receive the Scheme Cash Consideration; and
  - if valid elections to receive the Scrip Consideration would result in the issue of more than approximately 700 million HoldCo Class B shares[3], each eligible shareholder electing the Scrip Consideration will be scaled back on a pro rata basis. Eligible shareholders will receive the Scheme Cash Consideration for the remaining number of HoldCo Class B shares that would otherwise have been issued to that eligible shareholder. The scaleback arrangements will ensure that Brookfield LP will hold an equity interest in HoldCo on implementation of the Scheme of no less than 55% and Healthscope shareholders will hold no more than 45%.

  Scrip Consideration issued to shareholders other than a HoldCo Class B shareholder who has received the approval of HoldCo Class A shareholders[4] holding more than 50% of HoldCo Class A shares will be held by a third-party nominee as bare trustee for those shareholders[5].

Under the Takeover Offer, shareholders will receive cash of $2.365 per share ("Takeover Consideration"), comprising:

- $1.040 per share from Brookfield; plus

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1 Ineligible foreign shareholders are Healthscope shareholders whose registered address is outside Australia or New Zealand unless Brookfield and Healthscope agree that it is lawful and not unduly onerous or impractical to issue HoldCo Class B shares to that shareholder.

2 All HoldCo Class B ordinary shares issued to Healthscope shareholders as Scrip Consideration will rank equally with all existing HoldCo ordinary shares (including HoldCo Class A shares) at the time they are issued.

3 This will be the case if Healthscope shareholders holding more than approximately 284 million Healthscope shares (approximately 16% of Healthscope's issued capital) elect to receive the Scrip Consideration.

4 HoldCo Class A shares will principally be held by Brookfield and its affiliates.

5 Under the Nominee Deed entered into between HoldCo, the nominee and the relevant HoldCo Class B shareholders, HoldCo Class B shareholders whose HolcCo Class B shares are held by the nominee will have the same voting, economic and other rights and obligations as if they held the HoldCo Class B shares directly (i.e. they will be bound by the provisions of the Shareholders' Agreement).

- a partly franked special dividend of $0.637 per share from Healthscope[6] (assuming shares are held on the record date for the special dividend). The franking percentage is expected to be approximately 50%[7]; plus
- a capital return (subject to shareholder approval) of $0.688 per share from Healthscope[6] (assuming shares are held on the record date for the capital return, which is the same as the record date for the special dividend).

The special dividend and the capital return will be funded by the proceeds from the Property Transaction (refer below) and a refinancing of Healthscope.

The record date for the special dividend and the capital return is expected to be 29 May 2019[8]. It is possible that the person who receives the special dividend and the capital return is different to the person who receives the payment of $1.040 cash per share (e.g. if a shareholder sells their Healthscope shares after the special dividend and capital return record date and after Brookfield declares the Takeover Offer unconditional, but before the Takeover Offer period expires).

The Takeover Offer will remain open for a period of at least 20 business days after the date of the Scheme meeting so that shareholders will have the opportunity to consider the Takeover Offer after they have voted on the Scheme and the outcome of the Scheme is known. Brookfield has established an institutional acceptance facility which will be open to professional investors that hold or beneficially own at least 211,417 Healthscope shares (approximately $500,000 worth based on the Takeover Consideration of $2.365 per share) to facilitate receipt of acceptances of the Takeover Offer. Healthscope shareholders who are not professional investors holding at least 211,417 Healthscope shares cannot participate in the facility.

The consideration under the Brookfield Transaction is in addition to the fully franked interim dividend of $0.035 per share paid on 26 March 2019.

The Brookfield Transaction is the outcome of events that commenced on 26 April 2018 with Healthscope's announcement that it had received a preliminary, non-binding and conditional indication of interest from a consortium of financial investors led by BGH Capital Fund I and AustralianSuper Pty Ltd as trustee for AustralianSuper ("AustralianSuper") (the "BGH-AustralianSuper Consortium") to acquire all the shares in Healthscope by way of a scheme of arrangement at an indicative price of $2.36[9] cash per share. AustralianSuper had a shareholding of approximately 14% in Healthscope (at the time) and had entered into a Co-Operation and Process Agreement with BGH Capital Fund I and the other consortium members that prohibited AustralianSuper from being involved in, voting in favour of, or accepting, any competing proposal and requiring AustralianSuper to vote against any competing proposal for Healthscope, for an exclusivity period of up to six months. This exclusivity period was subsequently extended to 31 March 2019, but the agreement expired on that date.

On 14 May 2018, Healthscope announced that it had received a non-binding and conditional indicative proposal from Brookfield Asset Management, Inc. and its affiliates and managed funds ("Brookfield Asset Management"), to acquire all the shares in Healthscope by way of a scheme of arrangement at an

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6 Healthscope has lodged class ruling applications with the Australian Taxation Office ("ATO") seeking confirmation of the Australian tax consequences for shareholders of certain aspects of the Brookfield Transaction, including the special dividend and the capital return. Depending on the view of the ATO, the amount that is considered capital return and the amount that is considered special dividend may change, however, the aggregate amount paid to shareholders will not change.

7 The ability to frank the special dividend is subject to confirmation from the ATO. Healthscope and Brookfield have agreed that the special dividend be franked to the maximum extent possible, subject to Healthscope retaining a prudent franking credit surplus after payment of the dividend and the after tax value of the Scheme Cash Consideration (for Australian industry superannuation funds) being at least $0.05 per share higher than the after tax value of the Takeover Consideration. On this basis, Healthscope intends to partly frank the special dividend at approximately 50%.

8 But could be later if Brookfield obtains a relevant interest in at least 50.1% of Healthscope shares after the date of the Scheme meeting (which is expected to be held on 22 May 2019).

9 The indicative price would be reduced by the value of any dividends or other distributions announced/proposed, declared/committed or paid.

indicative price of $2.50[9] cash per share and an intention to provide shareholders with the ability to invest in a privatised Healthscope. The proposal included a "level playing field" condition that required Healthscope to not grant any potential acquirer access to due diligence unless they confirmed they were not under any agreement, arrangement or understanding to vote any shares owned or controlled by them (or their affiliates) against any superior proposal unanimously recommended by the Healthscope board.

Healthscope announced on 22 May 2018 that it had decided not to grant due diligence to either the BGH-AustralianSuper Consortium or Brookfield Asset Management and that it would undertake a strategic review of its hospital property portfolio (see below).

Healthscope received a further preliminary, non-binding and conditional indication of interest from the BGH-AustralianSuper Consortium on 23 October 2018. This proposal was on substantially the same terms as the 26 April 2018 proposal, including an indicative price of $2.36[9] cash per share. On 12 November 2018, Healthscope announced that it had:

- received a further non-binding and conditional indicative proposal from Brookfield to acquire 100% of Healthscope by way of an off-market takeover offer at $2.42 per share and a simultaneous scheme of arrangement at $2.55 per share, with the option for shareholders to receive some of the consideration as shares in an unlisted company that would control 100% of Healthscope. Healthscope would also be entitled to pay in interim dividend of up to $0.035 per share, increasing the total value represented by the proposal to $2.455 under the takeover offer and $2.585 under the scheme of arrangement; and
- entered into a Process Deed with Brookfield under which Brookfield would be provided with exclusive due diligence to 21 December 2018 (and a due diligence period to 31 January 2019) to facilitate a binding offer for Healthscope.

Healthscope also announced that it had decided not to provide due diligence access to the BGH-AustralianSuper Consortium on the basis that its proposal was significantly less attractive than the proposal from Brookfield.

On 21 December 2018, Healthscope announced that Brookfield's exclusive due diligence period had been extended to 18 January 2019 to allow time for satisfaction of certain conditions to the proposal after Brookfield confirmed that it had no reason to believe it would not be able to proceed with the proposal at the consideration previously outlined. Healthscope also announced that it had received correspondence from the BGH-AustralianSuper Consortium indicating that it was able to commence due diligence immediately in relation to its revised preliminary, non-binding and conditional indicative offer announced on 23 October 2018. Following expiry of the exclusive due diligence period, Healthscope provided an update, on 21 January 2019, that Brookfield had indicated that it expected to be able to submit a fully documented, fully financed, binding offer by 31 January 2019 (the end of the now non-exclusive due diligence period).

On 1 February 2019, Healthscope announced that the Implementation Deed had been entered into with Brookfield. In that announcement, the directors of Healthscope unanimously recommended the Brookfield Transaction in the absence of a superior proposal and subject to an independent expert concluding that the Scheme is in the best interests of Healthscope shareholders and the Takeover Offer is fair and reasonable. Healthscope also announced that it had received correspondence from the BGH-AustralianSuper Consortium indicating that it could improve the terms of its revised preliminary, non-binding and conditional indicative offer (of $2.36 per share, inclusive of any dividend) if it was provided with access to due diligence. Subject to customary exceptions including certain fiduciary carve outs, the terms of the Implementation Deed preclude Healthscope from allowing any third party to undertake due diligence investigations (see below).

The Healthscope directors have subsequently unanimously recommended that shareholders:

- accept the Scheme Cash Consideration (if shareholders do not make an election to receive the Scrip Consideration, they will receive the Scheme Cash Consideration) (see Section 3.3 of the Transaction Booklet); and
- approve the share capital return associated with the Takeover Offer (see Section 3.6 of the Transaction Booklet).

Property Transaction

On 22 May 2018, Healthscope announced that it would undertake a strategic review of its freehold hospital property portfolio to explore the merits of a sale and leaseback transaction, with a view to unlocking value for shareholders in the near term. The outcome of this strategic review, announced on 21 August 2018, was for Healthscope to establish a new unlisted property trust to hold the majority of its freehold property assets and lease them back to Healthscope. Healthscope would own a majority interest in the hospital property trust and a co-investor would be introduced to hold an interest of up to 49% of the trust. A competitive process was commenced to select a preferred co-investor.

Healthscope continued the process of establishing a new unlisted property trust following receipt of the proposal from Brookfield on 12 November 2018 (with Brookfield's agreement) although the proposal required that Healthscope not enter into a binding agreement to give effect to the proposed property transaction.

On 1 February 2019, in conjunction with the announcement of the Brookfield Transaction, Healthscope announced that it had also entered into agreements to sell 11 properties to Medical Properties Trust, Inc. ("MPT") and 11 properties to NorthWest Healthcare Properties Real Estate Investment Trust or its controlled affiliates ("NorthWest") for an aggregate sum of approximately $2.5 billion and lease them back, conditional on the Scheme becoming effective or the Takeover Offer becoming unconditional ("Property Transaction"). NorthWest has a relevant interest in 13.41% of Healthscope shares as a result of a forward derivative contract entered into with Deutsche Bank AG, Sydney Branch ("Deutsche") on 8 May 2018[10], and, under a Process, Voting Commitment and Exclusivity Deed entered into with Brookfield BidCo, has an obligation to procure the vote of approximately 13.41% of Healthscope shares in favour of the Scheme and capital return and to procure the tendering of approximately 13.41% of Healthscope shares into the Takeover Offer.

Conditions and Approvals Required

The Scheme and the Takeover Offer are subject to a number of conditions that are contained in the Implementation Deed, including:

- approvals under the *Foreign Acquisitions and Takeovers Act 1975 (Cth)* ("FIRB approval") (for Brookfield in relation to the Scheme and the Takeover Offer and for NorthWest and MPT in relation to the Property Transaction) and the New Zealand Overseas Investment Office (for Brookfield in relation to the Scheme and the Takeover Offer). On 20 March 2019, Healthscope announced that Brookfield, NorthWest and MPT had received FIRB approval. Brookfield has also subsequently received New Zealand Overseas Investment Office approval;
- no prescribed occurrences for Healthscope (which are defined to cover standard takeover prescribed occurrence events, such as changes to capital structure, share issues and insolvency events); and
- no material adverse change (which includes, subject to some exceptions, events which result in a diminution in Healthscope's net assets by at least $235 million or a diminution of FY19[11] and/or FY20 EBITDA[12] by at least $40 million).

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[10] NorthWest is not the registered holder of Healthscope shares but has the right to acquire up to 13.41% of Healthscope shares under the forward derivative contract. See Section 4.6 for details.

[11] FYXX is the year end 30 June 20XX (e.g. FY19 is the year end 30 June 2019).

[12] EBITDA is operating earnings before net interest, tax, depreciation and amortisation and non-operating expenses.

GRANT SAMUEL

In addition:

- the Scheme is conditional upon:
  - approval of the Scheme by Healthscope shareholders. The Scheme must be approved by a majority in number of the Healthscope shareholders who vote at the Scheme meeting (in person or by proxy) and by at least 75% of the total number of shares voted at the meeting; and
  - approval of the Scheme by the Federal Court of Australia; and
- the Takeover Offer is conditional upon:
  - the Scheme not becoming effective;
  - Brookfield having a relevant interest in at least 50.1% of Healthscope shares (on a fully diluted basis) at the end of the offer period; and
  - Healthscope convening the general meeting to consider the capital return resolution associated with the Takeover Offer.

Healthscope has agreed with Brookfield that, by the date of implementation of the Scheme or Brookfield being entitled to proceed to compulsorily acquire all Healthscope shares under the Takeover Offer, all performance rights will have vested, lapsed or been cancelled. The Healthscope board has determined that, subject to the Scheme becoming effective or the Takeover Offer becoming unconditional:

- all FY17 long term incentive plan ("LTI Plan") performance rights (1,458,142) will lapse; and
- all other performance rights (7,532,699) will vest.

On vesting of the performance rights, Healthscope intends to allocate Healthscope shares to relevant holders by first, utilising the 65,918 unallocated shares in Healthscope's Employee Share Trust and second, by issuing Healthscope shares.

The Implementation Deed includes no-shop, no-talk and no-due diligence provisions. Under these provisions, Healthscope may not solicit, invite, encourage or initiate any competing proposal and may not enter into any negotiations or discussions in relation to any competing proposal for Healthscope or enable any third party to undertake due diligence investigation in relation to a competing proposal. The "no talk" and "no-due diligence" undertakings are subject to a carve-out relating to the fiduciary and statutory duties of the Healthscope board in relation to a genuine competing proposal that is, or could become, a superior proposal. Healthscope is also required to notify Brookfield if it is approached by another person to engage in any activity in this regard and Brookfield has a right to be informed about, and then, match the terms of any superior proposal (within five business days).

A break fee of $43 million is payable by Healthscope to Brookfield if:

- any member of the Healthscope board withdraws or adversely modifies their recommendation, makes a public statement that they no longer support the Scheme or the Takeover Offer or that they recommend or support a competing proposal (subject to certain exceptions); or
- a competing proposal is announced prior to the second court date or the end of the offer period and that competing proposal is implemented within nine months of the date of announcement.

A break fee of $129 million is payable by Brookfield to Healthscope if there is a material breach of the Implementation Deed by Brookfield and the deed is subsequently terminated. A break fee of $50 million was payable by Brookfield to Healthscope if the Implementation Deed is terminated as a result of NorthWest or MPT failing to obtain (or waive) FIRB approval in relation to the Property Transaction (FIRB approval was received on 20 March 2019).

2 Scope of the Report

2.1 Purpose of the Report

The Brookfield Transaction is to be implemented by way of the Scheme. Simultaneously, Brookfield is also making the Takeover Offer. The Property Transaction is conditional on the Scheme becoming effective or the Takeover Offer becoming unconditional.

The Scheme

Under Section 411 of the *Corporations Act (Cth) 2001* ("Corporations Act") the Scheme must be approved by a majority in number (i.e. more than 50%) of each class of shareholders present and voting (either in person or by proxy) at the meeting, representing at least 75% of the votes cast on the resolution. If approved by Healthscope shareholders, the Scheme will then be subject to approval by the Federal Court of Australia. Part 3 of Schedule 8 to the Corporations Regulations prescribes the information to be sent to shareholders in relation to schemes of arrangement pursuant to Section 411. Part 3 of Schedule 8 requires an independent expert's report in relation to a scheme of arrangement to be prepared when a party to a scheme of arrangement has a prescribed shareholding in the company subject to the scheme, or where any of its directors are also directors of the company subject to the scheme. In those circumstances, the independent expert's report must state whether the scheme of arrangement is in the best interests of shareholders subject to the scheme and must state reasons for that opinion.

The Takeover Offer

Section 640 of the Corporations Act states that a target's statement made in response to a takeover offer for shares in an Australian listed entity must be accompanied by an independent expert's report if:

- the bidder's voting power in the target is 30% or more; or
- a director of the bidder is also a director of the target company.

In this case, Brookfield does not consider that it has a relevant interest in any Healthscope shares. Even if, as a result of the agreements entered into in relation to the Property Transaction, Brookfield is taken to have an agreement, or be acting in concert, with NorthWest in relation to the conduct of Healthscope's affairs under Sections 12(2)(b) and 12(2)(c) of the Corporations Act, NorthWest has a relevant interest in only 13.41% of Healthscope through its arrangements with Deutsche[10].

The Property Transaction (Collateral Benefits)

Section 602(c) of the Corporations Act states that the purpose of the takeover provisions in Chapter 6 of the Corporations Act is to ensure that all shareholders have a reasonable and equal opportunity to participate in any benefits (the "equality principle"). Section 623 of the Corporations Act prohibits the giving of benefits during the offer period if they are likely to induce acceptances under the bid. The Takeovers Panel's Guidance Note 21: *Collateral Benefits* ("GN21") sets out the Takeovers Panel's approach to collateral benefits and the view that, prima facie, a benefit will offend the equality principle and give rise to unacceptable circumstances if it is a "net benefit".

The Property Transaction involves the sale and leaseback of 11 hospital property assets to NorthWest, conditional on the Scheme becoming effective or the Takeover Offer becoming unconditional. NorthWest has a relevant interest in 13.41% of Healthscope through its arrangements with Deutsche (see above) and has an obligation to procure the vote of approximately 13.41% of Healthscope shares in favour of the Scheme and capital return and to procure the tendering of approximately 13.41% of Healthscope shares into the Takeover Offer. Consequently, there will be a breach of Section 623 of the Corporations Act if the Property Transaction confers a "net benefit" on NorthWest (if the net benefit is given during the offer period).

While the existence of a net benefit is ultimately a matter for the Takeovers Panel, GN21 states in paragraph 17 that there are three ways to establish that there is no net benefit:

a) market testing of the transaction (e.g. by a public sale process);

b) an independent valuation of the transaction; or

c) an expert's opinion as to whether there is a net benefit.

Report Requirements

Although there is no requirement in the present circumstances for an independent expert's report pursuant to the Corporations Act, the directors of Healthscope have engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report setting out whether, in its opinion:

- the Scheme is in the best interests of Healthscope shareholders and to state reasons for that opinion;
- the Takeover Offer is fair and reasonable; and
- the Property Transaction confers on NorthWest a "net benefit" for the purposes of GN21.

The opinion on the Property Transaction is intended to meet the requirements of paragraph 17c of GN21 (and not 17a or 17b).

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual Healthscope shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Transaction Booklet issued by Healthscope in relation to the Brookfield Transaction.

Voting for or against the Scheme or accepting or rejecting the Takeover Offer is a matter for individual shareholders based on their views as to value and business strategy, their expectations about future economic and market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in doubt as to the action they should take in relation to the Brookfield Transaction should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in Healthscope or HoldCo. These are investment decisions upon which Grant Samuel does not offer an opinion and are independent of a decision on whether to vote for or against the Scheme or accept or reject the Takeover Offer. Shareholders should consult their own professional adviser in this regard.

2.2 Basis of Evaluation

The Scheme and the Takeover Offer

There is no legal definition of the expression "in the best interests". Equally, the term "fair and reasonable" has no legal definition although over time a commonly accepted interpretation has evolved. However, the Australian Securities & Investments Commission ("ASIC") has issued Regulatory Guide 111 ("RG111") which establishes guidelines in respect of independent expert's reports. RG111 differentiates between the analysis required for control transactions and other transactions. In the context of control transactions (whether by takeover bid, by scheme of arrangement, by the issue of securities or by selective capital reduction or buyback), the expert is required to distinguish between "fair" and "reasonable". For most other transactions the expert is to weigh up the advantages and disadvantages of the proposal for shareholders.

The Brookfield Transaction is a control transaction (whether it is implemented by way of the Scheme or the Takeover Offer). Accordingly, Grant Samuel has formed a judgement as to whether the Brookfield Transaction is "fair and reasonable".

Fairness involves a comparison of the offer price with the value that may be attributed to the securities that are the subject of the offer based on the value of the underlying businesses and assets. For this comparison, value is determined assuming 100% ownership of the target and a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. Reasonableness involves an analysis of other factors that shareholders might consider prior to accepting an offer such as:

- the offeror's existing shareholding;
- other significant shareholdings;
- the probability of an alternative offer; and
- the liquidity of the market for the target company's shares.

An offer could be considered "reasonable" if there were valid reasons to accept the offer notwithstanding that it was not "fair".

Fairness is a more demanding criteria. A "fair" offer will always be "reasonable" but a "reasonable" offer will not necessarily be "fair". A fair offer is one that reflects the full market value of a company's businesses and assets. An offer that is in excess of pre-bid market prices but less than full value will not be fair but may be reasonable if shareholders are otherwise unlikely in the foreseeable future to realise an amount for their shares in excess of the offer price. This is commonly the case where the bidder already controls the target company. In that situation the minority shareholders have little prospect of receiving full value from a third party offeror unless the controlling shareholder is prepared to sell its controlling shareholding.

A proposal that was "fair and reasonable" or "not fair but reasonable" would be in the best interests of shareholders (being the opinion required under Part 3 of Schedule 8).

Grant Samuel has determined whether the Brookfield Transaction is fair by comparing the estimated underlying value range of Healthscope shares with the offer price (under the Scheme and the Takeover Offer). The Scheme and the Takeover Offer will be fair if they fall within the estimated underlying value range. In considering whether the Brookfield Transaction is reasonable, the factors that have been considered include:

- the existing shareholding structure of Healthscope;
- the likelihood of an alternative offer and alternative transactions that could realise fair value;
- the likely market price and liquidity of Healthscope shares in the absence of the Brookfield Transaction; and
- other advantages and disadvantages for Healthscope shareholders of approving the Scheme or accepting the Takeover Offer.

The Property Transaction (Collateral Benefits)

GN21 states that a net benefit is assessed by reference to the commercial balance of advantages flowing to and from the shareholder. Factors that the Takeovers Panel takes into account in assessing the balance of advantages include:

- the substance and commercial reality of the transaction;
- the context in which the benefit is given or the consideration is given up;
- the overall effect of the transaction; and
- an objective assessment of the transaction (rather than the parties' intentions).

Grant Samuel has determined whether the Property Transaction confers a net benefit on NorthWest for the purposes of paragraph 17c of GN21 by forming a view on whether the terms of the sale and leaseback transaction (i.e. the consideration paid for the hospital property assets and the lease terms) are arm's length and whether they confer any benefit to NorthWest that is not provided to other Healthscope shareholders. In forming this view, Grant Samuel has considered, among other things:

- the process undertaken to sell the hospital property assets;
- the lease terms and the yield implied by the consideration paid for the hospital property assets relative to the market for comparable hospital property transactions; and
- the comparability of NorthWest's terms to those of the transactions with MPT (an arm's length party).

2.3 Sources of Information

The following information was utilised and relied upon, without independent verification, in preparing this report:

Publicly Available Information

- the Transaction Booklet (including earlier drafts);
- annual reports of Healthscope for the four years ended 30 June 2018;
- half year announcement of Healthscope for the six months ended 31 December 2018;
- press releases, public announcements, media and analyst presentation material and other public filings by Healthscope including information available on its website;
- brokers' reports and recent press articles on Healthscope and the healthcare industry; and
- sharemarket data and related information on Australian and international listed companies engaged in the healthcare industry and on acquisitions of companies and businesses in this industry.

Non Public Information provided by Healthscope

- summarised management accounts for Healthscope for the seven months ended 31 January 2019;
- the budget for the year ending 30 June 2019 ("FY19 Budget") prepared by Healthscope management;
- "Healthscope YTD trading and FY19 reforecast" dated 12 April 2019 (including trading performance for the nine months ended 31 March 2019 and a reforecast for FY19 ("FY19 Reforecast"));
- a three year plan for the period ending 30 June 2021 prepared by Healthscope management ("3 Year Plan");
- the Sale and Leaseback Information Memorandum in relation to Healthscope's properties dated November 2018;
- the Commitment Deeds (in relation to the sale and leaseback of properties) entered into between Healthscope and NorthWest and Healthscope and MPT; and
- other confidential documents, board papers, presentations and working papers.

In preparing this report, Grant Samuel held discussions with, and obtained information from, senior management of Healthscope and its advisers and senior management of Brookfield and its advisers.

2.4 Limitations and Reliance on Information

Grant Samuel believes that its opinion must be considered as a whole and that selecting portions of the analysis or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process employed and the conclusions reached. Any attempt to do so could lead to undue emphasis on a particular factor or analysis. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary.

Grant Samuel's opinion is based on economic, sharemarket, business trading, financial and other conditions and expectations prevailing at the date of this report. These conditions can change significantly over relatively short periods of time. If they did change materially, subsequent to the date of this report, the opinion could be different in these changed circumstances.

This report is also based upon financial and other information provided by Healthscope and its advisers and Brookfield and its advisers. Grant Samuel has considered and relied upon this information. Healthscope has represented in writing to Grant Samuel that to its knowledge the information provided by it was then, and is now, complete and not incorrect or misleading in any material respect. Grant Samuel has no reason to believe that any material facts have been withheld.

The information provided to Grant Samuel has been evaluated through analysis, inquiry and review to the extent that it considers necessary or appropriate for the purposes of forming an opinion as to whether the Scheme is in the best interests of, and the Takeover Offer is fair and reasonable to, Healthscope shareholders and the Property Transaction confers a net benefit on NorthWest. However, Grant Samuel does not warrant that its inquiries have identified or verified all of the matters that an audit, extensive examination or "due diligence" investigation might disclose. While Grant Samuel has made what it considers to be appropriate inquiries for the purposes of forming its opinion, "due diligence" of the type undertaken by companies and their advisers in relation to, for example, prospectuses or profit forecasts, is beyond the scope of an independent expert.

Accordingly, this report and the opinions expressed in it should be considered more in the nature of an overall review of the anticipated commercial and financial implications rather than a comprehensive audit or investigation of detailed matters.

An important part of the information used in forming an opinion of the kind expressed in this report is the opinions and judgement of management. This type of information was also evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Preparation of this report does not imply that Grant Samuel has audited in any way the management accounts or other records of Healthscope or Brookfield. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles and in a manner consistent with the method of accounting in previous years (except where noted).

The information provided to Grant Samuel included the FY19 Budget and the FY19 Reforecast. Healthscope is responsible for the information contained in the FY19 Budget and the FY19 Reforecast. Grant Samuel has considered and, to the extent deemed appropriate, relied on the FY19 Budget and the FY19 Reforecast for the purposes of its analysis. The major assumptions underlying the FY19 Budget and the FY19 Reforecast were reviewed by Grant Samuel in the context of current economic, financial and other conditions. It should be noted that the FY19 Budget and the FY19 Reforecast and the underlying assumptions have not been reviewed (nor is there a statutory or regulatory requirement for such a review) by an investigating accountant for reasonableness or accuracy of compilation and application of assumptions.

Subject to these limitations, Grant Samuel considers that, based on the inquiries it has undertaken and only for the purposes of its analysis for this report (which do not constitute, and are not as extensive as, an audit or accountant's examination), there are reasonable grounds to believe that the FY19 Reforecast has been prepared on a reasonable basis. In forming this view, Grant Samuel has taken the following factors into account that the FY19 Budget and the FY19 Reforecast:

- were reviewed in detail, and were adopted by the directors of Healthscope (in February 2019 and April 2019 respectively);

- are based on actual operating results for the six months ended 31 December 2018 and the nine months ended 31 March 2019 respectively; and
- were prepared through a detailed budgeting process involving preparation of "ground up" budgets by the management of individual operations and review by management of Healthscope.

While Healthscope has made guidance statements about FY19 hospital EBITDA, the directors of Healthscope have decided not to include the FY19 Reforecast in the Transaction Booklet and therefore this information has not been disclosed in this report.

To provide an indication of the expected financial performance of Healthscope, Grant Samuel has considered brokers' forecasts for Healthscope (see Appendix 1). Grant Samuel has used the median of the brokers' forecasts to review the parameters implied by its valuation of Healthscope. These forecasts are sufficiently close to Healthscope's FY19 Reforecast to be useful for analytical purposes.

The information provided to Grant Samuel also included the 3 Year Plan. Healthscope is responsible for the 3 Year Plan. Grant Samuel has not relied on the 3 Year Plan for the purposes of its report but has used this information in considering longer term implied multiples for Healthscope's Hospitals division (see Section 5.4.2) and for developing financial models for Healthscope's business operations (see Sections 5.4.3 and 5.5.3).

Grant Samuel has no reason to believe that the FY19 Reforecast or the 3 Year Plan reflect any material bias, either positive or negative. However, the achievability of the FY19 Reforecast and the 3 Year Plan is not warranted or guaranteed by Grant Samuel. Future profits and cash flows are inherently uncertain. They are predictions by management of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of the company or its management. Actual results may be significantly more or less favourable.

As part of its analysis, Grant Samuel has reviewed the sensitivity of net present values to changes in key variables. The sensitivity analysis isolates a limited number of assumptions and shows the impact of variations to those assumptions. No opinion is expressed as to the probability or otherwise of those variations occurring. Actual variations may be greater or less than those modelled. In addition to not representing best and worst outcomes, the sensitivity analysis does not, and does not purport to, show the impact of all possible variations to the business model. The actual performance of the business may be negatively or positively impacted by a range of factors including, but not limited to:

- changes to the assumptions other than those considered in the sensitivity analysis;
- greater or lesser variations to the assumptions considered in the sensitivity analysis than those modelled; and
- combinations of different variations to a number of different assumptions that may produce outcomes different to the combinations modelled.

m3 property (Vic) Pty Ltd ("m3property") was appointed as technical specialist to review the terms of the sale and leaseback transaction with NorthWest. m3property's review included advice on whether:

- the quantum of the lease payments is consistent with market rates for assets of this nature;
- the yield on which the assets have been sold is consistent with market yields (adjusted as appropriate to ensure comparability as to type of lease) for comparable properties (recognising that the transaction involves a portfolio of properties); and
- there are any other lease terms that would not be regarded as market standard (and would benefit NorthWest).

The report from m3property is included as Appendix 3 to this report. Grant Samuel has had regard to this advice in forming its opinion on whether the Property Transaction confers on NorthWest a "net benefit" for the purposes of GN21.

In forming its opinion, Grant Samuel has also assumed that:

- matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed;
- the assessments by Healthscope and its advisers with regard to legal, regulatory, tax and accounting matters relating to the Brookfield Transaction and the Property Transaction are accurate and complete;
- the information set out in the Transaction Booklet sent by Healthscope to its shareholders is complete, accurate and fairly presented in all material respects;
- the publicly available information relied on by Grant Samuel in its analysis was accurate and not misleading;
- the Brookfield Transaction and the Property Transaction will be implemented in accordance with their terms; and
- the legal mechanisms to implement the Brookfield Transaction and the Property Transaction are correct and will be effective.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Grant Samuel assumes no responsibility and offers no legal opinion or interpretation on any issue.

3 The Healthcare Industry

3.1 Australia

3.1.1 Overview

Expenditure

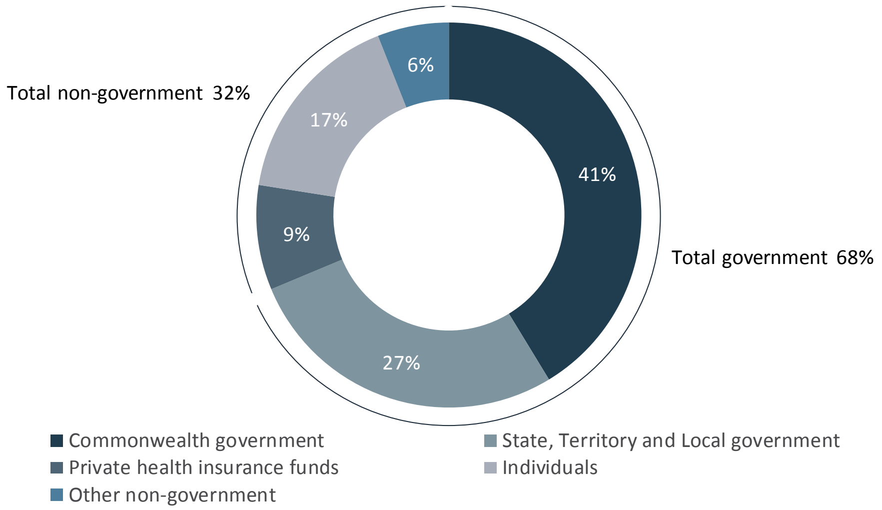
The Australian healthcare industry is a major part of the Australian economy with total (public and private) expenditure on healthcare representing approximately 10% of Australia's gross domestic product. The Australian healthcare industry has grown significantly over the last decade, from $103.6 billion in FY08 to $180.7 billion in FY17 (in real terms)[13]. Expenditure per person (in real terms) has increased from approximately $4,874 to approximately $7,411 over this period.

Funding

Australia's healthcare system is predominantly funded by the Commonwealth and State governments. The breakdown of funding for the Australian healthcare industry is shown below:

AUSTRALIAN HEALTHCARE INDUSTRY FUNDING

YEAR ENDED 30 JUNE 2017



Source: Australian Institute of Health and Welfare, Health Expenditure Australia 2016–17, September 2018

In FY17, approximately 68% of Australian healthcare spending was provided by the Commonwealth, State and Local governments.

Private health insurers are the major non-government source of healthcare funding, representing just under 10% of total Australian healthcare expenditure in FY17. Private health insurance uptake is important to the funding of the healthcare industry. The Commonwealth government has provided a number of incentives for consumers to take up private health insurance cover, such as rebates on private health insurance premiums, the additional Medicare levy surcharge for working Australian residents over a certain income threshold without private health cover and lifetime health cover.

In October 2017, the Commonwealth government announced further reforms aimed at simplifying private health insurance cover and improving private health insurance affordability to better address consumer needs and encourage further private health insurance uptake. It began implementing new policies from September 2018, including standardising tiered hospital cover across insurers (gold/silver/bronze/basic

[13] Australian Institute of Health and Welfare, Health Expenditure Australia 2016–17, September 2018.

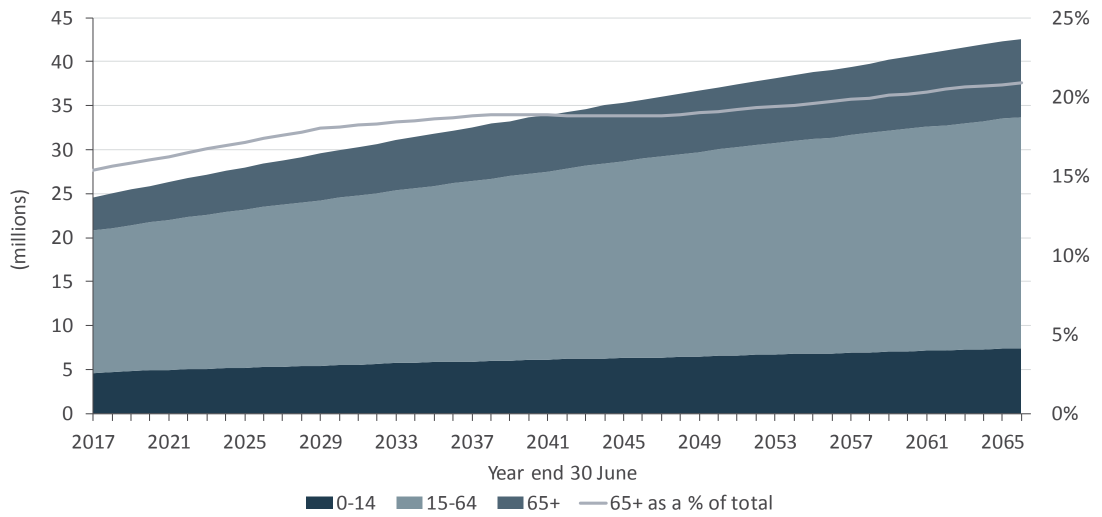
private health insurance products), providing better access to mental health treatment, removing or reducing coverage for a range of natural therapies and prostheses benefits, providing premium discounts for 18 to 29 year olds and increasing the maximum voluntary excess consumers can choose.

Key Drivers

Population growth and an ageing population are the primary determinants of demand for healthcare services. The chart below shows Australia's projected population and the percentage who are projected to be 65 years or older:

AUSTRALIAN POPULATION PROJECTIONS

YEAR END 30 JUNE 2018 TO 30 JUNE 2066



Source: Australian Bureau of Statistics, Population Projections, Scenario B, Australia 2017-2066, November 2018

Australia's population is projected to grow at an average rate of 1.1% per year over the next 50 years, with the rate of growth expected to be higher over the next 15 years (1.7% in FY18 declining to 1.2% by FY32).

As a result of declining fertility rates and net overseas migration, the average age of the Australian population is expected to increase dramatically over the next 50 years. The percentage of Australians aged 65 years or older is estimated to increase from approximately 15% in FY17 to approximately 21% by FY66. An ageing population has a significant impact on the demand for healthcare services. Individuals 65 years or older suffer from a greater incidence of chronic illness and disabilities compared to the rest of the population and are estimated to use specialist medical services at four times the rate of the rest of the population[14].

3.1.2 Hospitals Sector

Overview

In FY17, hospitals represented approximately 38% of Australia's healthcare expenditure. Patients are generally referred to hospitals for services not provided by general practitioners ("GPs"). Hospitals may be general, accepting all types of medical or surgical cases, or special, limiting service to a single type of patient or illness (e.g. children's hospitals, mental health hospitals).

The hospitals sector in Australia comprises approximately 1,300 hospitals and about 96,000 beds, including day hospital facilities. Hospitals are either public (government) or private (comprising "for-profit" and "not-

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[14] Australian Institute of Health and Welfare, Older Australia at a glance, September 2018.

for-profit" providers). The proportion of private hospitals relative to public hospitals (excluding day hospital facilities) has increased gradually over the past five years, from 27% to 30% of hospitals and from 31% to 33% of beds:

AUSTRALIA – NUMBER OF HOSPITALS AND HOSPITAL BEDS

AT 30 JUNE	HOSPITALS			HOSPITAL BEDS		
	PUBLIC	PRIVATE	PRIVATE DAY FACILITIES	PUBLIC	PRIVATE	PRIVATE DAY FACILITIES
2013	746	282	319	58,311	26,031	2,938
2014	747	286	326	58,567	26,889	2,977
2015	698	282	342	60,340	28,679	3,095
2016	701	289	341	60,957	29,922	3,152
2017	695	300	357	61,797	31,029	3,310

Source: Australian Institute of Health and Welfare, Hospital resources: Australian Hospital Statistics 2016-2017, June 2018. ABS, Private Hospitals Australia 2016 -17, June 2018

There are currently 3.9 hospital beds per thousand people in Australia, which has been largely unchanged since 2009 and compares to 4.1 beds per thousand people in 2000 and 4.9 beds per thousand people in 1992. The initial decline in beds per thousand people reflected an increase in hospital capacity utilisation as well as the development of less-invasive medical techniques, which allowed for faster separations, increased throughput and reduced hospital bed use. Since 2009, however, public and private hospitals have expanded their facilities and bed numbers to accommodate the growing number of patients, which has kept bed numbers flat on a per capita basis. Over the three years to FY17, the total number of patient days in public and private hospitals grew at an average annual rate of 3.6%. Over that period, the average length of stay, excluding same-day separations, has remained relatively stable (5.5 days in 2014 and 5.6 days in 2017)[15].

Funding

In contrast to public hospitals (which are funded by the Commonwealth and State governments), private hospitals charge fees for services and receive most of their funding from private health insurance funds. The cost of services provided to private patients can be reduced (sometimes to nil) where a third party, such as a private health insurance fund, Workers' Compensation Authority, Department of Veteran Affairs or Traffic Accident Compensation, agrees to cover those costs.

Despite the incentives provided by the Commonwealth government, there has been a steady decline in private health insurance participation in Australia over recent years. Currently, approximately 45% of Australians have private health insurance with hospital cover, down from 47% in June 2015. This trend has been a response to the rising cost of insurance premiums, unexpected exclusions and greater levels of out-of-pocket expenses as a result of poor information transparency, leading consumers not to renew private health insurance policies or to switch to more affordable policies with higher excess payments.

In contrast, benefit payments by private health insurance funds have grown steadily over the last decade. Real growth in hospital benefits has grown at approximately 5% per annum over the five years to 31 December 2018. There is also an increasing proportion of private health insurance benefits being paid for non-hospital services such as medical, prosthetics and ancillary.

Market Structure

Competition between hospitals is dependent on location, costs, accessibility of the service, reputation, scope of services and quality of accommodation. Competition between public and private hospitals is influenced by the proportion of individuals with private health insurance. Patients are also heavily

[15] Australian Institute of Health and Welfare, Admitted patient care: Australian Hospital Statistics 2016-2017, May 2018

influenced by their doctor's recommendation and therefore private hospitals compete to build strong relationships with doctors.

Patient volumes in public and private hospitals have continued to trend upward over the past decade. Total patient separations reached 11.0 million in FY17, up from 7.9 million in FY08[16]. There is also a growing trend of privately insured patients accessing public hospitals. In FY17, 14% of patient separations in public hospitals were treated as privately-insured patients, up from 9% a decade ago. Approximately 49% of these patient separations were emergency admissions, although this represents a relatively small proportion of total emergency admissions, 92% of which were treated in public hospitals. In contrast, 67% of the total number of elective surgeries were conducted in private hospitals[17].

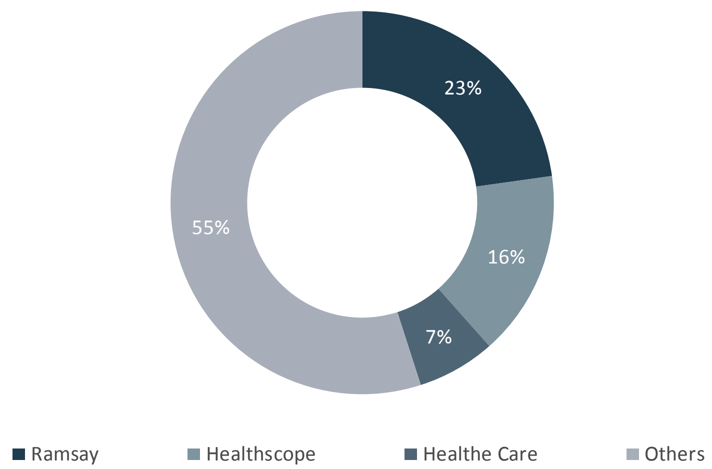
In February 2018, a Heads of Agreement was entered into between the Commonwealth and the States and Territories covering public hospital funding and health reform which in part seeks to address the growing number of private patients in public hospitals.

It is expected that private hospitals will play an increasing role in the delivery of health services in the future. The prominence of short-term contracting of public patient care to private hospitals to alleviate patient surgery waiting times and public-private hospital partnerships (such as the recently commissioned Northern Beaches Hospital in New South Wales) have demonstrated a government commitment towards ensuring a sustainable balance between funding and treatment within the public and private health systems.

The estimated market share of the major participants in the Australian private hospitals sector is shown below:

PRIVATE HOSPITALS – MARKET SHARE BY BED NUMBERS

AT 31 DECEMBER 2018



Source: Healthscope, Ramsay website (latest figures), Healthe Care website (latest figures), ABS Private Hospitals Australia 2016-17, June 2018

The three major operators of private hospitals in the Australian market are Ramsay Health Care Limited ("Ramsay"), Healthscope and Healthe Care Australia Pty Limited ("Healthe Care"). The remainder of the private market comprises "not-for-profit" private participants including St John of God Health Care, Calvary Health Care and St Vincent's Health Australia.

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[16] Australian Institute of Health and Welfare, Admitted patient care: Australian Hospital Statistics 2016-2017, May 2018

[17] Australian Institute of Health and Welfare, Admitted patient care: Australian Hospital Statistics 2016-2017, May 2018

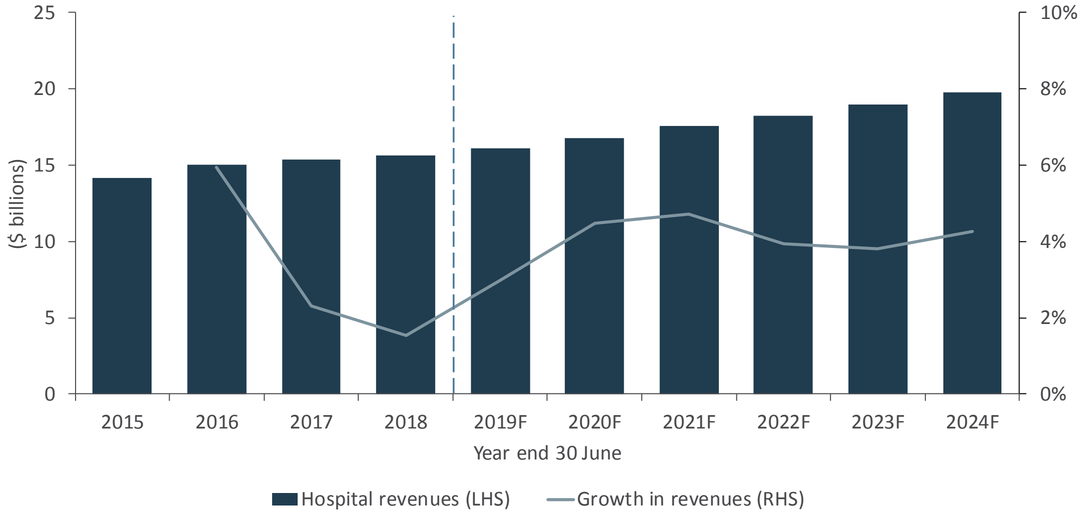
Outlook

In FY19, Australian public and private hospitals are expected to generate total revenues of approximately $88 billion, with growth expected to be driven by an increase in the volume of services as well as higher average prices. In the five years to FY24, revenues are forecast to increase at an average annual rate of approximately 4.5% to $110 billion[18].

Private hospital revenues grew at an estimated average annual rate of 4.8% over the five years to FY18. In FY19, total revenues generated by private hospital operators are estimated to be approximately $16 billion (around 20% of total Australian hospital revenues). In the five years to FY24, revenues are forecast to increase at an average annual rate of approximately 4% to $20 billion. Actual revenues for Australian private hospitals for the four years to FY18 and forecast revenues for the six years to FY24 are shown in the chart below:

AUSTRALIAN PRIVATE HOSPITAL REVENUES

YEAR END 30 JUNE 2015 TO 30 JUNE 2024



Source: ABS, Private Hospitals Australia (2014, 2015,2016,2017), IBIS World Industry Report Q8401b, Private General Hospitals in Australia, November 2018

Over the long term, growth in hospital revenues is underpinned by:

- population growth and the ageing of Australia's population (people aged 65 years or older currently account for almost 50% of patient days, so growth in this age bracket is expected to stimulate demand);
- increasing prevalence of chronic diseases (people suffering from diabetes, heart disease or cancer has continued to grow, with chronic disease accounting for 90% of all deaths in Australia in 2011[19]); and
- increasing hospital capabilities from developments in surgical techniques, medical devices, pharmacology and biotechnology (life expectancy at birth is projected to reach 93-94 years by 2025, with more years being lived with a disability).

[18] IBISWorld Industry Report Q8401a Public General Hospitals in Australia, October 2018, IBISWorld Industry Report Q8401b Private General Hospitals in Australia.

[19] 2011 is the latest available data.

In addition, long term private hospital revenue growth is expected to also benefit from:

- private health insurance participation supported by government policy over the long-term to ensure a stable and sustainable national healthcare system;
- public hospitals operating at capacity (increasing waiting list times for elective surgeries in public hospitals);
- growing appreciation for the additional amenities of private hospitals relative to public hospitals; and
- increasing co-location of private hospital facilities on public hospital sites.

Despite these positive long term fundamentals, private hospital revenues are likely to be adversely impacted by a range of factors in the short term, including:

- declining participation rates for private health insurance and increasing exclusions with patients seeking improved transparency over clinical outcomes and out-of-pocket costs;
- pressure from private health insurers to limit funding increases;
- an increasing number of private patients being treated in public hospitals; and
- uncertainty as to the timing and nature of government healthcare reform, particularly if there is a change of government following the May 2019 Federal election. The Australian Labor Party has proposed that annual private health insurance premium increases be capped at 2% per annum, which may lead to lower levels of private hospital funding, at least in the short term.

3.2 New Zealand

3.2.1 Overview

Expenditure

Total expenditure on healthcare in New Zealand in FY17 was approximately NZ$23 billion, representing approximately 9.5% of New Zealand's gross domestic product and up from NZ$17 billion in FY08. Expenditure per person has increased from approximately NZ$4,124 to approximately NZ$4,800 over this period.

Funding

New Zealand's healthcare industry is administered under the *New Zealand Public Health and Disability Act 2000*, which established the purpose and governance of District Health Boards ("DHBs") and other Crown entities along with their various health functions. The health system in New Zealand is predominantly funded by the New Zealand government, with total government health expenditure reaching NZ$16.2 billion in FY17[20]. Approximately 75% of total government health funding is allocated to 20 DHBs, which are responsible for providing or funding health services for the people in their districts. The remaining funding is allocated to national services (specific health services requiring central planning) and to the Ministry of Health.

Private health insurance is relatively less prominent in New Zealand due to the accessibility of the publicly-funded healthcare system. Currently, only 30% of New Zealanders have private health insurance cover, which funded NZ$1.2 billion or approximately 5% of total healthcare expenditure in FY17[21]. The remaining expenditure on healthcare is funded by individuals and not-for-profit organisations.

[20] The Treasury, Financial Statements of the Government of New Zealand for the year ended 30 June 2017, October 2017

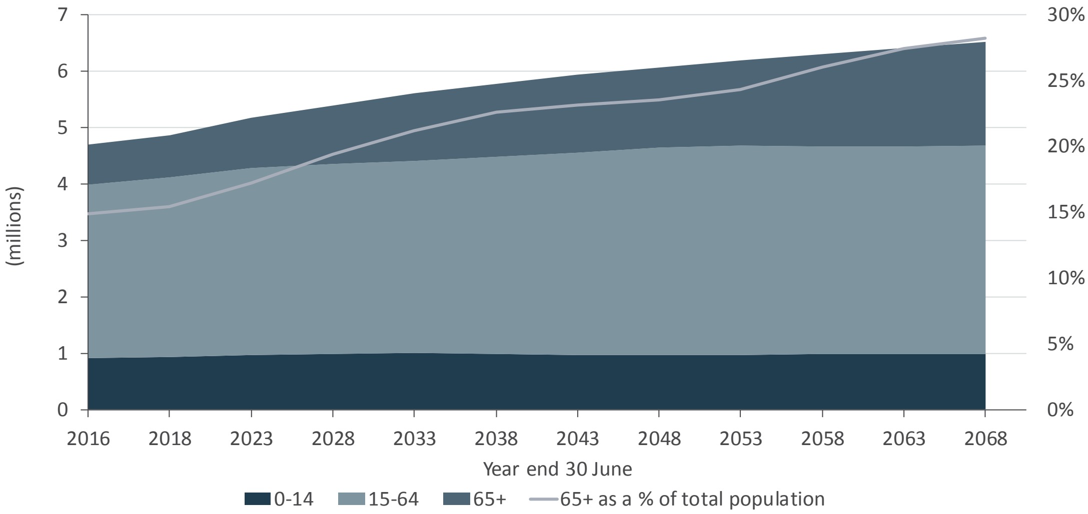
[21] Health Funds Association of New Zealand, Annual Review 2017, August 2017

Key Drivers

The chart below illustrates New Zealand's projected population and the percentage who are projected to be 65 years or older:

NEW ZEALAND POPULATION PROJECTIONS

YEAR END 30 JUNE 2016 TO 30 JUNE 2068



Source: StatsNZ, National Population Projections: 2016(base)-2068, October 2016

In New Zealand, natural and migration population growth rates remain high by historical standards and total population is expected to reach 6.5 million by FY68 compared to less than 5 million today (an average annual growth rate of around 0.6% per year).

The percentage of New Zealanders aged 65 years or older is projected to increase from approximately 15% in FY16 to approximately 28% by FY68. Although they represent only 15% of the total population, New Zealanders aged 65 years or older currently consume approximately 42% of total public health services[22].

3.2.2 Pathology Sector

Overview

Pathology relates to the diagnosis of disease through the examination of organs, tissues, bodily fluids and whole bodies. In that context, pathology services provide information for doctors to assist in diagnosis and management of diseases. Pathology services are considered high priority or essential for medical purposes and, as a method of early detection of disease, are an effective way to reduce total industry healthcare costs.

Pathology services in New Zealand are provided by private practices and public hospitals. This section focuses on private pathology practices. Private pathology practices provide pathology services in private hospitals as well as community pathology services.

Funding

In FY19, it is estimated that total revenue from pathology services across public and private practices will reach NZ$340 million[23]. DHBs have sought to reduce expenditure on community pathology services by increasingly shifting towards funding private pathology providers rather than pathology services within public hospitals. Private pathology practices tender for the provision of pathology services in exchange for

[22] Ministry of Health website (last updated July 2016)

[23] IBISWorld Industry Report Q8520NZ Pathology and Diagnostic Imaging Services in New Zealand, August 2018.

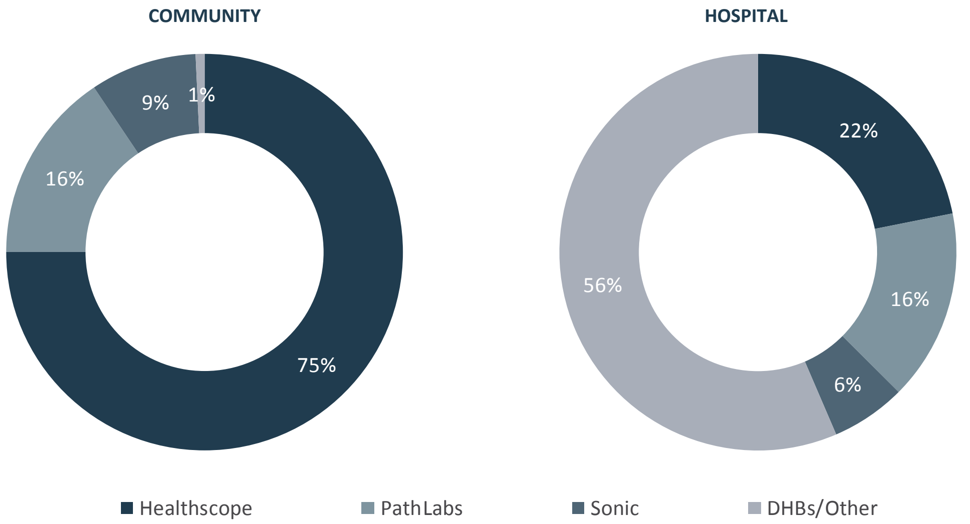
funding from individual DHBs. These contracts are typically exclusive contracts across the DHB coverage area, awarded through a competitive tender process and paid on a fixed bulk-funding basis, placing the onus on providers to manage volumes adequately and rationalise costs.

Market Structure

The New Zealand pathology market is highly concentrated. Market share information is not readily available and is made difficult to assess as community and hospital pathology services in some large DHBs such as Auckland are separately contracted to different providers (whereas in other DHBs, the provision of community and hospital pathology services is combined in a single contract to one provider).

However, population coverage can provide an indication of relative market share. The charts below show the population coverage of the major participants in the provision of community and hospital pathology services:

NEW ZEALAND PATHOLOGY SERVICES – POPULATION COVERAGE



Source: Healthscope

In this context, Healthscope has the largest population coverage in the provision of community pathology services, servicing approximately 75% of the New Zealand population. Pathology Associates Limited ("PathLabs") has the next highest population coverage at 16%, although it only operates in the Bay of Plenty, Waikato and Lakes regions. Sonic Healthcare Limited ("Sonic") has a population coverage of 9%. Other providers of pathology services (primarily services provided directly by the DHBs) have a population coverage of 1%. In the provision of hospital pathology services, the DHBs have the largest population coverage of 56% (reflecting the separation of the community and hospital pathology services in the key Auckland DHB where Healthscope provides community pathology services). Outside of the DHBs, Healthscope has the largest population coverage of 22%, followed by PathLabs at 16% and Sonic at 6%.

Outlook

It is projected that doctors will refer patients for pathology services more frequently as New Zealand's population ages and the focus on early detection and prevention of diseases increases. Other factors impacting growth include:

- the level of public health expenditure allocated to DHBs in supporting pathology services;
- growing consumer awareness of the benefits of pathology services;
- new technologies resulting in improved diagnostic testing; and
- economies of scale benefits from the merging of collection centres within densely-populated regions.

4 Profile of Healthscope

4.1 Background

Healthscope was formed in 1985 as an owner and manager of private hospitals, and initially listed on the Australian Securities Exchange ("ASX") in 1994. Over the next 15 years, Healthscope significantly expanded the scale and scope of its operations, both organically and by acquisition, increasing its hospital portfolio from five to 44 (owned and managed hospitals), and entering the Australian, New Zealand and South East Asian pathology markets and the Australian medical centres market.

In October 2010, Healthscope was acquired by a consortium of funds advised and managed by TPG Capital ("TPG") and The Carlyle Group ("Carlyle") for $2.0 billion and was subsequently delisted from the ASX.

Following a period of growth under private ownership, the Healthscope business was relisted on the ASX on 28 July 2014 through an initial public offer ("IPO") of 1.1 billion ordinary shares at $2.10 per share, raising $2.3 billion. TPG and Carlyle retained a 38% interest in Healthscope following the IPO which was subject to an escrow period ending on 25 August 2015. TPG and Carlyle subsequently sold down their holdings to a range of institutional investors in a two-staged process in September 2015 (20.2% at $2.70 per share or $945 million) and November 2015 (17.8% at $2.77 per share or $854 million).

Since relisting on the ASX, Healthscope has undergone a period of refocus, expansion and reorganisation:

- divesting a number of divisions to focus on its core Australian private hospitals and New Zealand pathology businesses:
  - following several years of underperformance in a competitive market, Healthscope closed its Queensland pathology operations in February 2015 and in July 2015, sold its remaining Australian pathology operations (including six skin centres) to Crescent Capital Partners for $105 million (comprising cash of $92.5 million and a promissory note of $12.5 million);
  - in September 2017, following a strategic review, Healthscope sold its Medical Centres division to Fullerton Primary Care Pty Limited for $55 million. The sale followed a period of underperformance and difficult trading conditions across the industry and resulted in Healthscope recognising an impairment loss of $54.7 million; and
  - Healthscope's Asian Pathology division (in Malaysia, Singapore and Vietnam) was sold for $279 million in August 2018. Following a strategic review, Healthscope decided to divest this division to capitalise on strong interest it had received in a subscale part of its business;
- completing 32 developments, investing approximately $1.7 billion and adding 1,234 beds and 81 operating theatres (see Section 4.8.1 for further details), including:
  - 29 brownfield projects[24] (353 beds and 40 operating theatres), with a focus on large acute hospitals which had been capacity constrained and typically located in high growth corridors and/or co-located with public hospitals;
  - two major "relocate and grow" projects[25], Gold Coast Private Hospital (283 beds, 13 operating theatres and an emergency department) and Holmesglen Private Hospital (147 beds, eight operating theatres and an emergency department) in the Melbourne suburb of Moorabbin; and
  - Northern Beaches Hospital, developed in partnership with the New South Wales government, which was commissioned in October 2018 and involved the relocation of services previously provided by Manly and Mona Vale public hospitals;
- reviewing its hospital portfolio in 2017 and identifying the need for rationalisation of the Victorian hospital portfolio, resulting in the closure of Geelong Private Hospital and Cotham Private Hospital and recognition of an impairment relating to Frankston Private Hospital in June 2018;

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[24] Brownfield projects are those where an existing hospital is expanded through the addition of new beds and/or theatres and in some cases other additional infrastructure such as consulting suites and car parking.

[25] "Relocate and grow" projects involve construction of a new hospital close to an existing hospital and the transfer of services from the existing hospital to the new facility which typically has increased capacity, expanded services and higher quality amenities.

- management changes, including a new Chief Executive Officer ("CEO"), Gordon Ballantyne, who commenced in May 2017 and new general managers in all regions except New South Wales/Australian Capital Territory; and
- implementing a Group Hospitals Best Practice Project to drive operational efficiencies of at least $10 million per annum ($6 million achieved in FY18, full year impact expected in FY19).

Today, Healthscope is Australia's second largest private hospital operator and the leading provider of pathology services in New Zealand. It operates through two divisions:

- Hospitals, which operates a network of 43 acute, mental health and rehabilitation hospitals and is the only private hospital operator with a presence in every State and Territory in Australia; and
- New Zealand Pathology, which services approximately 75% of the New Zealand population through 24 laboratories.

The majority of Healthscope's revenue and earnings is generated by its Hospitals division, which contributes approximately 90% of revenue and over 90% of EBITDA.

Healthscope's business operations and their strategies are described, and their financial performance is discussed, in Section 4.8 of this report.

Prior to announcement of the further preliminary, non-binding and conditional indication of interest from the BGH-AustralianSuper Consortium on 23 October 2018, Healthscope had a market capitalisation of $3.1 billion.

4.2 Financial Performance

Historical Financial Performance

The historical financial performance of Healthscope for the four years ended 30 June 2018 and the six months ended 31 December 2018 is summarised below:

HEALTHSCOPE – HISTORICAL FINANCIAL PERFORMANCE ($ MILLIONS)

	YEAR ENDED 30 JUNE				SIX MONTHS ENDED 31 DECEMBER 2018 ACTUAL
	2015 ACTUAL	2016 ACTUAL	2017 ACTUAL	2018 ACTUAL	
Revenue	**2,156.6**	**2,290.9**	**2,318.2**	**2,340.8**	**1,224.6**
Business division EBITDA	**402.6**	**434.4**	**437.3**	**402.8**	**214.7**
Corporate costs	(21.8)	(26.5)	(25.9)	(26.9)	(16.6)
EBITDA	**380.8**	**407.9**	**411.4**	**375.9**	**198.1**
Depreciation and other amortisation	(80.9)	(91.6)	(104.7)	(107.4)	(58.2)
EBITA[26]	**299.9**	**316.3**	**306.7**	**268.5**	**139.9**
Amortisation of acquired intangible assets	(8.9)	(5.9)	(4.2)	(2.6)	(1.4)
EBIT[27]	**291.0**	**310.4**	**302.5**	**265.9**	**138.5**
Net finance costs	(70.3)	(43.8)	(52.7)	(50.8)	(31.6)
Non-operating expenses	(2.2)	(15.1)	(24.7)	(107.2)	(11.0)
Profit before income tax	**218.5**	**251.5**	**225.1**	**107.9**	**95.9**
Income tax expense	(64.8)	(68.7)	(62.5)	(32.1)	(29.0)
Profit after tax from continuing operations	**153.7**	**182.8**	**162.6**	**75.8**	**66.9**
Net profit/(loss) from discontinued operations	(12.9)	(1.7)	(51.7)	13.6	169.7
NPAT[28] attributable to Healthscope shareholders	**140.8**	**181.1**	**110.9**	**89.4**	**236.6**

[26] EBITA is operating earnings before net interest, tax, amortisation of acquired intangible assets and non-operating expenses.

[27] EBIT is operating earnings before net interest, tax and non-operating expenses.

[28] NPAT is net profit after tax.

HEALTHSCOPE – HISTORICAL FINANCIAL PERFORMANCE ($ MILLIONS) (CONT)

	YEAR ENDED 30 JUNE				SIX MONTHS ENDED 31 DECEMBER 2018 ACTUAL
	2015 ACTUAL	2016 ACTUAL	2017 ACTUAL	2018 ACTUAL	
STATISTICS					
Earnings per share (reported)	*8.6c*	*10.4c*	*6.4c*	*5.2c*	*13.6c*
Dividends per share	*7.0c*	*7.4c*	*7.0c*	*6.7c*	*3.5c*
Dividend payout ratio[29]	*74%*	*66%*	*67%*	*77%*	*82%*
Amount of dividend franked	*0%*	*0%*	*0%*	*0%*	*100%*
Revenue growth		*+6.2%*	*+1.2%*	*+1.0%*	*+3.0%*[30]
EBITDA growth		*+7.1%*	*+0.9%*	*-8.6%*	*+7.7%*[30]
EBITA growth		*+5.5%*	*-3.0%*	*-12.5%*	*+7.1%*[30]
EBITDA margin	*17.7%*	*17.8%*	*17.7%*	*16.1%*	*16.2%*
EBITA margin	*13.9%*	*13.8%*	*13.2%*	*11.5%*	*11.4%*
Interest cover (EBIT/net finance costs)	*5.4x*	*9.3x*	*7.8x*	*7.4x*	*6.3x*

Source: Healthscope and Grant Samuel analysis

Healthscope's consolidated financial performance does not provide a particularly useful indication of the underlying performance of its current business operations given the changes that have taken place in the business since it relisted on the ASX in July 2014. In particular:

- divested business operations have been shown as discontinued operations in the year of disposal (i.e. as reported each year) and prior year financial performance has not been adjusted for subsequent divestments. As a result, only Healthscope's FY18 and 1HY19[31] financial performance reflect its current business operations (and FY18 was a year of transition for the business); and
- significant non-operating expenses have been recorded in most years:

HEALTHSCOPE – NON-OPERATING EXPENSES ($ MILLIONS)

	YEAR ENDED 30 JUNE				SIX MONTHS ENDED 31 DECEMBER 2018 ACTUAL
	2015 ACTUAL	2016 ACTUAL	2017 ACTUAL	2018 ACTUAL	
Restructure and other costs	(1.2)	(2.4)	(2.4)	(5.0)	(2.4)
Acquisitions and tender costs	(1.0)	(3.5)	(0.2)		
Hospital commissioning costs		(1.8)	(2.7)	(1.6)	(8.6)
Hospital closure costs		(7.4)		(19.1)	
Impairment of Hospital assets			(11.5)	(5.8)	
Loss relating to appointment of liquidator to supplier			(5.7)	(0.2)	
Onerous leases and related costs			(2.2)	(62.5)	1.0
Bid assessment costs				(13.0)	(1.0)
Non-operating expenses	**(2.2)**	**(15.1)**	**(24.7)**	**(107.2)**	**(11.0)**
Income tax expense	0.3	3.3	7.2	31.8	3.3
Non-operating expenses after tax	**(1.9)**	**(11.8)**	**(17.5)**	**(75.4)**	**(7.7)**

Source: Healthscope and Grant Samuel analysis

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29 Dividend payout ratio is calculated based on operating profit after tax from continuing operations before non-operating expenses.

30 1HY19 growth rates are calculated relative to the prior corresponding period (i.e. 1HY18).

31 1HY19 is the six months ended 31 December 2018.

These expenses have totalled $160 million (before tax) over the past 4½ years and primarily represent expenses related to recognition of onerous leases (Frankston Private Hospital), hospital closure costs (Allamanda Private Hospital, Geelong Private Hospital, Cotham Private Hospital), impairment of hospital assets (Geelong Private Hospital, Frankston Private Hospital) and hospital commissioning costs (Gold Coast Private Hospital, Northern Beaches Hospital) as well as ongoing restructure costs and costs associated with assessing the various acquisition proposals that have been put to Healthscope over the past 18 months. The significant non-operating expenses in FY18 reflect actions taken to remove loss making hospitals and strengthen Healthscope's core business following completion of the hospital portfolio review.

A more detailed analysis of the underlying performance of Healthscope's Hospitals and New Zealand Pathology divisions is set out in Section 4.8 of this report.

Relevant aspects of Healthscope's historical consolidated financial performance include:

- an increase in corporate costs in FY16 reflecting investment in a new employee share scheme and a full year of listed company costs. Corporate costs were relatively flat in FY17 as a result of reduced employee incentive payments (partially offset by payments to the outgoing CEO), although it was expected that corporate costs would increase to $32-34 million in FY18 reflecting provision for a normalised level of employee incentive payments. While this did not eventuate in FY18, it appears that it will in FY19, based on 1HY19 corporate costs of $16.6 million;
- depreciation and other amortisation increased substantially in FY16 and FY17 reflecting the impact of the hospital expansion program (i.e. as completed developments commenced operations);
- significantly higher net finance costs in FY15 include interest on pre-IPO debt arrangements up to 28 July 2014; and
- dividends have been unfranked since Healthscope relisted on the ASX as a result of carried forward tax losses in Australia. Based on the disclosure in Healthscope's FY18 Annual Report, these income tax losses were utilised in full by the end of FY18.

Forecast Financial Performance

Healthscope has not publicly released earnings forecasts for FY19 or subsequent years. On 14 February 2019, in conjunction with the release of its 1HY19 results, Healthscope confirmed previously provided guidance that, subject to there being no material change to external market conditions and in the absence of unforeseen circumstances, it continues to target FY19 Hospitals EBITDA growth of at least 10% compared with FY18 (i.e. Hospitals EBITDA of at least $379 million). Other FY19 parameters that have been provided by Healthscope are:

- FY19 depreciation and amortisation is expected to be approximately $124 million (including Northern Beaches Hospital); and
- FY19 growth capital expenditure is expected to be in the range $190-200 million (including $105 million attributable to Northern Beaches Hospital).

Northern Beaches Hospital is expected to make a small positive contribution to EBITDA in FY19. Over the medium term:

- public and private patient volumes are expected to achieve full ramp up within four to five years; and
- the hospital is expected to deliver over $300 million in additional revenue and an EBITDA return on invested capital of at least 15% (approximately $62 million based on invested capital of $416 million[32]).

[32] Total cost of $814 million less the capital payment from the New South Wales government of $398 million (in relation to the public portion of the hospital).

On 16 April 2019, Healthscope announced that the Transaction Booklet contained an update to Healthscope's outlook for FY19. Healthscope is now targeting Hospital FY19 EBITDA in the range $362-376 million, representing growth of 5-9% compared to FY18. This revised outlook primarily reflects:

- the initial prioritisation of public patient services relative to public patient services in the ramp up of Northern Beaches Hospital; and
- continuing soft private hospital market conditions.

To provide an indication of the expected future financial performance of Healthscope, Grant Samuel has considered brokers' forecasts for Healthscope (see Appendix 1). Set out below is a summary of the forecast financial performance for Healthscope:

HEALTHSCOPE – FORECAST FINANCIAL PERFORMANCE ($ MILLIONS)

	YEAR END 30 JUNE			
	2018 ACTUAL	BROKER MEDIAN		
		2019 FORECAST	2020 FORECAST	2021 FORECAST
Revenue	2,340.8	2,530.0	2,752.0	2,875.3
EBITDA	375.9	409.0	446.7	480.0
EBITA	268.5	287.4	315.5	344.5
EBIT	265.9	284.9	313.0	342.0

Source: Grant Samuel analysis (see Appendix 1)

The median brokers' forecasts are sufficiently close to Healthscope's FY19 Reforecast and the 3 Year Plan to be useful for analytical purposes.

Not all brokers provide a breakdown of earnings forecasts by business division and those that do generally only provide revenue and EBITDA or revenue and EBIT. For the purposes of its analysis, Grant Samuel has allocated the consolidated forecast depreciation and amortisation of each of the brokers between Healthscope's business divisions in the same proportion as depreciation and amortisation has been forecast by Healthscope. To provide an indication of EBITA, Grant Samuel has assumed that $2.5 million of depreciation and amortisation relates to amortisation of acquired intangible assets in Healthscope's Hospitals division in each of FY19, FY20 and FY21 (see Appendix 1 for details).

The resulting median brokers' forecasts by business division are useful for analytical purposes:

HEALTHSCOPE – FORECAST FINANCIAL PERFORMANCE BY BUSINESS DIVISION ($ MILLIONS)

	YEAR END 30 JUNE			
	2018 ACTUAL	BROKER MEDIAN		
		2019 FORECAST	2020 FORECAST	2021 FORECAST
Hospitals				
Revenue	2,100.6	2,269.0	2,450.5	2,588.0
EBITDA	344.7	379.2	412.1	156.6
EBITA	253.7	273.5	302.0	338.8
EBIT	251.2	271.0	299.5	336.3
New Zealand Pathology				
Revenue	240.2	246.5	256.0	257.0
EBITDA	58.1	59.0	61.5	62.4
EBITA	46.8	47.4	49.0	50.0
EBIT	46.7	47.4	49.0	50.0

Source: Grant Samuel analysis (see Appendix 1)

While Healthscope has provided an update to its outlook for Hospitals FY19 EBITDA which is lower than the guidance provided in February 2019, the median brokers' forecasts for both the Hospitals division and New

Zealand Pathology remain sufficiently close to Healthscope's FY19 Reforecast to be useful for analytical purposes.

4.3 Financial Position

The financial position of Healthscope at 31 June 2018 and 31 December 2018 is summarised below:

HEALTHSCOPE – FINANCIAL POSITION ($ MILLIONS)

	AT 30 JUNE 2018 ACTUAL	AT 31 DECEMBER 2018 ACTUAL
Trade and other receivables and prepayments	182.3	207.1
Consumables and supplies	52.9	57.2
Trade and other payables and current tax liabilities	(252.0)	(281.8)
Net working capital	**(16.8)**	**(17.5)**
Property, plant and equipment	2,235.9	2,197.0
Goodwill	1,597.7	1,604.2
Other intangible assets	44.5	179.5
Investments in joint ventures	1.2	0.7
Receivable from New South Wales government	376.5	-
Assets classified for sale (net)	114.8	15.8
Deferred tax assets (net)	28.0	23.4
Other finanical assets (net)	4.3	4.8
Provisions	(231.8)	(242.1)
Derivative financial instruments	(27.7)	5.4
Other payables	(22.5)	(20.4)
Total funds employed	**4,104.1**	**3,750.8**
Cash and cash equivalents	85.5	108.7
Restricted cash	71.3	-
Borrowings	(1,915.3)	(1,321.0)
Net borrowings	**(1,758.5)**	**(1,212.3)**
Net assets attributable to Healthscope shareholders	**2,345.6**	**2,538.5**
STATISTICS		
Shares on issue at period end (millions)	*1,739.7*	*1,741.2*
Net assets per share	*$1.35*	*$1.46*
NTA[33] per share	*$0.40*	*$0.43*
Gearing (net borrowings/(net assets + net borrowings)	*42.8%*	*32.3%*

Source: Healthscope and Grant Samuel analysis

The majority of Healthscope's total funds employed (~60%) is represented by property, plant and equipment, reflecting the capital intensive nature of its business operations, in particular, the Hospitals division.

The other significant balance is intangible assets, which is primarily (~90%) goodwill, with the balance attributed to contract management rights[34] and contract development costs[35]. The increase at 31 December 2018 represents the shared portion of the co-located Northern Beaches Hospital, which was transferred from capital works to intangible assets to reflect a "right to use the assets" over the term of the public-private partnership arrangement with the New South Wales government.

[33] NTA is net tangible assets, which is calculated as net assets less intangible assets.

[34] Healthscope was required to value the contracts it had in place following Healthscope's acquisition by TPG and Carlyle and as part of the acquisition accounting, an intangible asset was created that was separate to goodwill.

[35] Contract development costs relate to costs incurred in the establishment of systems and processes subsequent to New Zealand Pathology being awarded the Auckland DHB contract and the value of the Northern Beaches Hospital shared infrastructure.

There has been a considerable simplification of Healthscope's financial position following the commissioning of Northern Beaches Hospital and sale of the Asian Pathology division, including receipt of the receivable from the New South Wales government, removal of restricted cash that could only be applied towards development of Northern Beaches Hospital, removal of the majority of net assets held for sale (the only remaining assets held for sale are land and buildings at closed owned hospitals (Como Private Hospital and Cotham Private Hospital)) and the closing out of interest rate swaps associated with the interest exposure on the Northern Beaches Hospital project finance facility.

The following observations are made in relation to Healthscope's financial position at 31 December 2018:

- the negative net working capital position arises because of Healthscope's $140 million receivables securitisation facility with Westpac Banking Corporation which reduces on balance sheet receivables;
- investment in joint ventures represents 50% interests in cardiac catheterisation businesses Mount Hospital Cath Labs Pty Ltd and Mount Hospital Cardiology Services Pty Ltd. These investments are immaterial in the context of Healthscope's overall business operations;
- other financial assets (net) includes an amount of $8.3 million which represents the fair value of the deferred consideration (in the form of a promissory note) in relation to the sale of the Australian Pathology division in July 2015;
- provisions includes $66.7 million in relation to onerous lease contracts[36] and $8.3 million in relation to medical malpractice insurance[37];
- derivative financial instruments represent the mark to market at 31 December 2018 of cross currency interest rate swaps used to convert the United States Private Placement ("USPP") from US$ at a fixed coupon to A$ at a floating rate; and
- other payables represent rent received in advance in relation to certain hospital car parks and consulting suites.

Healthscope's borrowings are a combination of syndicated debt facilities and a USPP:

HEALTHSCOPE – NET BORROWINGS AT 31 DECEMBER 2018 ($ MILLIONS)

FACILITY	FACILITY SIZE (MILLIONS)	AMOUNT DRAWN ($ MILLIONS)	TERM/ MATURITY
Syndicated debt facility (A1, A2 and B)	A$650	(415.0)	October 2019
Syndicated debt facility (A3)	A$500	(500.0)	October 2020
USPP	US$300	(402.7)[38]	26 May 2026
Finance lease liabilities		(6.7)	
Capitalised facility costs		3.4	
Interest bearing liabilities per balance sheet		**(1,321.0)**	
Cash and cash equivalents		108.7	
Net borrowings per balance sheet		**(1,212.3)**	
USPP fair value adjustment associated with hedge accounting		5.4	
Capitalised facility costs		(3.4)	
Net borrowings before non-cash adjustments		**(1,210.3)**	

Source: Healthscope

The syndicated debt facilities are floating interest rate facilities that are unsecured and subject to financial undertakings as to gearing and interest cover (with which Healthscope is in compliance). $415 million of

[36] The onerous lease contracts provision is calculated as the present value of future lease payments that Healthscope is presently obligated to make under non-cancellable operating leases, less revenue expected to be earned on the leases.

[37] The medical malpractice insurance provision is calculated as the present value of the estimated future outflow of economic benefits that may be required to be made to meet malpractice claims.

[38] Represents draw down of US$300 million which has been translated at the spot rate on 31 December 2018 adjusted for changes in the fair value of the related interest rate hedge.

the syndicated debt facilities has a maturity date of October 2019 and is therefore classified as a current liability. If the Brookfield Transaction has not completed by 30 June 2019, Healthscope intends to refinance this debt prior to the 31 October 2019 maturity date.

Healthscope issued US$300 million of USPP notes in May 2016. The USPP comprises a single tranche of notes with a 10 year term, maturing in May 2026. The notes were issued in US$ at a fixed coupon and are 100% hedged against foreign exchange movements via a cross currency swap (i.e. converted back to A$ principal and an Australian floating interest rate). The USPP is shown on the balance sheet at its amortised cost translated at the spot rate on 31 December 2018, adjusted for changes in the fair value of the related interest rate hedge.

Healthscope had undrawn back facilities of $235 million at 31 December 2018.

In addition to its debt facilities, Healthscope has a receivables securitisation facility under which it has derecognised $128.3 million of eligible receivables at 31 December 2018 and used the proceeds for working capital purposes. The facility has a maturity date of 28 July 2019.

4.4 Cash Flow

Healthscope's cash flow for the four years ended 30 June 2018 and the six months ended 31 December 2018 is summarised below:

HEALTHSCOPE – CASH FLOW ($ MILLIONS)

	YEAR ENDED 30 JUNE				SIX MONTHS ENDED 31 DECEMBER 2018 ACTUAL
	2015 ACTUAL	2016 ACTUAL	2017 ACTUAL	2018 ACTUAL	
EBITDA from continuing operations	**380.8**	**407.9**	**411.4**	**375.9**	**198.1**
EBITDA from discont. operations and non-op. expenses	5.3	(17.0)	(15.9)	(85.4)	(6.9)
Non-cash items	0.9	16.6	28.1	95.3	27.2
Changes in working capital	(9.4)	(15.8)	(5.4)	(17.9)	
Operating cash flow	**377.6**	**397.1**	**418.2**	**367.9**	**218.4**
Net interest paid	(54.6)	(43.4)	(50.4)	(50.7)	(26.5)
Tax paid	(10.7)	(13.4)	(13.7)	(15.4)	(18.4)
Net capital expenditure	(356.1)	(520.4)	(561.0)	(390.5)	(179.7)
Other	(10.4)	(10.5)	(23.1)	(18.4)	(16.4)
Operating cash flow after net capital expenditure	**301.8**	**324.4**	**331.0**	**283.4**	**157.1**
Business acquisitions (net of cash acquired)	(8.5)	(64.8)	(1.2)	(0.2)	-
Business disposals	20.6	92.3	-	55.4	265.5
Dividends paid (net of dividend reinvestment plan)	(57.2)	(124.9)	(126.4)	(111.2)	(59.6)
Other	1,704.9	(15.4)	(5.9)	16.4	416.4
Net cash generated/(used)	**974.6**	**(308.8)**	**(363.5)**	**(146.7)**	**599.7**
Opening net borrowings[39]	***(2,096.4)***	***(975.1)***	***(1,282.1)***	***(1,633.6)***	***(1,789.9)***
Net borrowings transferred to classified as held for sale	*(8.1)*	-	*(0.2)*	*5.3*	-
Cash from acquisitions	*0.1*	*1.6*	-	-	-
Debt securities converted to shares at IPO	*154.6*	-	-	-	-
Exchange rate impacts	*0.1*	*0.2*	*12.2*	*(14.9)*	*(20.1)*
Closing net borrowings[39]	***(975.1)***	***(1,282.1)***	***(1,633.6)***	***(1,789.9)***	***(1,210.3)***
STATISTICS					
Operating cash conversion ratio[40]	*99.1%*	*96.0%*	*101.7%*	*97.9%*	*110.2%*

Source: Healthscope and Grant Samuel analysis

[39] Opening and closing net borrowings for cash flow purposes are before non-cash adjustments (i.e. before USPP fair value adjustments associated with hedge accounting and capitalised facility costs).

[40] Operating cash flow divided by EBITDA. EBITDA excludes EBITDA from discontinued operations and non-operating expenses.

Healthscope has achieved a very strong operating cash conversion ratio of greater than 95% over the past 4½ years.

Over this period, the company has made significant investments in brownfield and relocate and grow projects:

HEALTHSCOPE – NET CAPITAL EXPENDITURE ($ MILLIONS)

	YEAR ENDED 30 JUNE				SIX MONTHS ENDED 31 DECEMBER 2018 ACTUAL
	2015 ACTUAL	2016 ACTUAL	2017 ACTUAL	2018 ACTUAL	
Net payments for property, plant and equipment	(80.2)	(85.4)	(71.8)	(78.4)	(28.0)
Brownfield projects	(90.1)	(300.5)	(179.7)	(157.7)	(71.2)
Gold Coast Private Hospital development	(100.5)	-	-	-	-
Northern Beaches Hospital development	(85.3)	(134.5)	(309.5)	(154.4)	(80.5)
Net capital expenditure	**(356.1)**	**(520.4)**	**(561.0)**	**(390.5)**	**(179.7)**

Source: Healthscope and Grant Samuel analysis

Over the past 4½ years, the split between maintenance and growth capital expenditure has, on average, been approximately 30%/70% (excluding capital expenditure on Northern Beaches Hospital).

Capital expenditure has been funded through a combination of operating cash flow, the proceeds from business disposals and debt. Following completion of Northern Beaches Hospital in 1HY19, growth capital expenditure is expected to be lower in FY19, with management indicating growth capital expenditure in the range $190-200 million (including $105 million for Northern Beaches Hospital).

The only material acquisition Healthscope has made in the past 4½ years has been the acquisition of Hunter Valley Private Hospital for $71.3 million in November 2015, funded by the issue of 3.0 million shares at $2.72 per share ($8.2 million) and $63.1 million in cash. Significant cash flow has been generated from the sale of Healthscope's Australian Pathology, Medical Centres and Asian Pathology businesses.

The large "other" cash receipts in FY15 and 1HY19 include the net cash proceeds from the IPO and the net $398.4 million received from the New South Wales government following commissioning of the Northern Beaches Hospital respectively.

As a result of the payment received from the New South Wales government, stronger operating cash flows, a tapering off in net capital expenditure and the proceeds from the sale of Healthscope's Asian Pathology business, net borrowings declined substantially in 1HY19 (after increasing over the prior four years).

4.5 Taxation Position

Under the Australian tax consolidation regime, Healthscope and its wholly owned Australian resident entities have elected to be taxed as a single entity.

At 31 December 2018, Healthscope had carried forward Australian capital losses of approximately $44.6 million (tax effected) and accumulated franking credits of $22 million. Based on the disclosure in Healthscope's FY18 Annual Report, all income tax losses were utilised in full by the end of FY18.

4.6 Capital Structure and Ownership

Capital Structure

Healthscope has the following securities on issue:

- 1,741,161,795 ordinary shares; and
- 8,990,841 performance rights.

Healthscope has an ownership-based remuneration strategy which provides certain senior management (including senior executives[41]) with the opportunity to receive equity instruments as a component of their short and/or long term remuneration, including:

- an LTI Plan under which senior executives may become entitled to performance rights which entitle the holder to acquire one share in Healthscope on satisfaction of certain performance conditions;
- an executive incentive plan ("EIP"), where Healthscope has issued performance rights to certain senior executives subject to two and three year service conditions and the terms of the EIP; and
- a deferred equity component for senior management (including senior executives) entitled to a short term incentive ("STI") reward, where 30-50% of any STI award is granted as performance rights which entitle the holder to acquire one share in Healthscope at the completion of a two year deferral period, subject to continued employment.

Performance rights do not carry dividend or voting rights prior to vesting.

In the event of a change of control, STI performance rights will vest in part or full, unless the Healthscope board determines otherwise, and the Healthscope board has the discretion to accelerate vesting of some or all LTI performance rights.

Healthscope operates a dividend reinvestment plan which enables investors to reinvest some or all of their dividends in new ordinary shares at a discount determined by the Healthscope board. The plan has been suspended in relation to the FY19 interim dividend in accordance with the terms of the Implementation Deed.

Ownership

Healthscope has approximately 32,000 registered shareholders. The top 20 registered shareholders account for approximately 80% of issued shares and are principally institutional nominee or custodian companies. Healthscope has a heavy weighting to institutional investors (around 75% of issued shares), which is skewed by the substantial shareholding of AustralianSuper. Less than 20% of issued shares are held by retail investors. Healthscope shareholders are predominantly Australian based investors (around 60% of issued shares). Over 99% of shares are held by shareholders with an Australian or New Zealand registered address.

Healthscope has received notices from the following substantial shareholders:

HEALTHSCOPE – SUBSTANTIAL SHAREHOLDERS

SHAREHOLDER	DATE OF NOTICE	NUMBER OF SHARES	PERCENTAGE[42]
AustralianSuper	2 April 2019	276,211,611	15.86%
Deutsche	16 April 2019	267,555,696	15.37%
NorthWest	not provided at date of report	233,528,600	13.41%
Brookfield (ANZ Hospitals Pty Ltd)			
National Australia Bank Limited	10 April 2019	110,828,462	6.37%
Macquarie Group Limited	15 April 2019	98,675,049	5.67%
Norges Bank	1 April 2019	90,988,992	5.23%

Source: Healthscope, IRESS

NorthWest is not the registered holder of Healthscope shares but has the right to acquire up to 13.41% of Healthscope shares under a forward derivative contract entered into with Deutsche on 8 May 2018 (as amended on 4 December 2018). Under the contract, NorthWest is taken to have a relevant interest in

41 Senior executives are the Managing Director and Chief Executive Offer, Chief Financial Officer, General Manager Operations and General Manager International Pathology.

42 Based on 1,741,161,795 shares on issue.

Healthscope shares in which Deutsche has a relevant interest (up to 13.41%). Accordingly, NorthWest has a relevant interest in 13.41% of Healthscope shares (although this is less than the number of Healthscope shares in which Deutsche has a relevant interest as reflected in its most recent substantial shareholder notice lodged on 12 April 2019). As at 15 April 2018, NorthWest had not provided an updated substantial shareholder notice to the ASX.

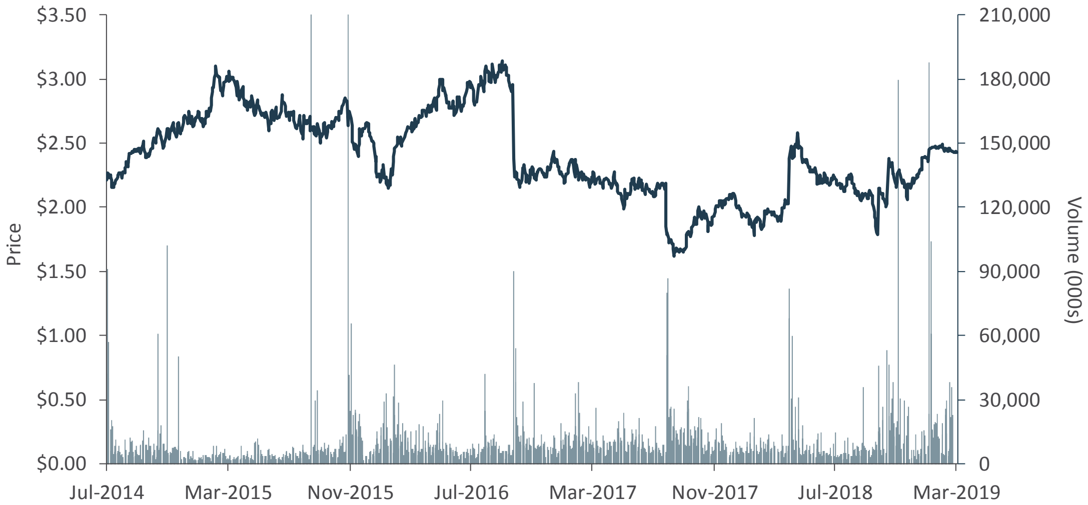
Brookfield may have a relevant interest in any Healthscope shares in which NorthWest has a relevant interest and, even if this is not the case, it has entered into an agreement with NorthWest (in relation to the Property Transaction) which may mean it is taken to have an agreement, or be acting in concert, with NorthWest in relation to the conduct of Healthscope's affairs under Sections 12(2)(b) and 12(2)(c) of the Corporations Act. As at 15 April 2018, Brookfield had not provided an updated substantial shareholder notice to the ASX.

4.7 Share Price Performance

The following graph illustrates the movement in the Healthscope share price and trading volumes since it listed on the ASX on 28 July 2014:

HEALTHSCOPE – SHARE PRICE AND TRADING VOLUME

JULY 2014 TO MARCH 2019



Source: IRESS
Note: On 10 September 2015 and 24 November 2015 more than 300 million Healthscope shares traded (including the sale by TPG and Carlyle of their 38% interest by way of underwritten block trades) but the volume in excess of 210 million shares is not shown on this graph

Following its relisting on the ASX on 28 July 2014 (via an IPO at $2.10 per share), Healthscope's share price rose strongly, closing up 5% at $2.21 on the first day of trading. The share price continued to trend upwards through to early 2015, supported by Healthscope's inclusion in the key S&P/ASX 200 index and the announcement that it was successful in its tender for Northern Beaches Hospital. The share price peaked in early March 2015, reaching a high of $3.15 following the announcement of strong 1HY15 results and reconfirming prospectus guidance for FY15, but subsequently lost momentum with the announcement of the sale of the Australian pathology business (June 2015) and the release from escrow and subsequent sale of the 38% of Healthscope shares held by TPG and Carlyle (September and November 2015).

Healthscope shares fell to as low as $2.11 in mid-February 2016 but again trended upwards on the back of strong results for 1HY16 (announced in February 2016) and FY16 (announced in August 2016). However, there was a substantial decline in the share price in mid-October 2016 following a market update that revealed slower than expected revenue growth in the Hospitals division in the first quarter of FY17 and that

Hospitals EBITDA would be flat in FY17 if the trend for the first quarter was to continue. Healthscope's share price, which had been consistently trading in a range around $3.00, fell by almost 25% to close at $2.24 on the day following this announcement. The share price generally traded in the range $2.10-2.30 over the following 10 months, which included the release of Healthscope's 1HY17 results confirming continuation of lower volume growth (February 2017) and the appointment and commencement of Gordon Ballantyne as CEO (April/May 2017).

The share price suffered a further fall in August 2017, following the announcement of Healthscope's FY17 results which were below expectations. Healthscope's share price reached an all-time low of $1.605 on 8 September 2017 and, although it subsequently recovered, it did not trade above $2.00 (other than for a brief period at the end of December 2017 and in early January 2018) until mid-April 2018. There was a ramp up in the share price on 12-13 April (of $0.10 or around 5%), following market rumours of an initial proposal for the acquisition of Healthscope, and just prior to announcement of the receipt of a preliminary, non-binding and conditional indication of interest from the BGH-AustralianSuper Consortium on 26 April 2018 at $2.36 per share.

Healthscope's share price jumped by 15% to close at $2.33 following receipt of the initial indicative proposal from the BGH-AustralianSuper Consortium. It continued its upward trend, increasing by a further 5% to close at $2.58 on 14 May 2018 after announcement of receipt of the initial indicative proposal from Brookfield at $2.50 per share, with trading above the indicative offer price indicating that the market was expecting a competitive bidding process. However, the share price again lost momentum after Healthscope announced that it would not grant due diligence to either party. Despite some uplift following the release of Healthscope's FY18 results and announcement of its intention to establish an unlisted property trust to hold the majority of its hospital assets in August 2018, the share price continued its downward trend, and was significantly impacted by the global equity markets correction in October 2018. Healthscope's share price fell from a high of $2.14 on 5 October 2018 to a low of $1.77 (before closing at $1.785) on 22 October 2018, the day prior to announcement that Healthscope had received a further indicative proposal from the BGH-AustralianSuper Consortium at $2.36 per share. The share price rose by almost 20% to close at $2.13 on 23 October 2018.

Following announcement of receipt of a further indicative proposal from Brookfield on 12 November 2018, the share price increased by a further 15% to close at $2.38. While a loss of momentum in Healthscope's share price followed (with the share price reaching a low of $2.02 in mid-December 2018), it did react positively to the announcement that the exclusive due diligence period would be extended from 21 December 2018 to 18 January 2019 (closing at $2.18 on 21 December 2018) and the expiry of the exclusive due diligence period (closing at $2.39 on 18 January 2019). The share price increased by 4% to close at $2.45 on announcement of the Brookfield Transaction on 1 February 2019.

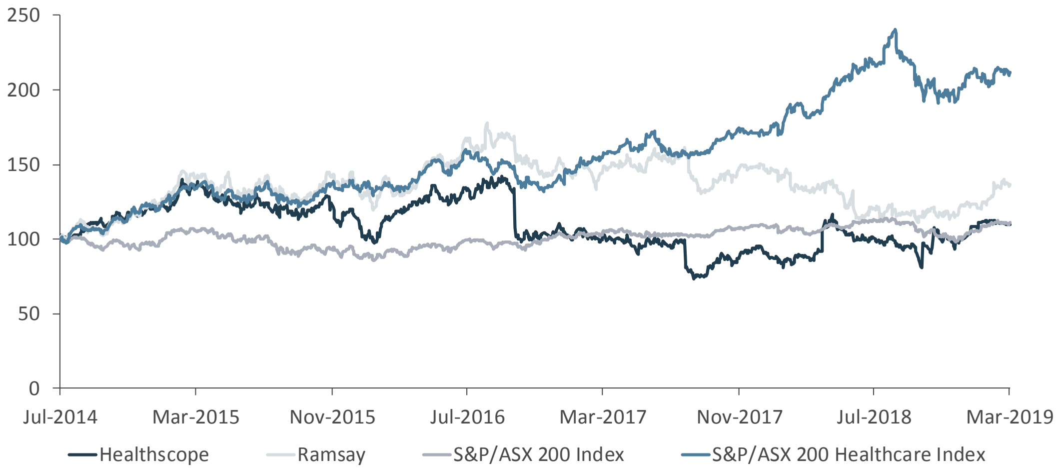
Since announcement of the Brookfield Transaction, Healthscope shares have traded in a narrow range of $2.42 to $2.49, and at a volume weighted average price ("VWAP") of $2.45, in line with the Scheme Cash Consideration.

Healthscope has been a very liquid stock. Average weekly volume over the twelve months prior to the announcement from Healthscope that it had received a further preliminary, non-binding and conditional indication of interest from the BGH-AustralianSuper Consortium on 23 October 2018 represented 2.4% of average shares on issue or annual turnover of around 123% of total average issued capital.

Healthscope is a member of various indices including the S&P/ASX 100 index, the S&P/ASX 200 index and the S&P/ASX 200 Healthcare index. At 29 March 2019 its weighting in these indices was approximately 0.3%, 0.2% and 2.8% respectively. The following graph illustrates the performance of Healthscope shares since it listed on the ASX on 28 July 2014 relative to Ramsay, the S&P/ASX 200 index and the S&P/ASX 200 Healthcare index:

HEALTHSCOPE VS RAMSAY VS S&P/ASX 200 INDEX VS S&P/ASX200 HEALTHCARE INDEX

JULY 2014 TO MARCH 2019



Source: IRESS

The chart above shows that:

- the healthcare sector (represented by the S&P/ASX 200 Healthcare index) has consistently outperformed the market as a whole (represented by S&P/ASX 200) over the past 4½ years, reflecting the positive long term fundamentals of the healthcare industry; and
- while it initially tracked the S&P/ASX Healthcare index, Healthscope has underperformed relative to the index since the end of 2015.

While company specific events, particularly the market guidance provided in October 2016, would have had an adverse impact on Healthscope's relative performance, this needs to be viewed in the context that the S&P/ASX 200 Healthcare index comprises companies in sectors of the healthcare industry other than private hospitals and pathology. In particular, CSL Limited ("CSL"), with a market capitalisation of $85 billion, represents around 55% of the index. CSL, a global biotechnology company, is a growth stock that has a long history of delivering consistent earnings growth. Over the four years to FY18, CSL has achieved average annual growth in EBIT of almost 10%. Its performance has a material impact on the relative performance of the S&P/ASX 200 Healthcare index (and CSL has materially outperformed the index over this period).

It is arguably more appropriate to compare the share price performance of Healthscope to that of Ramsay, its main competitor in the Australian private hospital sector. Trading in Healthscope shares has generally been consistent with trading in Ramsay shares, other than:

- the period of underperformance caused by the sharp fall in Healthscope's share price following its market update (and guidance of flat EBITDA in FY17 if current conditions continued) in October 2016; and
- positive movements in the share price related to announcement of the indicative proposals received by Healthscope in April 2018.

4.8 Business Operations

4.8.1 Hospitals

Operations

Healthscope is Australia's second largest provider of private hospital services, operating 43 private hospitals and over 5,500 available hospital beds across all States and Territories. Healthscope owns 28 private hospitals, leases 12 hospitals under long term lease agreements and manages three hospitals on behalf of the Adelaide Community Healthcare Alliance ("ACHA"). Healthscope entered into an initial 10 year management with ACHA in FY03, which was extended for a further 10 years in FY13 and has subsequently been further extended to 2033.

Over 17,500 accredited medical practitioners are credentialed to work within Healthscope hospitals, supported by a workforce of over 15,200 staff.

All of Healthscope's hospitals are accredited under the National Safely and Quality Health Services Standards. Healthscope reports 26 quality outcomes publicly on its *MyHealthscope* website and outperforms industry benchmark and its peers on the vast majority of indicators. The focus on quality clinical outcomes and exceptional patient care is evidenced by outcomes achieved in FY18 such as:

- a 23% reduction in the key Hospital Acquired Complications ("HAC") measure; and
- 93% of patients rating the quality of their experience and care overall at a Healthscope hospital as "very good" or "good" following implementation of a number of new initiatives such as the "Back to Bedside" program (a strategy to refocus the patient-centred care model and create an exceptional patient experience).

Since 2014, Healthscope has significantly expanded its Hospitals division, completing:

- 29 brownfield projects (353 beds and 40 operating theatres), with a focus on large acute hospitals which had been capacity constrained and typically located in high growth corridors and/or co-located with public hospitals;
- two major "relocate and grow" projects:
  - Gold Coast Private Hospital, a 284 bed facility with 13 operating theatres and an emergency department, costing $220 million and completed in March 2016. The hospital is co-located with the 750 bed Gold Coast University Public Hospital (part of the Gold Coast Health and Knowledge Precinct). Patients from the 220 bed, 10 operating theatre Allamanda Private Hospital (approximately three kilometres away) were transferred to the Gold Coast Private Hospital and Allamanda Private Hospital was closed, with its lease expiring shortly thereafter. A Stage 2 expansion comprising an additional 30 beds and eight operating theatres and costing $53 million was completed in 2HY18; and
  - Holmesglen Private Hospital, a 147 bed facility with eight operating theatres and an emergency department located in the Melbourne suburb of Moorabbin, costing $89 million and completed in February 2017. The hospital is leased under a long term arrangement with Holmesglen Institute of TAFE. Patients from the 53 bed, two operating theatre Como Private Hospital (approximately seven kilometres away) were relocated to Holmesglen Private Hospital; and
- the Northern Beaches Hospital, developed in partnership with the New South Wales government, which was awarded to Healthscope in 2014. Healthscope was contracted by the New South Wales government to design, build, operate and maintain Northern Beaches Hospital, a 488 bed, 20 operating theatre in Frenchs Forest, Sydney. The hospital cost a total of $814 million and opened on time and on budget in October 2018. It is licenced as a single private hospital treating public and private patients, with 293 public beds and 195 private beds. The hospital operates under a 40-year ground lease for the private portion and a 20-year contract to treat public patients. The acute services from two existing public hospitals (Manly and Mona Vale) were transferred to Northern Beaches Hospital and patients from

Healthscope's 42 bed Mosman Private Hospital were relocated to Northern Beaches Hospital in mid-November 2018. Healthscope received a net $398.4 million capital payment from the New South Wales government in December 2018 following commissioning of the hospital.

The only acquisition over the past 4½ years has been Hunter Valley Private Hospital (New South Wales). Healthscope also took over the lease of La Trobe Private Hospital (Victoria), which had been closed. Both of these hospitals were added to the portfolio in FY16.

In FY18, Healthscope undertook a review of its Hospitals property portfolio, announcing in May 2018 that it had completed its review and had identified:

- a number of opportunities for investment in the portfolio to underpin future growth, with investment targeted at key population growth corridors and aimed at ensuring hospitals remain contemporary and aligned to Healthscope's commitment of exceptional care; and
- the need for rationalisation of the Victorian hospital portfolio, resulting in the closure of Geelong Private Hospital and Cotham Private Hospital and recognition of an impairment (write down in the value of assets and recognition of an onerous lease provision) relating to Frankston Private Hospital.

As part of its ongoing expansion program, the Hospitals division completed six hospital development projects in 1HY19 (including Northern Beaches Hospital) and currently has a further five brownfield projects under construction:

HOSPITALS – STATUS OF DEVELOPMENT PROJECTS[43]

PROJECT	CAPITAL INVESTMENT ($ MILLIONS)	COMPLETION	OPERATING THEATRES	BEDS
Recently Completed				
Brisbane Private (Qld)	58	Jun 18	2	29
The Geelong Clinic (Vic)	3	Jun 18	-	7
Sydney Southwest Private (NSW)	29	Jul 18	2	-
Sunnybank Private (Qld)	40	Aug 18	2	-
Northern Beaches (NSW)	416[44]	Oct 18	20	450
The Mount Private (WA)	15	Nov 18	2	-
Under Construction				
The Melbourne Clinic (Vic)	30	2HY19	-	44
John Fawkner Private (Vic)	54	1HY20	2	41
National Capital Private – Stage 2 (ACT)	20	1HY20	1	18
Sydney Southwest Private (NSW)	3	1HY20	-	11
Knox Private (Vic)	79	2HY20[45]	8	(68)[46]

Source: Healthscope

In addition, a further three projects have received board approval for development in 2HY19.

Healthscope's hospitals are classified into three categories:

- acute (medical/surgical) hospitals;
- mental health hospitals; and
- rehabilitation hospitals.

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43 Does not include ACHA funded hospital expansions.

44 Net of the $398 million capital payment received from the New South Wales government.

45 2HYXX is the six months ended 30 June 20XX.

46 Reduction in number of beds reflects loss of beds associated with closing maternity ward and replacing it with a new emergency department, new operating theatres and a second cardiac catheter lab.

The hospital portfolio is predominantly made up of hospitals located in large metropolitan centres with relatively large numbers of patient beds. The table below shows the number of available overnight beds in the Hospitals division by business and by geographic region:

HOSPITALS - AVAILABLE BEDS

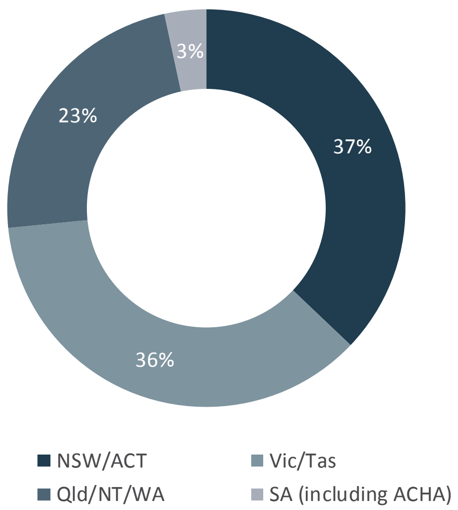
	NUMBER OF HOSPTIALS	NUMBER OF BEDS
By Business		
Acute	31	4,545
Mental health	6	459
Rehabilitation	6	509
By Geography		
Victoria	15	1,694
New South Wales	11	1,716
Queensland	7	768
South Australia	5	634
Tasmania	2	197
Western Australia	1	224
Northern Territory	1	150
Australian Capital Territory	1	130

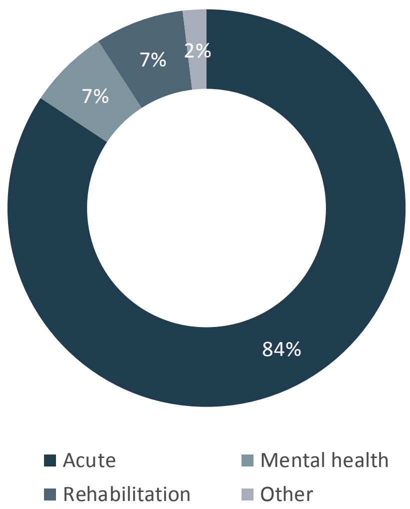
Source: Healthscope

The charts below illustrate the Hospitals division revenue split by business and by State and Territory for FY18:

HOSPITALS – REVENUE BY BUSINESS AND STATE

YEAR ENDED 30 JUNE 2018





Source: Healthscope

The majority of revenue comes from the Hospitals division's acute hospitals, which generated approximately 84% of total revenue in FY18. On a State and Territory basis, Victoria is the largest contributor, generating approximately 33% of total revenue in FY18. In total, approximately 92% of the Hospitals division revenue was generated from hospitals located in the eastern States and Territories of Australia.

GRANT SAMUEL

Approximately 70% of earnings is generated by 15 hospitals, however the scale benefits from ownership of smaller hospitals and a national footprint are important (for health fund contracting, procurement, investment in quality and clinical support, staff training and development opportunities and national partnerships).

ACUTE HOSPITALS

Healthscope operates 31 acute hospitals with approximately 4,545 beds. Its acute hospital network includes large high acuity hospitals, with 11 co-located with public hospitals. Healthscope's acute hospitals provide a range of services including intensive care, maternity, cardiac surgery, orthopaedics, general surgery, urology, ear, nose and throat surgery, oral surgery, gynaecology, plastic surgery, endoscopy, vascular surgery, other specialist surgery and day surgery.

The largest acute hospitals by number of beds are Northern Beaches Hospital with 488 beds (although only 195 of these are private beds), Knox Private Hospital with 359 beds (Melbourne) (although the number of beds will be reduced following completion of the currently proposed development) and Gold Coast Private Hospital with 314 beds (Gold Coast).

The acute hospitals business also includes the three ACHA hospitals which are managed under service contracts. Pursuant to the service contracts, Healthscope is responsible for daily management of the hospitals' operations in return for a management fee. ACHA retains responsibility for the hospitals' strategic direction and governance.

MENTAL HEALTH HOSPITALS

Healthscope operates six mental health hospitals with approximately 459 available overnight beds, in addition to several mental health wards within its acute hospitals. Healthscope's mental health hospitals offer a range of specialty services for patients with various mental health disorders including treatment for anxiety, depression, schizophrenia, post-traumatic stress, eating disorders, alcohol and drug addiction and obsessive compulsive disorders.

Healthscope's mental health hospitals are primarily located across the eastern seaboard of Australia. The major mental health hospitals by number of available overnight beds are The Melbourne Clinic with 175 beds (Melbourne) and Pine Rivers Private Hospital with 81 beds (Brisbane).

REHABILITATION HOSPITALS

Healthscope's six rehabilitation hospitals have approximately 509 available overnight beds and are located throughout Victoria and New South Wales. These hospitals provide services for rehabilitation of patients with acquired brain injury, musculoskeletal injuries, cardiac and stroke and patients requiring pain management.

Healthscope's largest rehabilitation hospitals by number of available overnight beds are the Victorian Rehabilitation Centre with 143 beds (Melbourne) and Lady Davidson Private Hospital with 115 beds (Sydney).

The Hospitals division also includes Healthscope Independence Services, a specialist provider of accommodation, attendant care and in-home services to individuals with acquired brain injuries, complex conditions and those who have left hospital and require additional support at home. The accommodation options include long term, short term transitional and respite located in Melbourne, regional Victoria, New South Wales and the Northern Territory.

Historical Operating Performance

The historical operating performance of the Hospitals division for the four years ended 30 June 2018 and the six months ended 31 December 2018 is summarised below:

HOSPITALS – HISTORICAL OPERATING PERFORMANCE ($ MILLIONS)

	YEAR ENDED 30 JUNE				SIX MONTHS ENDED 31 DECEMBER 2018 ACTUAL
	2015 ACTUAL	2016 ACTUAL	2017 ACTUAL	2018 ACTUAL	
Revenue	**1,852.5**	**1,947.7**	**2,014.0**	**2,100.6**	**1,101.8**
EBITDA	**327.6**	**354.9**	**359.4**	**344.7**	**185.7**
Depreciation and other amortisation	(61.8)	(71.0)	(84.3)	(91.0)	(50.8)
EBITA	**265.8**	**283.9**	**275.1**	**253.7**	**134.9**
Amortisation of acquired intangible assets	(2.5)	(2.5)	(2.5)	(2.5)	(1.4)
EBIT	**263.3**	**281.4**	**272.6**	**251.2**	**133.5**
Capital expenditure	341.0	505.0	551.0	366.0	184.0
STATISTICS					
Revenue growth	*+5.7%*	*+5.1%*	*+3.4%*	*+4.3%*	*+3.0%*[30]
EBITDA growth	*+10.4%*	*+8.3%*	*+1.3%*	*-4.1%*	*+8.8%*[30]
EBITA growth	*+10.6%*	*+6.8%*	*-3.1%*	*-7.8%*	*+7.4%*[30]
EBITDA margin	*17.7%*	*18.2%*	*17.8%*	*16.4%*	*16.9%*
EBITA margin	*14.3%*	*14.6%*	*13.7%*	*12.1%*	*12.2%*

Source: Healthscope and Grant Samuel analysis

The Hospitals division reported strong growth in revenue (5-6%) and EBITDA (8-10%) in FY15 and FY16 reflecting admissions growth, case mix changes and rate increases from private health insurance funds. Admissions growth in FY15 was largely organic. However, growth in FY16 benefited from the completion of seven development projects during the financial year and a contribution from Hunter Valley Private Hospital and La Trobe Private Hospital which were added during the year. The development projects added 163 beds and nine operating theatres (net of the impact of closing Allamanda Private Hospital), including major projects at Gold Coast Private Hospital, Knox Private Hospital and National Capital Private Hospital. Continued EBITDA margin expansion (80bps in FY15 and 40 bps in FY16) was also achieved from operating leverage in the business as well as labour and procurement initiatives.

Revenue and EBITDA growth slowed in FY17 (to 3.4% and 1.3% respectively), impacted by softer market conditions and variability in patient case mix. The EBITDA margin fell by 40 basis points as costs increased at a greater rate than health fund price increases (offset in part by operating efficiencies) and competition increased in some catchment areas. The Victorian/Tasmanian portfolio (the second largest contributor to divisional earnings), faced a number of challenges, particularly in the second half, with 2HY17 EBITDA declining by 8.7%. Healthscope has implemented a plan to address the underperformance of the Victorian/Tasmanian portfolio, with the benefits expected in 2HY18.

In contrast, hospitals where expansion projects had been completed generated strong revenue growth of 8.4% in FY17. These projects included five developments competed during FY17 adding 214 beds, 13 operating theatres and two emergency departments[47] as well as a full year impact from the seven development projects (including three major projects) completed in FY16.

FY18 was a year of transition for the Hospitals division as it responded to challenging market conditions and repositioned its business for the future. While revenue increased by 4.3%, EBITDA declined by 4.1% ($14.7

[47] Net of the relocation of Como Private Hospital (53 beds and two operating theatres) to Holmesglen Private Hospital.

million) and the EBITDA margin fell by 140 basis points, impacted by the performance of the Victorian/Tasmanian portfolio which declined by $15.6 million, including $7.4 million of EBITDA losses across Geelong Private Hospital, Cotham Private Hospital and Frankston Private Hospital (which were closed or impaired following the hospital portfolio review). FY18 financial performance reflected a year of two halves:

- disappointing performance in 1HY18. Revenue increased by 5.9%[48], primarily from the impact of brownfield projects, with organic revenue growth of only 0.5%[48] due to softer private hospital market conditions and case mix variability. However, EBITDA fell by 8.6% ($16.0 million)[48] (including a $11.4 million decline in the Victorian/Tasmanian portfolio) and the EBITDA margin declined by 260 basis points[48] due to lower revenue and a range of costs, including wages, increasing faster than health fund price indexation. 1HY18 was also impacted by one-off planned brownfield project disruptions and a slower than expected ramp up at Holmesglen Private Hospital and Frankston Private Hospital; and
- the Hospitals division achieved a turnaround in performance and returned to growth in 2HY18. EBITDA increased by 0.8%[48] in 2HY18, reflecting the impact of operational efficiencies (which delivered $6 million in cost savings), new leadership for the Victorian/Tasmanian portfolio and contributions from nine hospitals that completed major expansion projects. The EBITDA margin improved by 100 basis points[48] in 2HY18 to 16.9%, due to the operational efficiencies and timing differences related to payment of the ACHA management fee.

In FY18, revenue growth from recently completed or maturing major hospital expansion projects was 10.2% (compared to 4.3% for the Hospitals division overall). Five hospital expansion projects with a total capital investment of $170 million were completed in FY18, adding 75 beds and 13 operating theatres to the portfolio (Newcastle Private Hospital and Norwest Private Hospital in New South Wales, Gold Coast Private Hospital, Sunnybank Private Hospital and Brisbane Private Hospital in Queensland). Most of these projects were completed towards the end of FY18 and were expected to contribute earnings from the start of FY19.

The turnaround in performance achieved in 2HY18 continued to gain momentum in 1HY19. Although market conditions remained challenging and revenue growth was subdued at 3.0%[48] (primarily generated from recently completed and maturing hospital development projects), EBITDA increased by 8.8% ($15.0 million)[48]. The increase in EBITDA included a $9.3 million improvement from the Victorian/Tasmanian portfolio, which benefited from the closure of loss making hospitals and contributions from completed brownfield projects. The EBITDA margin also increased by 90 basis points[48] to 16.9%, from the realisation of operational efficiencies.

Six hospital development projects were completed in 1HY19, adding 486 beds and 28 operating theatres, including Northern Beaches Hospital which opened in October 2018. While the start-up of Northern Beaches Hospital was challenging, Healthscope believes that the operations are making good progress. A further five smaller development projects were under construction at 31 December 2018 (adding 46 beds and 11 operating theatres).

Other relevant points to note on the performance of the Hospitals division are:

- EBITDA is after operating lease payments in relation to the 12 hospitals leased under long term agreements. The operating lease payments represent an immaterial proportion (~1%) of total operating costs (before depreciation and amortisation);
- there has been a substantial increase in depreciation and amortisation over the past 4½ years associated with the hospital expansion program; and
- amortisation of acquired intangible assets relates to the ACHA service contracts, which Healthscope was required to value following its acquisition by TPG and Carlyle. As part of the acquisition accounting, an intangible asset was created that is amortised over the term of the contract.

48 Relative to the prior corresponding period (i.e. 1HY17 for 1HY18, 2HY17 for 2HY18 and 1HY18 for 1HY19).

Strategy and Outlook

Healthscope's strategy is focused on the highest quality of care, delivered efficiently, compassionately and innovatively, and backed by significant capital investment to fund future growth.

In FY18, Healthscope introduced a refreshed purpose, "we work together for better care". Healthscope's purpose reflects its ongoing partnership and collaboration with other parts of the health system, Healthscope's longstanding commitment to quality clinical outcomes and the evolving needs and expectations of today's healthcare consumer.

Healthscope also aims to be a market leader across four strategic pillars:

- delivering quality clinical outcomes;
- exceptional patient care;
- creating extraordinary teams; and
- continually improving operations to generate strong market returns.

Following the challenging period for the Hospitals division in FY17, Healthscope identified and commenced implementing four key imperatives to drive performance improvement across the portfolio ("Must Wins"):

- profitable top line growth (deliver above market revenue growth in FY18 (achieved), invest in brownfield projects to accelerate revenue growth and improve overall admissions growth and revenue per patient day);
- greater operational efficiency through accelerating the business improvement program ($6 million of an estimated $10 million in savings achieved in FY18, full year impact expected in FY19);
- optimise the private hospitals property portfolio:
    - Victorian portfolio review was implemented in May 2018 with the closure of Geelong Private Hospital and Cotham Private Hospital and recognition of an impairment relating to Frankston Private Hospital); and
    - a broader portfolio review was undertaken to identify new areas of investment (for example, the August 2018 board approval of a $79 million stage 2 expansion project at Knox Private Hospital in Melbourne); and
- continue to successfully execute the hospital expansion program by delivering projects on time and on budget and achieving a target return on invested capital of not less than 15% for each project by the end of year three of the capacity being open.

    Healthscope believes it is well positioned to forecast and meet additional demand by expanding hospital facilities through brownfield and "relocate and grow" projects, focusing on strategic locations where there is unmet demand or in population growth corridors where there is high potential for future growth.

While favourable long term fundamentals are expected to result in increasing demand for healthcare services, the Hospitals division, and the private hospital industry, are facing a number of challenges that may impact performance in the short term, including:

- macro factors such as declining private health insurance participation rates, pressure from private health insurers to limit funding increases and public hospitals competing for private patients (while government healthcare reform is expected to lead to positive change, the timing is uncertain);
- ongoing softness in market volumes and volatility in patient case mix;
- cost pressures in excess of health fund price increases; and
- capacity constraints at certain sites.

4.8.2 New Zealand Pathology

Operations

New Zealand Pathology is the largest provider of community pathology services in New Zealand with 24 laboratories and 145 collection centres across the country, employing over 1,900 staff. Its services are provided under the brands *Labtests*, *Southern Community Laboratories* and *Northland Pathology*. In FY18, it performed over 6.7 million pathology patient episodes across New Zealand.

New Zealand Pathology holds exclusive, predominantly multi-year contracts for 12 of the 20 DHB regions in New Zealand, including the major cities of Auckland, Wellington and Christchurch (covering approximately 75% of the population). During 1HY19, New Zealand Pathology extended its contracts with the Auckland DHB (to September 2026) and the Southern and Nelson Marlborough DHBs.

New Zealand Pathology also provides veterinary and analytical pathology services throughout New Zealand through *Gribbles Veterinary* and *Gribbles Labnet*.

Historical Operating Performance

The historical operating performance of New Zealand Pathology for the four years ended 30 June 2018 and the six months ended 31 December 2018 (in A$) is summarised below:

NEW ZEALAND PATHOLOGY – HISTORICAL OPERATING PERFORMANCE ($ MILLIONS)

	YEAR ENDED 30 JUNE				SIX MONTHS ENDED 31 DECEMBER 2018 ACTUAL
	2015 ACTUAL	2016 ACTUAL	2017 ACTUAL	2018 ACTUAL	
Revenue	**182.2**	**222.7**	**242.5**	**240.2**	**122.8**
EBITDA	**41.6**	**50.7**	**59.7**	**58.1**	**29.0**
Depreciation and other amortisation	(8.4)	(9.3)	(11.4)	(11.3)	(5.9)
EBITA	**33.2**	**41.4**	**48.3**	**46.8**	**23.1**
Amortisation of acquired intangible assets	(2.1)	(1.3)	(1.7)	(0.1)	-
EBIT	**31.1**	**40.1**	**46.6**	**46.7**	**23.1**
Capital expenditure	5.0	5.0	10.0	8.0	2.0
STATISTICS					
Average A$/NZ$ exchange rate for period	*1.08*	*1.09*	*1.06*	*1.09*	*1.08*
Revenue growth		*+22.2%*	*+8.9%*	*-0.9%*	*+2.9%*[30]
EBITDA growth		*+21.9%*	*+17.8%*	*-2.7%*	*+0.7%*[30]
EBITA growth		*+24.7%*	*+16.7%*	*-3.1%*	*-0.9%*[30]
EBITDA margin	*22.8%*	*22.8%*	*24.6%*	*24.2%*	*23.6%*
EBITA margin	*18.2%*	*18.6%*	*19.9%*	*19.5%*	*18.8%*

Source: Healthscope and Grant Samuel analysis

New Zealand Pathology's financial performance over the past 4½ years reflects the impact of winning new DHB contracts, expanding the scope of services provided, investment in technology and infrastructure and achieving operational efficiencies. In particular:

- the substantial growth in revenue and earnings in FY16 was largely due to the new contract to provide community pathology services to the greater Wellington region which commenced in July 2015. New Zealand Pathology also invested in a new state-of-the-art laboratory in Wellington (commissioned in November 2015), upgraded and expanded its core laboratory in Auckland (commissioned 16 new analysers and was accredited as a World Anti-Doping Agency ("WADA") approved drug testing facility);

- further strong organic growth was achieved in FY17, driven by the full year impact of the Wellington DHB contract, the expanded scope of New Zealand Pathology's commercial veterinary and analytical businesses and achieving economies of scale from the investment in new technology (i.e. operational efficiencies including increased automation[49]). The impact of economies of scale are evident from the 180 basis point increase in the EBITDA margin and the 130 basis point increase in the EBITA margin in FY17, with the lower increase in the EBITA margin an outcome of the additional depreciation and amortisation associated with the investment in infrastructure and technology;
- in contrast to the two prior years, FY18 was a year of consolidation. In A$, revenue was flat, reflecting New Zealand Pathology's sharing of operational efficiencies with DHBs on re-contracting. This had a negative impact on growth and margins, despite a good performance from Gribbles Veterinary, which expanded the scope of its services. New Zealand Pathology's performance in FY18 was also impacted by adverse foreign exchange rate movements. On a local currency basis (NZ$), revenue growth was 1.6% and EBIT increased by 2.5% in FY18; and
- New Zealand Pathology achieved modest growth in revenue and EBITDA in 1HY19 (in A$). In local currency terms, revenue growth was 1.8% and EBITDA was flat.

Strategy and Outlook

New Zealand's Pathology's priority is to maintain strong relationships with the DHBs by delivering high quality and cost effective community and hospital pathology services. It is focused on extracting further economies of scale from its business operations, including cost synergies, through the operational integration of its expanded laboratory network. As part of this process, it will share some of the long term efficiencies generated with the DHBs to strengthen existing relationships.

New Zealand Pathology also intends to:

- secure additional DHB contracts (including in hospital services) when opportunities arise; and
- continue to explore the potential for further growth opportunities outside of DHB funding contracts, leveraging its relationships and operational expertise.

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[49] For example, the roll out of an electronic doctor ordering system to improve data collection and increase efficiencies.

5 Valuation of Healthscope

5.1 Summary

Grant Samuel has valued the equity in Healthscope in the range $4.1-4.5 billion which corresponds to a value of $2.34-2.58 per share. The valuation is summarised below:

HEALTHSCOPE - VALUATION SUMMARY ($ MILLIONS)

	REPORT SECTION REFERENCE	VALUE RANGE	
		LOW	HIGH
Hospitals	5.4	5,250.0	5,650.0
New Zealand Pathology	5.5	500.0	550.0
Corporate costs (net of savings)	5.6	(310.0)	(340.0)
Value of business operations		**5,440.0**	**5,860.0**
Other assets and liabilities	5.7	(69.8)	(69.8)
Enterprise value		**5,370.2**	**5,790.2**
Adjusted net borrowings at 31 December 2018	5.8	(1,271.2)	(1,271.2)
Value of equity		**4,099.0**	**4,519.0**
Fully diluted shares on issue (millions)[50]	4.6, 1	1,748.6	1,748.6
Value per share		**$2.34**	**$2.58**

The value attributed to the business operations of $5.4-5.9 billion is an overall judgement having regard to a number of valuation methodologies and parameters, including capitalisation of earnings (multiples of EBITDA and EBITA) and discounted cash flow ("DCF") analysis.

Grant Samuel has placed more emphasis on earnings multiple analysis than it has on DCF analysis in forming its views on value. The results of the DCF analysis for Healthscope's Hospitals division and New Zealand Pathology need to be treated with caution given the wide array of credible assumptions that can be adopted and the very broad range of net present values than can be calculated. However, the valuation ranges are supported by earnings multiple analysis, which Grant Samuel considers to be a more reliable indicator of value.

The overall multiples implied by the valuation of Healthscope's business operations are summarised below:

HEALTHSCOPE'S BUSINESS OPERATIONS – IMPLIED MULTIPLES

	VARIABLE ($ MILLION)	RANGE OF PARAMETERS	
		LOW	HIGH
Multiple of EBITDA			
Year ended 30 June 2018 (actual)	375.9	14.5	15.6
Year ending 30 June 2019 (broker median)[51]	409.0	13.3	14.3
Year ending 30 June 2020 (broker median)[51]	446.7	12.2	13.1
Year ending 30 June 2021 (broker median)[51]	480.0	11.3	12.2
Multiple of EBITA			
Year ended 30 June 2018 (actual)	268.5	20.3	21.8
Year ending 30 June 2019 (broker median)[51]	287.4	18.9	20.4
Year ending 30 June 2020 (broker median)[51]	315.5	17.2	18.6
Year ending 30 June 2021 (broker median)[51]	344.5	15.8	17.0

50 Calculated as 1,741,161,795 issued shares plus 7,532,699 vested performance rights less 65,918 unallocated shares in Healthscope's Employee Share Trust that will be utilised to settle vested performance rights (with new Healthscope shares issued for the balance).

51 Healthscope has not included the FY19 Reforecast or the 3 Year Plan in the Transaction Booklet. To provide an indication of Healthscope's expected financial performance, Grant Samuel has considered broker's forecasts (see Appendix 1).

The implied multiples are blended multiples for the private hospitals business in Australia and the pathology services business in New Zealand. The historical and forecast FY19 multiples are very high, whereas the forecast FY20 and FY21 multiples are more consistent with the market evidence. These multiples reflect the particular attributes of Healthscope's business operations, including factors such as:

- the relative size of each of Healthscope's business operations. The Hospitals division represents around 90% of revenue and earnings. As a result, the overall multiples primarily represent the valuation of the Hospitals division, which warrants higher multiples than the New Zealand Pathology business;
- the size and quality of the private hospital portfolio (43 hospitals across Australia, the majority of which are attractively located in high population growth catchment areas and/or co-located with public hospitals), which would be extremely difficult to replicate and therefore has scarcity value;
- the recent turnaround in performance of the Hospitals division, which is not reflected in the historical multiples implied by the valuation of Healthscope's business operations;
- the short term outlook for growth in earnings through:
  - achieving operational efficiencies;
  - the impact of recently completed brownfield projects (both towards the end of FY18 and in 1HY19) and brownfield projects currently under construction, which will not achieve their full impact until at least FY21 based on Healthscope's target of achieving a return on invested capital of not less than 15% for each project by the end of year three of the capacity being open; and
  - the ramp up of Northern Beaches Hospital over the next 4-5 years (albeit this is not without risk given it is more in the nature of a greenfield development with no trading history as well as a combination of public and private services which is also new to Healthscope);
- the potential for further brownfield opportunities as well as relocate and grow possibilities;
- Healthscope's leading share of the pathology services market in New Zealand. Scale provides operational efficiencies and the ability to replicate its business model across each of its 12 DHB contracts, which assists in winning new tenders and renegotiating existing DHB contracts;
- the steady but modest growth outlook for the core business of New Zealand Pathology, primarily reflecting the nature of DHB contracts (where performance is not driven by volumes);
- upside potential for New Zealand Pathology from revenue opportunities outside DHB contracts, in particular in the Gribbles veterinary business and in food and environmental testing;
- the attractive long term fundamentals for private hospitals and pathology (population growth and an ageing population), notwithstanding:
  - short term challenges in the private hospitals sector (such as the impact on volumes of declining private health insurance participation rates (and reduced levels of cover), pressure from private health insurers to limit funding increases and public hospitals competing for private patients); and
  - other risks of operating in the Australian private hospital and New Zealand pathology sectors such as:
    - for Australian private hospitals, the highly regulated nature of the sector and exposure to potential changes in government policy/regulation (particularly following the Federal election in May 2019), the requirement for ongoing commercial agreements with private health insurance funds as the major source of revenue, the importance of relationships with accredited medical practitioners and the impact of competition on Healthscope's ability to attract and retain accredited medical practitioners; and

  - for New Zealand Pathology, the risk that on contract expiry, a DHB replaces New Zealand Pathology with a competitor (or adopts a multi-supplier strategy) or renews a contract on less favourable terms (albeit the majority of contracts are multi-year contracts).

The valuation represents the estimated full underlying value of Healthscope assuming 100% of the company was available to be acquired and includes a premium for control. Premiums implied by the value range over the volume weighted average share price for the month prior to:

- market rumours of an initial proposal for the acquisition of Healthscope (in April 2018), are in the range 20-33% (with higher premia over the closing and one week weighted average share prices); and
- the announcement that Healthscope had received an indicative proposal from the BGH-AustralianSuper Consortium (in October 2018), are in the range 17-29% (again with higher premia over the closing and one week weighted average share prices).

Takeover premiums are typically in the range 20-35% depending on the individual circumstances. Synergies available to acquirers such as cost savings through merging operations are normally a significant factor in justifying their ability to pay a meaningful premium over market prices (although in more recent times private equity buyers of listed companies have also paid significant premiums despite the apparent absence of synergies). In this case, the premia implied by Grant Samuel's value are not inconsistent with those typically observed.

5.2 Methodology

5.2.1 Overview

The most reliable evidence as to the value of a business is the price at which the business or a comparable business has been bought and sold in an arm's length transaction. In the absence of direct market evidence of value, estimates of value are made using methodologies that infer value from other available evidence. There are four primary valuation methodologies that are commonly used for valuing businesses:

- capitalisation of earnings or cash flows;
- discounting of projected cash flows;
- industry rules of thumb; and
- estimation of the aggregate proceeds from an orderly realisation of assets.

Each of these valuation methodologies has application in different circumstances. The primary criterion for determining which methodology is appropriate is the actual practice adopted by purchasers of the type of business involved.

5.2.2 Capitalisation of Earnings or Cash Flows

Capitalisation of earnings or cash flows is the most commonly used method for valuation of industrial businesses. This methodology is most appropriate for industrial businesses with a substantial operating history and a consistent earnings trend that is sufficiently stable to be indicative of ongoing earnings potential. This methodology is not particularly suitable for start-up businesses, businesses with an erratic earnings pattern or businesses that have unusual capital expenditure requirements. This methodology involves capitalising the earnings or cash flows of a business at a multiple that reflects the risks of the business and the stream of income that it generates. These multiples can be applied to a number of different earnings or cash flow measures including EBITDA, EBIT (or EBITA) or NPAT. These are referred to respectively as EBITDA multiples, EBIT multiples (or EBITA multiples) and price earnings multiples. Price earnings multiples are commonly used in the context of the sharemarket. EBITDA and EBIT (or EBITA) multiples are more commonly used in valuing whole businesses for acquisition purposes where gearing is in the control of the acquirer but are also used extensively in sharemarket analysis.

Where an ongoing business with relatively stable and predictable cash flows is being valued, Grant Samuel uses capitalised earnings or operating cash flows as a primary reference point.

Application of this valuation methodology involves:

- estimation of earnings or cash flow levels that a purchaser would utilise for valuation purposes having regard to historical and forecast operating results, non-recurring items of income and expenditure and known factors likely to impact on operating performance; and
- consideration of an appropriate capitalisation multiple having regard to the market rating of comparable businesses, the extent and nature of competition, the time period of earnings used, the quality of earnings, growth prospects and relative business risk.

The choice between parameters is usually not critical and should give a similar result. All are commonly used in the valuation of industrial businesses. EBITDA can be preferable to EBITA or EBIT if depreciation or non-cash charges distort earnings or make comparisons between companies difficult. On the other hand, EBITA and EBIT can better adjust for differences in relative capital expenditure intensity.

Determination of the appropriate earnings multiple is usually the most judgemental element of a valuation. Definitive or even indicative offers for a particular asset or business can provide the most reliable support for selection of an appropriate earnings multiple. In the absence of meaningful offers it is necessary to infer the appropriate multiple from other evidence.

The usual approach used by valuers is to determine the multiple that other buyers have been prepared to pay for similar businesses in the recent past. A pattern may emerge from transactions involving similar businesses with sales typically taking place at prices corresponding to earnings multiples within a particular range. This range will generally reflect the growth prospects and risks of those businesses. Mature, low growth businesses will, in the absence of other factors, attract lower multiples than those businesses with potential for significant growth in earnings.

An alternative approach in valuing businesses is to review the multiples at which shares in listed companies in the same industry sector trade on the sharemarket. This gives an indication of the price levels at which portfolio investors are prepared to invest in these businesses. However, share prices reflect trades in small parcels of shares (portfolio interests) rather than whole companies and it is necessary to adjust for this factor.

In interpreting and evaluating such data it is necessary to recognise that:

- multiples based on listed company share prices do not include a premium for control and are therefore often (but not always) less than multiples that would apply to acquisitions of similar companies. However, while the premium paid to obtain control in takeovers is observable (typically in the range 20-35%) it is inappropriate to simply add a premium to listed multiples. The premium for control is an outcome of the valuation process, not a determinant of value. Premiums are paid for reasons that vary from case to case and may be substantial due to synergy or other benefits available to the acquirer. In other situations premiums may be minimal or even zero. There are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by sharemarket investors;
- acquisition multiples from comparable transactions are therefore usually seen as a better guide when valuing 100% of a business but the data tends to be less transparent and information on forecast earnings is often unavailable;
- the analysis will give a range of outcomes from which averages or medians can be determined but it is not appropriate to simply apply such measures to the company being valued. The most important part of valuation is to evaluate the attributes of the specific company being valued and to distinguish it from its peers so as to form a judgement as to where on the spectrum it appropriately belongs;

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- acquisition multiples are a product of the economic and other circumstances at the time of the transaction. However, each transaction will be the product of a unique combination of factors, including:
  - economic factors (e.g. economic growth, inflation, interest rates) affecting the markets in which the company operates;
  - strategic attractions of the business - its particular strengths and weaknesses, market position of the business, strength of competition and barriers to entry;
  - the company's own performance and growth trajectory;
  - rationalisation or synergy benefits available to the acquirer;
  - the structural and regulatory framework;
  - investment and sharemarket conditions at the time; and
  - the number of competing buyers for a business;
- acquisitions and listed companies in different countries can be analysed for comparative purposes, but it is necessary to give consideration to differences in overall sharemarket levels and ratings between countries, economic factors (economic growth, inflation, interest rates) and market structures (competition etc.) and the regulatory framework. It is not appropriate to adjust multiples in a mechanistic way for differences in interest rates or sharemarket levels;
- acquisition multiples are based on the target's earnings but the price paid normally reflects the fact that there were synergies available to the acquirer (at least if the acquirer is a "trade buyer" with existing businesses in the same or a related industry). If the target's earnings were adjusted for these synergies, the effective multiple paid by the acquirer would be lower than that calculated on the target's earnings; and
- while EBITDA multiples are commonly used benchmarks they are an incomplete measure of cash flow. The appropriate multiple is affected by, among other things, the level of capital expenditure (and working capital investment) relative to EBITDA. In this respect:
  - EBITA multiples can in some circumstances be a better guide because (assuming depreciation is a reasonable proxy for capital expenditure) they effectively adjust for relative capital intensity and present a better approximation of free cash flow. However, capital expenditure is lumpy and depreciation expense may not be a reliable guide. In addition, there can be differences between companies in the basis of calculation of depreciation; and
  - businesses that generate higher EBITDA margins than their peer group companies will, all other things being equal, warrant higher EBITDA multiples because free cash flow will, in relative terms, be higher (as capital expenditure is a smaller proportion of earnings).

The analysis of comparable transactions and sharemarket prices for comparable companies will not always lead to an obvious conclusion as to which multiple or range of multiples will apply. There will often be a wide spread of multiples and the application of judgement becomes critical. Moreover, it is necessary to consider the particular attributes of the business being valued and decide whether it warrants a higher or lower multiple than the comparable companies. This assessment is essentially a judgement.

5.2.3 Discounted Cash Flow

Discounting of projected cash flows has a strong theoretical basis. It is the most commonly used method for valuation in a number of industries, including resources, and for the valuation of start-up projects where earnings during the first few years can be negative but it is also widely used in the valuation of established industrial businesses. Discounted cash flow valuations involve calculating the net present value of projected cash flows. This methodology is able to explicitly capture depleting resources, development projects and fixed terms contracts (which are typical in the resources sector), the effect of a turnaround in the business, the ramp up to maturity or significant changes expected in capital expenditure patterns. The cash flows are discounted using a discount rate which reflects the risk associated with the cash flow stream.

Considerable judgement is required in estimating future cash flows and it is generally necessary to place great reliance on medium to long term projections prepared by management. The discount rate is also not an observable number and must be inferred from other data (usually only historical). None of this data is particularly reliable so estimates of the discount rate necessarily involve a substantial element of judgement. In addition, even where cash flow forecasts are available, the terminal or continuing value is usually a high proportion of value. Accordingly, the multiple used in assessing this terminal value becomes the critical determinant in the valuation (i.e. it is a "de facto" cash flow capitalisation valuation). The net present value is typically extremely sensitive to relatively small changes in underlying assumptions, few of which are capable of being predicted with accuracy, particularly beyond the first two or three years. The arbitrary assumptions that need to be made and the width of any value range mean the results are often not meaningful or reliable. Notwithstanding these limitations, discounted cash flow valuations are commonly used and can at least play a role in providing a check on alternative methodologies, not least because explicit and relatively detailed assumptions as to expected future performance need to be made.

5.2.4 Industry Rules of Thumb

Industry rules of thumb are commonly used in some industries. These are generally used as a "cross check" of the result determined by a capitalised earnings valuation or by discounting cash flows. While they are only used as a cross check in most cases, industry rules of thumb can be the primary basis on which buyers determine prices in some industries. However, it should be recognised that rules of thumb are usually relatively crude and prone to misinterpretation.

5.2.5 Net Assets/Realisation of Assets

Valuations based on an estimate of the aggregate proceeds from an orderly realisation of assets are commonly applied to businesses that are not going concerns. They effectively reflect liquidation values and typically attribute no value to any goodwill associated with ongoing trading.

5.3 Approach for Healthscope

Grant Samuel's valuation of Healthscope has been estimated by aggregating the estimated market value of its business operations (on a "control" basis) together with the realisable value of non-trading assets and deducting external borrowings and non-trading liabilities. The value of the business operations has been estimated on the basis of fair market value as a going concern, defined as the maximum price that could be realised in an open market over a reasonable period of time assuming that potential buyers have full information.

In valuing Healthscope's business operations, the primary focus was on earnings multiples analyses with the DCF analysis used as a cross check. Grant Samuel is not aware of any commonly used rules of thumb that would be appropriate to value the business operations of Healthscope. A net assets/realisation of assets methodology is not appropriate for Healthscope.

The value range selected for Healthscope's business operations is a judgement derived through an iterative process. The iterative process involves:

- selecting an initial valuation range for the business operation (based on a review of market evidence on multiples and the output of DCF analysis, (with more weight being placed on market evidence of multiples in this case);
- reviewing the implied multiples (historical and forecast EBITDA and EBITA) and the relationship with the net present value ("NPV") outcomes of the DCF analysis; and

- then, if necessary, adjusting the value range until Grant Samuel is satisfied that the final value range is reasonable across all of these parameters, taking into account the specific attributes of the business operation, its outlook and its risk profile.

The objective is to determine a value that is both consistent with the market evidence as to multiples and fits with the output of DCF analysis in terms of the various scenarios and their likelihood.

Specific aspects of the methodology adopted by Grant Samuel include the following:

- Healthscope's business operations (Hospitals and New Zealand Pathology) have been valued separately and then aggregated. There are a number of reasons for adopting this approach:
  - they are separate business operations, both geographically and in terms of their structure and operations and do not have any interaction at the patient level;
  - while the economic drivers of the two divisions are similar (i.e. population growth and an ageing population), they operate within different regulatory structures (particularly in relation to funding) and Hospitals is driven by volumes whereas Pathology New Zealand is a contract based business;
  - transaction evidence is available for each of the divisions; and
  - there are listed companies comparable to each of the divisions. While there are no companies comparable to Pathology New Zealand listed on the New Zealand Stock Exchange ("NZSE"), there are a number of listed comparable companies in Australia;
- EBITDA rather than EBITDAR[52] has been used in the earnings multiple analysis for the Hospitals division. While EBITDAR adjusts for the differences in earnings associated with leasing rather than owning hospital property assets, meaningful data on the operating lease expense attributable to hospital property assets is not always available. In any event, the Hospitals division owns the vast majority of its hospital property assets and:
  - most of the comparable hospital transactions involved the acquisition of companies or businesses where all or the vast majority of hospital property assets were owned. For transactions that involved all or predominantly leased assets (e.g. Illawarra Healthcare, Pulse Health Limited ("Pulse") and Healthe Care), the implied multiples do not show any consistent pattern of materially different multiples for transactions involving leased rather than owned assets (although each transaction will reflect its own specific circumstances, and whether hospital properties are leased or owned is only one factor that would be taken into account) (see Appendix 2); and
  - the closest comparable company, Ramsay, does lease more of its hospital property assets, but this is discussed and taken into account in Section 5.4.2 (page 57). Each of the international comparable companies owns the majority of their hospital property assets, but a lesser proportion than the Hospitals division (although less weight has been placed on these trading multiples);
- EBITA rather than EBIT has been used in the earnings multiple analysis as it is before the impact of amortisation of identifiable intangible assets acquired in prior transactions (including customer contracts and relationships); and
- Grant Samuel has used DCF analysis as a cross check of the capitalisation of earnings based valuations. Healthscope has not prepared any detailed budgets beyond FY19. There is the 3 Year Plan (to FY21) but it is a high level plan. Consequently, high level financial models for Healthscope's business operations have been developed having regard to the FY19 Budget[53] with longer term assumptions

52 EBITDAR is operating earnings before net interest, tax, depreciation and amortisation, operating lease payments and non-operating items.

53 Grant Samuel has not revisited its DCF analysis based on the FY19 Reforecast or the updated guidance included in the Transaction Booklet and announced to the market on 16 April 2019. While the FY19 Reforecast is lower than the FY19 Budget, the impact largely relates to ramp up issues at Northern Beaches Hospital and does not have any material impact on the expected long term performance or cash flows of Northern Beaches Hospital or the Hospitals division.

made by Grant Samuel with reference to the 3 Year Plan and following discussions with Healthscope management. The DCF models allow the key drivers of revenue, costs and capital expenditure to be modelled.

The DCF models forecast nominal after tax cash flows from 1 January 2019 to 30 June 2028, a period of 9½ years, with a terminal value calculated at 30 June 2028 by capitalising net after tax cash flows using a perpetual growth rate assumption. Perpetual growth rates of 3% for the Hospitals division and 2.5% for New Zealand Pathology have been used for the purposes of this analysis.

A discount rate (weighted average cost of capital) in the range 9.0-10.0% for both the Hospitals division and New Zealand Pathology. The determination of the appropriate discount rate for the analysis is difficult:

- the cost of equity capital is not a precise or provable number nor can it be estimated with any degree of reliability. The cost of equity capital is not directly observable and models such as the Capital Asset Pricing Model ("CAPM") do no more than infer it from other data using one particular theory about the way in which security prices behave. The usefulness of any estimate therefore depends on the efficacy of the theory and the robustness of the data but the available tools such as CAPM involve models which have questionable empirical validity (and competing formulation), simplifying assumptions, the use of historical data as proxy for estimates of forward looking parameters, data of dubious statistical reliability and unresolved issues (such as the impact of dividend imputation).

  It is easy to over-engineer the process and to credit the output of models with a precision it does not warrant. The reality is that any cost of capital estimate or model output should be treated as a broad guide rather than an absolute truth. The cost of capital is fundamentally a matter of judgement, not merely a calculation; and

- strict application of the CAPM at the present time gives results that are arguably unrealistically low (primarily because of very low government bond rates) and are often inconsistent with other measures. Use of the CAPM based on current parameters would result in a cost of equity in the range 7.0-8.2% calculated assuming a risk-free rate of 2.2% (the current 10 year Commonwealth Government bond rate), a market risk premium of 6% (a standard rate adopted by Grant Samuel) and a beta factor of 0.8-1.0 (based on the betas of Australian and New Zealand listed healthcare companies).

The resultant WACC calculation is 5.9-7.3% assuming a pre-tax cost of debt of 3.8%, a tax rate of 30% in Australia and 28% in New Zealand and a debt/equity mix of 15-25% debt and 75-85% equity.

However, in Grant Samuel's opinion, these calculations are likely to understate the true cost of capital for Healthscope. In this context, Grant Samuel does not believe that the current low level of global interest rates is sustainable over the long term and, in our view, the risk is clearly towards a rise in bond yields (which is already happening in the United States and the United Kingdom). Conceptually, the interest rates used to calculate the discount rate should recognise this expectation (i.e. they should be forecast for each future period) but for practical ease market practice is that a single average rate based on the long-term bond rate is generally adopted for valuation purposes. Some academics/ valuation practitioners consider it to be inappropriate to add a "normal" market risk premium (e.g. 6%) to a temporarily depressed bond yield and therefore advocate that a "normalised" risk free rate should be used. This practice has become increasingly common among broker analysts. On this basis, an increase in the risk-free rate to (say) 5% would, for example, increase the calculated WACC range to 8.5-10.0%.

Having regard to these matters, Grant Samuel considers a discount rate above the calculated WACC to be an appropriate measure of the cost of capital. Accordingly, for this purpose Grant Samuel has adopted a discount rate in the range 9.0-10.0% for both the Hospitals division and New Zealand Pathology. New Zealand interest rates and other data points do not suggest the discount rate should be any different for New Zealand Pathology. By way of cross check, the 9.0-10.0% range is consistent with the range of discount rates used by Healthscope for the purposes of impairment testing in its FY18 financial statements.

The DCF models are based on a large number of assumptions and are subject to significant uncertainties and contingencies, many of which are outside the control of Healthscope. Key assumptions regarding future operational performance are highly uncertain and there is scope for significant differences of opinion in relation to these assumptions. In particular:

- there is potential for substantial growth in the Hospitals division through further brownfield expansion and (to a lesser extent) greenfield development opportunities. In fact, such expansion is the primary driver of growth. New Zealand Pathology has scope for expansion of non-DHB activities such as the Gribbles veterinary business and in food and environmental testing. However, a range of different views could reasonably be held in relation to the timing, costs and extent of expansion and growth. Accordingly, assumptions in relation to revenue growth and EBITDA margin are highly subjective;
- competitor behaviour could potentially have a major impact on the future performance of Healthscope's divisions. Future competitor behaviour is intrinsically uncertain; and
- Healthscope's divisions are governed by government policies and regulations (particularly the Australian Commonwealth government in relation to hospitals) that, if changed, may have a material impact on Healthscope's future revenues and earnings.

As a result of these uncertainties, there is a wide range of potential outcomes that could occur, both positive and negative (and an even greater number of possible combinations of those outcomes). Accordingly, Grant Samuel has considered a number of scenarios to reflect the impact on value of various key assumptions relating to growth, EBITDA margins and capital expenditure.

It should be recognised that the scenarios focus on assumptions for key value drivers, rather than detailed "bottom up" parameters. Nevertheless, Grant Samuel considers that the analysis does provide some insight into value. In view of the uncertainties surrounding the future growth of Healthscope's divisions, the scenarios analysed are, to some extent, arbitrary. However, they reflect the range of judgements that potential buyers of the divisions could make. The scenarios do not, and do not purport to, represent the range of potential outcomes for Healthscope's business operations. They are simply theoretical indicators of the sensitivity of the net present values derived from the DCF. Each of the scenarios considered by Grant Samuel assumes as a starting point that the second six months of the FY19 Budget[53] is achieved.

The scenarios do not represent Grant Samuel's forecasts of the future financial performance of Healthscope's divisions. Grant Samuel gives no undertaking and makes no warranty regarding the future financial performance of Healthscope and its divisions. Such future performance is subject to fundamental uncertainty. Rather, the scenarios have been developed purely to allow Grant Samuel to assess the impact on calculated net present values of alternative assumptions regarding the future growth and financial performance of Healthscope and its divisions.

Moreover, DCF analysis is subject to significant limitations and net present value outcomes need to be treated with considerable caution. The calculated net present values are extremely sensitive to small changes in assumptions regarding margins, revenue growth and capital expenditure for many years into the future. This sensitivity to assumptions regarding future operational performance is accentuated by the fact that the terminal value (the value contributed by cash flows generated after the end of the explicit cash flow forecast period) normally contributes a high proportion of the overall value.

The financial models are discussed in more detail in Sections 5.4.3 (Hospitals) and 5.5.3 (New Zealand Pathology) of this report; and

- Grant Samuel has given consideration to (but not made explicit adjustment for) the synergies potentially achievable by acquirers of the business. In this regard, it needs to be recognised that:

- normal valuation practice is to include (either implicitly or explicitly) a value for synergies that are available to multiple acquirers but to exclude synergy value that is unique to a particular acquirer; and
- where earnings multiples from comparable transactions represent primary valuation evidence, adding synergies to earnings or making a further multiple adjustment for synergies would potentially result in "double counting" of value as the multiples from the comparable transactions are usually based on "standalone" earnings (either reported or forecast) and the value of synergies is therefore reflected in the multiple (i.e. the transaction multiple would be lower if based on earnings including synergy benefits).

5.4 Hospitals

5.4.1 Summary

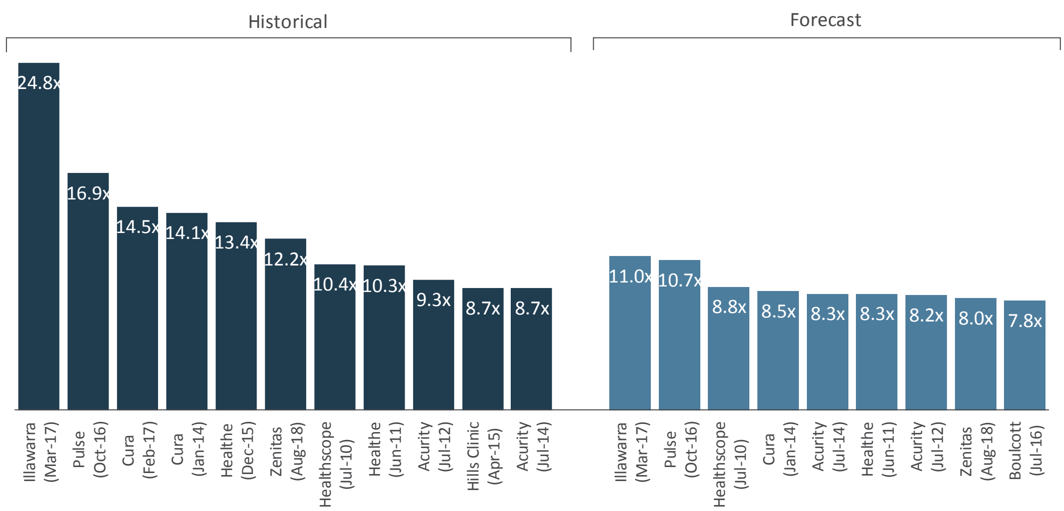
Grant Samuel has estimated the value of the Hospitals division to be in the range $5.25-5.65 billion.

5.4.2 Earnings Multiple Analysis

Transaction Evidence

Appendix 2 sets out the earnings multiples implied by selected relevant acquisitions of hospital businesses in Australia and New Zealand. The following charts summarise the historical and forecast EBITDA and EBITA multiples for these transactions:

HOSPITAL TRANSACTIONS – HISTORICAL AND FORECAST EBITDA MULTIPLES



Source: Grant Samuel analysis (see Appendix 2)

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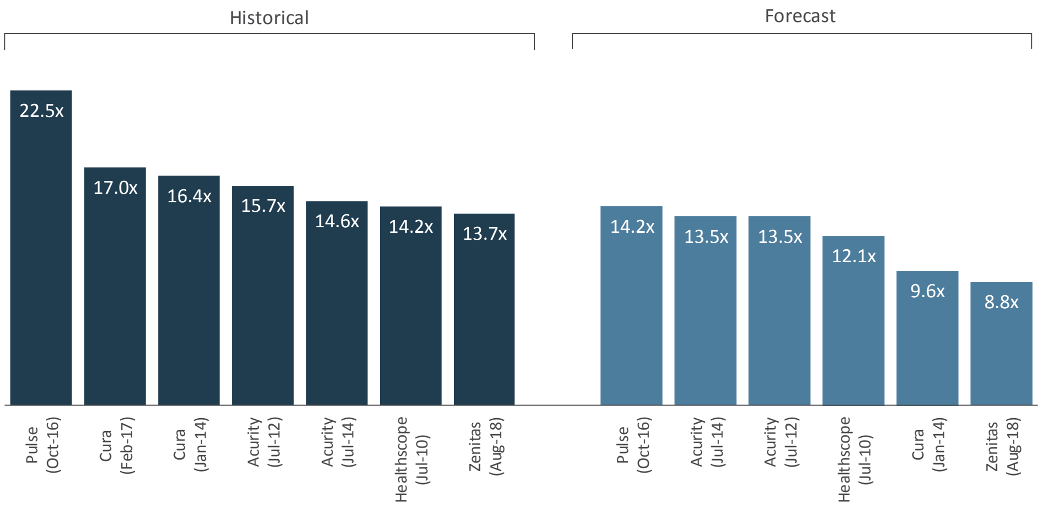
HOSPITAL TRANSACTIONS – HISTORICAL AND FORECAST EBITA MULTIPLES



Source: Grant Samuel analysis (see Appendix 2)

None of the transactions is directly comparable to Healthscope's Hospitals division in terms of nature of operations, scale and geographic reach. However, the evidence is useful in considering appropriate valuation parameters for the underlying business operations of the Hospitals division:

- relevant transactions involving private hospitals have generally occurred at 9-14 times historical and 8-11 times forecast EBITDA and 14-17 times historical and 12-14 times forecast EBITA;
- higher multiples have been paid in circumstances where there were substantial synergies or the acquisition was strategically important. High historical multiples are also implied where the target had made acquisitions or was undertaking (or had recently completed) expansions that were not fully reflected in historical earnings. For example:
  - the acquisition of Healthe Care by Luye Group for $938 million in December 2015 has been the largest recent transaction (other than the 2010 acquisition of Healthscope) and was the Luye Group's entry into the Australian healthcare market. The acquisition price implied a relatively high historical EBITDA multiple of 13.4 times. While there would have been little or no synergies, it was a strategically important acquisition for Luye Group, which expected to be able to import the Australian private hospital expertise back to the attractive growth markets of China and elsewhere across Asia. The multiple was in line with listed healthcare companies in Asia;
  - Pulse operated a portfolio of seven private hospitals and five day surgeries on east coast of Australia (including the recent acquisition of one hospital and four day surgeries) and the Boulcott Hospital in New Zealand. One of its hospitals, Gold Coast Surgical Hospital, was a greenfield development that was in ramp up when Pulse was acquired by Healthe Care (owned by Luye Group) October 2016. The implied multiples have been calculated before ramp up costs associated with the hospital, but the historical multiples of 16.9 times EBITDA and 22.5 times EBITA do not take into account the full year impact of the acquisitions (which would reduce the historical EBITDA multiple to 15 times). The acquisition was an expansion in Australia for Luye Group following its entry into the Australian market through acquisition of Healthe Care, increasing its number of hospitals from 17 to 25 (2,200 to 2,568 beds) and adding five day surgeries. Luye Group would have also expected synergies with Healthe Care, reducing the implied multiples (although the quantum of any synergies was not disclosed);
  - Healthe Care's acquisition of two hospitals and a day surgery in the Illawarra region included a hospital which was in the ramp up phase and not operating at its target utilisation. The very high

implied historical EBITDA multiple of 24.8 times can be discounted on this basis. The implied forecast EBITDA multiple of 11 times reflected expected growth at both hospitals from an increase in capacity utilisation. While this acquisition was small (at $53 million), it was an important acquisition for Healthe Care as it was cementing its position as third largest private hospital operator in Australia; and

- Cura Day Hospitals Group ("Cura") is the largest operator of day hospitals in Australia. At the time of the acquisition of a 70% interest by Fresenius Medical Care SE ("Fresenius") in February 2017, it operated 19 private day hospitals across Australia including three that were acquired during the 12 months prior to the acquisition. The high historical EBITDA and EBITA multiples (at 14.5 times EBITDA and 17.0 times EBITA) do not reflect the impact of these recent acquisitions, as well as other brownfield expansions and refurbishments completed in September 2016 and January 2017. Allowing for these factors would result in lower multiples. Similarly, the high historical multiples implied by Intermediate Capital Group's acquisition of Cura in January 2014 (at 14.1 times EBITDA and 16.4 times EBITA), when Cura owned and operated only nine day hospitals on the east coast and in South Australia, did not reflect the impact of acquisitions during the year (The Eye Hospital and Victoria Parade Day Surgery). These multiples would have also reflected the potential for brownfield expansion and further acquisitions in the day hospitals sector (which was a fragmented market providing the opportunity for consolidation). The forecast multiples implied by this transaction are more in line with other transactions;

- the low multiples implied by the acquisitions of Boulcott Hospital and The Hills Clinic reflected the fact they were single hospitals and also excluded earn outs payable if certain earnings or revenue targets were achieved in future years:
  - the acquisition of Boulcott Hospital was regarded as an attractive acquisition opportunity for Pulse to expand into the New Zealand market, providing geographical diversification and brownfield opportunities. It was also co-located with Hutt Public Hospital. The forecast EBITDA multiple of 7.8 times excluded both earn outs and synergies. Including earn outs increased the forecast EBITDA multiple to 9.8 times and including earn outs and synergies reduced the multiple to 7.2 times; and
  - The Hills Clinic was a beachhead acquisition for Pulse in the attractive mental health market. The historical EBITDA multiple of 8.7 times excluded earn outs which, when included, increased the historical EBITDA multiple to 10.5 times.

  Equally, low multiples implied by the acquisition of Zenitas Healthcare Limited ("Zenitas"), a community-based healthcare business, were likely a reflection of its relatively small size and the different funding environment and less capital intensive nature of the business. There would have also been no synergies for the private equity acquirer. The historical multiples are materially higher than the forecast multiples as they do not allow for the impact of other recent acquisitions. The reported historical EBITA multiple prior to these acquisitions was 11.9 times;

- the New Zealand transactions involving Acurity Health Group Limited ("Acurity") at around 9 times historical and 8 times forecast EBITDA, and 15 times historical and 13.5 times forecast EBITA, are not dissimilar to the multiples implied by similar sized Australian transactions at around same time (mid-2012 to mid-2014)[54]. Acurity was one of New Zealand's largest providers of private healthcare services that owned and operated three private hospitals and was part owner of a further two hospitals;

- the prior acquisition of Healthscope by TPG and Carlyle took place at implied multiples of 10.4 times historical and 8.8 times forecast EBITDA and 14.2 times historical and 12.1 times forecast EBITA):

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[54] The Australian acquisitions (Cura and Healthe Care) occurred at 10-14 times historical and 8 times forecast EBITDA, and 16 times historical EBITA.

- this transaction occurred some time ago (July 2010) following a competitive bidding process where Healthscope received three indicative and non-binding acquisition proposals (two from private equity consortiums and one from a United States Healthcare company) and each of the parties was given access to due diligence;
- the implied multiples represent blended multiple for all of Healthscope's operations at the time (Australian hospitals, Australian and international pathology and medical centres), although hospitals represented the majority of value; and
- there have been changes to the Australian hospital sector and market environment, and Healthscope's hospital business, subsequent to this acquisition; and

▪ EBITA multiples for relevant transactions are generally significantly higher than EBITDA multiples, reflecting the capital intensity associated with owning and/or operating hospitals.

Evidence from Sharemarket prices

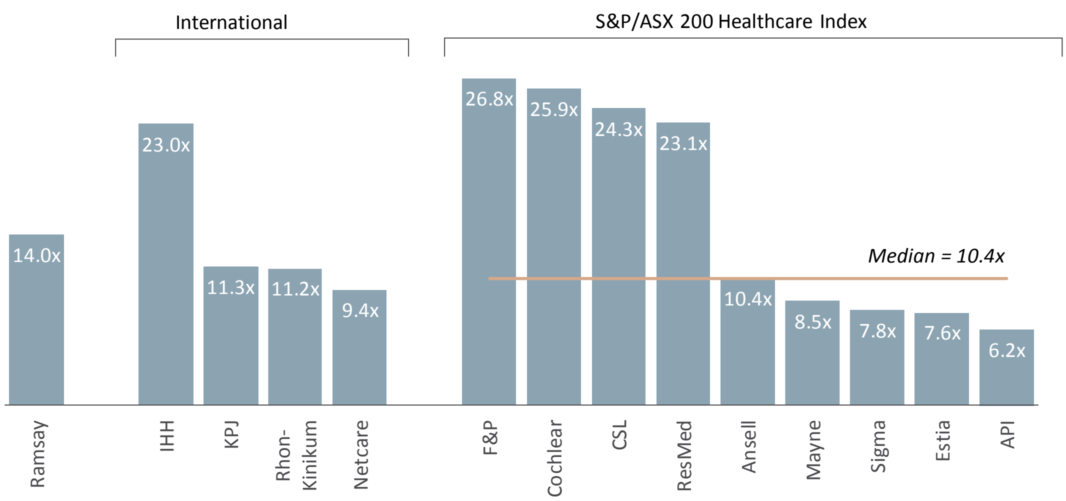
There is only one Australian listed company with operations similar to the Hospitals division (Ramsay). Consequently, Grant Samuel has also considered the trading multiples of:

▪ listed hospital operators internationally that operate in a similar healthcare market to the Hospitals division (i.e. a combination of publicly and privately funded healthcare); and

▪ other members of the S&P/ASX 200 Healthcare index.

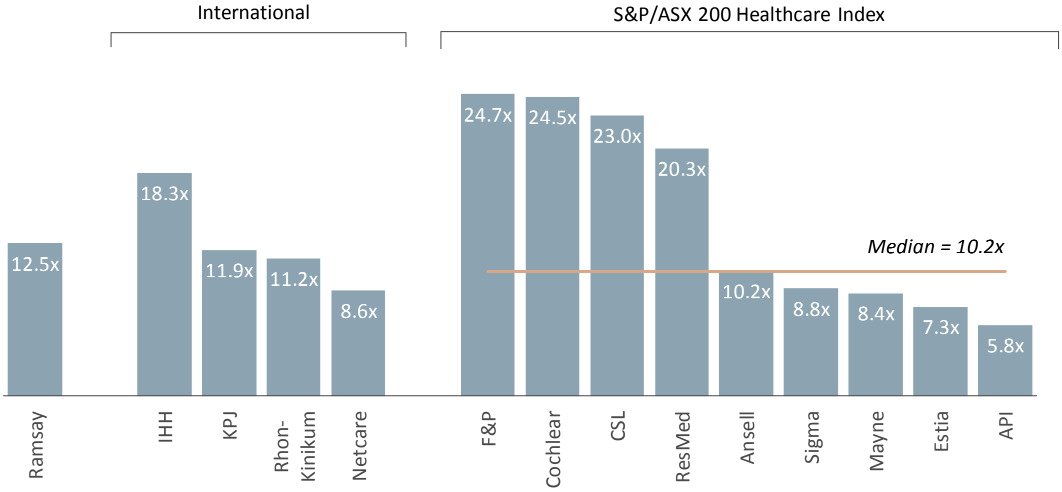
Appendix 2 sets out the earnings multiples implied by the share prices of these companies at 28 February 2019. The following charts summarise the historical and forecast EBITDA and EBITA multiples for these companies:

LISTED HOSPITAL COMPANIES – HISTORICAL EBITDA MULTIPLES



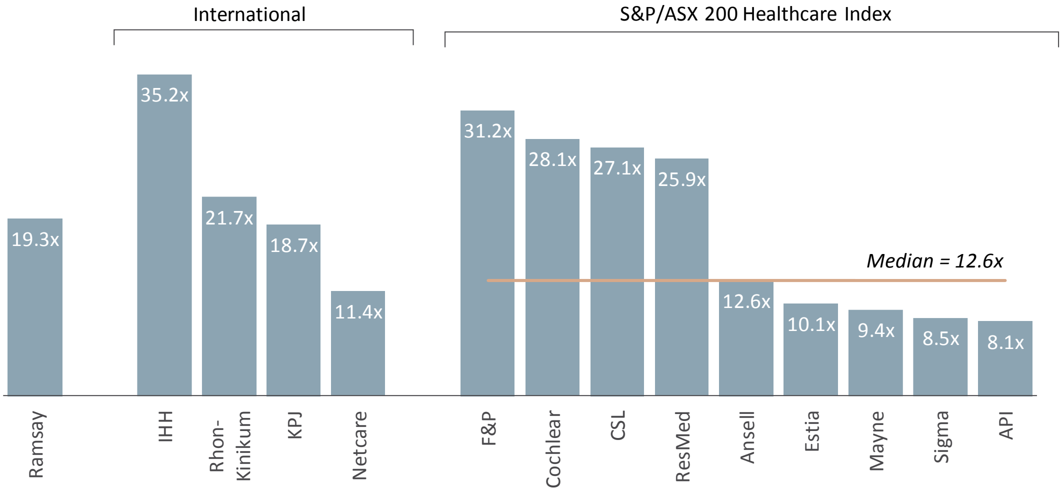
Source: Grant Samuel analysis (see Appendix 2)

LISTED HOSPITAL COMPANIES – FORECAST EBITDA MULTIPLES



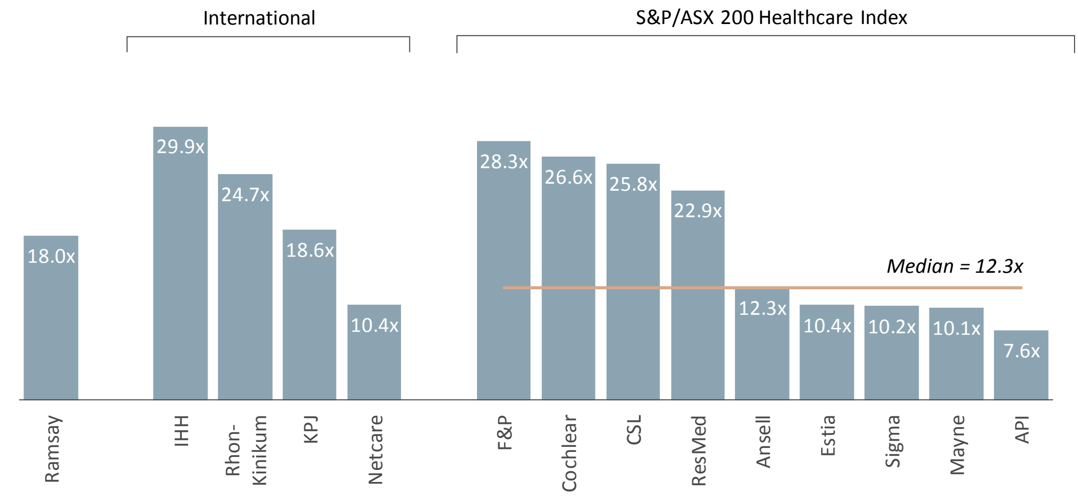
Source: Grant Samuel analysis (see Appendix 2)

LISTED HOSPITAL COMPANIES – HISTORICAL EBITA MULTIPLES



Source: Grant Samuel analysis (see Appendix 2)

LISTED HOSPITAL COMPANIES – FORECAST EBITA MULTIPLES



Source: Grant Samuel analysis (see Appendix 2)

The following factors are relevant to consideration of the comparable company trading multiples:

- the multiples for the listed entities are based on share prices and therefore do not include a premium for control;
- Ramsay is the largest operator of private hospitals in Australia with 72 sites. It trades on relatively high multiples of 14.0 times historical and 12.5 times forecast EBITDA and 19.3 times historical and 18.0 times forecast EBITA. These high multiples reflect Ramsay's global scale and diversification (480 sites across 11 countries), its track record of growth (including in Australia, where it has achieved volume growth and operational efficiencies, completed numerous brownfield expansions and expanded its operations outside of hospitals (e.g. community pharmacy)) and acquisitions. At the same time, the majority of its EBITDA has been generated from Australia (~65-70%[55]). In addition, the historical multiples do not reflect the impact of recent acquisitions. Ramsay's acquisition of listed European healthcare company Capio AB was completed in November 2018 and is an example of Ramsay's strategy to grow its global portfolio in new markets where there is a strategic fit. The transaction provided significant synergies and the opportunity for further bolt-on acquisitions. Ramsay also has substantial operating lease payments (i.e. a large proportion of hospitals are leased rather than owned). Its trading EBITDAR multiples are considerably lower at 9.9 times historical and 9.1 times forecast EBITDAR;
- the international private hospital operators are trading in a relatively wide range reflecting the particular market environments and circumstances of each company:
  - IHH Healthcare Berhad ("IHH") is one of the largest healthcare groups globally, operating over 15,000 licensed beds in 82 hospitals across 11 countries and providing a full range of integrated healthcare services. The very high historical multiples and high forecast multiples reflect its sustained level of organic growth. IHH operates in markets where the demand for private healthcare is strong (its home markets of Singapore and Malaysia) and growing (Turkey, India and China). In addition, the historical multiples do not reflect a full year contribution from significant acquisitions completed in October and November 2018 (IHH has a December year end);
  - KPJ Healthcare Berhad ("KPJ") is one of the leading providers of private healthcare services in Malaysia, with a network of 25 private hospitals (3,000 licenced beds) throughout the country.

[55] Before taking into account the impact from the acquisition of Capio AB.

KPJ has expanded internationally, with two hospitals in Indonesia, an interest in a hospital in Bangkok and a hospital in Bangladesh. In addition, KPJ has investments in retirement and aged care facilities in Australia and Malaysia. KPJ's extensive reach and presence provide it with a competitive advantage in the highly competitive private healthcare industry. While KPJ's outlook for 2019 is positive, with the opening of new hospitals and other healthcare facilities, the rising level of input costs in the healthcare industry is expected to continue to be its main challenge (and reflected in its higher forecast EBITDA and flat forecast EBITA multiples);

- Rhon-Kinikum AG ("Rhon-Kinikum") is the only publicly listed company in the acute care hospital sector in Germany. It operates 5,400 beds across 11 sites and two university hospitals in five core locations. Rhon-Kinikum's strategy is to continue to roll out its campus concept nationally (integrated inpatient and outpatient care), particularly in rural regions. Its flat forecast EBITDA and higher forecast EBITA multiples reflect a challenging regulatory environment, with recent changes introducing limits on the number of staff for certain hospital activities requiring a high degree of nursing care; and
- Netcare Limited ("Netcare") operates the largest private hospital, primary healthcare, emergency medical services and renal care networks in South Africa through a network of 45 hospitals (including five public-private partnerships) and 10,605 beds. Its lower trading multiples may reflect its structure as an investment holding company. Netcare's historical multiples have been impacted by significant changes to its operational profile, including the acquisition of Akeso (a national network of 12 mental healthcare facilities comprising 834 beds) and the strategic decision to exit its interests in the United Kingdom.

The trading multiples for KPJ and Rhon-Kinikum are not dissimilar to those of Ramsay after taking into account their relative sizes and operating models (both are significantly smaller than Ramsay and own more of their hospital property assets); and

- other companies that make up the S&P/ASX 200 Healthcare index are trading at median multiples of 10.4 times historical and 10.2 times forecast EBITDA and 12.6 times historical and 12.3 times forecast EBITA. While these multiples reflect the activities, underlying performance and outlook of the wide range of healthcare companies that make up the index (i.e. local and global activities, aged care through to the manufacture and/or distribution of biopharmaceuticals, medical devices and pharmaceuticals), the data shows:
  - large global companies with a track record of, and outlook for, high growth (Fisher & Paykel Healthcare Corporation Limited ("F&P"), Cochlear Limited ("Cochlear"), CSL Limited ("CSL") and ResMed, Inc. (ResMed")), trade at significantly higher multiples than smaller companies (23-27 times historical and 20-25 times forecast EBITDA and 26-31 times historical and 23-28 times forecast EBITA). These companies are not exposed to the same degree of government regulation or the private health insurance industry as private hospital businesses; and
  - the smaller companies are trading in the range 6-10 times historical and forecast EBITDA and 8-12 times historical and forecast EBITA reflecting their relatively lower growth outlook.

  Nevertheless, the median multiples reflect current market conditions in the Australian healthcare sector and are a benchmark for the valuation of Healthscope's Hospitals division.

Implied Multiples for Hospitals

The earnings multiples implied by the valuation the Hospitals division of $5.25-5.65 billion are summarised below:

HOSPITALS – IMPLIED VALUATION PARAMETERS

	REPORT SECTION REFERENCE	VARIABLE ($ MILLION)	RANGE OF PARAMETERS	
			LOW	HIGH
Multiple of EBITDA				
FY18 (actual)	4.8.1	344.7	15.2	16.4
FY19 (broker median)[51]	4.2	379.2	13.8	14.9
FY20 (broker median)[51]	4.2	412.1	12.7	13.7
FY21 (broker median)[51]	4.2	456.6	11.5	12.4
Multiple of EBITA				
FY18 (actual)	4.8.1	253.7	20.7	22.3
FY19 (broker median)[51]	4.2	273.5	19.2	20.7
FY20 (broker median)[51]	4.2	302.0	17.4	18.7
FY21 (broker median)[51]	4.2	338.8	15.5	16.7

The implied historical FY18 multiples and forecast FY19 multiples implied by the valuation of the Hospitals division are very high. However, in Grant Samuel's opinion, it is appropriate to place more weight on the forecast FY20 and FY21 implied multiples as these multiples more fully incorporate the positive short term outlook for the Hospitals division, including:

- the recent turnaround in performance following a strategic review that resulted in the closure/impairment of underperforming hospitals and the implementation of operational efficiencies. This turnaround in performance is not reflected in the historical multiples implied by the valuation of Healthscope's business operations and the first full year impact of $10 million in operational efficiencies is FY19 (only $6 million of operational efficiencies was achieved in FY18);
- the impact of recently completed brownfield projects and brownfield projects under construction. A number of brownfield projects were completed towards the end of FY18 and are expected to contribute to earnings growth in FY19 and subsequent years (with the full impact in FY21 based on Healthscope's target of achieving a return on invested capital of not less than 15% for each project by the end of year three of the capacity being open). Five brownfield projects were completed in 1HY19, adding 36 beds and 8 operating theatres (excluding Northern Beached Hospital) (with FY20 being the first full year of operation for these developments) and a further five brownfield projects were under construction at 31 December 2018, adding 46 beds and 11 operating theatres; and
- the ramp up of Northern Beaches Hospital over the next 4-5 years. Northern Beaches Hospital commenced operations in October 2018 is expected to make only a modest contribution to earnings in FY19, with full ramp up achieved by FY23 (five years). While Northern Beaches Hospital is expected to make a significant contribution to earnings when fully operational (around $62 million by FY23[56]), this is not without risk given it is more in the nature of a greenfield development with no trading history as well as a combination of public and private services which is also new to Healthscope.

The forecast FY20 and FY21 implied multiples (of 12.2-13.1 times FY20 EBITDA, 11.3-12.2 times FY21 EBITDA and 17.2-18.6 times FY20 EBITA and 15.8-17.0 times FY21 EBITA) are still above (or at the high end in the case of forecast EBITDA multiples) of the range of multiples implied by recent transactions involving private hospitals (of around 8 times forecast EBITDA and around 13 times forecast EBITA), although each of these transactions was considerably smaller than Healthscope (including the 2010 acquisition of

[56] Representing a 15% return on invested capital of approximately $416 million.

Healthscope by TPG and Carlyle). Grant Samuel believes these higher multiples are appropriate taking into account:

- the size and quality of the private hospital portfolio, which would be extremely difficult to replicate and therefore has scarcity value. Healthscope operates a portfolio of 43 hospitals across Australia. It is the second largest private hospital operator in Australia and the only one with national coverage. Most of its hospitals are attractively located in high population growth catchment areas and/or co-located with public hospitals, driving volume growth and creating brownfield opportunities;
- Healthscope's medium to long term outlook for growth through further brownfield opportunities as well as relocate and grow possibilities, particularly where Healthscope is co-located with a public hospital. Healthscope has identified a number of opportunities at hospitals located in high population growth corridors or that are capacity constrained;
- even the FY21 earnings estimates do not include the full ramp up of Northern Beaches Hospital, which is not expected to be fully operational until FY23 (although the risk associated with the ramp up would constrain the appropriate forecast multiples); and
- the attractive long term fundamentals for Australian private hospitals, which are underpinned by a growing and ageing population, the increasing prevalence of chronic diseases and increasing hospital capabilities and efficiencies, notwithstanding:
  - short term challenges in the private hospitals sector, in particular, the impact on volumes of:
    - declining private health insurance participation rates (and reduced levels of cover); and
    - public hospitals increasingly competing for private patients); and
  - other risks of operating in the Australian private hospital sector such as:
    - the highly regulated nature of the sector (in terms of conducting operations, licencing and accreditation of facilities and development of facilities) and exposure to changes in government policy/regulation (particularly following the Federal election in May 2019);
    - the requirement for ongoing commercial agreements with private health insurance funds as the major source of revenue; and
    - the importance of relationships with accredited medical practitioners and the impact of competition on Healthscope's ability to attract and retain accredited medical practitioners.

In particular, the multiples implied by the valuation of the Hospitals division are materially higher than those implied by the 2010 acquisition of Healthscope by TPG and Carlyle (at 8.8 times forecast EBITDA and 12.1 times forecast EBITA). This transaction occurred some time ago and involved similar business operations. However:

- these are blended multiples for all of Healthscope's business operations at the time (private hospitals, medical centres and pathology in Australia and pathology internationally) although private hospitals represented the majority of value. The business operations of Healthscope have also changed considerably since 2010, given the subsequent divestments by Healthscope of its Australian pathology, medical centres and Asian pathology businesses;
- while it operates approximately the same number of hospitals (43 compared to 44 in 2010), the Hospitals division is now significantly larger in terms of number of beds (around 5,500 beds compared to 4,200 beds in 2010); and
- as outlined above, as a result of scarcity of investment opportunities (i.e. there are only three large operators of private hospitals in Australia following a period of consolidation during the late 1990s and early 2000s), private hospital businesses appear to be regarded as relatively more attractive investments today than they have been historically, therefore justifying higher multiples.

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Relative to comparable trading multiples, the multiples implied by the valuation of the Hospitals division are:

- around or only slightly above the trading multiples for Ramsay;
- above the trading EBITDA multiples but around the trading EBITA multiples for listed international private hospital operators; and
- significantly above the median trading multiples for other companies in the S&P/ASX 200 Healthcare index.

It is relevant to note that current trading multiples are generally either towards the top end or above the range of multiples from recent transactions. This, in part, reflects the size and global operations of some of the listed companies relative to the transactions (i.e. larger businesses with higher growth potential justify higher multiples given the operational efficiencies of scale and diversification benefits of geographical exposure). However, it is also likely to indicate a rerating of listed private hospital businesses over time.

5.4.3 Discounted Cash Flow Analysis

The DCF analysis is based on the FY19 Budget[53] and 3 Year Plan for the Hospitals division prepared by management of Healthscope, with Grant Samuel making longer term assumptions to extend the cash flows for an additional seven years to FY28.

Healthscope management has budgeted for significant growth in FY19 for the Hospitals division, and further growth is expected in FY20 and FY21. The budgeted growth in revenues and earnings for FY19 to FY21 reflects the impact of brownfield projects, with limited organic growth from the existing hospitals portfolio.

Scenario A assumes:

- brownfield opportunities in the portfolio are exhausted by FY25 (with $100 million of growth capital expenditure each year from in FY22 to FY25), although revenue and EBITDA continue to benefit from brownfield projects as they achieve at least a 15% return on invested capital within three years (i.e. through to FY28). After three years, earnings from brownfield projects grow at the same rate as the existing hospitals;
- revenue from existing operations (including prosthesis revenue) grows at a much more modest rate (of 3.5% per annum from FY22 onwards), reflecting a combination of increased capacity utilisation (for those existing hospitals that are not operating at capacity) and private health insurance funding increases. EBITDA margins for existing operations remain at current levels (after allowing for the full year impact of the operational efficiencies);
- higher levels of maintenance capital expenditure are budgeted for 2HY19, FY20 and FY21 to allow for one off capital expenditure required to comply with new regulations. In subsequent years, maintenance capital expenditure reverts to historical levels (of around $65 million per annum);
- Northern Beaches Hospital ramps up over the next 4-5 years, generating an EBITDA of $62 million in FY23[56]. Revenue growth in subsequent years is at the same rate as the existing hospital portfolio. Northern Beaches Hospital yields a lower EBITDA margin than the existing hospital portfolio given the mix of public and private work;
- hospital head office costs grow at 3.5% per annum;
- existing assets and associated maintenance capital expenditure have an average useful economic life/remaining useful economic life of 20 years and growth capital expenditure has an average useful economic life of 40 years. Northern Beaches Hospital capital expenditure is depreciated over an average of 20 years;

- net working capital of 4.5% of revenue, consistent with Healthscope's consolidated net working capital as a percentage of revenue; and
- an Australian corporate tax rate of 30%.

A description of each of the other scenarios considered by Grant Samuel is outlined in the table below.

HOSPITALS - DCF SCENARIOS

SCENARIO	DESCRIPTION
Scenario A	As above. This scenario is indicative of a reasonably favourable organic growth outlook, successful implementation of the recently completed, under construction, planned and potenital brownfield projects through to FY25 and the ramp up as currently planned of Northern Beaches Hospital
Scenario B	Scenario A except lower growth from existing operations for the duration of the cash flow model (of 2.5% per annum). This scenario is indicative of a less favourable organic growth outlook due to competition, more challenging negotiation of funding increases from private health insurers and/or substantial regulatory change
Scenario C	Scenario A exccept no organic growth for a temporary period in FY22 and FY23. This scenario is indicative of the possible impact of a short term inability to negotiate funding increases from private health insurers
Scenario D	Scenario A exccept there is additional growth capital expenditure of $100 million per year over the period from FY26 to FY28. This scenario is indicative of the identification and successful implementation of brownfield projects subsequent to FY25
Scenario E	Scenario A except there is additional growth capital expenditure of $300 million over FY21 and FY22. This scenario is indicative of the identification and successful implementation of a substantial relocate and grow project

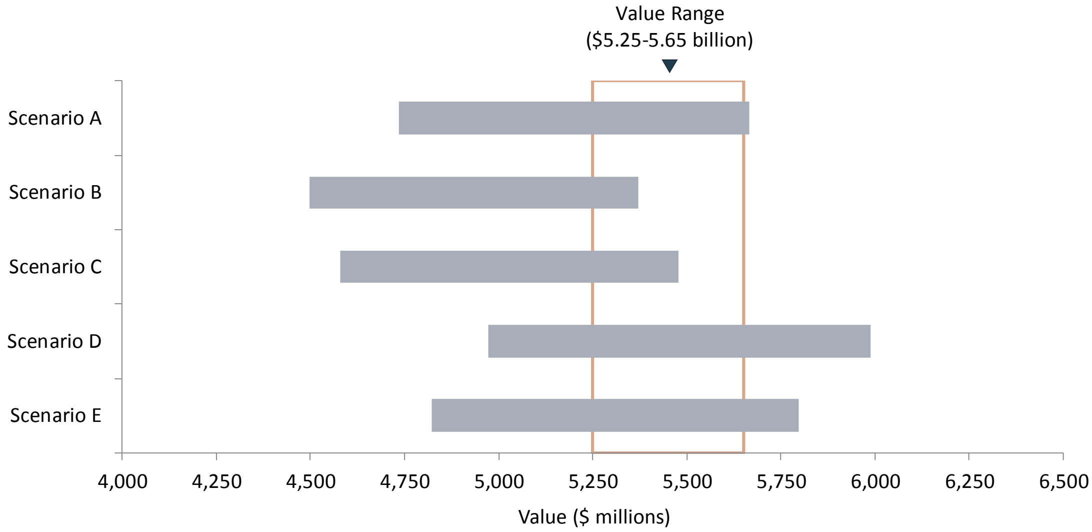
The DCF scenario analysis does not represent Grant Samuel's or Healthscope's forecasts of the future financial performance of the Hospitals division. Grant Samuel gives no undertaking and makes no warranty regarding the future financial performance of the business. Such future performance is subject to fundamental uncertainty. Rather, the scenarios have been developed purely to allow Grant Samuel to assess the impact on calculated net present values of alternative assumptions regarding the future financial performance of the Hospitals division.

Grant Samuel has not considered a scenario that involves the sale and leaseback of all or a proportion of Healthscope's hospital property assets on the basis that:

- sale and leaseback is a capital structure mechanism that divides a business operation's earnings between different sources of funding and would involve a different set of cash flows and a different discount rate to reflect the different risk profile of the cash flows. It does not have any impact on the underlying value of the business; and
- Healthscope did not reach the stage of agreeing the terms of a sale and leaseback transaction so there are no definitive terms to include in any DCF analysis.

Grant Samuel's selected value range of $5.25-5.65 billion for the Hospitals division reflects a subjective balancing of the scenarios. The NPV outcomes are depicted diagrammatically below:

HOSPITALS – NPV OUTCOMES



NPV outcomes from DCF analysis are subject to significant limitations and should always be treated with considerable caution. Terminal values represent around 70% of the NPV outcomes presented above. The range of NPVs produced by the scenarios is wider than the value range Grant Samuel has placed on the Hospitals division. Grant Samuel's range straddles Scenarios A, D and E, incorporates the top third of Scenario C and the top end of Scenario B. Grant Samuel has considered the outcome of all of the scenarios in determining its value range for the Hospitals division. However, it should be noted that:

- the NPVs fall in a relatively wide range across the scenarios, highlighting the sensitivity to small changes in assumptions. In particular, the analysis shows that the NPVs are much more sensitive to lower organic growth than they are to additional growth capital expenditure;
- while Scenario A assumes the successful implementation of recently completed, under construction, planned and potential brownfield projects, it is conservative in that it does not assume any growth capital expenditure past FY25. Scenarios D and E allow for additional brownfield and relocate and grow capital expenditure respectively, but are arguably optimistic in that there is no certainty that these projects will be identified and meet the necessary return requirements to be implemented; and
- Scenarios B and C assume lower organic growth which is a plausible assumption. However, these scenarios do not take into account the operational flexibility that management has to react to changes in the market in which the Hospitals division operates. This is particularly the case if it became apparent that lower growth was to continue over the long term.

Taking these factors into account, Grant Samuel believes that the values produced by the DCF analysis support a range of values for the Hospitals division of $5.25-5.65 billion.

5.5 New Zealand Pathology

5.5.1 Summary

Grant Samuel has estimated the value of New Zealand Pathology to be in the range $500-550 million. The business has been valued in A$.

5.5.2 Earnings Multiple Analysis

Transaction Evidence

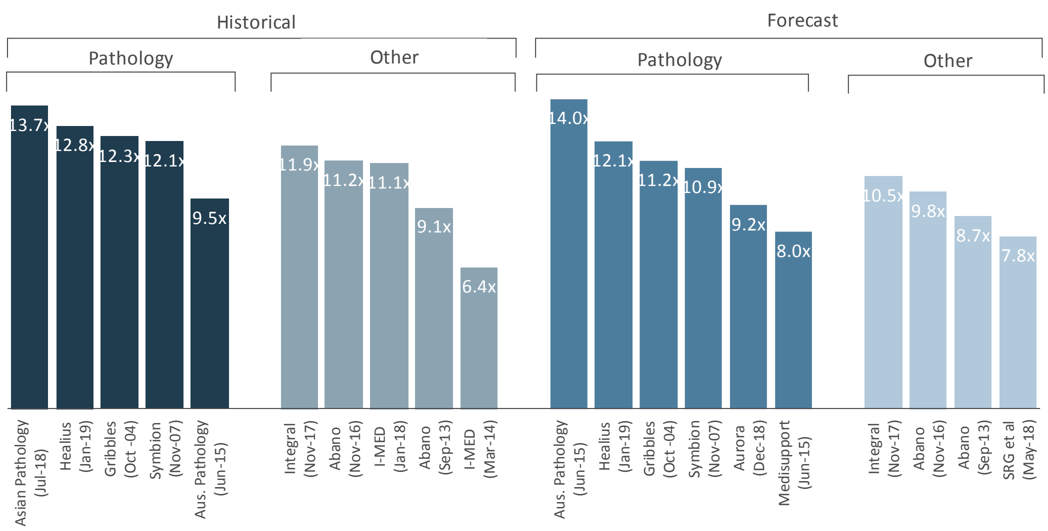
Grant Samuel is not aware of any transactions involving pathology services businesses in New Zealand that would provide a direct comparison to Pathology New Zealand. This reflects the concentrated nature of the pathology services market in New Zealand, where there are only three main private providers of pathology services. As a result, Grant Samuel has considered recent transaction evidence involving the provision of:

- pathology services in Australia and selected international countries (i.e. acquisitions of international pathology services businesses by Australian companies); and
- other related services, in particular diagnostic imaging and dentistry, in Australia and New Zealand.

Appendix 2 sets out the earnings multiples implied by selected relevant acquisitions of these pathology services and related businesses transactions.

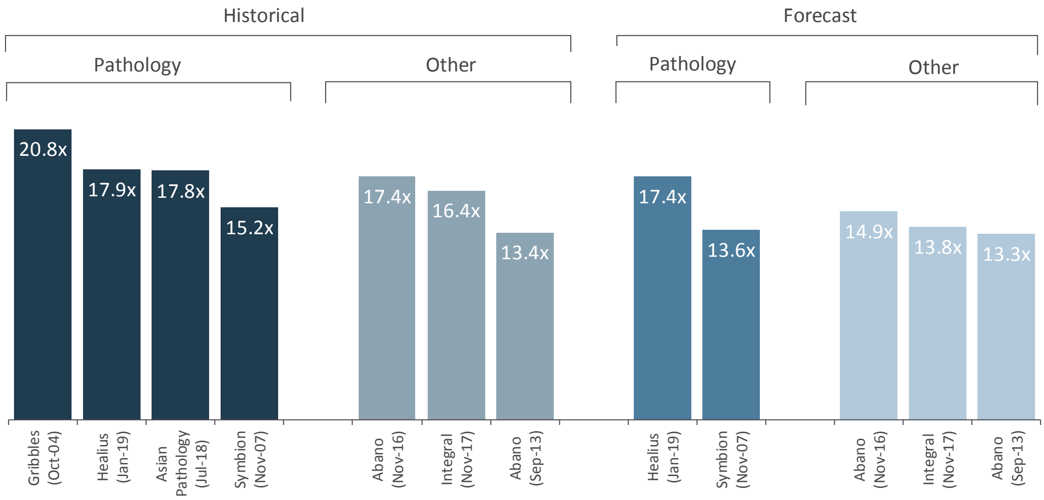
The following charts summarise the historical and forecast EBITDA and EBITA multiples for these transactions:

PATHOLOGY SERVICES AND RELATED TRANSACTIONS – HISTORICAL AND FORECAST EBITDA MULTIPLES



Source: Grant Samuel analysis (see Appendix 2)

PATHOLOGY AND RELATED SERVICES TRANSACTIONS – HISTORICAL AND FORECAST EBITA MULTIPLES



Source: Grant Samuel analysis (see Appendix 2)

Transactions involving pathology services and related businesses have occurred at multiples in a reasonably wide range, reflecting the specific circumstances of each transaction:

- TPG Capital Asia's acquisition of Healthscope's Asian pathology business in July 2018 implied a relatively high multiple of 13.7 times historical EBITDA and 17.8 times historical EBITA, reflecting the substantial growth opportunities in the developing healthcare systems of Malaysia and Vietnam. The transaction established a platform for further investment in Asia, with TPG Capital Asia announcing a bolt-on acquisition of Innovative Diagnostics, a Singapore-based private pathology practice, in September 2018;
- the acquisition of Healthscope's Australian pathology business by Crescent Capital Partners in June 2015 took place at a relatively low historical multiples of 9.5 times EBITDA, but a relatively high multiple of 14.0 times forecast EBITDA, reflecting the challenging market conditions (Healthscope was the smallest of three major participants in the Australian pathology services market after Sonic and Healius Limited ("Healius")) and the poor performance of the business (it was making EBIT losses);
- the multiples implied by the price at which Primary Healthcare Limited ("Primary") (now Healius) acquired Symbion Health Limited ("Symbion") reflected Primary's expectation that is would achieve substantial synergies of $95-105 million per annum. The transaction was also the outcome of a competitive bidding process following an initial offer from a consortium including Healthscope, Ironbridge Capital and Archer Capital. The post synergy multiples were considerably lower at 8.7 times historical and 8.0 times forecast EBITDA and 10.2 times historical and 9.4 times forecast EBITA;
- the acquisition of The Gribbles Group Limited ("Gribbles") by Healthscope implied multiples of 12.3 times historical and 11.2 times forecast EBITDA and 26.3 times historical EBITA. These reasonably high multiples reflected the strategic nature of the transaction to Healthscope as it provided an entry into the pathology markets in Australia, New Zealand, Singapore and Malaysia. Healthscope also expected to generate very significant revenue and cost synergies from the acquisition, resulting in considerably lower post synergies multiples;
- I-MED Radiology Network ("I-MED"), a market leader in diagnostic imaging in Australia, has changed hands twice over the past five years, being acquired by EQT Mid Market ("EQT") in March 2014 (at a relatively low multiple of 6.4 times historical EBITDA) and onsold to Permira Funds in January 2018 (at a considerably higher multiples of 11.1 times historical EBITDA). At the time of the initial transaction,

the future growth of the business was at risk following a failed leveraged buyout and the exit of around one third of the company's doctors. After a period of steady growth under EQT management, I-MED was onsold to Permira Funds with a considerably more attractive outlook, as well as the prospect of international expansion;

- Specialist Radiology Group, Trinity MRI and Cavendish Radiology (together, "SRG et al") were a group of leading radiology clinics in New Zealand that were acquired by Integral Diagnostics Limited ("Integral") for NZ$105 million in May 2018. The implied multiple of 7.8 times forecast EBITDA reflects the opportunity for growth in patient volumes as well as the expectation of NZ$0.5 million in cost synergies. The post synergies forecast EBITDA multiple falls to 7.5 times. The acquisition of SRG et al was strategic as it provided a platform for Integral to enter the New Zealand radiology market;

- a number of the transactions included in the charts above were either rejected (and not put to shareholders) or were unsuccessful. However, the multiples implied by these incomplete transactions still provide useful valuation guidance:

  - Healius, the second largest participant in the Australian pathology market, received an indicative proposal from its major shareholder, Jangho Group ("Jangho") in January 2019 that valued Healius at 12.8 times historical and 12.1 times forecast EBITDA and 17.9 times historical and 17.4 times forecast EBITA. The acquisition was strategic for Jangho as it sought to build a healthcare presence in Australia. The proposal was rejected by Healius. While these multiples are relatively high, they reflect that Healius is midway through a transformation process following a decline in earnings in FY18 (mostly due to its medical centres business). The company has commenced a number of strategic initiatives that are expected to deliver significant operational improvements and earnings growth over the medium term which are not reflected in the historical or forecast multiples. The considerably lower forecast FY20 implied multiples of 10.7 times EBITDA and 15.3 times EBITA reflect some of the expected benefits of the transformation;

  - Capitol Health Limited's ("Capital") hostile, predominantly scrip takeover offer for Integral Diagnostics, was an attempt to create one of Australia's leading providers of diagnostic imaging services through a combined network of clinics and hospital practices. The implied multiples of 11.9 times historical and 10.5 times forecast EBITDA and 16.4 times historical and 13.8 times forecast EBITA reflected the expected cost synergies of $5 million per annum, reducing the implied multiples to 10.4 times historical and 9.3 times forecast EBIITDA and 13.6 times historical and 11.8 times forecast EBITA; and

  - the two offers for New Zealand healthcare company Abano Healthcare Group Limited ("Abano") in September 2013 and November 2016 implied very different multiples but were both unsuccessful. Abano was involved in operating dental clinics and providing diagnostic imaging and audiology services in Australia and New Zealand at the time of the first offer, but was primarily an Australian and New Zealand dental business by the time of the second offer. The first offer was regarded as very low and opportunistic. The second offer, while more fairly priced, was likely regarded as unattractive given its structure as a partial offer in circumstances where control would have passed to the acquirer (increasing its interest from 19.02% to 50.1%); and

- Sonic's acquisition of pathology businesses in the United States (Aurora Diagnostics LLC ("Aurora")) and Europe (Medisupport S.A. ("Medisupport")) have taken place at 9.2 times and 8.0 times forecast EBITDA. These acquisitions were part of Sonic's global acquisition strategy to expand its pathology operations. There would have been some cost synergies associated with these acquisitions given their relatively small size.

In addition to the transaction multiples discussed above, Sonic has acquired pathology businesses in recent years at reported forecast post-synergy multiples of less than 5 times to 6 times. These transactions include its proposed $100 million acquisition of Healthscope's pathology businesses in New South Wales/Australian Capital Territory, Queensland and Western Australia in May 2012 (although the New South Wales/Australian Capital Territory and Queensland acquisitions were subsequently blocked by the

Australian Competition and Consumer Commission) and its acquisition of Central Coast Pathology Consultants in the United States in February 2011.

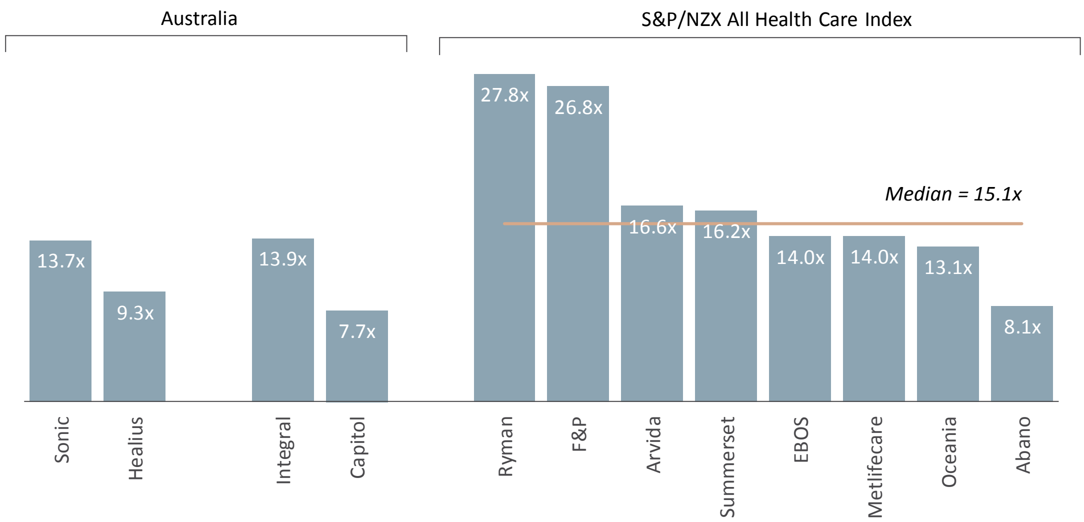
Evidence from Sharemarket Prices

There are no New Zealand and only two Australian listed companies with operations similar to New Zealand Pathology (Sonic and Healius). Consequently, Grant Samuel has also considered the trading multiples of:

- Australian companies that have as their primary business the provision of diagnostic imaging services; and
- the S&P/NZX All Health Care Index.

Appendix 2 sets out the earnings multiples implied by the share prices of these companies at 28 February 2019[57]. The following charts summarise the historical and forecast EBITDA and EBITA multiples for these companies:

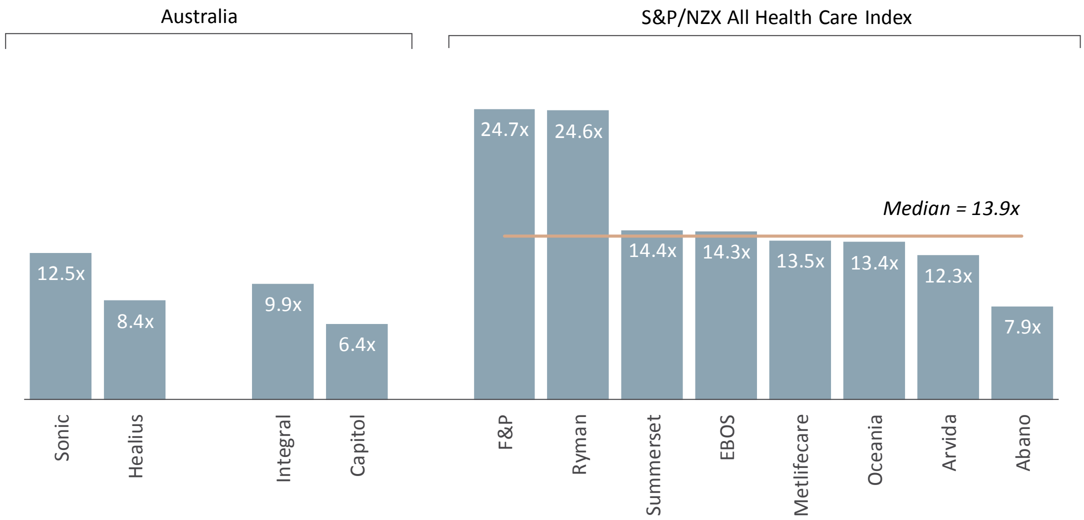
LISTED PATHOLOGY SERVICES AND RELATED COMPANIES – HISTORICAL EBITDA MULTIPLES



Source: Grant Samuel analysis (see Appendix 2)

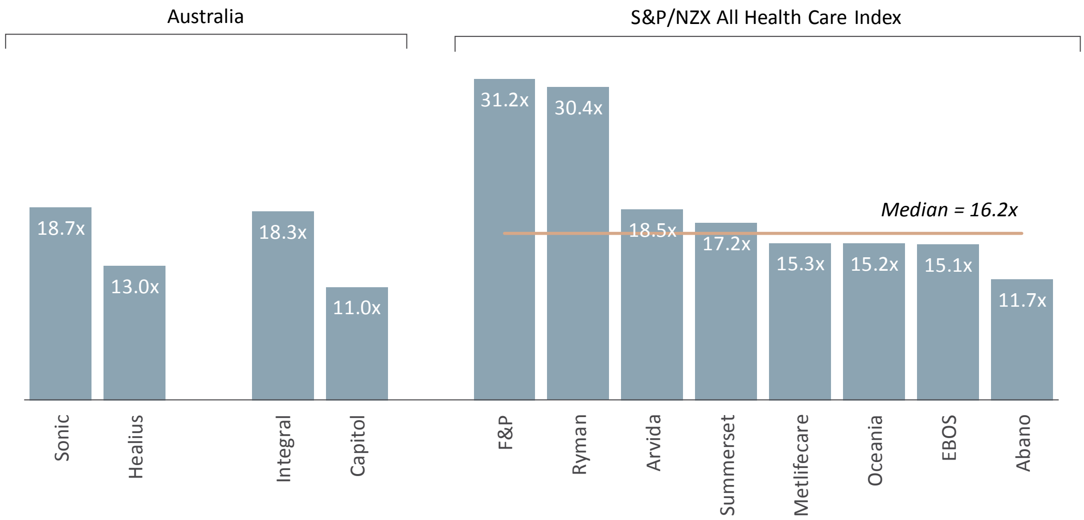
57 Other than Healius, where the trading multiples have been calculated using the Healius share price prior to announcement of the non-binding indicative proposal from its major shareholder, Jangho, on 3 January 2019.

LISTED PATHOLOGY SERVICES AND RELATED COMPANIES – FORECAST EBITDA MULTIPLES



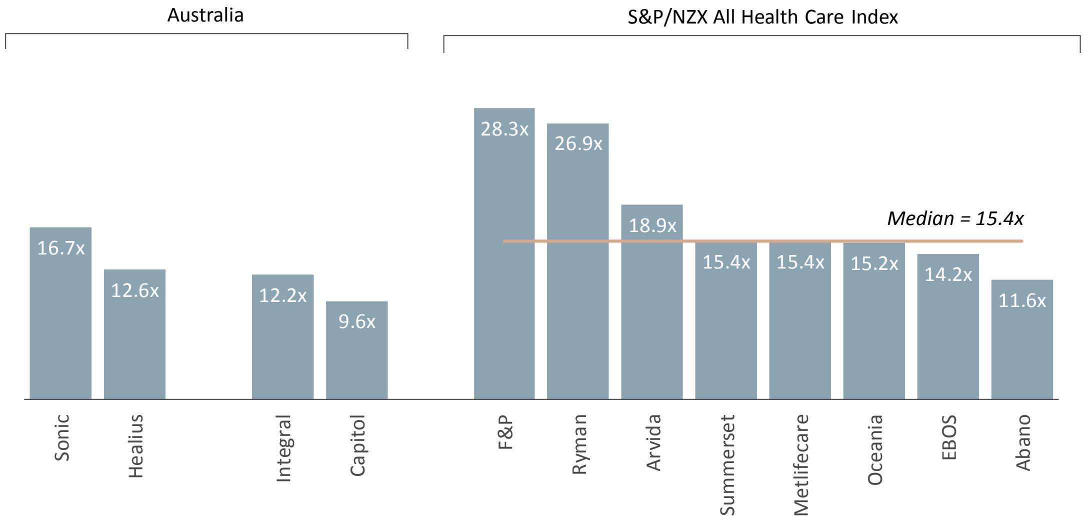
Source: Grant Samuel analysis (see Appendix 2)

LISTED PATHOLOGY SERVICES AND RELATED COMPANIES – HISTORICAL EBITA MULTIPLES



Source: Grant Samuel analysis (see Appendix 2)

LISTED PATHOLOGY SERVICES AND RELATED COMPANIES – FORECAST EBITA MULTIPLES



Source: Grant Samuel analysis (see Appendix 2)

The following factors are relevant to consideration of the comparable company trading multiples:

- the multiples for the listed entities are based on share prices and therefore do not include a premium for control;
- Sonic and Healius are the largest and second largest providers of pathology services in Australia (although both companies also provide diagnostic imaging services and operate medical centres) . Sonic is trading at higher multiples than Healius, largely reflecting its global operations and growth opportunities (almost 60% of revenue is generated outside Australia) relative to Healius, which operates predominantly in Australia and is midway through a transformation process. Sonic's historical trading multiples are also higher as they do not include the impact from acquisitions during FY18; and
- Integral and Capitol are considerably smaller, diagnostic imaging companies. Their smaller size is reflected in their multiples, although Integral's higher trading multiples (in particular its historical multiples) are the result of material acquisitions in FY18 that are not reflected in its FY18 earnings.

While it is difficult to draw any meaningful conclusions from historical multiples given the impact of acquisitions, listed pathology and related services businesses with a domestic focus are generally trading at multiples of 6-10 times forecast EBITDA and 10-16 times forecast EBITA.

Companies that make up the S&P/NZX All Health Care Index are trading at median multiples of 14.6 times historical and 13.9 times forecast EBITDA and 16.2 times historical and 15.4 times forecast EBITA. These multiples are generally higher than the trading multiples of the Australian listed pathology and related services businesses but reflect the composition of the index, the majority of which operate in the aged care sector. While the key driver of demand for aged care facilities is not dissimilar to pathology services (i.e. a growing and ageing population), there are significant differences in the operating models of these businesses (compared to the provision of pathology services).

The most relevant company in the index is Abano as it provides healthcare services. However, its operations are focussed in the dental industry. Its trading multiples of 8.1 times historical and 7.8 times forecast EBITDA and 11.7 times historical and 11.6 times forecast EBITA reflect the potential for growth in patient volumes but are nevertheless consistent with the listed domestic pathology and diagnostic imaging businesses.

Implied Multiples for New Zealand Pathology

The earnings multiples implied by the valuation New Zealand Pathology of $500-550 million are summarised below:

NEW ZEALAND PATHOLOGY – IMPLIED VALUATION PARAMETERS

	REPORT SECTION REFERENCE	VARIABLE ($ MILLION)	RANGE OF PARAMETERS	
			LOW	HIGH
Multiple of EBITDA				
FY18 (actual)	4.8.2	58.1	8.6	9.5
FY19 (broker median)[51]	4.2	59.0	8.5	9.3
FY20 (broker median)[51]	4.2	61.5	8.1	8.9
FY21 (broker median)[51]	4.2	62.4	8.0	8.8
Multiple of EBITA				
FY18 (actual)	4.8.2	46.8	10.7	11.8
FY19 (broker median)[51]	4.2	47.4	10.5	11.6
FY20 (broker median)[51]	4.2	49.0	10.2	11.2
FY21 (broker median)[51]	4.2	50.0	10.0	11.0

The multiples implied by the valuation of New Zealand Pathology are in the order of 8.5-9.5 times forecast EBITDA and 10.5-11.5 times forecast EBITA. In Grant Samuel's opinion, these multiples are appropriate taking into account the market evidence and the specific attributes of New Zealand Pathology's business and its outlook. In this regard, the implied multiples are:

- at or towards the low end of the range of EBITDA multiples and below the EBITA multiples implied by recent transactions involving pathology businesses in Australia;
- slightly above the multiples implied by Integral's acquisition of SRG et al in New Zealand. While this was a smaller transaction at NZ$105 million, it had a better growth profile as diagnostic imaging is volume rather than contract based;
- not inconsistent with the range of multiples implied by Sonic's acquisitions of international pathology companies Aurora and Medisupport, taking into account their relative sizes (Medisupport was smaller than New Zealand Pathology, Aurora is larger) and that there would have been some synergies available to Sonic;
- above the post synergies multiples reported paid (or prepared to be paid) by Sonic for recent acquisitions of pathology business in Australia and the United States that are considerably smaller than New Zealand Pathology;
- below the trading multiples of listed Australian providers of pathology services (which are significantly larger than New Zealand Pathology) and the trading multiples of Integral (due to its high growth outlook), but above the trading multiples of Capitol; and
- well below the median trading multiples for members of the S&P/NZX All Health index (although not inconsistent with the trading multiples of Abano after taking into account its higher growth profile offset by a premium for control).

New Zealand Pathology has a number of attributes that would justify higher multiples:

- its leading share of the pathology services market in New Zealand. Scale provides operational efficiencies and the ability to replicate its business model across each of its 12 DHB contracts, which provides a competitive advantage in winning new tenders and renegotiating existing DHB contracts;
- upside potential for New Zealand Pathology from revenue opportunities outside DHB contracts, in particular in the Gribbles veterinary business and in food and environmental testing; and

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- the attractive long term fundamentals for New Zealand Pathology (population growth and an ageing population).

On the other hand, the higher multiples are constrained by:

- exposure to changes to government regulation and policies that impact New Zealand healthcare funding levels. Many DHBs are operating at deficits and face significant pressures to control/reduce costs;
- the limited growth outlook for New Zealand Pathology, primarily reflecting the nature of DHB contracts, where performance is not driven by volumes (as it is for the comparable transactions and comparable listed companies), but by annual contractual increases in a fixed amount of funding;
- exposure to the risk that on contract expiry, a DHB replaces New Zealand Pathology with a competitor (in whole or in part) or renews a contract on less favourable terms (albeit the majority of contracts are multi-year contracts);
- the ability of DHBs to pressure New Zealand Pathology to share operating efficiencies over time; and
- the potential adverse impact of any increase in the Australian dollar against the New Zealand dollar.

On balance, Grant Samuel believes that the forecast FY19 multiples of around 8.5 to 9.5 times EBITDA and 10.5 to 11.5 times EBITA and the forecast FY20 and FY21 multiples of around 8-9 times EBITDA and 10-11 times EBITA reflect a reasonable balancing of the attractive and constraining characteristics of New Zealand Pathology's business relative to the market evidence, and appropriately reflect the upside potential to generate revenue outside of DHB contracts. The historical and FY19 forecast earnings do not reflect any material impact from growth in non-DHB revenue. Some of this upside is reflected in the FY20 and FY21 earnings (and multiples), and although there is the potential for further growth, this comes with more risk (and the potential requirement for significant additional capital investment).

5.5.3 Discounted Cash Flow Analysis

The DCF analysis is based on the FY19 Budget[58] and 3 Year Plan for New Zealand Pathology prepared by management of Healthscope, with Grant Samuel making longer term assumptions to extend the cash flows for an additional seven years to FY28.

Healthscope management has budgeted for relatively flat earnings for New Zealand Pathology in FY19, but with stronger growth expected in FY20 and FY21. The budgeted growth in revenues and earnings for FY20 and FY21 reflects the focus on growth opportunities outside of DHB funding contracts.

Scenario A assumes:

- no lost or new DHB contracts and annual indexation of revenue for each DHB contract for the term of the contract. On renewal, there is a recontracting discount to reflect the sharing of long term efficiencies generated with the DHBs;
- non-DHB revenue (veterinary, analytical pathology and other testing) grows significantly in FY20 and FY21, reflecting the increased focus on this revenue stream before tapering off to a long term annual growth rate of 5% per annum;
- labour and rent (fixed costs) increase by 3% and 2% per annum respectively and variable costs (consumables and other costs) are driven by volume (patient episodes), with variable cost per episode increasing by 1.5% per annum (to allow for volume discounts). As a result, the EBITDA margin, on average, remains at around its historical level of around 24%;

[58] Grant Samuel has not revisited its DCF analysis based on the FY19 Reforecast or the updated guidance included in the Transaction Booklet and announced to the market on 16 April 2019. The forecast performance of New Zealand Pathology in the FY19 Reforecast does not differ materially from its forecast performance in the FY19 Budget.

- capital expenditure is 4% of revenue, slightly higher than the historical trend and more in line with capital expenditure projections for FY20 and FY21, to allow for capital expenditure associated with non-DHB revenue growth;
- depreciation and amortisation is initially greater than 100% of capital expenditure, consistent with the historical trend, but tapers off to 100% of capital expenditure by the end of the cash flow period;
- net working capital of 4.5% of revenue, consistent with Healthscope's consolidated net working capital as a percentage of revenue; and
- a New Zealand corporate tax rate of 28%.

A description of each of the other scenarios considered by Grant Samuel is outlined in the table below.

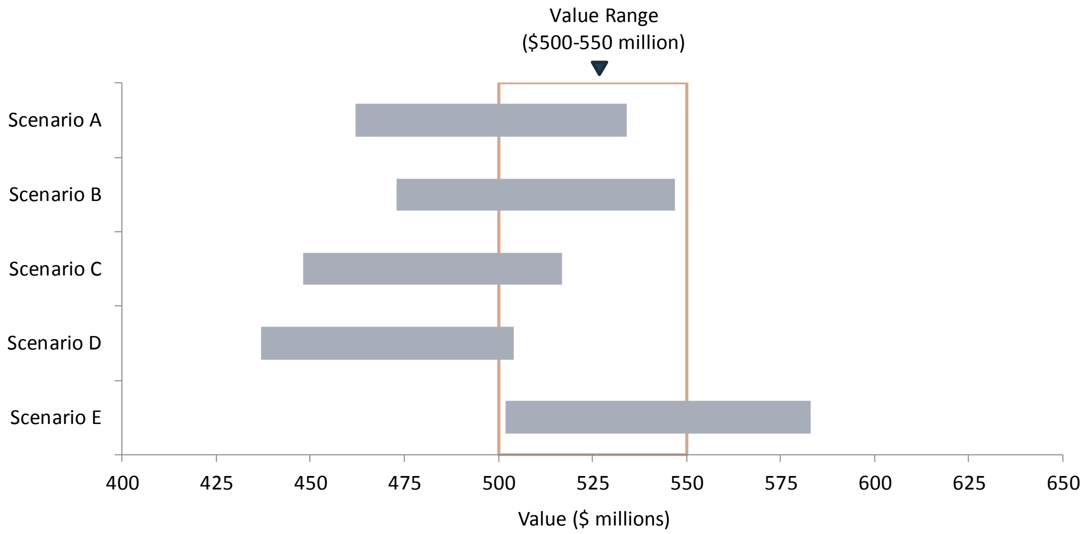
NEW ZEALAND PATHOLOGY - DCF SCENARIOS

SCENARIO	DESCRIPTION
Scenario A	As above
Scenario B	Scenario A plus successfully tendering for an additional DHB funding contract contributing $5.5 million of additional revenue per annum, with contract funding and service provision commencing in FY20
Scenario C	Scenario A except that larger recontracting discounts are required to renew existing DHB contracts
Scenario D	Scenario A except there is higher annual growth in variable costs per patient episode of 2% per annum
Scenario E	Scenario A except that non-DHB revenue initially grows at higher rate, with growth tapering off to 7.5% per annum from FY24 onwards

The DCF scenario analysis does not represent Grant Samuel's or Healthscope's forecasts of the future financial performance of New Zealand Pathology. Grant Samuel gives no undertaking and makes no warranty regarding the future financial performance of the business. Such future performance is subject to fundamental uncertainty. Rather, the scenarios have been developed purely to allow Grant Samuel to assess the impact on calculated net present values of alternative assumptions regarding the future financial performance of New Zealand Pathology.

Grant Samuel's selected value range of $500-550 million for New Zealand Pathology reflects a subjective balancing of the scenarios. The NPV outcomes are depicted diagrammatically below:

NEW ZEALAND PATHOLOGY – NPV OUTCOMES



NPV outcomes from DCF analysis are subject to significant limitations and should always be treated with considerable caution. Terminal values represent around 55% of the NPV outcomes presented above. The range of NPVs produced by the scenarios is wider than the value range Grant Samuel has placed on New Zealand Pathology. Grant Samuel's range incorporates approximately half of Scenario A, the top three quarters of Scenario B, the top end of Scenarios C and D and the lower half of Scenario E. Grant Samuel has considered the outcome of all of the scenarios in determining its value range for New Zealand Pathology. However, it should be noted that:

- securing additional DHB contracts (Scenario B) does not have a material impact on the NPV as New Zealand Pathology already has the contracts for the largest DHBs and the remaining DHBs are relatively small with smaller contract values. On the other hand:
  - securing all of the remaining DHB contracts would have a significant positive impact on the NPV (although it is unlikely that the New Zealand government would want to remove the competitive tension created by having other participants in the pathology market); and
  - loss of any of its large DHB contracts (i.e. Auckland, Wellington and Christchurch regions) would have a significant negative impact on the NPV. However, Grant Samuel considers this an unlikely outcome. Healthscope is the largest operator in the New Zealand pathology market and is best positioned to share scale benefits and operating efficiencies with DHBs, which is likely to result in Healthscope providing the most competitive price in a tender process;
- growth in non-DHB revenue is the key driver of higher NPVs. Scenario E shows the material impact that relatively small changes in growth assumptions for non-DHB revenue can have on the NPV. Grant Samuel considers it appropriate to include both the high end of Scenario A and the lower end of Scenario E in its value range for New Zealand Pathology to allow for the potential non-DHB revenue growth opportunities (albeit achieving this higher growth in revenue is not without risk); and
- Scenarios C and D assumer lower revenue and higher costs, respectively. While these are both plausible assumptions, these scenarios do not take into account mitigating actions that management may implement to react to changes in the market in which New Zealand Pathology operates. This is particularly the case if it became apparent that lower revenue growth or higher costs were to continue over the long term.

Taking these factors into account, Grant Samuel believes that the values produced by the DCF analysis support a range of values for New Zealand Pathology of $500-550 million.

5.6 Corporate Costs

The valuations of Healthscope's businesses do not reflect all of Healthscope's corporate costs. Therefore, separate allowance has been made for the unallocated corporate costs. Healthscope's unallocated corporate costs in terms of EBITDA are around $34 million. These costs represent costs associated with running Healthscope's head office and include:

- costs of the Healthscope executive office such as costs associated with the Managing Director and CEO and the Chief Financial Officer, company secretarial and legal, corporate affairs, treasury and tax;
- listed company costs such as directors' fees, costs associated with annual reports and shareholder communications, share registry and listing fees; and
- costs of certain group shared services, such as human resources and information technology, that are not fully recharged to the business operations during the year.

Any acquirer of 100% of Healthscope would be able to save the costs associated with being a publicly listed company. The ability to save other head office costs is less clear, particularly as the most likely acquirers of Healthscope are financial acquirers or large international healthcare companies based overseas that would not be in a position to eliminate duplicate head office functions. In any event, allowing for such savings would potentially double count them given the earnings multiples from comparable transactions reflect (to some extent) synergies available to the acquirer.

Grant Samuel has assumed a value of $(310)–(340) million in respect of the unallocated corporate costs, representing the capitalised value of corporate costs that may remain following the acquisition of Healthscope. Grant Samuel has assumed that savings of around $6 million could be achieved by any acquirer. These cost savings principally relate to costs associated with being a listed company. The range of negative values attributed to head office costs represents a multiple of 9-10 times forecast EBITDA before assumed cost savings and 11-12 times forecast EBITDA after assumed cost savings (in line with the overall Healthscope multiples once earnings stabilise in FY21). The valuation range was supported by a DCF analysis.

5.7 Other Assets and Liabilities

Healthscope's other assets have been valued at $26.0 million and its other liabilities have been valued at $(95.8) million, giving a net value for other assets and liabilities of $(69.8) million. These assets and liabilities include:

- land and buildings at closed owned hospitals (Como Private Hospital and Cotham Private Hospital) at sale price (less any deposit received and costs incurred on sale) or cost (without making any allowance for tax given existing Australian capital losses) and payments to be made in relation to the closure of leased hospitals (after tax);
- the promissory note in relation to the sale of the Australian pathology business (at its net present value of $8.3 million);
- investments in the cardiac catheterisation joint ventures at their carrying cost of $0.7 million;
- provision for onerous lease contracts of $46.7 million (after tax), which is calculated as the net present value of future lease payments that Healthscope is obliged to make under non-cancellable operating leases, less revenue expected to be earned on the leases;
- a medical malpractice provision of $5.8 million (after tax) relating to excess payments on current claims payable by Healthscope. While these claims are covered by Healthscope's insurance providers, Healthscope is required to pay an excess on all claims. The medical malpractice provision represents the present value at 31 December 2018 of the estimated future excesses payable on medical malpractice claims;
- other payables of $20.4 million relating to rent paid in advance to Healthscope on operating leases of certain hospital car parks and consulting suites; and
- corporate capital expenditure over the period to FY21 that is one-off in nature (and above the historical level of corporate capital expenditure). Corporate capital expenditure is expected to revert to historical levels after FY21.

5.8 Net Borrowings

Healthscope's adjusted net borrowings for valuation purposes are $1,271.2 million. This amount reflects Healthscope's reported net borrowings at 31 December 2018 adjusted for non-cash capitalised facility costs, fair value adjustments associated with the USPP and payment of the 1HY19 dividend (on 26 March 2019):

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HEALTHSCOPE – ADJUSTED NET BORROWINGS ($ MILLIONS)

	SECTION REFERENCE	VALUE
Net borrowings at 31 December 2018	4.3	(1,212.3)
Capitalised facility costs	4.3, refer below	(3.4)
USPP fair value adjustments	4.3	5.4
Payment of 1HY19 dividend	4.2	(60.9)
Adjusted net borrowings		**(1,271.2)**

Capitalised facility costs have been added back to net borrowings as it is a non-cash asset (that is amortised over the life of the relevant borrowings).

Grant Samuel has not adjusted net borrowings to include the receivables securitisation facility as 31 December 2018 of $128.3 million on the basis that:

- it corresponds to an equal and offsetting asset (i.e. a reduction in working capital); and
- the notional financing cost is included in the EBITDA and EBITA used to calculate the implied earnings multiples (i.e. the implicit financing cost for off-balance sheet facilities is included in cost of goods sold).

6 Evaluation of the Brookfield Transaction

6.1 Summary

Grant Samuel has concluded that the Brookfield Transaction is fair and reasonable. Accordingly, in Grant Samuel's opinion:

- the Scheme is in the best interests of Healthscope shareholders; and
- the Takeover Offer is fair and reasonable,

in the absence of a superior proposal.

6.2 Fairness

Grant Samuel has estimated the full underlying value in Healthscope, including a premium for control, to be in the range $4.1-4.5 billion, which corresponds to $2.34-2.58 per share. The value is the aggregate of the estimated value of Healthscope's business operations less external liabilities and any non-trading assets or liabilities. The valuation and the basis for it are set out in detail in Section 5 of this report.

The value range exceeds the price at which, based on current market conditions, Grant Samuel would expect Healthscope to trade on the ASX in the absence of a takeover offer (or speculation as to an offer).

The Scheme Cash Consideration of $2.465 per share and the Takeover Consideration of $2.365 per share both fall within the value range of $2.34-2.58 per share. Accordingly, the Brookfield Transaction is fair. The bottom of the value range represents the relevant threshold for fairness. Any price above the bottom of the range is, by definition, fair and it is irrelevant where in the range an offer price falls.

6.3 Reasonableness

As the Brookfield Transaction is fair, it is also reasonable. In any event, there are a number of other factors that support the reasonableness of the Brookfield Transaction and which Healthscope shareholders should consider in determining whether to vote for or against the Scheme or whether to accept or reject the Takeover Offer. These factors are set out in the following sections.

6.3.1 Transaction Process

The Brookfield Transaction is the culmination of a process that commenced on 26 April 2018, with the announcement by Healthscope that it had received a preliminary, non-binding and conditional indication of interest to acquire all the shares in the company for $2.36 cash per share (inclusive of the FY18 final dividend of $0.035 per share). This was followed by a non-binding and conditional indicative proposal from Brookfield Asset Management on 14 May 2018 at an indicative price of $2.50 per share (inclusive of the FY18 final dividend of $0.035 per share).

On 22 May 2018, Healthscope announced that had decided not to grant due diligence to either party and that it would undertake a strategic review of its property portfolio, with a view to unlocking value for shareholders in the near term. The outcome of this review, announced on 21 August 2018, was for Healthscope to establish an unlisted property trust (in which Healthscope would own a 51% interest) to hold the majority of its freehold property assets and lease them back to Healthscope. This transaction was expected to have a number of benefits for Healthscope shareholders, including:

- enhancing shareholder value through realising a material interest in Healthscope's freehold property assets at an attractive valuation (well in excess of Healthscope's trading multiples);
- releasing capital that would be returned to shareholders and used to strengthen Healthscope's balance sheet and fund future growth opportunities; and

- reducing Healthscope's ongoing capital requirements through the introduction of a co-investor to fund future brownfield projects.

Further indicative offers were received from the BGH-AustralianSuper Consortium (at $2.36 per share inclusive of the $0.035 FY19 interim dividend) and Brookfield (at $2.55 per share by way of a scheme and $2.42 per share by way of a simultaneous takeover offer, in both cases exclusive of the $0.035 FY19 interim dividend) in October and November 2018, and Healthscope granted Brookfield a period of exclusive due diligence, resulting in Healthscope and Brookfield entering into the Implementation Deed on 1 February 2019.

Although the Brookfield Transaction (at $2.465 per share by way of the Scheme and $2.365 per share by way of the Takeover Offer, in both cases exclusive of the $0.035 FY19 interim dividend) is lower than the consideration in Brookfield's earlier indicative offer, it is:

- only 2-3% lower and follows extensive due diligence undertaken by Brookfield over a two month period; and
- still above the indicative offer from the BGH-AustralianSuper Consortium of $2.325 per share (after allowing for the FY19 interim dividend of $0.035 per share).

The process undertaken by Healthscope and its advisers, particularly having regard to the multiple competing proposals from the BGH-AustralianSuper Consortium and Brookfield, as well as the decision to establish an unlisted property trust (and the benefits it would provide), is such that it is reasonable to conclude that the Brookfield Transaction reflects the full underlying value of Healthscope. On these grounds alone (even before the consideration of theoretical valuation analysis for Healthscope), in Grant Samuel's view it is appropriate to conclude that the Brookfield Transaction is likely to represent fair value.

6.3.2 Premium for Control

The Scheme Cash Consideration of $2.465 per share represents a:

- 30% premium to the price at which Healthscope shares last traded prior to market rumours of an initial proposal for the acquisition of Healthscope (on 11 April 2018). The premium is slightly lower (27-29%) when compared to prices over the prior six months; and
- 38% premium to the price at which Healthscope shares last traded prior to the announcement that Healthscope had received a revised indicative proposal from the BGH-AustralianSuper Consortium (on 22 October 2018). The premium is lower (23-33%) when compared to prices over the week and month prior to the announcement and lower again (14-17%) compared to prices over the prior six months:

SCHEME CASH CONSIDERATION – PREMIUM OVER PRE-ANNOUNCEMENT PRICES

PERIOD	HEALTHSCOPE PRICE/VWAP		PREMIUM	
	11 APRIL 2018	22 OCTOBER 2018	11 APRIL 2018	22 OCTOBER 2018
Pre-announcement closing price	$1.895	$1.785	30.1%	38.1%
1 week VWAP	$1.910	$1.856	29.1%	32.8%
1 month VWAP	$1.945	$1.997	26.7%	23.4%
3 month VWAP	$1.917	$2.099	28.6%	17.4%
6 month VWAP	$1.946	$2.161	26.7%	14.1%

The Takeover Consideration of $2.365 per share represents premiums that are around 500-600 basis points lower than those for the Scheme Cash Consideration:

TAKEOVER CONSIDERATION – PREMIUM OVER PRE-ANNOUNCEMENT PRICES

PERIOD	HEALTHSCOPE PRICE/VWAP		PREMIUM	
	11 APRIL 2018	22 OCTOBER 2018	11 APRIL 2018	22 OCTOBER 2018
Pre-announcement closing price	\$1.895	\$1.785	24.8%	32.5%
1 week VWAP	\$1.910	\$1.856	23.8%	27.4%
1 month VWAP	\$1.945	\$1.997	21.6%	18.4%
3 month VWAP	\$1.917	\$2.099	23.4%	12.7%
6 month VWAP	\$1.946	\$2.161	21.5%	9.4%

While the level of premium observed in takeovers tends to fall in the range 20-35% (and this range has become a standard expectation), it is important to recognise that premiums for control:

- are an outcome not a determinant of value; and
- vary widely depending on individual circumstances of the target and other factors (such as the potential for competing offers). A substantial proportion of transactions fall outside (either above or below) the 20-35% range.

The Scheme Cash Consideration and the Takeover Consideration premiums relative to Healthscope share prices prior to market rumours of an initial proposal for the acquisition of Healthscope on 11 April 2018 are within the 20-35% range, as are the premiums based on the Healthscope share price up to a month prior to the announcement that it had received an indicative proposal from the BGH-AustralianSuper Consortium on 22 October 2018. However, the level of premium over longer periods (prior to 22 October) is considerably lower (14-17% based on the Scheme Cash Consideration and 9-13% based on the Takeover Consideration) as a result of the inclusion of trading in April/May 2018 and the following period (which was impacted by the earlier change of control proposals).

The premiums prior to the announcement on 22 October 2018 are the most recent benchmark, but:

- even though the trading in the week/month prior to 22 October 2018 was well below the level of the April/May 2018 proposals (suggesting that takeover premium had "disappeared"), it is inevitable that the share price was impacted by some level of expectation that the BGH-AustralianSuper Consortium or Brookfield would return at some stage; and
- the longer term measures (e.g. six months prior to announcement) include periods affected by the April/May proposals.

Accordingly, less reliance should be placed on these share prices as an indicator of fair market value.

The premiums relative to Healthscope share prices prior to market rumours of an initial proposal for the acquisition of Healthscope on 11 April 2018 are arguably the better measure of appropriate premiums as they represent premiums over a Healthscope share price that is undisturbed by any expectation of a change of control event. However, they are not perfect, particularly given the impact of company specific announcements and changes in market conditions over the period subsequent to April 2018, including:

- announcement by Healthscope of:
  - the closure or impairment of three poorly performing hospitals following a portfolio review and lower earnings guidance for FY18 (May 2018);
  - a strategic review of its hospital properties (May 2018) and the proposal to establish an unlisted property trust to hold the majority of its freehold hospital assets (August 2018);
  - the sale of Asian Pathology to TPG (July 2018); and
  - its FY18 results (August 2018); and
- the global correction in equities markets (October 2018).

It is not possible to determine where Healthscope shares would have been trading in October 2018 had the prior indicative proposals from the BGH-AustralianSuper Consortium and Brookfield Asset Management not been received. The events outlined above include both positive and negative effects, each of which could have had a material impact on the share price.

Moreover, the lower premiums implied by the Takeover Consideration are designed to make it less attractive to shareholders and the focus should be on the premiums implied by the Scheme Cash Consideration.

6.3.3 Alternatives

Superior Proposal

Healthscope has effectively been "in play" since it announced that it had received a preliminary, non-binding and conditional indication of interest at $2.36 cash per share (inclusive of the $0.035 per share interim dividend) from the BGH-AustralianSuper Consortium on 26 April 2018. The subsequent indicative proposal from Brookfield Asset Management and the further indicative offers from the BGH-AustralianSuper Consortium and Brookfield were well publicised. It is reasonable to assume that every credible potential buyer of Healthscope (including international buyers) would have been aware of the opportunity.

Although Healthscope has agreed to pay a break fee to Brookfield of $43 million in circumstances where a superior proposal is implemented within specified timeframes and has given no-shop, no-talk and no-due diligence undertakings, there is little impediment to a higher offer for Healthscope from a third party. A break fee of $43 million represents $0.025 per share and is not of a magnitude to represent a disincentive to parties contemplating alternative proposals, and the no-talk and no-due diligence undertakings are subject to the fiduciary and statutory duties of Healthscope directors (i.e. it can respond to unsolicited approaches from third parties). The Co-Operation and Process Agreement that required Healthscope's major shareholder, AustralianSuper, to vote against any competing proposal for Healthscope for an exclusivity period may have been seen as an impediment, although the Brookfield Transaction was structured to overcome this impediment (as could any other third party offer) and, in any event, the exclusivity period expired on 31 March 2019 and the agreement has been terminated.

In Grant Samuel's view, these arrangements were unlikely to be a serious disincentive to a committed buyer willing to make a superior offer and are no longer relevant. However, there are practical constraints against progressing any alternative proposal. These are illustrated by Healthscope's reaction to the BGH-AustralianSuper Consortium indicating, following announcement of the Brookfield Transaction, that it could improve the terms of its non-binding proposal (at $2.36 per share, inclusive of the FY18 interim dividend of $0.035 per share) if it was provided with access to due diligence. Healthscope was not able to provide access to due diligence under the terms of the Implementation Deed with Brookfield, presumably on the basis that the BGH-AustralianSuper Consortium proposal could not, with certainty, be considered to be a superior proposal to the Brookfield Transaction.

The nature of the likely acquirers of Healthscope (i.e. large financial acquirers or large international healthcare companies) means that they would want to undertake due diligence prior to making a formal offer (clearly this was the case for the BGH-AustralianSuper Consortium). The scale and complexity of Healthscope's business would suggest an offer from any alternative party without due diligence is unlikely. Unless the directors of Healthscope determine that an alternative offer is superior, or likely to become superior, to the Brookfield Transaction (subject to Brookfield's rights to match), the alternative proposal cannot proceed. Forming the view that an alternative offer is superior, or likely to become superior and providing access to due diligence exposes the Healthscope directors to the risk that:

- the current transaction (in this case, the Brookfield Transaction) falls away;
- the alternative acquirer ultimately finds its due diligence unsatisfactory and withdraws or seeks to amend/reduce its offer; and

- Healthscope may be required to pay the break fee to Brookfield.

The alternative for Healthscope shareholders would be to vote against the Scheme and reject the Takeover Offer in the hope that they could realise greater value through a subsequent alternative offer. However, in Grant Samuel's view, this would be imprudent. Given the period of time that Healthscope has been "in-play" (i.e. since April 2018), the prospects of a superior offer in the short term appear unlikely.

The BGH-AustralianSuper Consortium indicative proposal remains as an alternative for Healthscope shareholders if the Brookfield Transaction is not successful. However:

- Healthscope has already rejected indicative proposals at the consideration offered by the BGH-AustralianSuper Consortium and instead had proposed to create value for shareholders by establishing an unlisted property trust for its freehold hospital property assets;
- there is no certainty that the BGH-AustralianSuper Consortium would increase the consideration offered following due diligence or that any transaction would be formally proposed; and
- following termination of the Co-Operation and Process Agreement on 31 March 2019, it appears unlikely that the BGH-AustralianSuper Consortium would pursue an alternative proposal.

Furthermore, even if an alternative proposal was put forward, there would be no reason for the BGH-AustralianSuper Consortium to offer:

- any more than its last indicative offer (of $2.36 per share inclusive of the FY19 interim dividend of $0.035 per share or $2.325 per share excluding the FY19 interim dividend (on the basis that it would, at that stage, likely be the only offer available to Healthscope shareholders); or
- at best, the low end of Grant Samuel's valuation range for Healthscope of $2.34 per (excluding the FY19 interim dividend),

both of which are below the Scheme Cash Consideration of $2.465 per share (excluding the FY19 interim dividend).

In any case, it remains open for the BGH-AustralianSuper Consortium or any other interested party to make a superior offer prior to the Scheme becoming effective, currently expected to be 24 May 2019 (or the Takeover Offer becoming unconditional in the event that the Scheme is not approved).

Healthscope Sale and Leaseback

Healthscope shareholders could also vote against the Scheme and reject the Takeover Offer on the basis that they consider Healthscope's proposal to establish a new unlisted property trust to hold the majority of its freehold property assets (20 hospital properties) and lease them back to Healthscope (the "Healthscope sale and leaseback") could realise greater value.

Healthscope identified a number of operational benefits from the Healthscope sale and leaseback, including:

- enhancing shareholder value by realising a material interest in Healthscope's freehold property assets at attractive valuations (well in excess of Healthscope's trading multiple);
- releasing substantial capital which would be used to return capital to Healthscope's shareholders, further strengthen the balance sheet and fund future growth opportunities;
- reducing Healthscope's ongoing capital needs through the introduction of a co-investor to fund part of Healthscope's future brownfield projects; and
- retaining control of the property trust through both a majority ownership interest and management rights, thereby preserving Healthscope's operational flexibility and the ability to invest in brownfield projects.

Under the Healthscope sale and leaseback, Healthscope would own a majority interest in the hospital property trust and a co-investor would be introduced to hold an interest of up to 49% of the trust. A competitive process had been commenced by Healthscope to select a preferred co-investor. This process involved:

- engagement with potential buyers, including a United States roadshow where MPT was introduced to Healthscope;
- commissioning of technical vendor due diligence reports and establishment of a detailed transaction data room; and
- preparation of marketing materials (flyer, roadshow materials, information memorandum, management presentation etc) and transaction documentation (lease, unitholder agreement etc).

Healthscope continued this process following receipt of the proposal from Brookfield on 12 November 2018 (in case the Brookfield Transaction did not ultimately proceed to a definitive agreement), but it did not proceed to an agreed transaction.

The hospital properties to be transferred to into the property trust had a book value of land and buildings of approximately $1.0 billion and the operating businesses at those locations generated approximately 65% of the Hospital division's FY18 EBITDA (i.e. $224 million). Rental payments to the trust were expected to be $80-90 million in the first year.

If the Brookfield Transaction is not implemented, the Healthscope Board could subsequently make the decision to reactivate and implement the Healthscope sale and leaseback (potentially with MPT and/or NorthWest, the parties to the Property Transaction), although it is not certain that the Healthscope Board would make this decision. While shareholders would retain the benefit of any future upside through continued ownership of their Healthscope shares, in Grant Samuel's opinion, implementation of the Healthscope sale and leaseback would be unlikely to realise greater value than the Brookfield Transaction for Healthscope shareholders in the short term as:

- Healthscope would be required to pay tax on the proceeds from sale of the hospital properties (reducing any potential capital return to shareholders); and
- shareholders would retain a minority equity interest in the residual Healthscope entity which will have higher operating leverage and increased volatility in earnings (as a result of the rental payments to the property trust) and for which they will not receive any control premium.

In any event, Healthscope did not reach the stage of agreeing the terms of a sale and leaseback transaction so there is no ability to compare any outcome of a sale and leaseback transaction to the Brookfield Transaction. Furthermore, in recommending the Brookfield Transaction, the Healthscope directors have formed the view that any potential Healthscope sale and leaseback would not deliver greater value than the Brookfield Transaction.

6.3.4 Share Trading in the absence of any Proposal

Healthscope shares traded at prices significantly lower than $2.50 (the Scheme Cash Consideration before the 1HY19 dividend of $0.0.35 per share) during the period before announcement of the initial indicative proposal from the BGH-AustralianSuper Consortium. The volume weighted average price over the three month period to 11 April 2018, the day prior to market rumours of an initial proposal for the acquisition of Healthscope, was $1.917, and Healthscope shares last traded at $1.895 on 11 April 2018.

If the Scheme is not implemented and the Takeover Offer is unsuccessful, the Healthscope share price may, in the short term, be supported by the possibility that the BGH-AustralianSuper Consortium could make a further offer for Healthscope (although this appears unlikely following termination of the Co-Operation and Process Agreement on 31 March 2019). In Grant Samuel's view, in the absence of an expectation of some other corporate transaction for Healthscope, the Healthscope share price would fall, perhaps significantly, if shareholders voted against the Scheme and rejected the Takeover Offer.

It is conceivable that the Healthscope share price could reach levels around or above the Scheme Cash Consideration in the medium to longer term. However, the Scheme Cash Consideration crystallises value for Healthscope shareholders that could only be delivered if Healthscope consistently achieves relatively high rates of earnings growth. While Healthscope management is projecting high rates of earnings growth in the short term (i.e. at least 10% growth in FY19 EBITDA for the Hospitals division), the achievement of this growth (and ongoing growth in earnings) is not without risk. In particular, the performance of Healthscope's Hospitals division is dependent on:

- the ramp up as planned of:
  - completed and under construction brownfield developments (including achieving a return on invested capital of at least 15% on each project within three years of commissioning); and
  - Northern Beaches Hospital over the next 4-5 years. The projected EBITDA contribution from Northern Beaches Hospital once it is fully operational of around $62 million[56] represents a material uplift in earnings for the Hospitals division.

  The capital investment in these projects has been made (i.e. it is a sunk cost) or committed and the challenge now is operational execution; and
- no further decline in participation rates in private health insurance and negotiations with private health funds. It is reasonable to expect that competitive and regulatory pressures may limit the ability of Healthscope to generate earnings growth in the future.

In the medium to long term, earnings growth from the existing portfolio is likely to be moderate at best. Any significant growth will come from brownfield or greenfield projects which involve capital expenditure (albeit at attractive expected returns) and execution risk.

Accordingly, while Healthscope management's forecasts of earnings growth are not unreasonable, there can be no assurance that the earnings growth will be delivered within a timeframe and to an extent that will compensate shareholders for the delay and risk involved. In this context, the certain cash consideration of $2.465 per share delivered by the Scheme is, in Grant Samuel's view, attractive.

6.4 Scrip Alternative

The Scrip Consideration is only available under the Scheme. For eligible shareholders, the decision to elect the Scrip Consideration and receive HoldCo Class B shares is independent of a decision to approve the Scheme.

AustralianSuper has a relevant interest in 15.86% of Healthscope shares and is the largest individual shareholder in Healthscope. The maximum threshold of 45% of HoldCo being held by Healthscope shareholders is reached if Healthscope shareholders holding approximately 16% of Healthscope shares elect to receive the Scrip Consideration. As a result, AustralianSuper is able to elect the Scrip Consideration in relation to its entire shareholding and will only be scaled back to the extent that other Healthscope shareholders elect the Scrip Consideration.

Healthscope shareholders who elect the Scrip Consideration will retain an economic interest in Healthscope's business operations and assets (although the extent of this interest could be diluted in the event that any scaleback applies). These shareholders:

- will, to the extent that they elect the Scrip Consideration and receive HoldCo Class B shares, be able to defer the capital gains consequences of the Scheme as capital gains tax rollover relief will be available (see Section 12.3 of the Transaction Booklet); and

- may be able to participate in any future exit by Brookfield of its investment in Healthscope (which may be at a higher value or a lower value than the Scheme Cash Consideration). However, the timing of any potential exit and the exit mechanism have not yet been determined.

On the other hand:

- Brookfield will have control over Healthscope through its minimum 55% interest and the rights attaching to the HoldCo Class A shares held by it (including rights to appoint a majority of directors to the HoldCo board) and will therefore be in a position to determine the outcome of most decisions relating to HoldCo.

  HoldCo Class B shareholders do not have the right to appoint HoldCo directors. However, a HoldCo Class B shareholder holding 20% or more of HoldCo issued shares (Class A and Class B shares) will be entitled to appoint one HoldCo director for every 20% of HoldCo issued shares held[59]. A Healthscope shareholder holding approximately 7% or more of Healthscope shares who elects the Scrip Consideration will be able to take advantage of this provision. At the date of this report, only AustralianSuper meets this requirement (and would be entitled to appoint two HoldCo directors if the Scheme is approved, they elect the Scrip Consideration and there is no scaleback);

- shareholders will hold a greater share of the equity in HoldCo than they do in Healthscope (subject to any scaleback that applies) and will therefore have greater exposure to any equity upside. However, they will also have an investment in a company that is highly leveraged and will be exposed to greater risk. HoldCo's leverage ratios will be significantly higher than those of Healthscope and other similar ASX-listed companies (such as Ramsay). The leverage ratios for Healthscope, Ramsay and HoldCo (based on the pro forma financial information set out in Section 10.3 of the Transaction Booklet) are set out below:

HEALTHSCOPE VS RAMSAY VS HOLDCO – KEY LEVERAGE METRICS[60]

LEVERAGE METRIC	INDICATOR OF LOWER LEVERAGE	HEALTHSCOPE ACTUAL	RAMSAY ACTUAL	HOLDCO PRO FORMA
Gearing (as at 31 December 2018)	Lower	32.3%	67.7%[61]	46.2%
Debt cover[62] (FY18)	Lower	4.7x	2.3x	9.9x[63]
Debt cover (1HY19)[64]	Lower	3.1x	3.7x	5.8x
Interest cover (FY18)	Higher	7.4x	12.4x	1.3x
Interest cover (1HY19)	Higher	6.3x	9.8x	2.0x

Source: Healthscope, Ramsay, Transaction Booklet and Grant Samuel analysis

- shareholders will no longer have the protections offered under the ASX Listing Rules and Australian corporate law for listed public companies in relation to takeovers, acquisition of substantial shareholdings and certain minority protection rights (e.g. continuous disclosure and approval for share issues, transactions with related parties and change in activities etc);

- shareholders will be subject to the provisions of the Shareholders' Agreement (and the Nominee Deed, unless they have received the approval of HoldCo Class A shareholders holding more than 50% of HoldCo Class A shares). A summary of the Shareholders' Agreement and a summary of the rights

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59 Provided that the HoldCo Class B shareholder does not have an interest in a competitor.

60 Leverage ratios have been calculated before taking into account the impact of AASB16 in relation to the treatment of leases.

61 Ramsay's higher gearing is in part explained by its acquisition growth strategy and, in particular, the impact of the acquisition of Capio AB (results included from 7 November 2018). Its gearing at 30 June 2018 was 56.5%.

62 Debt cover = net borrowings/EBITDA.

63 Calculation of HoldCo debt cover assumes net borrowings of $1,465 million at 30 June 2018 and at 31 December 2018.

64 Debt cover ratio for 1HY19 is calculated by annualising 1HY19 EBITDA.

attaching to HoldCo Class B shares is set out in Section 10.1 of the Transaction Booklet. The risks associated with holding these shares is set out in Section 11.4 of the Transaction Booklet; and

- most importantly, shareholders will no longer have a liquid market in which to realise their investment.

Prima facie, the underlying value of HoldCo Class B shares on implementation of the Scheme will be the same as the underlying value of shares in Healthscope before implementation of the Scheme. However, the realisable value of HoldCo Class B shares on implementation of the Scheme will be quite different. Shareholders who elect the Scrip Consideration will hold shares in an unlisted, highly illiquid vehicle where:

- there are substantial restrictions on the ability to transfer shares (see Section 10.1 of the Transaction Booklet); and
- there is no guarantee as to whether or when shareholders might be able to extract value, and what price, if any, shareholders might be able to realise for their shares.

In the short term, shareholders may not be able to readily realise any value for their shares. No market of any kind is envisaged for the HoldCo Class B shares and Brookfield has given no undertaking that it would be prepared to acquire any shares that become available. Even if a buyer could be found, the price that shareholders might ultimately realise for their shares will be influenced by a variety of factors, including the future performance of the business, the terms of the Shareholders' Agreement and the likelihood of a future realisation event for the business. Given these factors and the associated uncertainties, it is not possible to reliably estimate the value that might ultimately be realised for the shares. However, absent a subsequent sale of the business or other liquidity event (which may be some years away), the realisable value per share would be expected to incorporate a substantial discount reflecting the illiquidity of the market for the shares.

The level of discount observed for a minority interest and lack of marketability is typically in excess of 50% (on a combined basis), although the actual discount will depend entirely on the specific circumstances of each case, including, in addition to the factors outlined above, the number of shareholders, which, in the case of HoldCo Class B shares, is currently unknown.

Discounts in the order of 50% would result in a fair value for a HoldCo Class B share that was significantly less than the Scheme Cash Consideration of $2.465 per share and well below Grant Samuel's full underlying value range for Healthscope shares of $2.34-2.58. If Grant Samuel was required to provide its opinion on a transaction that only offered the Scrip Consideration, it would be likely to conclude that such a transaction was not fair. However, it is not necessary for Grant Samuel to form an opinion on whether the Scheme is fair based on the likely realisable value of a HoldCo Class B share as the default consideration under the Scheme that is available to all shareholders is cash, and the cash consideration is fair.

In addition, under the Shareholders' Agreement, Brookfield will, after the first anniversary of the implementation date, be able to compulsorily acquire the HoldCo Class B shares held by a shareholder where those shares have an aggregate issue price of $10,000 (the equivalent of 10,000 HoldCo Class B shares) or less at the time of issue. The price payable per HoldCo Class B share will be the market value of a HoldCo Class B share at the time of the compulsory disposal. The market value will be determined by the HoldCo Board, or, in the event of a dispute, determined by an independent valuer.

As a result, electing to receive the Scrip Consideration is likely to be unattractive to the majority of retail Healthscope shareholders and the directors of Healthscope do not recommend that shareholders make this election. There may be some institutional Healthscope shareholders that find the Scrip Consideration attractive and consider that they "can look after themselves" vis-à-vis Brookfield. However, they need to carefully consider the rights, liabilities and risks attaching to HoldCo Class B shares (which are set out in detail in Sections 10.1 and 11.4 of the Transaction Booklet) before making a decision to elect the receive the Scrip Consideration.

6.5 Takeover Offer Minimum Acceptance Condition

The Takeover Offer is conditional on the Scheme not becoming effective and also has a 50.1% minimum acceptance condition indicating that Brookfield is not currently prepared to own less than 50.1% of Healthscope (although it is able to waive this condition with Healthscope's consent). If Brookfield acquires 50.1% or more but less than 90% of Healthscope's shares, the implications for remaining Healthscope shareholders include:

- Brookfield will control Healthscope, being able to determine the outcome of resolutions requiring approval of at least 50% of the votes cast by shareholders entitled to vote on a resolution. At 75% or more Brookfield would also be able to determine the outcome of special resolutions.

  In this context, Brookfield intends to:

  - undertake a full review of Healthscope and is business operations, assets and employees to determine how best to operate and further develop and grow the company;
  - review Healthscope's dividend policy;
  - review Healthscope's capital structure (including refinancing Healthscope's borrowings, increasing borrowings from $1.3 billion to $1.8 billion), and may encourage Healthscope to raise capital; and
  - actively encourage Healthscope's board to apply for removal of Healthscope from the official list of the ASX to the extent it is able to do so consistently with ASX guidance.

  Brookfield may also seek to exit its investment in Healthscope in the future.

  However, Brookfield's control of the ongoing management of Healthscope means it could seek changes to Healthscope's business operations, dividend policy and gearing levels. Furthermore, if Healthscope is delisted from the ASX, remaining shareholders would hold unlisted shares reducing their ability to realise value;

- Healthscope will meet transaction costs in relation to the Brookfield Transaction of approximately $35 million (before tax) (see Section 6.6 below);
- there will be an adverse impact on the market for Healthscope shares, particularly if Healthscope is delisted. If delisting does occur, there could be a dramatic fall in the value that could be realised for Healthscope shares. Even if it remains listed, there will be a significant reduction in liquidity which will be exacerbated to the extent Brookfield's final shareholding exceeds 50.1%. Illiquid shares tend to trade a substantial discounts to fair value; and
- the prospects of receiving a fully priced offer in the future for their investment in Healthscope would be greatly reduced.

If Brookfield does succeed in acquiring more than 50.1% of Healthscope shares and declares the Takeover Offer unconditional, any remaining Healthscope shareholders who have not accepted the Takeover Offer should carefully consider their position prior to the Takeover Offer closing (noting that if Brookfield acquires more than 50% of Healthscope shares in the seven days prior to the end of the Takeover Offer period, then the Takeover Offer will automatically be extended for a further 14 days).

6.6 Other Matters

Taxation Consequences

If the Scheme is implemented or the Takeover Offer becomes unconditional, shareholders (or accepting shareholders in the case of the Takeover Offer) will be treated as having disposed of their Healthscope shares for tax purposes. A capital gain or loss may arise on disposal depending on the cost base for the Healthscope shares, the length of time held, whether the shares are held on capital or revenue account and whether the shareholder is an Australian resident for tax purposes. There will also be tax consequences arising from payment of the special dividend and the capital return associated with the Takeover Offer.

Details of the Australian taxation consequences for Healthscope shareholders who are Australian resident individuals and hold their shares on capital account are set out in Sections 12.3 (Scheme) and 12.4 (Takeover Offer) of the Transaction Booklet. In particular, shareholders should note that capital gains tax rollover relief is not available under the:

- Scheme, for those shareholders who receive the Scheme Cash Consideration; or
- Takeover Offer.

Shareholders who receive the Scrip Consideration may be eligible to receive capital gains tax rollover relief if a gain would otherwise have been made.

Shareholders should consult their own professional adviser in relation to the taxation consequences of the Brookfield Transaction.

Transaction Costs

If the Scheme is not approved by shareholders or is otherwise not implemented and Brookfield is not able to proceed with compulsory acquisition under the Takeover Offer, it is estimated that Healthscope will meet costs (including legal and other adviser's fees as well as printing and mailing costs) of approximately $35 million (2 cents per share) (before tax).

If the Scheme is not approved by shareholders or is otherwise not implemented and Brookfield does not reach the minimum acceptance condition under the Takeover Offer of 50.1%, Healthscope will meet costs of approximately $11 million (before tax).

In certain circumstances, Healthscope will also be liable to pay Brookfield a $43 million break fee. If the Brookfield Transaction is implemented, all transaction costs will effectively be borne by Brookfield.

Ineligible Foreign Shareholders under the Scheme

Ineligible foreign shareholders (i.e. Healthscope shareholders with registered addresses outside of Australia or New Zealand) are not able to elect to receive the Scrip Consideration. However:

- ineligible foreign shareholders hold less than 1% of Healthscope shares;
- the Healthscope directors have unanimously recommended that shareholders accept the Scheme Cash Consideration (i.e. do not elect to receive the Scrip Consideration); and
- certain ineligible foreign shareholders may be able to receive the Scrip Consideration if Healthscope and Brookfield agree it is lawful and not unduly onerous or impractical to do so.

Takeover Offer Special Dividend

The Takeover Consideration of $2.365 per share includes a special dividend of $0.637 per share[6], which is expected to be partly franked.

In Grant Samuel's opinion, it is not appropriate for the assessment of the Takeover Offer to either:

- factor into the value of Healthscope the value of accumulated franking credits; or
- include in the value of the consideration the value of the credits attached to the special dividend.

The reasons are manifold but not the least of these is that the franking credits do not have value to a company per se but only have value to the shareholders of a company (when attached to dividends) and the value of those credits to each shareholder varies depending on their individual circumstances. Nevertheless, it needs to be recognised that, where part of a takeover offer comprises a franked dividend, certain categories of shareholders may realise additional value from the franking credits (i.e. they are better off in after tax terms than they would have been had the same amount been paid as part of the acquisition price and been received as a capital gain).

The following table sets out illustrative calculations for a variety of shareholder types:

FRANKING CREDIT BENEFIT ANALYSIS (CENTS)

	FOREIGN SHAREHOLDER[65]	AUSTRALIAN RESIDENT INDIVIDUAL SHAREHOLDER[66]			AUSTRALIAN SUPER FUND[67]	AUSTRALIAN CORPORATION[68]
		45% MARGINAL RATE	30% MARGINAL RATE	0% MARGINAL RATE		
63.7 cents received as a dividend franked to 50%						
Dividend	63.7	63.7	63.7	63.7	63.7	63.7
Franking credit (50%)	-	13.7	13.7	13.7	13.7	13.7
Gross taxable income	**63.7**	**77.4**	**77.4**	**77.4**	**77.4**	**77.4**
Tax payable	-	(36.4)	(24.8)	-	(11.6)	(23.2)
Tax credit	-	13.7	13.7	13.7	13.7	13.7
Net tax (payable)/refundable	**-**	**(22.7)**	**(11.1)**	**13.7**	**2.0**	**(9.6)**
Net after tax cash income	**63.7**	**41.0**	**52.6**	**77.4**	**65.7**	**54.1**
63.7 cents received as a capital gain						
Capital gain	63.7	63.7	63.7	63.7	63.7	63.7
Tax payable	-	(15.0)	(10.2)	-	(6.4)	(19.1)
Net after tax cash income	**63.7**	**48.7**	**53.5**	**63.7**	**57.3**	**44.6**
Net benefit of dividend	**-**	**(7.7)**	**(0.9)**	**13.7**	**8.4**	**9.6**

Primarily, the benefits flow to Australian resident shareholders on lower tax rates (e.g. superannuation funds). There is nil benefit to foreign shareholders, while Australian resident individual shareholders on the top and second top marginal tax rates would have been better off receiving the amount as a capital gain.

It should also be noted that the ATO may apply certain integrity measures to prevent shareholders from being entitled to a tax offset for the franking credits attached to the special dividend. Healthscope has sought a class ruling to confirm that none of those integrity measures will be applied in relation to the special dividend. However, the final class ruling will not be issued until after the end of the Takeover Offer period (if this is the transaction that proceeds). As a result, there is a risk that shareholders may not be able to obtain the benefit of the franking credits attached to the special dividend.

6.7 Shareholder Decision

Grant Samuel has been engaged to prepare an independent expert's report setting out whether in its opinion the Scheme is in the best interests of, and the Takeover Offer is fair and reasonable to, Healthscope shareholders and the Property Transaction confers a net benefit on NorthWest. Grant Samuel has not been engaged to provide a recommendation to shareholders in relation to the Brookfield Transaction, the responsibility for which lies with the directors of Healthscope.

In any event, the decision whether to vote for or against the Scheme or accept or reject the Takeover Offer is a matter for individual shareholders based on each shareholder's views as to value and business strategy, their expectations about future economic and market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. In particular, taxation consequences may vary from shareholder to shareholder. If in any doubt as to the

65 Assumes the same tax rate applies to dividend income and a capital gain for a foreign shareholder.

66 Assumes the shares have been held for more than 12 months and that the Medicare levy is 2%.

67 Assumes the superannuation fund is in the accumulation phase (with income taxed at 15%).

68 Assumes the Australian corporate pays tax at a rate of 30%.

action they should take in relation to the Brookfield Transaction, shareholders should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to elect the Scrip Consideration and hold shares in HoldCo. This is an investment decision upon which Grant Samuel does not offer an opinion and is independent of a decision on whether to vote for or against the Scheme. Shareholders should consult their own professional adviser in this regard.

7 Evaluation of the Property Transaction

7.1 Key Terms

The Property Transaction is a Brookfield instigated transaction that is an integral part of its financing structure for the Brookfield Transaction. It involves the sale of 22 of Healthscope's hospital properties to MPT and NorthWest for an aggregate sum of $2.5 billion under long term sale and leaseback arrangements. The portfolio has been split between MPT and NorthWest on an approximately 50/50 basis.

The key financial terms of the Property Transaction are summarised below:

PROPERTY TRANSACTION – KEY TERMS

	MPT PORTFOLIO	NORTHWEST PORTFOLIO
Number of properties	11	11
Sale price	$1,209.3 million	$1,258.1 million
Lease basis	Absolute net lease[69]	Absolute net lease[69]
Initial rent (Year 1)	$60.5 million[70]	$62.9 million
Implied yield ("cap rate")[71]	5.0%	5.0%
Escalation (per annum)	2.5% fixed	2.5% fixed
Market review	None	None
Initial lease term (average)	20 years[72]	20 years[72]
Extension options[73]	8 x 10 years	8 x 10 years
Brownfield capital expenditure commitment (during initial term)	$500 million	$500 million
Tenant buy back rights	Change of control of, or sale by, landlord. In addition, there are certain limited substitution rights and rights in relation to underperforming hospitals	Change of control of, or sale by, landlord. In addition, there are certain limited substitution rights and rights in relation to underperforming hospitals

The Property Transaction will be completed and the leases will commence immediately upon implementation of the Scheme or completion of the Takeover Offer.

7.2 Approach

NorthWest has a relevant interest in 13.41% of Healthscope through a forward derivative contract (the maximum number of Healthscope shares it has the right to acquire under the forward derivative contract) and has an obligation to procure the vote of approximately 13.41% of Healthscope shares in favour of the Scheme and capital return and to procure the tendering of approximately 13.41% of Healthscope shares into the Takeover Offer.

Accordingly, the Property Transaction, in so far as it relates to NorthWest, falls under the possible application of Section 623 of the Corporations Act which prohibits a bidder from giving benefits to a shareholder during the offer period if those benefits are likely to induce acceptance of the bid (collateral benefits). GN21 sets out the Takeovers Panel's approach to such collateral benefits. The Takeovers Panel's view is that, prima facie, an arrangement will give rise to unacceptable circumstances if there is a "net benefit" to the third party. Specifically, it notes that one way to establish that there is no "net benefit" to

69 An absolute net lease (or quadruple net lease) is a lease basis under which the landlord bears zero costs associated with the property. The tenant pays property outgoings, repairs and maintenance, maintenance and replacement capital including all structural repairs.

70 Proforma following completion of projects currently underway at two hospitals.

71 Yield (or cap rate) is a standard property industry term calculated by dividing annualised (or passing) rental by the value of the property.

72 Average for the portfolio. Individual leases are between 19 and 21 years.

73 Exercisable in relation to a specified pool of properties. The MPT Portfolio and the NorthWest Portfolio each have three pools (of varying sizes).

the shareholder is to obtain an expert's opinion to that effect. Healthscope has engaged Grant Samuel to provide that opinion.

NorthWest acquired its interest in Healthscope in May 2018 shortly after announcement of the initial approach by the BGH-AustralianSuper Consortium. NorthWest acquired the interest to "give it a seat at the table" and some degree of leverage to pursue the acquisition of Healthscope's underlying property portfolio. However, NorthWest's motivations are not relevant. The relevant test is the commerciality of the transaction that has been agreed. The essential question, in this case, is whether or not the sale and leaseback transaction with NorthWest is on terms that confer a financial or other benefit on NorthWest. In simple terms, is NorthWest getting some kind of "sweetheart" deal to induce it to support the Brookfield Transaction?

Grant Samuel believes that the issue is best addressed by considering the following matters:

- the commercial rationale for the Property Transaction, including:
  - is it a common financial transaction that would not be unusual in this type of situation? and
  - would NorthWest be expected to be a participant in the transaction in the normal course of events (i.e. in the absence of having a relevant interest in Healthscope)?
- the process undertaken to sell the hospital property assets including:
  - the degree to which it involved an open, competitive process with full information provided to all parties; and
  - the extent of negotiation with multiple parties and improvement in terms over the course of those negotiations;
- the comparability between the terms of the transaction with NorthWest and the transaction with MPT (which is an arm's length party);
- the financial metrics implied by the transaction and their relativity to other comparable transactions, assets or entities; and
- other factors including:
  - the commerciality of the initial rental levels;
  - financial arrangements within the leases (e.g. brownfield capital expenditure funding); and
  - non-financial terms of the leases compared to market practice for such lease arrangements.

To support its analysis, Grant Samuel has engaged m3property, a property valuation specialist experienced in the health sector, to provide a report setting out its opinion as to whether:

- the quantum of lease payments is consistent with market rates for assets of this nature;
- the yield on which the assets have been sold is consistent with market yields (adjusted as appropriate to ensure comparability) for comparable properties (recognising that the transaction involves a portfolio of properties); and
- there are any other lease terms that would not be regarded as market standard (and would benefit NorthWest).

m3property's report is set out in Appendix 3 to this report.

7.3 Opinion

In Grant Samuel's opinion, the Property Transaction does not confer a "net benefit" on NorthWest. The reasons for that opinion are set out below:

Rationale

The Property Transaction is a valid commercial transaction. It involves the sale of a majority of Healthscope's hospital property portfolio to institutional property investors who will then lease the properties back to the hospital operator (i.e. Healthscope) under long term arrangements. Sale and leasebacks are common transactions in the financial markets across a range of sectors and are a capital efficiency strategy designed to "release" capital that can be either returned to shareholders or reinvested in higher returning assets. It is also a common and legitimate technique for an acquirer of a business to assist in the overall funding task by reducing the level of funding required from commercial debt and equity sources. Moreover, in this case:

- Healthscope had itself been pursuing a similar strategy. At the time of its rejection of the initial proposals on 22 May 2018, Healthscope also announced a review of its property assets and on 21 August 2018 it announced a plan to create an unlisted property trust in which it would hold (at least) a 51% interest. Indeed, Healthscope continued to progress its own property proposal in parallel during November and December 2018 as Brookfield worked on the Property Transaction (in case the Brookfield Transaction did not ultimately proceed to a definitive agreement). There are some structural and other differences between the two transactions (100% sale rather than 49% minority interest, market review clauses and buyback rights) but the concept is substantially the same;
- NorthWest (and MPT) are "natural" acquirers of the property portfolio as they are large institutional property investors specialising in the healthcare sector. Both NorthWest and MPT were parties approached by Healthscope in relation to its own proposal prior to the Brookfield Transaction being announced. Accordingly, it is also reasonable to conclude that NorthWest would have been a participant in Brookfield's sale process even if it did not have a relevant interest of 13.41% in Healthscope; and
- Healthscope is a substantial acquisition (enterprise value of circa $5.6 billion) and, accordingly, there is a large financing task for Brookfield to which a sale and leaseback would make a material contribution.

Sale Process

The Property Transaction is the culmination of a competitive process. In November 2018, Brookfield approached seven parties seeking expressions of interest. The selection of these parties took into account the range of parties with whom Healthscope had engaged since August 2018. Between August and December, Healthscope had engaged with a wide range of possible investors in the portfolio. While the selection was more limited because of timing constraints associated with the broader Brookfield Transaction, and therefore not a full open sale or auction process, it targeted the most likely parties that:

- were already familiar with the assets through the existing Healthscope process (and earlier engagement in 2014); and
- had demonstrated genuine interest and had capacity to act promptly and execute.

Healthscope's documentation (e.g. Information Memorandum and process letter (adapted as necessary)) together with the data room was utilised by Brookfield so that a streamlined process was feasible and the tight timetable did not necessarily rule out any key acquirers.

A number of proposals were received and, following negotiations, the Property Transaction was agreed. In this context, it is important to note that:

- terms were improved during the course of negotiations;
- the most competitive terms were offered by MPT. MPT is an arm's length party. NorthWest ultimately agreed to match MPT's terms (including parameters such as the cap rate and escalation clause); and

- other credible arm's length parties offered inferior terms.

All parties were prepared to acquire the entire portfolio. However, the portfolio was split evenly between MPT and NorthWest because Brookfield wanted to maintain competitive tension until a definitive agreement was reached. By agreeing to share the portfolio (if both agreed to the final terms), Brookfield ensured these two parties had an incentive to commit the necessary resources to remain in the process.

Arm's Length Comparability

The sale parameters, lease terms and detailed documentation are, for practical purposes, identical[74] as between MPT and NorthWest including:

- initial yield/cap rate (5%);
- rent escalation (2.5% per annum fixed);
- buy back rights (limited);
- extension options (8 x 10 years);
- brownfield funding commitments ($500 million) and returns; and
- other non-financial lease terms.

MPT is an arm's length party. Brookfield has no reason to provide MPT with favourable terms inconsistent with standard market parameters or practice.

Commerciality of Rentals

The rental payments across individual hospitals are reasonable. At one level, the quantum of the rental payment is not relevant. A fixed obligation has been created and the prime consideration is the value received for the stream of payments (which can be evaluated through analysing parameters such as cap rate). Nevertheless, there would be a potential concern if rental payments for the hospitals are below "market" as this could create a reversionary benefit to NorthWest when the lease expires (i.e. rents could rise substantially giving a "hidden" uplift in value).

In Grant Samuel's view, this is not an issue in relation to the Property Transaction:

- the aggregate rental stream ($123 million in Year 1) is substantially the same as that offered by Healthscope in its own proposal (adjusted for the different mix of hospitals). Healthscope determined the rental stream primarily on the basis of providing a coverage ratio (EBITDAR/annual rental payment) of 2.2 times;
- the practical reality is that there is little scope for a reversionary benefit to NorthWest. There is no market review clause during the initial lease term (circa 20 years). Moreover, Healthscope has the benefit of eight further options to extend the leases for 10 years at a time with a continuation of the fixed 2.5% indexation and no market review clause. If any hospital was "under rented", there would be a clear incentive for Healthscope to continue to exercise its options, delaying realisation of any "benefit" for up to 100 years (which would have a negligible net present value);
- benchmarking rentals for hospitals is not straightforward (compared to, say, CBD[75] office rents) given the complex and specialised nature of the properties and the large variations in scale, operational set up (e.g. theatre to bed ratio), medical disciplines, catchment area and competitive environment. Nevertheless, while it is a relatively crude measure and needs to be treated with some caution, a common benchmark is rent per bed. The parameters applying to the individual hospitals acquired by MPT and NorthWest are summarised below:

[74] There is one difference because of issues related to one hospital (Ringwood) for which there are certain explicit provisions.

[75] CBD = Central Business District.

RENT PER BED PER WEEK COMPARISON ($)

	MPT PORTFOLIO	NORTHWEST PORTFOLIO
Low	425	341
High	1,197	1,167
Weighted Average	785	784

The variations between individual hospitals are significant but demonstrate the wide diversity of profitability per bed between the types of services provided and between smaller regional hospitals and larger capital city hospitals. In any event, the overall parameters are substantially the same as between the MPT Portfolio and the NorthWest Portfolio; and

- m3property has advised Grant Samuel that, in its opinion, the rental payments for the individual hospitals to be acquired by NorthWest are, if anything, at the upper end of market comparables.

Assessment of Cap Rates

The financial metrics of the sale and leaseback are in line with market norms and reflect the attractive attributes of the property portfolio.

Yield/cap rates[71] are a standard valuation technique for property assets[76]. Grant Samuel has evaluated the financial terms of the NorthWest arrangement by comparing the yield (cap rate) implied by the price that NorthWest is paying for the rental stream with data points from comparable transactions or listed entities, taking into account the characteristics of Healthscope's assets and the other terms of the lease (e.g. the basis of rent escalation).

In this case, both the NorthWest Portfolio and the MPT Portfolio have been sold at a 5% cap rate (i.e. 20 times the net rental). In considering this cap rate and any benchmarks, there are a number of factors that need to be considered:

- the lease structure is an "absolute net lease"[69] under which the tenant (i.e. Healthscope) is responsible for all costs associated with property (including outgoings, repairs and maintenance and maintenance and replacement capital expenditure). In contrast, where leases are, for example, simple net leases (rent less outgoings), the cap rates cannot be compared without adjustment for the other costs incurred by the landlord (i.e. repairs and maintenance, maintenance capital expenditure). There can even be differences, albeit small, between an absolute net lease and a "triple net lease";
- the MPT and NorthWest leases:
  - have no market review clauses and have a fixed indexation rate of 2.5% per annum during the initial term; and
  - are subject to eight extension options of 10 years each with indexation continuing to be fixed at 2.5% and no market review clauses.

  Fixed indexation provides certainty to both landlord and tenant (and is more favourable to Healthscope than the "CPI[77] subject to a minimum" that is often used).

  The absence of any market review clause (potentially over the entire 100 years) is more unusual. It eliminates upside and downside risk for the landlord and the tenant and eliminates the risk of debate or litigation (given the uncertainties and potential arguments attached to determining "market" rent) but there are some consequences for risk sharing:

76 Valuers also typically use DCF analysis but the cap rate is the metric most commonly referenced in comparisons.

77 CPI = consumer price index.

- if the business is flourishing and "market" rents rise more than 2.5% per annum, the tenant has a clear incentive to continue to extend the lease and the landlord cannot access any increase in value for up to 100 years; but
- if "market" rents decline or if residual earnings of any pool of hospitals (EBITDAR less rent) decline materially, then the tenant has the ability to not exercise the option to renew (albeit only in respect of a pool). In such circumstances, the value of the underlying hospital property is also likely to have declined.

In reality, the leases are more of a debt obligation than a property lease. They could be best described as a (potentially) perpetual, non-recourse, secured loan at a fixed 7.5% per annum return:

- the period of the lease is potentially 100 years which, for practical purposes, is "in perpetuity";
- the landlord has a "secured" position by virtue of its ownership of the underlying property. However, it only has recourse to the value of the property when the lease is terminated;
- the return is the initial yield of 5%, growing by 2.5% per annum. Under the perpetuity formula[78], this is equivalent to a total return of 7.5% fixed for the entire term of the facility; and
- if interest rates rise the landlord faces a potential loss of value (given it is a kind of fixed rate annuity). In a normal lease with periodic market reviews this loss can be mitigated because higher interest rates are typically associated with higher inflation which would normally flow through into rental charges. This is not the case with the leases under the Property Transaction;

- the cap rate of 5% is an overall weighted average for the portfolio. Individual valuations have not been established for each property based on its own characteristics but implicitly within the portfolio there would be some (higher quality) hospitals at cap rates below 5% and some (lesser quality) hospitals at cap rates above 5%; and
- the MPT Portfolio and the NorthWest Portfolio each comprise 11 hospitals with a significant degree of geographic and operational diversity. It is typical for a portfolio of high quality assets to trade at a premium (i.e. a lower cap rate) to that of an individual hospital. The reasons for these premiums vary from case to case but for the Healthscope portfolio could reflect one or more of the following factors:
  - the value of a portfolio to an acquirer in terms of instant diversification and efficiency (both in time and cost) when compared to accumulating an equivalent portfolio on a piecemeal basis over time;
  - larger portfolios of quality properties have scarcity value and may represent a strategic acquisition for some buyers; and
  - economies of scale and synergies that can be achieved by the acquirers existing operations.

The cap rate of 5% can be compared to the following market evidence:

- Vital Healthcare Property Trust ("Vital") is a New Zealand entity listed on the NZSE. It owns a portfolio of 42 properties across Australia and New Zealand with an aggregate market value of NZ$1.8 billion including a significant number of private hospitals in both countries. Vital is managed by NorthWest.

  At 31 December 2018, Vital's portfolio was valued at a weighted average cap rate of 5.73% (5.7% Australia, 5.8% New Zealand) and had a weighted average lease expiry ("WALE") of 18.0 years. The hospitals were largely valued at cap rates of between 5.5% and 6.0% (with one valued at 5.0%). Vital's securities trade at a slight discount to NTA per security ($2.17 vs $2.24) which may be due to the

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78 $$\text{Value} = \frac{\text{Cash Flow (Year 1)}}{r-g}$$ where r = discount rate (or total return) and g = growth rate in perpetuity

$$\text{Therefore } r = \frac{\text{Cash Flow (Year 1)}}{\text{Value}} + g$$

Therefore r = Initial Yield + g

significant management fees (approximately 25% of net property income). However, this does mean that the market value of the entity is substantially in line with the cap rates adopted in the valuations;

- Healthcare Property Trust ("HPT") is one of Australia's largest healthcare property investment vehicles. It is an unlisted trust managed by Australian Unity, a large health insurer. The portfolio of 13 hospitals was valued at 30 September 2018 by independent valuers at $627 million based on cap rates for individual properties that ranged between 6% and 7% (except for one hospital valued at a higher rate). HPT's portfolio had an overall WALE of approximately 12 years. Revaluations at 31 December 2018 for the Barwon Healthcare Fund, another unlisted fund, were at cap rates of 5.5-7.0% (although mostly internal and for medical centres);
- in 2017, NorthWest acquired Generation Healthcare REIT ("Generation Healthcare"), a property trust listed on the ASX, at a price of $2.30 per unit. Generation Healthcare owned a portfolio of 16 hospitals, medical centres and aged care facilities (within retirement villages). NorthWest's acquisition price implied a value for the property portfolio of $702 million which, in turn, implied a weighted average cap rate of 5.3% (the independent expert applied a cap rate of 6.4%). Generation Healthcare's portfolio had a WALE of approximately 12 years; and
- recent transactions involving individual or small groups of hospitals. m3property's report sets out implied cap rates from selected hospital acquisitions over the last two years (see Appendix 3). The effective cap rates vary from 5.2% to 7.0% with a median of 5.5%.

In broad terms, the market evidence suggests cap rates of around 5.5-6.0% for individual hospitals with scale and quality. It is then necessary to assess this evidence relative to the specific characteristics of the NorthWest Portfolio and the lease terms. The following factors would suggest cap rates lower than comparable assets:

- the high quality and generally larger scale of the assets within the NorthWest Portfolio;
- the long initial term (i.e. a WALE of 20 years) and likelihood of extensions;
- the absolute net rental basis; and
- the scarcity of portfolios of this size and quality in the Australian market. Healthscope and Ramsey are the only two listed private hospital operators and Healthe Care is privately owned. Other large portfolios are "locked up" inside institutions such as religious and other non-profit organisations with less pressing financial incentives to undertake sale and leasebacks.

On the other hand, the following factors may make the portfolio less attractive:

- the fixed indexation rate of 2.5% (potentially for up to 100 years). Over the medium to longer term, it is quite conceivable that inflation could exceed 2.5% (perhaps materially and for extended periods);
- the absence of market review clauses (potentially for up to 100 years); and
- the potentially extremely long term (up to 100 years).

It is Grant Samuel's opinion that the 5% cap rate applicable to the NorthWest Portfolio (and the MPT Portfolio) is in line with market rates taking into account the attributes of the portfolio.

In addition, m3property has advised Grant Samuel that in its opinion the 5% cap rate is reasonable for a portfolio of this nature on an absolute net lease basis (see Appendix 3).

Other Lease Terms

The other financial and non-financial terms of the leases are reasonable:

- the NorthWest lease provides for capital expenditure funding commitments by NorthWest of:
  - $50 million over an initial three year period; and

- $500 million over the first ten years of the lease (reducing after year four) for brownfield projects (i.e. expansion or growth projects that enhance the operating capacity of an existing hospital). However, after two years, funding is at the option of the landlord. The projects that are to be nominated by Healthscope must meet certain criteria prior to commencement.

NorthWest is effectively entitled to an additional rental payment equivalent to a 6% yield (in the first year, then indexed) on this expenditure. In the case of brownfield projects, for any projects after two years this rate is to be based on a 300 basis point margin over 10 year Commonwealth bonds.

In Grant Samuel's opinion, these terms are not unreasonable. The premium (over the 5% initial yield implicit in the Property Transaction terms) reflects that fact that the landlord needs to have capital capacity set aside for these projects; and

- Grant Samuel's review of the lease documentation did not reveal any other terms which appear to be specifically favourable to NorthWest relative to what would be expected in an arm's length contract of this nature.

  m3property has advised that it does not consider there are any other terms of the lease that provide a material benefit to NorthWest compared to market norms.

Special Value

While Grant Samuel is not privy to NorthWest's internal analysis, it is reasonable to conclude that there is no measurable special value[79] to NorthWest in acquiring the NorthWest Portfolio. This reflects the nature of the assets which is essentially a net cash flow stream under which the tenant pays all outgoings, other costs and maintenance capital expenditure and effectively manages the asset. Accordingly, there is no practical scope for cost savings or other synergies that would typically create any special value for a purchaser.

Clearly, NorthWest benefits from acquiring a large, attractive and scarce portfolio that will provide strategic benefits in terms of the development of its business in Australia and New Zealand. However, such benefits:

- are not measurable;
- do not, in Grant Samuel's opinion, comprise "special value" as that term is defined in GN21[79];
- in any event, underpin many acquisitions; and
- do not detract from the fact Northwest is acquiring the assets on terms comparable to arm's length terms.

Conclusion

In Grant Samuel's opinion, the factors outlined above, collectively, strongly indicate the absence of a net benefit to NorthWest.

[79] "Special value" is, in Grant Samuel's view, value that is attributable to only one acquirer and which is not otherwise reflected in the market price achieved in a competitive process.

GRANT SAMUEL

8 Qualifications, Declarations and Consents

8.1 Qualifications

The Grant Samuel group of companies provide corporate advisory services in relation to mergers and acquisitions, capital raisings, debt raisings, corporate restructurings and financial matters generally. The primary activity of Grant Samuel & Associates Pty Limited is the preparation of corporate and business valuations and the provision of independent expert's reports in connection with mergers and acquisitions, takeovers and capital reconstructions. Since inception in 1988, Grant Samuel and its related companies have prepared more than 560 public independent expert and appraisal reports.

The persons responsible for preparing this report on behalf of Grant Samuel are Jaye Gardner BCom LLB (Hons) CA SF Fin GAICD and Stephen Wilson MCom (Hons) CA SF Fin. Both have a significant number of years of experience in relevant corporate advisory matters. Daniel Goh BCom MFin, Pei Wan Han CFA BCom (Hons) and Serafina Fong BCom MFin assisted in the preparation of the report. Each of the above persons is a representative of Grant Samuel pursuant to its Australian Financial Services Licence under Part 7.6 of the Corporations Act.

8.2 Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Grant Samuel's opinion as to whether the Scheme is in the best interests of Healthscope shareholders, the Takeover Offer is fair and reasonable, and the Property Transaction confers on NorthWest a "net benefit" for the purposes of GN21. Grant Samuel expressly disclaims any liability to any Healthscope shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Grant Samuel has had no involvement in the preparation of the Transaction Booklet issued by Healthscope and has not verified or approved any of the contents of the Transaction Booklet. Grant Samuel does not accept any responsibility for the contents of the Transaction Booklet (except for this report).

8.3 Independence

Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationship with Healthscope, Brookfield, NorthWest or MPT or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Brookfield Transaction and the Property Transaction.

Grant Samuel had no part in the formulation of the Brookfield Transaction or the Property Transaction. Its only role has been the preparation of this report.

Grant Samuel will receive a fixed fee of $900,000 for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Brookfield Transaction. Grant Samuel's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.

Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 March 2011.

8.4 Declarations

Healthscope has agreed that it will indemnify Grant Samuel and its employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity will not apply in respect of the proportion of any liability found by a court to be caused by any conduct involving negligence or wilful misconduct by Grant Samuel. Healthscope has also agreed to indemnify Grant Samuel and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person. Any claims by

Healthscope are limited to an amount equal to the fees paid to Grant Samuel. Where Grant Samuel or its employees and officers are found to have been negligent or engaged in wilful misconduct Grant Samuel shall bear the proportion of such costs caused by its action.

Advance drafts of this report were provided to Healthscope and its advisers. Advance drafts of this report were also provided to Brookfield in accordance with the provisions of the Implementation Deed. Certain changes were made to the drafting of the report as a result of the circulation of the draft report. There was no alteration to the methodology, evaluation or conclusions as a result of issuing the drafts.

8.5 Consents

Grant Samuel consents to the issuing of this report in the form and context in which it is to be included in the Transaction Booklet to be sent to shareholders of Healthscope. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Grant Samuel as to the form and context in which it appears.

8.6 Other

The accompanying letter dated 16 April 2019 and the Appendices form part of this report.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is set out at the beginning of this report.

GRANT SAMUEL & ASSOCIATES PTY LIMITED

16 April 2019

Grant Samuel & Associates

GRANT SAMUEL

APPENDIX 1 – BROKER CONSENSUS FORECASTS

Healthscope has not publicly released earnings forecasts for FY19 or subsequent years. Accordingly, the prospective multiples implied by the valuation of Healthscope and its business operations in the Grant Samuel report are based on median broker forecasts.

Set out below is a summary of forecasts prepared by brokers that follow Healthscope in the Australian stockmarket:

HEALTHSCOPE – BROKER FORECASTS ($ MILLIONS)

		REVENUE			EBITDA			EBIT		
BROKER	**DATE**	**FY19**	**FY20**	**FY21**	**FY19**	**FY20**	**FY21**	**FY19**	**FY20**	**FY21**
Broker 1	14 February 2019	2,476.3	2,693.0	2,893.6	409.0	441.0	481.0	284.7	310.0	348.6
Broker 2	14 February 2019	2,656.2	3,081.3	3,477.2	410.2	487.7	552.7	286.0	344.7	392.0
Broker 3	14 February 2019	2,567.0	2,874.0	3,051.0	409.0	442.0	476.0	286.0	306.0	336.0
Broker 4	14 February 2019	2,432.3	2,655.3	2,802.1	404.8	451.3	502.2	282.0	323.0	372.0
Broker 5	15 February 2019	2,520.0	2,717.0	2,857.0	405.0	441.0	479.0	277.0	301.0	336.0
Broker 6	14 February 2019	2,543.0	2,833.0	3,014.0	409.0	454.0	490.0	285.0	316.0	346.0
Broker 7	14 February 2019	2,540.0	2,787.0	2,855.0	405.0	454.0	478.0	281.0	321.0	338.0
Broker 8	14 February 2019	2,451.0	2,553.0	2,666.0	411.0	434.0	457.0	288.0	306.0	324.0
Minimum		*2,432.3*	*2,553.0*	*2,666.0*	*404.8*	*434.0*	*457.0*	*277.0*	*301.0*	*324.0*
Maximum		*2,656.2*	*3,081.3*	*3,477.2*	*411.0*	*487.7*	*552.7*	*288.0*	*344.7*	*392.0*
Median		***2,530.0***	***2,752.0***	***2,875.3***	***409.0***	***446.7***	***480.0***	***284.9***	***313.0***	***342.0***

Source: Brokers' reports, Grant Samuel analysis

When reviewing this data the following should be noted:

- the forecasts presented above represent the latest available broker forecasts for Healthscope;
- the brokers presented are those who have published research on Healthscope following Healthscope's announcement of its 1HY19 results on 14 February 2019;
- Grant Samuel is aware of only one other broker that follows Healthscope. This broker has not released any research on Healthscope that includes earnings forecasts subsequent to Healthscope's announcement of its 1HY19 results on 14 February 2019;
- none of the brokers has separately identified amortisation of acquired intangible assets. To calculate a median brokers' forecast EBITA, Grant Samuel has assumed that $2.5 million of the median brokers' forecast depreciation and amortisation charge relates to amortisation of acquired intangible assets in each of FY19, FY20 and FY21. This gives median brokers' forecast EBITA of:
  - $287.4 million in FY19;
  - $315.5 million in FY20; and
  - $344.5 million in FY21; and
- as far as is possible to identify from a review of the brokers' reports, Grant Samuel believes that the earnings forecasts do not incorporate any one-off adjustments or non-recurring items.

The median brokers' forecasts are sufficiently close to Healthscope's FY19 Reforecast and the 3 Year Plan to be useful for analytical purposes.

Set out below is a summary of forecasts for Healthscope's business divisions prepared by brokers that follow Healthscope in the Australia stockmarket. When reviewing this data the following should be noted:

- only seven of the eight brokers that have published research on Healthscope since the release of Healthscope's 1HY19 results provided forecasts by business division. Futhermore:
  - one broker only provided forecasts for the Hospitals division (and not New Zealand Pathology);
  - one broker only provided forecasts by business division for FY19; and
  - two brokers only provided forecasts by business division for FY19 and FY20;
- not all brokers provide each of revenue, EBITDA and EBIT by business division. Four brokers provide revenue and EBITDA by business division and three brokers provide revenue and EBIT by business division. In the following tables, Grant Samuel has allocated the consolidated forecast depreciation and amortisation of each of the brokers between Healthscope's business divisions in the same proportion as depreciation and amortisation has been forecast by Healthscope; and
- none of the brokers has separately identified amortisation of acquired intangible assets. In the tables below, Grant Samuel has assumed that $2.5 million of depreciation and amortisation relates to amortisation of acquired intangible assets in Healthscope's Hospitals division in each of FY19, FY20 and FY21. This gives median brokers' forecast EBITA of:
  - $273.5 million in FY19;
  - $302.0 million in FY20; and
  - $338.8 million in FY21.

Hospitals

HOSPITALS – BROKER FORECASTS ($ MILLIONS)

		REVENUE			EBITDA			EBIT		
BROKER	**DATE**	**FY19**	**FY20**	**FY21**	**FY19**	**FY20**	**FY21**	**FY19**	**FY20**	**FY21**
Broker 1	14 February 2019	2,230.0	2,442.0	2,638.0	379.2	409.0	449.2	271.0	295.0	334.0
Broker 2	14 February 2019	2,411.6			379.9			271.8		
Broker 3	14 February 2019									
Broker 4	14 February 2019	2,187.0	2,399.0	2,538.0	374.7	415.2	464.0	267.0	304.0	351.0
Broker 5	15 February 2019	2,269.0	2,459.0		376.5	408.9		265.1	287.1	
Broker 6	14 February 2019	2,296.0	2,581.0	2,757.0	382.0	429.0	464.0	274.1	308.9	338.7
Broker 7	14 February 2019	2,292.0	2,527.0		387.0	424.0		279.1	308.3	
Broker 8	14 February 2019	2,192.0	2,294.0	2,402.0	377.0	403.4	426.7	270.0	292.0	311.0
Minimum		*2,187.0*	*2,294.0*	*2,402.0*	*374.7*	*403.4*	*426.7*	*265.1*	*287.1*	*311.0*
Maximum		*2,411.6*	*2,581.0*	*2,757.0*	*387.0*	*429.0*	*464.0*	*279.1*	*308.9*	*351.0*
Median		***2,269.0***	***2,450.5***	***2,588.0***	***379.2***	***412.1***	***456.6***	***271.0***	***299.5***	***336.3***

Source: Brokers' reports, Grant Samuel analysis

The median brokers' forecasts for the Hospitals division are sufficiently close to Healthscope's FY19 Reforecast and 3 Year Plan to be useful for analytical purposes.

New Zealand Pathology

NEW ZEALAND PATHOLOGY – BROKER FORECASTS ($ MILLIONS)

		REVENUE			EBITDA			EBIT		
BROKER	DATE	FY19	FY20	FY21	FY19	FY20	FY21	FY19	FY20	FY21
Broker 1	14 February 2019	246.0	251.0	256.0	58.6	61.2	62.4	47.0	49.0	50.0
Broker 2	14 February 2019	244.6			59.2			47.6		
Broker 3	14 February 2019									
Broker 4	14 February 2019	245.0	256.0	264.0	58.5	63.0	66.2	47.0	51.0	54.0
Broker 5	15 February 2019	251.0	258.0		59.7	61.5		47.7	48.4	
Broker 6	14 February 2019	247.0	252.0	257.0	59.0	60.0	61.0	47.4	47.1	47.6
Broker 7	14 February 2019	247.0	260.0		59.0	62.0		47.4	49.6	
Broker 8	14 February 2019									
Minimum		*244.6*	*251.0*	*256.0*	*58.5*	*60.0*	*61.0*	*47.0*	*47.1*	*47.6*
Maximum		*251.0*	*260.0*	*264.0*	*59.7*	*63.0*	*66.2*	*47.7*	*51.0*	*54.0*
Median		***246.5***	***256.0***	***257.0***	***59.0***	***61.5***	***62.4***	***47.4***	***49.0***	***50.0***

Source: Brokers' reports, Grant Samuel analysis

There is no amortisation of acquired intangible assets for New Zealand Pathology so EBITA is the same as EBIT.

The median brokers' forecasts for New Zealand Pathology are sufficiently close to Healthscope's FY19 Reforecast and 3 Year Plan to be useful for analytical purposes.

APPENDIX 2

MARKET EVIDENCE

Valuation analysis involves the review of earnings and other multiples that buyers have been willing to pay for similar businesses in the recent past and a review of the multiples at which shares in comparable listed companies trade on sharemarkets. This analysis will not always lead to an obvious conclusion of an appropriate range of multiples as there will often be a wide spread of multiples. It is necessary to consider the particular attributes of the business being valued as well as the prevailing economic conditions.

Healthscope operates in the healthcare industry in Australia and New Zealand, in particular, the private hospitals sector in Australia and the pathology sector in New Zealand. Grant Samuel's review of evidence of valuation parameters has encompassed transactions and listed companies involved in similar activities in Australia, New Zealand and, where relevant, internationally.

1 Valuation Evidence from Transactions

Set out below is a summary of transactions that Grant Samuel considers relevant to the valuation of Healthscope's Hospitals and New Zealand Pathology business operations and for which there is sufficient information to calculate meaningful valuation parameters. In this regard:

- only transactions over the past eight years have been presented, other than by exception (i.e. where the transaction in question is particularly relevant in considering the value of Healthscope).

  While there have been a considerable number of transactions in the hospitals and pathology (and related) sectors of the healthcare industry in earlier periods, it is more appropriate to consider the most recent transaction evidence as these transactions better reflect current market conditions, economic factors (such as population growth and ageing of the population) and structural and regulatory frameworks;
- while there has been considerable activity in the healthcare industry in Australia and internationally over the past eight years, meaningful valuation parameters are not able to be calculated for a number of transactions as they:
  - have been acquired by private investors (including private equity funds) that do not always make transaction details public; or
  - involve the acquisition of part of a business for which earnings information is not available;
- for the hospital transactions, an assessment has been made as to whether the majority of hospital property assets of the business acquired were leased or owned. In this respect:
  - relevant information is not always publicly available, particularly where the transaction involved unlisted entities; and
  - the implied multiples do not show any consistent pattern of materially different multiples for transactions involving leased rather than owned assets (although each transaction will reflect its own specific circumstances, and whether hospital properties are leased or owned is only one factor that would be taken into account).

  Intuitively, Grant Samuel would expect that hospital businesses that lease property assets would change hands at lower multiples due to the increased riskiness of the residual cash flows after leasing costs, although this may be offset in part by lower capital intensity. The transaction multiples set out in the table below are inconclusive;
- given the body of Australian transaction evidence, Grant Samuel has considered recent international acquisitions only by exception, that is, where they have involved the acquisition of businesses:

- providing the same services as Healthscope. The acquisitions of Aurora Diagnostics and Medisupport by Sonic Healthcare are examples of recent acquisitions of pathology businesses operating in the United States and Switzerland, respectively; and
- in the same geographic region. For example, there is more limited information on transactions involving pathology businesses in New Zealand so other transactions involving the only relevant listed peer, Abano Healthcare, have also been considered (albeit Abano Healthcare operated primarily in the dentistry sector); and

- where transactions have involved in-sector acquisitions (i.e. healthcare companies acquiring other healthcare companies, in particular within the same sector), there are usually significant synergies available to the merged business. Valuation parameters calculated on a post-synergy basis are lower than those calculated on a pre-synergy basis. While pre-synergy multiples are, in most cases, the appropriate multiples to consider in the valuation of Healthscope, it is useful to also consider post-synergy multiples where the synergies were substantial (e.g. the acquisitions of Symbion Health by Primary Health Care (new Healius) and Gribbles Group by Healthscope).

The transaction evidence is summarised below:

RELEVANT TRANSACTION EVIDENCE

DATE	TARGET	TRANSACTION	PRIMARY BUSINESS	PRIMARILY OWNED/ LEASED ASSETS	CONSID-ERATION[1] (MILLIONS)	EBITDA MULTIPLE[2] (TIMES)		EBITA MULTIPLE[3] (TIMES))	
						HISTORICAL	FORECAST	HISTORICAL	FORECAST
Hospitals									
Aug 2018	Zenitas Healthcare	Acquisition by Adamantem Captial and Liverpool Partners	Community -based healthcare	Leased	A$169	12.2[4]	8.0	13.8	8.8
Mar 2017	Illawarra Healthcare[5]	Acquisition by Healthe Care Australia	Hospitals	Leased	A$53	24.8	11.0	na	na
Feb 2017	Cura Day Hospitals Group	Acquisition of 70% interest by Fresenius	Day hospitals	Owned	A$450	14.5[6]	na	17.0[6]	na
Oct 2016	Pulse Health[7]	Acquisition by Healthe Care Australia	Hospitals	Leased	A$153	16.9	10.7	22.5	14.2
Jul 2016	Boulcott Hospital	Acquisition by Pulse Health	Hospital (NZ)	Owned	NZ$16	na	7.8[8]	na	na

1 Implied enterprise value if 100% of the company or business had been acquired.

2 Represents gross consideration divided by EBITDA.

3 Represents gross consideration divided by EBITA.

4 The historical EBITDA and EBITA multiples do not allow for the impact of other acquisitions at the same time. The reported historical EBITDA multiple (prior to these acquisitions) was 11.9 times.

5 Hospitals were in ramp up phase and not operating at target utilisation.

6 Historical multiples do not allow for three recent acquisitions as well as other refurbishments and expansions. Allowing for earnings from the acquisitions/refurbishments would result in materially lower EBITDA and EBITA multiples.

7 Multiples calculated before taking into account ramp up costs associated with the Gold Coast Surgical Hospital and one off items and acquisition costs. Historical multiples have not been adjusted to allow for the full year impact of acquisitions (the adjusted historical EBITDA multiple is 15 times).

8 Excluding earn outs and pre synergies. Including earn outs increases the forecast EBITDA multiples to 9.8 times. Including synergies reduces the forecast EBITDA multiples to 5.7 times.

RELEVANT TRANSACTION EVIDENCE (CONT)

DATE	TARGET	TRANSACTION	PRIMARY BUSINESS	PRIMARILY OWNED/ LEASED ASSETS	CONSID-ERATION[9] (MILLIONS)	EBITDA MULTIPLE[10] (TIMES)		EBITA MULTIPLE[11] (TIMES))	
						HISTORICAL	FORECAST	HISTORICAL	FORECAST
Hospitals (cont)									
Dec 2015	Healthe Care Australia	Acquisition by Luye Group	Hospitals	Leased	A$938	13.4	na	na	na
Apr 2015	The Hills Clinic	Acquisition by Pulse Health	Hospital	Owned	A$28	8.7[12]	na	na	na
Jul 2014	Acurity Health Group	Acquisition of 88.3% not already owned by Evolution Healthcare	Hospitals (NZ)	Owned	NZ$175	8.7	8.3	14.6	13.5
Jan 2014	Cura Day Hospitals Group	Acquisition by Intermediate Capital	Day hospitals	Owned	A$200	14.1	8.5[13]	16.4	9.6
Jul 2012	Acurity Health Group	Partial takeover by Austron	Hospitals (NZ)	Owned	NZ$151	9.3	8.2	15.7	13.5
Jun 2011	Healthe Care Australia	Acquisition by Archer Capital	Hospitals	Leased	A$230	10.3	8.3[14]	na	na
Oct 2010	Healthscope	Acquisition by TPG and Carlyle	Hospitals	Owned	A$2,733	10.4	8.8	14.2	12.1

9 Implied enterprise value if 100% of the company or business had been acquired.

10 Represents gross consideration divided by EBITDA.

11 Represents gross consideration divided by EBITA.

12 Historical EBITDA multiple based on 12 months ended 31 March 2015, excluding earn outs. Including earn outs increases the historical EBITDA multiple to 10.5 times.

13 Forecast multiples based on actual FY14 results.

14 Forecast multiple reflects additional capital expenditure and earnings impact of committed brownfield developments.

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RELEVANT TRANSACTION EVIDENCE (CONT)

DATE	TARGET	TRANSACTION	PRIMARY BUSINESS	CONSID-ERATION (MILLIONS)	EBITDA MULTIPLE (TIMES)		EBITA MULTIPLE (TIMES))	
					HISTORICAL	FORECAST	HISTORICAL	FORECAST
Pathology and Related Services								
Jan 2019	Healius	Proposed acquisition by Jangho (rejected)	Pathology (Aus)	A$2,878	12.8	12.1	17.9	16.8
Dec 2018	Aurora Diagnostics	Acquisition by Sonic Healthcare	Pathology (US)	US$540	nc	9.2	nc	nc
Jul 2018	Healthscope's Asian pathology operations	Acquisition by TPG	Pathology (Asia)	A$279	13.7	np[15]	17.8	np
May 2018	Specialist Radiology, Trinitgy MRI and Cavedish Radiology	Acquisition by Integral Diagnostics	Diagnostic imaging (NZ)	NZ$105	na	7.8	na	na
Jan 2018	I-MED Radiology Network	Acquisition by Premira	Diagnostic imaging (Aus)	A$1,250	11.1[16]	na	na	na
Nov 2017	Integral Diagnostics	Proposed acquisiton by Capitol Health (unsuccessful)	Diagnostic imaging (Aus)	A$399	11.9	10.5[17]	16.4	13.8[17]
Nov 2016	Abano Healthcare	Partial takeover offer by Healthcare Partners (unsuccessful)	Dentistry (NZ)	NZ$309	11.2	9.8	17.4	14.9
Jun 2015	Healthscope's Australian pathology operations (including six skin clinics)	Acquisition by Crescent Capital Partners	Pathology (Aus)	A$105	9.5[18]	14.0[19]	na	na
Jun 2015	Medisupport	Acquisition by Sonic Healthcare	Pathology (Switz)	CHF277	nc	8.0	nc	nc
Mar 2014	I-MED Radiology Network	Acquisition by EQT Partners	Diagnostic imaging (Aus)	A$503	6.4	5.7	nc	nc
Sep 2013	Abano Healthcare	Proposed acquisition by Archer Capital (unsuccessful)	Dentistry (NZ)	NZ$259	9.1	8.7	13.4	13.3
Nov 2007	Symbion Health[20]	Acquisition by Primary Health Care	Pathology (Aus)	A$3,068	12.1	10.9	15.2	13.6
Oct 2004	Gribbles Group[21]	Acquisition by Healthscope	Pathology (Aus)	A$429	12.3	11.2	20.8	na

Source: Grant Samuel analysis[22]

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15 np = not published.

16 Based on forecast earnings for FY17.

17 Forecast EBITDA and EBITA multiples based on FY18 actual results.

18 Historical and forecast multiples are approximate as they have been calculated using the earnings of Healthscope's Australian pathology operations (including its Queensland operations which were closed in February 2015 and not part of the transaction but excluding the six skin clinics that were part of the transaction).

19 Forecast EBITDA multiple has been calculated using actual FY15 EBITDA (transaction was announced in June 2015).

20 The acquisition of Symbion Health involved substantial cost synergies. The post-synergy multiples were considerably lower at 8.7 times historical and 8.0 times forecast EBITDA and 10.2 times historical and 9.4 times forecast EBITA.

21 The acquisition of Gribbles Group involved substantial cost and revenue synergies. The multiples post cost synergies were 11.1 times historical and 10.2 times forecast EBITDA and 17.6 times historical EBITA. The multiples post revenue and cost synergies were 7.3 times historical and 6.9 times forecast EBITDA and 9.7 times historical EBITA.

2 Valuation Evidence from Sharemarket Prices

Set out below are the sharemarket ratings of listed healthcare companies that Grant Samuel considers relevant to the valuation of Healthscope:

SHAREMARKET RATINGS OF SELECTED LISTED HEALTHCARE COMPANIES

COMPANY	MARKET CAPITAL-ISATION (MILLIONS)	EBITDA MULTIPLE[23] (TIMES)			EBITA MULTIPLE[24] (TIMES)		
		HISTORICAL	FORECAST YEAR 1	FORECAST YEAR 2	HISTORICAL	FORECAST YEAR 1	FORECAST YEAR 2
Hospitals							
Australia							
Ramsay Heath Care	A$13,364	14.0	12.5	11.2	19.3	18.0	16.2
International							
IHH Healthcare	MYR50,248	23.0	18.3	16.4	35.2	29.9	23.7
Netcare	ZAR34,212	9.4	8.6	8.0	11.4	10.4	9.8
RHÖN-KLINIKUM	EUR1,590	nmc	11.9	10.7	nmc[25]	nmc	25.9
KPJ Healthcare	MYR4,350	11.3	11.9	10.8	18.7	18.6	17.6
Pathology							
Australia							
Sonic Healthcare	A$11,505	13.7	12.5	11.3	18.7	16.7	15.3
Healius	A$1,388	9.3	8.4	7.6	13.0	12.6	11.6
Other Healthcare							
Australia (Diagnostic Imaging)							
Integral Diagnostics	A$410	13.9	9.9	9.3	18.3	12.2	12.0
Capitol Health	A$153	7.7	6.4	5.5	11.0	9.6	8.1
Other S&P/ASX Healthcare Index Members							
CSL	A$87,771	24.3	23.0	20.9	27.1	25.8	23.3
ResMed	A$20,651	23.1	20.3	18.3	25.9	22.9	20.7
Cochlear	A$9,841	25.9	24.5	22.3	28.1	26.6	24.5
Fisher & Paykel	A$8,080	26.8	24.7	20.9	31.2	28.3	24.0
Ansell	A$3,263	10.4	10.2	9.4	12.6	12.3	11.3
Nanosonics	A$1,245	nmc	mnc	nmc	nmc	nmc	nmc
Mayne Pharma	A$1,108	8.5	8.4	7.1	9.4	10.1	8.5
API	A$692	6.2	5.8	5.7	8.1	7.6	7.5
Estia	A$618	7.6	7.3	7.0	10.1	10.4	9.8
Sigma	A$593	7.8	8.8	13.2	8.5	10.2	17.8

22 Grant Samuel analysis based on data obtained from IRESS, S&P Global Market Intelligence, company announcements, transaction documentation and, in the absence of company published financial forecasts, brokers' reports. Where company financial forecasts are not available, the median of the financial forecasts prepared by a range of brokers has generally been used to derive relevant forecast value parameters. The source, date and number of broker reports utilised for each transaction depends on analyst coverage, availability and corporate activity.

23 Represents gross capitalisation divided by EBITDA.

24 Represents gross capitalisation divided by EBITA.

25 nmc = not a meaningful calculation.

SHAREMARKET RATINGS OF SELECTED LISTED HEALTHCARE COMPANIES (CONT)

COMPANY	MARKET CAPITAL-ISATION (MILLIONS)	EBITDA MULTIPLE (TIMES)			EBITA MULTIPLE (TIMES)		
		HISTORICAL	FORECAST YEAR 1	FORECAST YEAR 2	HISTORICAL	FORECAST YEAR 1	FORECAST YEAR 2
S&P/NZSE All Health Care Members							
Fisher & Paykel	NZ$8,433	26.8	24.7	20.9	31.2	28.3	24.0
Ryman	NZ$5,474	27.8	24.6	21.5	30.4	26.9	23.5
EBOS	NZ$3,232	14.0	14.3	12.4	15.1	15.4	13.2
Summerset	NZ$1,441	16.2	14.4	12.5	17.2	15.2	13.2
Metlifecare	NZ$1,083	14.0	13.5	12.1	15.3	14.2	12.5
Oceania	NZ$641	13.1	13.4	12.0	15.2	15.4	12.7
Arvida	NZ$542	16.6	12.3	15.0	18.5	18.9	17.0
AFT	NZ$200	nmc	nmc	19.2	nmc	nmc	nmc
Abano	NZ$156	8.1	7.9	6.9	11.7	11.6	10.0
Pacific Edge	NZ$151	nmc	nmc	nmc	nmc	nmc	nmc
BLIS	NZ$19	nmc	nmc	nmc	nmc	nmc	nmc

Source: Grant Samuel analysis[26]

The multiples shown above are based on sharemarket prices as at 28 February 2019[27] and do not reflect a premium for control. The data presented for each company is the most recent annual historical result plus the subsequent two forecast years. The financial data has not been adjusted to align the year end. In this regard:

- all of the Australian companies have a 30 June year end with the exception of Fisher & Paykel, which has a 31 March year end, API, which has a 31 August year end and Sigma, which has a 31 January year end;
- all of the international companies have a December year end other than Netcare, which has a 30 September year end; and
- all of the New Zealand listed companies have a 31 March year end other than Summerset, which has a 31 December year end, EBOS and Metlifecare, which have a 30 June year end and Oceania and Abano which have a 31 May year end.

26 Grant Samuel analysis based on data obtained from IRESS, S&P Global Market Intelligence, company announcements and, in the absence of company published financial forecasts, brokers' reports. Where company financial forecasts are not available, the median of the financial forecasts prepared by a range of brokers has generally been used to derive relevant forecast value parameters. The source, date and number of broker reports utilised for each company depends on analyst coverage, availability and recent corporate activity.

27 Other than Healius, where the trading multiples have been calculated using the Healius share price prior to announcement of the non-binding indicative proposal from its major shareholder, Jangho Group, on 3 January 2019.

APPENDIX 3

REPORT FROM M3PROPERTY PTY LTD

LB:MW1
30289480/310078

m3property

9 April 2019

The Directors
Grant Samuel & Associates Pty Limited
Level 19, Governor Macquarie Tower
1 Farrer Place
SYDNEY NSW 2000

Attn: Stephen Wilson, Managing Director

Dear Directors,

RE: DESKTOP LETTER OF ADVICE
PART HEALTHSCOPE HOSPITAL PORTFOLIO

We refer to your request for m3property to provide a Letter of Advice for the above property portfolio as at the current date. Our advice is as follows:

Instructions

We have been instructed to provide advice in relation to a portfolio of 11 hospitals owned by Healthscope Limited (Healthscope) that are being sold to NorthWest Healthcare Properties Real Estate Investment Trust (NorthWest) or its associated parties (the NorthWest Portfolio). Specifically, we have been asked to address the following:

- The quantum of the lease payments commenting on market rates for assets of this nature;
- The yield on which the assets have been sold in comparison to market yields for comparable properties (recognising the differences between individual assets and a portfolio); and
- Any other terms of the lease agreement that would not be regarded as market standard (and would benefit NorthWest).

This advice is provided as desktop advice only, with no property inspections undertaken.

As this letter is to be included in the Transaction Booklet for the Healthscope shareholders, all sales and rental evidence stated has been provided in summary form only for confidentiality reasons. All details are held on file in our office.

Information Sources

The information provided with our instructions and relied upon for the purpose of this advice is as follows:

- NorthWest disclosure document – Healthscope Portfolio Acquisition Investor Presentation dated 31 January 2019;
- Medical Properties Trust (MPT) Press Release;
- Overview of Property Transaction;
- Healthscope Sale and Leaseback IM dated November 2018;
- NorthWest Commitment Deed dated 1 February 2019;
- Brookfield Summary of Property Process; and
- MPT Commitment Deed dated 1 February 2019.

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Assumptions

- If there are any encumbrances, encroachments, restrictions, leases or covenants which are not noted in this letter, they may affect our advice. If any such matters are known or discovered, we should be advised and asked as to whether they affect our advice.
- This advice is made on the assumption that there are no environmental problems in any way affecting the properties, including surface or below ground conditions, toxic or hazardous wastes or building material hazards. Any such matters may adversely affect the property or its use. Should any such matters remain, no reliance should be placed on our advice unless we have been advised of these matters and we have confirmed that our advice is not affected.
- This letter of advice is based on the critical condition that the government holds no requirements of the land.

Summary of Proposed Transaction

We have been advised of the following transaction details:

- In conjunction with the acquisition of Healthscope by Brookfield, Healthscope has agreed to enter into sale and leaseback arrangements for 22 freehold properties.
- NorthWest has agreed to acquire 11 of the 22 sale properties on a long term, quadruple net, sale and leaseback basis valued at $1.26B, representing a 5.0% initial yield.
- The property sales are contingent upon the successful completion of either of Brookfield's Scheme of Arrangement or Takeover Offer.

Acquisition Metrics	
Acquisition Price	$1.258 Billion
Initial Yield	5.0%
Operating Theatres	57
Occupancy	100%
Initial Rent	$62.9 Million
Number of Beds	1,539
Properties Acquired	11
WALE (Individual Basis)	19 to 21 Years
Annual Rent Indexation	2.5%

Healthscope expects to maintain EBITDAR[1] coverage in excess of 2.2X the rent in the immediate term (which reflects in the order of 45% expense to income ratio).

Subject Properties

Property	Address	Beds	Bed Types
Norwest Private Hospital	11 Norbrik Drive, Bella Vista, NSW	277	M/S/O
Brisbane Private Hospital	259 Wickham Terrace, Brisbane City, QLD	181	M/S/R/MH
Newcastle Private Hospital	14 Lookout Road, New Lambton Heights, NSW	190	M/S/R/C
John Fawkner Private Hospital	275 Moreland Road, Coburg, VIC	149	M/S/E/C
Darwin Private Hospital	Rocklands Drive, Tiwi, NT	150	M/S/O/R
The Melbourne Clinic	130 Church Street, Richmond, VIC	175	MH
Hunter Valley Private Hospital	20 Mawson Street, Shortland, NSW	83	M/S/R
The Hills Private Hospital	499 Windsor Road, Baulkham Hills, NSW	111	R/MH
Lady Davidson Private Hospital	434 Bobbin Head Road, North Turramurra, NSW	115	R
Griffith Rehabilitation Hospital	13 Dunrobin Road, Hove, SA	64	R
The Sydney Clinic	22-24 Murray Street, Bronte, NSW	44	MH
Total		1,539	

M – Medical, S – Surgical, O - Obstetrics, R – Rehabilitation, MH – Mental Health, E – Emergency, C - Chemotherapy

1. EBITDAR = Earnings Before Interest, Tax, Depreciation, Amortisation and Rent

Master Lease Agreement Summary

The documentation provided outlines the key commercial terms of the transaction and master lease. The following summary provides an overview of the proposed Master Lease Agreement for the 11 hospitals, forming the basis of respective individual leases for each property.

Core Lease Terms	Proposed Structure
Parties	• **Landlord:** Purchaser • **Tenant:** Healthscope Operations Pty Limited and/or a subsidiary of Healthscope Operations Pty Limited (as applicable). • **Guarantor:** Healthscope Limited will unconditionally guarantee the Tenant's obligations or another credit-worthy entity.
Commencement Date	• Following settlement of the acquisition
Commencing Rent	• $62,905,775 p.a. • Rent must be paid at the end of each quarter throughout the term of the lease.
Lease Type	• Absolute Quadruple Net
Initial Term	• Between 19 and 21 years
Further Terms	• 8 x 10 years options (to be exercised at Healthscope's discretion) • For each option extension, the Tenant can exercise its option at any time between 12-18 months prior to expiry date, by written notice to the Landlord.
Annual Rent Review	• Fixed rate of 2.5%, upon the anniversary of lease commencement and further terms.
Outgoings	• The Tenant will be responsible for: - All outgoings; - The repair and maintenance of the structure and external envelope (including redecorating of external finishes) and the repairs, maintenance and capital replacement of the internal fabric and finishes and all building services when such elements reach the end of their useful life; and - Any compliance obligations associated with BCA compliance.
Subletting, licences and concessions	• The Tenant may, without the Landlord's consent: - Sublet, or grant licenses to any person for the occupation or use of the whole or any part of the premises; and - Grant concessions to any person for the use of any part of the premises.
Insurance	• Healthscope will maintain public and products liability insurance and all risks property insurance, with cover for business interruption. • The Purchaser and the Tenant will be named as Insured.
Damage and destruction	If the premises are totally or partially or destroyed, the Tenant:- • cannot terminate the Lease and has no right to abatement, unless the Landlord or the Landlord's employees caused the damage or destruction. • may elect whether or not to reinstate the premises unless the unexpired period of the then current term of the Lease is less than 5 years, in which case, the Tenant may also elect to terminate the lease.

Rental Summary

We have been provided with a breakdown of the agreed rent for each hospital which we summarised as follows ($/bed/week):

Summary	Minimum	Maximum	Median
Medical/Surgical	$341	$1,167	$813
Mental Health	$784	$863	$823
Rehabilitation	$585	$676	$612

The agreed commencing rent equates to an average of $784/bed/week across the portfolio.

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Assessment of Rental Levels

In order to determine if the agreed rental amounts are in line with market, we have relied upon market evidence as outlined in this letter.

When providing the leasing evidence, we have separated it into three categories being surgical/medical, rehabilitation and mental health facilities. This is a logical process given that the rental rates applicable to each hospital is in part dependent upon what services they provide. The higher acuity facilities that provide services such as surgery can afford a higher rent, whilst the lower acuity hospitals that provides services such as rehabilitation can generally only afford a lower rent. This separation of rental evidence enables us to provide a more accurate market rent assessment, with the bed mix within each hospital having also been taken into account in our analysis.

Rental Evidence – Medical/Surgical Facilities

Property		State	Comm. Date	Term (Years)	Rent	Beds	Passing Rent	Passing $/Bed/Week	Lease Type	Reviews
Hospital 1	1	SA	Dec-18	20	$1,587,000	55	$1,587,000	$553	Net	CPI
Hospital 2		QLD	Jun-18	13	$1,101,831	34	$1,101,831	$622	Net	CPI
Hospital 3	2	NSW	Feb-18	20	$1,435,000	40	-	$688	Net	CPI
Hospital 4	3	VIC	Nov-17	20	$5,377,115	194	$5,538,428	$548	Net	3%
Hospital 5		NSW	Jul-17	25	$1,150,000	73	$1,185,535	$311	Net	CPI x 1.5%
Hospital 6		VIC	Apr-17	20	$3,825,000	101	$3,907,777	$742	Net	CPI
Hospital 7		TAS	Dec-16	5	$1,222,600	60	$1,280,819	$409	Net	CPI
Hospital 8		VIC	Oct-16	41	$8,780,142	253	$9,174,484	$695	Net	CPI
Hospital 9		NSW	May-16	30	$5,219,372	116	$5,454,652	$902	Net	CPI
Hospital 10		VIC	Jan-16	30	$5,868,612	223	$6,209,999	$534	Net	CPI
Hospital 11		NSW	Jan-16	30	$4,100,000	185	$4,337,190	$450	Net	CPI
Hospital 12		NSW	Oct-15	20	$1,265,730	49	$1,336,825	$523	Net	CPI
Hospital 13		NSW	Jun-15	25	$5,904,341	118	$6,251,008	$1,016	Net	CPI
Hospital 14	4	NSW	Jul-14	23	$1,500,000	117	$2,970,495	$487	Net	CPI
Hospital 15		NSW	Oct-13	10	$1,480,995	40	$1,601,844	$768	Net	4%
Hospital 16		NSW	Dec-11	20	$2,067,641	90	$2,373,959	$506	Net	CPI

1 This sale is part of a sale and leaseback agreement, which is due to increase in Year 2 following construction of an additional theatre.
2 This hospital is currently under construction, and the lease does not come into effect until the date of practical completion, which is scheduled for circa late 2019.
3 Represents a 'cold shell' rent.
4 The passing rent will be significantly increased during the term on account of rentalised major development works.

The above medical/surgical evidence provides a range of $311 to $1,016 net per bed per week, with the variances largely due to the size, quality and location of the facilities. The lowest rental rate of $311 is reflective of the hospital historically trading below acceptable levels and its partially dated accommodation. The highest rate of $1,016 is reflective of the substantial refurbishment works that had been recently undertaken, albeit perhaps over-capitalised, with the commencing rent derived via rentalising the construction costs.

Rental Evidence – Rehabilitation Facilities

Property		State	Comm. Date	Term (Years)	Rent	Beds	Passing Rent	Passing $/Bed/Week	Lease Type	Reviews
Hospital 17		QLD	Dec-17	20	$1,400,000	48	$1,425,135	$569	Net	CPI
Hospital 18		NSW	May-17	25	$1,410,000	53	$1,428,931	$517	Net	CPI
Hospital 19		VIC	Aug-09	20	$1,092,500	124	$2,180,255	$337	Net	CPI
Hospital 20	1	VIC	Mar-06	35	$2,332,582	167	$3,170,983	$364	Net	CPI
Hospital 21		VIC	Feb-99	20	$1,241,928	67	$1,469,029	$421	Net	CPI

1 The rent was adjusted in 2016 pursuant to rentalised development works.

The above rehabilitation facilities evidence provides a range of $337 to $569 per bed per week.

Rental Evidence – Mental Health Facilities

Property	State	Comm. Date	Term (Years)	Rent	Beds	Passing Rent	Passing $/Bed/Week	Lease Type	Reviews
Hospital 22	NSW	Mar-18	20	$2,000,000	54	$2,033,539	$722	Net	CPI
Hospital 23	QLD	Dec-17	5	$2,804,254	104	$2,854,600	$526	Net	CPI
Hospital 24	NSW	Jul-17	30	$1,561,812	59	$1,593,971	$518	Net	CPI
Hospital 25	NSW	Jul-17	25	$2,350,000	90	$2,422,615	$516	Net	CPI x 1.5%
Hospital 26	QLD	Dec-16	25	$1,862,500	90	$1,925,319	$410	Net	CPI

The above mental health facilities evidence provides a range of $410 to $722 per bed per week.

Rental Evidence Summary

Summary	Medical/Surgical	Rehab	Mental Health
Minimum	$311	$337	$410
Maximum	$1,016	$569	$722
Median	$550	$421	$518

The upper end of the range is generally reflective of hospitals in good locations, are of recent construction and trade at historically high EBITDAR levels. The initial rent for the NorthWest Portfolio as a whole indicates an average of $784/bed/week is considered to be at the upper end of the range.

As a general rule, maintainable market rental for private hospitals is within the range between 40% and 50% of Maintainable EBITDAR. The proportion of profit that is applied to market rent is a reflection of the nature and complexity of the business and the tenant's capital to be invested in inventory, stock and working capital.

We have not been provided with any operating or financial information and are unable to make to benchmark the agreed initial rent with current EBITDAR levels for each facility. However, we have been advised the rent for each hospital has been determined on the basis of a rent to EBITDAR ratio of approximately 45% which is within market parameters.

Assessment of Capitalisation Rate

We have had regard to the sales of private hospital freehold interests with overnight bed accommodation that have occurred since April 2017. We acknowledge that not all of these hospitals provide services that are comparable to the subject properties, however due to the general dearth of hospital transactions, we have relied upon these for the purposes of our assessment.

Private Hospital Transactions

Property	Sale Date	Sale Price	Beds	Bed Types	Initial Yield	Equated Market Yield
Hospital 1	Oct-18	$22,500,000	55	M/S	8.89%	6.98%
Hospital 2	May-18	$101,888,280	135	M/S/O/R	4.73%	5.39%
Hospital 3	Dec-17	$33,000,000	54	MH	6.06%	6.04%
Hospital 4	Dec-17	$26,000,000	34	M/S/O	6.75%	6.82%
Hospital 5	Oct-17	$23,800,000	48	R	5.88%	5.52%
Hospital 6	May-17	$30,250,000	59	MH	5.16%	5.62%
Hospital 7	May-17	$23,500,000	53	R	6.00%	5.99%
Hospital 8 [1]	Apr-17	$43,925,234	90	MH	5.35%	5.34%
Hospital 9 [1]	Apr-17	$20,908,100	73	M/S/O/R	5.50%	5.49%

1 Represents a property that was included in a portfolio transaction.
Equated Market Yield - The property's estimated net market income divided by the adopted value less any adjustments.

The above evidence provides an Equated Market Yield range of between 5.34% and 6.98% with a median rate of 5.81%.

GRANT SAMUEL

The above evidence indicates the initial yield of 5.0% is just outside the lower end of the range. Having regard to the portfolio and based on our internal research, it does not appear unreasonable to suggest that a premium of circa 25 to 50 basis points is often paid when a quality healthcare property portfolio is offered. We also note, the above sales reflect triple net leases. Given the proposed lease is a 'quadruple net lease' whereby the Tenant is responsible for all structural work and capital replacement, thereby reducing the expense risk to the Landlord, a lower yield would be appropriate. The quadruple net lease, in our opinion, warrants a lower rate in the order of five to 10 basis points.

The initial yield on the NorthWest Portfolio which the assets are proposed to transact of 5.0%, is below the range of yields we would expect on an individual basis, however, is reflective of the size and quality of the portfolio, together with the quadruple net lease. In our opinion the initial yield of 5.0% for the portfolio appears reasonable.

Comments on Proposed Lease Terms

In relation to any other terms of the lease agreement that would not be regarded as market standard and would benefit NorthWest, we make the following two observations:

- The proposed Lease documentation appears to provide standard conditions for this asset type with the exception of the requirement by the Tenant to be responsible for all structural work and capital replacements. Typical hospital leases are structured to be triple net leases. We consider a quadruple net lease to represent an additional financial burden to Healthscope as the agreed rent is already at the upper end of market parameters and the additional requirement of structural and capital replacement works increases this burden. However, the quadruple net lease has resulted, in part, in a premium price achieved for the portfolio.
- The clause relating to Damage and Destruction states *'if the premises are totally or partially or destroyed, the Tenant cannot terminate the Lease and has no right to abatement, unless the Landlord or the Landlord employees caused the damage or destruction'*. If an asset is destroyed or partially destroyed within an early stage of the lease, the asset is impaired and rental payments could be considered onerous. The Master Lease stipulates the Tenant is to take out insurances to protect itself in this circumstance.

Based on our review of the master lease terms provided, in our view, there is nothing overall materially beneficial to NorthWest outside of normal market parameters.

Qualifications, Declarations and Consents

m3property has been engaged by Grant Samuel & Associates Pty Limited to provide advice in relation to the Healthscope portfolio transaction.

We consent to the inclusion of this letter of advice in the Transaction Booklet to Healthscope shareholders on the following conditions:

- This letter provides a commentary on of the transaction in relation to current market conditions only and has not been prepared for the purpose of assessing the transaction as an investment opportunity and is not a formal valuation of the properties;
- This advice is provided for the exclusive use of Grant Samuel & Associates Pty Limited and for the specific purpose for which it has been requested;
- No other third parties are entitled to use or rely on this report in any way and neither the writer nor m3property have any liability to any third party who does; and
- This is an advice letter only and as such no form of internal inspection of the properties has been undertaken.

We declare:

- m3property has extensive experience in hospital and portfolio valuation services across Australia;
- m3property has provided independent valuation services to both Healthscope and NorthWest over the past several years, however, is not currently involved in any valuation services to either party at the date of this letter; and
- We advise that m3property has not been involved in the transaction at any time.

Yours faithfully
m3property

Laila Burnet
Director
laila.burnet@m3property.com.au

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16 April 2019

The Directors
ANZ Hospitals Topco Limited
Level 22, 135 King Street
Sydney, NSW 2000

Dear Directors

SCHEME OF ARRANGEMENT INVESTIGATING ACCOUNTANT'S REPORT

Introduction

This report has been prepared at the request of the Directors of ANZ Hospitals Topco Limited (HoldCo) for inclusion in a transaction booklet (Booklet) to be issued by Healthscope Limited (Healthscope), ANZ Hospitals Pty Limited and BCP VIG Holdings L.P. in respect of the proposed acquisition of the ordinary shares of Healthscope via a scheme of arrangement (the Scheme) or a simultaneous takeover offer should the Scheme not become effective.

Deloitte Corporate Finance Pty Limited is wholly owned by Deloitte Touche Tohmatsu and holds the appropriate Australian Financial Services licence (AFSL) under the *Corporations Act 2001* for the issue of this report.

References to the Scheme, HoldCo and other terminology used in this report have the same meaning as defined in the Glossary of the Booklet.

Scope

Scheme Pro Forma Historical Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of HoldCo to review:

- the Scheme Pro forma Statement of Profit or Loss for the financial year ended 30 June 2018 and half year ended 31 December 2018;
- the Scheme Pro Forma Statement of Financial Position as at 31 December 2018; and
- the Scheme Pro Forma Statement of Cash Flows for the financial year ended 30 June 2018 and half year ended 31 December 2018,

as set out in Section 10.3 of the Booklet (together the Scheme Pro forma Historical Financial Information).

The Scheme Pro Forma Historical Financial Information has been derived from the Historical Consolidated Statements of Profit or Loss and Cash flows for the financial year ended 30 June 2018 and half year ended 31 December 2018 and the Historical Consolidated Statement of Financial Position as at 31 December 2018 of Healthscope (Historical Financial Information), after adjusting for the effects of pro forma adjustments described in Section 10.3 of the Booklet.

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The Historical Financial Information has been extracted from:

- the annual financial report of Healthscope for the financial year ended 30 June 2018, which was audited by Deloitte Touche Tohmatsu in accordance with the Australian Auditing Standards; and
- the half year financial report of Healthscope for the period ended 31 December 2018, which was reviewed by Deloitte Touche Tohmatsu in accordance with the Australian Auditing Standards.

Deloitte Touche Tohmatsu issued an unmodified audit opinion on the financial report relating to the financial year ended 30 June 2018 and an unmodified review conclusion on the financial report relating to the half year ended 31 December 2018.

The Scheme Pro forma Historical Financial Information is presented in the Booklet in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001.*

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the Historical Financial Information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in Section 10.3 of the Booklet, as if those event(s) or transaction(s) had occurred as at 1 July 2017 in relation to the Scheme Pro Forma Statements of Profit or Loss and Cash Flows, and as if those event(s) or transaction(s) had occurred as at 31 December 2018 in relation to the Pro Forma Statement of Financial Position. Due to its nature, the Scheme Pro Forma Historical Financial Information does not represent the actual or prospective financial position, financial performance, and/or cash flows.

Directors' Responsibility

The Directors are responsible for:

- the preparation and presentation of the Scheme Pro Forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the Historical Financial Information and included in the Scheme Pro Forma Historical Financial Information. This responsibility includes the responsibility for such internal controls as the Directors determine are necessary to enable the preparation of the Scheme Pro Forma Historical Financial Information that is free from material misstatement, whether due to fraud or error; and
- the information contained within Section 10.3 of the Booklet.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Scheme Pro Forma Historical Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with Australian Standard on Assurance Engagement (ASAE) 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.*

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly we will not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source for the Scheme Pro Forma Historical Financial Information.

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Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Scheme Pro Forma Historical Financial Information as set out in Section 10.3 of the Booklet is not prepared, in all material respects, in accordance with the stated basis of preparation.

Consent

Deloitte Corporate Finance Pty Limited has consented to the inclusion of this limited assurance report in the Booklet in the form and context in which it is included.

Subsequent Events

Subsequent to 31 December 2018 and up to the date of this report, nothing has come to our attention that would cause us to believe material transactions or events outside the ordinary course of business of Healthscope have occurred, other than the matters dealt with in this report or the Booklet, which would require comment on, or adjustment to, the Scheme Pro Forma Historical Financial Information, or which would cause such information to be misleading.

Disclosure of Interest

Deloitte Corporate Finance Pty Limited does not have any interest in the outcome of the Scheme other than professional fees receivable for the preparation of this report.

Deloitte Touche Tohmatsu is the auditor of HoldCo, Brookfield Business Partners L.P. (an affiliate of BCP VIG Holdings L.P.) and Healthscope.

Yours sincerely

A. Coleman.

Andrew Coleman
Authorised Representative of Deloitte Corporate Finance Pty Limited (AFSL 241457)
AR Number 1265229

Deloitte.

November 2018

Financial Services Guide (FSG)

What is an FSG?

An FSG is designed to provide information about the supply of financial services to you.

Deloitte Corporate Finance Pty Limited (DCF) (AFSL 241457) provides this FSG to you, so you know how we are remunerated and who to contact if you have a complaint.

Who supplies the financial services?

We provide this FSG to you where you engage us to act on your behalf when providing financial services.

Alternatively, we may provide this FSG to you because our client has provided financial services to you that we delivered to them.

The person who provides the financial service to you is our Authorised Representative (AR) and DCF authorises the AR to distribute this FSG.

What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds, to retail and wholesale clients. We are also authorised to provide personal and general financial product advice and deal by arranging in derivatives and regulated emissions units to wholesale clients, and general financial product advice relating to derivatives to retail clients.

General financial product advice

We provide general advice when we have not taken into account your personal objectives, financial situation or needs, and you would not expect us to have done so. In this situation, you should consider whether our general advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If we provide advice to you in connection with the acquisition of a financial product, you should read the relevant offer document carefully before making any decision about whether to acquire that product.

Personal financial product advice

When we give you advice that takes into account your objectives, financial situation and needs, we will give you a Statement of Advice to help you understand our advice, so you can decide whether to rely on it.

How are we remunerated?

Our fees are usually determined on a fixed fee or time cost basis plus reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us.

Clients may request particulars of our remuneration within a reasonable time after being given this FSG.

Apart from these fees, DCF, our directors and officers, and any related bodies corporate, affiliates or associates, and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary, and, while eligible for annual salary increases and bonuses based on overall performance, they do not receive any commissions or other benefits as a result of the services provided to you.

The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

Associations and relationships

The Deloitte member firm in Australia (Deloitte Touche Tohmatsu) controls DCF. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu.

We, and other entities related to Deloitte Touche Tohmatsu, do not have any formal associations or relationships with any entities that are issuers of financial products. However, we may provide professional services to issuers of financial products in the ordinary course of business.

What should you do if you have a complaint?

Please contact us about a concern:

The Complaints Officer
PO Box N250
Grosvenor Place
Sydney NSW 1220
complaints@deloitte.com.au
Phone: +61 2 9322 7000

If an issue is not resolved to your satisfaction, you can lodge a dispute with the Australian Financial Complaints Authority (AFCA). AFCA provides fair and independent financial services dispute resolution free to consumers.

www.afca.org.au
1800 931 678 (free call)
Australian Financial Complaints Authority Limited
GPO Box 3 Melbourne VIC 3001

What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services we provide. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

Deloitte Corporate Finance Pty Limited, ABN 19 003 833 127, AFSL number 241457 of Level 1 Grosvenor Place, 225 George Street, Sydney NSW 2000
Member of Deloitte Touche Tohmatsu Limited
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16 April 2019

The Directors
BCP VIG Holdings L.P.
c/o Maples Corporate Services Limited,
PO Box 309, Ugland House,
Grand Cayman KY1-1104, Cayman Islands

Dear Directors

TAKEOVER OFFER INVESTIGATING ACCOUNTANT'S REPORT

Introduction

This report has been prepared at the request of the Directors of BCP VIG Holdings L.P. (Brookfield LP) for inclusion in a transaction booklet (Booklet) to be issued by Healthscope Limited (Heathscope), ANZ Hospitals Pty Limited and Brookfield LP in respect of the proposed acquisition of the ordinary shares of Healthscope via a takeover offer (the Takeover Offer) should a simultaneous scheme of arrangement not become effective.

Deloitte Corporate Finance Pty Limited is wholly owned by Deloitte Touche Tohmatsu and holds the appropriate Australian Financial Services licence (AFSL) under the *Corporations Act 2001* for the issue of this report.

References to the Takeover Offer, Brookfield LP and other terminology used in this report have the same meaning as defined in the Glossary of the Booklet.

Scope

Takeover Offer Pro forma Historical Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of Brookfield LP to review:

- the Takeover Offer Pro Forma Statement of Profit or Loss for the financial year ended 30 June 2018 and half year period ended 31 December 2018;
- the Takeover Offer Pro Forma Statement of Financial Position as at 31 December 2018; and
- the Takeover Offer Pro Forma Statement of Cash Flows for the financial year ended 30 June 2018 and half year period ended 31 December 2018,

as set out in Section 8.5 of the Booklet (together the Takeover Offer Pro forma Historical Financial Information).

The Takeover Offer Pro forma Historical Financial Information has been derived from the Historical Consolidated Statements of Profit or Loss and Cash flows for the financial year ended 30 June 2018 and half year period ended 31 December 2018 and the Historical Consolidated Statement of Financial Position as at 31 December 2018 of Healthscope (Historical Financial Information), after adjusting for the effects of pro forma adjustments described in Section 8.5 of the Booklet.

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The Historical Financial Information has been extracted from:

- the annual financial report of Heathscope for the financial year ended 30 June 2018, which was audited by Deloitte Touche Tohmatsu in accordance with the Australian Auditing Standards; and
- the half year financial report of Healthscope for the period ended 31 December 2018, which was reviewed by Deloitte Touche Tohmatsu in accordance with the Australian Auditing Standards.

Deloitte Touche Tohmatsu issued an unmodified audit opinion on the financial report relating to the financial year ended 30 June 2018 and an unmodified review conclusion on the financial report relating to the half year period ended 31 December 2018.

The Takeover Offer Pro forma Financial Information is presented in the Booklet in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001***.**

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the Historical Financial Information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in Section 8.5 of the Booklet, as if those event(s) or transaction(s) had occurred as at 1 July 2017 in relation to the Takeover Offer Pro Forma Statements of Profit or Loss and Cash Flows, and as if those event(s) or transaction(s) had occurred as at 31 December 2018 in relation to the Takeover Offer Pro Forma Statement of Financial Position. Due to its nature, the Takeover Offer Pro forma Historical Financial Information does not represent the actual or prospective financial position, financial performance, and/or cash flows.

Directors' Responsibility

The Directors are responsible for:

- the preparation and presentation of the Takeover Offer Pro forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the Historical Financial Information and included in the Takeover Offer Pro forma Historical Financial Information. This responsibility includes the responsibility for such internal controls as the Directors determine are necessary to enable the preparation of the Takeover Offer Pro Forma Historical Financial Information that is free from material misstatement, whether due to fraud or error; and
- the information contained within Section 8.5 of the Booklet.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Takeover Offer Pro forma Historical Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with Australian Standard on Assurance Engagement (ASAE) 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.*

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly we will not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the Takeover Offer Pro Forma Historical Financial Information.

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Conclusions

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Takeover Offer Pro forma Historical Financial Information as set out in Section 8.5 is not prepared, in all material respects, in accordance with the stated basis of preparation.

Consent

Deloitte Corporate Finance Pty Limited has consented to the inclusion of this limited assurance report in the Booklet in the form and context in which it is included.

Subsequent Events

Subsequent to 31 December 2018 and up to the date of this report, nothing has come to our attention that would cause us to believe material transactions or events outside the ordinary course of business of Healthscope have occurred, other than the matters dealt with in this report or the Booklet, which would require comment on, or adjustment to, the Takeover Offer Pro Forma Historical Financial Information, or which would cause such information to be misleading.

Disclosure of Interest

Deloitte Corporate Finance Pty Limited does not have any interest in the outcome of the Takeover Offer and participation in the due diligence procedures for which normal professional fees will be received.

Deloitte Touche Tohmatsu is the auditor of Brookfield Business Partners L.P. (an affiliate of Brookfield LP) and Healthscope.

Yours sincerely

A. Coleman.

Andrew Coleman
Authorised Representative of
Deloitte Corporate Finance Pty Limited (AFSL 241457)
AR Number 1265229

Deloitte.

November 2018

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Apart from these fees, DCF, our directors and officers, and any related bodies corporate, affiliates or associates, and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary, and, while eligible for annual salary increases and bonuses based on overall performance, they do not receive any commissions or other benefits as a result of the services provided to you.

The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

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If an issue is not resolved to your satisfaction, you can lodge a dispute with the Australian Financial Complaints Authority (AFCA). AFCA provides fair and independent financial services dispute resolution free to consumers.

www.afca.org.au
1800 931 678 (free call)
Australian Financial Complaints Authority Limited
GPO Box 3 Melbourne VIC 3001

What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services we provide. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

Deloitte Corporate Finance Pty Limited, ABN 19 003 833 127, AFSL number 241457 of Level 1 Grosvenor Place, 225 George Street, Sydney NSW 2000
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Scheme of arrangement

Healthscope Limited

Scheme Shareholders

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HERBERT SMITH FREEHILLS

Contents

Table of contents

HERBERT SMITH FREEHILLS

Contents

HERBERT SMITH FREEHILLS

Scheme of arrangement

This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth)

Between the parties

Healthscope	Healthscope Limited ACN 144 840 639 of Level 1, 312 St Kilda Road, Melbourne VIC 3004 (**Healthscope**)
Scheme Shareholders	Each Healthscope Shareholder as at the Scheme Record Date (**Scheme Shareholders**)

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1 Definitions, interpretation and scheme components

1.1 Definitions

The meanings of the terms used in this Scheme are set out below.

Term	Meaning
Affiliate	in respect of a person (**Primary Person**), a person: 1 Controlled directly or indirectly by the Primary Person; 2 Controlling directly or indirectly the Primary Person; 3 who is Controlled, directly or indirectly, by a person or persons who Control the Primary Person; or 4 directly or indirectly under the common Control of the Primary Person and another person or persons.
Aggregate Brookfield HoldCo Elected Class B Shares	the total number of Brookfield HoldCo Class B Shares the subject of all Brookfield HoldCo Elections.
ASIC	the Australian Securities and Investments Commission.
ASX	ASX Limited (ABN 98 008 624 691) and, where the context requires, the financial market that it operates.
ASX Settlement	ASX Settlement Pty Ltd (ACN 008 504 532).
Available Brookfield HoldCo Class B Shares	700,000,000 Brookfield HoldCo Class B Shares or such other amount agreed between Healthscope and Brookfield in writing.
Brookfield	ANZ Hospitals Pty Ltd ACN 631 014 938 of Level 22, 135 King Street, Sydney NSW 2000.
Brookfield Group	Brookfield and each of its Affiliates and a reference to a “Brookfield Group Member” or “a member of the Brookfield Group” is to Brookfield or any of its Affiliates.

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Term	Meaning
Brookfield HoldCo	ANZ Hospitals Topco Limited ACN 631 014 965 of Level 22, 135 King Street, Sydney NSW 2000.
Brookfield HoldCo Class B Share	a "Class B" convertible ordinary share in the capital of Brookfield HoldCo issued on the terms set out in the Brookfield HoldCo Constitution.
Brookfield HoldCo Constitution	the constitution of Brookfield HoldCo a summary of which is set out in the shareholders' deed term sheet in Attachment C of the Implementation Deed or such other form as agreed in writing by the parties.
Brookfield HoldCo Elections	the Elections made by Scheme Shareholders to receive Scheme Scrip Consideration.
Brookfield HoldCo Ordinary Shares	fully paid ordinary shares in the capital of Brookfield HoldCo.
Business Day	a day on which trading banks are open for business in each of Melbourne, Victoria, and Sydney, New South Wales (not being a Saturday, Sunday or public holiday in that place).
CHESS	the Clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd and ASX Clear Pty Limited.
CHESS Holding	a holding of Healthscope Shares that are registered on the Share Register, which is administered by ASX Settlement and which records uncertificated holdings of Healthscope Shares.
Control	with respect to any person (other than an individual) the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such person whether through the ownership of voting securities, by agreement or otherwise, and for the avoidance of doubt, a general partner is deemed to Control a limited partnership of which it is the general partner and, solely for the purposes of this document, a fund advised or managed directly or indirectly by a person will also be deemed to be Controlled by such person, and, in respect of Brookfield, will also include any fund, account, client, limited partnership or other collective investment vehicle or other person which is managed or advised by Brookfield or an Affiliate of Brookfield.
Corporations Act	the *Corporations Act 2001* (Cth).

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Term	Meaning
Court	the Supreme Court of Victoria or such other court of competent jurisdiction under the Corporations Act agreed to in writing by Brookfield and Healthscope.
Custodian	has the meaning given in the Shareholders' Deed.
Custodian Deed	has the meaning given in the Shareholders' Deed.
Deed Poll	the deed poll executed by Brookfield HoldCo and Brookfield under which Brookfield HoldCo and Brookfield each covenants in favour of the Scheme Shareholders to perform the obligations attributed to Brookfield HoldCo and Brookfield under this Scheme.
Effective	when used in relation to this Scheme, the coming into effect, under subsection 411(10) of the Corporations Act, of the Court order made under paragraph 411(4)(b) of the Corporations Act in relation to this Scheme.
Effective Date	the date on which this Scheme becomes Effective.
Election	has the meaning in clause 5.1(b).
Election Form	the election form that a Scheme Shareholder may request from the Healthscope Registry and under which each Scheme Shareholder (other than Ineligible Foreign Shareholders) may elect to receive the Scheme Scrip Consideration, subject to the conditions in this Scheme.
Election Time	5:00pm on the date eight clear Business Days before the date of the Scheme Meeting, or such other time as Brookfield and Healthscope agree in writing.
End Date	31 October 2019.
Government Agency	any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or any state (or any comparable or similar position held in any foreign country).

HERBERT SMITH FREEHILLS

Term	Meaning
Healthscope	Healthscope Limited (ACN 144 840 639).
Healthscope Registry	Computershare Investor Services Pty Limited (ACN 078 279 277).
Healthscope Share	a fully paid ordinary share of Healthscope.
Healthscope Shareholder	each person who is registered as the holder of a Healthscope Share from time to time.
Implementation Date	the fifth Business Day after the Scheme Record Date or such other date after the Scheme Record Date as the parties agree in writing.
Implementation Deed	the implementation deed dated 1 February 2019 between Healthscope and Brookfield relating to the implementation of this Scheme (amongst other things), as amended from time to time.
Ineligible Foreign Shareholder	a Scheme Shareholder whose address in the Share Register as at the Scheme Record Date is a place outside Australia or New Zealand unless Brookfield and Healthscope agree in writing that it is lawful and not unduly onerous or impractical to issue Brookfield HoldCo Ordinary Shares to that Scheme Shareholder if the Scheme Shareholder so elects under this Scheme.
Issuer Sponsored Holding	has the meaning given in the Settlement Rules.
Operating Rules	the official operating rules of ASX.
Performance Right	a right existing at the date of the Implementation Deed issued under an employee incentive plan which confers on the holder a right to acquire a Healthscope Share.
Registered Address	in relation to a Healthscope Shareholder, the address shown in the Share Register.
Scaleback Arrangements	the provisions of this Scheme providing for the scaleback of Brookfield HoldCo Class B Shares issued pursuant to this Scheme in accordance with clause 5.4.

Term	Meaning
Scheme	this scheme of arrangement under Part 5.1 of the Corporations Act between Healthscope and the Scheme Shareholders subject to any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and agreed to in writing by Healthscope and Brookfield.
Scheme Cash Consideration	$2.465 cash for each Scheme Share held by a Scheme Shareholder.
Scheme Consideration	the consideration to be provided to each Scheme Shareholder for the transfer to Brookfield of each Scheme Share, being for each Healthscope Share held by a Scheme Shareholder as at the Scheme Record Date being either: 1 the Scheme Cash Consideration; or 2 the Scheme Scrip Consideration.
Scheme Meeting	the meeting of the Healthscope Shareholders ordered by the Court to be convened under subsection 411(1) of the Corporations Act.
Scheme Record Date	5.00pm (Melbourne time) on the fifth Business Day after the Effective Date or such other time and date as Brookfield and Healthscope agree in writing.
Scheme Scrip Consideration	2.465 Brookfield HoldCo Class B Shares or such other amount agreed between Healthscope and Brookfield in writing for each Scheme Share held on the Scheme Record Date by a Scheme Shareholder who makes a valid Election in accordance with this Scheme, subject to the Scaleback Arrangements and the other conditions in this Scheme.
Scheme Shares	all Healthscope Shares held by the Scheme Shareholders.
Scheme Shareholder	a Healthscope Shareholder as at the Scheme Record Date.
Scheme Transfer	a duly completed and executed proper instrument of transfer in respect of the Scheme Shares for the purposes of section 1071B of the Corporations Act, in favour of Brookfield as transferee, which may be a master transfer of all or part of the Scheme Shares.
Second Court Date	the first day on which an application made to the Court for an order under paragraph 411(4)(b) of the Corporations Act approving this Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the first day on which the adjourned application or

Term	Meaning
	appeal is heard.
Settlement Rules	the ASX Settlement Operating Rules, being the official operating rules of the settlement facility provided by ASX Settlement Pty Ltd.
Share Register	the register of members of Healthscope maintained in accordance with the Corporations Act.
Shareholders' Deed	the shareholders' deed in relation to Brookfield HoldCo on substantially those terms set out in the shareholders' deed term sheet in Attachment C of the Implementation Deed or such other form as agreed in writing between Brookfield and Healthscope.
Subsidiary	has the meaning given in the Corporations Act.
Trust Account	an Australian dollar denominated trust account operated by Healthscope to hold the Scheme Cash Consideration on trust for the purpose of paying the Scheme Cash Consideration to applicable Scheme Shareholders in accordance with clause 5.2.

1.2 Interpretation

In this Scheme:

(a) headings and bold type are for convenience only and do not affect the interpretation of this Scheme;

(b) the singular includes the plural and the plural includes the singular;

(c) words of any gender include all genders;

(d) other parts of speech and grammatical forms of a word or phrase defined in this Scheme have a corresponding meaning;

(e) a reference to a person includes any company, partnership, joint venture, association, corporation or other body corporate and any Government Agency as well as an individual;

(f) a reference to a clause, party, schedule, attachment or exhibit is a reference to a clause of, and a party, schedule, attachment or exhibit to, this Scheme;

(g) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or reenactments of any of them (whether passed by the same or another Government Agency with legal power to do so);

(h) a reference to a document (including this Scheme) includes all amendments or supplements to, or replacements or novations of, that document;

(i) a reference to '$', 'A$' or 'dollar' is to Australian currency;

(j) a reference to any time is, unless otherwise indicated, a reference to that time in Melbourne, Australia;

(k) a term defined in or for the purposes of the Corporations Act, and which is not defined in clause 1.1, has the same meaning when used in this Scheme;

(l) a term defined in the Implementation Deed, and which is not defined in clause 1.1 of this Scheme, has the same meaning when used in this Scheme;

(m) a reference to a party to a document includes that party's successors and permitted assignees;

(n) no provision of this Scheme will be construed adversely to a party because that party was responsible for the preparation of this Scheme or that provision;

(o) a reference to a body, other than a party to this Scheme (including an institute, association or authority), whether statutory or not:

(1) which ceases to exist; or

(2) whose powers or functions are transferred to another body,

is a reference to the body which replaces it or which substantially succeeds to its powers or functions;

(p) if a period of time is specified and dates from a given day or the day of an act or event, it is to be calculated exclusive of that day;

(q) a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;

(r) if an act prescribed under this Scheme to be done by a party on or by a given day is done after 5.00pm on that day, it is taken to be done on the next day; and

(s) a reference to the Listing Rules and the Operating Rules includes any variation, consolidation or replacement of these rules and is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a party.

1.3 Interpretation of inclusive expressions

Specifying anything in this Scheme after the words 'include' or 'for example' or similar expressions does not limit what else is included.

1.4 Business Day

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

2 Preliminary matters

(a) If this Scheme becomes Effective:

(1) Brookfield HoldCo and Brookfield must provide, or procure the provision of, the Scheme Consideration to the Scheme Shareholders in accordance with the terms of this Scheme and the Deed Poll; and

(2) all the Scheme Shares, and all the rights and entitlements attaching to them as at the Implementation Date, must be transferred to Brookfield and Healthscope will enter the name of Brookfield in the Share

Register in respect of the Scheme Shares on the Implementation Date.

(b) Healthscope and Brookfield have agreed, by executing the Implementation Deed, to implement this Scheme.

(c) This Scheme attributes actions to Brookfield HoldCo and Brookfield but does not itself impose an obligation on them to perform those actions. Brookfield HoldCo and Brookfield have agreed, by executing the Deed Poll, to perform the actions attributed to them under this Scheme, including the provision, or procuring the provision, of the Scheme Consideration to the Scheme Shareholders.

3 Conditions

3.1 Conditions precedent

This Scheme is conditional on and will have no force or effect until, the satisfaction of each of the following conditions precedent:

(a) all the conditions of the Scheme in clause 3 of the Implementation Deed (other than the condition in the Implementation Deed relating to Court approval of this Scheme) having been satisfied or waived in accordance with the terms of the Implementation Deed by 8.00am on the Second Court Date;

(b) neither the Implementation Deed nor the Deed Poll having been terminated in accordance with their terms before 8.00am on the Second Court Date;

(c) approval of this Scheme by the Court under paragraph 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under subsection 411(6) of the Corporations Act and agreed to by Brookfield and Healthscope;

(d) such other conditions made or required by the Court under subsection 411(6) of the Corporations Act in relation to this Scheme and agreed to by Brookfield and Healthscope having been satisfied or waived; and

(e) the orders of the Court made under paragraph 411(4)(b) (and, if applicable, subsection 411(6)) of the Corporations Act approving this Scheme coming into effect, pursuant to subsection 411(10) of the Corporations Act on or before the End Date (or any later date Healthscope and Brookfield agree in writing).

3.2 Certificate

(a) Healthscope, Brookfield will provide to the Court on the Second Court Date a certificate, or such other evidence as the Court requests, confirming (in respect of matters within their knowledge) whether or not all of the conditions precedent in clauses 3.1(a) and 3.1(b) of this Scheme have been satisfied or waived.

(b) The certificate referred to in clause 3.2(a) of this Scheme constitutes conclusive evidence that such conditions precedent were satisfied, waived or taken to be waived.

3.3 End Date

This Scheme will lapse and be of no further force or effect if:

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(a) the Effective Date does not occur on or before the End Date; or

(b) the Implementation Deed or the Deed Poll is terminated in accordance with its terms,

unless Healthscope and Brookfield otherwise agree in writing.

4 Implementation of this Scheme

4.1 Lodgement of Court orders with ASIC

Healthscope must lodge with ASIC, in accordance with subsection 411(10) of the Corporations Act, an office copy of the Court order approving this Scheme as soon as possible after the Court approves this Scheme and in any event by 5.00pm on the first Business Day after the day on which the Court approves this Scheme.

4.2 Transfer of Scheme Shares

On the Implementation Date:

(a) subject to the provision of the Scheme Consideration in the manner contemplated by clauses 5.2(b), 5.2(c) and 5.3(a), the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, must be transferred to Brookfield, without the need for any further act by any Scheme Shareholder (other than acts performed by Healthscope as attorney and agent for Scheme Shareholders under clause 8.5), by:

(1) Healthscope delivering to Brookfield a duly completed Scheme Transfer, executed on behalf of the Scheme Shareholders by Healthscope, for registration; and

(2) Brookfield duly executing the Scheme Transfer and delivering it to Healthscope for registration; and

(b) immediately following receipt of the Scheme Transfer in accordance with clause 4.2(a)(2), Healthscope must enter, or procure the entry of, the name of Brookfield in the Share Register in respect of all the Scheme Shares transferred to Brookfield in accordance with this Scheme.

5 Scheme Consideration

5.1 Provision of Scheme Consideration

(a) Unless the applicable terms of this Scheme are satisfied, the Scheme Consideration will be in the form of the Scheme Cash Consideration.

(b) Despite clause 5.1(a) and subject to clause 5.1(d), a Scheme Shareholder, other than an Ineligible Foreign Shareholder, may receive all of its Scheme Consideration in the form of the Scheme Scrip Consideration, subject to the Scaleback Arrangements, if the Scheme Shareholder validly completes and returns an Election Form in accordance with the instructions specified on the form so that the Healthscope Registry receives it by the Election Time (**Elections**).

(c) Brookfield HoldCo must not, and will be under no obligation to, issue any Brookfield HoldCo Class B Shares under this Scheme to any Ineligible Foreign Shareholder. Accordingly, no Ineligible Foreign Shareholder may make a valid Election.

(d) All Scheme Shareholders will receive the Scheme Cash Consideration and no Scheme Shareholders will be entitled to receive the Scheme Scrip Consideration unless Healthscope Shareholders holding, in aggregate, at least 10% of the issued Healthscope Shares at the Election Time make valid Elections to receive the Scheme Scrip Consideration in accordance with clause 5.1(b) above.

(e) A Scheme Shareholder that makes an Election may vary, withdraw or revoke that Election by lodging a replacement Election Form (such form to be requested from the Healthscope Registry), provided such replacement Election Form is received by the Healthscope Registry by the Election Time.

(f) An Election must be made in accordance with the terms and conditions of the Election Form and this clause 5.1, and an Election not made in accordance with this clause 5.1(c) will not be a valid Election for the purpose of this Scheme and will not be recognised for any purpose.

(g) Subject to this clause 5.1 and clauses 5.3 and 5.4, if a Scheme Shareholder makes an Election, that Election will be deemed to apply in respect of that Scheme Shareholder's entire registered holding of Scheme Shares at the Scheme Record Date, regardless of whether the Scheme Shareholder's holding of Scheme Shares is greater or less than the Scheme Shareholder's holding at the time it made its Election.

(h) A Scheme Shareholder that is noted on the Share Register as holding one or more parcels of Scheme Shares as trustee or nominee for, or otherwise on account of, another person, may make separate Elections under this clause 5.1 in relation to each of those parcels of Scheme Shares (subject to it providing to Healthscope any substantiating information it reasonably requires).

(i) Subject to clause 5.1(j), if a Scheme Shareholder makes separate Elections under clause 5.1(h), that Scheme Shareholder will be treated as a separate Scheme Shareholder in respect of each such parcel in respect of which a separate Election is made (and in respect of any balance of its holding).

(j) If, at the Scheme Record Date, a Scheme Shareholder that has made separate Elections under clause 5.1(h) holds fewer Scheme Shares than it held at the time it made the Election, then, unless it has at the time of any sale of Healthscope Shares notified Healthscope whether the Healthscope Shares sold relate to any such separate Election (and if so which separate Election the Shares sold relate to), that Shareholder will be treated as not having made a valid Election in respect of any of its Scheme Shares (or will be treated in any other manner that Healthscope and Brookfield agree is fair to the Scheme Shareholder in all the circumstances acting reasonably).

5.2 Provision of Scheme Cash Consideration

(a) Brookfield must, by no later than 1 Business Day before the Implementation Date, deposit, or procure the deposit, in cleared funds an amount equal to the aggregate amount of the Scheme Cash Consideration payable to all Scheme Shareholders who are entitled to the Scheme Cash Consideration into the Trust Account (provided that any interest on the amounts deposited (less bank fees and other charges) will be credited to Brookfield's account).

HERBERT SMITH FREEHILLS

(b) On the Implementation Date, subject to funds having been deposited in accordance with clause 5.2(a), Healthscope must pay or procure the payment of the Scheme Cash Consideration from the Trust Account, to each Scheme Shareholder who is entitled to the Scheme Cash Consideration, such amount of cash as is due to that Scheme Shareholder as Scheme Cash Consideration in respect of all that Scheme Shareholder's Scheme Shares.

(c) The obligations of Healthscope under clause 5.2(b) will be satisfied by Healthscope (in its absolute discretion, and despite any election referred to in clause 5.2(c)(1) or authority referred to in clause 5.2(c)(2) made or given by the Scheme Shareholder):

(1) if a Scheme Shareholder has, before the Scheme Record Date, made a valid election in accordance with the requirements of the Healthscope Registry to receive dividend payments from Healthscope by electronic funds transfer to a bank account nominated by the Scheme Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election;

(2) paying, or procuring the payment of, the relevant amount in Australian currency by electronic means to a bank account nominated by the Scheme Shareholder by an appropriate authority from the Scheme Shareholder to Healthscope; or

(3) dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Scheme Shareholder by prepaid post to their Registered Address (as at the Scheme Record Date), such cheque being drawn in the name of the Scheme Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 5.4).

(d) To the extent that, following satisfaction of Healthscope's obligations under clause 5.2(b), there is a surplus in the amount held by Healthscope as trustee for the Scheme Shareholders in the Trust Account, that surplus shall be paid by Healthscope to Brookfield.

5.3 Provision of Scheme Scrip Consideration

(a) On the Implementation Date, and subject to the Scaleback Arrangements, Brookfield HoldCo must issue Brookfield HoldCo Class B Shares to the Scheme Shareholders that are entitled to receive the Scheme Scrip Consideration in accordance with this Scheme or issue those Brookfield HoldCo Class B Shares to the Custodian to be held as bare trustee for those Scheme Shareholders in accordance with this Scheme.

(b) The Brookfield HoldCo Class B Shares in respect of which a Scheme Shareholder is entitled may, in Brookfield's absolute discretion, be issued directly to that Scheme Shareholder (such that the Scheme Shareholder will be the legal holder of the relevant Brookfield HoldCo Class B Shares) or, pursuant to and in accordance with the terms of the Shareholders' Deed, issued to the Custodian to hold as bare trustee for that Scheme Shareholder (such that the Scheme Shareholder will be beneficial holder but not the legal holder of the relevant Brookfield HoldCo Class B Shares).

(c) Brookfield HoldCo must ensure that each Brookfield HoldCo Class B Share issued as Scheme Scrip Consideration will at the time they are issued:

(1) rank equally with all existing Brookfield HoldCo Ordinary Shares;

(2) be duly and validly issued in accordance with applicable laws and the Brookfield HoldCo Constitution and the Shareholders' Deed; and

(3) be issued fully paid and free from any mortgage, charge, lien, encumbrance or other security interest, or any third party right.

(d) Any Scheme Shareholder that becomes a shareholder in Brookfield HoldCo will be taken to automatically through this Scheme to have agreed to be bound by the Brookfield HoldCo Constitution and to be party to the Shareholders' Deed as a 'Rollover Shareholder'.

(e) On or before the date that is five Business Days after the Implementation Date, Brookfield HoldCo must send, or procure the sending of, a certificate to each Scheme Shareholder or the Custodian entitled to receive Brookfield HoldCo Class B Shares under this Scheme, reflecting the issue of such Brookfield HoldCo Class B Shares.

5.4 Scaleback Arrangements

(a) If the Aggregate Brookfield HoldCo Elected Class B Shares is less than or equal to the Available Brookfield HoldCo Class B Shares, each Scheme Shareholder who makes a valid Election will receive the Brookfield HoldCo Class B Shares the subject of their valid Elections in full, subject to the other conditions in this Scheme.

(b) If the Aggregate Brookfield HoldCo Elected Class B Shares exceed the Available Brookfield HoldCo Class B Shares, each Scheme Shareholder (or Custodian on that Scheme Shareholder's behalf) who is entitled to be issued Brookfield HoldCo Class B Shares will receive the number of Brookfield HoldCo Class B Shares calculated in accordance with the formula below (**Scaleback HoldCo Class B Shares**), and that Scheme Shareholder will receive the Scheme Cash Consideration in respect of the remaining number of Brookfield HoldCo Class B Shares that would otherwise have been issued to that Scheme Shareholder (or Custodian on that Scheme Shareholder's behalf):

$$\text{Scaleback HoldCo Class B Shares} = A\left(\frac{B}{C}\right)$$

where:

A is the number of Brookfield HoldCo Class B Shares the subject of the Scheme Shareholder's valid Election;

B is the Available Brookfield HoldCo Class B Shares; and

C is the Aggregate Brookfield HoldCo Elected Class B Shares.

5.5 Joint holders

In the case of Scheme Shares held in joint names:

(a) subject to clause 5.2(c), any Scheme Cash Consideration payable in respect of those Scheme Shares is payable to the joint holders and any cheque required to be sent under this Scheme will be made payable to the joint holders and sent to either, at the sole discretion of Healthscope, the holder whose name appears first in the Share Register as at the Scheme Record Date or to the joint holders;

(b) any Brookfield HoldCo Class B Shares to be issued under this Scheme must be issued to and registered in the names of the joint holders or, if these Brookfield HoldCo Class B Shares are issued to the Custodian to hold as bare trustee for the joint holders, the joint holders will have joint beneficial ownership of those Brookfield HoldCo Class B Shares; and

(c) any other document required to be sent under this Scheme, will be forwarded to either, at the sole discretion of Healthscope, the holder whose name appears first in the Share Register as at the Scheme Record Date or to the joint holders.

5.6 Fractional entitlements

(a) Where the calculation of the number of Brookfield HoldCo Class B Shares to be issued to a particular Scheme Shareholder (or Custodian on behalf of a Scheme Shareholders) would result in the Scheme Shareholder becoming entitled to a fraction of a Brookfield HoldCo Class B Share, then the fractional entitlement will be rounded to the nearest whole number of Brookfield HoldCo Class B Shares, with any such fractional entitlement of less than 0.5 being rounded down to the nearest whole number of Brookfield HoldCo Class B Shares, and any such fractional entitlement of 0.5 or more being rounded up to the nearest whole number of Brookfield HoldCo Class B Shares.

(b) Where the calculation of the Scheme Cash Consideration to be provided to a particular Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a cent, the fractional entitlement will be rounded up or down (as applicable) to the nearest cent.

5.7 Unclaimed monies

(a) Healthscope may cancel a cheque issued under this clause 5 if the cheque:

(1) is returned to Healthscope; or

(2) has not been presented for payment within six months after the date on which the cheque was sent.

(b) During the period of 12 months commencing on the Implementation Date, on request in writing from a Scheme Shareholder to Healthscope (or the Healthscope Registry) (which request may not be made until the date which is 20 Business Days after the Implementation Date), Healthscope must reissue a cheque that was previously cancelled under this clause 5.6.

(c) The *Unclaimed Money Act* 2008 (Vic) will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in section 3 of the *Unclaimed Money Act* 2008 (Vic)).

5.8 Orders of a court or Government Agency

If written notice is given to Healthscope (or the Healthscope Registry) or Brookfield of an order or direction made by a court of competent jurisdiction or by another Government Agency that:

(a) requires consideration to be provided to a third party (either through payment of a sum or the issuance of a security) in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable or required to be issued to that Scheme Shareholder by Healthscope in accordance with this clause 5, then Healthscope shall be entitled to procure that provision of that consideration is made in accordance with that order or direction; or

(b) prevents Healthscope from providing consideration to any particular Scheme Shareholder in accordance with this clause 5, or the payment or issuance of such consideration is otherwise prohibited by applicable law, Healthscope shall be entitled to (as applicable) retain an amount, in Australian dollars, equal to the number of Scheme Shares held by that Scheme Shareholder multiplied by the Scheme Consideration until such time as provision of the Scheme Consideration in accordance with this clause 5 is permitted by that (or another) order or direction or otherwise by law.

5.9 Withholding

If Brookfield determines, having regard to legal advice, that Brookfield is either:

(a) Required by law to:

(1) withhold any amount from a payment to a Scheme Shareholder; or

(2) not issue a security (or any securities) to a Scheme Shareholder; or

(b) liable to pay an amount to the Commissioner of Taxation under section 14-200 of Schedule 1 to *Taxation Administration Act 1953* (Cth) (amounts required to be paid for CGT non-resident withholding) in respect of the acquisition of Scheme Shares from a Scheme Shareholder,

then Brookfield is entitled to:

(c) withhold the relevant amount before making the payment to the Scheme Shareholder; or

(d) not issue the relevant security (or securities) to the Scheme Shareholder until permitted to do so,

(and payment of the reduced amount or issue of the reduced number of securities shall be taken to be full payment of the relevant amount for the purposes of this Scheme, including clause 5.1).

Brookfield must pay any amount (or issue any security) so withheld to the relevant taxation authority within the time permitted by law, and, if requested in writing by the relevant Scheme Shareholder, provide a receipt or other appropriate evidence (or procure the provision of such receipt or other evidence) of such payment (or issue of any security) to the relevant Scheme Shareholder.

6 Dealings in Healthscope Shares

6.1 Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in Healthscope Shares or other alterations to the Share Register will only be recognised if:

(a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Share Register as the holder of the relevant Healthscope Shares before the Scheme Record Date; and

(b) in all other cases, registrable transfer or transmission applications in respect of those dealings, or valid requests in respect of other alterations, are received before the Scheme Record Date at the place where the Share Register is kept,

and Healthscope must not accept for registration, nor recognise for any purpose (except a transfer to Brookfield pursuant to this Scheme and any subsequent transfer by Brookfield or its successors in title), any transfer or transmission application or other request received after such times, or received prior to such times but not in registrable or actionable form, as appropriate.

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6.2 Register

(a) Healthscope must register registrable transmission applications or transfers of the Scheme Shares that is received in accordance with clause 6.1(b) before the Scheme Record Date provided that, for the avoidance of doubt, nothing in this clause 6.2(a) requires Healthscope to register a transfer that would result in a Healthscope Shareholder holding a parcel of Healthscope Shares that is less than a 'marketable parcel' (for the purposes of this clause 6.2(a) 'marketable parcel' has the meaning given in the Operating Rules).

(b) If this Scheme becomes Effective, a holder of Scheme Shares (and any person claiming through that holder) must not dispose of, or purport or agree to dispose of, any Scheme Shares or any interest in them on or after the Scheme Record Date otherwise than pursuant to this Scheme, and any attempt to do so will have no effect and Healthscope shall be entitled to disregard any such disposal.

(c) For the purpose of determining entitlements to the Scheme Consideration, Healthscope must maintain the Share Register in accordance with the provisions of this clause 6.2 until the Scheme Consideration has been paid to the Scheme Shareholders. The Share Register in this form will solely determine entitlements to the Scheme Consideration.

(d) All statements of holding for Healthscope Shares (other than statements of holding in favour of Brookfield) will cease to have effect after the Scheme Record Date as documents of title in respect of those shares and, as from that date, each entry current at that date on the Share Register (other than entries on the Share Register in respect of Brookfield) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Healthscope Shares relating to that entry.

(e) As soon as possible on or after the Scheme Record Date, and in any event by 5.00pm on the first Business Day after the Scheme Record Date, Healthscope will ensure that details of the names, Registered Addresses and holdings of Healthscope Shares for each Scheme Shareholder as shown in the Share Register are available to Brookfield in the form Brookfield reasonably requires.

7 Quotation of Healthscope Shares

(a) Healthscope must apply to ASX to suspend trading on the ASX in Healthscope Shares with effect from the close of trading on the Effective Date.

(b) On a date after the Implementation Date to be determined by Brookfield, Healthscope must apply:

  (1) for termination of the official quotation of Healthscope Shares on the ASX; and

  (2) to have itself removed from the official list of the ASX.

8 General Scheme provisions

8.1 Consent to amendments to this Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions:

(a) Healthscope may, by its counsel, consent on behalf of all persons concerned to those alterations or conditions to which Brookfield has consented in writing; and

(b) each Scheme Shareholder agrees to any such alterations or conditions which Healthscope has consented to.

8.2 Scheme Shareholders' agreements and warranties

(a) Each Scheme Shareholder:

   (1) agrees to the transfer of their Healthscope Shares together with all rights and entitlements attaching to those Healthscope Shares in accordance with this Scheme;

   (2) agrees to the variation, cancellation or modification of the rights attached to their Healthscope Shares constituted by or resulting from this Scheme;

   (3) agrees to, on the direction of Brookfield, destroy any holding statements or share certificates relating to their Healthscope Shares;

   (4) to the extent they are to receive Scheme Scrip Consideration as a component of the Scheme Consideration to which they are entitled, agrees to become a member of Brookfield HoldCo and to be bound by the terms of the Brookfield HoldCo Constitution and the Shareholders' Deed as a 'Rollover Shareholder';

   (5) to the extent they are entitled to Scheme Scrip Consideration as Scheme Consideration and the Scheme Scrip Consideration is issued to the Custodian to hold as bare trustee for the Scheme Shareholder, agrees to be bound by the Custodian Deed;

   (6) who holds their Healthscope Shares in a CHESS Holding agrees to the conversion of those Healthscope Shares to an Issuer Sponsored Holding and irrevocably authorises Healthscope to do anything necessary or expedient (whether required by the Settlement Rules or otherwise) to effect or facilitate such conversion; and

   (7) acknowledges and agrees that this Scheme binds Healthscope and all Scheme Shareholders (including those who do not attend the Scheme Meeting and those who do not vote, or vote against this Scheme, at the Scheme Meeting).

(b) Each Scheme Shareholder is taken to have warranted to Healthscope, Brookfield HoldCo and Brookfield on the Implementation Date, and appointed and authorised Healthscope as its attorney and agent to warrant to Brookfield HoldCo and Brookfield on the Implementation Date, that all their Healthscope Shares (including any rights and entitlements attaching to those shares) which are transferred under this Scheme will, at the date of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to transfer their Healthscope Shares to Brookfield together with any rights and entitlements attaching to those shares. Healthscope undertakes that it will provide such warranty to Brookfield HoldCo and Brookfield as agent and attorney of each Scheme Shareholder.

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8.3 Title to and rights in Scheme Shares

(a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Scheme to Brookfield will, at the time of transfer of them to Brookfield vest in Brookfield free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise and free from any restrictions on transfer of any kind.

(b) Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clauses 5.2(b), 5.2(c) and 5.3(a), Brookfield will be beneficially entitled to the Scheme Shares to be transferred to it under this Scheme pending registration by Healthscope of Brookfield in the Share Register as the holder of the Scheme Shares.

8.4 Appointment of sole proxy

(a) Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clauses 5.2(b), 5.2(c) and 5.3(a), and until Healthscope registers Brookfield as the holder of all Scheme Shares in the Share Register, each Scheme Shareholder:

(1) is deemed to have appointed Brookfield as attorney and agent (and directed Brookfield in each such capacity) to appoint any director, officer, secretary or agent nominated by Brookfield as its sole proxy and, where applicable or appropriate, corporate representative to attend shareholders' meetings, exercise the votes attaching to the Scheme Shares registered in their name and sign any shareholders' resolution or document;

(2) must not attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to clause 8.4(a)(1));

(3) must take all other actions in the capacity of a registered holder of Scheme Shares as Brookfield reasonably directs; and

(4) acknowledges and agrees that in exercising the powers referred to in clause 8.4(a)(1), Brookfield and any director, officer, secretary or agent nominated by Brookfield under clause 8.4(a)(1) may act in the best interests of Brookfield as the intended registered holder of the Scheme Shares.

8.5 Authority given to Healthscope

Each Scheme Shareholder, without the need for any further act:

(a) on the Effective Date, irrevocably appoints Healthscope and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of enforcing the Deed Poll against Brookfield HoldCo and Brookfield, and Healthscope undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against Brookfield HoldCo and Brookfield on behalf of and as agent and attorney for each Scheme Shareholder; and

(b) on the Implementation Date, irrevocably appoints Healthscope and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of executing any document or doing or taking any other act necessary, desirable or expedient to give effect to this Scheme and the transactions contemplated by it, including (without limitation) executing and delivering:

(1) the Scheme Transfer as contemplated by clause 4.2;

(2) any deed or document required by Healthscope, Brookfield or Brookfield HoldCo that causes each Scheme Shareholder entitled to Brookfield HoldCo Ordinary Shares to be bound by the Shareholders Deed, the Custodian Deed and the Brookfield HoldCo Constitution;

(3) any deed or document required by Healthscope, Brookfield or Brookfield HoldCo that that causes each Rollover Shareholder to be bound by the Shareholders Deed; and

(4) any deed or document required by Healthscope, Brookfield or Brookfield HoldCo that causes each Scheme Shareholder issued Brookfield HoldCo Ordinary Shares under this Scheme to be bound by the constituent documents of any trust for the Scheme Shareholder the trustee of which will hold on bare trust for the Scheme Shareholder the Scheme Shareholder's Brookfield HoldCo Ordinary Shares,

and Healthscope accepts each such appointment. Healthscope as attorney and agent of each Scheme Shareholder, may sub-delegate its functions, authorities or powers under this clause 8.5 to all or any of its directors, officers, secretaries or employees (jointly, severally or jointly and severally).

8.6 Instructions and elections

If not prohibited by law (and including where permitted or facilitated by relief granted by a Government Agency), all instructions, notifications or elections by a Scheme Shareholder to Healthscope that are binding or deemed binding between the Scheme Shareholder and Healthscope relating to Healthscope or Healthscope Shares, including instructions, notifications or elections relating to:

(a) whether dividends are to be paid by cheque or into a specific bank account;

(b) payments of dividends on Healthscope Shares; and

(c) notices or other communications from Healthscope (including by email),

will be deemed from the Implementation Date (except to the extent determined otherwise by Brookfield in its sole discretion), by reason of this Scheme, to be made by the Scheme Shareholder to Brookfield and to be a binding instruction, notification or election to, and accepted by, Brookfield until that instruction, notification or election is revoked or amended in writing addressed to Brookfield at its registry.

8.7 Binding effect of Scheme

This Scheme binds Healthscope and all of the Scheme Shareholders (including those who did not attend the Scheme Meeting to vote on this Scheme, did not vote at the Scheme Meeting, or voted against this Scheme at the Scheme Meeting) and, to the extent of any inconsistency, overrides the constitution of Healthscope.

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9 General

9.1 Stamp duty

Brookfield:

(a) will pay, or will procure the payment of, all stamp duty and any related fines and penalties in respect of this Scheme and the Deed Poll, the performance of the Deed Poll and each transaction effected by or made under this Scheme and the Deed Poll; and

(b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 9.1(a).

9.2 Consent

Each of the Scheme Shareholders consents to Healthscope doing all things necessary or incidental to, or to give effect to, the implementation of this Scheme, whether on behalf of the Scheme Shareholders, Healthscope or otherwise.

9.3 Notices

(a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to Healthscope, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Healthscope's registered office or at the office of the Healthscope Registry.

(b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such notice by a Healthscope Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

9.4 Governing law

(a) This Scheme is governed by the laws in force in Victoria, Australia.

(b) The parties irrevocably submit to the exclusive jurisdiction of courts exercising jurisdiction in Victoria, Australia and courts of appeal from them in respect of any proceedings arising out of or in connection with this Scheme. The parties irrevocably waive any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

9.5 Further action

Healthscope must do all things and execute all documents necessary to give full effect to this Scheme and the transactions contemplated by it.

9.6 No liability when acting in good faith

Each Scheme Shareholder agrees that neither Healthscope, Brookfield HoldCo nor Brookfield nor any director, officer, secretary or employee of any of those companies shall be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

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Deed poll

ANZ Hospitals Topco Limited

ANZ Hospitals Pty Ltd

101 Collins Street Melbourne VIC 3000 Australia
GPO Box 128 Melbourne VIC 3001 Australia

T +61 3 9288 1234 **F** +61 3 9288 1567
herbertsmithfreehills.com DX 240 Melbourne

HERBERT SMITH FREEHILLS

Deed poll

Date ▸ 12 April 2019

This deed poll is made

By	**ANZ Hospitals Pty Ltd (ACN 631 014 938)** of Level 22, 135 King Street, Sydney NSW 2000 (**Brookfield**) and **ANZ Hospitals Topco Limited (ACN 631 014 965)** of Level 22, 135 King Street, Sydney NSW 2000 (**Brookfield HoldCo**)
in favour of	each person registered as a holder of Healthscope Shares in the Share Register as at the Scheme Record Date.
Recitals	1 Healthscope and Brookfield entered into the Implementation Deed. 2 In the Implementation Deed, Brookfield agreed to make this deed poll and procure that Brookfield HoldCo make this deed poll. 3 Brookfield HoldCo and Brookfield are making this deed poll for the purpose of covenanting in favour of the Scheme Shareholders to perform their obligations under the Implementation Deed and the Scheme.

This deed poll provides as follows:

1 Definitions and interpretation

1.1 Definitions

(a) The meanings of the terms used in this deed poll are set out below.

Term	**Meaning**
First Court Date	the first day on which an application made to the Court for an order under subsection 411(1) of the Corporations Act convening the

Term	Meaning
	Scheme Meeting to consider the Scheme is heard.
Implementation Deed	the implementation deed between Healthscope and Brookfield dated 1 February 2019 (as amended from time to time).
Scheme	the scheme of arrangement under Part 5.1 of the Corporations Act between Healthscope and the Scheme Shareholders, the form of which is attached to this deed poll, subject to any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and agreed to in writing by Healthscope and Brookfield.

(b) Unless the context otherwise requires, terms defined in the Scheme have the same meaning when used in this deed poll.

1.2 Interpretation

Sections 1.2, 1.3 and 1.4 of the Scheme apply to the interpretation of this deed poll, except that references to “this Scheme” are to be read as references to “this deed poll”.

1.3 Nature of deed poll

Brookfield HoldCo and Brookfield acknowledge that:

(a) this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not party to it; and

(b) under the Scheme, each Scheme Shareholder irrevocably appoints Healthscope and each of its directors, officers and secretaries (jointly and each of them severally) as its agent and attorney to enforce this deed poll against Brookfield HoldCo and Brookfield.

2 Conditions to obligations

2.1 Conditions

This deed poll and the obligations of Brookfield HoldCo and Brookfield under this deed poll are subject to the Scheme becoming Effective.

2.2 Termination

The obligations of Brookfield HoldCo and Brookfield under this deed poll to the Scheme Shareholders will automatically terminate and the terms of this deed poll will be of no force or effect if:

(a) the Implementation Deed is terminated in accordance with its terms; or

(b) the Scheme is not Effective on or before the End Date,

unless Brookfield HoldCo, Brookfield and Healthscope otherwise agree in writing.

2.3 Consequences of termination

If this deed poll terminates under clause 2.2, in addition and without prejudice to any other rights, powers or remedies available to it:

(a) Brookfield HoldCo and Brookfield are released from their obligations to further perform this deed poll except those obligations under clause 7.1 and any other obligations which by their nature survive termination; and

(b) each Scheme Shareholder retains the rights they have against Brookfield HoldCo and Brookfield in respect of any breach of this deed poll which occurred before it was terminated.

3 Scheme obligations

3.1 Undertaking to provide Scheme Consideration

Subject to clause 2, each of Brookfield HoldCo and Brookfield undertake in favour of each Scheme Shareholder to:

(a) in relation to the Scheme Cash Consideration, by no later than 1 Business Day before the Implementation Date, deposit, or procure the deposit of, in cleared funds an amount equal to the aggregate amount of the Scheme Cash Consideration payable to all Scheme Shareholders into the Trust Account (provided that any interest on the amounts deposited (less bank fees and other charges) will be credited to Brookfield's account);

(b) in relation to the Scheme Scrip Consideration, on the Implementation Date, and subject to the Scaleback Arrangements, issue, or procure the issue of, Brookfield HoldCo B Class Shares to each Scheme Shareholder (if any) or the Custodian entitled to receive the Scheme Scrip Consideration; and

(c) undertake, or procure the undertaking of, all other actions and obligations attributed to any of them under the Scheme,

subject to and in accordance with the provisions of the Scheme.

3.2 Scheme Scrip Consideration to rank equally

Each of Brookfield HoldCo and Brookfield covenants in favour of each Scheme Shareholder that the Brookfield HoldCo Class B Shares issued to each Scheme Shareholder in accordance with the Scheme will at the time they are issued:

(a) rank equally with all existing Brookfield HoldCo Ordinary Shares;

(b) be duly and validly issued in accordance with applicable laws and the Brookfield HoldCo Constitution and the Shareholders' Deed; and

(c) be issued fully paid and free from any mortgage, charge, lien, encumbrance or other security interest, or any third party right.

4 Warranties

Each of Brookfield and Brookfield HoldCo represents and warrants in favour of each Scheme Shareholder, in respect of itself, that:

(a) it is a corporation validly existing under the laws of its place of registration;

(b) it has the corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;

(c) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll;

(d) this deed poll is valid and binding on it and enforceable against it in accordance with its terms; and

(e) this deed poll does not conflict with, or result in the breach of or default under, any provision of its constitution, or any writ, order or injunction, judgment, law, rule or regulation to which it is a party or subject or by which it is bound.

5 Continuing obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until:

(a) Brookfield HoldCo and Brookfield have fully performed their obligations under this deed poll; or

(b) the earlier termination of this deed poll under clause 2.

6 Notices

6.1 Form of Notice

A notice or other communication in respect of this deed poll (**Notice**) must be:

(a) in writing and in English and signed by or on behalf of the sending party; and

(b) addressed to Brookfield HoldCo and Brookfield in accordance with the details set out below (or any alternative details nominated by Brookfield or Brookfield HoldCo by Notice).

Attention	Mandy Chiang
Address	Level 22, 135 King Street, Sydney NSW 2000
Email address	mandy.chiang@brookfield.com

6.2 How Notice must be given and when Notice is received

(a) A Notice must be given by one of the methods set out in the table below.

(b) A Notice is regarded as given and received at the time set out in the table below.

However, if this means the Notice would be regarded as given and received outside the period between 9.00am and 5.00pm (addressee's time) on a Business Day (**business hours period**), then the Notice will instead be regarded as given and received at the start of the following business hours period.

Method of giving Notice	When Notice is regarded as given and received
By hand to the nominated address	When delivered to the nominated address
By pre-paid post to the nominated address	At 9.00am (addressee's time) on the second Business Day after the date of posting
By email to the nominated email address	When the email (including any attachment) comes to the attention of the recipient party or a person acting on its behalf.

7 General

7.1 Stamp duty

Brookfield:

(a) will pay, or will procure the payment of, all stamp duty and any related fines and penalties in respect of the Scheme and this deed poll, the performance of this deed poll and each transaction effected by or made under or in connection with the Scheme and this deed poll; and

(b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 7.1(a).

7.2 Governing law and jurisdiction

(a) This deed poll is governed by the law in force in Victoria, Australia.

(b) Brookfield HoldCo and Brookfield irrevocably submit to the exclusive jurisdiction of courts exercising jurisdiction in Victoria and courts of appeal from them in respect of any proceedings arising out of or in connection with this deed poll. Brookfield HoldCo and Brookfield irrevocably waive any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

7.3 Waiver

(a) Brookfield HoldCo and Brookfield may not rely on the words or conduct of any Scheme Shareholder as a waiver of any right unless the waiver is in writing and signed by the Scheme Shareholder granting the waiver.

(b) The meanings of the terms used in this clause 7.3 are set out below.

Term	Meaning
conduct	includes delay in the exercise of a right.
right	any right arising under or in connection with this deed poll and includes the right to rely on this clause.
waiver	includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

7.4 Variation

A provision of this deed poll may not be varied unless the variation is agreed to by Brookfield HoldCo and Brookfield and:

(a) if before the First Court Date, the variation is agreed to by Healthscope; or

(b) if on or after the First Court Date, the variation is agreed to by Healthscope and the Court indicates that the variation would not of itself preclude approval of the Scheme,

in which event Brookfield HoldCo and Brookfield will enter into a further deed poll in favour of the Scheme Shareholders giving effect to the variation.

7.5 Cumulative rights

The rights, powers and remedies of Brookfield HoldCo, Brookfield and the Scheme Shareholders under this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

7.6 Assignment

(a) The rights created by this deed poll are personal to the Brookfield HoldCo, Brookfield and each Scheme Shareholder and must not be dealt with at law or in equity without the prior written consent of Brookfield HoldCo and Brookfield.

(b) Any purported dealing in contravention of clause 7.6(a) is invalid.

7.7 Joint and several obligations

Brookfield HoldCo and Brookfield are jointly and severally liable for each obligation imposed on both of them by the terms of this deed poll.

7.8 Further action

Brookfield HoldCo and Brookfield must, at their own expense, do all things and execute all documents necessary to give full effect to this deed poll and the transactions contemplated by it.

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FREEHILLS

Signing page

Executed as a deed poll

Signed sealed and delivered by
ANZ Hospitals Topco Limited
by

sign here ▶	Company Secretary/Director	*sign here* ▶	Director
print name	Men Chiang Company Secretary	*print name*	Sophia Zara Rihani

Signed sealed and delivered by
ANZ Hospitals Pty Ltd
by

sign here ▶	Company Secretary/Director	*sign here* ▶	Director
print name	Men Chiang Company Secretary	*print name*	Sophia Zara Rihani

Annexure E. Notice of Meetings

1 Notice of Scheme Meeting

Notice is hereby given that, by an order of the Court made on 16 April 2019 pursuant to section 411(1) of the Corporations Act, a meeting of Healthscope Shareholders will be held at the Mayfair Ballroom, Grand Hyatt, 123 Collins Street, Melbourne Victoria at 10.00am (Melbourne time) on Wednesday, 22 May 2019.

At the Scheme Meeting, Healthscope Shareholders will be asked to consider and, if thought fit, to pass the following resolution:

> 'That, pursuant to and in accordance with section 411 of the Corporations Act, the Scheme of Arrangement (the terms of which are described in the Booklet of which the notice convening the Scheme Meeting forms part) is agreed to (with or without modifications as approved by the Federal Court of Australia).'

Dated 16 April 2019

By order of the Court and the Healthscope Board

sign here: ➨ ______________________
Company Secretary

print name: Ingrid Player

2 Notice of Extraordinary General Meeting

Notice is hereby given that a meeting of Healthscope Shareholders will be held at the Mayfair Ballroom, Grand Hyatt, 123 Collins Street, Melbourne Victoria immediately following the conclusion of the Scheme Meeting, which will commence at 10.00am (Melbourne time) on Wednesday, 22 May 2019.

At the Extraordinary General Meeting, Healthscope Shareholders will be asked to consider and, if thought fit, to pass the following ordinary resolution:

'That, subject to and conditional on:

(1) the sale and leaseback of hospital properties having completed (or loans having been advanced by the relevant Property Investor to Healthscope to the extent completion of the sale of any property has been deferred) in accordance with the relevant documents;

(2) the proposed refinancing of the Healthscope Group being completed;

(3) the Takeover Offer being declared or becoming unconditional;

(4) Brookfield LP acquiring a Relevant Interest in more than 50% of the Healthscope Shares;

(5) the Capital Return having been approved by the requisite majority at the Extraordinary General Meeting or any subsequent Extraordinary General Meeting (as applicable); and

(6) the persons nominated by Brookfield LP being appointed as directors of Healthscope comprising a majority of the directors of Healthscope,

and for the purpose of section 256C(1) of the Corporations Act and for all other purposes, Healthscope's share capital be reduced by the aggregate amount of the Capital Return on the date it is paid, with the reduction to be effected and satisfied by applying the Capital Return equally against each Healthscope Share on issue on the Capital Return Record Date.'

Details regarding voting and proxy appointments are set out below.

Dated 16 April 2019

By order of the Healthscope Board

sign here: ➨

Company Secretary

print name: Ingrid Player

3 Entitlement to vote

The Healthscope Board has determined that persons who are registered holders of Healthscope Shares as at 7.00pm (Melbourne time) on Monday, 20 May 2019 will be entitled to attend and vote at the Scheme Meeting and at the Extraordinary General Meeting. Share transfers registered after that time will be disregarded in determining entitlements to attend and vote as at the meetings.

If more than one joint holder of Healthscope Shares is present at the Scheme Meeting or the Extraordinary General Meeting (whether in person or by proxy, attorney or corporate representative) and tenders a vote, only the vote of the joint holder whose name appears first on the register will be counted.

On a poll, Healthscope Shareholders have one vote for every fully paid ordinary share held.

4 Voting in person

To vote in person, you must attend the meeting in person. All persons attending are asked to arrive at least 30 minutes prior to the time the meeting is to commence, so that either their shareholding can be checked against the Healthscope Share Register, or any power of attorney or certificate of appointment of corporate representative verified, and their attendance noted.

5 Voting by proxy

(a) A shareholder entitled to attend and vote has a right to appoint a proxy to attend and vote instead of the Healthscope Shareholder. A proxy need not be another Healthscope Shareholder and can be either an individual or a body corporate. A Healthscope Shareholder can appoint a proxy by lodging the applicable Proxy Form online at www.investorvote.com.au or by completing and returning the applicable signed Proxy Form enclosed with the Booklet.

(b) A Healthscope Shareholder that is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the appointment does not specify the proportion or number of voting rights, each proxy may exercise half of the Healthscope Shareholder's votes (disregarding fractions).

(c) Where a Healthscope Shareholder is a body corporate, or a Healthscope Shareholder appoints a body corporate as a proxy, that body corporate will need to ensure that it:

  (1) appoints an individual as its corporate representative to exercise its powers at the meeting in accordance with section 250D of the Corporations Act; and

  (2) provides satisfactory evidence of the appointment of its corporate representative prior to commencement of the meeting. You can obtain an 'Appointment of Corporate Representative' form from the Healthscope Share Registry or online at www.investorvote.com.au.

(d) If you wish to indicate how your proxy should vote, please mark the appropriate boxes on the applicable Proxy Form. If you do not direct your proxy how to vote on a particular item of business, you are authorising your proxy to vote as they decide.

(e) If you intend to appoint the chairman of the Scheme Meeting and/or the Extraordinary General Meeting (as applicable) as your proxy, you can direct the chairman how to vote by marking the box for the Scheme Resolution and/or Capital Return Resolution (as applicable). If you do not mark a box next to the Scheme Resolution and/or the Capital Return Resolution (as applicable), then by signing and submitting the Proxy Forms (as applicable), you will be authorising the chairman to vote as they see fit in respect of the Scheme Resolution and the Capital Return Resolution (as applicable).

(f) If an appointed proxy does not attend the relevant meeting, the chairman of the meeting will be taken to have been appointed as the proxy for that meeting. If a proxy appointment specifies the way to vote on the Scheme Resolution and/or the Capital Return Resolution (as applicable) and the appointed proxy does not attend the relevant meeting or attends the relevant meeting but does not vote on the Scheme Resolution or the Capital Return Resolution (asapplicable), a directed proxy will default to the chairman of the relevant meeting who must vote the proxy as directed.

(g) The chairman intends to vote all available undirected proxies in favour of the Scheme Resolution and the Capital Return Resolution.

(h) Proxy Forms for the Scheme Meeting and for the Extraordinary General Meeting are enclosed with this Booklet. To be effective, the Proxy Forms (together with any power of attorney or authority under which they are signed) must be received no later than 4.00pm (Melbourne time) on Monday, 20 May 2019 in one of the following ways:

online:	www.investorvote.com.au
mail:	Computershare Investor Services Pty Limited GPO Box 1282 Melbourne Victoria 3001 Australia
by hand:	Computershare Investor Services Pty Limited Yarra Falls, 452 Johnston Street Abbotsford VIC 3067 during normal business hours (Monday to Friday, 9.00am to 5.00pm)
facsimile:	1800 783 447 (within Australia) +61 3 9473 2555 (outside Australia)

6 Corporate representatives

A body corporate that is a Healthscope Shareholder, or which has been appointed as a proxy, may appoint an individual to act as its representative at a meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the meeting evidence of his or her appointment, including any authority under which it has been signed, unless it has previously been given to Healthscope.

You can obtain an 'Appointment of Corporate Representative' form from the Healthscope Share Registry or online at www.investorvote.com.au.

7 Voting by attorney

A Healthscope Shareholder entitled to attend and vote a meeting may appoint an attorney to act on his or her behalf at a meeting. An attorney may but need not be a member of Healthscope. An attorney may not vote at a meeting unless the instrument appointing the attorney, and the authority under which the instrument is signed or a certified copy of the authority, are received by Healthscope in the same manner, and by the same time, as outlined above for Proxy Forms.

8 Custodians and nominees

Custodians and nominees that are Intermediary Online subscribers are able to lodge a proxy vote online by visiting www.intermediaryonline.com.

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Corporate directory

Healthscope Limited
Level 1, 312 St Kilda Road
Melbourne VIC 3004

Telephone: +61(0)3 9926 7500
Email: info@healthscope.com.au
Website: www.healthscope.com.au

Postal address
PO Box 7586
Melbourne VIC 8004

Healthscope Share Registry
Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street
Abbotsford VIC 3067

Telephone from within Australia: 1300 850 505
Telephone from outside Australia: +61 (3) 9415 4000
Email: web.queries@computershare.com.au
Website: www.investorcentre.com

Brookfield
Brookfield Asset Management
Level 22, 135 King Street
Sydney NSW 2000

Telephone: +61 2 9158 5100
Website: www.brookfield.com

Healthscope

Healthscope

ABN 65 144 840 639

HSO

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your proxy:

Online:
www.investorvote.com.au

By Mail:
Computershare Investor Services Pty Limited
GPO Box 1282 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 375 694
(outside Australia) +61 3 9415 4320

Proxy Form - Scheme Meeting

XX

Lodge your proxy online

- Go to www.investorvote.com.au **or** scan the QR Code with your mobile device.
- Follow the instructions on the secure website to lodge your proxy.

Your access information that you will need to lodge your proxy:

Control Number: 132528

SRN/HIN: I9999999999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your proxy to be effective it must be received by 4.00pm (Melbourne time) on Monday, 20 May 2019

This is an important document that requires your immediate attention. You should read the Healthscope Limited Transaction Booklet dated 16 April 2019 carefully before completing and returning this form (**Transaction Booklet**). Capitalised terms used in this form have the same meaning as in the Transaction Booklet, unless the context otherwise requires. Please also read this form carefully. If you need any assistance in deciding whether to complete this form, please contact your financial, legal, taxation or other professional advisor without delay.

How to Vote on the Item of Business

All your shares will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite the item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on the item your vote will be invalid on the item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of shares you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of shares for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of shares for each in Step 1 overleaf.

A proxy need not be a Healthscope Shareholder.

Appointing the Chairman as proxy: If you wish to appoint the Chairman of the Meeting as your proxy, mark the first box in Step 1. If you leave Step 1 blank, or you direct your proxy how to vote and your proxy does not attend the meeting or does not vote on a poll in accordance with your instructions, the Chairman of the Meeting will become your proxy by default.

If the Chairman of the Meeting is (or becomes) your proxy and you do not mark a voting box for Item 1, then by completing and submitting the proxy form you will be expressly authorising the Chairman of the Meeting to exercise your proxy in respect of the relevant item. The Chairman of the Meeting intends to vote all available proxies in favour of the item of business.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the shareholder must sign.

Joint Holding: Where the holding is in more than one name, all of the shareholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a sole director who is also the sole company secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise this form must be signed by a director jointly with either another director or a company secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate shareholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

GO ONLINE TO LODGE PROXY, or turn over to complete the form ➔

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Shareholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

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Proxy Form - Scheme Meeting

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Healthscope Limited hereby appoint

☐ **the Chairman of the Meeting** **OR** ____________________

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Scheme Meeting of Healthscope Limited to be held at the Mayfair Ballroom, Grand Hyatt Melbourne, 123 Collins Street, Melbourne Victoria on Wednesday, 22 May 2019 at 10:00am (Melbourne time) and at any adjournment or postponement of that meeting.

STEP 2 Item of Business

PLEASE NOTE: If you mark the **Abstain** box for the item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution	Approve the Scheme of Arrangement	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of the item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on the resolution, in which case an ASX announcement will be made.

SIGN Signature of Shareholder(s)

This section must be completed.

Individual or Shareholder 1	Shareholder 2	Shareholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name ____________________ Contact Daytime Telephone ____________________ Date ___/___/___

Healthscope

ABN 65 144 840 639

HSO

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your proxy:

Online:
www.investorvote.com.au

By Mail:
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GPO Box 1282 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
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For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 375 694
(outside Australia) +61 3 9415 4320

Proxy Form - Extraordinary General Meeting

XX

Lodge your proxy online

- Go to www.investorvote.com.au **or** scan the QR Code with your mobile device.
- Follow the instructions on the secure website to lodge your proxy.

Your access information that you will need to lodge your proxy:

Control Number: 132529

SRN/HIN: I9999999999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your proxy to be effective it must be received by 4.00pm (Melbourne time) on Monday, 20 May 2019

This is an important document that requires your immediate attention. You should read the Healthscope Limited Transaction Booklet dated 16 April 2019 carefully before completing and returning this form (**Transaction Booklet**). Capitalised terms used in this form have the same meaning as in the Transaction Booklet, unless the context otherwise requires. Please also read this form carefully. If you need any assistance in deciding whether to complete this form, please contact your financial, legal, taxation or other professional advisor without delay.

How to Vote on the Item of Business

All your shares will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite the item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on the item your vote will be invalid on the item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of shares you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of shares for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of shares for each in Step 1 overleaf.

A proxy need not be a Healthscope Shareholder.

Appointing the Chairman as proxy: If you wish to appoint the Chairman of the Meeting as your proxy, mark the first box in Step 1. If you leave Step 1 blank, or you direct your proxy how to vote and your proxy does not attend the meeting or does not vote on a poll in accordance with your instructions, the Chairman of the Meeting will become your proxy by default.

If the Chairman of the Meeting is (or becomes) your proxy and you do not mark a voting box for Item 1, then by completing and submitting the proxy form you will be expressly authorising the Chairman of the Meeting to exercise your proxy in respect of the relevant item. The Chairman of the Meeting intends to vote all available proxies in favour of the item of business.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the shareholder must sign.

Joint Holding: Where the holding is in more than one name, all of the shareholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a sole director who is also the sole company secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise this form must be signed by a director jointly with either another director or a company secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate shareholder or proxy is to attend the meeting you will need to provide the appropriate “Certificate of Appointment of Corporate Representative” prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

GO ONLINE TO LODGE PROXY,
or turn over to complete the form ➔

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MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Shareholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

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Proxy Form - Extraordinary General Meeting

Please mark X to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Healthscope Limited hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Extraordinary General Meeting of Healthscope Limited to be held at the Mayfair Ballroom, Grand Hyatt Melbourne, 123 Collins Street, Melbourne Victoria on Wednesday, 22 May 2019 immediately after the conclusion of the Scheme Meeting and at any adjournment or postponement of that meeting.

I acknowledge that if I have accepted the Takeover Offer, the terms of the offer preclude me from attending and voting at the meeting or appointing another proxy if Brookfield obtains a Relevant Interest in at least 50.1% of the Healthscope Shares. I acknowledge that this proxy form will be disregarded in these circumstances.

STEP 2 Item of Business

PLEASE NOTE: If you mark the **Abstain** box for the item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution	Approve the Capital Return			

The Chairman of the Meeting intends to vote undirected proxies in favour of the item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on the resolution, in which case an ASX announcement will be made.

SIGN Signature of Shareholder(s)

This section must be completed.

Individual or Shareholder 1	Shareholder 2	Shareholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name ______________________ Contact Daytime Telephone ______________________ Date ___ / ___ / ___

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Computershare

BCP VIG Holdings L.P.

Return your Form:

To Your Controlling Participant:
Return this form directly to your stockbroker

By Mail:
Computershare Investor Services Pty Limited
GPO box 1282 Melbourne
Victoria 3001 Australia

For all enquiries:

Phone:
(within Australia) 1300 375 694
(outside Australia) +61 3 9415 4320

HSO

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Takeover Offer - Acceptance Form

CHESS

Your form must be sent and postmarked before the end of the Takeover Offer Period.

This form and the Transaction Booklet are important documents that require your immediate attention. This form relates to an offer ("**Takeover Offer**") by BCP VIG Holdings L.P. ("**Brookfield LP**") to acquire all of your shares in Healthscope Limited ("**Healthscope**") (ABN 65 144 840 639) the terms of which are set out in the Transaction Booklet from Brookfield LP dated 16 April 2019 as replaced or supplemented ("**Transaction Booklet**"). Capitalised terms used in this form have the same meaning as in the Transaction Booklet, unless otherwise defined.

If you are in any doubt about how to deal with this Takeover Offer, please contact your financial or other professional advisor immediately.

Note this form can only be used in relation to the shareholding represented by the details printed above and overleaf.

Step 1: Registration Name & Takeover Offer Details

Your consideration will be issued to the name(s) as they appear on the latest copy of the Healthscope Share Register, as provided to Brookfield LP. The current address recorded by Brookfield LP is printed above and overleaf. If you have recently bought or sold Healthscope Shares your holding may differ from that shown. If you have already sold all your Healthscope Shares, do not complete or return this form.

Step 2: Accept the Takeover Offer

Only sign and return this form if you wish to accept the Takeover Offer for ALL of your Healthscope Shares.

As your Healthscope Shares are in a CHESS holding, you may contact your Controlling Participant directly (normally your stockbroker) with instructions to accept the Takeover Offer. If you do this, your Controlling Participant will provide you with details as to what they require in order to accept the Takeover Offer on your behalf. If you want Brookfield LP to contact your Controlling Participant on your behalf, sign and return this form to the address above so that it is received in sufficient time to allow your instruction to be acted upon by the close of the Takeover Offer Period. This will authorise Brookfield LP and Computershare Investor Services Pty Limited ("**CIS**") to request your Controlling Participant to initiate acceptance of the Takeover Offer on your behalf.

By signing this form or completing an online acceptance, you warrant to Brookfield LP (and authorise Brookfield LP to warrant on your behalf) that you have full legal and beneficial ownership of the Healthscope Shares to which this form relates and that Brookfield LP will acquire them free from all mortgages, charges, liens, encumbrances (whether legal or equitable), restrictions on transfer of any kind and free from any third party rights.

You should allow sufficient time for your Controlling Participant or Brookfield LP to initiate the acceptance of Brookfield LP's Takeover Offer on your behalf. Neither Brookfield LP or CIS will be responsible for any delays incurred by the process of requesting your Controlling Participant to accept the Takeover Offer.

Step 3: Signing Instructions

Individual: Where the holding is in one name, the shareholder must sign.
Joint Holding: Where the holding is in more than one name, all of the shareholders must sign.
Power of Attorney: Where signing as Power of Attorney ("**POA**"), you must attach an original certified copy of the POA to this form.
Companies: Where the holding is in the name of a company, this form must be signed in accordance with the Corporations Act, either as:

- a sole director and sole company secretary **OR** a sole director (if no company secretary exists), **OR**
- two directors, **OR**
- a director and secretary.

Overseas Companies: Where the holding is in the name of an overseas company (companies incorporated outside Australia) the form must be signed as above, or documentation must be provided showing that the company can sign in an alternate manner.
Deceased Estate: All executors must sign and a certified copy of Probate or Letters of Administration must accompany this form.

Entering contact details is not compulsory, but will assist us if we need to contact you.

Go online to accept or turn over to complete the form ➔

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Takeover Offer - Acceptance Form

For your security keep your SRN/ HIN confidential.

STEP 1 Registration Name & Takeover Offer Details

XX

Registration Name: MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Controlling Participant Identifier: 59836

Offer Details: Shareholding as at 12 April 2019: **21578**

By accepting the Takeover Offer for ALL of your Healthscope Shares, you are accepting the Takeover Offer for ALL the Healthscope Shares as recorded by Brookfield LP as being held by you at the date your acceptance is processed (even if different to the number stated above).

STEP 2 Accept the Takeover Offer

Only sign and return this form if you wish to accept the Takeover Offer for ALL of your Healthscope Shares. The consideration applicable is set out in the terms of Brookfield LP's Takeover Offer.

STEP 3 Signature of Shareholder(s)

This section must be completed.

I/We accept the Takeover Offer made by Brookfield LP for Healthscope Shares and I/we agree to be bound by the terms and conditions of the Takeover Offer and transfer ALL of my/our Healthscope Shares as per the above instruction.

Individual or Shareholder 1	Shareholder 2	Shareholder 3
Sole Director and Sole Company Secretary/ Sole Director (cross out titles as applicable)	Director	Director/Company Secretary (cross out titles as applicable)

Contact Name ______________________ **Contact Daytime Telephone** ______________________ **Date** ___ / ___ / ___

Privacy Notice

The personal information you provide on this form is collected by Computershare Investor Services Pty Limited ("CIS") for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. We may also use your personal information to send you marketing material approved by Brookfield LP. You may elect not to receive marketing material by contacting CIS using the details provided on the front of this form or by emailing privacy@computershare.com.au. We may be required to collect your personal information under the *Corporations Act 2001* (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to Brookfield LP or to third parties upon direction by Brookfield LP where related to the administration of your securityholding or as otherwise required or permitted by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at http://www.computershare.com/au.

BCP VIG Holdings L.P.

Return your Form:

By Mail:
Computershare Investor Services Pty Limited
GPO box 1282 Melbourne
Victoria 3001 Australia

For all enquiries:

Phone:
(within Australia) 1300 375 694
(outside Australia) +61 3 9415 4320

HSO

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Takeover Offer - Acceptance Form

ISSUER

Your form must be sent and postmarked before the end of the Takeover Offer Period.

This form and the Transaction Booklet are important documents that require your immediate attention. This form relates to an offer ("**Takeover Offer**") by BCP VIG Holdings L.P. ("**Brookfield LP**") to acquire all of your shares in Healthscope Limited ("**Healthscope**") (ABN 65 144 840 639) the terms of which are set out in the Healthscope Transaction Booklet dated 16 April 2019 as replaced or supplemented ("**Transaction Booklet**"). Capitalised terms used in this form have the same meaning as in the Transaction Booklet, unless otherwise defined.

If you are in any doubt about how to deal with this Takeover Offer, please contact your financial or other professional advisor immediately.

Note this form can only be used in relation to the shareholding represented by the details printed above and overleaf.

Step 1: Registration Name & Takeover Offer Details

Your consideration will be issued to the name(s) as they appear on the latest copy of the Healthscope Share Register, as provided to Brookfield LP. The current address recorded by Brookfield LP is printed above and overleaf. If you have recently bought or sold Healthscope Shares your holding may differ from that shown. If you have already sold all your Healthscope Shares, do not complete or return this form.

Step 2: Accept the Takeover Offer

Only sign and return this form if you wish to accept the Takeover Offer for ALL of your Healthscope Shares.

Step 3: Signing Instructions

Individual: Where the holding is in one name, the shareholder must sign.
Joint Holding: Where the holding is in more than one name, all of the shareholders must sign.
Power of Attorney: Where signing as Power of Attorney ("**POA**"), you must attach an original certified copy of the POA to this form.
Companies: Where the holding is in the name of a company, this form must be signed in accordance with the Corporations Act, either as:

- a sole director and sole company secretary **OR** a sole director (if no company secretary exists), **OR**
- two directors, **OR**
- a director and secretary.

Overseas Companies: Where the holding is in the name of an overseas company (companies incorporated outside Australia) the form must be signed as above, or documentation must be provided showing that the company can sign in an alternate manner.
Deceased Estate: All executors must sign and a certified copy of Probate or Letters of Administration must accept this form.

Entering contact details is not compulsory, but will assist us if we need to contact you.

Go online to accept or turn over to complete the form →

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Takeover Offer - Acceptance Form

For your security keep your SRN/ HIN confidential.

STEP 1 Registration Name & Takeover Offer Details

XX

Registration Name: MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Offer Details: Shareholding as at 12 April 2019: **21578**

By accepting the Takeover Offer for ALL of your Healthscope Shares, you are accepting the Takeover Offer for ALL the Healthscope Shares as recorded by Brookfield LP as being held by you at the date your acceptance is processed (even if different to the number stated above).

STEP 2 Accept the Takeover Offer

Only sign and return this form if you wish to accept the Takeover Offer for ALL of your Healthscope Shares. The consideration applicable is set out in the terms of Brookfield LP's Takeover Offer.

STEP 3 Signature of Shareholder(s)

This section must be completed.

I/We accept the Takeover Offer made by Brookfield LP for Healthscope Shares and I/we agree to be bound by the terms and conditions of the Takeover Offer and transfer ALL of my/our Healthscope Shares as per the above instruction.

Individual or Shareholder 1	Shareholder 2	Shareholder 3
Sole Director and Sole Company Secretary/ Sole Director (cross out titles as applicable)	Director	Director/Company Secretary (cross out titles as applicable)

Contact Name ______________________ **Contact Daytime Telephone** ______________________ **Date** ____ / ____ / ____

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