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8 June 2011

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Level 4, 20 Bridge Street
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MARKET ANNOUNCEMENT (ASX:PRY)

PATHOLOGY PRACTICE INVESTOR PRESENTATION

Primary Health Care Limited (Primary) attaches a presentation in relation to its Pathology Practice in accordance with ASX Listing Rule disclosure obligations, ahead of an Institutional Investor site tour of the Laverty Pathology laboratory at North Ryde tomorrow morning.

Yours faithfully

Dr Edmund Bateman
Managing Director

Primary Health Care Limited

Pathology Investor Presentation
Laverty Site Tour 9 June 2011

Presentation

- Australian Pathology Industry
- Primary’s Pathology Practices
- Operational/Service Improvements
- Financial Performance
- Outlook Improving
- Appendices

Australian Pathology Industry

Funding supported by Australian governments

- Pathology in Australia is est. ~ **$3.5 - $4 billion** industry.
- Pathology testing is a referred service. GPs and medical specialists request pathology services on behalf of their patients.
- As a result, doctors act as the gatekeeper to accessing government funded pathology services.
- General Practitioners request approximately 70% of all pathology tests, with specialist referral accounting for the balance.

Federal Government Funding

- Est. ~ $2bn annually.
- 104m pathology services (not patients) annually.
- Medicare Benefits Schedule (MBS) is the funding mechanism.
- Approximately 90% of services are bulk billed (that is no patient gap payment).
- Memorandum of Understanding ("MOU") recently signed with industry – April 2011.
- Majority spend on community / outpatient services and competed for by both privately owned providers (90%) and state government owned pathology departments (10%).

State Government Funding

- Est. ~ $1bn annually.
- Funding for testing in public hospitals.
- Majority of funding goes to public hospital pathology departments.
- Normally not readily contestable, however increasingly state authorities are tendering out pathology services thus making it contestable by private providers.

Other Funding

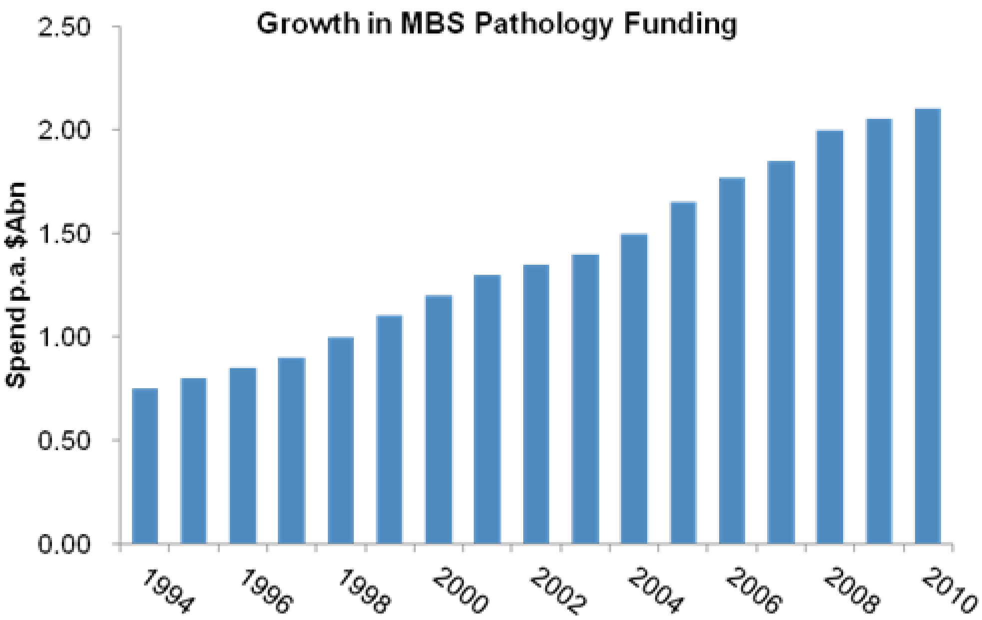
- Est. ~ $0.5bn to $1bn annually.
- Includes patient payments and co-payments, private health insurance for inpatient care, corporate health or screening programs, point-of-care testing, clinical trials or other diagnostic testing.

Australian Pathology Industry – Medicare Funding

Significant growth in Federal Govt Funding of MBS over long period

Sustained growth in Federally funded MBS funded portion of pathology market (from ~$0.8bn in 1984 to ~$2.0bn in 2010).

Past co-operation by Federal Government with pathology providers (via Memorandums of Understanding) has enabled high quality pathology services to be made available to the public - and enabled taxpayers / funders to share in the benefits of efficiencies achieved.



Australian Pathology Industry – Growth Drivers

Growing demand for pathology services expected to be sustained

- Pathology underpins medical services in Australia with 70% of all medical diagnoses and 100% of cancer diagnoses relying upon pathology for diagnosis and management.

- Demand for pathology services will continue to grow, driven by a number of factors:

Population demographics	▪ An ageing population will result in an increase in healthcare needs. In the 2010 intergenerational reports, the proportion of the Australian population aged over 65 is forecast to increase from 14% to 23% by 2050. ▪ Healthcare expenditures per person aged between 65 and 74 is approximately three times that per person aged between 45 and 54. ▪ Population expansion and immigration.
Increasing Intensity of usage	▪ Demand for pathology testing as a key diagnosis, management and preventative tool by medical practitioners is increasing. As a result there is increasing rate of usage of pathology testing within each age cohort. Ignoring the changes in population demographics, this increasing rate of intensity of usage accounted for a near doubling of pathology usage per capita from 1993 to 2009 (refer Appendix #1).
Greater education and technology innovation	▪ Greater levels of patient education and advances in test development, drug development, technology and systems and medical knowledge is increasing demand for pathology testing.
Increasing chronic disease	▪ The increasing prevalence of chronic diseases is a major driver of demand for pathology tests for diagnosis and management (refer Appendix #2). ▪ By way of example, diabetes, hypertension and lipid disorders accounts for 27% of pathology orders by medical practitioners.

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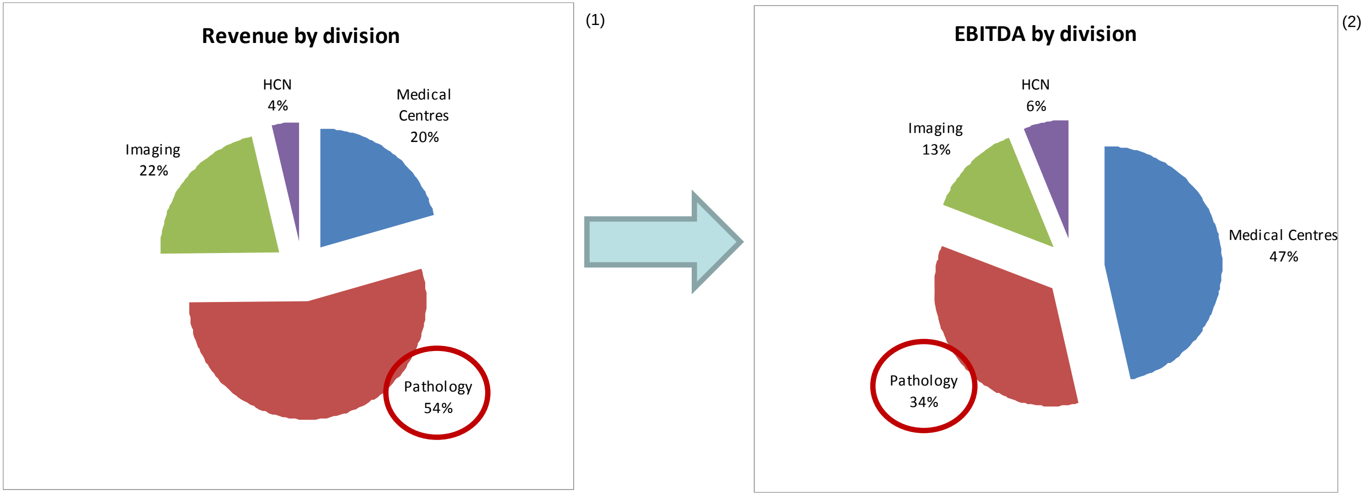
Overview of Primary's Pathology Practices

Pathology contributes ~ 30%+ EBITDA of Primary

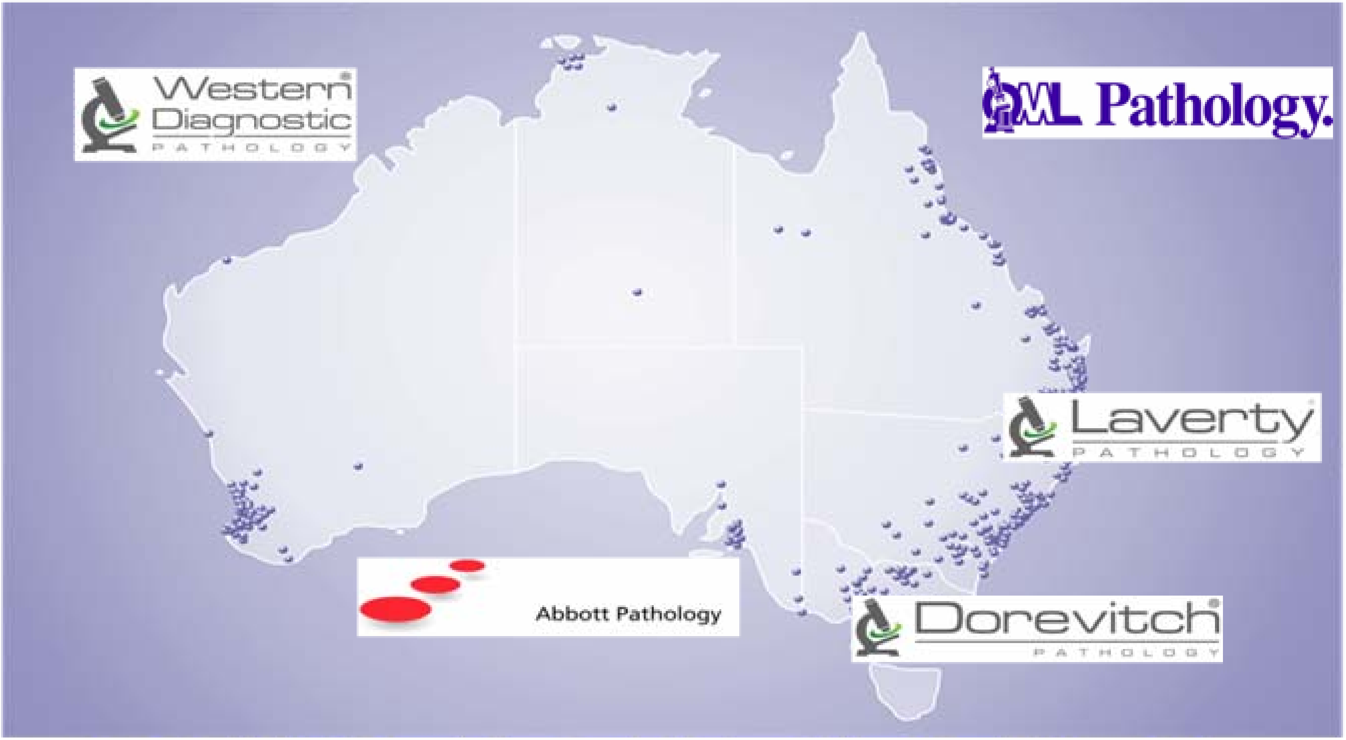
- Primary's pathology practices provide I in every 3 MBS funded pathology service and over 13 million patient encounters per annum.
- Revenue of c.$720m and EBITDA of c.$135m for the financial year ended 30 June 2010.
- One of the largest pathology providers in Australia with capacity in its infrastructure for substantial growth.



(1), (2) % based on contribution by division to total Revenue and EBITDA of Primary respectively, based on 1st half results for FY2011.

National Footprint

- 5 highly regarded state-based practices.
  ~ 1400 patient collection centres across all mainland states.
  ~ 100 regional and hospital laboratories, 4 high volume laboratories located in largest cities.
- Ranked # 1 in the majority of mainland states.
- Largest footprint of collection centres and laboratories nationally.



Pathologist Team

- Cohesive team of over 100 specialist pathologists led by medical directors in each state.
- All major disciplines provided for - ensuring exceptional resource for referring doctors.
- Many of the pathologists are recognised by their peers as authorities in their respective sub-specialty skills.
- Largest private trainer of pathology registrars.
- Hosts/funds more CPD events than any other body.

4 Major Practices - QML Pathology

Queensland based pathology practice

Foundation lab – est. 1920s
Ranked #1 in state by market share
Services Queensland and Northern NSW
Main laboratory, Murarrie, Brisbane
405 Collection Centres

4 Major Practices - Laverty Pathology

NSW based pathology practice

Foundation Practice – est. 1928
Pathology headquarters
Services NSW and ACT.
Main laboratory, North Ryde, Sydney
445 Collection Centres

4 Major Practices – Western Diagnostic Pathology

WA and NT based pathology practice

Foundation lab – est. 1972
Ranked #1 in state by market share
Services Western Australia & Northern Territory
Main laboratory, Myaree, Perth
122 Collection Centres

Servicing area > 4 Million sq kms
Specialised testing capabilities for remote and Aboriginal communities

4 Major Practices - Dorevitch Pathology

Victorian based pathology practice

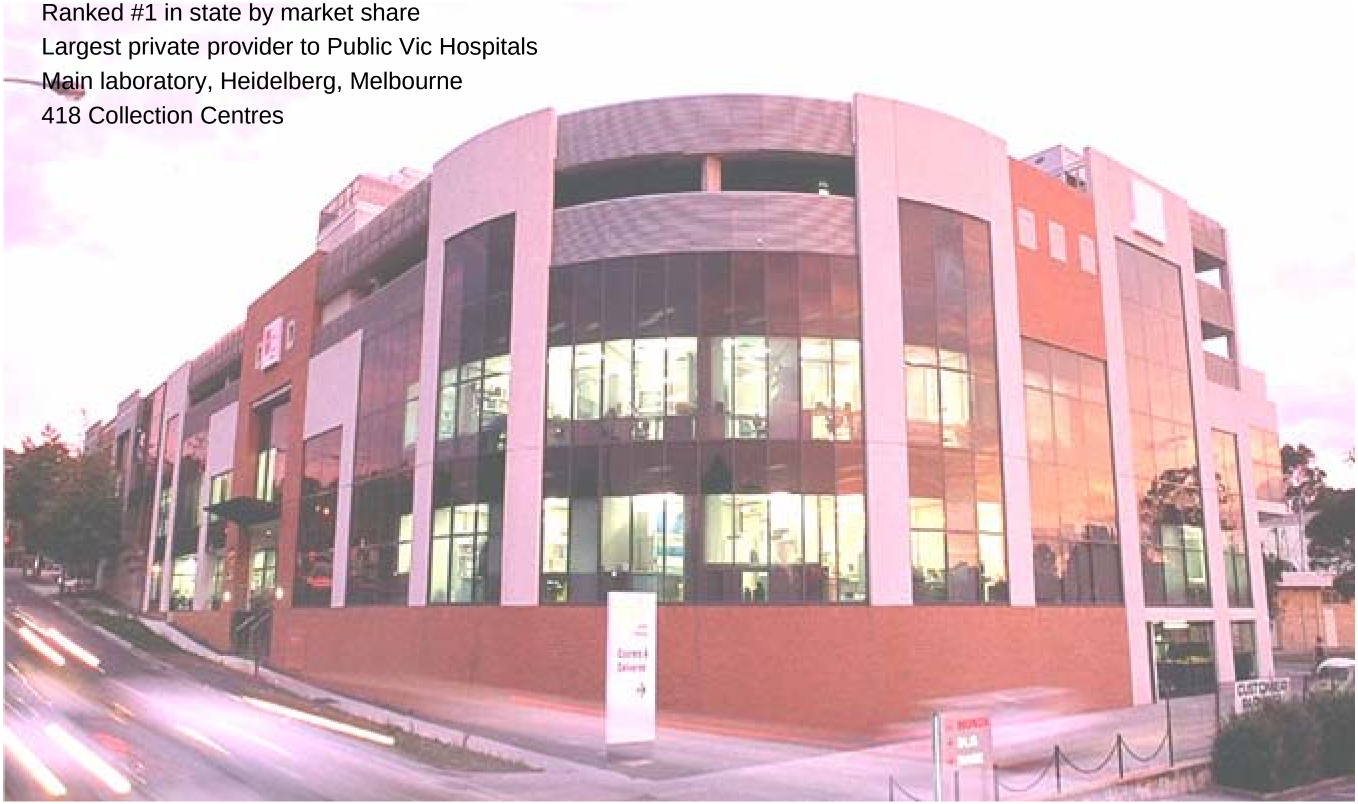
Foundation lab – est. 1972

Ranked #1 in state by market share

Largest private provider to Public Vic Hospitals

Main laboratory, Heidelberg, Melbourne

418 Collection Centres



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Pathology – Operational Improvements

Our aim is to be Australia's leader in efficient and accessible high quality pathology services

- Have undertaken major steps over the past 3 years to pursue this:

Testing Methodologies	▪ Ongoing national adoption of testing methodologies that are recognised by pathologists and peer organisations as being step-wise improvements in terms of patient outcomes and workflows.
Technological Advances	▪ National implementation of automated specimen handling - largely eliminating the 3% of sample handing derived test errors that occur in other laboratories. ▪ Information technology is a major enabler.
Improved Turnaround Times	▪ Primary has improved its turnaround times across almost all of its major testing modalities in the past three years. Improved turnaround times enables faster diagnosis and treatment.
Equipment & Facilities	▪ Major refurbishments, modernisation and expansions undertaken in all main laboratories. ▪ Major improvements in design and layout over past 24 months.
Research & Innovation	▪ Research, assessment and adoption of new testing methodologies and assays with aim of improving patient outcomes and process - e.g. SurePath Imaging.
Clinical Education	▪ One of the largest CPD providers in Australia – significant coverage of seminars and symposia. ▪ Major trainer of registrars and medical students in hospital settings. ▪ Recently accredited as Registered Training Organisation for ongoing staff development.

Improving our Infrastructure

Investing in IT to drive service and operational improvements

- Information Technology is a major enabler and focus of the pathology division.
- Significant investment in technology has been made (hardware and software) to drive improved customer utility.
- Key achievements to date:
    - Release of www.path-way.com.au - real time results portal for doctors.
    - Release of iPhone and iPad applications for accessing patient real-time urgent results.
    - Major upgrade to all hardware nationally.
    - Major increase and upgrade in IT personnel nationally – best people and best skill sets.

Pathology – Operational Improvements

Major re-engineer of laboratories undertaken to improve accuracy and effectiveness of analysis

Batched-based testing in 2008/2009

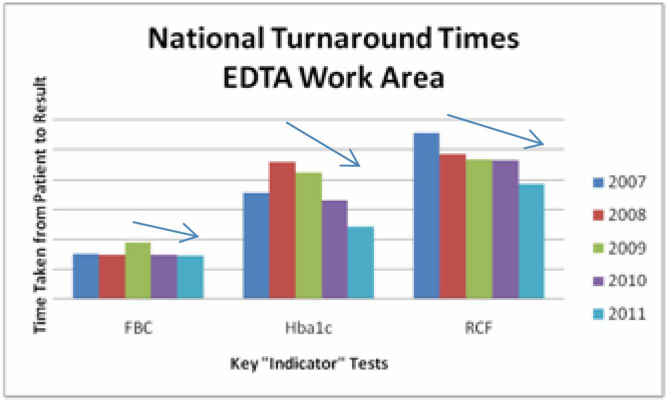
2010 – automated testing

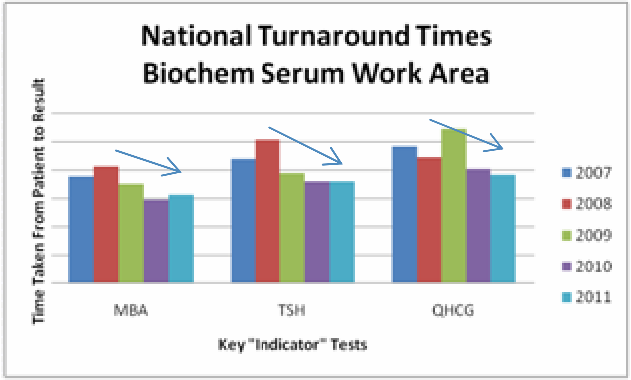
Actively Improving our Service

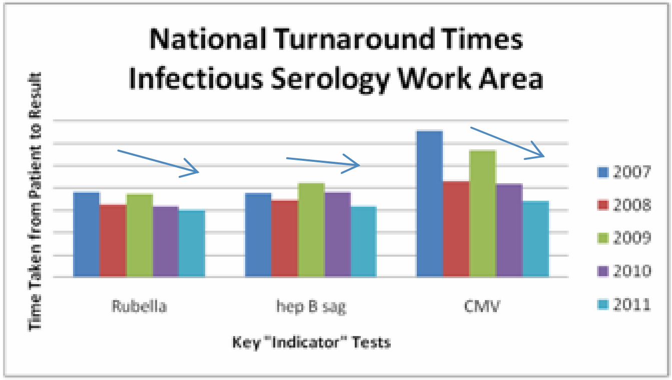
Turnaround times (KPI of Quality of Service) has improved incrementally each year over past 3 yrs

- Turnaround times (KPI of Quality of Service) in major testing modalities has improved incrementally each year over past three years since acquisition, enabling faster diagnosis and treatment.

- Turnaround times (time taken from patient's arm to result validation) is a key indicator used to monitor process flow and responsiveness to patient/doctor requirements.







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Financial Performance - Last 24 Months

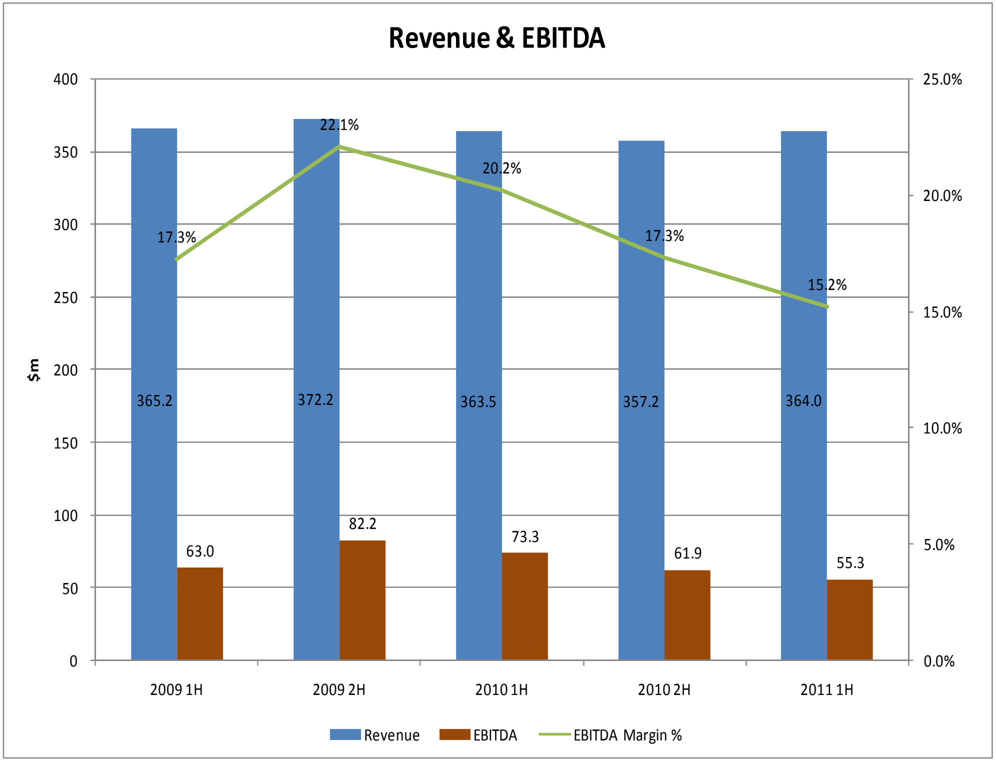
The pathology industry in general and our pathology practices have endured a number of headwinds

Significant fee cuts by Federal Government (~2% in 2008 and a further ~5% in November 2009) has flowed directly through to EBITDA in the short run.

Unusual decline in industry referral volumes over this period (historically trended above 5%).

GFC making industry introduction of new privately billed patients difficult.

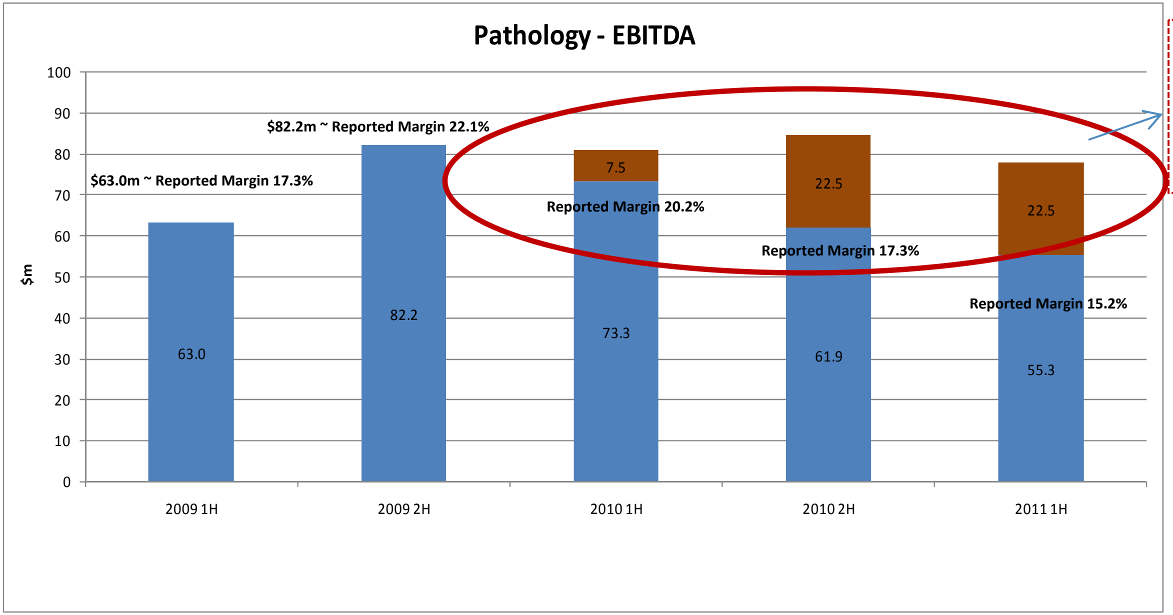
Deregulation of collection centre licenses initially forcing costs to providers up.



Financial Performance – Underlying

Foundations of Pathology are sound

- The chart below adds back the impact of the annual funding cuts of $45m effective 1 November 2009 ($22.5m per 6mo).
- This enables us to see that the business is performing in line with our expectations since the merger despite other difficult market factors such as declining episodes over that period.



$45m per annum funding cuts introduced 1 Nov 2009

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Improved Pricing and Volume Certainty – Memorandum of Understanding

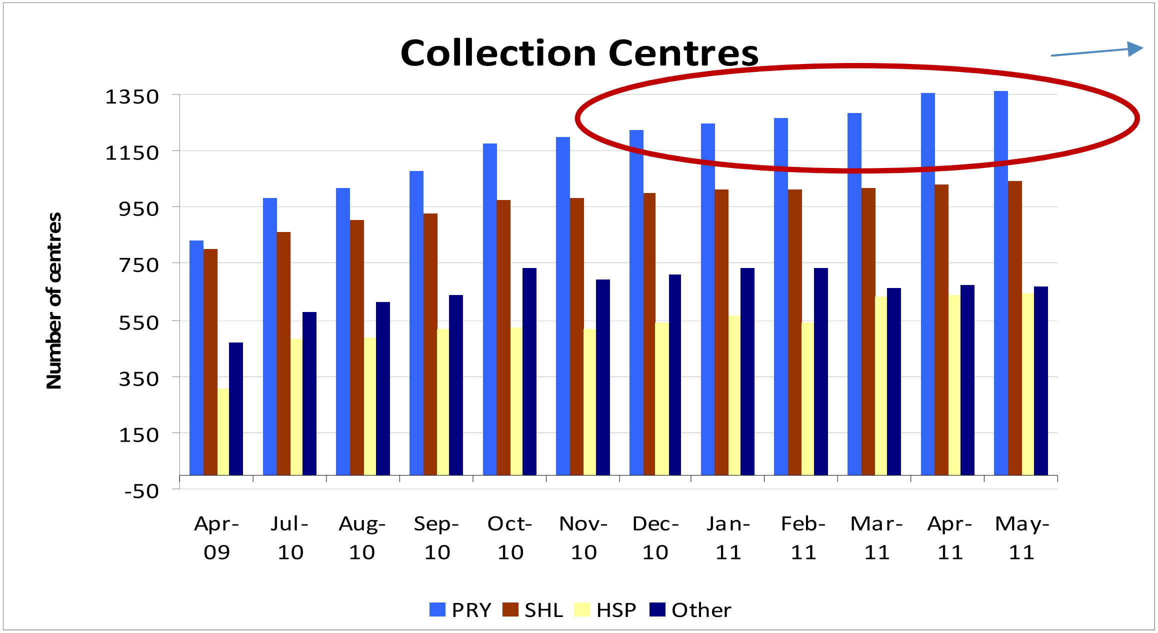
MOU marks commencement of renewed period of pricing / volume certainty

- The Federal Government signed a Memorandum of Understanding (“MOU”) with the Australian Pathology Industry in April 2011 for a five year period commencing 1 July 2011 covering MBS expenditure on pathology.
- Industry pathology providers and the Federal Government will manage total government MBS expenditures to c.5% growth per annum over the five year term of the MOU.
- Shortfall in industry volumes below the 5% level will be made up by price increases and overruns in testing volumes offset by unit price reductions.
- Total Industry MBS Growth above 5% can be achieved and funded by the government if certain triggers occur during the life of the MOU.
- Individual industry participants are also able to grow at greater than 5% per annum by increasing MBS market share or increasing share of non-MBS market (patient co-payments etc).
- Adjustments to unit prices of the MBS will be made on an annual basis and effective 1 November each year.
- Earliest price review in accordance with the MOU is November 2012.

Pathology – Collection Centres

Our practices well positioned following deregulation

- The collection centre scheme that historically provided a cap on growth of collection centres deregulated on 1July 2010.
- Primary now able to compete in areas previously excluded + pro-active in defending market share.
- Our scalability, infrastructure, reputation for reliability and trust in which we are held by the profession creates the opportunity.
- Smaller, undifferentiated competitors have largely failed to gain their expected traction in market share.
- Recent data appears to indicate a slow-down in the industry rate of expansion of collection centres. With expiry of lease terms this slow down is expected to continue/accelerate.



Primary has maintained its % share of collection centres before and after deregulation = leverage for growth

Source: Merrill Lynch Equities Australia Ltd

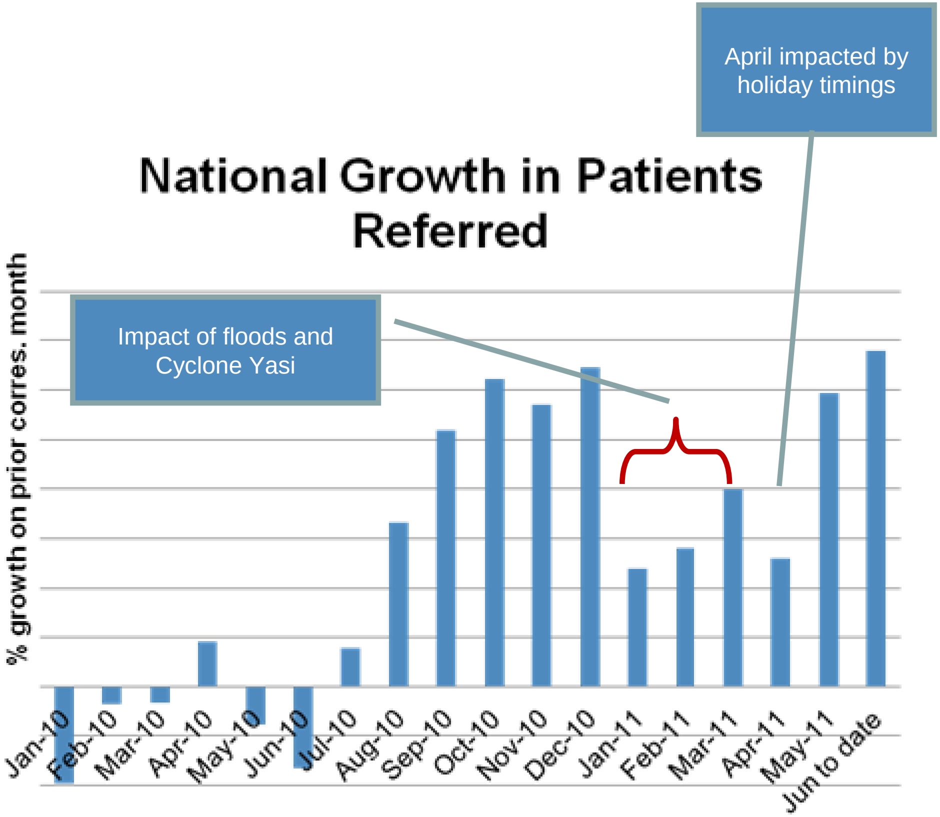
Improving Referral Volumes

Referral volumes showing upwards trend

Acceleration in our growth now seems apparent.

Acceleration is greater than indicated when looking at underlying organic growth with the Pathlab acquisition annualised as from March 2011.

Industry testing volume growth (not patient referral growth) over past fifteen years has historically been at ~5.6% p.a.



Opportunity for Improvement Now Exists

Collection Centre deregulation imposes additional costs but can now recast

- Some pathology providers over time will be able to recast their business and cost structures at a level that improves margins towards historical levels.
- Primary is well placed to take advantage of the industry dynamics.
- We anticipate we will see industry centralisation of services into larger efficient laboratories, closure of smaller undifferentiated providers with increasing private payments.
- Anecdotal evidence of this already occurring with our competitors (closing/scaling back functions in regional/remote laboratories).
- Non commercial behaviour looks to be easing with the exit of some competitors.
- These activities will create the opportunity for providers with sufficient scale, economies or differentiation to reset the cost bases and improve margins.

Primary's Pathology Business – Key Drivers of Future Growth

Driver 1 **Industry Growth**	▪ The underlying industry dynamics as detailed previously with respect to population - education, wealth, awareness, chronic disease and demographic changes, together with increasing reliance upon pathology testing by the medical profession, will positively drive underlying demand for pathology services over the next 40 years. Primary is well placed to meet these demands.
Driver 2 **Market Share Growth**	▪ Deregulation of collection centres has created an opportunity for Primary to grow. Primary has taken a pro-active approach to collection centre deregulation and is now ideally positioned to leverage off that position over the next five years. ▪ Scalability and infrastructure offers advantages. ▪ Reputation for reliability and trust is important.
Driver 3 **Funding Pressure Throughout Health Care System**	▪ Funding pressures are increasing upon payers (Federal, State Govts, health insurers, etc) domestically. This is occurring in conjunction with increasing demands for health care. Payers are looking to get better outcomes for their expenditures will seek to lower costs and this is likely to provide opportunity for low cost/high quality providers such as Primary.

Primary's Pathology Business – Key Drivers of Future Growth

Driver 4 **Operational Improvements**	▪ Many of the processes involved in pathology testing have evolved over a period of 100 years. Some of these processes are often of low value-add. A culture of ongoing operational focus and successful improvement will drive improved returns in the longer run as the pathology industry resets to the new cost environment.
Driver 5 **Consolidation**	▪ Smaller undifferentiated laboratories are up to 3 times less efficient than the biggest with a corresponding range in the spectrum between. An environment of funding pressure and deregulated costs is likely to create further consolidation of inefficient, undifferentiated laboratories. Primary is seeing increasing centralisation of services amongst pathology competitors.
Driver 6 **International Opportunities**	▪ The factors that are influencing demand in Australia apply equally internationally. Combined with the global financial crisis and demographical change, many payers and providers of pathology services internationally are looking to lower costs and improve service. ▪ Primary has been approached with a number of international expansion opportunities – a recognition of expertise in low cost/high quality pathology service (Primary will evaluate and consider).

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Appendix #1

Growth driven by changing demographics – and by increasing utilisation within each age group

- There is growth in demand for pathology services within each age cohort over time.
- Strong correlation between patient age and growing demand for pathology services.

Intensity Rates of Pathology Services
Average Per Capita Usage Per Annum by Age Cohort

Age Cohort	1993-94	1999-00	2004-05	2009-10
0-4	0.88	0.82	0.83	1.01
5-14	0.50	0.50	0.54	0.74
15-24	1.71	1.82	1.86	2.27
25-34	2.48	2.70	2.98	3.56
35-44	2.35	2.79	3.26	3.99
45-54	2.84	3.59	4.31	5.04
55-64	3.91	5.07	6.25	7.24
65-74	4.70	7.24	9.38	10.71
75-84	5.42	7.25	10.43	14.07
>=85	5.29	7.60	9.37	10.97
Weighted Total	**2.4**	**3.07**	**3.81**	**4.66**

Source: EconTech/ Medicare Australia Statistics.

Appendix #2

Whilst overall doctor management rates of key chronic diseases are largely stable or increasing in Australia, the use of pathology to detect and manage these diseases is uniformly increasing.

Health category	Management rate (1)	Pathology orders (1)	National change (%) (2)
Cardiovascular problems	—	▲	13.1
Diabetes	▲	▲	8.0
Musculoskeletal problems (ie athritis)	—	▲	4.6
Mental Health	—	▲	3.6
Respiratory problems (ie asthma)	▼	▲	2.5
Overweight/ Obesity	—	▲	1.2
Cancer	▲	—	0.7

(1) Note these are based on per 100 encounters.
(2) % change relates to proportion of the total national increase in pathology tests that was attributed to each problem from 2000-02 to 2006-08. Source: AIHW, General Practice in Australia: health priorities and policies 1998-2008.

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