

PRIMARY HEALTH CARE LIMITED

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2 April 2012

ASX Limited
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MARKET ANNOUNCEMENT
(ASX:PRY)

MEDICAL CENTRES INVESTOR PRESENTATION

Primary Health Care Limited (Primary) attaches a presentation in relation to its Medical Centres Division in accordance with its ASX Listing Rule disclosure obligations, ahead of a medical centre site visit occurring today.

Yours faithfully



Dr Edmund Bateman
Managing Director

Primary Health Care Limited



2 April 2012

Medical Centre Investor Presentation &
Site Visit

- **Primary has a proven successful large-scale medical centre model which continues to perform strongly.**
- **Primary's large-scale medical centres (not including ex-Symbion smaller-scale centres, clinical trials and head office) have delivered:**
 - Revenue growth of **11.5%** per annum compounded for FY2008 to FY2011 (despite government funding cuts and accounting standards changes)
 - EBITDA growth of **11.5%** per annum compounded for FY2008 to FY2011
 - 1H FY2012 Revenue growth of **11.7%** and EBITDA growth of **16.0%** compared to 1H FY2011
 - Patient attendance growth of **7.5%** per annum for FY2008 to FY2011 (despite unusually flat medicare attendances at times and co-payment introduction)
 - FY2011 EBITDA of **\$140m** well exceeded FY2011 capital expenditure of \$95.9m (or \$74.3m excluding capital expenditure associated with building new centres for which no EBITDA in FY2011 is attributable)

Pages 7 to 12 of this presentation highlight the financial statistics of Primary's large-scale centres.

- **The long-term value of Primary Medical Centres sits within its service offering and the ability to attract and retain patients to its facilities ~ patients remain with the facility despite the departure of a GP.**
- **Patients are attracted to the large-scale facilities, extended hours, one-stop services and are loyal to the facility over the short, medium and longer-term ~ patients value the total service provision of the centre that includes a wide range and choice of full-time family GPs.**
- **The average annual retention rate of GPs in the Primary large-scale medical centres has been 94.2% for FY2008 to FY2011.**
- **Ultimately, the sum of the collective number of GPs and importantly their increasing productivity, together with non-GP services offered, creates value in the whole Medical Centre division which is greater than the sum of the parts.**

The Primary large-scale medical centre model provides significant benefits to patients

Primary's large-scale model offer benefits to patients over other models of practice:

- Community based location.
- Attractive and well equipped facilities.
- Care when needed – open 365 days, 7am to 10pm with no appointment required.
- Affordable – medicare bulk billed, and non-medicare services competitively priced.
- One site – pharmacy, Xray, pathology, dental, specialists, day surgery etc.
- Wide choice of full-time family GPs who provide both routine and after hours care.



Primary's large-scale medical centre model works to enhance GPs' incomes, skills and professional satisfaction

Key benefits to GPs in Primary's large-scale medical centre model include:

- Service provision / centre model provides a strong flow and wide mix of patients.
- Greater professional satisfaction / mix.
- Wide range of equipment and facilities on site.
- No administration – GPs can optimise face-to-face patient care, which is how medical professionals can maximise their income.
- No need to find locums. The GP's time off is their own time.

These factors and a team approach enable GPs to:

- Improve their skills and professional satisfaction over time.
- Earn materially greater incomes than are earned in other models.
- Grow their earnings each year that they remain practising in the centre.

c.94% annual retention rates over recent years for GPs in Primary's large-scale medical centres

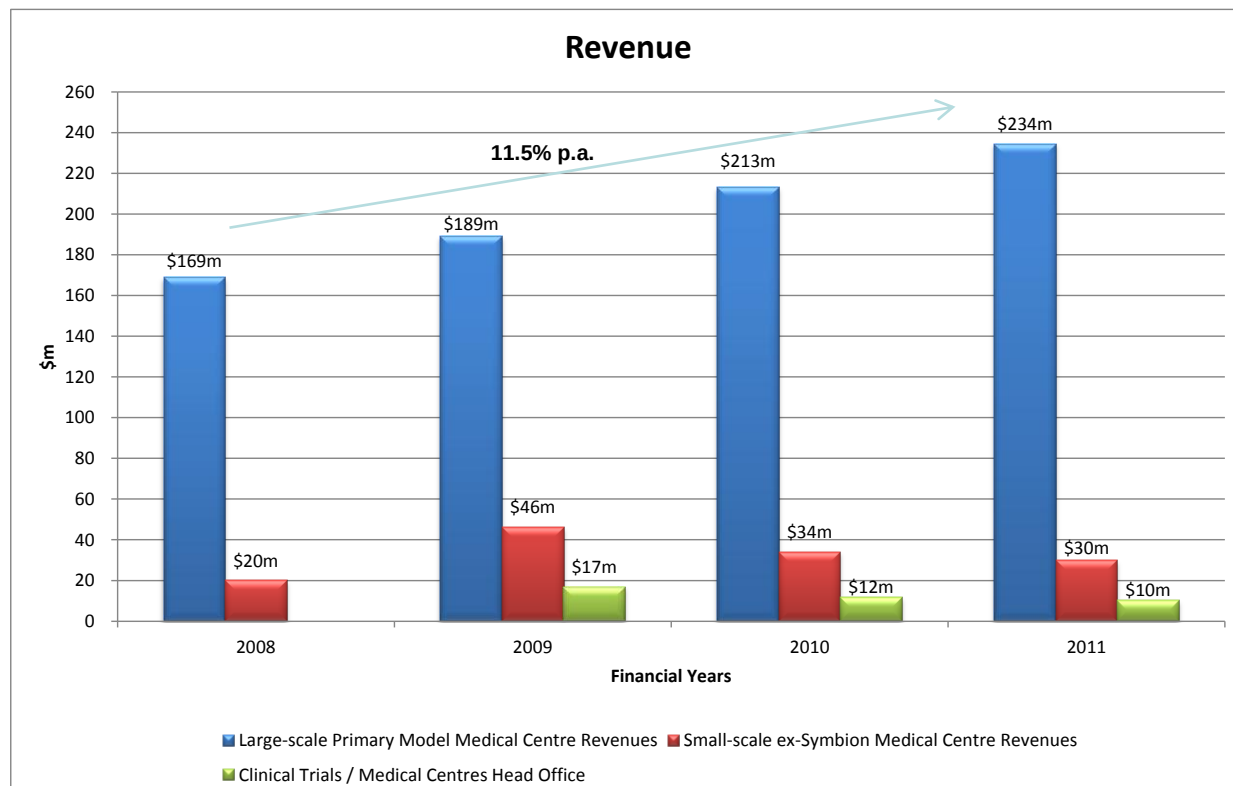
- More than half of Primary's large-scale centres have been currently operational for 6 to 25 years.
- Some GP loss is part of the normal life of a medical centre:
 - Some expected attrition through retirement / death / disability etc.
 - GPs who do not have the ability to either work in a collegiate environment or deal appropriately with patients are managed out of the practices.
 - GPs who join with defined limited term commitment. It is known to them and Primary that they will be leaving at the end of their contract. These GPs may be older and yet have great skill and experience. These GPs with a defined limited term commitment tend to receive a lower upfront payment.
- Primary believes that a major reason that there is a high GP retention rate is the actual experience GPs have during the first 5 years of their practise in Primary's large-scale medical centre model. Over the 5 year term, and beyond, GPs enjoy materially higher incomes, better support and greater professional satisfaction, in comparison with that available elsewhere. There are other reasons that GPs tend to stay long-term (e.g. set up costs of an alternative practice).

Long-term value is built in each Medical Centre across multiple services (GP and non-GP services), creating ongoing cash flows for each performing centre

Key factors in accumulating value in Medical Centres	Attributes
Service Offering	✓ Accessible ~ 365 days per annum, 7am-10pm: a key differentiator to competitors ✓ Affordable ~ Bulk-Billing for Medicare and competitive pricing for other services ✓ Breadth of services in one location ~ a variety of GPs, Dental, Physio, Specialists, Pathology, Imaging, Pharmacy, Eye clinics, Day surgery
Medical Centre - Facility Value	✓ Patients are attracted to the large-scale facilities given the quality of the facilities and extended hours and variety of the services offered. ✓ The large-scale facility attracts GPs because of the patient flow to the facility, the non-GP services offered, the quality of facility, flexible working hours, no administration tasks and the different mix of patients ~ GPs are able to earn higher fees in large-scale facilities by expanding their practice skills. ✓ A significant portion of long-term centre cash flows (c.36%) are generated by ancillary (non-GP) services and Primary has minimal associated acquisition payments for these cash flows. ✓ Primary has never closed a large-scale centre. ✓ The large-scale facilities, containing 15 to 20 GPs and ancillary services under one roof, have scale and service advantages compared to the small-scale 3 to 4 GP practices ~ the industry will continue to consolidate. ✓ Primary has a competitive advantage in each geographic location ~ encouraging consolidation of existing GP providers in the area it enters and making it difficult for new providers to offer a better service.

Medical Centres – historical revenue split PRY large-scale centres and smaller SYB centres

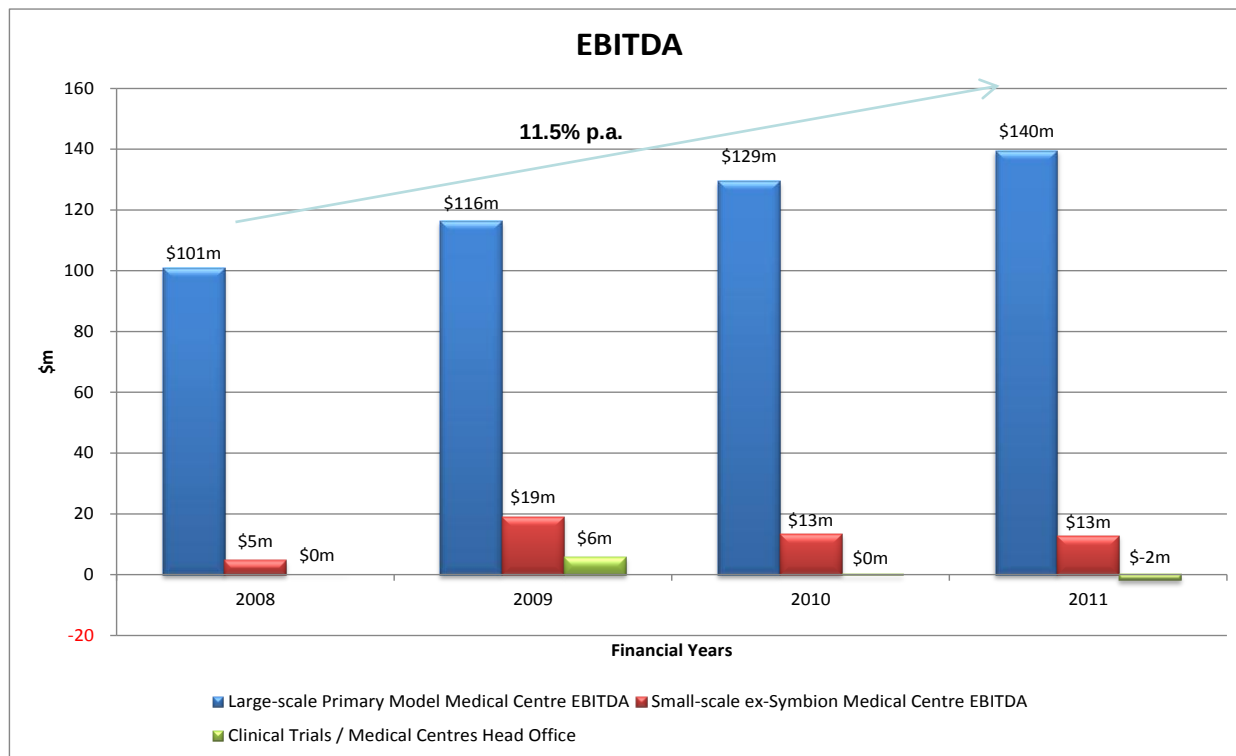
**Primary large-scale medical centre revenue has grown c.11.5% per annum
from FY2008 to FY2011 (\$169m to \$234m).**



- (1) Symbion was acquired effective 1 March 2008. SYB Revenue represents 4 months' revenue from Symbion medical centres.
- (2) 2012 1H results are: \$129.0m Primary Revenue, up 11.7% pcp (\$115.5m 2011 1H), \$12.6m Symbion Revenue, and \$3.1m Clinical Trials/Head Office Revenue.
- (3) 2009 – Primary converted 3 small-scale Symbion medical centres in 2009 to Primary large-scale medical centres. \$4.6m full year Revenue contribution is shown in Primary 2009 results for the purposes of year on year comparison.

Medical Centres – historical EBITDA split PRY large-scale centres and smaller SYB centres

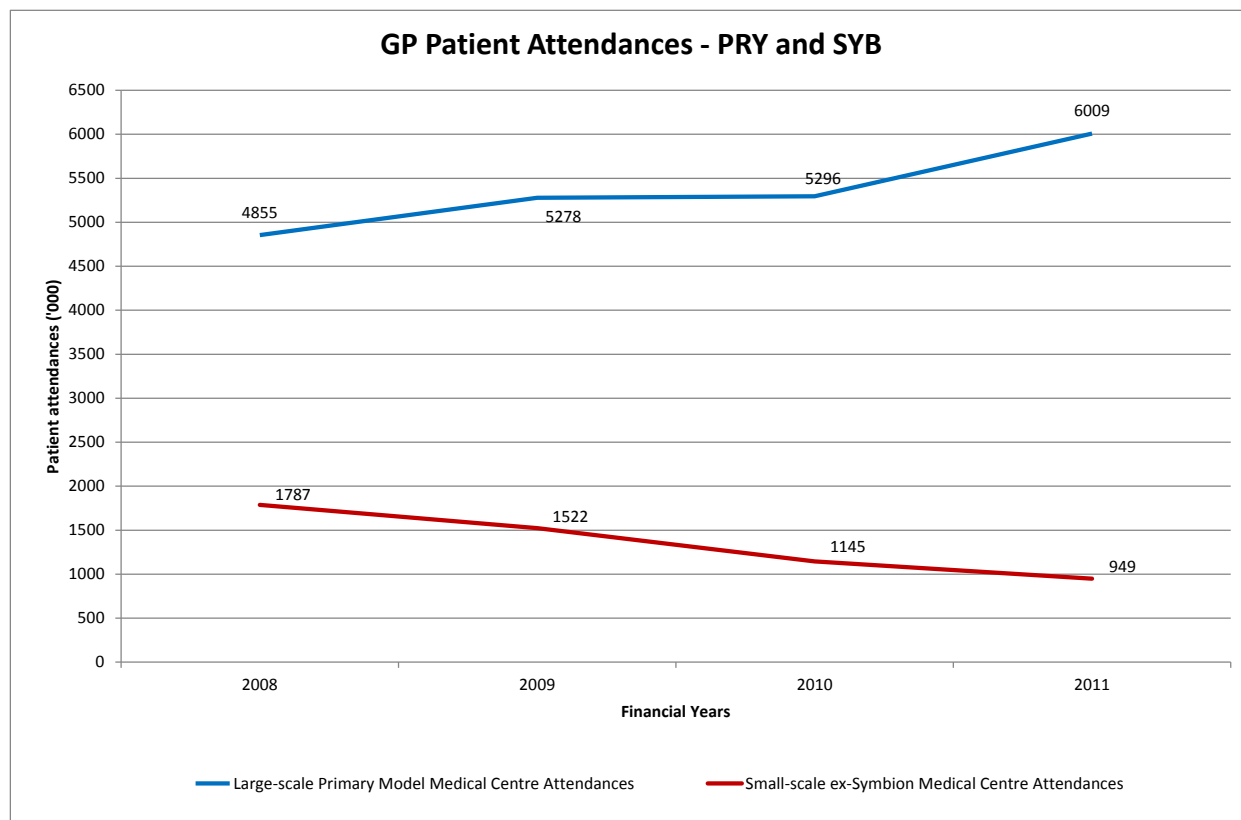
**Primary large-scale medical centre EBITDA has grown c.11.5% per annum
from FY2008 to FY2011 (\$101m to \$140m).**



- (1) Symbion was acquired effective 1 March 2008. SYB EBITDA represents 4 months' EBITDA from Symbion medical centres.
- (2) 2012 1H results are: \$79.4m Primary EBITDA, up 16% pcp (\$68.0m 2011 1H), \$5.5m Symbion EBITDA and (\$5.8m) Clinical Trials/Head Office EBITDA cost.
- (3) Effective 1 July 2009 accounting standards changes required all costs associated with acquiring a doctor (ie legal costs, stamp duty etc) to be expensed to profit and loss – approximating \$3m pa additional expense.
- (4) 2009 – Primary converted 3 small-scale Symbion medical centres in 2009 to Primary large-scale medical centres. \$1.7m full year EBITDA contribution is shown in Primary 2009 results for the purposes of year on year comparison.

Medical Centres – GP Patient Attendances

Primary large-scale medical centre GP patient attendances have grown c.7.5% per annum from FY2008 to FY2011.

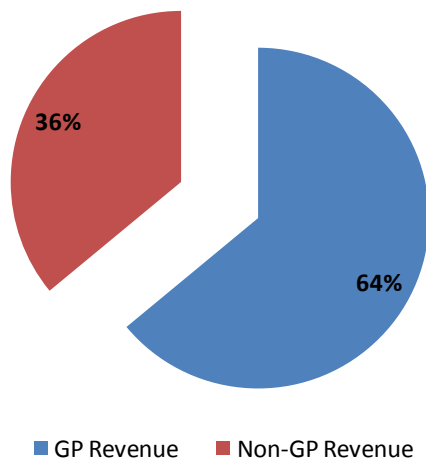


- (1) Primary patient numbers 3.3m for 2012 1H. Symbion patient numbers 395,000 for 2012 1H.
(2) Primary acquired Symbion 1 March 2008. Where Symbion centres have been converted to Primary centres (4 in total) patient numbers have been included in Primary large-scale patient numbers throughout for consistency..

Medical Centres - GP Revenue vs non-GP Revenue

c. 36% of Primary's total revenue in large-scale Medical Centres is generated by non-GP services. This will continue to grow as each medical centre matures further as will average fee per GP driven by increased GP productivity over time, and increased use of ancillary services.

GP Rev vs Non GP Rev: 2012 1H (Current)

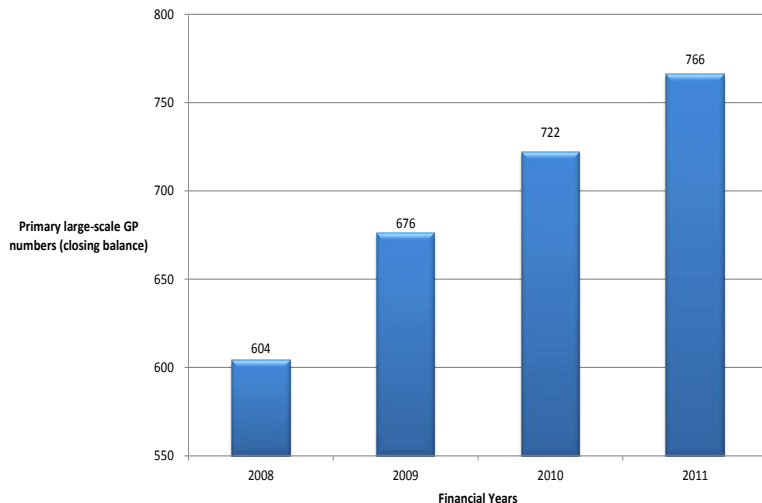


2012 Large-Scale Medical Centres (Primary)

Age of centre	# Centres	Proportional % split of GP revenue vs Non-GP revenue
< 1 year	2	76% GP / 24% Non-GP
2-3 years	12	70% GP / 30% Non-GP
3-5 years	10	69% GP / 31% Non-GP
5-7 years	9	69% GP / 31% Non-GP
7-10 years	8	65% GP / 35% Non-GP
>10 years	15	56% GP / 44% Non-GP
Total	56 Centres	

Primary large-scale medical centres retained 94.2% of its GPs over the period FY2008 to FY2011.

Primary large-scale GP numbers



- Primary large-scale medical centre GP numbers increased from 604 at 30 June 2008 to 766 at 30 June 2011 (based on headcount). In addition, Primary had 167 GPs in Symbion small-scale centres at 30 June 2011.
- GP numbers as an absolute benchmark to EBITDA is less relevant given:
 - Primary's significant proportion of growing non-GP revenue.
 - GPs acquired will over time earn higher fees as the centre matures and the GPs become more productive.
 - In general, higher productivity GPs stay longer.
 - Ultimately, it is the productivity of the GP which is important i.e. Revenue and EBITDA earned by GP rather than an absolute number of GPs by headcount.
- The average annual retention rate of GPs in the Primary large-scale medical centres has been 94.2% for FY2008 to FY2011.
- Primary receives an average service fee of c.48.6% of GP billings across the group, compared to 50% for all those GPs who are in first 5 years of contract.

Medical Centres – Capital Expenditure

Primary large-scale medical centres ~ FY2011 EBITDA of \$140m well exceeding FY2011 capital expenditure of \$95.9m (or \$74.3m excluding capital expenditure associated with building new centres for which no EBITDA in FY2011 is attributable)

PRIMARY LARGE-SCALE MEDICAL CENTRES

	FY2008	FY2009	FY2010	FY2011
EBITDA	\$101m	\$116m	\$129m	\$140m
Number of centres	41	46	53	56
Capital expenditure – Existing centre building maintenance (c.\$250k per centre p.a)	\$10.3m	\$11.5m	\$13.3m	\$14.0m
Capital expenditure – Building new centres	\$40.3m	\$23.6m	\$33.4m	\$21.6m
Sub total ⁽¹⁾	\$50.6m	\$35.1m	\$46.7m	\$35.6m
Acquisition of businesses - GP & Allied Health practices ⁽²⁾	\$61.1m	\$48.6m	\$55.8m	\$60.3m
Total Capex	\$111.7m	\$83.7m	\$102.5m	\$95.9m

(1) Per Primary Health Care statutory accounts. New centre and replacement plant and equipment on Symbion centres not material.

(2) Represents businesses acquired and added into Primary large-scale medical centres and excludes Symbion, Pathology and Imaging additions.

- **Long-term value** - Primary's large-scale medical centre business has a unique and proven operating model in which the long-term value lies with the service offering, facility value and scale benefits of each centre, and not just individual practitioners.
- **Financial performance** - The financial performance of the Primary large-scale medical centre model has been strong with increasing revenue and EBITDA c.11.5% per annum from FY2008 to FY2011.
- **Diversification benefits** – Non-GP revenue accounts for c.36% of total revenue of Primary's large-scale medical centre business. This, along with the average fee, will continue to grow as the existing centre profile matures.
- **GP numbers** – Primary's large-scale medical centres have increased GP headcount numbers from 501 to 766 in the last 4 years. The average retention rate is c.94.2%.
- **Capital expenditure** – EBITDA for Primary's large-scale medical centres increased by an average of \$13.3m p.a. in the period FY2008 to FY2011, with average total capital expenditure of \$98m p.a. Of this \$98m capital expenditure p.a. an average of \$30m p.a. relates to building new medical centres and provides the footprint for future growth.

Appendix A: Medical Centres – a key business division of Primary PRIMARY HEALTH CARE LIMITED

- Primary is one of Australia's pre-eminent listed healthcare companies with a broad diversification of earnings:

Business segment	EBITDA Contribution (% total) ⁽¹⁾	Scale	Description
Medical Centres	45%	56 large-scale centres 21 smaller-scale centres	- Australia's largest operator with unique, proven, large-scale medical centre model. - Proven long-term track record of centre profit growth. - Expected to be c.7m general practitioner (GP) consultations take place in Primary's medical centres in FY2012. - Centres provide all patient out-of-hospital primary care, not only GP services.
Pathology	35%	c.1350 collection centres	- Australia's second-largest operator (one-third of Australian market) with a major presence in all Australian mainland States via strong and established brands. - Expected to be c.13m pathology episodes in company facilities in FY2012. - Industry volume growth has returned after subdued period following funding cuts. - Funding stability in place from July 2011 via a 5-year Memorandum of Understanding.
Diagnostic Imaging	15%	143 diagnostic imaging sites	- One of Australia's major diagnostic imaging networks, with sites in all Australian mainland States. - Imaging network is expecting c.2.6m examinations in FY2012 across hospitals, community sites, and large-scale medical centres. - Operations improving at all levels, plus strong industry organic revenue growth.
Health Technology	5%	Medical Director and other software products	- The leading provider of clinical and practice management software for Australian GPs and specialists. - A national leader in providing Australia's major hospitals with comprehensive and reputable online knowledge resources.

(1) %'s based on contribution by division to total EBITDA of Primary respectively, based on 1st half results for FY2012 (excluding corporate costs).

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