

PRIMARY HEALTH CARE LIMITED

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30 November 2012

ASX Company Announcements Office
Level 4
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Sydney NSW 2000

MARKET ANNOUNCEMENT
(ASX:PRY)

2012 ANNUAL GENERAL MEETING

MANAGING DIRECTOR'S ADDRESS

Attached is a copy of the Managing Director's prepared address to the 2012 Primary Health Care Limited Annual General Meeting being held in Sydney today, in accordance with ASX Listing Rule 3.13.3.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Yvette Cachia', with a long horizontal line extending to the right.

Yvette Cachia
Company Secretary

Primary Health Care Limited
2012 Annual General Meeting
Managing Director's Address to Shareholders

Ladies and Gentleman

Operating overview

I am pleased to report to shareholders that Primary delivered a strong result for FY2012.

Operating EBITDA for FY2012 was up 10% to \$351.1m. Net profit after tax was up 49% to \$116.6m. Basic Earnings Per Share (EPS) was up 47% to 23.3 cents.

This pleasing result was driven by strong revenue and margin gains across all the major divisions, reflecting the operational dedication and focus of management. The strength of the trading result is reflected by the following key indicators:

- Medical Centres EBITDA growth of 15% in the 57 large-scale centres
- Medical Centres EBITDA margin up 50 basis points to 55.2%
- Pathology EBITDA growth of 11.6% to \$132.4m and organic revenue growth of 6.1%
- Pathology EBITDA margin for 2H FY2012 17.7%, up from 16.0% for 1H FY2012
- Imaging EBITDA growth of 37% to \$59.4m and
- Imaging EBITDA margin up from 15.2% to 19.3%

Complementing this strong trading result, free cash-flow improved significantly in the second six months of FY2012. Net cash provided by operating activities improved by \$68m in FY2012 over the prior year. Looking at the operating divisions I can report as follows:

Medical Centres

EBITDA for FY2012 for the Medical Centres division was \$160.0m, compared with \$150.4m for the prior year. EBITDA margin for the division improved by 50 basis points. One new medical centre opened in FY2012 and one new centre has been opened in FY2013. Doctor recruitment for this current financial year is currently slightly ahead of last year's level.

The focus continues to be on adding practices and services into the current centre footprint. Primary has considerable capacity to continue to add additional practices and services into the current 58 large-scale centre infrastructure for a number of years.

Pathology

EBITDA for FY2012 for the Pathology division was \$132.4m, compared to \$118.6m for the prior year. The Pathology division's revenue and EBITDA improved in FY2012 reflecting strong organic revenue growth.

The five-year Pathology Funding Agreement, signed in April 2011 between the Federal Government and pathology providers, brings increased certainty to the industry. The funding adjustment effective, 1 January 2013, is in line with what Primary's had anticipated.

Imaging

EBITDA for the Imaging division was \$59.4m, compared with \$43.4m for the prior year. The EBITDA margin for FY2012 was 19.3%, compared with 15.2% for the prior year. The strong results continue the improvement in EBITDA and margin which commenced in 2H FY2011. Conversion of radiologists to a percentage fee-for-service model, combined with upgraded technology, closing of uneconomical sites, and cost control, are the basis of the Imaging division's improvement.

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Health Technology

EBITDA for the Health Technology division was \$19.9m, compared with \$19.5m for the prior year and EBITDA margin for FY2012 was 40.9% compared with 39.9% for the prior year.

HCN is the largest provider of its kind in healthcare IT services in Australia. Primary has recently appointed a new Managing Director for HCN and is currently undertaking a review of its strategy to maximise the value of HCN for stakeholders. This review is nearing completion. We anticipate HCN will remain a core part of the Primary group with a more integrated role in the delivery of services.

Debt and interest expense

On 21 October 2011 Primary completed financial close on the refinancing of Primary's syndicated bank debt facility, which was due to mature in December 2012. The \$1.02bn refinancing, a significant development for the group, provides an extended bank debt maturity profile for Primary. Margins payable by Primary have been reduced. Primary has hedged a majority of its debt at reducing rates to July 2015.

Dividends

For FY2012 Primary paid, in total, a fully franked dividend of 11.0 cents per share (47% pay-out ratio). For FY2013 Primary will review its cents-per-share dividend payout to reflect the anticipated EPS growth and would anticipate a pay-out ratio for FY2013 not dissimilar to FY2012.

Directors

During the year Arlene Tansey was appointed as a director and I welcome her to the Board.

John Crawford is retiring as a director at this meeting. John joined the Board just before Primary listed on the ASX in 1998. Throughout his time of over 14 years on the Board John has discharged his duties in an exemplary manner. We wish him well in his retirement and thank him for his outstanding contribution.

Outlook

Our strategy is one of strong organic revenue growth, supported by incremental margin gains as a result of economies of scale and operating efficiencies. This strategy is supported by strong cost controls and a lower inflation environment. Primary continues to focus upon providing low cost, high quality, health care services to more Australians.

Revenues, margins and EBITDA trends have continued to be favourable across the business for the 4 months ended 31 October 2012 and all divisions are trading in line with our expectations.

EBITDA for FY2013 is expected to be in the range of \$370m-\$380m, resulting in EPS growth of 20%-25%.



Dr. Edmund Bateman
Managing Director
Primary Health Care Limited