

PRIMARY HEALTH CARE LIMITED
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29 November 2013

ASX Company Announcements Office
Level 4
20 Bridge Street
Sydney NSW 2000

MARKET ANNOUNCEMENT
(ASX:PRY)

2013 ANNUAL GENERAL MEETING

MANAGING DIRECTOR'S ADDRESS

Attached is a copy of the Managing Director's prepared address to the 2013 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

Ladies and Gentleman

I am pleased to report that Primary delivered a strong result for Financial Year ended 30 June 2013 ("FY2013"). Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA") for FY2013 were up 9.7% to \$385.1m. Net Profit after Tax was up 29% to \$150.1m. Basic Earnings Per Share (EPS) was up 28% to 29.9 cents.

This excellent result was driven by organic revenue and margin gains across all the major divisions, reflecting the resilience of the Primary business model as well as the operational dedication and focus of management.

Complementing this strong trading result cash flow improved in FY2013 and Net Cash from operating activities increased by 18% to \$269m.

Your Directors were pleased to declare fully franked dividends of 17.5 cents per share for FY2013, rewarding our shareholders with a 59% increase on FY2012. The increased dividend reflects the stability and maturity of the business and your Board's confidence in Primary's outlook. In regard to the operating divisions I can report as follows:

Medical Centres

Primary has very considerable capacity to continue to add additional practices and services into the current 58 large-scale medical centre infrastructure, and this continues to be our current focus.

The 58 large-scale medical centres have multiple full-time family general practitioners, full radiology and pathology services, ancillary healthcare professionals, and specialists — all working as a team in a community-based facility. Importantly, these centres are open every Saturday, Sunday, public holiday, and evening of the year, so that individuals and their families can be seen when they actually need care. Of equal importance, Primary's after-hours care is provided by the same full-time family GPs who provide care in normal hours.

While Primary medical centres currently provide 6% of the total GP care in Australia, Primary GPs are the leading provider of after-hours care for the Australian community, providing 23.15% of the after-hours care. Significantly, this continues to take the load off emergency and outpatient departments of local hospitals. These GPs should be acknowledged as part of the backbone of healthcare in the Australian community.

For the four months to 31 October 2013, GP attendances are running in line with our expectations. As expected, the removal of government funding for the Chronic Dental Scheme in late 2012, and the cautious economic environment, has seen dental revenues currently running below prior year levels.

Our new upgraded and expanded medical centre at Warringah Mall in the northern suburbs of Sydney, opened earlier this week. This outstanding new facility highlights how our medical centre model continues to both expand community health services and provide growth for shareholders over the long term, Warringah Mall having been opened originally in 1984.

Pathology

With world-class laboratories in all mainland States and more than 1,500 Licensed Pathology Collection Centres throughout Australia, our pathology practices now provide services to more than one-third of the Australian community. Only a small percentage of our pathology services are sourced from our medical centres. The vast bulk of our pathology services come from non-Primary GPs, specialists, and from within hospitals.

We were particularly proud to receive feedback during the year that Primary had delivered savings of 50% on outsourced pathology services to public hospitals. Realising these savings for public hospitals frees-up funding for these hospitals to provide more patient beds and better intensive-care units. This reinforces our business model and continues to improve healthcare affordability.

The Pathology division has a strong track record of delivering efficiencies and margin gains against a backdrop of funding restraints, and is also currently performing well in maintaining and growing market share.

Imaging

Primary has more than 150 Diagnostic Imaging practices situated in medical centres, public hospitals, private hospitals, and dedicated community sites, throughout Australia. We were pleased to report improvements in the performance of the Imaging division. This has followed on from the conversion of radiologists to a percentage fee-for-service model, upgrading our technology and improving cost control.

We were also proud to implement a number of innovations and upgrades across our Imaging business in the past twelve months including:

- PET scanners in public hospital facilities at each of Wollongong Hospital (NSW) and Northern Hospital (VIC), allowing our practitioners to fuse MRI images with molecular images.
- Expansion of the comprehensive imaging services at all our major medical sites including full helical CT scanning, ultrasound, general X-ray, and OPG.
- Provision of electronic imaging delivery supported by a 24-hour helpline service for our referrers.
- Installation of world-class Cardiac Scanning facilities at each of Westmead Private Hospital (NSW), Epworth Hospital (VIC), and St. George Hospital (NSW).

Primary continues to build its management capability in the Imaging division to ensure the significant improvement over the past two years is sustained.

Health Technology

HCN is the largest provider of its kind in healthcare IT services in Australia. HCN will remain a core part of the Primary group with a more integrated role in the delivery of services. Our investment in information technology across the group is a significant investment in community care and the future of healthcare.

Debt refinance and balance sheet

On 27 November 2013 Primary completed financial close on the early refinancing of its bank debt facility, which was due to mature in February 2015 and November 2016.

The \$1.25bn refinancing provides a significantly extended bank debt maturity profile for Primary with \$625m maturing in January 2017 and \$625m maturing in November 2018. Margins payable have been reduced and the facility provides capacity to repay Primary Retail Bonds of \$152m, maturing in September 2015, with bank debt if desired.

As a result of the early refinance, upfront costs paid in 2011 associated with the refinance, amounting to \$4.0m, will be expensed in the half year ended December 2013.

Primary continues to strengthen its balance sheet and maintains flexibility to build further scale, taking advantage of opportunities to acquire general practice, pathology, radiology, dental, and allied health businesses.

Governance

Primary's Board has undergone steady transformation in recent years as part of ongoing renewal and succession planning. Your Board comprises five independent Non-executive Directors and four Executive Directors who bring a diverse range of skills, perspectives, experience, and ideas to the Board and its committees.

Your Board can report that Primary has made further investments in its diversity program this year, with highlights including:

- the establishment of 'Primary Women', a networking program to develop the talent pipeline for Primary's future female leaders; and
- the commencement of an Indigenous Employment program, a logical next step for Primary which is already a committed provider of Indigenous healthcare.

Outlook

Our strategy is one of organic revenue growth, supported by incremental margin gains as a result of economies of scale. This strategy is supported by strong cost controls, operating efficiencies and a lower inflation environment. Management continues to focus first and foremost on supporting healthcare practitioners in their critical roles – providing the scale and infrastructure for an affordable and accessible healthcare system that benefits all Australians.

EBITDA for FY2014 is expected to be in the range of \$395m to \$410m, resulting in EPS growth of 7% to 13%.

On behalf of all directors, I would like to thank Primary's team of leaders, medical professionals, and hardworking staff for their dedication and performance. I also thank the more than 11,000 team members of Primary that continue to tirelessly support our medical professionals and their patients. Thank you to my fellow medical practitioners for their loyalty, their dedication and the critical role they play in our communities.

Primary's investment in leadership, innovation, use of technology, healthcare education, and significant capital application, provides measurable outcomes of affordable and comprehensive care for Australians. This is a major contribution to the Australian healthcare system which, while not perfect, is the envy of the rest of the world.



Dr. Edmund Bateman
Managing Director
Primary Health Care Limited