PRIMARY HEALTH CARE LIMITED

18 February 2015

PRIMARY HEALTH CARE LIMITED 1H FY2015 RESULT

HIGHLIGHTS

- Revenue growth of 6.3% to $798.6 million (1H FY2014: $751.0 million)
- EBITDA up 2.1% to $196.1 million (1H FY2014: $192.1 million)
- EPS[1] up 5.0% to 10.5 cents per share (1H FY2014: 10.0 cps)
- Interim dividend of 9.0 cents per share (1H FY2014: 9.0 cps)
- Change in accounting policy for acquisition of healthcare practices, with no impact on EBITDA, cash flow spend, dividends per share, or compliance with debt covenants
- Pipeline of future growth opportunities via:
  - Rollout of new large-scale medical centres from FY16 to meet community demand
  - Increased outsourcing demand in Pathology and Imaging from hospitals
  - Backfilling and bolt-on acquisitions
  - Ageing demographic and high demand for frontline services

Primary Health Care Limited ("Primary"), the leading provider of affordable and accessible healthcare in Australia, today announced its results for the six months ended 31 December 2014 (1H FY2015).

Primary reported revenue of $798.6 million, up 6.3% on the previous corresponding period, reflecting solid growth from Medical Centres, Pathology and Imaging. Earnings before interest, tax, depreciation and amortisation (EBITDA) of $196.1 million represented a 2.1% increase.

The Board of Primary has declared an interim dividend of 9.0 cents per share and reaffirmed FY15 guidance.

Primary's Acting Managing Director, Mr Andrew Duff, said: *"Our scale, infrastructure and expertise increasingly means Primary is the partner of choice for medical professionals looking to provide their patients with affordable and accessible care. In an industry with strong growth fundamentals linked to ageing demographics, we see increasing demand for our services, and believe we are well-placed to deliver steady growth in earnings per share and dividends per share over the medium to long-term."*

CHANGE IN ACCOUNTING FOR THE ACQUISITION OF HEALTHCARE PRACTICES

The Group has reassessed its accounting policy for the acquisition of healthcare practices, including doctors and other ancillary professionals. Previously all such acquisitions have been considered to be business combinations and, as a consequence, the consideration paid has been treated as goodwill.

Acquisitions will now be treated in one of two ways:

- Where the healthcare practice acquired is within a specified geographic distance around a Primary Medical Centre or Imaging site (ordinarily 10km, but will vary based on circumstances) and Primary takes control of the patient records of that practice then the practice is considered to be a business combination. The contractual relationship with the healthcare professional is separately identified and valued as an

[1] Includes $8.6 million non-recurring Depreciation and Amortisation expense associated with an accelerated asset-write down in the period.

intangible asset representing 30% of the consideration paid. The residual 70% of the cost is treated as goodwill.

- Where the healthcare practice acquired is outside the specified geographic distance, the transaction is not considered a business combination and, as a consequence, will be classified as an intangible asset.

In both scenarios, the value of that intangible asset will be amortised over the life of the contract, which is usually five years.

This change to the treatment of healthcare practice acquisitions does not affect EBITDA, cash flow spend, dividends per share, or compliance with debt covenants.

This has resulted in a restatement of the accounts such that, as at 30 June 2014, Opening Goodwill has been reduced by $426.2 million, Opening Intangibles has increased $139.9 million, Opening deferred tax assets have been reduced by $4.1 million, giving a net decrease in Opening retained earnings of $290.4 million.

Amortisation expense has also increased by $26.0 million for the period ending 31 December 2014 (31 December 2013 increase: $26.3 million).

STRONG OPERATING PERFORMANCE

Medical Centres

- Revenue growth of 6.4% to $161.5 million
- EBITDA up 6.3% to $90.0 million
- GP acquisition price continues to trend downwards
- EBITDA margin up ~20bps after excluding IVF start-up costs and reduction of grants
- Primary IVF performing above expectations and will be cash flow positive in 2H FY2015

Mr Duff said: *“Strong revenue growth in Medical Centres for the half-year was driven by an increase in GP volumes, demand for additional services and the Medicare increase on 1 July 2014. We will expand capacity to meet IVF patient demand and we will also rollout new large scale medical centres from financial year 2016 onwards.”*

Pathology

- Revenue growth of 5.4% to $459.5 million
- EBITDA down 2.4% to $73.0 million
- EBITDA margin weakness expected following weak volumes in July and August 2014
- National collection centre market share in line with pre-deregulation levels
- Purchase of Australia’s leading diagnostic genetic sequencing business (November 2014)

Mr Duff said: *“Revenue growth in Pathology has been solid. Margins fell due to escalation in collection centre costs and particularly weak volumes in July and August. Despite these headwinds, our pathology operations continue to perform well given external pressures.”*

Imaging

- Revenue growth 11.2% to $173.7 million
- EBITDA up 10.6% to $39.3 million
- Immigration visa medical contract commenced

Mr Duff said: *“Revenue and EBITDA growth in Imaging has been solid and reflects ongoing continuous operational improvements and productivity gains.”*

OUTLOOK

Primary reconfirms its FY2015 guidance for EBITDA in the range of $410 million to $425 million and EPS[2] growth of 5-12% (based on FY14 restated EPS of 22.7 cps)

Mr Duff said: *"Our results continue to show the strength of the Primary model. While there is ongoing political discussion about the funding of aspects of our industry, we believe that our scale positions us well regardless of what transpires. We firmly believe front line primary care is the best value for money in the healthcare sector. The Primary model has always adjusted and evolved in response to a funding constrained environment and remains as relevant today as it was when we opened our first medical centre 30 years ago."*

ENDS

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[2] Includes $8.6 million non-recurring Depreciation and Amortisation expense associated with an accelerated asset-write down in the period.