PRIMARY
HEALTH CARE LIMITED

Strategic update

UBS bi-annual company visits

7 JUNE 2016

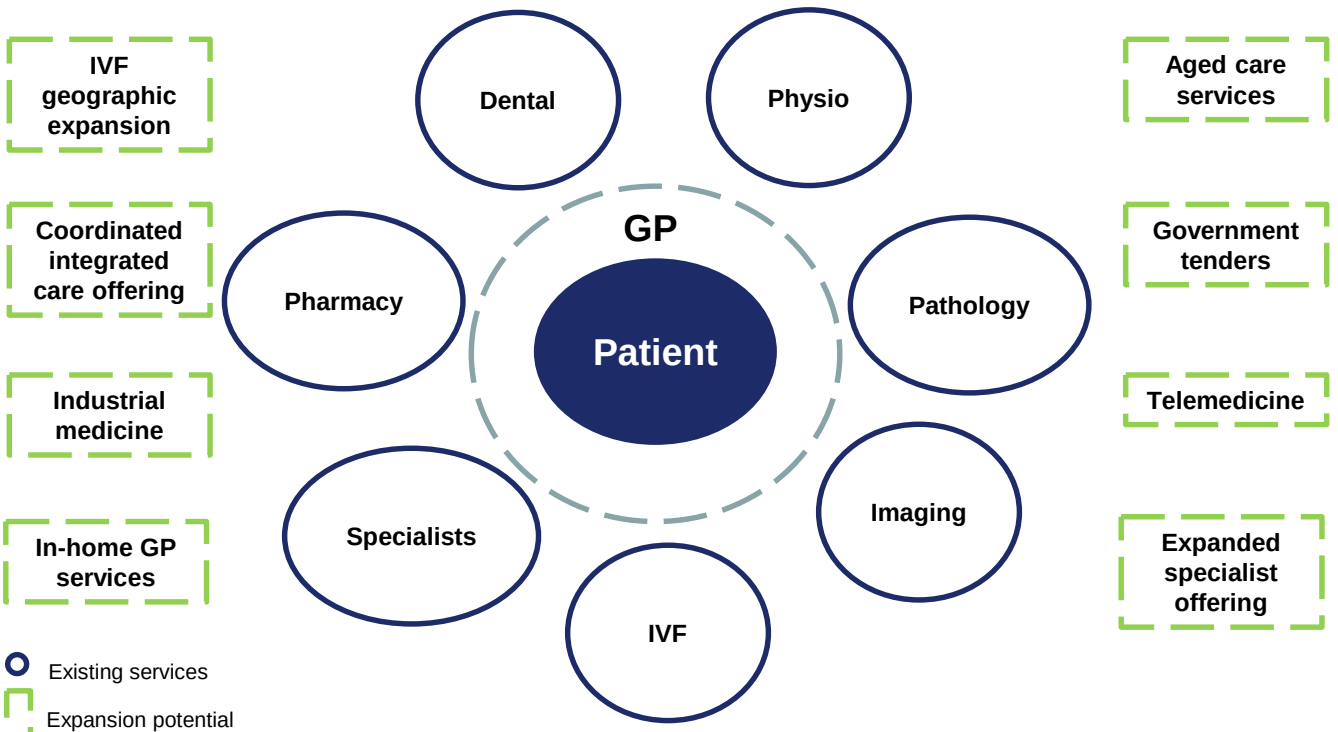
MEDICAL CENTRES – BULK BILLING

Central to business model: grow market share and cement position as leading care provider

- Refine recruitment models and improve HCP engagement
  - Remuneration meeting market
  - Greater flexibility in offers
  - Launched Nov 15, 2nd tranche May 16
  - Continuing strong trend in retention levels
  - Lead doctor program, clinical councils, training institute, improved support resources
- Improve engagement with staff to drive productivity
  - Initiatives around communication, leadership and culture
- Optimise footprint with pipeline of new centres
  - Four large scale centres including Corrimal in NSW and 1 super centre to be funded by REIT
- IT investment in next generation GP and practice products via Medical Director
- Enhance diversified offerings around Medical Home (see slide 3)

MEDICAL CENTRES – BULK BILLING

The Medical Home



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MEDICAL CENTRES – PRIVATE BILLING

Private billing: diversification of revenue, new brand and differentiated proposition

Diversify Earnings

- Increase resilience to change and diversify revenue streams
- Search on-going for footprint growth in appropriate suburbs

Build New Brand

- Bring an new brand into the Primary portfolio
- New customer and GP value proposition being developed based on international reference examples

Create Sustainable Advantage

- Create a differentiated proposition in the market leveraging Primary's scale
- Apply service design principles to create care models that are patient centric and focused on quality outcomes

Stay ahead of Healthcare Changes

- Build capability to innovate on care
- Develop foundations for plugging into digital health and care management

PATHOLOGY

Mature business where quality is a given: drive efficiencies and selectively diversify

- Drive further efficiencies in cost base
  - Laboratory infrastructure
  - Alignment of state-based activities
  - IT initiatives

- Cost-outs in Approved Collection Centres (ACCs)
  - Reduction in rental costs at underperforming sites achieved
  - Election outcome and policy implementation to drive further tactical response (see slide 10)

- Continue to develop capabilities and diversify
  - Specialist services e.g. Kossard Dermatopatholgy
  - Private billing where sustainable
  - Diversify into Asia, leveraging our infrastructure

IMAGING

Asset intensive business: optimise base, reshape portfolio and diversify revenue

- Refocus portfolio on high-end community centres, large scale medical centres and hospital contracts
- Pipeline of new centres within new PRY medical clinics and high-end community sites
- Execute on cost savings program
- Make cost base variable via equipment funding and remuneration models
- Progressively implement selective private billings to expand options in revenue
- Improve engagement with HCPs and staff to drive productivity
- IT initiatives

BRIDGE ROAD – SUPER COMMUNITY CENTRE
➢ Offers higher end modalities (e.g. PET/CT, MRI)
➢ Provides higher end, recognised sub-specialist radiologists
➢ Generates close relationships with referring practitioners
➢ Offers opportunity for co-locations with specialists
➢ Higher average fees with specialists supporting “gaps”
➢ Low leakage of referrals owing to symbiotic relationship between radiologists and referrers
➢ High barriers to entry due to relationship, technology and sub-specialist expertise
➢ Model attractive to sub-specialist radiologists
➢ Model attractive to staff

CAPITAL MANAGEMENT

Capital recycling progress

- $40m Barangaroo sale completed in March 2016
- $156m Medical Director sale completed in May 2016
- 1H16 net debt position reduced to ~$900 million (pre-tax) from capital recycling
- Further capital recycling underway

Cash flow management

- Continuing decrease in HCP up-fronts from transition to new models and benefits of tax deduction
- Property trust to fund centre expansion
- New funding models for imaging equipment under discussion
- Enhanced focus on capital expenditure discipline
- Dividend policy adjusted to a more sustainable level

HEALTH POLICIES IN 2016 ELECTION

Medicare freeze

- Unmitigated, the freeze is equivalent to ~$5m annual impact on PRY revenue and EBIT
- Under Liberal policy, the freeze on indexation of MBS will be extended to 2020
- Under Labor it will cease on 1 January 2017

Primary initiatives

- Support for AMA and RACGP campaigns against freeze during election period
- Introduction of private billing centres
- On-going efficiency drives in bulk billing centres

Sector impact

- Freeze will create financial pressure in GP sector. If pathology rents are cut, the impact will be more severe
- Sector consolidation is likely and Primary should benefit in GP and practices acquisitions
- Bulk billing rates are likely to drop with less competition to Primary's bulk billing clinics

HEALTH POLICIES IN 2016 ELECTION

Bulk billing incentive cuts

- If BBI cuts are introduced, unmitigated they represent ~$52m pa impact to Primary's EBIT, ~$37m in pathology and ~$15m in imaging
- Under current Liberal policy:
  - Impact in pathology will be offset by savings from regulation of ACC rent (see slide 10)
  - Impact in imaging will be delayed until 1 January 17 and after Government evaluate cost pressures in industry
- Labor opposed Liberal's BBI cuts when announced as part of MYEFO and appear supportive of retaining BBI

Primary initiatives

- Selective introduction of private billing in imaging and pathology to diversify revenue streams
- Reduction in collection centre rents:
  - Rents have been reduced on underperforming ACCs to-date
  - Should BBI cuts be introduced without ACC rent regulation, PRY will look to lower rental costs in return for maintaining bulk billing of pathology services

HEALTH POLICIES IN 2016 ELECTION

Agreement by Liberals with Pathology Australia on collection centre rents

- Agreement for the regulation of collection centre rents to ‘local commercial market rents’
- Agreement for the deferral of BBI cuts and moratorium on new collection centres until the regulatory framework in place
- It is uncertain what ‘local commercial market rents’ will entail in practice
- It is uncertain how the Liberals will enforce such regulation
- Labor opposes the agreement

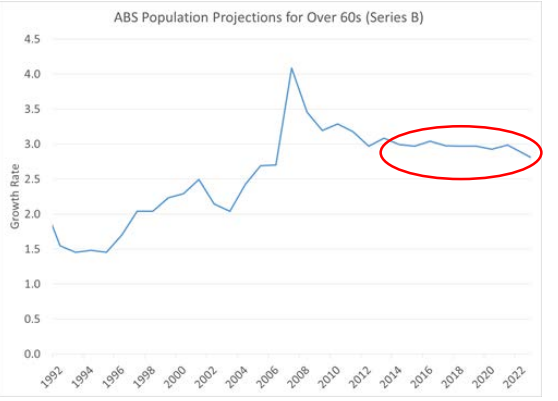
Primary initiatives

- Initial analysis suggests the savings to Primary will more than offset the negative impact of BBI cuts
- Response dependent on details and timing of any regulation

DRIVERS AND OUTLOOK

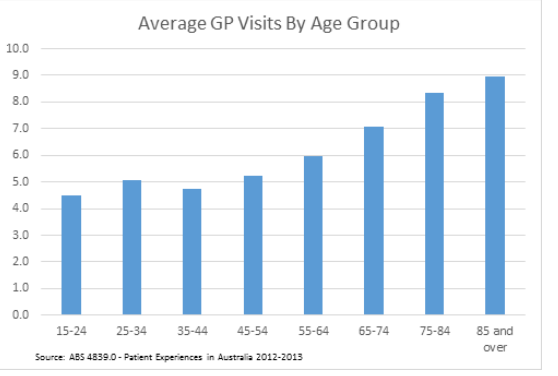
Underlying drivers

- Strong underlying demand with:
  - Growing population
  - Ageing population with over 65s visiting GPs up to 2x younger cohorts
- Frontline, preventative care is the most effective form of healthcare
- Our large-scale multi-disciplinary medical centres are efficient
- Reduced Government spend ultimately supports corporatised model as lowest cost provider



Our aspirations

- Grow the size of network and cement position as leading frontline care provider
- Become a partner of choice for HCPs, supported by flexible recruitment models
- Combine with diversified revenue streams, more flexible cost base, lower leverage and focus on returns on investment



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