1H 2017 RESULTS

6 MONTHS ENDED 31 DECEMBER 2016

PRIMARY
HEALTH CARE LIMITED

OVERVIEW

PRIMARY
HEALTH CARE LIMITED

FINANCIAL SUMMARY

Group	Underlying		Reported	
$M	1H 2017	1H 2016	1H 2017	1H 2016
Revenue	**808.7**	794.3	808.7	814.1
EBIT	**81.9**	93.9	61.1	115.1
NPAT (continuing operations)	**41.9**	44.3	21.1	62.1
NPAT (including MedicalDirector)	**41.9**	49.1	21.1	67.6
Dividend cps			4.8	5.6
As at			**31/12/16**	**30/06/16**
Gearing			25.3%	25.2%

- Strong imaging and pathology and savings in interest expense offset by Medical Centres – Bulk Billing which was impacted by: reduced revenue share from new contracts; the need to recruit more GPs; and essential investment in HCP and patient services
- Capex (before capital recycling and after tax deduction) reduced 41% driving a increase in FCF notwithstanding lower profits. 55% improvement in HCP capex
- Reported results reflect the investment in substantial transformation activities while HY 2016 benefitted from VEI sale and ATO settlement
- Lack of clarity of Government policy and regulation continues as a headwind
- Interim dividend of 4.8 cps, 100% franked, representing a payout ratio of 60% of Underlying NPAT
- I have announced my resignation but will remain in the role while the Board seeks a replacement

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STRATEGIC INITIATIVES

» Initiatives underway to deliver fundamental change across the Group:
  - HCP numbers and engagement
  - Diversified and expanded patient service offerings
  - Investment in technology and people capabilities
  - Growing Medical Centre, Imaging and Health & Co footprints
  - Pathology specialties and offshore expansion
  - Employee engagement

» Recruitment and retention of HCPs crucial. Improvements in pipeline at 31/12/16

» Aims:
  - Transform reputation = preferred place for HCPs and employees to practise
  - Develop patient-centric services linked through PRY modalities = preferred place for patients to come for treatment
  - Deliver quality health services to HCPs and patients and growth to shareholders

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FINANCIAL RESULTS

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UNDERLYING PERFORMANCE

UNDERLYING	1H 2017 $M	1H 2016 $M	MOVEMENT %
Revenue	**808.7**	794.3	1.8
EBITDA	**149.9**	172.5	(13.1)
Depreciation and amortisation	**(68.0)**	(78.6)	13.5
EBIT	**81.9**	93.9	(12.8)
Finance costs	**(22.1)**	(30.5)	27.5
PBT	**59.8**	63.4	(5.7)
Income tax at 30%	**(17.9)**	(19.1)	6.3
NPAT (continuing operations)	**41.9**	44.3	(5.4)
NPAT MedicalDirector	**0**	4.8	-
NPAT	**41.9**	49.1	(14.7)

New HCP contracts, REIT and Imaging equipment sale & leaseback impact EBITDA but deliver savings in D&A and interest

- Underlying results driven by Medical Centres – Bulk Billing with strong Imaging performance and stable Pathology result
- New HCP contracts, REIT and Imaging sale and leaseback impact EBITDA but deliver savings in depreciation/amortisation and interest
- Additional savings in interest expense from capital recycling, including MedicalDirector

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BRIDGE OF REPORTED TO UNDERLYING

1H 17 $M	Reported	Restructuring & strategic initiatives	Non-recurring items	Other	Underlying
EBIT	**61.1**	9.7	10.4	0.7	81.9
Finance costs	**(22.1)**				(22.1)
PBT	**39.0**	9.7	10.4	0.7	59.8
TAX	**(17.9)**				(17.9)
NPAT	**21.1**				41.9

1H 16 $M	Reported	Restructuring & strategic initiatives	Gain on sale	ATO settlement	Underlying
EBIT	**115.1**	12.1	(19.8)	(13.5)	93.9
Finance costs	**(30.5)**				(30.5)
PBT	**84.6**	12.1	(19.8)	(13.5)	63.4
Tax	**(22.5)**				(19.1)
NPAT (continuing operations)	**62.1**				44.3

» Business restructuring and strategic initiatives

» Non-recurring items including indirect taxes and related imposts and legal costs

» Other items

Refer slides 23-25 for more detailed analysis

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DIVISIONAL PERFORMANCE

UNDERLYING	Medical Centres BB		Medical Centres PB		Pathology		Imaging		Corporate	
	$M	%	$M	%	$M	%	$M	%	$M	%
Revenue	157.0	(5.0)	0.2	-	504.9	4.7	162.8	0.4	0.2	(66.7)
EBIT	26.9	(36.0)	(0.8)	-	51.3	1.0	14.3	58.9	(9.8)	(24.1)
EBIT margin	*17.1%*	-	-	-	*10.2%*	-	*8.8%*	-	-	-

- Medical Centres – Bulk Billing refer next slide. EBIT margins remain above other divisions
- Medical Centres – Private Billing recorded a small loss reflecting start-up costs
- Pathology delivered a small EBIT increase, on the back of historically strong results, with above-market revenue growth of 4.7% and increased property costs from ACC expansion pending clarification of Government policy
- Imaging reported a stronger HY 2017, up 59% on 1H 2016, driven by the benefits of its portfolio rationalisation and operating cost programs
- Corporate costs reflect increased capabilities to support existing business and growth agenda for the future

Refer slides 26- 31 for detailed analysis

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MEDICAL CENTRES PERFORMANCE

Revenue down $8.3m = GP revenue and sundry revenue (inc. THI)

- Overall gross GP billings stable
- Reduced margin from capital-light deals
- 70% GPs on 'no up-front' option in 1H 2017
- Greater GP numbers needed with lower contracted hours
- Until fully amortised, legacy up-fronts will impact

UNDERLYING	Medical Centres BB	
	$M	%
Revenue	157.0	(5.0)
EBIT	26.9	(36.0)
HCP capex	17.2	54.9

EBIT down $15.1m = lower revenue & increased costs, with lower amortisation

- Increased costs in the near-term from HCP and patient engagement, new service offerings - occupational health, chronic care.
- Essential investment in the future

HCP capex saving of 55%

- Benefit of capital light deals –gross HCP capex down $21m or 55%
- 8% increase in contribution to FCF (EBITDA-HCP capex)

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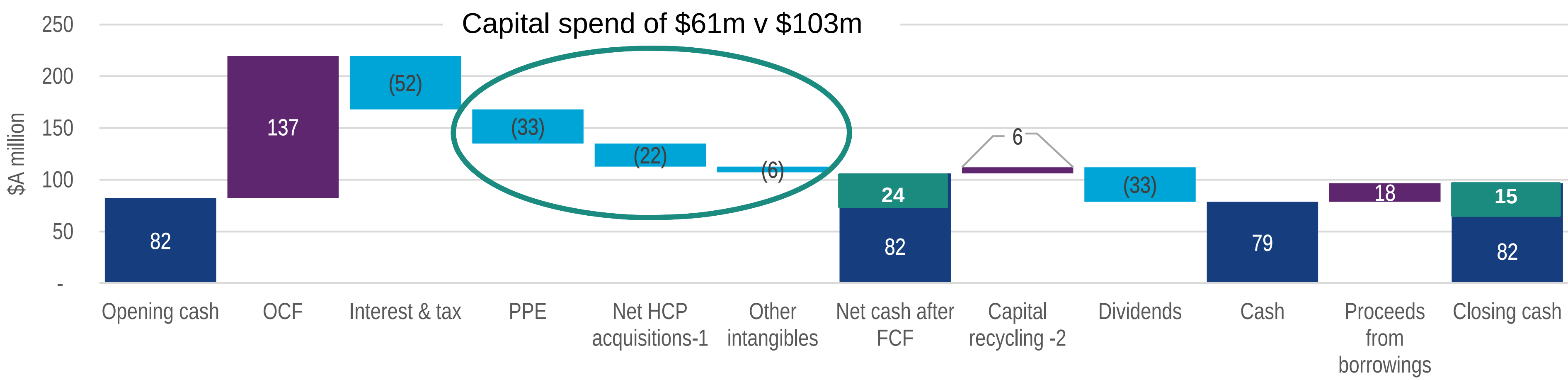
CASH FLOW IMPROVING



- Total capital expenditure down 41% (pre capital-recycling) to $61m
  - Split 50:50 between maintenance and growth (growth inc. Health & Co, Brisbane IVF, commencement of 4 new medical centres, Kossard laboratory, River City, hospital imaging contracts)
  - Net HCP costs down 39% to $22m, of which Medical Centres – Bulk Billing down 55% to $12m
- Positive FCF of $24m after maintenance and growth capex
- Increase in closing cash from borrowings

Reconciliation to Cash Flow Statement - Appendix 4D
[1] HCP acquisitions capex/subsidiaries acquired by Health & Co of $28.1m is shown here net of the associated tax deduction of $5.8m
[2] Capital recycling includes $8.0m proceeds from sale of property into REIT and Imaging equipment sale and leaseback net of $2.1m payment related to sale of THI

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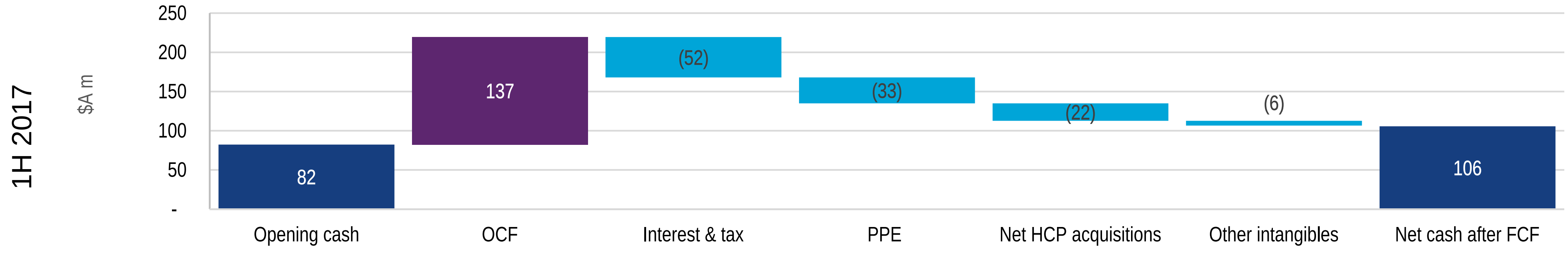
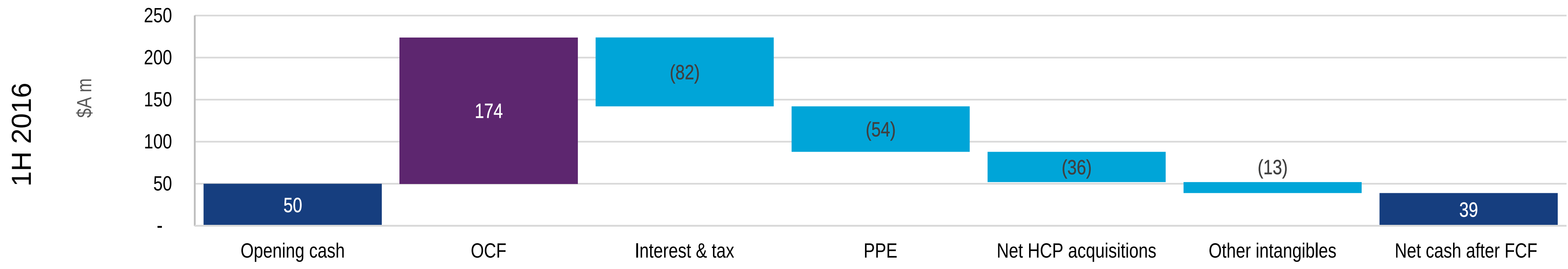
FREE CASH FLOW COMPARISON



✓ Interest saving from capital recycling

✓ Lower HCP costs from new models

✓ Greater FCF despite lower profit



Cash flow is before capital recycling initiatives and ATO refund

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NET DEBT AND DIVIDEND

UNDERLYING	Group reported as at	
	31 December 16 $M	30 June 2016 $M
Total debt	918.2	898.3
Cash	(96.8)	(82.3)
Net debt	821.4	816.0
Gearing (net debt: net debt + equity)	25.3%	25.2%
Bank gearing ratio (covenant <3.5x)	2.53x	2.37x
Interim dividend cps	4.8	5.6

» Significant improvements in leverage in FY 2016 maintained with gearing at 25%

» Substantial cover on bank ratio

» Substantial liquidity available - $325m headroom on financings

» More sustainable dividend payout at 60% of UNPAT

» Interim dividend of 4.8 cps, 100% franked (HY 2016: 5.6cps 50% franked)

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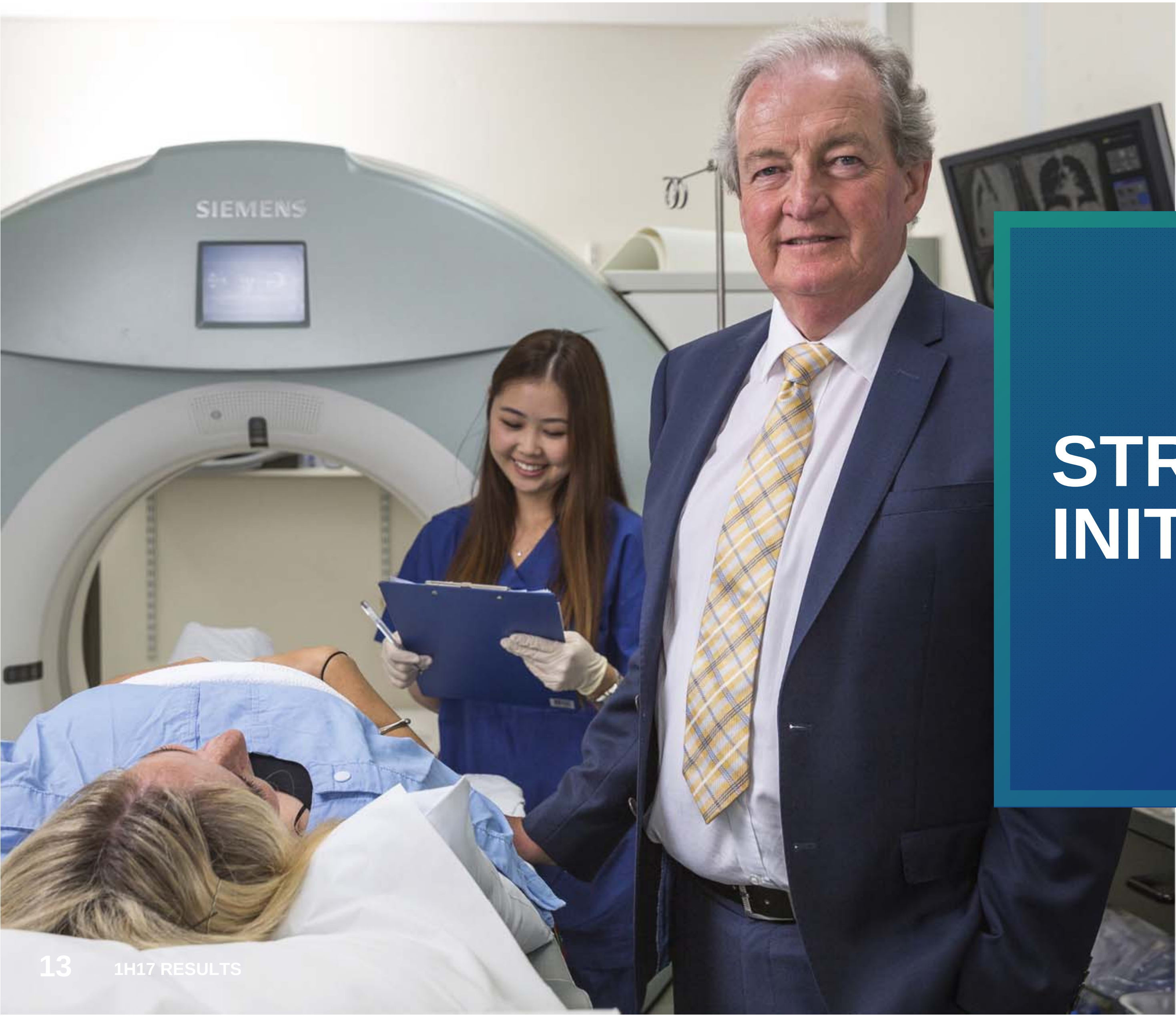

STRATEGIC INITIATIVES

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TRANSFORMATION JOURNEY CONTINUES

2016

JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC JAN FEB

2017

- Rolled out employee & HCP engagement initiatives
- Reset Dividend Policy at 1H16
- Launched Kossard Dermatopathology
- Diversified into Private Billing
- Maxine Jaquet appointed GM Private Billing, Dr John Houston GM Bulk Billing
- Sold MedicalDirector
- Opened consolidated head office
- Debt reduced to $816 million, gearing to 25.2%
- Sale & lease back of Imaging equipment
- Sold Transport Health
- Established Clinical Councils
- Awarded Northern Beaches Hospital contract
- Primary IVF open third clinic in Brisbane, QLD
- Official opening of River City Imaging Centre
- Official opening of Varsity Lakes Imaging Centre
- Primary Health Care Institute signs up a record 47 registrars for 2017 intake
- Wes Lawrence appointed CE Pathology
- Health & Co announce foundation partnership with Kerryn Phelps AM
- Official opening of Primary Corrimal Medical & Dental Centre

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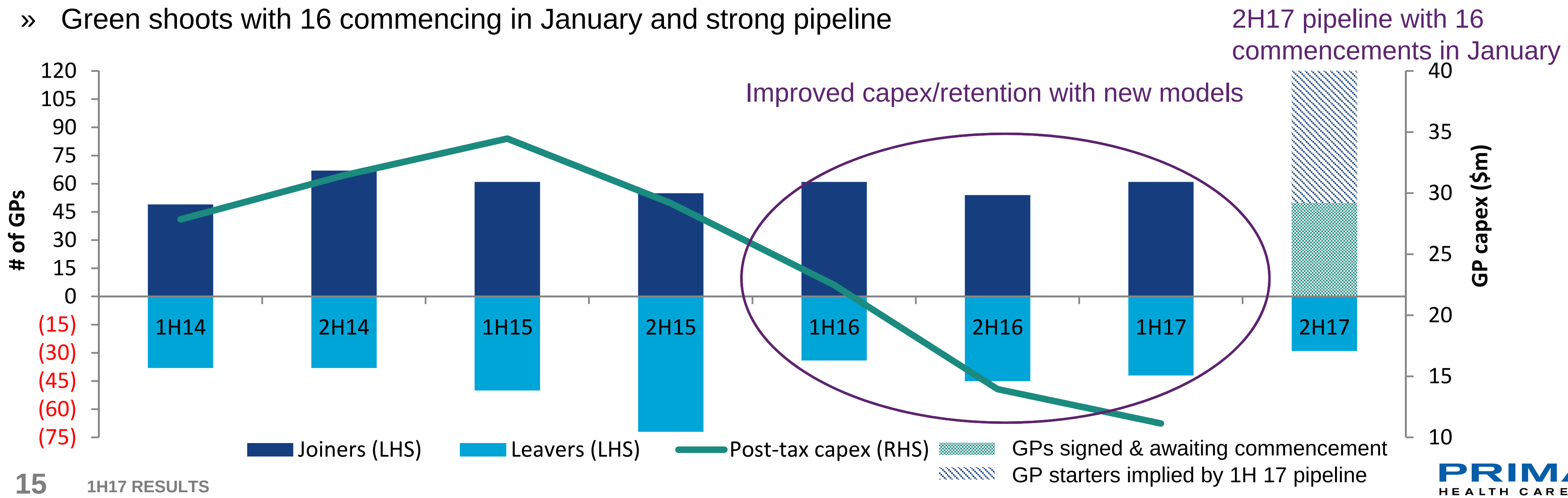
MEDICAL CENTRES – BULK BILLING

GP recruitment and retention – critical for success

- New capital-light recruitment models essential for future
- Lower revenue share offset by lower capital expenditure
- Greater number of GPs required to offset reduced average contracted hours
- Positive trend continues with capital expenditure declining and improved retention post ATO-ruling
- Green shoots with 16 commencing in January and strong pipeline



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MEDICAL CENTRES – BULK BILLING

Medical Centres remains core to Primary's strategies

» HCP and employee engagement
  – Improve offering to HCPs: increased support services, nurses, LIDs
  – Staff engagement activities
» Service offering
  – Expand capabilities including nursing, dental, specialist staff
» Patient centric-care
  – Improve patient experience
  – Support roll out of an Integrated Care model across 12 selected centres
» Expand portfolio
  – Corrimal opened and roll out of 4 new centres and 1 new IVF centre
  – Implement utilisation program to expand capacity across targeted sites
» IT investment
  – Roll out of Helix in 2H 2017, next generation GP and practice management

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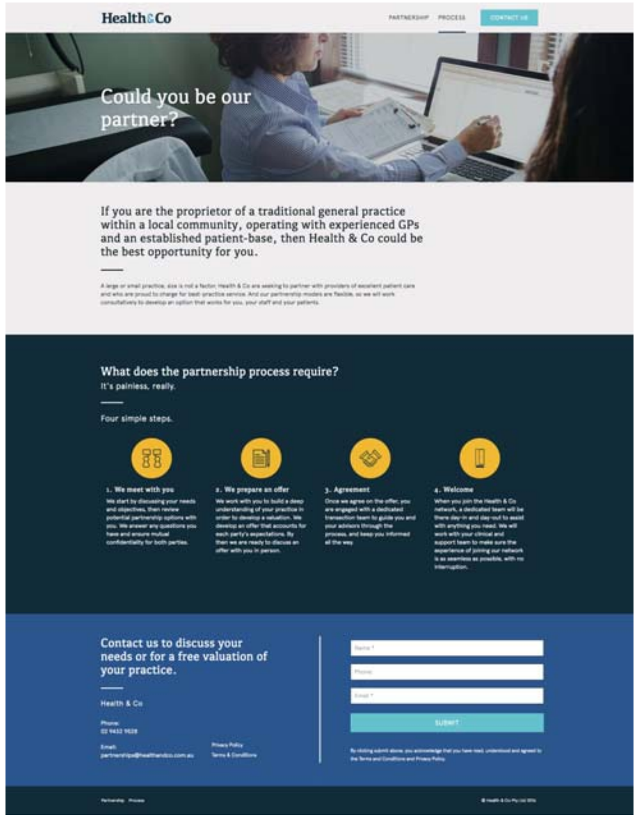
MEDICAL CENTRES – PRIVATE BILLING

Health & Co to capture a share of private billing market

» Achievements to date:
- Foundation partnership with Professor Kerryn Phelps with 2 practices into H&C network
- Mobilisation of digital health platforms

» Future priorities:
- Accelerate growth of the Health & Co medical centre footprint
- Invest in brand awareness and recognition
- Establish technology and operational platforms



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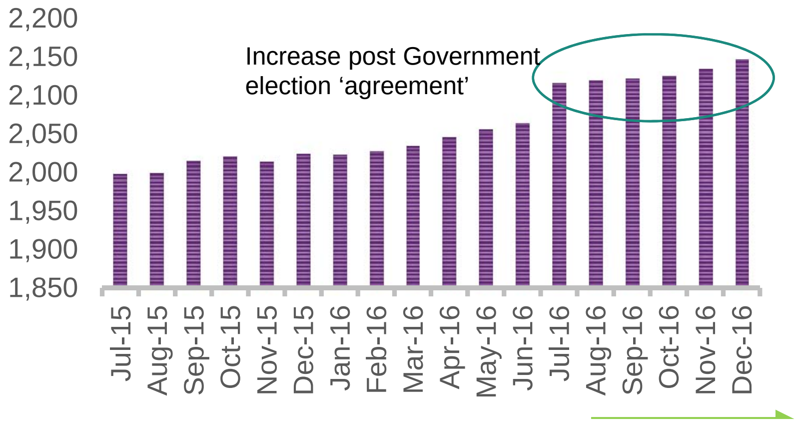
PATHOLOGY

Mature business and cost leading structure

- » Wes Lawrence appointed CEO of Pathology 12/2016
- » ACC strategy awaiting clarification
  - – Net expansion of 60 in response to market competition
  - – Managing underperforming ACCs
  - – Ability to reset policy once Government policy is clarified
- » Driving efficiencies
  - – Consolidating testing to major laboratories
  - – Implementing technology improvements
- » Broadening portfolio
  - – Organic opportunities in Southeast Asia via capital light joint ventures
  - – Niche specialties: Kossard Dermatopatholgy and Genomic Diagnostics

ACCs exc: HSO and Border acquisitions



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IMAGING

Progress on transformative path to optimise asset base

- » Realigning business portfolio to expand share of:
  - – Hospital contracts (National Capital, Knox, Holmesglen, Northern Beaches)
  - – Fit for purpose high-end imaging centres (Varsity Lakes, River City)
  - – Primary's large-scale medical centres network (Corrimal)
- » Continued focus on:
  - – Rationalising and consolidating of small community sites
  - – IT transformation via the replacement of key software platforms
  - – Clinician and staff engagement
  - – Efficient equipment funding

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GOVERNMENT POSITION

- Frontline care critical in preventing more expensive hospital care
- GP visits account for only 7%[1] of total health expenditure
- However, continued push to bend the cost curve and reduce frontline care funding
- Industry continues to seek clarity on:
  - Medicare rebate freeze for GPs
  - MBS Review
  - Bulk bill incentives cuts in pathology and imaging
  - Rent regulation for pathology ACCs
  - Introduction of a quality framework for diagnostic imaging
- Irrespective of health policy, Primary continues to develop a flexible, sustainable and patient-centric business model
- Primary is diversifying its revenue base with Health & Co, non-MBS services, eg Integrated Care and Occupational Health, and pathology speciality services

1 According to RACGP

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OUTLOOK

» Long-term drivers for healthcare remain positive with growing and ageing population, increasing chronic and complex conditions, and rising patient expectations

» Large-scale multi-disciplinary clinics, such as Primary's, are low-cost, efficient providers of care

» Primary's aim is to:

– Be at the forefront of the efficiency drive in the health sector

– Cement its position as a leading quality healthcare provider

– Combine with more diversified revenue, more flexible cost base, lower leverage, and greater focus on RoI

FY2017 forecast

» UNPAT of $92 million to $102 million, subject to trading conditions in the remainder of the year and the outcome of any Government policy reviews. This compares with $96.8 million underlying NPAT from continuing operations in FY 2016.

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APPENDICES

A MARKET LEADING NETWORK

TOTAL SITES
2,527

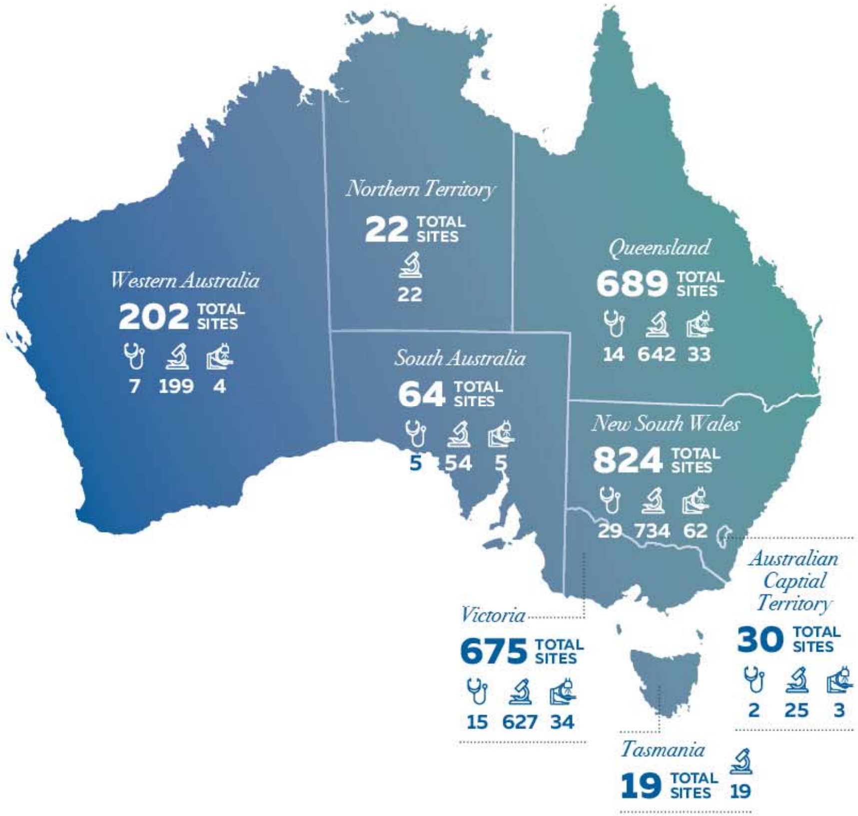
72
Medical Centres

2,314
Pathology

2,207 ACCs
107 Laboratories

141
Diagnostic Imaging

27 Hospitals
62 Community Centres
52 Medical Centres



As at 1 February 2017

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REPORTED PERFORMANCE

REPORTED	1H 2017 $M	1H 2016 $M	MOVEMENT %
Revenue	808.7	814.1	(0.7)
EBITDA	129.1	194.7	(33.7)
Depreciation & amortisation	(68.0)	(79.6)	14.6
EBIT	61.1	115.1	(46.9)
Finance costs	(22.1)	(30.5)	27.5
PBT	39.0	84.6	(53.9)
Income tax	(17.9)	(22.5)	20.4
NPAT	21.1	62.1	(66.0)

» HY 2017 and HY 2016 reflect the investment in the substantial transformation activities and capability build underway

» HY 2017 reflects non-recurring items

» HY 2016 reflects the favourable impact from the gain on disposal of Primary's shares in VEI and ATO settlement ($33.3m)

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RECONCILIATION OF REPORTED TO UNDERLYING

1H 17 $M	Reported	Restructuring & strategic initiatives	Non-recurring items	Other	Underlying
Revenue	**808.7**				808.7
EBITDA	**129.1**	9.7	10.4	0.7	149.9
Depreciation	**(29.4)**				(29.4)
Amortisation	**(38.6)**				(38.6)
EBIT	**61.1**	9.7	10.4	0.7	81.9
Finance costs	**(22.1)**				(22.1)
PBT	**39.0**	9.7	10.4	0.7	59.8
TAX	**(17.9)**				(17.9)
NPAT	**21.1**				41.9

- » Business restructuring and strategic initiatives including establishment of the transformation office and transformation programs including HCP recruitment, patient experience, technology, and outsourcing ($5 million), set-up costs for Health & Co and Pathology in SE Asia ($2.5 million) and redundancies ($2 million)
- » Non-recurring items including indirect taxes and related imposts ($8 million) and legal costs ($2 million)
- » Other items

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RECONCILIATION OF REPORTED TO UNDERLYING

1H 16 $M	Reported	Restructuring & strategic initiatives	Gain on sale	ATO settlement	Underlying
Revenue	**814.1**		(19.8)		794.3
EBITDA	**194.7**	11.2	(19.8)	(13.5)	172.5
Depreciation	**(35.7)**	0.9			(34.7)
Amortisation	**(43.9)**				(43.9)
EBIT	**115.1**	12.1	(19.8)	(13.5)	93.9
Finance costs	**(30.5)**				(30.5)
PBT	**84.6**	12.1	(19.8)	(13.5)	63.4
Tax	**(22.5)**				(19.1)
NPAT continuing operations	**62.1**				44.3

- Gain on disposal of Vision Eye Institute shareholding and other non cash gains on dissolution of a joint venture
- Finalisation of ATO Settlement relating to potential HCP tax liabilities
- Business restructuring and strategic initiatives

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MEDICAL CENTRES

Underlying	1H 2017 $M	1H 2016 $M	MOVEMENT $M	MOVEMENT %
Revenue	**157.0**	165.3	(8.3)	(5.0)
EBITDA	**65.4**	82.7	(17.3)	(20.9)
Depreciation	**(10.7)**	(10.4)	(0.3)	2.9
Amortisation	**(27.8)**	(30.3)	2.5	(8.3)
EBIT	**26.9**	42.0	(15.1)	(36.0)

» Refer slide 9

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PATHOLOGY

Underlying	1H 2017 $M	1H 2016 $M	MOVEMENT $M	MOVEMENT %
Revenue	**504.9**	482.3	22.6	4.7
EBITDA	**64.6**	64.2	0.4	0.6
Depreciation	**(9.5)**	(9.6)	0.1	1.0
Amortisation	**(3.8)**	(3.8)	-	-
EBIT	**51.3**	50.8	0.5	1.0

» Above market revenue growth of $22.6m or 4.7%

» EBIT up $0.5m with property costs up due to ACC expansion - net 60 ACCs opening in response to Government policy uncertainty. Strategy to be reset once Government provide clarity

» On-going efficiency drive, including laboratory infrastructure and procurement processes

» Investment in niche specialties - Kossard Dermatopathology and Genomic Diagnostics - expected to increase contribution as they mature

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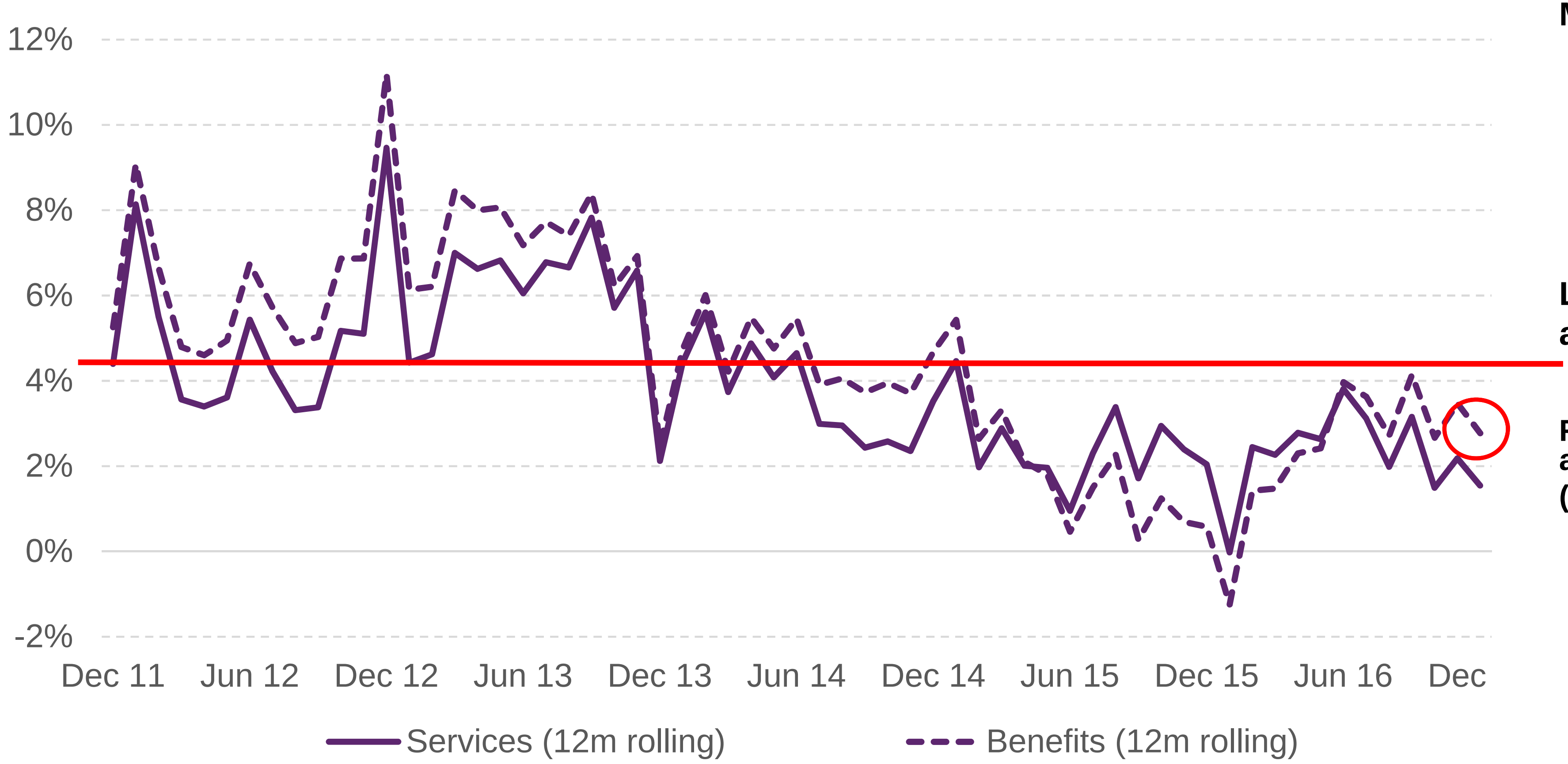
PATHOLOGY:
MARKET SERVICES AND BENEFITS



Medicare benefits

Long term average: 4.3%

Rolling 12 month average: 2.8% (1.2% HY 2016)

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IMAGING

Underlying	1H 2017 $M	1H 2016 $M	MOVEMENT $M	MOVEMENT %
Revenue	**162.8**	162.1	0.7	0.4
EBITDA	**27.7**	30.4	(2.7)	(8.9)
Depreciation	**(7.8)**	(13.9)	6.1	43.9
Amortisation	**(5.6)**	(7.5)	1.9	25.3
EBIT	**14.3**	9.0	5.3	58.9

» Strong performance with increased EBIT and margin expansion

» Stable revenue:
- Continued growth from new and expanded sites
- Offset by hospital contract losses and closure of underperforming community sites
- Normalised revenue growth of 3.5%

» Strong EBIT margin expansion reflecting benefits of business portfolio realignment:
- Savings in labor from improved rostering and closure of uneconomic sites. Labour growth of 1.2%, below 3.5% revenue growth (normalised)
- Decline in EBITDA due to the sale and leaseback and REIT transactions, offsetting savings in depreciation and interest

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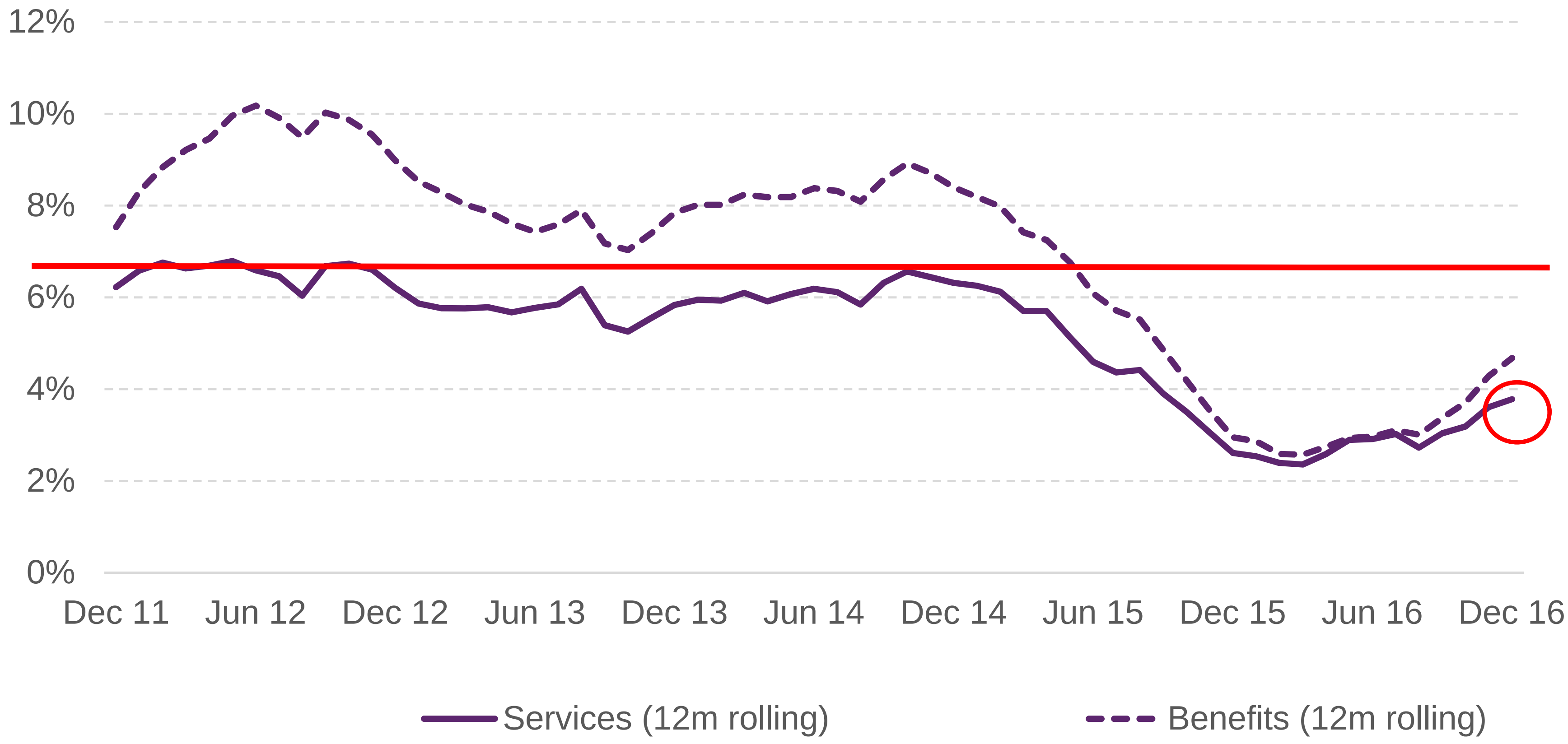
IMAGING:
MARKET SERVICES AND BENEFITS



Medicare benefits

Long term average: 6.5%

Rolling 12 month average: 3.8% (3.3% HY 2016)

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CORPORATE

Underlying	1H 2017 $M	1H 2016 $M	MOVEMENT $M	MOVEMENT %
Revenue	**0.2**	0.6	(0.4)	(66.7)
EBITDA	**(7.0)**	(4.8)	(2.2)	(45.8)
Depreciation	**(1.4)**	(0.8)	(0.6)	(75.0)
Amortisation	**(1.4)**	(2.3)	0.9	39.1
EBIT	**(9.8)**	(7.9)	(1.9)	(24.1)

- Corporate costs up 24%
- Increased investment in new capabilities to support existing business and growth agenda
- HY 2017 increase reflecting costs of 2H 2016 capabilities:
  - Upscaling of strategy, innovation, internal audit, risk management and human resource capabilities

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TAX IMPLICATIONS OF HCP ACQUISITIONS

» Healthcare Practitioners acquired on or after 1 July 2015:
  – Deferred tax liability (DTL) to be recognised at the time of the acquisition of healthcare practices and capitalisation of contractual relationship intangible assets.
  – Equal movement in DTL will ensure an effective tax rate of 30%

» Healthcare Practitioners acquired prior to 30 June 2015:
  » No DTL has been recognised regarding the acquisition of healthcare practices and capitalisation of contractual relationship intangible assets to-date
  » Therefore there is a non-deductible (permanent) difference which will increase the notional effective tax rate above 30%. This will progressively decrease as the associated amortisation expense is recognised and runs off.
  » The additional accounting tax expense is as follows (updated from FY 2016):

$m	1H 2017	2H 2017	2018	2019	2020
Additional Accounting Tax Expense	6.4	5.0	8.6	5.7	2.4

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