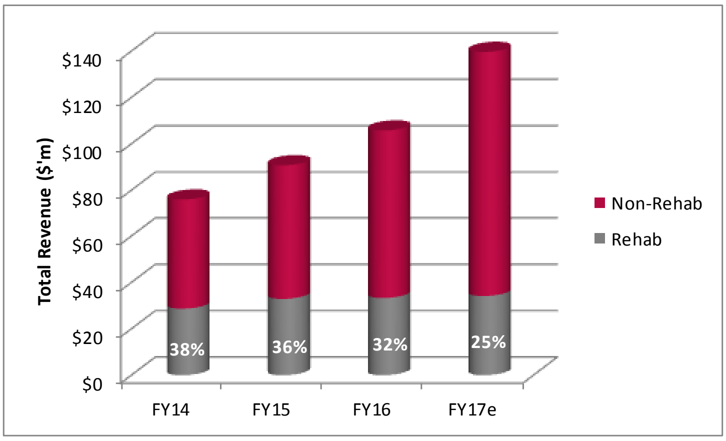
30 November 2016

Company Announcements Office
Australian Stock Exchange
20 Bridge Street
Sydney NSW 2000

ASX Release

Managing Director's Address, 2016 Annual General Meeting

I have pleasure in providing this report to the shareholders of Pulse Health Limited (**Pulse**). The year ended June 2016 (**FY16**) was an exciting but challenging year for Pulse. It was a year of transition from a revenue base strongly concentrated around rehabilitation hospitals and regional acute hospitals to a more diversified revenue base and metro business concentration. Consistent with our strategy, we have grown via acquisition and development of high quality, well located, niche specialist private hospitals and day surgeries.



Revenue diversification – growth in surgical and mental health revenue.

Notwithstanding competitive challenges in our rehabilitation hospitals and an extended ramp-up for the Gold Coast Surgical Hospital, Group revenue grew 29% whilst underlying EBITDA-R from established hospitals grew by 41%[1].

Asset Portfolio – five new assets

FY16 saw Pulse's footprint expand beyond New South Wales and Queensland to include Victoria and New Zealand.

[1] (excludes ramp-up costs associated with the Gold Coast Surgical Hospital, and one-off items and acquisition costs).

Four specialist endoscopy units (day surgeries) were acquired in January and February, in Melbourne and Sydney. These specialist day surgeries bring to Pulse world class clinical practice and operating processes for endoscopy care, a rapidly growing specialty largely focused on early detection and treatment of bowel cancer, one of the leading causes of deaths by cancer.

A specialist surgical hospital, Boulcott Hospital, in the Hutt Valley, in New Zealand's Wellington Region, was added to the Group on 1 July 2016. Boulcott Hospital has three operating theatres, 29 beds, an endoscopy unit, and a large, modern medical consulting suite building, which includes full service radiology. With approximately 45 accredited doctors, across nearly all surgical specialties, it is co-located with the public, 300-bed Hutt Hospital.

In August 2015, we commissioned a new greenfield specialist surgical hospital, the Gold Coast Surgical Hospital, at Varsity Lakes on the central Gold Coast. This new hospital, with some of the most advanced surgical technology in Australia, has six operating theatres, 24 inpatient beds, a large day surgery, a high dependency unit, and co-located radiology and pathology services.

The hospital has been well received by local surgeons and in order to accommodate their demand for high complexity patients requiring inpatient care, and for particular operating times, the inpatient ward was opened sooner than anticipated and more theatres were commissioned more quickly than anticipated. Ramp-up costs were therefore higher than originally forecast. We expect this hospital to remain loss-making through most of FY17 before turning to profit in FY18.

Our investment in FY16 in Gold Coast Surgical Hospital was $16.0m, including capital costs for building fit-out and equipment, and ramp-up losses. We anticipate that this investment will grow to between $17.5m and $19.5m in FY17, as we continue the operational ramp-up. This investment is delivering us a new state of the art surgical hospital that is similar to Boulcott Hospital, though with more operating theatres and more advanced technology. To put this in context, our investment in Boulcott Hospital was NZ$20.0m and we expect to deliver $2.6m EBITDA there in FY17. As Gold Coast Surgical Hospital matures, a similar earnings profile is anticipated.

A number of specific business development initiatives will drive revenue growth, including establishment of new services in partnership with doctors and additional revenue sources through new contractual arrangements. We are confident that the medium and long term growth prospects for the hospital remain strong.

Established assets
The Hills Clinic, the Sydney mental health hospital we acquired in May 2015, has continued to perform very strongly. Utilisation is high and growth initiatives in place are expected to support brownfield expansion plans, which are being progressed.

Gympie Private Hospital, a two theatre surgical hospital with medical admissions, continues to grow surgical services, adding a number of surgeons during the year. Without the high volume ophthalmology contract that boosted revenue in FY15, activity was lower FY16.

Forster Private Hospital, a two theatre hospital that also provides medical and rehabilitation services, has performed strongly, with increases in revenue and EBITDA. Initiatives in place to implement new rehabilitation programmes and attract additional surgeons are expected to further grow utilisation in FY17.

Revenue and underlying earnings were down across our three rehabilitation hospitals. New competitors entered our key markets on the Sunshine Coast and in Western Sydney and other competitors added capacity, at a time when demand softened rather than continuing to grow as expected. This demand softening was felt across the board and is thought to be due to a range of factors including actions by health funds and the Medical Benefits Schedule freeze. Industry forecasting data continues to point to very strong growth in demand for rehabilitation care over the next five years, in keeping with the ageing population, increasing chronic health conditions and technology development.

Mackay Rehabilitation Hospital has continued to ramp-up, reaching acceptable utilisation levels in the second half of FY16, but the economic impact of the mining downturn continues to dampen demand for private health care in that market.

Our Rehabilitation Business Development Program will see us add a number of new programs in our hospitals in FY17, meeting gaps in the market for rehabilitation care and driving revenue growth through new referral sources.

Outlook for FY17

In FY17 we are focusing largely on consolidation of our new acquisitions, continued development of Gold Coast Surgical Hospital, and our Rehabilitation Business Development Program, though we do remain committed to our growth strategy.

A detailed trading update is attached to this release.

Thank you to the Pulse Team

Delivering the growth that we achieved in FY16 does not happen without a lot of people working very hard, while maintaining a focus on high quality care for patients and service for doctors.

For this I thank them all.

Phillipa Blakey

Managing Director and Chief Executive Officer

30 November 2016

Trading Update

1. **FY17 Outlook**

- Pulse is pleased to confirm existing earnings guidance[2] of FY17 EBITDA from established hospitals of between $13.5m and $15.5m.

2. **Gold Coast Surgical Hospital**

- Pulse confirms existing guidance[3] for FY17 EBITDA ramp-up losses associated with Gold Coast Surgical Hospital (**GCSH**) in the range of $1.0m to $3.0m, dependant on the timing of business development initiatives.
- A number of specific initiatives focused on increasing activity are well progressed but not yet finalised or fully reflected in current revenues. These include the establishment of new services in partnership with doctors and the securing of additional revenue from new contractual arrangements. Pulse expects to be able to provide further detail on the impact of these initiatives in early 2017.
- Ramped up marketing to GPs, to continue to grow referrals to the current cohort of surgeons is generating interest and activity. We remain encouraged by the positive feedback and enthusiasm from all surgeons involved at GCSH.
- Ongoing interest from prospective surgeons seeking accreditation at GCSH also continues. Pulse has recently signed two new pain specialists, who will start early in the new year, and gynaecological surgery will be added to the service mix in the new year, with the accreditation of a gynaecologist.

3. **Rehabilitation Hospitals**

- Pulse's recently implemented strategies focused on improving activity and efficiency at our three rehabilitation hospitals have delivered encouraging early results. Pulse is pleased to confirm it expects 1HFY17 EBITDA from rehabilitation hospitals to be up between 15-20% on 2HFY16.
- This is a particularly pleasing outcome when considering the 1H17 result will include the typically quiet December month. In summary, the strategies implemented include:
  - a number of new programs being added to meet gaps in the market for specialised rehabilitation care;
  - introduction of a new more efficient staffing model, resulting in margin improvement; and
  - a new business development programme, resulting in increased referrals from existing and new referrers.
- Pulse remains confident in the demand outlook for rehabilitation care. Industry forecasting data continues to point to very strong growth in demand for rehabilitation care over the next five years, in keeping with the ageing population, increasing chronic health conditions and technology development.
- Pulse is now well positioned with its diversified revenue base that includes an appropriate level of exposure to the attractive rehabilitation care market.

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[2] As announced to the ASX on 31 August 2016
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