

ASX ANNOUNCEMENT

20 December 2016

**RESPONSE TO GOVERNMENT MID-YEAR
ECONOMIC AND FISCAL OUTLOOK (MYEFO)**

The Board of Capitol Health Limited (ASX:CAJ) ("Capitol" or the "Company") welcomes yesterday's announcement by the Federal Government as part of its Mid-Year Economic and Fiscal Outlook, that changes to the bulk-billing incentive program for diagnostic imaging would be deferred until 1 July 2017 to allow for further consultation. The Government stated: "This will result in additional expenditure of \$210.7 million over four years from 2016-17."

When the bulk-billing incentive program changes were initially contemplated, Capitol provided commentary around the potential negative impacts to its FY17 revenue, and in a release to the market in December 2015 contemplated a 5-7% negative impact on the Company's revenues.

Based on the revised Government timeline, the forecast immediate impact on the Company will be an increase in revenue expectations for the second half of FY17, while the Government works through the announced consultation. However, the lingering uncertainty as to the exact timing and nature of cuts may further extend the recent volatility seen in referral patterns and patient volumes; accordingly, the net revenue impact is not yet clear.

The Company is committed to clear communication with all its stakeholders concerning the potential impact of regulatory changes on its operations and will provide further updates as soon as further clarity has been provided by the Government.

For further information, please contact:

Andrew Harrison

Managing Director, Capitol Health Limited
(03) 9348 3333
investors@capitolhealth.com.au

Capitol Health is a leading provider of diagnostic imaging and related services to the Australian healthcare market. Headquartered in Melbourne, Victoria, the Company owns and operates clinics throughout Victoria and New South Wales. The Company's operational focus is on delivering a community-based infrastructure for radiologists and related medical practitioners to deliver optimal, efficient, accurate healthcare service outcomes for patients.