

ASX ANNOUNCEMENT

10 August 2016

**Preliminary Results for Period 1 July 2016 to 30 June 2017
Based on Unaudited Financial Accounts**

- Operating revenue of \$162.5 mill (up 2.6% or \$4.1 mill on FY16)
- Core radiology EBITDA of \$22.2 mill before one-off restructuring costs, ahead of guidance range of \$19.5 mill to \$21.5 mill
- FY18 full year results guidance: group operating revenue of \$118 mill to \$122 mill and core radiology EBITDA of \$19 mill to \$21 mill
- \$81.5 mill NSW asset sale on track for completion on or around 31 August 2017
- Cash balance post NSW asset sale circa \$95 mill (estimated total debt of \$50 mill)
- Capital management in FY18 expected to include share buy back and dividend reinstatement
- Medicare system growth returning to more normal range

Capitol Health Limited (**Capitol** or the **Company**) (ASX:CAJ) provides preliminary unaudited full year results for the period 1 July 2016 through 30 June 2017, along with revenue and earnings guidance for the full year to 30 June 2018.

Trading

Recent trading has been particularly strong across the Victorian network, driven by continued growth in underlying Medicare receipts and representing an encouraging return toward longer term growth rates. Along with the early impact of overhead reductions, this has resulted in an increase in underlying earnings above the guidance given in in early June 2017.

Capitol's operating revenue of \$162.5 mill for the year ended 30th June 2017 was in line with guidance and up 2.6% or \$4.1 mill on the previous corresponding period of FY16 (with 1 less working day). Underlying core radiology EBITDA was \$22.2 mill (ahead of guidance of \$21.5 mill) before restructuring and one-off costs.¹

Core Radiology EBITDA **\$22.2m**

Add back (non-recurring) Individually Significant Items:

– China Business Development Costs	(\$0.4m)
– Forfeiture of Share Options ²	(\$0.5m)
– Termination & Restructure Costs	(\$3.9m)
– Impairment (M7T.ASX) ³	(\$0.8m)
– Impairment NSW Business ⁴	(\$6.3m)
– One off profit on property sale and write back of deferred consideration on acquisition	\$1.7m

Total group EBITDA (after ISI) **\$12.0m**

The largely non-cash ISI costs associated with restructuring the business during the period are expected to be one-off in nature and position the business with a lower cost base, a stronger balance sheet, and higher operating margins reflected in the guidance for the FY18 period.

¹ Unaudited result before one off and restructuring costs and finalisation of asset impairment testing.

² Although the share options issued to Mr John Conidi were voluntarily forfeited, mandatory accounting standards require the unamortised balance of \$0.5m to be written off in full to reserves.

³ Entire M7T holding was sold at market, impairment is difference between holding value at 1HFY17 and proceeds from sale

⁴ Sale value of NSW assets, less costs associated with sale, less holding value of asset as at 31 August 2017

FY18 Full Year Outlook

The Company reaffirms its previous guidance for the FY18 financial year assuming completion of the sale transaction on or around 31 August 2017.

*Range of Total Group Operating Revenue	\$118m to \$122m
*Range of Core Radiology EBITDA	\$19m to \$21m

** FY18 includes approx. \$8.6m of revenue & \$1.3m of EBITDA from 2 months of NSW operations and the expected reduction in overheads.*

As previously advised, the Company continues to review opportunities for potential diagnostic imaging acquisitions that, if achieved, will be accretive to earnings.

Capital Management

Capitol has commenced preparing the regulatory filings required to undertake a share buyback of up to 52.3 million shares in the Company, upon receipt of the Sale proceeds of the NSW Assets. The Company also confirms that it intends reinstating dividends in the FY18 year (subject to corporate, legal and regulatory considerations), along with its plan to redeem the \$50m in unsecured notes in May 2018.

Restructuring & Senior Management Changes

As part of the restructuring previously announced to market on 16 June 2017, Capitol advises that the combined role of General Counsel & Company Secretary will be made redundant effective from 1 September 2017. This concludes the restructuring of the business.

Managing Director, Andrew Harrison said, "I would like to thank Jennifer Currie for the important contribution she has made to the Company during a difficult time. Jennifer played a key role in the significant turnaround of the business since my appointment in October 2016. She leaves the business with my genuine gratitude and support."

Capitol is pleased to confirm the appointment of Melanie Leydin as Company Secretary, contracted in a part time capacity to the role. Melanie has 25 years experience in the accounting profession and is a director and company secretary for a number of entities listed on the Australian Securities Exchange. She is a Chartered Accountant and a Registered Company Auditor. Since February 2000, she has been the principal of chartered accounting firm, Leydin Freyer, specialising in outsourced company secretarial and financial duties.

Annual Report & Full Year Final Results Release

The company will release its audited full year results to the market on 28 August 2017.

For further information, please contact:

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About Capitol Health

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. 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.

Capitol also has an investment in diagnostic imaging artificial intelligence through Enlitic Inc in the US and a collaboration agreement with Enlitic regarding revenue share from the sale of Enlitic's Deep Learning Services in the radiology field in China.

Capitol also recently entered the Chinese diagnostic imaging market through a Joint Venture with CITIC Pharmaceutical (Shenzhen) Co., Ltd ("CITIC Pharmaceutical") and Xiamen Zhouxin Medical Image Co., Ltd (Zhouxin) to provide consulting and clinic management services to a network of independent imaging clinics to be created by CITIC and Zhouxin across mainland China.