

ASX ANNOUNCEMENT

14 February 2018

CAPITOL OFF-MARKET TAKEOVER OFFER FOR INTEGRAL DIAGNOSTICS OPENS TODAY

Capitol Health Limited (**Capitol** or the **Company**) (ASX: CAJ) is pleased to acknowledge that the Offer Period for the off-market takeover offer (the "Offer") for Integral Diagnostics ("Integral", ASX: IDX) will open today.

The Offer to acquire all of the ordinary voting shares in Integral is for a consideration of 6.9 fully paid ordinary shares in Capitol and \$0.36 cash for each Integral share.

Capitol Managing Director, Andrew Harrison welcomed the opening of the Offer which means Integral shareholders will have the ability to make a decision through lodging their acceptances. He encouraged all Integral shareholders to carefully read the Offer documents which are being dispatched in hard copy and which will be available electronically on www.capitolhealth.com.au.

"A merged entity will be a new, strong and exciting force in diagnostic imaging across Australia, delivering substantial benefits to doctors, employees and referrers. This is an absolutely compelling transaction which provides Integral shareholders with an attractive premium and the ability to participate in the upside from bringing together two complementary organisations."

Capitol believes the combination of the businesses will deliver:

- Greater scale and financial strength to capitalise on growth opportunities in the healthcare market, as well as enhanced share liquidity and access to capital markets
- Diversified geographic and clinical profile, and now including the recently announced \$24.17m acquisition by Capitol of Radiology Tasmania
- Doctors to benefit from a larger referral network with greater options for continuing professional development, including through the promotion of centres of excellence such as Imaging @ Olympic Park in Melbourne
- Significant operating savings and efficiencies across duplicated public company costs, head office and administrative functions, as well as potential revenue synergies from improved optimisation of network locations

Mr Harrison said Capitol would ensure the highest quality of clinical excellence was maintained across both businesses.

"We want to see the new business deliver maximum benefit for shareholders, for practitioners, and for patients," he said.

"We acknowledge that practitioners have an important advisory role to play in what we do as a business. That is why we made clear in our Bidder's Statement that Capitol would commit to the merged entity electing a non-executive director who is a medical professional."

Support for Transaction Rationale

As previously disclosed, the companies held discussions on a number of occasions prior to notification by Capitol of an intention to make a takeover bid for Integral in late November 2017. During those previous talks, Integral communicated its support for a combination of the businesses.

Andrew Harrison said, "We have been surprised and frankly greatly disappointed by the intransigence of the Integral Board which has refused to engage constructively with Capitol in order to discuss the merits of a deal."

"In launching an unsolicited bid for Integral, we have always been transparent about the fact that we were seeking to advance a proposal that was underpinned by enormous industrial logic."

"During the bid we have always behaved with appropriate decorum so as to hold out the prospect of an agreed transaction, demonstrating our primary ambition of putting shareholder and clinician interests at the centre of any discussions."

Further to the article in the Australian Financial Review this morning, to clarify, Capitol's present intention is not to increase the consideration under the Offer but it reserves the right to do so, and would only do so after engagement with Integral shareholders.

Pre-Bid Acceptances

Microequities Asset Management, Regal Funds Management and Wilson Asset Management have indicated their support for the Offer by entering into pre-bid acceptance agreements with Capitol pursuant to which they have collectively agreed to accept or procure the acceptance of 16.30% of Integral shares, in aggregate, into the Offer in the absence of a superior proposal.

For further information, please contact:

Media

Melissa Patch
Cato&Clegg
+61 412 124 195
melissa@catoandclegg.com

Company

Andrew Harrison
CEO
(03) 9348 3333
investors@capitolhealth.com.au

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 and Tasmania. 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.