

Integral Diagnostics Limited – 2019 AGM

Chairman's address delivered by Helen Kurincic

As a specialist medical company spearheaded by people and technology, I once again would like to begin my address by acknowledging and thanking our exceptional people, approximately 1,200 radiologists, imaging and support staff across Australia and New Zealand working in our 67 clinics (including 21 hospital sites and 8 sub-specialist imaging centres of excellence). I also warmly welcome the Imaging Queensland radiologists and staff who joined your Company this month.

Together our team deliver essential diagnostic imaging services that saves lives and improves health outcomes through early detection, diagnosis and further management of illness and injury, often eliminating unnecessary procedures and avoidable costs.

Over the 12 months ended 30 June 2019 (FY19) your Company, inclusive of the New Zealand and Geelong acquisitions, achieved operating NPAT of \$25.6 million, a 40.7% increase. Operating revenue grew 22.9% to \$231.0 million. Organic revenue growth and organic examination growth was also pleasingly higher than industry averages for the States in which we operate.

Statutory NPAT of \$21m was 39.1% higher than prior year. On a statutory basis, basic earnings per share increased by 28.5% to 13.36 cents per share.

Total capital expenditure of \$20.4m was in line with expectations with \$10.7m relating to replacement capex and \$9.7m relating to growth opportunities which included the completion of two major projects – the re-development of the diagnostic imaging centre at St John of God Hospital Geelong which included a new PET service, and a new North Melbourne Specialist and Research Centre co-located with the Australian Prostate Centre. Free cash flow conversion net of replacement capex was 97%.

A full year FY19 dividend of 10 cents per share fully franked was paid to shareholders, which is a 25% increase over the prior year. We have also recently announced a Dividend Reinvestment Plan (DRP) which will provide shareholders

the option to reinvest their returns in the Company without incurring any brokerage or transaction fees. The DRP will be applicable to the February 2020 dividend.

Subsequent to the release of our annual report in August, Integral Diagnostics (IDX) has completed an accelerated non-renounceable entitlement offer raising approximately \$72m and completed the acquisition of Imaging Queensland (IQ). We thank you for your terrific support of the entitlement offer, the proceeds of which has partially funded the IQ acquisition and allows for further opportunities.

IQ was assessed as a strategic, clinical and cultural fit with IDX. It has a high-quality footprint of 19 sites in growing regions, where IDX was not previously operating, including the Sunshine Coast, Rockhampton and Gladstone. IQ provides radiology services at 8 hospitals, operates 3 full and 2 partial MRI licences and clinical centres of excellence around women's imaging and pain management. The team are now focused on integration and working together to progress various growth initiatives underway.

There have been exciting developments with the use of Artificial Intelligence (AI) in our business. IDX has been the first in Australia to use FDA and TGA approved AI software used on a trial basis in our Western Australian business. 3 algorithms are currently embedded in the clinical workflow for intracranial haemorrhage, pulmonary embolism and cervical spine fractures. This application provides additional assurance for radiologists, referrers and patients that urgent, life threatening conditions are found and treated faster. We look forward to progressing such advances that lead on quality for patients.

We welcome the Australian Government's recent commitment for annual indexation of approximately 80% of the MBS items for three years from July 2020 after 21 years of no indexation. This will assist with patient access and affordability which has been impacted by the 21-year freeze. We also welcome the new Medicare items for MRI and PET scans of the breast introduced on 1 November 2019. The introduction of these new items will be positive for IDX but will require radiologist time and resources to ensure patients are receiving the highest quality service. To date, there has been no material regulatory changes in New Zealand with annual indexation currently provided for in contracts.

Culture and organisational alignment are key to achieving sustained high performance and value creation. We have just completed our first employee engagement survey with a solid 56% response rate and actionable results to progress in the year ahead.

IDX revised and implemented a Radiologist Loan Funded Share Plan (Australia) and Option Plan (NZ) which has broadened and diversified the radiologist shareholder base with the FY19 plan implemented in February 2019 and the FY20 plan implemented in August 2019. Both plans were oversubscribed with \$9m worth of shares and options issues, of which \$3m was contributed from 26 radiologists.

Your Board is committed to maintaining high standards of corporate governance including its environmental, social and governance responsibilities outlined for the first time in a dedicated section of our annual report. In FY19 we also partnered with Radiology Across Borders on their Curriculum Project which will assist teaching, training and assessment for developing nations in the Asia-Pacific region.

I would like to acknowledge Ian, the senior leadership team and my fellow Directors for their commitment, diligence and hard work to progress the potential of this Company. A special thank you to Dr Sally Sojan, an Executive Director since the inception of IDX, who stepped down from the Board as of 1 November 2019. As part of its succession planning, the Board welcomed Dr Jacqueline Milne appointed on that same date, and whose election I am recommending to shareholders at this meeting.

Thank you, our shareholders, for your continued support and interest in our company which plays a pivotal role in affordable, quality health care. We will continue to progress organic and inorganic opportunities that are in strategic, clinical and cultural alignment with our model and that delivers sustainable value to shareholders.

I now invite our MD & CEO, Dr Ian Kadish to discuss Integral Diagnostics' operational review.

-ENDS-

Helen Kurincic

Chairman

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19 November 2019