

ASX ANNOUNCEMENT

27<sup>th</sup> October 2015

## **Update on business activities / integration**

### **Industry Outlook**

Business development and the growth of the Company remains the core of company activities. The long term outlook remains favourable driven by the themes developed over previous years of:

- Expanding and ageing population
- Emphasis on early detection and prevention
- Improved accuracy and capability of imaging techniques attracts greater usage for preferred providers
- Technology disruption driving client outcomes and company productivity

The Federal government's recently announced Medicare Benefits Schedule (MBS) review has led to changes in referral patterns in some areas and for some modalities.

### **Trading Conditions**

The Company is continuing on the integration of the new businesses into the group and all of these are having a positive impact on revenues and profitability. We have now settled the Liverpool Diagnostics acquisition. Importantly the NSW network has performed relatively better than Victoria and provides a strong platform for organic growth.

However, the regulatory uncertainty and subsequent disruption to referral patterns has led to slower than anticipated growth in FY16 with gross revenue 4-6% below expectations with the existing Victorian operations showing greater propensity to revenue weakness than the recent acquisitions especially towards the final stage of the quarter (July to September 2015). It is too early to determine if the revenue trend will continue into the rest of the financial year and the directors will provide a further trading update at the Annual General Meeting of the Company on 16<sup>th</sup> November 2015.

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Capitol Health Limited (ASX: CAJ) is an Australian public company providing medical diagnostic imaging (DI) services. It is the largest community based (non-hospital) DI provider within Victoria and is the only ASX-listed company operating exclusively in DI. The Company's objective is to build a leading primary healthcare business across Australia generating sustainable growth and profitability for shareholders whilst delivering a superior patient experience.