

ASX Announcement

18 December 2015

Federal Government MYEFO impact on Integral Diagnostics

The Federal Government released its Mid-Year Economic and Fiscal Outlook (**MYEFO**) on Tuesday, 15 December 2015, outlining intended changes to the bulk-billing incentives to pathology and diagnostic imaging service providers. These changes are yet to be ratified by Parliament, and if ratified, would take effect from 1 July 2016.

As the proposed changes will not take effect until 1 July 2016 (if ratified), these proposed changes are not expected to impact the financial year ending 30 June 2016 forecast contained in the Integral Diagnostic's prospectus dated 9 October 2015. Integral Diagnostics has made an initial assessment of the potential impact on its revenue base from the proposed changes to the current diagnostic imaging bulk billing arrangements. Assuming no mitigating steps are taken by Integral Diagnostics, the company believes the potential impact to revenues (based on last 12 month revenues) would be a reduction of approximately 2-3%.

In the event that the proposed MYEFO changes are ratified, as part of Integral Diagnostics' regular focus on optimising business performance, relevant fee structures and other operating characteristics will be reviewed with the objective of mitigating the impact of the potential changes. Mitigating steps are likely to include the introduction of co-payments for relevant patient classes.

Integral Diagnostics currently derives 45% of its revenue from sources not reliant on bulk billing. As the company's business model is flexible to changes in regulation and rebates, the company will seek to adapt its billing model (for example, through co-payments) to mitigate the impact of these proposed changes.

ENDS

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