



Release to the Australian Securities Exchange

Integral Diagnostics Limited 2016 Annual General Meeting

Chairman's Address

Good morning, Ladies and Gentlemen.

My name is Helen Kurincic, and I am Chairman of the Board of Directors of Integral Diagnostics Limited.

It is now 10:00am, the appointed time for holding Integral Diagnostic's Annual General Meeting. Pursuant to the Company's Constitution, the Company Secretary has informed me that a quorum of members is present, therefore I declare the meeting now open. I, therefore, have pleasure in declaring this, the very first Annual General Meeting of the shareholders of Integral Diagnostics, open. Thank you for attending.

Before proceeding with the formal business of the Meeting, I would like to introduce my fellow Directors, as well as the Company Secretary:

- John Livingston, Managing Director & CEO

You may have seen the ASX release this morning that John has notified the Board that he will not be extending his employment agreement beyond July 2017 given some recent personal health issues. John has made an invaluable contribution to the business, with his vision and leadership over the past 14 years guiding the growth of Integral Diagnostics from an initial site in Ballarat to one of the leading diagnostic imaging businesses in Australia. In particular, we appreciate John's commitment to continue as our CEO, to effect a smooth transition as we recruit his successor.

- John Atkin, Non Exec. Director, Chair of the People and Remuneration Committee and member of the Audit, Risk and Compliance Committee;
- Rupert Harrington, Non Exec. Director, Member of the Audit, Risk and Compliance Committee and the People and Remuneration Committee;
- Dr Chien Ho, Executive Director, Chair of Integral's National Clinical Leadership Committee and accredited MRI supervising Radiologist with Lake Imaging Victoria;
- Garry Hounsell, Non Exec. Director, Chair of the Audit, Risk and Compliance Committee and member of the People and Remuneration Committee
- Sonia Joksimovic, Company Secretary.

Also on your Board is Dr Sally Sojan, Executive Director, Member of Integral's National Clinical Leadership Committee; and nuclear medicine/PET specialist radiologist with SCR QLD. Unfortunately, she is unable to be with us today in Melbourne due to a clinical commitment.

Collectively your Board brings a diversity of relevant industry experience, corporate governance and operational experience.

Members of our Executive are also with us today. I ask them to rise and identify themselves. They are:

- Craig Bremner, Chief Financial Officer; and
- Greg Hughes, Chief Operating Officer & HR Director

Also present is Nadia Carlin, Partner with the Company's Auditor, PricewaterhouseCoopers. Nadia will be available to answer questions on the accounts at the appropriate time.

The agenda for today's meeting is as follows. I will shortly present my address. Following that, John Livingston, our Managing Director & CEO will present his review of the Company's activities. We will then proceed with the formal business of the Meeting to vote on the Resolutions. At the conclusion of the meeting, we invite you to join the Board and Executive for light refreshments.

The 2016 financial year was a defining period for Integral Diagnostics, with substantial work undertaken by the Executive and Board to prepare for the IPO and the transition to being a public company.

The listing in October 2015 was significant for Integral Diagnostics. The IPO attracted strong institutional support and most of those initial institutional investors remain attracted to the business and the long-term growth opportunities it offers.

Advent supported the business through the acquisition of South Coast Radiology and IPO, selling down their interest through the IPO, and then exiting their position in August 2016. As a private equity firm, and not an institutional equities fund, Advent's exit was anticipated to occur at some point in time. Integral Diagnostics is the largest listed pure play diagnostic imaging business in Australia and comprises three core brands:

- South Coast Radiology, in Queensland, founded in 1967
- Global Diagnostics, in Western Australia, founded in 1997
- Lake Imaging, in Victoria, founded in 2002.

Each of these brands has strong regional market positions, operates in key hospital sites, is strong in higher value and more complex modalities, and operates with highly skilled radiologists and technical professionals.

The company's FY16 performance, that John will take you through in detail shortly, clearly shows the resilience of our business model given the above market growth it has generated historically.

Looking at the Medicare data for the States in which we operate, over the 12 months ended 30 June 2016, Integral Diagnostics was able to grow patient examination volumes by 4.8% against industry growth of 3.7%. This was achieved despite the unexpected and rapid decline in referrals industry-wide experienced from November in reaction to proposed Government policy initiatives.

Pro forma revenue was up 4.9% to \$167.8 million, while EBITDA was up 0.9% to \$34.9 million.

While referral patterns are showing signs towards recovery albeit with some volatility, there still remains regulatory uncertainty as the sector patiently awaits the recommendations from an independent review around the deferred changes to bulk billing incentives. Any changes to bulk billing would need to be ratified by the Senate. The Government has stated that it is prepared to invest \$50 million per annum back into diagnostic imaging if the bulk billing incentive changes.

We also look forward to the Government's stated intention to re-introduce Medicare schedule rebate indexation by 2020 for diagnostic imaging, given that this sector has operated without indexation since 1998 (last century!).

In response to speculation of alleged "over-servicing" in healthcare more generally, increasingly seen in the media, let me present two relevant facts specific to diagnostic imaging.

Firstly, radiologists are not both the referrers and providers of a diagnostic imaging service. Our business carries out the test or procedure referred by external specialists, GPs and allied health

service providers following their assessment of the patient and the need to rule in or rule out a specific medical diagnosis to inform the best treatment for a patient.

Secondly, comparing Australia's utilisation of diagnostic imaging services data to other OECD countries provides an indication as to whether diagnostic imaging is under or over utilised. Global data available shows that Australia's use of CT and MRI per 1,000 population is below median OECD levels. Interestingly, MRI is fourth lowest of OECD countries with only Korea, Poland and Chile below us.

Short term trading conditions continue to remain challenging, resulting in our downgrade to 2017 full year earnings expectations, which John will provide you with more detail on in his presentation.

However, it is worth noting that Integral Diagnostics generates industry best financial returns, and your Board and management team are focused on maintaining this leading position.

Importantly, long-term industry fundamentals remain and underpin attractive future growth opportunities for Integral Diagnostics. Australia has a growing and ageing population requiring greater healthcare support. Community expectations for accessible, higher quality healthcare and diagnosis continue to rise. New imaging technologies being developed will markedly improve efficiency and aid diagnosis and early recognition of disease.

We expect the shift to continue towards more advanced, higher priced diagnostic imaging modalities driven by improved technology and access, policy changes, referrer awareness and the desire to provide the highest possible outcomes for patients.

Integral Diagnostics has the capital structure in place to support both continued organic growth, while also pursuing attractive value accretive acquisitions as they arise – such as the acquisition of Western District Radiology and the remaining 50% interest in South West MRI which has now been integrated and is contributing positively to the business.

We have a conservative balance sheet with net debt of \$44.9 million at 30 June 2016. Reflecting the Company's strong balance sheet, financial performance and growth opportunities, your Directors were pleased to announce the Company's maiden dividend as a listed entity, declaring a fully franked dividend of 4.0 cents per share that was paid on 4 October 2016.

I would like to take this opportunity to thank you as shareholders for your support as we firmly focus on future growth opportunities in our quest of delivering and expanding essential, best in class, diagnostic imaging services.

I will now hand over to our CEO, Mr John Livingston to discuss Integral's performance in more detail. In doing so I would like to thank John for his extraordinary commitment over 14 years of co-founding and building the business to benefit communities, particularly in regional areas, so that they too can easily access the best diagnostic imaging service available.

On behalf of us all, thank you.

-ENDS-

Helen Kurincic

Chairman

Integral Diagnostics Limited

18 November 2016