



RESULTS FOR THE HALF YEAR ENDED 31 DECEMBER

REVENUE AND EBITDA ON TARGET – REVISION TO FINAL YEAR EARNINGS GUIDANCE

The Directors of Capitol Health Ltd are pleased to release its results for the half-year to 31 December 2008.

The group is reporting operating revenue of \$13m+ for the period, which when added to the contribution from 3 new clinics in the second of the financial year will enable the group to achieve its \$28m+ guidance as previously released to the market.

The underlying EBITDA of the group for the period of \$1.9m is also in accordance with previous guidance.

The group obtains 98% of its revenue through the bulk-billing rebate from Medicare, with no gap or co-payment being levied on patients. The bulk billing rebate payable to the group is 85% of the government scheduled fee, with this amount not increasing for the past 9 years.

Given that under the current economic circumstances that any increase in the rebate levels is unlikely in the near future, the group will now be pursuing various options at increasing its revenue stream through a co-payment contribution from its patient base. The group's previous guidance for net profit before tax for the full financial year included an allowance for an increase in the Medicare rebate.

The Directors are firmly of the view that Capitol has the ability, through the quality service and geographic distribution offering that it has, to expand its revenue base yet still under-price its rivals. This is considered as a distinct economic advantage.

Also given the current market conditions, the Directors have resolved to review the carrying value of its balance sheet assets, and using a methodology consistent with prescribed accounting standards, the group has taken a non-cash \$1.9m charge to its intangible asset (Goodwill) as an impairment expense.

This figure, combined with the delay in the expected government Medicare rebate review will necessitate revised guidance to the market of a net profit before tax for the financial year of \$2.1m before application of the impairment expense and \$0.2m after taking it into account.

Overall the Directors are confident of the long term success of the group based on:

- Revenues in line with expectations without any adjustment to current charging practices
- Operational efficiencies still exist through full integration of business units
- Capitol now established as No. 3 player (by market share) in the Victorian radiology market
- Group operating well within banking covenants with increased leasing facilities offered

Please refer to the ASX or company websites to obtain greater detail and explanation of the above figures in the half-year Appendix 4D and the formal Interim Report.

Authorised by:

John Conidi
Managing Director
27 February 2009