Alliance HealthCare Services Expects to Reach Agreement to Amend Its Credit Agreement Today

The Associated Press

NEWPORT BEACH, Calif.--(BUSINESS WIRE)--Oct 29, 2012--Alliance HealthCare Services, Inc. (NYSE:AIQ) (the “Company” or “Alliance”), a leading national provider of outpatient diagnostic imaging and radiation therapy services, announced that it expects to reach an agreement with lenders for a 2 nd amendment to its Credit Agreement dated December 1, 2009 by end of business today.

Larry C. Buckelew, Chairman of the Board and Interim Chief Executive Officer stated, “Proactively addressing our debt obligation is a top priority, and our operational discipline and strong cash generation will provide us with the financial flexibility to pay down our term loans and renegotiate our covenants on more attractive terms. We are pleased to report that we expect to reach an agreement by end of business today to amend our Credit Agreement, including a reduction of the term loan by $75 million and expansion of our total leverage covenant.” Buckelew continued, “We believe that this potential 12% reduction in our term loan and renegotiation of our total leverage covenant will be important proof points highlighting the momentum the Company has generated on its path to long-term growth and profitability. The increased financial flexibility this deal would provide will clearly enhance our financial profile and augment our ability to execute our growth strategy and drive shareholder value.” The amendment, if approved, will modify the financial covenants to provide Alliance with greater flexibility. Under the proposed amended Credit Agreement, Alliance will be required to maintain (i) a maximum ratio of consolidated total debt to consolidated Adjusted EBITDA less minority interest expense of 5.00 to 1.00 through September 30, 2014, 4.75 to 1.00 from October 1, 2014 through September 30, 2015, 4.50 to 1.00 from October 1, 2015 through December 31, 2015 and 4.25 to 1.00 thereafter. The minimum ratio of consolidated Adjusted EBITDA less minority interest expense to consolidated interest expense will remain unchanged.

In connection with the execution of the amendment, the Company expects to raise $30 million from a sale of certain imaging assets which the Company will then lease under competitive terms and conditions pursuant to an agreement that will be executed with the financing parties. The sale and lease transactions are expected to be executed today and close on or around October 31, 2012, subject to satisfaction of closing conditions. The Company plans to use the $30 million raised in the sale and lease transactions combined with $45 million on its balance sheet to make a payment of $75 million to permanently reduce borrowings outstanding under the term loan facility and, in addition, the Company will pay a fee to the consenting lenders.

In connection with the $30 million sale and lease transactions, the Company will incur approximately $8 million of annual rent expense (subject to adjustment based

on changes in interest rates prior to closing) which will reduce Adjusted EBITDA in the future.

As of June 30, 2012, Alliance's ratio of consolidated total debt to consolidated Adjusted EBITDA less minority interest expense calculated pursuant to the Credit Agreement was 4.43 to 1.00. Adjusted for the proposed sale and lease transactions and repayment of the $75 million under the Credit Agreement, the Company's ratio of consolidated total debt to consolidated Adjusted EBITDA less minority interest expense as of June 30, 2012 as calculated pursuant to the Credit Agreement would have been 4.14 to 1.00. The prepayment made in connection with the proposed amendment will satisfy all future mandatory amortization payments under the terms of the Credit Agreement which matures in June 2016. The effectiveness of the amendment to the Credit Agreement will be subject to the satisfaction of conditions, including the $75 million permanent principal repayment and completion of the sale and lease transactions. A reconciliation of Adjusted EBITDA calculated pursuant to the Credit Agreement to net income calculated in accordance with GAAP is included at the end of this release.

About Alliance HealthCare Services Alliance HealthCare Services is a leading national provider of advanced outpatient diagnostic imaging and radiation therapy services based upon annual revenue and number of systems deployed. Alliance focuses on MRI, PET/CT and CT through its Imaging division and radiation therapy through its Oncology division. With more than 1,900 team members committed to providing exceptional patient care and exceeding customer expectations, Alliance provides quality clinical services for over 1,000 hospitals and other healthcare partners in 46 states. Alliance operates 501 diagnostic imaging and radiation therapy systems. The Company is the nation's largest provider of advanced diagnostic mobile imaging services and one of the leading operators of fixed-site imaging centers, with 126 locations across the country. Alliance also operates 32 radiation therapy centers, including 16 dedicated stereotactic radiosurgery facilities, many of which are operated in conjunction with local community hospital partners, providing treatment and care for cancer patients. With 16 stereotactic radiosurgery facilities in operation, Alliance is among the leading providers of stereotactic radiosurgery nationwide.

Forward-Looking Statements This press release contains forward-looking statements relating to future events, including statements related to the closing of the sale and lease transactions, the amount of capital raised through the sale and lease transactions, the use of the proceeds of the sale and lease transaction and cash on the balance sheet to repay indebtedness under the Credit Agreement, the amount of annual rent expense under the sale and lease transactions, and the effectiveness and terms of the amendment to the Credit Agreement. In this context, forward-looking statements often address the Company's expected future business and financial results and often contain words such as "expects," "anticipates," "intends," "plans," "believes," "seeks" or "will." Forward-looking statements by their nature address matters that are uncertain and subject to risks. Such uncertainties and risks include: changes in the preliminary financial results and estimates due to the restatement or review of the Company's financial statements; the nature, timing and amount of any restatement or other adjustments; the

Company’s ability to make timely filings of its required periodic reports under the Securities Exchange Act of 1934; issues relating to the Company’s ability to maintain effective internal control over financial reporting and disclosure controls and procedures; the Company’s high degree of leverage and its ability to service its debt; factors affecting the Company’s leverage, including interest rates; the risk that the counterparties to the Company’s interest rate swap agreements fail to satisfy their obligations under these agreements; the Company’s ability to obtain financing; the effect of operating and financial restrictions in the Company’s debt instruments; the accuracy of the Company’s estimates regarding its capital requirements; the effect of intense levels of competition in the Company’s industry; changes in the methods of third party reimbursements for diagnostic imaging and radiation oncology services; fluctuations or unpredictability of the Company’s revenues, including as a result of seasonality; changes in the healthcare regulatory environment; the Company’s ability to keep pace with technological developments within its industry; the growth or lack thereof in the market for imaging, radiation oncology and other services; the disruptive effect of hurricanes and other natural disasters; adverse changes in general domestic and worldwide economic conditions and instability and disruption of credit markets; difficulties the Company may face in connection with recent, pending or future acquisitions, including unexpected costs or liabilities resulting from the acquisitions, diversion of management’s attention from the operation of the Company’s business, and risks associated with integration of the acquisitions; and other risks and uncertainties identified in the Risk Factors section of the Company’s Form 10-K for the year ended December 31, 2011, filed with the Securities and Exchange Commission (the “SEC”), as may be modified or supplemented by our subsequent filings with the SEC. These uncertainties may cause actual future results or outcomes to differ materially from those expressed in the Company’s forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company does not undertake to update its forward-looking statements except as required under the federal securities laws.

Adjusted EBITDA Adjusted EBITDA, as defined by the Company’s management, represents net income (loss) before: interest expense, net of interest income; income taxes; depreciation expense; amortization expense; net income (loss) attributable to noncontrolling interests; non-cash share-based compensation; severance and related costs; restructuring charges; fees and expenses related to acquisitions, costs related to debt financing, non-cash impairment charges, and other non-cash charges included in other (income) expense, net, which includes non-cash losses on sales of equipment. The components used to reconcile net income (loss) to Adjusted EBITDA are consistent with our historical presentation of Adjusted EBITDA. Adjusted EBITDA is not a measure of financial performance under generally accepted accounting principles in the United States, or “GAAP.” Management uses Adjusted EBITDA, and believes it is a useful measure for investors, for a variety of reasons. Management regularly communicates its Adjusted EBITDA results and management’s interpretation of such results to its board of directors. Management also compares the Company’s Adjusted EBITDA performance against internal targets as a key factor in determining cash incentive compensation for executives and other employees, largely because management feels that this measure is indicative of how our diagnostic imaging and radiation oncology businesses are

performing and are being managed. The diagnostic imaging and radiation oncology industry continues to experience significant consolidation. These activities have led to significant charges to earnings, such as those resulting from acquisition costs, and to significant variations among companies with respect to capital structures and cost of capital (which affect interest expense) and differences in taxation and book depreciation of facilities and equipment (which affect relative depreciation expense), including significant differences in the depreciable lives of similar assets among various companies. In addition, management believes that because of the variety of equity awards used by companies, the varying methodologies for determining non-cash share-based compensation expense among companies and from period to period, and the subjective assumptions involved in that determination, excluding non-cash share-based compensation from Adjusted EBITDA enhances company-to-company comparisons over multiple fiscal periods and enhances the Company’s ability to analyze the performance of its diagnostic imaging and radiation oncology businesses.

Adjusted EBITDA may not be directly comparable to similarly titled measures reported by other companies. In addition, Adjusted EBITDA has other limitations as an analytical financial measure. These limitations include the fact that Adjusted EBITDA is calculated before recurring cash charges including interest expense, income taxes and severance costs, and is not adjusted for capital expenditures, the replacement cost of assets or other recurring cash requirements of the Company’s business. Adjusted EBITDA also does not reflect any cost for equity awards to employees and does not exclude income attributable to noncontrolling interests. In the future, the Company expects that it may incur expenses similar to the excluded items discussed above. Accordingly, the exclusion of these and other similar items in the Company’s non-GAAP presentation should not be interpreted as implying that these items are non-recurring, infrequent or unusual. Management compensates for the limitations of using Adjusted EBITDA as an analytical measure by relying on the Company’s GAAP results to evaluate its operating performance and by considering independently the economic effects of the items that are or are not reflected in Adjusted EBITDA. Management also compensates for these limitations by providing GAAP-based disclosures concerning the excluded items in the Company’s financial disclosures. As a result of these limitations, however, Adjusted EBITDA should not be considered as an alternative to net income (loss), as calculated in accordance with GAAP, or as an alternative to any other GAAP measure of operating performance. Adjusted EBITDA, as defined by the Company’s management, is calculated differently from Consolidated Adjusted EBITDA, as defined in the Company’s credit agreement and reported in the Company’s SEC filings.

The calculation of Adjusted EBITDA is shown below: Twelve months Second Quarter Ended June 30, Six Months Ended June 30, Ended June 30, 2011 2012 2011 2012 2012 Net loss attributable to Alliance HealthCare Services, Inc.

$ (4,040) $ (801) $ (6,443) $ (5,623) $ (159,292) Income tax benefit (2,237) (2,427) (3,580) (5,069) (39,731) Interest expense and other, net 12,000 13,679 23,735 27,367 53,421 Amortization expense 4,609 3,994 7,935 8,006 16,515 Depreciation expense 23,197 20,693 45,249 42,138 86,863 Share-based payment

(included in selling, general and administrative expenses) 1,207 (840) 2,596 36 2,059 Noncontrolling interest in subsidiaries 1,730 2,728 2,583 4,978 7,403 Severance and related costs 266 - 730 - 20 Restructuring charges - 873 - 2,995 10,132 Transaction costs 1,810 20 2,182 379 1,525 Impairment charges 167,792 Other non-cash charges (included in other (income) and expenses, net) 257 1,489 367 1,959 4,388 Adjusted EBITDA $ 38,799 $ 39,408 $ 75,354 $ 77,166 $ 151,095 The leverage ratio calculations for the 12 months ended June 30, 2012 are shown below, as well as the calculation for the ratio adjusted for the bank amendment transaction outlined above: Less: Adjusted Noncontrolling for potential Adjusted interest in Credit debt Credit Consolidated subsidiaries Agreement amendment Agreement Total debt $ 636,859 $ - $ 636,859 $ (75,000) $ 561,859 Last 12 months Adjusted EBITDA 151,095 (7,403) 143,692 (8,000) 135,692 Total leverage ratio 4.21x 4.43x 4.14x

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