Alliance HealthCare Services Amends Its Credit Agreement

The Associated Press

NEWPORT BEACH, Calif.--(BUSINESS WIRE)--Nov 7, 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 the 2 nd amendment (the “Amendment”) to its Credit Agreement dated December 1, 2009 (the “Credit Agreement”) has become effective.

The Amendment modifies the Credit Agreement’s maximum leverage covenant to require that the Company maintain a maximum ratio of consolidated total debt to consolidated Adjusted EBITDA, as defined below, 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.

On November 5, 2012, in connection with the Amendment, the Company raised $30.0 million from the sale of certain imaging assets, which the Company subsequently leased from the financing parties. The Company offered the money raised in the sale and lease transactions as a mandatory prepayment of outstanding term loans to the lenders under the Credit Agreement (the “Mandatory Prepayment”).

In addition to the Mandatory Prepayment, the Company offered $45.0 million of cash on the Company’s balance sheet to offer to lenders under the Credit Agreement as a voluntary prepayment of outstanding term loans (the “Voluntary Prepayment,” and, together with the Mandatory Prepayment, the “Prepayments”). Lenders under the Credit Agreement had the right to waive acceptance of the Mandatory Prepayment, and the Amendment provided the lenders with the right to waive acceptance of the Voluntary Prepayment. Pursuant to the Amendment, the Company re-offered amounts of the Prepayments declined by lenders until 95% of the Prepayments were applied to prepay borrowings outstanding under the term loan facility. On November 6, 2012, the Company prepaid $74.5 million of outstanding term loans. The Amendment provides that the Prepayments will satisfy all future mandatory amortization payments under the Credit Agreement.

In connection with the $30 million sale and lease transactions, the Company will incur approximately $8 million of annual rent expense which will reduce Adjusted EBITDA in the future.

As of September 30, 2012, Alliance’s ratio of consolidated total debt to consolidated Adjusted EBITDA less minority interest expense calculated pursuant to the Credit Agreement was 4.37 to 1.00. Adjusted for the sale and lease transactions and prepayment of the $74.5 million under the Credit Agreement, the Company’s ratio

of consolidated total debt to consolidated Adjusted EBITDA less minority interest expense as of September 30, 2012 as calculated pursuant to the Credit Agreement was 4.08 to 1.00. A reconciliation of Adjusted EBITDA calculated pursuant to the Credit Agreement to net income calculated in accordance with generally accepted accounting principles in the United States, or “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 approximately 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 499 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 130 locations across the country. Alliance also operates 30 radiation therapy centers, including 15 dedicated stereotactic radiosurgery facilities, many of which are operated in conjunction with local community hospital partners, providing treatment and care for cancer patients. With 15 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 amount of annual rent expense under the sale and lease transactions. 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 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 Third Quarter Ended Nine Months Ended Ended September 30, September 30, September 30, 2011 2012 2011 2012 2012 Net loss attributable to Alliance HealthCare Services, Inc.

$ (137,270) $ (1,243) $ (143,713) $ (6,866) $ (23,265) Income tax (benefit) expense (26,561) 409 (30,141) (4,660) (12,761) Interest expense and other, net 12,436 13,702 36,171 41,069 54,687 Amortization expense 4,330 3,989 12,265 11,995 16,174 Depreciation expense 22,710 20,568 67,959 62,706 84,721 Share-based payment (included in selling, general and administrative expenses) 1,061 157 3,657 193 1,155 Noncontrolling interest in subsidiaries 133 2,483 2,716 7,461 9,753 Severance and related costs 20 - 750 - - Restructuring charges 3,597 1,020 3,597 4,015 7,555 Transaction costs 1,355 (58) 3,537 321 112 Impairment charges 155,703 - 155,703 - 12,089 Other non-cash charges (included in other (income) and expenses, net) 994 642 1,361 2,601 4,036 Adjusted EBITDA (1) $ 38,508 $ 41,669 $ 113,862 $ 118,835 $ 154,256 (1) Adjusted EBITDA includes non-recurring cash legal settlement of $2,157 in the third quarter ended September 30, 2012, nine months ended September 30, 2012 and twelve months ended September 30, 2012.

The leverage ratio calculations for the 12 months ended September 30, 2012 are shown below, as well as the calculation for the ratio adjusted for the bank amendment transaction outlined above: Less: Noncontrolling Adjusted for

Adjusted interest in Credit debt Credit Consolidated subsidiaries Agreement amendment Agreement Total debt $ 631,096 $ - $ 631,096 $ (74,515) $ 556,581 Last 12 months Adjusted EBITDA 154,256 (9,753) 144,503 (8,000) 136,503   Total leverage ratio 4.09x 4.37x 4.08x

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