

Making Contact

ABANO SHAREHOLDER NEWSLETTER

ISSUE NINETEEN DECEMBER 2011

Company Overview //

Our vision for 2015 and beyond is to see Abano Healthcare Group as a leading regional healthcare investor in the \$60 billion medical services and healthcare markets in New Zealand, Australia and Asia.

We are a growth company and in the past five years, we have averaged revenue and earnings growth of over 20 percent per year. Our aim is to continue this growth rate through acquisition, organic growth of existing businesses and long term co-investment partnerships in new businesses where we see both growth and profit enhancement opportunities.

The Abano Healthcare Group annual meeting was held on 7 November 2011 in Auckland, and we were delighted to welcome a number of our shareholders, investors, professional advisers and staff.

Our objective at both our recent investor road show and the annual meeting has been to discuss our strategy for the continued growth of Abano over the next five years.

Since 2005, we have returned \$66.8 million to shareholders through three share buy-back and cancellations, and a special interim dividend. We have also maintained an annual dividend payment of 21 cents per share for the past three years and the Board remains committed to maintaining this level, demonstrating our confidence in the future performance of the company.

Following the sale of our New Zealand audiology business in 2010, which resulted in a gain over book value of over \$89 million, the shape of our company changed.

While the New Zealand audiology business was a significant profit contributor to Abano, there was limited scope for future growth in the New Zealand market. However, the Asian and Australian markets offered considerably more growth potential, and as part of the sale of the New Zealand business, we retained our other newly established audiology networks in these two regions.

We have growth plans in place for these businesses, where expansion will be through the opening of clinics in high traffic retail areas and strip shopping malls. Currently, both the Australia and Asia audiology operations are in an early investment and development phase, and we are focused on strengthening these business platforms going into 2012. As we have said, it will be three to four more years before this business group breaks even, with profit contributions expected thereafter.



We are a growth company and in the past five years, we have averaged revenue and earnings growth of over 20 percent per year.

Our dental businesses in Australia and New Zealand have now become the company's primary revenue generators and we have an accelerated acquisition programme in place, with a trans-Tasman growth target to acquire \$30 million in annualised revenues in the 2012 financial year. We are well on track to achieve and exceed this target for 2012.

Radiology in New Zealand offers a wide scope of potential to expand, both organically and by acquisition, and we have some interesting opportunities being assessed at this time.

After a year of pleasing progress and growth, we will concentrate on consolidating operations for our nationally located Orthotic business, as well as focus on maintaining margins and providing an annuity income stream to the Group from our pathology and brain injury rehabilitation business streams.

// MARKET GUIDANCE FOR THE SIX MONTHS TO 30 NOVEMBER 2011

There are a number of recent changes required under IFRS regulations which have had and will continue to have a significant impact on how we report our results. The main impact of these changes has been to how we account for particular payments, costs and charges relating to acquisitions - historically, most of these were capitalised whereas now they must be expensed. Further details of these changes were provided on page 16 of our 2011 Shareholder Review, which is available on our website.

Abano is a growth company and therefore, as the number and size of our acquisitions increase, so too will the amount of the particular costs and charges relating to these acquisitions, negatively impacting on our reported NPAT performance.

In the 2011 financial year, we reported that due to these particular costs and charges, NPAT was negatively impacted by just over \$800,000. Due to the increased rate and size of acquisitions in the current financial year, we expect this negative impact will be over \$1.5 million for FY12.

New Zealand's depressed economy and consumer confidence have continued into the 2012 financial year, with increasing pressure on publicly funded health contracts and a decline in respect of ACC approved surgical procedures. We also noted, for the first time, a material slow-down in consumer confidence and spending in Australia in the last six months of the 2011 financial year, which has since extended into the current year.

Despite this, we are expecting strong growth in revenues and EBITDA.

For the first half year period, consolidated NPAT will be depressed by the recent IFRS changes, new debt facility charges related to our accelerating dental acquisition programme, increased depreciation charges from our accelerated IT investment in audiology and dental and the loss of associate investment income from National Hearing Care following its sale in December 2010 (FY11: \$0.6 million). As noted previously, we no longer consolidate our audiology business in Australia and Asia as it is a 50:50 joint venture.

Therefore, our guidance for the first six months of the 2012 financial year ending 30 November 2011 is that we are expecting revenues of \$101.5 million to \$103.5 million, an EBITDA of \$11.0 million to \$12.0 million and a NPAT to be in the range of \$0.2 million to \$0.7 million.

To better compare progress against previous years, we expect an underlying EBITDA of \$12.0 million to \$13.0 million and an underlying NPAT of \$1.0 million to \$1.5 million.

In line with our normal market guidance communications as made over the last seven years, we will issue a full year forecast for the financial year ended 31 May 2012, around March next year, once we have assessed trading over the Christmas and summer holiday break.



While we expect to see strong growth at revenue and EBITDA for the full year, there will be a flat to decreased bottom line at NPAT after IFRS reporting requirements and investment expenses are consolidated.

First Six Months to 30 November	2010/2011 Actual \$ Million	2011/2012 Forecast \$ Million
Revenue	86.7	101.5 to 103.5
EBITDA	10.3	11.0 to 12.0
NPAT	2.2	0.2 to 0.7
Underlying EBITDA	10.8	12.0 to 13.0
Underlying NPAT	2.8	1.0 to 1.5

Note: The results for the Bay Group are now equity accounted and therefore no longer included in the consolidated EBITDA

// NOTICE OF PROVISION OF FINANCIAL ASSISTANCE NOT EXCEEDING FIVE PER CENT OF SHAREHOLDERS' FUNDS

The Company gives notice in accordance with section 80(1)(b) of the Companies Act 1993 that on 5 December 2011 it provided financial assistance to Mr Alan Clarke and Mr Richard Keys for the subscription for shares in the Company in accordance with an incentive share scheme and an outperformance share scheme (together the "Schemes") on terms materially the same as the 2008 scheme approved by the shareholders and implemented by the Company in 2008 and approved by the Board (excluding Mr Alan Clarke) on 7 November 2011. Details of the assistance are set out below.

Name	Shares	Amount of financial assistance - loans	Relevant Scheme
Alan Clarke	166,666 Ordinary shares	\$450,000	Incentive share scheme
		\$225,000	Outperformance share scheme
Richard Keys	60,000 Ordinary shares	\$162,000	Incentive share scheme
		\$81,000	Outperformance share scheme

The financial assistance was provided by way of interest free loans to each executive in an amount equal to the aggregate subscription price of shares under each Scheme.

Under the Schemes, the shares purchased by the executives are subject to certain restrictions and a call option in favour of the Company until such time as the executives meet certain key performance targets over a three year period. The key performance targets have been determined by the Board and, if they are not met, the Company may exercise its call option in respect of the shares. Further information regarding the Schemes can be found on the Abano website.

// ANNUAL MEETING

The Abano Healthcare Group annual meeting of shareholders was held on Monday 7 November 2011 at Ellerslie Events Centre in Auckland.

Shareholders at the meeting passed all resolutions:

- Authorised directors to fix the auditors' remuneration
- Re-election of Mr Danny Chan as a director
- Re-election of Mrs Susan Paterson as a director
- Election of Mr Ted van Arkel as a director

// KEY DATES

Late December

Interim Results Announcement

Late January

Half Year Dividend Payment

Late February

Release of Interim Report

Late March

2012 Full Year Guidance



AUDIOLOGY // UPDATE

// BAY INTERNATIONAL

BAY AUDIO GOES MOBILE WITH IPAD APP

Bay Audio's proprietary, self-testing touch screen technology has taken another leap forward with the development of a new iPad application.

The interactive hearing test can now function on an iPad, allowing Bay Audio to take its technology directly to customers in the community. Customers can now be visited directly in the community, with the Bay Audio team establishing visiting programmes at non-Bay locations, such as chemists and retirement villages. This is proving very popular, particularly to the Baby Boomer market.

Bay's self-testing technology is now available in Bay's 22 mall outlets in malls, 12 rural clinics and a number of visiting sites, and is generating an average of over 3,000 client tests per month.



DENTAL // UPDATE

// DENTAL PARTNERS

GRAND OPENING

The Dental Partners network launched in June 2008 with nine practices around Queensland, Victoria and New South Wales. Now the network has expanded to 48 practices across Australia, with over 500 staff.

Its aim is to be Australia's leading dental partner, supporting the delivery of quality dental services to local communities.

In January this year, Dental Partners relocated its headquarters to new premises in Southport, Queensland, with an official opening held in August 2011. The new head office provides a modern, professional and sophisticated work environment to support Dental Partner's growing national network of practices.

The Dental Partners' board has endorsed an accelerated acquisition plan going ahead and, as a consequence, new management positions have been created to support this accelerated growth. These appointments cover enhanced HR services and administrative support to compliment the acquisition team.



// LUMINO THE DENTISTS

LESS PAIN, PLENTY OF GAIN FOR LUMINO CLIENTS

Detailed market and customer research highlighted that the perceived cost of treatment is a primary reason keeping people from visiting their dentist for regular check-ups and maintenance, even though they know this is the right thing to do.

So, while promoting excellent dental care, Lumino The Dentists is also helping to care for people's wallets, through its 18 Months Interest Free marketing campaign.

Launched in May 2011 as part of Lumino's nationwide television campaign, the Interest Free promotion has already proved a resounding success, with more than 1,200 customers availing themselves to a total of \$2 million worth of financed treatment in the first five months.

Lumino the Dentists is the largest dental network in New Zealand and the only one to offer a nationwide service and an interest free treatment plan option, an avenue open to this business because of its unique size, scale and brand recognition. This allows Lumino clients to access payment terms that simply are not available anywhere else.

Through the business relationship with QCard, who facilitate the finance option, Lumino receives the benefit of the revenue immediately, without incurring the risk of the outstanding debt.

love your smile

Lumino The Dentists
Offering **18 months interest free** on all treatments over **\$300***

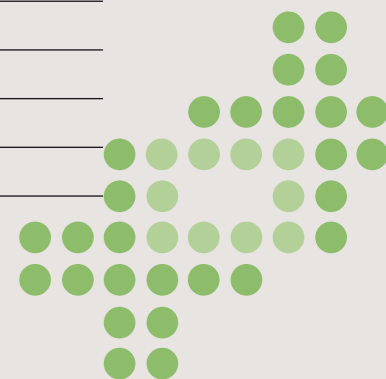
See reverse for answers to commonly asked questions, or talk to us at reception to get the process started.

*18 months interest free is available on dental services at Lumino of \$300 and over. Applies to Q Card Flexi Payment Plans. Minimum payments of 3% of the monthly closing balance or \$10 (whichever is greater) are required throughout the interest free period. The Q Card Standard Interest Rate applies to any outstanding balance at the expiry of the interest free period. Details of offer period available in-practice. Q Card lending criteria, terms and conditions, and fees apply. PPT0061

55 practices nationwide | Ph: 0800 LUMINO | lumino.co.nz

ABANO DENTAL SECTOR GROWTH YTD

		Network Size	Annualised Revenue NZ \$ million
Lumino The Dentists	31 May 2011	56 practices	58
	30 November 2011	63 practices	62
Dental Partners	31 May 2011	36 practices	68
	30 November 2011	48 practices	96



REHABILITATION // UPDATE

// ABANO REHABILITATION

CLIENT SUCCESS MAKES IT ALL WORTHWHILE

Abano Rehabilitation staff work closely with clients who have suffered brain injuries. Often these are young men who have had sporting or vehicle accidents. One of the main side effects of a traumatic brain injury can be a change in personality and a rise in the level of aggression demonstrated by the client, as they struggle to control and manage their emotions.

Sam* has been a resident at Abano Rehabilitation for the past three years, following a motor vehicle accident. Upon arrival, he was so abusive and difficult that the physiotherapist working with him in the early days used to sit in the car and have to mentally prepare himself to face him. He could have walked away and said that Sam was too difficult, but like many of our wonderful and committed staff, he persevered despite the physical and verbal abuse.

With time and support from his staff and whanau, Sam has now become a willing partner in his rehabilitation. His Mana and Tikanga were important to him and became an important part of his rehabilitation programme, with regular visits to his family cemetery to pay his respects to his parents. Bone carving has become an important activity for Sam, and one of the first goals he achieved was a bone carving, which he then placed on his parent's headstone.

Step by step, Sam has shown his determination to achieve and Abano staff are committed to helping him reach his goals. The partnership is strong and the journey is so rewarding for all involved.



*Name changed to protect client privacy

// ORTHOTICS



WELCOME ESCAPE FOR CHRISTCHURCH STAFF

Staff working for Abano businesses in Christchurch, including those working for the Orthotics Centre and three Lumino the Dentists practices, have been living with the ongoing and relentless after shocks of the Christchurch earthquakes for over a year.

Thankfully, none of our staff were injured during the major earthquakes, however many suffered damage to their homes and all had family members or friends who were affected. In spite of this, our Orthotics staff responded immediately to each earthquake emergency and carried out their duties as essential front line, first response staff, at Christchurch Hospital.

Our Christchurch Orthotic offices were undamaged but were located within the restricted zones, affecting where and how our staff were able to work.

Abano recognised the toll that this has taken on our staff in the city and after extensive discussion and consultation with the affected people, a holiday home has been provided in Hanmer Springs for the exclusive use of all of our Christchurch staff and their families.

Hanmer is only 90 minutes' drive from Christchurch, and staff have been able to enjoy the peaceful countryside, world renowned hot springs and beautiful mountain terrain of Hanmer, while forgetting for a few short days, about the ongoing effects of the Christchurch earthquakes.

This refuge was made available in August 2011 and we have been delighted that it has been fully utilised since this time.

DIAGNOSTICS // UPDATE

// AOTEA PATHOLOGY

A BETTER WAY TO REQUEST TESTS

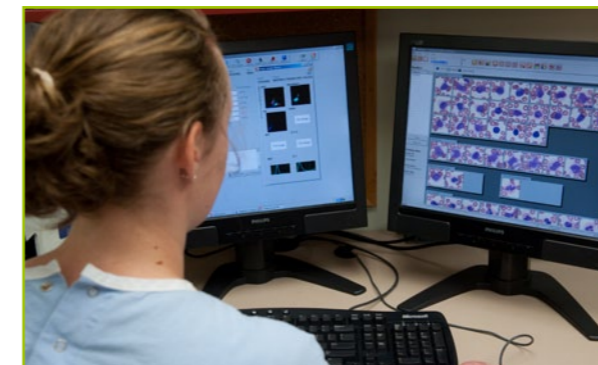
eLab, Aotea's new online, test ordering system was officially launched by the Hon Tony Ryall, the Minister of Health, in September and is now being rolled out across the Wellington region.

Over the past 18 months, Aotea has worked on the development of this new electronic test ordering system, which we believe is one of the most up to date systems in the world.

eLab helps the clinician identify and order the most appropriate tests, enter test requests directly into Aotea's system, and at the same time get information for the patient to ensure they are properly prepared for their specific tests.

When the patient visits the laboratory to provide samples, the electronic order is available immediately, the sample is collected and then processed by Aotea Pathology in their main laboratory. Soon after, the results are sent back to the clinician to inform decision making for ongoing care of their patient. At every step data is safely transferred electronically making the whole process more accurate and more efficient.

The system also fits into the Government's vision where, by 2014, New Zealanders will have a core set of personal health information available electronically to them and their treatment providers, in a standardised dataset that can be used in a range of electronic systems, where-ever you need to access it.



// RADIOLOGY

MEET DR LINDA ASHLEY

A dedication to ensuring the highest standards in obstetric and radiology care is part of a healthcare approach that makes Insight Radiology a leader in its field.

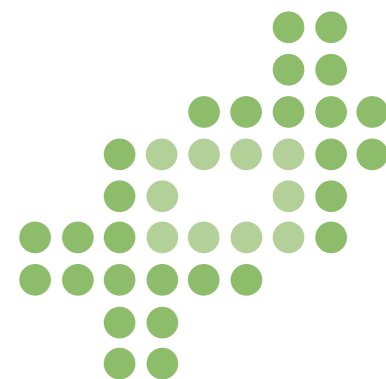
The team at Insight Radiology are an experienced and trusted group of doctors, sonographers and radiologists who specialise in 4D pregnancy imaging, mammography and ultrasound.

Dr Linda Ashley has been working with Insight



Radiology since 2005. Linda trained as a general radiologist in Auckland and has an interest in Mammography, Breast ultrasound and Biopsy and Obstetric and Gynaecological ultrasound.

As well as working at Insight Radiology, she has also been a consultant at Auckland Hospital since 2002. When not working, she is kept busy by her two small children and enjoys sport, music and reading.



Management and Board Update //

// RICHARD KEYS APPOINTED CHIEF OPERATING OFFICER



Richard Keys joined Abano in 2002, and has been the Chief Financial Officer (CFO) since 2004. In 2007, he took on additional responsibilities for the operations of the Group, in addition to his CFO duties. These include overseeing the performance of each of the sector businesses from a Group level, as well as acquisition activity.

This expansion of his role has now been recognised formally by the Board, and his title has been changed to Chief Operating Officer and Chief Financial Officer.

This new Chief Operating Officer title simply reflects the role that Richard has discharged for a number of years in assuming the line authority and responsibility in several negotiations with investors, vendors and Government bodies and with a number of Abano's business CEOs in their interface with Abano.

Richard is a director on all Abano subsidiary boards and attends all Abano Board and strategic planning meetings at the invitation of the Board.

// ABANO BOARD



Trevor Janes has been appointed as chair and Susan Paterson has been appointed as deputy chair of the Abano Board. The appointments are as a result of the decision by Alison Paterson to step down as chair, immediately following the 2011 annual meeting.

Under the company's constitution, Alison Paterson is due to retire next year, at the 2012 annual meeting. She has advised the Board that she will not be seeking re-election at that time. To facilitate an orderly transition, Alison will remain as an independent director on the Board, and chair of the Audit and Risk Assurance Committee until the 2012 annual meeting.

Alison has been a member of the Abano Board since 2002 and chairman since 2006. During this time, the company divested its aged care business and entered into radiology, orthotics, dental and audiology, expanding into Australia with dental and audiology and into South East Asia with audiology.



The company defended two hostile takeover bids and, following the sale of ElderCare in 2005 and Bay Audiology in New Zealand in 2009, it has returned \$66.8 million in capital to shareholders over that time. Abano also won the Top 200 Best Growth Strategy in 2008 and was awarded Company of The Year in 2009, and in 2010, Alison was honoured as chairman of the Year.

The incoming chairman, Trevor Janes, has been a director of Abano since September 2005, has chaired the Audit and Risk Assurance committee since 2006 and has been deputy chairman since 2008. He is an experienced independent director, currently holding a number of other Board positions including independent director of Procure Health Ltd, deputy chairman of Mighty River Power and chairman of the Public Trust.

In addition, Susan Paterson has been appointed as deputy chair. Susan has been a director of Abano since 2005 and is chair of the Remuneration committee. She holds a number of other directorships including Goodman (NZ) Limited, Housing New Zealand and Les Mills New Zealand. She is a member of the Electricity Authority, and Chair of Airways Corporation of NZ Limited and Theta System Ltd.

