

**Media Release**

27 July 2010

**YEAR OF SIGNIFICANCE FOR ABANO HEALTHCARE GROUP****Abano Results Announcement for Year Ended 31 May 2010**

Abano Healthcare Group Limited has today released its audited financial results for the year ended 31 May 2010, reporting revenues of \$178.1 million, an Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) of \$20.2 million and an Operating Net Profit After Tax (NPAT) of \$4.4 million, in line with previous guidance. The future core operating performance will build on these results into the new financial year and into the years ahead from the continuing growth of existing businesses in the Group.

In addition to the Operating NPAT contribution, there was a one off gain of \$77.1 million following the sale of Bay Audiology New Zealand in November 2009, as well as a non-cash write-down of \$4.5 million on the Abano Rehabilitation brain injury business following a deterioration in its financial performance, due to the impact from ACC funding changes. This resulted in a consolidated Group NPAT for the 2010 financial year of \$76.9 million.

A final dividend of 13.7 cents per share will be paid on 17 August 2010, resulting in a total dividend for the 2010 year of 21 cents per share, consistent with the 2009 year dividend. Abano's dividend payout ratio is reviewed each year.

Chair of Abano, Alison Paterson, said: "The 2010 financial year was one of significance for Abano Healthcare Group and the success of our long term Co-Invest and Build strategy became clear with the sale of our New Zealand audiology business for \$157.8 million."

Following the sale of Bay Audiology New Zealand, \$29.5 million was returned to shareholders through a special early interim dividend of 52 cents per share as well as a voluntary 1 for 3 share buy-back and cancellation offer of \$5.93 per share.

Alison Paterson continued: "We have previously advised that we would announce details of an on market share buy-back after our financial year end. We still plan to implement a buy-back programme, but we are aware there is now a growing discussion in financial and media circles surrounding a potential sale of National Hearing Care, in which we hold 13% shareholding on a 50:50 basis with interests associated with Peter Hutson. We believe it is appropriate to defer commencement of any buy-back until there is greater clarity in relation to this matter. We have therefore also suspended the Dividend Reinvestment Plan for the payment of the full year dividend.

"Our ongoing focus is to grow our investment in our three targeted sectors – Audiology in Australia and Asia, Dental in New Zealand and Australia and Radiology in New Zealand – while managing our hold and maintain businesses in Pathology, Brain Injury Rehabilitation and Orthotics.

"Although New Zealand remains our biggest geographical base, Australia and Asia now offer expanded potential and growth opportunities going forward, with revenue sourced from overseas expected to increase to over 35 percent of Abano's total revenue in the 2011 year. Revenue from private and non-New Zealand public funding sources also increased to over 65

percent in 2010, and our strategy of relying less and less on Government, ACC or DHB revenue was upheld by the significant and sudden funding changes made by ACC during the financial year.

"In particular, this affected Abano's Brain Injury Rehabilitation business, where we saw a drop in both the number of referrals and the service levels being approved by ACC. Several rehabilitation providers have gone out of business following these funding changes and Abano's revenue from this sector has dropped significantly. To reflect the resultant drop in earnings, the Board has written down \$4.5 million of goodwill related to this business stream as required under IFRS."

Managing director, Alan Clarke, said: "Abano's Audiology businesses in Asia and Australia, owned through Abano's 50 percent shareholding in Bay International Limited alongside founder Peter Hutson, are still in an early development stage of expansion. At year end, there were 59 permanent stores and visiting clinics throughout Australia and 11 stores across Malaysia, Hong Kong and Singapore. We are looking to continue to grow these existing and new markets largely through greenfield rollouts. Because of this, and the infancy of the businesses, profit contributions will only be apparent in three to five years time.

"Abano's Dental sector continued to expand during 2010 to 50 practices in New Zealand and 26 in Australia at year end, and is producing fast growing and profitable returns. The Dental sector will, therefore, play an increasingly important role in the Abano Group's portfolio in the near to medium term. Since year end, we have acquired a further three practices in Australia.

"We invested significantly in equipment and new facilities for our Radiology businesses in the 2009 year and in 2010 we focused on realising the benefits from this expanded investment and the increased opportunities we see ahead such as the emerging PET/CT technology.

"Our Pathology business income remains steady, but while Aotea Pathology has been providing community pathology services to the Capital and Coast and Hutt Valley regions for nearly 80 years, we are very aware that our current contract ends in fifteen months time in November 2011. We are working closely with the local DHBs and referring clinicians in regards to re-securing the community pathology contract.

"Prior to the recent ACC changes, Abano Rehabilitation developed a new 23-bed residential facility in Hamilton and opened another facility in Henderson, Auckland. We believe this service has a vital and important role to play and we remain optimistic that ACC's support for people with acquired brain injuries will continue. We are also hopeful that ACC contracts will be adjusted over time to provide more sustainable and commercial margins for providers in this service area.

"The Orthotics business continues to provide steady and improving returns, and while there has been some impact from the ACC changes, it has not been as significant as in our other rehabilitation business. We expanded our Orthotics business footprint during the year with the acquisition of Orthotics South Island, which has provided an increase in the scope and reach of the services offered."

Alan Clarke concluded: "The impact and risk of Government/ACC contract funding has been clearly demonstrated in the 2010 year. This reinforces our strategy to de-risk our business over

the last seven years, with New Zealand public funded revenue decreasing from 75 percent in 2003 to under 35 percent in 2010.

"The new financial year will be one of new growth opportunities for Abano as we move ahead with our new organisational structure. We will continue with our proven Co-invest and Build investment model with the clinical founders and leaders of our businesses. The opportunities for profitable investment and growth have increased and our established presence and success to date has seen increasing interest from healthcare professionals and clinical owners in New Zealand and now in Australia and Asia."

Summary of Key Dates:

- Record date for dividend - 10 August 2010
- Payment date of dividend - 17 August 2010

**Ends**

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Abano Healthcare Group is New Zealand's leading listed specialist healthcare investor and operator, with businesses in four sectors – audiology, rehabilitation, diagnostics and dental – with operations across New Zealand, Australia and Asia.

**Existing subsidiaries, jointly controlled entities and associates include:**

Abano Audiology	Bay International	50% owned by Abano
	Bay Audio Pty (Australia)	96% owned by Bay International
	Bay Audiology Hong Kong	100% owned by Bay International
	Bay Audiology Singapore	100% owned by Bay International
	Bay Audiology Malaysia	100% owned by Bay International
	NHC Group Pty Limited	13% owned 50% by Abano
Abano Rehabilitation	Abano Rehabilitation	100% owned by Abano
	Burtons Healthcare (NZ)	
	Health Partners (NZ)	
	Ranworth Healthcare (NZ)	
	Orthotic Centre (NZ)	100% owned by Abano
Abano Diagnostics	Aotea Pathology (Wellington, NZ)	55% owned by Abano
	Ascot Radiology (Auckland, NZ)	73% owned by Abano
	Greenlane Imaging	
	Insight Radiology (NZ)	80% owned by Abano
Abano Dental	Lumino The Dentists (NZ)	100% owned by Abano
	Kidz-Teeth (NZ)	70% owned by Abano
	Dental Partners (Australia)	70% owned by Abano