

ABANO HEALTHCARE GROUP LIMITED  
ANNUAL MEETING 2007



Pakuranga Hunt Room, Ellerslie Convention Centre  
9 November 2007

**CHAIRMAN'S ADDRESS**  
**Alison Paterson**

Welcome

From small beginnings seven years ago, an exciting NZ business story is beginning to emerge.

From our initial operation as a niche aged care provider in 2000, Abano Healthcare Group is now one of New Zealand's leading private investors and operators of healthcare and medical services businesses.

The Group has a portfolio of successful businesses across four healthcare sectors, with over 900 staff providing high quality care and treatment for nearly 4,000 people daily.

Continuing Growth

In the past seven years, revenues have grown by 162% from \$34.1 million in 2001 to \$89.5 million at 31 May this year; and results have reversed from a loss to an operating profit of \$5 million for the 2007 financial year.

The results for the past year were excellent and the benefits of Abano's long term strategy – to invest in successful healthcare and medical businesses with strong private revenue streams – are now beginning to be realised.

Dividend

We were pleased to pay a maiden dividend of 11 cents per share, fully imputed, in August this year. This is in line with the dividend policy to pay out 50% of Group Net Profit After Tax announced in 2006.

The board will continue to review the dividend policy annually to ensure that an attractive dividend return and the use of imputation credits are carefully balanced with the growth opportunities of the company. We have previously stated that the operational cashflows and existing banking facilities are sufficient for the planned capital expenditure and acquisition program.

The continued success and growth of Abano Healthcare Group is due to the hard work, commitment and dedication of all medical and support staff, and particularly to our long

serving senior management team, Alan Clarke, who joined Abano as managing director in 2000, and Richard Keys, our chief financial officer, who was appointed in 2002. Both Alan and Richard have played pivotal roles in developing and implementing the vision for Abano Healthcare Group, and on behalf of the Board, I would like to thank them and all our staff for their outstanding efforts.

### Partnership Philosophy

Our partnership philosophy is an important key to our success.

At Abano, we identify successful businesses where we can enter long-term equity partnerships with the clinical founders who continue to work with us to grow their businesses and create shareholder value.

We also look to introduce new equity partners through recruitment and succession planning to replace retiring equity partners, ensuring seamless management and leadership for continued profitable growth.

Our thanks go to all our clinical partners whose commitment, passion and experience have helped position Abano as a leader in the healthcare sector.

### Growth Strategy

Abano Healthcare Group has successfully transitioned from the ownership and operation of low yielding aged care assets to the ownership of well performing medical and healthcare services companies.

Benefits from this strategy are now becoming evident with the strong performance of Abano's dental, audiology and radiology businesses. The company is now ideally positioned to make further high quality investments, particularly in audiology.

### 2008 Market Guidance

We recently provided guidance to the market for the 2008 financial year.

We expect to see revenues grow by a further 37% to approximately \$122 million, EBITDA up by 55% to between \$21.5 to \$23.0 million and profit growth of 42% to approximately \$7.1 million.

### 2008 Performance YTD

As an update to that forecast, all sectors across the Abano group are currently performing either at or ahead of the forecast.

Fee increases, new ACC and DHB contracts and improved business processes have boosted performance for our Orthotics, Pathology and Rehabilitation businesses.

Benefits from the growth strategy are now becoming evident, with the strong performance of our dental, audiology and radiology businesses. Abano is in a rapid growth phase, with a number of acquisitions and site openings since the beginning of the financial year.

The Lumino dental business has grown from 24 to 31 clinics with seven clinics acquired in recent months and an increasing number of opportunities under review. Each acquisition adds increased earnings to the bottom line with little or no additional overhead management cost.

The Bay Audiology network in NZ has opened or acquired an additional six new clinics in 2008, taking the total network to 44 clinics around the country. In addition, the Bay Audio network in Australia has grown to 15 clinics, with a further acquisition of a four clinic practice currently under contract.

Significant opportunities have also been identified for Bay Audiology in a number of Asian countries with high GDP per capita and limited penetration by other audiology providers. Bay is being encouraged to enter these markets by major international manufacturers of hearing devices which offers a low-risk market entry opportunity.

Radiology also continues to perform strongly with the expanded clinic base now operating across two sites in Greenlane Hospital and Ascot Hospital in Auckland, and progress underway on a third clinic in the new Ascot Central clinical building.

#### Abano Ownership and Shareholder Structure

The recent Partial Takeover offer from Christchurch investor, Masthead Portfolios Limited, who are a 19.9% shareholder in Abano, has increased market awareness of our company and its potential value. This in turn has led to a number of ownership options being considered by the Board.

We have carefully assessed the range of options for ownership and control of Abano that have arisen as a consequence of the Masthead offer. Shareholders will have the following choices:

- Firstly, to continue with the existing successful management and board model and shareholding structure, that is, Don't Sell;
- Secondly, the amended Partial Takeover offer from Masthead, which your directors continue to unanimously recommend that shareholders reject for the same reasons outlined in the Target Company Statement, including the partial nature of the bid and the lack of a premium for relinquishing control in the offer price;
- And finally, possible interest and offers from other third parties. As stated in the Target Company Statement, we received unsolicited approaches from several other parties expressing interest in Abano. We strongly believe shareholders must be free to

consider other advantageous offers and therefore we have permitted qualified parties access to due diligence information for the purpose of formulating alternative proposals.

As previously advised, due diligence is continuing with other parties, and discussions are still progressing. We hope to update shareholders shortly.

### Abano as an Investment

Abano is in a rapid growth phase, and we are committed to keeping the market and investors up to date and informed on our progress and activities.

We provide regular updates to the market on the Group along with financial forecasts. This information is disseminated through the NZX, media, shareholder reports and newsletters, and is summarised on our company website.

The value of Abano has been highlighted in recent weeks and we have been pleased to see the market recognise and respond to this.

As well as independent analyst reports from ABN Amro and Forsyth Barr, which valued Abano shares at \$5.18 and \$5.65 respectively, the Independent Appraisal Report by Ferrier Hodgson identified a similar value range of \$5.00 – \$5.80 for Abano shares with a mid point of \$5.40. As of close of business yesterday, Abano's shares were trading at \$5.00.

The Masthead offer comes at a time when Abano is growing strongly with excellent forward prospects for additional wealth creation. We believe that the benefits of the current strategy are just starting to emerge and higher values than indicated in the Ferrier Hodgson range will be achievable if the company is successful in implementing its strategic plans and capitalising on the market opportunities we have identified.

The Independent Appraisal report confirms that Abano is an above average medium to long term investment and we endorse this view.

### The Future

We were also pleased to see the Independent Adviser share its view that Abano "is poised for continued significant growth".

It is important that shareholders appreciate Abano is in the early stage of a significant growth phase and that benefits of the reinvestment of proceeds from the sale of ElderCare business into the four Abano business platforms – Audiology, Dental, Diagnostics and Rehabilitation – is only now beginning to produce the types of returns anticipated.

As the intrinsic demand for healthcare continues to increase, so do the opportunities in the private healthcare market. We are well positioned to take advantage of this increased demand

and expect to see shareholder returns continue to increase as we grow through expansion and acquisition.

I will open the meeting for discussion and take any questions from shareholders following the managing director's presentation and ask that you keep any questions to that time.

Thank you.