ABANO HEALTHCARE GROUP LIMITED
ANNUAL MEETING 2007

Pakuranga Hunt Room, Ellerslie Convention Centre
9 November 2007

MANAGING DIRECTOR PRESENTATION
Alan Clarke

Operational Performance

As you have heard, the 2007 year produced record results for Abano.

We posted a bottom line operating profit of $5 million, with EBITDA of $13.9 million on revenues of $89.5 million, and have a market capitalisation of over $105 million.

As Alison has already mentioned, we expect to see ongoing improvements of all key financial parameters in the 2008 financial year and beyond, as we continue to drive growth, improve margins and enhance the performance of our businesses.

The highlights from 2007 include:

- The acquisition of six new clinics for Lumino Dental, and the appointment of Andy Tapper as General Manager for the dental business;
- The continued expansion of the Bay Audiology network with eight new or expanded clinics in NZ and entry into the Australian market;
- The establishment of Aotea Pathology, a joint venture with Sonic Healthcare, in which Abano holds 55%; and the subsequent award and commencement of the $102 million five-year community pathology contract for Wellington, Hutt Valley and Kapiti Coast;
- Acquisition of the remaining 30% of Orthotic Centre NZ, taking ownership to 100%; and
- Acquisition of 80% of Greenlane Imaging, and the exercise of the option to acquire a further 40% of Ascot Radiology, taking total ownership of Ascot to 80%. We also invested in a $1.4 million 64-slice CT scanner for Ascot Radiology, and established a joint venture with leading cardiologists to utilise this technology.

So, a productive and busy year.

Moving Forward

Pleasingly, this growth has continued and the 2008 financial year has started strongly.

All businesses have demonstrated good performance with all divisions on or ahead of forecast expectations.

Bay Audiology

Bay Audiology was acquired by Abano in October 2005, and is owned in partnership with the founding clinicians, with Abano holding 70% and the remaining interest subject to Put/Call options. It is the only national provider of audiology services in New Zealand and is now internationally recognised as a leading clinical audiology group. The Bay network has expanded from 29 to 59 clinics in New Zealand and Australian since Abano's investment.
In the 2008 financial year, we have so far added four new clinics to the network, with two new clinics opened in Orewa and Napier, and a third site in Rangiora transitioning from visiting to a full time clinic. In addition, Advanced Hearing Systems in Invercargill was acquired in August 2007. We have a further two clinics due to open by January next year – one, a new Greenfield site, and the second, a visiting clinic transitioning to fulltime.

The earnings margin for the audiology business is expected to increase as Bay reaps efficiency gains from its increased size scale and the benefits from a new IT system due to be implemented in the current financial year.

<u>Bay Audio</u>

Earlier this year, we entered the audiology market in Australia with the acquisition of four clinics. That network has since expanded to 15 clinics in the Queensland area, with the acquisition of an additional four clinic practice currently under contract.

Our Australian strategy is to establish a critical mass of profitable clinics in Queensland, through both acquisition as well as the setting up of new clinics. This approach, together with setting up the infrastructure to support the brand for expansion across other Australian states, is a low-risk and low-cost strategy. We have invested in infrastructure and a marketing campaign, resulting in one off investment costs and our investment into Australia to date amounts to approximately $2 to $3 million.

The audiology group business is impressive. It is very well run by professionals who have significant experience in the profession, industry and in international markets. In particular, we have a depth of operational experience in the Australian market, through our senior Australian audiologists as well as Bay's executive chairman, Peter Hutson who lived, practiced and owned audiology clinics in Australia in the early 1990's.

<u>Audiology Asia</u>

We also believe significant opportunities exist for Bay Audiology beyond Australia and we are currently investigating opportunities in a number of Asian countries. These countries have a high GDP per capita, in most cases well above New Zealand, with prosperous societies and growing annual household incomes.

Most countries, including Asia, have a one in six proportion of people with hearing difficulties. In New Zealand and Australian, 25% to 30% of these people are being treated for hearing loss. However, in Asia, this treatment rate is in the low single digits.

With limited existing providers and large populations, we believe this represents a significant market opportunity for the professional delivery of audiology services.

We are being encouraged to enter these markets by major international manufacturers of hearing devices who see advantages in partnering with retail specialists such as Bay. These partnerships have the potential to significantly mitigate our risks in entering these markets. Conversely, the potential in these markets, now and over time, is huge.

Dental

Our first dental acquisition was in October 2002, with the 100% acquisition of the 11 practices in the Geddes dental network. The Lumino Care Dental brand has since been introduced and Lumino is now New Zealand's largest private dental network with clinics from Whangarei to Dunedin.

The brand is supported by appropriate marketing and business support which aims to make Lumino a household name and the first choice for dental care in New Zealand.

The network has grown strongly, particularly in the last two years. Historically, we have acquired six dental practices per year and were expecting this to increase to between 8 and 10 practices in 2008. However, based on our acquisition rate in the first half of the financial year, we now believe we will exceed this target.

We have already acquired seven new practices in the first five months of the current financial year, including practices in the Auckland CBD, Auckland's North Shore, Hamilton, Masterton, Wellington and Oamaru. This now takes the network to 31 clinics around New Zealand, and we have a number of further opportunities under review.

This business is now starting to realise the benefits of economies of scale, which is at the core of this sector's business model. Acquisitions are providing an average EBITDA to revenue contribution of over 20% and this is a key driver in increasing the consolidated earnings margin of the Abano Dental sector. We believe this sector has an exciting future as it continues to grow and realise its potential adding to shareholder wealth.

Radiology

Abano acquired 40% of Ascot Radiology in February 2005, with a further 40% acquired in June this year. Eighty percent of Greenlane Imaging was acquired in February 2007 and this business now operates as a subsidiary of Ascot Radiology. The remaining 20% in each business is held by the founding clinicians.

Abano is about to sell down its holding to approximately 75%, with several new radiologists to be introduced to the equity partnership in coming months.

Radiology continues to perform strongly with our expanded clinic base across two sites in Greenlane and Ascot Hospital in Auckland.

Plans are being progressed for a third clinic in the new Ascot Central clinical building which is currently under construction and due to open in April 2008. This will involve Ascot Radiology installing a second MRI along with advanced digital mammography and plain film modalities on the new site. This new clinic will be immediately adjacent to Breast Associates, a specialist breast surgical partnership, who plan to relocate to the new clinic building in early 2008.

The radiology sector is predominantly privately funded and Ascot receives the majority of its clients through specialist referrals. There is no significant corporate ownership in the radiology sector in New Zealand, and we believe the opportunity exists for Abano to build on its existing footprint. A number of other acquisitions are being investigated throughout New Zealand.

We are projecting strong growth for the radiology business over the next five years and expect radiology revenue to double, with an earnings growth of an average 20% per annum over the same period.

<u>Orthotics</u>

Seventy percent of Orthotics Centre was acquired in October 2005, with the remaining 30% acquired in October 2006. The sector has a hold and maintain strategy in place as we work to improve the operating margin.

Currently, the sector is primarily funded by DHB contracts and the Orthotics business has recently signed a new contract with the Waikato District Health Board, providing increased fees and contract security.

There is a growing private market for both retail customers as well as other clinical providers, and we remain focused on increasing private revenue and improving margins to provide a more profitable service.

<u>Rehabilitation</u>

Our Brain Injury Rehabilitation sector, which has a hold and maintain strategy in place due to its reliance on publicly funded contracts, is performing well.

The initial Rehabilitation business was bought in June 2000, with another two brands added in July 2003.

The business is predominantly funded by ACC, and Abano Rehabilitation is the dominant service provider in its field. Performance suffered in the past few years, due to significant contract restructuring by ACC since 2004.

Pleasingly, however, we have seen a turn around in recent months, with fee increases, a rise in bed numbers and an internal restructure resulting in the Rehabilitation business trading above expectations.

<u>Pathology</u>

Pathology also has a hold and maintain strategy in place. Abano acquired 100% of the Nelson and Wellington diagnostics businesses in February 2002. Following significant contract changes in 2006, Abano sold Nelson Diagnostics and entered into a new joint venture with Sonic Healthcare in Wellington, called Aotea Pathology. Abano owns 55% of Aotea Pathology, with Sonic owning 45%.

Aotea Pathology won the regional public contract for Wellington, Kapiti Coast and Hutt Valley and commenced operations in November 2006, under a five year fixed price $102 million DHB contract.

Under the DHB contract, Aotea is now also able to charge for privately referred specialist tests, which were historically covered under the public contract. Private revenues from this and increased commercial testing revenues are expected to grow over the next three years and initial indications are that these will contribute a minimum of further $15 to $20 million over the next four years of the DHB contract.

A complete refurbishment of the old Medlab laboratory is currently being completed and it now has state of the art analysers and equipment. This has already dramatically increased efficiency and improved the operating performance above expectations.

<u>Revenue Progress</u>

All businesses provided record operating performances in the 2007 year and have made excellent progress into the new financial year as the benefits from our growth strategy continues to reap rewards.

Since 2001, total revenue has grown from $34.1 million to a projected $122 million for 2008, with an average annual growth rate of over 20%.

The flat period in 2005 and 2006 reflects the transition and sale period of our Aged Care business Eldercare, with the 2007 revenues showing the full period impact of our new business footprint for the first time. Our 2008 revenue performance to date, confirms that this growth is continuing.

<u>Revenue Mix by sector</u>

In 2000, Abano received 100 percent of its revenue from the Aged Care business. Now, eight years later, we have a diverse revenue mix from a selection of targeted healthcare and medical services sectors, with Audiology, Dental and Diagnostics currently providing the strongest revenue and income streams.

Revenue Source

In line with our strategy to focus on the private healthcare market, we continue to see increased revenue from private payment and a reduction in the Group's reliance on income from publicly funded contracts.

In 2001, we received only 25% of the Group's income from private payment. However, in 2007 as you can see by the red area, this had increased to 45% and we expect to see a continued move towards privately generated revenue as our business evolves.

EBITDA Progress

Fundamentally, our earnings at cash flow and at after tax have improved at a faster rate than revenue growth.

In 2001, we had an operating EBITDA of $4.5 million which generated an operational net loss after tax of over $8 million with over $37 million in bank debt.

Today we have a forecast EBITDA to May 2008 of over $22 million with a forecast NPAT of over $7 million and with $26 million in bank debt.

NPAT Progress

Our NPAT grows correspondingly, and is projected to increase from the loss of $8.2 million in 2001 to between $6.8 and $7.5 million for the 2008 financial year.

Return on Invested Capital at EBITDA

The core benefit to shareholders of the change in our business focus is the improved return on invested capital and hence, on shareholder funds.

The dominant Aged Care sector with its very capital intensive land and specialist building needs generated low margins and had a high dependency on Government funding. It provided a Group return on invested capital of less than 7% per annum.

The move to our new business portfolio has resulted in a forecast Group return on invested capital of more than 17% per annum, which is expected to continue to improve in future years.

Abano: The continued growth of a New Zealand success story

Your company, Abano, is a well managed, well positioned, growing, profitable business, positioned in the private healthcare market and now emerging as an attractive and growing NZX listed company.

We have identified significant opportunities in the Asia/Pacific region and are using our proven business model and management experience to now grow our business into these new markets.

With our record of profitable growth, an established annual dividend programme and a focused and motivated team, your company is well placed for the future.

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Thank you.