

ANNUAL MEETING

CHAIRMAN'S ADDRESS: ALISON PATERSON
8 OCTOBER 2009

Welcome

Ladies and Gentlemen.

Welcome to the Abano Healthcare Group annual meeting of shareholders. My name is Alison Paterson and I am an independent director and the chairman of the Abano board.

As a quorum is present, I am pleased to declare open the 2009 annual meeting of shareholders. On behalf of the board, I would like to welcome you all here today.

Every year, we take the opportunity to exhibit the different businesses in the Abano portfolio, and, if you have not done so already, I would encourage you to walk around afterwards and talk to some of the people who work within those businesses who are here today.

Directors

I would like to now introduce you to your directors:

Seated to my far left is Danny Chan, an independent director who joined the board in December last year. He is a member of the audit committee.

Beside Danny is Susan Paterson. Susan is also an independent director and has been a member of the board since 2005. She is the chair of the remuneration committee.

Next is Phil Newland, who alongside Alan Clarke, is our longest standing board director. Phil has been a member of the Abano board since October 2001 and is an independent director. He is a member of the remuneration committee.

Finally, next to me on my left, is Trevor Janes. Trevor is an independent director and deputy chairman. He is chairman of the audit committee.

Alan Clarke is the managing director of Abano, but has offered his apologies for today for reasons he will explain. Thanks to modern day technology, we will have Alan joining us today by video conference.

Peter Hutson also sends his apologies. Unfortunately he is not well and has been at home with the flu all week.

Susan Paterson and I are both up for re-election at today's meeting and you will also be asked to vote on Danny's election to the board. You will have the chance to hear from each of us later in the meeting.

Senior Management

I would also like to welcome members of our senior management team and I will ask them to stand as they are introduced. From our corporate team, Richard Keys, the company's chief financial officer, and Brendan O'Sullivan, group financial controller.

From our sectors, the following senior executives are present:

- Andy Tapper, Abano Dental in NZ
- Michelle Lawson, Bay Audiology NZ
- Con Balasoglou, Orthotic Centre
- And Robin Cooper, Abano Rehabilitation

Dr Karen Wood, CEO of Aotea Pathology, Dr David Rogers and Dr Richard Davies of our radiology sector and Mike Timoney of Dental Australia send their apologies.

To you and other staff in attendance, welcome.

I also welcome representatives from PricewaterhouseCoopers, Buddle Findlay and Harnos Horton Lusk, who all provide valuable services to Abano.

Meeting Structure and Agenda

Today, as well as the formal part of the business, we are to discuss the offer to sell our New Zealand audiology operations, and the future direction of our company.

Firstly, we will look at our financial performance for the past 12 months and then move onto the audiology offer and other corporate events which have been announced since year end.

Then I will outline our future strategic direction and our outlook for the financial performance for the current financial year.

Alan Clarke's address will provide further details on our operations and our strategy for continuing the successful growth and performance of Abano Healthcare Group.

Following these presentations, we will open the meeting for discussions about the annual report, and any other questions you may have.

We will then move to the resolutions which are to be put before shareholders. Before voting on each resolution, you will have the opportunity to ask any questions with respect to that resolution.

Following the close of the meeting, I invite you all to stay and share some light refreshments with the management team and your board.

The notice of meeting, 2009 annual report and 2009 audited financial statements have been circulated to all shareholders and I propose we take them as read.

Chairman's Address

On behalf of the board of directors, I am pleased to report on what has been another year of continued financial and operational success for Abano.

To date, Abano has provided an eight year trend of strong year on year business growth with improving profitability. Our performance over this time has been achieved through our proven long term Co-Invest and Build strategy, where we concentrate our efforts into carefully selected healthcare sectors which are predominately privately funded and offer attractive returns and significant future growth potential.

I want to take this opportunity to thank shareholders for their continued support for our long term strategy which resulted in the 2009 year being our biggest yet, with numerous acquisitions and greenfield site openings in our dental and audiology businesses in New Zealand and Australia and our entry and expansion into the Asian audiology market.

Regions of Business

As at 31 May 2009, Abano had 10 businesses operating 15 brands, with more than 200 permanent and part-time clinics, practices, laboratories and offices located across New Zealand, Australia and Asia.

We operated in four healthcare sectors.

- Audiology, in New Zealand, Australia and now South East Asia
- Dental, in New Zealand and Australia
- Diagnostics, through Radiology in Auckland and through Pathology in Wellington
- And finally Rehabilitation, through our Brian Injury Rehab Group in the north island and our Orthotics Group in Auckland, Hamilton and Wellington.

Our model is, and remains, to identify healthcare businesses that are well run in markets that we believe have significant potential and where we can add value.

Alongside the clinical partners, Abano invests time, knowledge and money, unlocking the potential of each business and building its value. Core to Abano's strategy is assisting and growing these businesses and investing in add-on acquisitions and organic growth.

Continuing Growth - NPAT

In the 2009 financial year, Abano produced another record performance, with our results at the top end of the updated guidance we provided to the market.

All sectors contributed positive operating profits for the financial year to 31 May 2009, leading to a record Net Profit After Tax of \$9.7 million, an increase of 24 percent on the previous year.

Continuing Growth - Revenue

The record profit was driven by continued demand across all four healthcare sectors, as well as from growing contributions from several new acquisitions, leading to a 51 percent year on year increase in revenues to \$187.2 million.

Continuing Growth - EBITDA

A record Earnings Before Interest, Tax, Depreciation and Amortisation of \$31.5 million was also achieved, up 35 percent year on year. This is of particular note as the operating profit included all the initial start up costs of several new significant initiatives undertaken during the financial year in Audiology, Dental and Radiology.

Continuing Growth - Group EBITDA Return on Invested Capital

Return on Invested Capital at EBITDA was maintained at a similar level to last year, at 17.3 percent, despite significant investment in acquisitions, Greenfield developments and other initiatives where the full benefits will not be realised until the 2010 financial year and beyond. This is from an initial ROIC on EBITDA of less than 5 percent in 2000 when we were purely an aged care provider.

Continuing Growth - Earnings Per Share

Earnings per share have grown from 3.7 cents per share in 2005 to 42.1 cents per share in 2009.

Continuing Growth - Capital Expenditure

The company continues to effectively monitor capital requirements. Capital expenditure in 2009 was \$77.5 million.

Our debt levels increased in 2009 as we continued to grow our businesses through acquisition and Greenfield development. Net bank debt grew to \$82.2 million as at 31 May 2009, generating a debt to debt+equity ratio of 64.1 percent.

Abano banks with ASB Bank in New Zealand and CBA in Australia and has confirmed debt facilities with both these banks equivalent to approximately NZ\$130 million with maturity terms between 2011 and 2013. The separate A\$25 million facility with CBA in Australia is ring-fenced as a dedicated facility to fund the acquisition of dental practices for our Australian dental business, Dental Partners.

Our People

The 2009 record performance is testament to the hard work, dedication and expertise of all the wonderful management, clinicians and support staff who work for Abano and its businesses. Our staff of over 1,300 people, are and always will be the backbone of our company, and on behalf of the board, I would like to thank each and every one of them for the important role they have in the continued success of our company.

Dividend

Our dividend policy is to pay out 50 percent of Group Net Profit After Tax.

For the 2009 financial year, the Board was pleased to declare a final dividend of 12 cents, taking the full amount of dividends for the financial year to 21 cents. This represents a 17 percent increase in total dividends over the previous year.

We will continue to review our dividend policy annually to ensure the dividend return and use of imputation credits are carefully balanced with the continued growth opportunities ahead for our company.

We are also pleased to have introduced a Dividend Reinvestment Plan this year which will provide shareholders with the opportunity to reinvest dividends back into the company. This Plan has been sent to all shareholders, and will apply to the upcoming special early interim dividend, with final details of the dividend to be advised to shareholders in early November.

Share Price Performance

We are pleased to note our shares have outperformed the NZX All's over one year...
...and for the last six months.

Share Price Return on Investment

A \$1,000 investment in Abano shares made at the end of May 2006 was worth \$5,050 at the end of May 2009, and those shares have received \$380 in imputed dividends over that time.

The Offer to Acquire Bay Audiology NZ

As most of you will be aware, we have received an offer from National Hearing Care, a business associated with Crescent Capital Partners, to sell our New Zealand audiology operations.

Bay Audiology - Under Offer

Abano invested in Bay Audiology Limited in October 2005, in partnership with the founders of the business, including Peter Hutson. Since this time, Bay Audiology in New Zealand has grown to 64 clinics nationwide, with revenues increasing by approximately 30 percent on average per annum.

We acknowledge the significant input our partners, Peter Hutson, Anya Hutson and Scott Wright have had into the growth of this business.

Bay Audiology

The New Zealand network covers the breadth of the country, with clinics in all major centres and towns. Although good growth is still achievable through the establishment of permanent and satellite clinics and growing demand for services from existing clinics, it is expected to be at a slower rate than the previous four years.

The Offer

We believe the offer of \$157.8 million represents excellent value for shareholders.

The original approach from Crescent was with regard to all of Abano's audiology businesses. However, as we see significant further potential in Australia and Asia, Crescent agreed to the offer being for the New Zealand audiology operations only.

If the transaction is approved by shareholders:

- It will realise a consideration at the top end of a fair market value;
- It will generate a capital profit of over \$70 million for Abano;
- We will be able to retire debt and as a result, we will have a very strong balance sheet going forward;
- It will allow us to make a capital return of approximately \$53 million to shareholders;
- And it will still leave Abano shareholders with a very strong portfolio of healthcare businesses across New Zealand, Australia and South East Asia.

The opportunity to sell the New Zealand operations but retain ownership of our international audiology businesses in Australia and Asia offers attractive future investment potential, in markets that are many times larger than New Zealand.

The Offer - National Hearing Care

The offer is through National Hearing Care, a business associated with private equity fund manager, Crescent Capital Partners. National Hearing Care is an audiology provider in Australasia with 82 clinics in Australia and 11 in New Zealand. The investment in Bay Audiology will allow National Hearing Care and Bay Audiology an opportunity to realise efficiencies and compete more effectively in the region.

Abano and interests associated with Peter Hutson have been offered the option to take up to NZ\$30 million of equity in the new combined Bay Audiology New Zealand and National Hearing Care entity. If this option is exercised, the resulting investment will be held on a 50:50 basis.

The exercise date is the end of next week and at this stage, while viewing this option favourably, the board is waiting for further information from National Hearing Care in regards to the price and size of the shareholding. We expect to be able to make a final decision by next week.

Proposed Use of Proceeds

Abano's intention is to use the cash proceeds of approximately \$118 million as follows:

- A capital return to shareholders of approximately \$53 million through a special early interim dividend payment and through a voluntary pro rata share buyback and cancellation, planned to occur before the end of December 2009 ;
- We would retire approximately \$60 million of current NZ bank debt;
- We would make a short term vendor loan of \$14 million, which accrues interest and will be repaid by May 2010.
- We would also increase our equity in Dental Partners with our Australian partners and continue to grow this business as well as the NZ dental business.
- Lastly, Peter Hutson and our existing audiology partners, will inject \$11 million in cash to recapitalise Bay International and we will form a 50:50 joint venture with them to continue growing our audiology operations in Australia and Asia.

The transaction will leave Abano with significant reserve capacity to raise new debt investment capital going forward, and allow us to take advantage of existing and potential areas for growth.

Approval of the Resolution

An independent report supporting the resolution has been prepared by KordaMentha and circulated to all shareholders. KordaMentha has determined that the price offered is fair, and is in fact a good price in light of the current economic climate, and the lower growth and higher risks to which Bay New Zealand is likely to be exposed in the future.

We are also pleased to confirm that the Accident Compensation Corporation has consented to the change in control of Bay New Zealand, satisfying a condition of the sale and purchase agreement.

The Abano board recommends the transaction and the matter will be before shareholders for approval later in this meeting.

On behalf of the board, I would like to make special thanks to the team involved in the negotiations, particularly directors Trevor Janes and Phil Newland, Richard Keys, our CFO, and Andrew Harnos and Kate Helem from Horton Harnos Lusk. The negotiations have taken up a significant amount of time, beyond normal expectations and I would like to thank all involved for their considerable efforts and time commitment.

The Future

The future of our company looks very exciting. Looking forward, Abano is well positioned to maximise value from existing businesses and pursue value adding opportunities to enhance shareholder wealth.

We have established and proven partners and partnerships that work, and our partnership philosophy remains an important element in the success of our business and an essential ingredient in our growth strategy.

We will continue to co-invest in partnerships with the high quality clinical founders of successful businesses and then will work with them to generate additional shareholder value.

We have a very good understanding of the potential of the healthcare industry and very good market knowledge.

Moving forward, we will have a portfolio of strong businesses with significant opportunities in markets that offer great potential.

We have a strong strategic plan for the future, proven management personnel and a track record of year on year growth and meeting our guidance.

The 2010 year will be one of continuing achievement for Abano, particularly for our dental businesses on both sides of the Tasman, our audiology networks in Australia and Asia and our radiology operations in New Zealand.

We will continue to implement our proven and successful Co-Invest and Build strategy with our clinical partners while keeping a careful eye on the global economy.

Current Performance

This has been a year of unprecedented economic turbulence, as well as change for Abano. Although healthcare is reasonably insulated from economic conditions, Abano has seen some impact from the slow down in the world economy.

Additionally, there will now be increased investment into the accelerated growth of Abano's businesses, particularly in dental and new greenfield sites for audiology. The full financial benefit of this investment will not be realised until the 2011 financial year.

Market Guidance

Four months into the current financial year, the board confirms its expectations that, following the sale of Bay New Zealand, Abano will achieve revenues of over \$150 million and an EBITDA of over \$20 million for the 2010 financial year. As with previous years, we will provide a further update on full year guidance following the Christmas and New Year holiday trading season.

For the six months ending 30 November 2009, we expect revenues in the range of \$101 to \$103 million, EBITDA of \$13 to \$14 million and a Net Operating Profit After Tax of \$3.1 to \$3.7 million. This guidance includes a five month contribution from Bay Audiology in New Zealand, and reflects one month of 50 percent of the equity accounted results from Bay International.

In addition, there will be a one off gain on sale of over \$70 million. This gain takes into account all costs associated with the transaction, including closing out a portion of the existing debt facility and interest rate hedges to reflect the significantly lower debt across the Group.

I would now like to move onto Alan Clarke's presentation, which will provide you with further detail on the operational performance of our businesses and our strategic plan for the future.

Thank you.