

ANNUAL MEETING 2008

CHAIRMAN'S ADDRESS

Alison Paterson

Our Business

Abano Healthcare continues to grow and we are now entering one of the most exciting times in our company's evolution.

Our model remains the same. We continue to focus, as we always have, on identifying successful healthcare and clinical services businesses with strong private revenue streams, where we can add value, partner and co-invest with the clinical teams and provide them with support to grow and reach their potential.

Continuing Growth

From a niche aged care provider in 2000 with under \$18 million in revenue, Abano now has multiple businesses in four different healthcare sectors across New Zealand, Australia and, as we are announcing today, Asia.

We have over 1,300 employees, annualised revenues of over \$180 million and a potential which is limited only by the extent to which shareholders support our strategy.

2008 was our biggest year of growth yet, with numerous acquisitions in our dental and audiology businesses and continued expansion into the Australian market, with the outcome that we achieved a record financial performance.

Corporate Activity

This result was produced during a period that saw shareholders receiving takeover offers from two different parties.

Directors advised shareholders to reject both offers on the basis that they fell below or at the lower end of the independent adviser's value range, and that shareholders were only now starting to reap the benefits of Abano's growth model and co-investment strategy.

This activity consumed an extraordinary amount of board and senior management time, well beyond normal expectations. I would like to recognise the efforts of our senior management team, led by Alan Clarke and in particular, Richard Keys, our chief financial officer, for his considerable and valuable efforts and extensive time commitment.

From our board I would like to thank, Trevor Janes, our deputy chair and Phil Newland, who with me constituted our negotiating committee. Their particular skills, and the considerable time and effort involved were invaluable in this situation.

The board endeavoured to conduct a best practice process to the takeover bids, with our responsibility to shareholders as our sole focus at all times.

Share Price Performance

There were a number of announcements from the board with respect to this activity, our forecast financial performance and our share price valuation guidance.

The outcome is that we met our forecast financial performance and our share price did indeed track as expected. Post the takeover activity, our share price rose to \$5.41, above both takeover offers.

The subsequent worldwide economic down turn has seen our share price fall from that high point, but we are pleased to say that it has held up well and that we have continued to outperform all of the NZX indices for 6, 12 and 24 month periods.

However, we are currently in the middle of an unprecedented world wide economic recession and whilst the healthcare industry is relatively protected, we are acutely aware that not all healthcare expenditure is completely discretionary.

Dividend

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

In 2008, we paid a delayed interim dividend of 13 cents per share from the earnings of the first nine months of the year. Unfortunately, one of the bidding parties did not allow an interim dividend to be declared and paid on its original date. As a consequence, imputation credits of almost \$3 million were lost to our shareholders.

The Abano board then declared and paid a fully imputed final dividend of 5 cents per share. This took the total dividend for the 2008 year to 18 cents per share, which at the current share price of \$4.45 provided a gross dividend yield of 6%.

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

Our Strategy

Similar to the rest of the world, New Zealand has an ageing population and demand for healthcare and medical services continues to outstrip the Government's funding ability. Increasingly, payment is being made privately or through private medical insurance.

Since 2000, Abano has transitioned from an aged care investor and operator with low yielding assets to our current ownership of multiple well performing medical and healthcare service businesses.

We are also no longer just a New Zealand company; we have spread our investment model to include two profitable and expanding business networks in Australia and I am delighted to announce today that we will soon be entering selected Asian markets with audiology services.

That entry will initially be into Singapore and Hong Kong. This initiative will be facilitated through a world wide partnership agreement with the Siemens Hearing Instrument Group and has been under investigation for over two years. We are delighted at the support and interest we have received from all levels in the Siemens world-wide group.

Trevor Janes and I had the pleasure of meeting the Siemens Hearing Group's chief executive and his senior management team.

Our management team, of Alan Clarke, Peter Hutson and Richard Keys have finalised the arrangements for our initial entry into these markets in the coming weeks, and Alan will review this exciting new initiative with you in his presentation.

Going forward, Abano will continue to grow. This will be achieved through both acquisition and the opening of Greenfield sites in audiology and acquisitions in our dental and radiology businesses.

We have robust and detailed investment criteria against which all potential acquisitions or Greenfield developments are tested.

While there are many opportunities across a range of healthcare and medical sectors, we select our investment areas carefully and will continue to concentrate on our proven and successful investments, particularly in:

- Audiology in New Zealand, Australia and now Asia;
- Dental in New Zealand and Australia; and
- Radiology in New Zealand.

Our partnership philosophy is a key ingredient in our success. When investing in new businesses, we look to enter into long term equity partnerships with the clinical founders who continue to work with us to grow these businesses and create shareholder value.

We are also committed to introduce new clinical equity partners through recruitment and succession planning to replace retiring partners, thus ensuring seamless management and leadership for continued profitable growth in the years ahead.

Market Guidance Twelve Months

We are pleased with the progress made in the financial year in review and the improved operating profit performances in all companies.

The extent of the current economic downturn is unprecedented and it represents a material risk factor for all New Zealand businesses.

Because of its nature, healthcare is reasonably protected from economic conditions; however, there are some areas of private healthcare discretionary spending which will be affected.

Counter intuitively, Abano's retention of some long term public healthcare contracts, across a number of our businesses, will in fact help insulate us against reduced client or patient spending in coming months.

With almost six months having been completed in the current financial year, all businesses are making good progress on last year. Some planned and originally forecast acquisitions have taken longer than expected to settle; however, we have made good progress in other business areas and acquisitions.

The contribution of several investments announced in recent months will only impact in the second half and indeed some will not be fully evident until the 2010 financial year. All acquisitions made are earnings per share accretive with returns above our Weighted Average Cost of Capital.

Based on our current underlying performance, combined with these new investments and with a weather eye on the extraordinary economic times, the directors' expectation is that the company will achieve:

- Revenues of between \$170 to \$180 million;
- An EBITDA of \$28.0 to \$32.0 million; and
- A Net Profit After Tax of \$10.0 to \$11.0 million for the financial year ended 31 May 2009.

While this is consistent with our previous guidance, we are very aware of New Zealand's rapidly changing economy and the effect this may have on our clients, in areas where there is a higher value, more discretionary healthcare spend. They may now elect to delay their healthcare decisions or opt for a lower value solution.

Therefore we need to see how the next few months track to provide a greater level of certainty to the ranges indicated.

Market Guidance Six Months

For the six months ending on 30 November 2008, we expect revenues to be in the range of \$85.0 to \$86.0 million; EBITDA of \$14.1 to \$14.5 million; and Net Profit After Tax of \$4.0 to \$4.3 million.

This compares with revenues of \$59.6 million and EBITDA of \$11.0 million and a Net Profit After Tax of \$3.8 million for the same six month period last year.

The Future

Going into 2009, Abano is in a continuing growth phase establishing and expanding businesses in four countries in the Asia Pacific region. With each new investment, we increase our earnings with little or no additional overhead management cost, thus adding to our bottom line.

Your board is acutely aware of the impact on financing growth in the current economic climate. Our balance sheet funding remains strong with secured debt lines with ASB in New Zealand and CBA in Australia for long term facilities.

While we have sufficient funding and facilities in place to meet our immediate strategic growth objectives, we will be reviewing our debt equity ratios going forward to ensure we maintain a prudent ratio of borrowings.

We will keep you informed of our progress and expect to see our established record of profitable growth and improving shareholder returns continue.

I will now ask our managing director, Alan Clarke, to talk further about our activity in 2008 and the opportunities we have for 2009.

Thank you.