

2017 HALF YEAR REVIEW SUMMARY



17 February 2017

Dear Shareholder

The Abano half year report for the six months to 30 November 2016 has now been released and can be viewed on our website at www.abano.co.nz/reports.

We were pleased to deliver a record performance in the first half, with growth from our dental and radiology businesses delivering a strong result ahead of guidance and well above the previous first half year period for FY16 (HY16).

STRONG GROWTH IN DENTAL IS DRIVING RECORD RESULTS. Our trans-Tasman dental group continues to grow in size and scale and, following period end, we celebrated exceeding our 200 practices milestone, with 108 practices across New Zealand and 94 in Australia as at the end of January 2017. We have a strong pipeline of potential acquisitions and we expect our dental growth trajectory to continue through the second half of the financial year. Our acquisition strategy will continue to provide additional operational and scale benefits for the dental group as we expand.

ASCOT RADIOLOGY DELIVERED AN UPLIFT IN THE FIRST HALF YEAR. Ascot Radiology delivered improving revenue and EBITDA for the half year period, with continuing growth in demand for its high end scanning services, including PET CT and digital tomosynthesis mammography. The business is benefitting from investment made into new services in the past two years, as well as an improved customer call centre and upgrades at its Greenlane clinics.

PARTIAL TAKEOVER. The partial takeover bid from Healthcare Partners Holdings Limited continues to gain no traction, with their public disclosures showing just 1.02% of Abano's shares have been tendered into the offer since it opened over two months ago. The Abano Board continues to recommend that you reject the the partial takeover offer which was increased by 16 cents per share (1.6%) on 16 February 2017. In summary, the main reason for the Board's recommendation is that the price is too low, given that it is a partial offer for only some of your shares, and the Board believes that it is highly likely you will be left with the majority of your shares should the offer be successful.

OUTLOOK. Abano's positive growth has continued into the second half of the year with a December 2016 result above expectations. We expect to deliver full year financial results in line with the FY17 financial forecasts detailed in the Grant Samuel Independent Adviser's report.

The dental sector remains our primary focus and we have a well-established and growing presence in the dental market, with our trans-Tasman dental group currently generating gross annualised revenue of approximately \$265 million.

We expect to continue growing our Underlying Earnings Per Share, with a growth rate in excess of 15% per annum over the near term.

Abano has a well planned and communicated strategy; knowledgeable clinical and management teams leading our businesses; a track record of increasing shareholder value; and oversight from an experienced Board comprised wholly of Independent Directors.

In line with our clearly communicated strategy, we are continuing to work towards achieving our three-year strategic Key Performance Indicators and delivering value to shareholders. Thank you for your continued support for Abano and our growth strategy.

Trevor Janes
Chairman

Richard Keys
Chief Executive Officer

HY17 SNAPSHOT

FINANCIAL RESULTS

- Record half year result ahead of guidance and well ahead of prior year
- Increased contributions and margins from all business units
- Gross revenue¹ of \$138.9m and revenue of \$116.8m
- EBITDA² of \$16.5m up 29% on HY16 and Underlying EBITDA³ up 27% to \$16.8m
- Net Profit After Tax (NPAT) up 73% to \$5.9m and Underlying NPAT³ up 61% to \$6.3m
- On a like for like basis, excluding the divested audiology business, NPAT was up 86% and Underlying NPAT was up 71% on the previous first half year
- Underlying Earnings Per Share up 58% to \$29.53 cents per share
- Record interim dividend of 16 cents per share, up 60% on HY16

KEY EVENTS

- Acquired 13 practices which are expected to provide approximately \$17m in additional annualised gross revenue (A\$12.8m and NZ\$4.2m)
- Merged eight dental practices into four locations as part of ongoing strategy to realise operational efficiencies and maximise capacity
- Dental brand rollout continuing in Australia with 27 practices rebranded as at end-January 2017
- Election of Dr Ginni Mansberg to the Board
- Trevor Janes re-elected Chairman of the Board and Pip Dunphy re-elected as Deputy Chairman, following Abano's 2016 annual meeting
- Received and responded to partial takeover offer from Healthcare Partners Holdings Limited, with the Abano Board unanimously recommending that shareholders reject the offer

POST-PERIOD END

- Acquired a further eight dental practices and exceeded 200 dental practices milestone, with 21 practices acquired in the financial year to date (as at 31 January 2017)

¹ Gross revenue is a non-GAAP financial measure and includes Australian dental revenues before payment of dentists' commissions.

² EBITDA is earnings before interest, tax, depreciation and amortisation and is a non-GAAP financial measure

³ Underlying earnings are reported for both NPAT (a GAAP compliant measure) and EBITDA and exclude gains/losses arising on sale of businesses, IFRS adjustments and impairments, including their tax effect. Both measures are reconciled back to reported NPAT. It is the measure used within the Company to evaluate performance, establish strategic goals and to allocate resources.

More information on gross revenue and underlying earnings is available on the Abano website at www.abano.co.nz/underlyingearnings.