

MAKING CONTACT

ABANO SHAREHOLDER NEWSLETTER



Alan Clarke, Managing Director

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COMPANY OVERVIEW

Demand for our healthcare services has continued into the 2013 financial year, with ongoing growth seen in all our businesses in New Zealand, Australia and South East Asia. We are now in our 12th year of continuing growth and improving earnings, and have a strong portfolio of businesses providing rapidly growing returns.

Once again, our prime focus for growth is dental in New Zealand and Australia, radiology in New Zealand and our audiology businesses in Australia and South East Asia.

The dental market across New Zealand and Australia is predominantly private payment and worth over \$7 billion a year. We have an accelerated acquisition programme in place in this very large and fragmented market, and we are continuing to build on the 136 clinics we currently have across the region. On average, we are acquiring a new dental practice every two weeks, and adding over \$30 million in additional annualised gross revenue each year. With a trans-Tasman market of this size, growth at this acquisition rate can continue for many more years.

Our radiology business in New Zealand is now one of the largest specialist radiology practices in the country. In the past 18 months, we have invested significantly into leading edge technologies and equipment, as well as new state of the art facilities.

From 1 November 2012, we merged our two radiology businesses into one entity, now known as Insight+Ascot Radiology. Abano holds 73 percent of the shares, with our expanded radiologist partners holding the remaining 27 percent.

Both our dental and radiology businesses are providing growing revenues, cash flows and profit margins, and both offer attractive near as well as long term prospects.

Our emerging audiology businesses in Asia and Australia are located in regions with enormous populations that offer significant growth potential in the medium to long term.

We will continue to invest in the development of these networks and while we expect to see continued revenue growth, there will be ongoing short term investment losses, with a break even result forecast to be reached in two to three years' time.

Our other businesses in pathology and orthotics are respected, professional and well run organisations that generate solid cashflows, however, due to their high reliance on public funding, we have hold and maintain strategies in place.

We have excellent relationships with our banking partners, and there is sufficient funding in place for the current development and investment needs of the Group.

MARKET GUIDANCE

FIRST HALF YEAR TO 30 NOVEMBER 2012

During the 2012 financial year and into the first half of the 2013 financial year, a number of strategic decisions and investments have been made. In particular, these include:

- An accelerated acquisition programme for our dental businesses in Australia and New Zealand;
- Investment into leading edge PET CT scanning technology and a new radiology clinic on Auckland's North Shore;
- Acquisition of the outstanding shareholding in Dental Partners in Australia, taking our holding to 100%;
- Divestment of our brain injury rehabilitation group in New Zealand, with a \$1.6 million gain to be recognised in the 2013 financial year.

While these investments and structural decisions will lead to strong revenue and cash flow growth, they depressed our NPAT performance in the 2012 financial year and they will continue to have an impact into the 2013 financial year.

Therefore, our guidance for the first six months of the 2013 financial year ending 30 November 2012, excluding the \$1.6 million, one-off gain on the sale of Abano's brain injury rehabilitation business, is as follows:

First Six Months to 30 November	2012 Actual \$ Million	2013 Forecast \$ Million
Revenue ¹	102.0	105.4 to 107.4
EBITDA	11.7	13.6 to 14.6
NPAT (excluding gain on sale of rehabilitation business)	0.6	1.3 to 1.8
Underlying EBITDA ²	12.5	14.1 to 15.1
Underlying NPAT ²	1.3	2.1 to 2.6

¹FY13 revenue reflects a change in the basis for contracting dentists by Dental Partners, whereby Dental Partners' revenue is now recognised after the payment of dentists' commission.

²Further information on underlying earnings, which is a non-GAAP financial measure and is not prepared in accordance with NZ IFRS, is available on the Abano website at www.abano.co.nz/underlying_earnings

DENTAL PARTNERS - CHANGE IN DENTAL PARTNERS PRACTICE CONTRACTS

It should be noted that the 2013 forecast takes into account the change in the basis for contracting dentists in the Australian dental business. This change more accurately reflects the provision of facilities and services by Dental Partners to the dentists and brings Dental Partners into line with Australian industry practice.

Previously 100% of patient spend was recognised as revenue, and expenses, including dentists' commissions, were then deducted. Following the change in contracts, in effect Dental Partners now accounts for revenue after dentists' commissions. This means that reported revenue may be up to 40% less when compared to previous years on a like for like basis.

While this will result in a drop in reported revenue for Dental Partners (as the revenue received is now after dentist commission), it will be neutral at EBITDA and therefore have no impact on bottom line profit.

OUTLOOK

While we have seen a limited recovery in the New Zealand economy in recent months, there has not yet been any significant or lasting improvement. The Australian economy is now also experiencing a downturn in consumer confidence and market conditions, which has started to affect both audiology and dental demand. Asia remains strong and upbeat, however a slowing in growth has been reported in several Asian countries and there is a general wariness about the world economic performance and the possible effects this may have on the Asian economies and growth.

Because of these uncertain conditions, we will be carefully watching the summer holiday trading and our second half. As is our practice, we will issue a full year forecast around the end of March next year, once we have assessed trading over the Christmas and summer holiday break.

OUR PEOPLE

RICHARD KEYS

Recipient of the Prime Minister's Business Scholarship



Photo by Mark Tantrum | www.marktantrum.com

Chief Operating Officer and Chief Financial Officer of Abano, Richard Keys, is one of only 14 recipients of this year's Prime Minister's Business Scholarships.

The Scholarships, which were launched in 2010, are designed to build business capability and enhance New Zealand's opportunity for growth by developing skills in management and international business leadership. They allow the recipients to study at prestigious international institutions including Harvard, London Business School, and the INSEAD Business School in Singapore and France.

Over the 2013 year, Richard will be undertaking The Challenge of Leadership course, part of INSEAD's Governance and Top Management programme. This course is only open to 20 people worldwide every year and the invitation to attend is testimony to Richard's highly regarded management skills and professionalism.

Prime Minister, Rt Hon. John Key said: "These scholarships recognise the skills, achievements and potential of some of the best and brightest business minds in New Zealand. It will enable them to fine-tune their skills and increase their knowledge, which will have many positive flow-on effects for Kiwi businesses."

Minister for Economic Development, Hon Steven Joyce said the calibre of applicants was extremely high.

"These prestigious scholarships have been awarded to the up-and-coming stars of the New Zealand business scene and will give them the chance to increase their skills to help them achieve at the highest levels."

TINA OLSEN-SMITH

Smiling her way up the career ladder at Lumino The Dentists



Over a period of 11 years, Tina Olsen-Smith has made the most of the career and development opportunities available at Lumino The Dentists, and has worked her way up from Receptionist to a fully qualified Dental Hygienist and Therapist.

Tina was one of the early employees of the original Geddes group, before it was acquired by Abano in 2002. Initially employed as a Receptionist and then as Practice Manager for one of the Geddes clinics, Tina moved to head office after the acquisition and took on the role of Practice Support Manager. In the early stages, as a small dental network, this meant taking on a number of different functions, including training, the implementation of practice management software across the group and managing the mobile dental business programme.

In 2009, with three children aged under five years, Tina then took on her next challenge – returning to full time study. She graduated in November 2012 as a fully qualified Dental Hygienist and Therapist, and was immediately re-employed by Lumino. Tina now shares her time across the Lumino Mt Eden and Torbay practices, providing clients with excellent care and services.

LUMINO THE DENTISTS

NEW ADVERTISING CAMPAIGN



Lumino The Dentists has become a household name, thanks in part to its highly successful and memorable 'Smile and Kiss' campaign.

Now the dental business is looking to build on the strengths of the last campaign, while introducing a fresh new story.

The new 2013 Lumino TV campaign plays on the Lumino strapline 'Love your Smile' and captures a range of everyday situations in which amateur photographers encourage their subjects to deliver their picture perfect smile.

Just like the 'Kiss' advertising series, these commercials have a 'feel good' emotive factor, while conveying the everyday importance and value of a healthy smile.

The advertising concept will be rolled out through TV, magazine and online channels, and clients can expect to see some of the Lumino's most popular sales promotions continue into 2013, including the 18 month interest free offer.

Calls to our free phone numbers increased four-fold, from 200 a month to over 800 per month during the first campaign, and when we re-ran the campaign again in June this year, calls rocketed to over 1,400.

Website enquiries spike every time we advertise online, and with our updated website and online strategy, online appointment requests have tripled over the last 12 months.

Importantly, patients sourced through the marketing campaign have a materially higher average spend.

As a result of this marketing, Lumino's brand awareness has increased from 1 in 10 three years ago, to 7 in 10 New Zealanders who now know of Lumino.

ABANO DENTAL SECTOR GROWTH YEAR TO DATE

		Network size	Annualised Revenue NZ\$ Million
Lumino The Dentists	31 May 2012	64 practices	63
	30 November 2012	76 practices	69
Dental Partners	31 May 2012	53 practices	105
	30 November 2012	60 practices	117

DENTAL PARTNERS

NEW CORPORATE WEBSITE www.dentalpartners.com.au

“I really enjoy the fact that I can focus on dentistry and have the great people from Dental Partners looking after my practice – so I can free up my previous downtime to enjoy the things I love.”



Dr Jack Obaid – Lead Dentist North Sydney
Work hard so you can play hard!

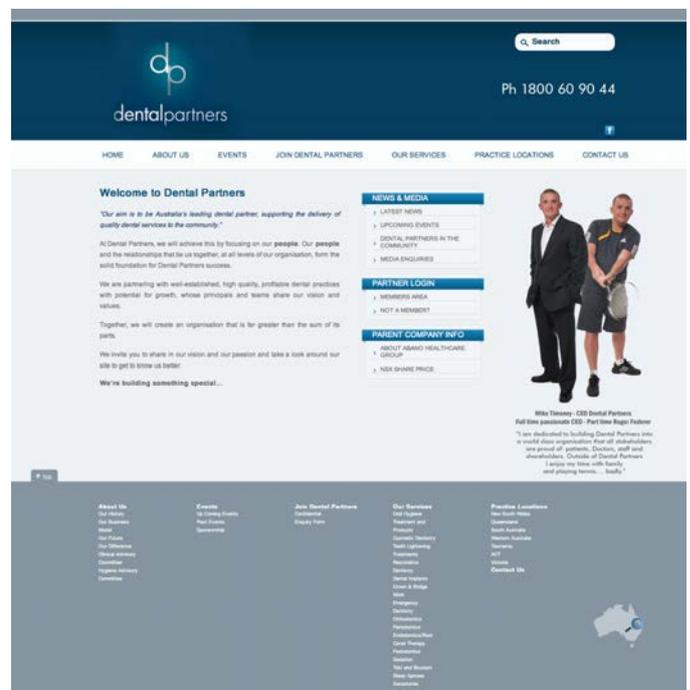
Dental Partners has undergone rapid growth over the past four years, with the network expanding from an initial group of eight practices to 60 practices as at 30 November 2012.

While each acquired practice retains its own identity, they also become part of the Dental Partners network which is spread across Australia. To help practices engage with the wider Dental Partners community and culture, a new corporate website has been launched.

The website reflects Dental Partners' personality and supports its reputation in the industry as “the people people.”

It clearly outlines Dental Partners' vision, values and core strategies, and provides insight and information on the other people and practices in the network. Rotating photos feature Dental Partners' clinicians and employees and showcase their interests outside of work.

The new website also features a “DP in the Community” section which celebrates the community contributions of individuals, dental practices and the group.



BAY AUDIO

NEW TAIWANESE STORE OPENINGS

Bay Audio Asia has recently celebrated the opening of a new concept store in KaohSiung in Taiwan.

Audiology clinics in Asia are still mostly located in medical centres so the new Bay Audio retail-based store at the entrance of one of Taiwan's biggest supermarkets delivers a unique experience for Taiwanese customers. In-store, customers can take advantage of the advanced touchscreen self-testing technology, as well as VIP consultation and a simulation room.

Two existing stores in Taiwan have also been relocated from upstairs clinics to ground floor retail stores. This is in line with Bay Audio's retail strategy, where the focus is on providing easy access for customers who may have hearing issues.



HEARING – THE GIFT THAT KEEPS ON GIVING

Christmas is a time for celebrating with families and friends, but for those affected by hearing loss, it can mean a lack of engagement and involvement.

From 17 November 2012, Bay Audio Australia will be running its Give the Gift of Hearing Christmas campaign throughout all 33 stores. Anyone doing a Bay Audio Touch Screen test, who is diagnosed with an aidable hearing loss, will go into the draw to win a set of GN ReSound Verso 7 devices valued at \$8,000. Also, for the first time ever, a mini Christmas catalogue will be produced with great gift ideas for device wearers, and distributed to all fitted customers of Bay Audio.

For residents of the Cook Islands, however, the gift of hearing came early this year, with a Christmas in June of sorts. On the back of the successful 'Out with Old, In with the New' campaign last October, over 100 Australian customers traded in their existing hearing devices for the latest in hearing technology. These traded in devices were then refurbished and taken over to the Cook Islands to be refitted to new clients.

Bay Audio shareholder and audiologist, Scott Wright, Bay Audio clinician Alan Fort, and GN ReSound audiologist Olivia Bakiewicz made the journey with the devices, determined to make a difference to lives in the Cook Islands' community.

Over a week, the team fitted all devices, and achieved their objective.

Alan Fort said: "It has been a wonderful opportunity to bring hearing technology to this community. Hearing devices that people have been patching up and that should no longer have been working, have now been replaced with essentially brand new devices. To see the smiles on these faces, and to see their world light up again, is just so powerful.

"I am so proud that Bay Audio is not only making a difference in our local communities at home, but now internationally. It demonstrates our commitment to changing lives through better hearing."

The good news is that the 'Out with Old' promotion ran again in October 2012, with plenty more devices traded in. Over Christmas, these will be refurbished, with plans to give the Gift of Hearing again in 2013.



ORTHOTIC CENTRE

ONGOING CONTRACT WINS

Over 75 percent of the revenue generated by the Orthotic Centre is from the public sector, and District Health Board (DHB) contracts are vital to the ongoing success of the business.

Contract negotiations are a primary focus for senior management, with the CEO of Orthotic Centre, Con Balasglu, taking a hands on role.

The business provides services under two contracts – Acute Services for hospital based patients; and Long Term Disability Services for those living in the community with more permanent disabilities.

The most recent contract to be awarded was from the Capital and Coast DHB in Wellington, to provide Acute Services at Wellington Hospital and Kenepuru Hospital in Porirua. This contract commenced on 1 June 2012 and will run for 13 months to the end June 2013.

The Orthotic Centre also currently holds contracts with the three Auckland DHBs, as well as Waikato, Hutt Valley, Canterbury and Southern DHBs.



INSIGHT+ASCOT RADIOLOGY

ADVANCED TECHNOLOGY HELPS DIAGNOSE BONE CANCER

Detailed scans and accurate diagnosis are the first steps in successfully identifying and treating bone cancer.

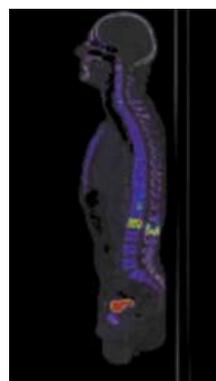
Now, thanks to the PET CT scanning centre at the Insight+Ascot Radiology clinic in Greenlane, Auckland, patients can take advantage of the latest in bone scanning technology.

Sodium Fluoride bone scanning, using PET CT, produces images with up to 4x the clarity and resolution of traditional scans. It also allows diagnosticians to differentiate between normal degenerative bone growth caused by age and abnormal bone growth caused by cancerous lesions and tumours.

Under traditional scanning, radiologists would expect to identify approximately 70-80% of bone cancer lesions; under PET CT Sodium Fluoride scanning this rate moves up to nearly 100%. Furthermore, the rate at which normal degenerative bone growth is mistaken for cancer drops from 20-40% to almost zero.

As well as more accurate diagnosis, there are other benefits to patients. The PET CT procedure takes significantly less time, with a shorter waiting period between injection and scan, and a shorter scanning time. In addition, patients usually do not need additional imaging such as plain xrays or MRI, as a CT scan is undertaken as part of the procedure.

Insight+Ascot Radiology is one of a handful of clinics in New Zealand offering this technology. Dr Anthony Doyle is the resident expert in Sodium Fluoride PET CT scanning at the Insight+Ascot clinic, as well as Associate Professor of Radiology at the Auckland School of Medicine. He currently oversees up to seven Sodium Fluoride PET CT bone scans per week and predicts a strongly growing uptake of this service as its benefits become more widely known.



AOTEA PATHOLOGY

SHAKEOUT DRILL

Aotea Pathology staff dropped, covered and held on Wednesday 26 September 2012 as part of the national Shakeout earthquake drill.

With 14 collection rooms from Kilbirnie to Waikanae, as well as a laboratory on floors 5, 6 and 7 of the CMC building on Courtenay Place, Aotea's project manager, Rachel Davison, says it is important that everyone knows what to do in case of an earthquake.

Part of the Shakeout event included sending information to all collection rooms and departments, including maps so staff could see what type of hazards and risks there are in the area in which they work. It also encouraged them to think about the best places to drop, cover and hold.

Aotea Pathology places a lot of importance on emergency preparedness and sees it as an ongoing process, with continual refinement and improvements.

The business has an Emergency Management Team made up of staff members who work in collaboration with Capital and Coast DHB and other health providers in the Wellington region. One of the focuses is making sure that health testing can continue in the event of a major disaster.



ANNUAL MEETING

The Abano Healthcare Group annual meeting of shareholders was held on Tuesday 30 October 2012 in Auckland.

Shareholders passed all resolutions at the meeting including:

- Authorised directors to fix the auditors' remuneration
- Re-election of Mr Peter Hutson as a director
- Election of Ms Pip Dunphy as a director
- Increase in the total Directors' remuneration payable annually to all non-executive Directors taken together for their services as Directors of the Company from \$395,000 to \$429,500.

The annual meeting speeches and presentation are available at www.abano.co.nz/annualmeeting

KEY DATES

December: Interim Results Announcement

January: Half Year Dividend Payment

February: Release of Interim Report

March: 2013 Full Year Guidance

SHAREHOLDER COMMUNICATIONS

Abano can now offer shareholders the convenience of receiving all future shareholder communications by email.

Shareholder communications sent electronically may include the annual report, interim report, transaction statements, payment advices and any other company related information that Abano deems appropriate to send via electronic means.

We encourage all shareholders to access our company communications electronically as this reduces costs and benefits the environment.

Register to receive electronic communications

Email enquiry@computershare.co.nz with written confirmation that you wish to receive all future communications electronically. Please include your Shareholder Number in the email.

Register to receive ENews www.abano.co.nz/news

Register to receive copies of Abano announcements and news as they are released.

To update your shareholder details www.investorcentre.com/nz

You will be directed to the Computershare website, where you can view your portfolio of investments and update your details, including change of address, banking instructions and IRD number. You can also elect to participate in, or withdraw from, the Abano Dividend Reinvestment Plan.