

Making Contact

ABANO SHAREHOLDER NEWSLETTER

ISSUE FIFTEEN NOVEMBER 2009

Company Happenings //

A lot has been happening at Abano over the past few months, with the major news being the sale of our New Zealand audiology business, Bay Audiology to National Hearing Care for \$157.8 million. The sale was approved by shareholders at our annual meeting on 8 October 2009. Also at our annual meeting, we confirmed our market guidance for the full year and provided guidance for the six months to 30 November 2009.

2010 MARKET GUIDANCE

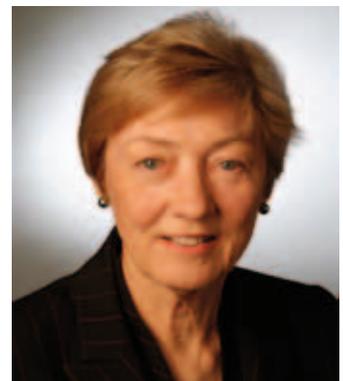
This has been a year of unprecedented economic turbulence, as well as change for Abano. Although healthcare is reasonably insulated from economic conditions, Abano has seen some impact from the slow down in the world economy.

Moving forward, there will be continued investment into the accelerated growth of Abano's businesses, particularly in dental acquisitions and the development of new Greenfield sites for audiology. The full financial benefit of this investment will not be realised until the 2011 financial year.

In October, after four months of the financial year had been completed, the board confirmed 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 from the sale of Bay Audiology New Zealand 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.

Due to the additional activity surrounding the settlement of the sale of Bay Audiology on 3 November, the Abano interim results for the six months to 30 November 2009 will be released in late January 2010.



Key events surrounding the sale of Bay Audiology New Zealand

27 August 2009

Announced sale of Bay Audiology New Zealand to National Hearing Care for \$157.8 million

8 October 2009

Shareholders vote in favour of sale at Annual Meeting

3 November 2009

Settlement of sale

3 November 2009

Acquisition of an aggregate 13 percent stake in the new merged Bay Audiology/National Hearing Care business for \$30 million, on a 50:50 basis with interests associated with Peter Hutson

Declared special early interim dividend of 52 cents per share with payment on 2 December 2009

Announced pro rata, voluntary share buy-back offer to open on 4 December 2009



THE WAY AHEAD //

Abano realised cash proceeds from the sale of Bay Audiology New Zealand of approximately \$118 million. In addition to the \$15 million invested in the new merged Bay Audiology/National Hearing Care business (being Abano's share), the company has repaid debt and is returning approximately \$58 million to shareholders through a special early interim dividend of 52 cents per share, which will be paid on 2 December 2009, and through an off market, pro rata voluntary share buy-back and cancellation. Further information on the share buy-back and cancellation offer will be sent to shareholders on 4 December 2009.

To assist shareholders in making an informed decision about the share buy-back offer, we are pleased to be able to use this opportunity to recap our strategy and update you on our progress and our forward view for the financial year.

Abano has a proven long term Co-Invest and Build strategy that will continue through Dental in New Zealand and Australia, Audiology in Australia and across Asia and Radiology in New Zealand. These are all identified as sectors with good growth potential. We also have hold businesses in Rehabilitation and Diagnostics.

DENTAL

A roll up strategy is in place for both our Australian and New Zealand dental businesses, where continued growth by acquisition increases the scale of each group to cover the relatively fixed cost of the central overhead infrastructures. Growth is through acquisition where the investment costs of each acquisition are offset by immediate returns from positive EBITDA contributions, providing immediate income benefit and certain positive future cashflows.

The opportunities in the Australian dental market are bigger than expected, and along with our partners, we are increasing our investment and accelerating our acquisition pace in Dental Partners, our Queensland based business. Since 1 June 2009, we have acquired a further two dental businesses, growing the network to 25 locations across Australia and several more acquisition opportunities are under investigation. The international recession of the last 18 months has had

a limited impact on the Australian economy and the accelerating domestic growth and consumer confidence in this market is reflected in patient visits to our clinics.

Conversely, New Zealand has felt the impact of the economic downturn more strongly and we have seen an impact on the performance of our New Zealand dental business with same clinic performances down on historical year on year trends. We are, however, encouraged by the early stages of a slow, steady improvement as the New Zealand economy recovers. Growth of the Lumino Dental network continues with an additional six practices joining since 1 June 2009 and several more under investigation.

AUDIOLOGY

Our future activities in Audiology will be through Bay International, our 50:50 joint venture partnership with the Bay New Zealand founders associated with Peter Hutson, and the holding company for all our audiology operations in Australia and Asia.

Alongside Abano, Peter Hutson and his interests continue to invest significantly into the audiology growth strategy including paying \$15 million to co-invest into the new merged Bay Audiology/National Hearing Care business and investing an additional \$11 million into Bay International Limited.

As Abano no longer owns a majority share, we equity account for our 50 percent interest through our consolidated accounts by taking up our share of the audiology consolidated Net Profit or Loss After Tax. This means that the consolidated profit and loss that shareholders have seen including Audiology in the past, will no longer include the consolidated audiology results. We will, however, provide updated information on the group's progress and development as part of our normal reporting to shareholders.

Growth in both markets is predominantly through the development of Greenfield sites, mainly in retail mall settings. This is either because there are fewer desirable acquisitions in our target market area or because the market is still in its infancy, as in many Asian countries.

Greenfield development requires significantly lower upfront investment and capital costs compared to growth by acquisition; however, it does take a longer time to establish a customer base and positive cash flows and each Greenfield site is cash negative during the early start up phase. Once they are established, they generate very strong returns on the modest initial Greenfield investment costs. Initial cash flow losses in the establishment phase are expensed through the joint venture's profit and loss accounts.

Our entry into both the Australian and Asian markets has been carefully considered and we still have a relatively small footprint in each market, particularly in Asia. Both our businesses are still in the early stages of start up and we remain in the process of analysing opportunities, monitoring performance and selecting the appropriate partners while identifying suitable locations for future store development.

We have long term Co-Invest and Build strategies in place for both businesses and we recognise that investment and time will be needed before we can enjoy strong positive returns and bottom line results. We have indicated that our strategic aim is to open over twenty new sites in the immediate future; however, the exact number, timing and roll out of these sites will be governed by the quality of the opportunities identified and the exact number of new locations opened will vary.

The timing and exact number of new stores opened will impact on the annual net profit or loss contribution to the Abano consolidated result. As we have stated, Greenfield developments take time to generate positive cash flows and even more time to be active net profit contributors, as opposed to the immediate positive cash flows that are available from an acquisition. It will therefore be some time before we see any strong positive annual income streams from this sector as we invest, open and extend our market footprint across Australia and Asia.

The pace of that roll out will vary and it will not be a linear process of a set number per month, per quarter or per year. Since the beginning of the 2010 financial year, we have rolled out nine new stores in high pedestrian retail malls and shopping centres in Australia; and developed a further two Greenfield sites in Asia as well as acquiring two audiology stores in Malaysia. A number of additional Greenfield sites are being carefully investigated across both markets and the development plan and ultimate footprint will continue to unfold in the coming months and years.

RADIOLOGY

Our radiology strategy is to grow our businesses through investment in leading technology, expanded diagnostic services and increased capacity. The success of this approach can be seen in the steady increase in patient referrals since the opening of the new Ascot Central clinic in 2008.

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2009 Annual Meeting of Shareholders

Shareholders at the annual meeting on 8 October 2009 passed all resolutions, including:

RESOLUTION 1

Reappointment and remuneration of PricewaterhouseCoopers as auditors

RESOLUTION 2

Re-election of Mrs Alison Paterson as a director

RESOLUTION 3

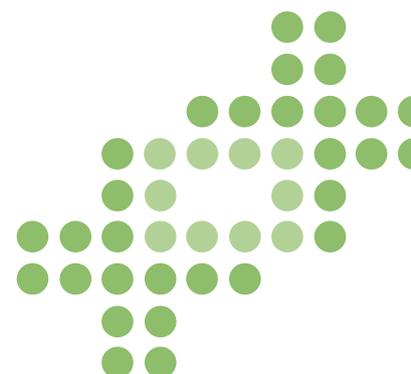
Re-election of Mrs Susan Paterson as a director

RESOLUTION 4

Election of Mr Danny Chan as a director

RESOLUTIONS 5-7

Approval of sale of Bay Audiology New Zealand to National Hearing Care





THE WAY AHEAD // CONTINUED

Recently announced changes to ACC have impacted a number of healthcare and medical services, including radiology. ACC funding makes up a component of our radiology revenues alongside a much larger private payment component. The ACC contract changes, as announced in recent days, will affect some high end specialist modalities, such as MRIs. However, price adjustments in other areas will limit any decline and discussions with our specialist referrers indicate there will be limited mid-term impact going forward.

HOLD BUSINESSES

Abano also has several other businesses in brain injury rehabilitation, orthotics and community pathology, which provide steady returns but operate in markets with more limited growth potential and/or are reliant on DHB or ACC funding.

As always, the constant reforms and ongoing changes to DHB and ACC contracts lead to a stop start slow-down in referrals. In particular, this can be seen in our brain injury rehabilitation business and, as a consequence of ACC's recent upheavals, we now expect results from our rehabilitation sector to be softer than last year. Our other hold businesses are performing to expectations.

MOVING FORWARD

Following the capital return, a reduction in debt and our investment into our audiology and dental businesses, Abano continues to have debt facilities and capacity to continue investment into existing growth businesses.

Our co-investment partnership model is now proven and our international footprint is only just becoming apparent. We have a remarkable team and depth of talent now available in each region that we operate in and a thriving new joint venture, giving us the strength and resource to expand with greater certainty.

Just as this newsletter went to print, we were delighted to be advised that Abano is once again a Finalist in the Deloitte/Management Magazine Top 200 Awards, this time in the Company of the Year category. In 2008, Abano won the Best Growth Strategy Award, competing against much larger and longer established companies.

We have an exciting future ahead of us as we continue to grow our business and increase shareholder value, and we look forward to keeping you updated on our progress.

Key Dates

DIVIDEND AND DIVIDEND REINVESTMENT PLAN (DRP)

Confirmation of issue price for shares under DRP
26 November 2009

Payment date for special early interim dividend
2 December 2009

Issue of shares under DRP
2 December 2009

SHARE BUY-BACK OFFER

Confirmation of buyback ratio and price to be paid for shares
26 November 2009

Intended record date for share buy-back offer
01 December 2009

Intended closing date for share buy-back offer
18 December 2009

Intended payment and share cancellation date
23 December 2009

INTERIM REPORT

Interim Results for six months to
30 November 2009
January 2010

Interim Report
February 2010

AUDIOLOGY // UPDATE

// BAY AUDIO (ASIA)

Abano's audiology footprint in Asia continues to grow, with multiple stores in Hong Kong, Singapore and Malaysia. A selective growth strategy is in place as Abano invests in infrastructure and marketing to develop the approach in these markets.



The Bay Audio brand is being launched in the Asia region to replace the Dynasound and Sountex brands under which the stores previously operated.

The new brand is the same as Abano's Bay Audio business in Australia, providing continuity and consistency across the Asia Pacific region.

The brand mission in Asia is to position Bay Audio as the audiology brand and provider of choice. As with any comprehensive branding project, this is a long term goal, but the fundamental elements for a strong brand image – the name, logo, colour scheme and 'Bay Audio' feel – are now all in place.

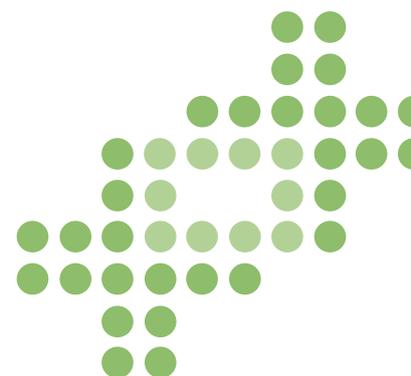
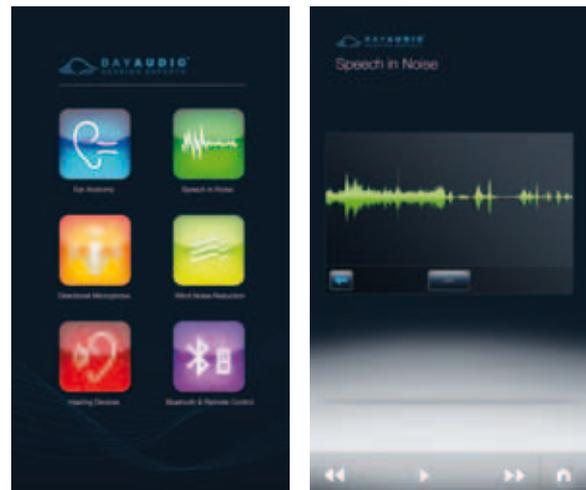
All audiology stores in Singapore and Hong Kong have been rebranded, with store refits taking place in Malaysia in the near future. Marketing promotions are in place to welcome new and existing customers to the new-look stores and to build awareness of the new brand. In addition, a new look website is also in development with multiple language options to suit all customers.

With limited other branded audiology providers in the Asia region, the new look Bay Audio brand is expected to stand out with its clean, fresh and professional look.

// BAY AUDIO (AUSTRALIA)

The Bay Audio brand continues to grow in Australia, with nine new stores being rolled out in high pedestrian retail malls and shopping centres since the start of this financial year. One of Bay Audio's competitive advantages and an important ingredient in the success of the business is its use of technology in the diagnosis of hearing problems.

Bay Audio has recently launched the latest generation of its unique Touchscreen Self Assessment technology, allowing customers to self check their hearing health by following the instructions of a 'virtual audiologist'. This removes the pressure on the customer and is ideally suited for retail and shopping mall environments.



DENTAL // UPDATE

// LUMINO THE DENTISTS

Lumino's fleet of three mobile dental units received a fresh look earlier this year, and it is hoped that the eye-catching exteriors of the buses will help raise awareness of the free dental service.



These mobile units provide free dental care to adolescents and currently visit 28 secondary schools throughout Auckland, providing free dental check-ups, treatments and advice to over 9,000 adolescents under the age of 18. The programme is fully funded by the Ministry of Health and is widely recognised as the most effective model for delivering quality dental care to New Zealand's secondary school students.

Dr Daad Al-Falahi (BDS) is one of the dentists who oversees a Lumino mobile unit and she believes that lack of education, understanding and time are the main barriers to improving the dental health of adolescents in New Zealand. "Many New Zealand parents are juggling a number of different commitments," explains Daad. "It can be a struggle to find the time to take a child to the dentist, especially if that child is from a single-parent family or if both parents are working. The mobile dental units remove this stress by coming directly to the child. It has never been easier to access free dental treatment for adolescents.

"Many parents also don't realise that children are entitled to free treatment until 18 years of age," adds Dr Al-Falahi. "Hopefully, more parents will notice these rebranded dental units around town and will push their schools into making the service available."

Lumino The Dentists mobile units are equipped with the latest dental equipment, including a digital x-ray imaging facility. Schoolchildren can also be seen

privately by paediatric specialist, Nina Vasan, at New Zealand's first specialist paediatric dental practice, Kidz-Teeth. Under-18s are also welcome at Lumino fixed clinics.

// DENTAL PARTNERS

In less than two years, Dental Partners has grown into a major force within the Australian dental landscape.

The business model continues to be enhanced and Dental Partners has been successful in both attracting and integrating new practices to the Group. The acquisition strategy continues with a steady stream of inquiry and activity, and growth is funded through a committed ring-fenced banking line from CBA in Australia.

Dental Partners continues to expand and the opening of two new practices in the next few weeks will see the network grow to 25 locations. Although the Gold Coast is currently the biggest area of activity, Dental Partners also has practices in Sydney, Canberra, South Australia and Victoria. With this expansion, we now have a multi discipline dental business with dentists, dental assistants, orthodontists and other dental specialists, providing services across five states in Australia.

Continued growth of the business will be by identifying and acquiring new practices on favourable terms; expanding existing practices which are at or near capacity; integrating practices to maximise efficiencies; and attracting more dentists to take up positions in existing multi-dentist practices.



DIAGNOSTICS // UPDATE

// RADIOLOGY

SUCCESSFUL SEASON FOR PINK DRAGONS

Ascot Radiology is proud to be one of the main sponsors of the Pink Dragons Breast Cancer Dragon Boating team.



The paddling season for 2008/9 proved to be the best yet. The team started the season with off-water training and several new members, as well as a new coach, Sooupu Pereze.

The first regatta was in November at Hamilton and gave the rookies a chance to see just what racing was all about. The next regatta, the Tauranga Super 12, was the first opportunity to see just where the Pink Dragons were at as a team.

Disappointingly, the third regatta in Auckland was cancelled due to adverse weather conditions. However, the weather for the regatta at Lake Pupuke in Auckland was much kinder and the Pink Dragons team was only just pipped to the post in the breast cancer team final by Busting with Life.

With the end of the season drawing to a close, the Nationals at Rotorua was going to be 'the big one'. The team had trained hard and were ready to take that gold in the final. But alas, it was not to be this season and the Pink Dragons took another silver medal – their first medal in the Nationals.

Apart from their paddling successes, the Pink Dragons has also had a great response to their children's book all about a pink dragon boat called 'Percy'. It has been well received at regattas and by friends and family.

To find out more go to www.pinkdragons.org.nz.

// AOTEA PATHOLOGY

AOTEA WINS CONTRACT FOR HUMAN PAPILOMAVIRUS GENOTYPING PROJECT

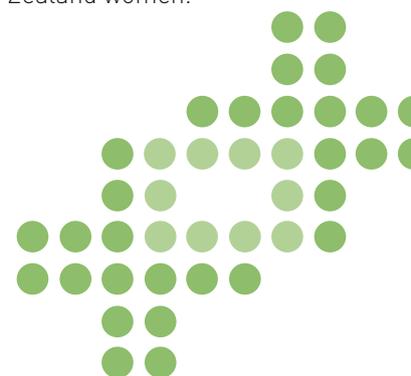
Dr Collette Bromhead, Head of Department, Molecular Biology

Although four out of five people will have a Human Papillomavirus (HPV) infection at some time in their lives, generally sexually transmitted, little is known about the prevalence in New Zealand of the more than 100 strains of HPV. Aotea Pathology is set to help change that, having recently secured a contract to perform HPV genotyping for an important nationwide HPV prevalence study.

The HPV strain a person has is important because some types cause cell changes that can lead to cancer while others can cause warts. The New Zealand National Cervical Screening Programme and Cancer Council, New South Wales, study will measure the prevalence and distribution of different types of HPV in 600 New Zealand women with previous abnormal smears. This important baseline measure will inform future policy decisions for both the HPV vaccination programme and the NZ cervical screening programme.

The awarding of the contract to Aotea Pathology builds on its reputation for high quality and innovative laboratory services, and the team is pleased to be associated with clinical research that has significance for all New Zealand women.

In overseas studies, HPV types 16 and 18 are the most common in cervical cancer and precursor lesions, while types 6 and 11 are most commonly seen in warts. The Gardasil HPV vaccine recently introduced to New Zealand protects against these four HPV types. Given New Zealand's diverse population, it will be interesting to see if these HPV types are similarly important for all groups of New Zealand women.



REHABILITATION //

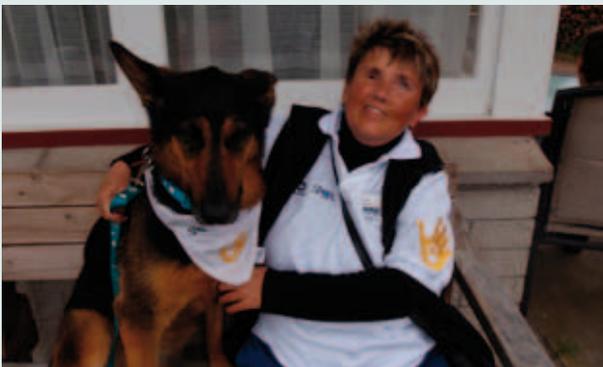
// ABANO REHABILITATION

THE THERAPEUTIC POWER OF PETS

Therapy pets can come in any shape and size. Their main purpose is to enhance the quality of life of those they visit. They belong to volunteers who undergo assessment and training, and the pets must also be assessed and screened for temperament, health and suitability. A large majority of therapy pets are dogs, but there are also donkeys, miniature horses, lamas, mules, cats, birds, rabbits, guinea pigs and even a rat working as therapy pets!

The health benefits of animal assisted interventions have been widely researched. There are not only the obvious emotional and psychological benefits but the physical and social benefits which are not as widely recognised. Spending time with an animal can lower blood pressure and heart rate, decrease physical signs of stress, encourage socialisation and so much more.

Abano Rehabilitation has been seeing the benefits of Animal Assisted interventions for approximately four years.



Lady is a new addition to the Poutama staff. She is a seven year old German Shepherd crossed with a Huntaway, and her sweet nature is a huge hit with the clients. Lady goes to work with Belinda Simpson, an occupational therapist at Abano Rehabilitation, so is onsite most days for visits.

Lady is an accredited therapy dog with Outreach Therapy Pets, an organisation with more than 250 therapy animals in Auckland, run by St John and the SPCA.

More information on therapy pets is available at www.sPCA.org.nz/volunteer/outreach.htm

HEALTHCARE //

COMMENTARY

As many will be aware, there has been a protracted fight between Diagnostics Medlab (DML) and Labtests for the \$560 million DHB contract for community pathology testing in the Auckland region, with the contract moving from DML to Labtests. The media has followed closely the ups and downs associated with this changeover, and after hundreds of customer complaints, DML has been brought back in to take over specified testing areas, including patients referred by private specialists.

Under the current tendering process, fewer and fewer organisations are willing to put up capital to establish state of the art laboratories, as they risk losing their investment for exclusive fixed price contracts which have a short term.

Health Minister Tony Ryall recently commented that the Auckland situation had been unacceptable and that there would be a review focussed on what could be learned to ensure that the Auckland experience was not repeated.

Aotea Pathology is one of many providers hoping that the tendering process will change to a more sustainable model. With Aotea's current contract up for renewal in November 2011, the business is already working on initiatives to ensure contract renewal. Aotea Pathology has established itself as one of New Zealand's leading providers of community pathology services and continues to be highly rated by its patients and referrers.

In the current economic environment, there is inadequate funding to cover growth in test volumes and the introduction of new tests or test methods. Other avenues of funding will need to be explored on a national basis. Wellington, where Aotea Pathology is based, is different from the rest of New Zealand, in that patients referred by private medical specialists pay for their tests. This has become accepted by private patients and may become the future pathway for the rest of Auckland's or New Zealand's diagnostics and testing providers. This is no different to ACC providers, where privately referred patients pay for services rather than it being funded by ACC.

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