



## ANNUAL RESULTS PRESENTATION FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

**Alan Clarke**, Retiring Chief Executive Officer and Managing Director

**Richard Keys**, Incoming Chief Executive Officer, Current Chief Operating Officer/Chief Financial Officer

### DISCLAIMER

This annual results presentation dated 29 July 2015 provides additional comment on the 2015 financial year end results media statement and financial materials released by Abano Healthcare Group on 29 July 2015. As such, it should be read in conjunction with, and subject to, the explanations and views provided in that material.

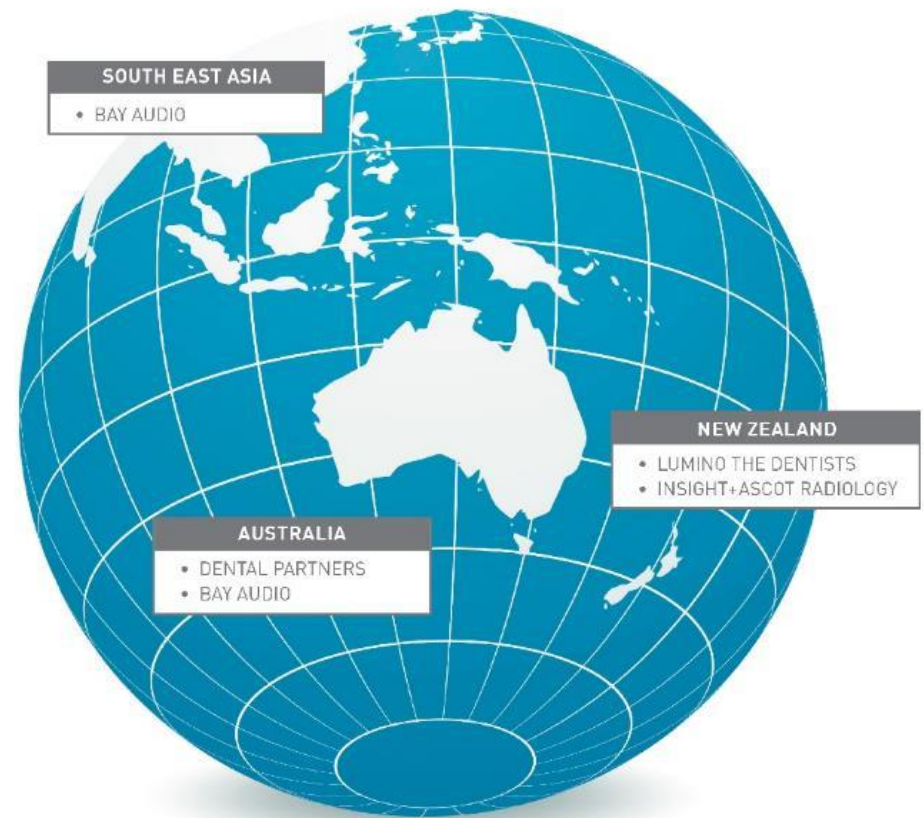
# ABOUT ABANO



Abano Healthcare Group Limited is an investor in and operator of healthcare businesses, in New Zealand, Australia and South East Asia.

We have five businesses in five countries with over 2,000 employees in more than 220 locations.

“Our strategy is to invest into scalable, growth businesses in the private, fee for service, healthcare market, that are compatible with a corporate owner and that offer attractive and sustainable long term value for our shareholders.”



# FY15 HIGHLIGHTS



## Improved performance in line with guidance

Continuing year on year revenue and EBITDA increases  
Underlying NPAT increased by 46%  
Full year dividend of 25cps, up 19%



## Appointment of Australian director

Murray Boyte appointed February 2015



## All sectors delivered improved EBITDA margins

Improving business efficiencies, organic growth and increasing scale driving improving margins



## Pathology and Orthotics divestments

Highly dependent on public funding and fixed price contracts  
Outside of core investment strategy  
Exposure to Government funding now reduced to less than 8%



## Investment into growth

Added 20 dental practices growing Trans-Tasman dental network to **173 practices** as at 31 May 2015  
Three new greenfield stores openings for Bay Australia



## Winner INFINZ Award 2015

Emerging Leader Best Corporate Communicator

# FY15 BUSINESS OVERVIEW



Year of continued investment into Abano's growth businesses of dental, audiology and radiology.

As the size of our Group grows, we are generating stronger margins and increasing returns.

## DENTAL (70% Gross Revenue)

Primary focus on dental sector with continued growth through acquisition and organic expansion

- Addition of 20 practices, growing Abano's trans-Tasman network to 173 practices: Nineteen dental practice acquisitions expected to provide approximately \$30 million in additional annualised gross revenue plus one greenfield practice opening

## AUDIOLOGY (13% Gross Revenue)

Bay International achieved positive EBITDA for first time after eight years of loss making

- Continuing improvement in Australian audiology business with 22% year on year increase in same store revenue
- Opening of three new greenfield stores in Australia
- Challenging market conditions continue for very small Asian audiology network

## DIAGNOSTICS (14% Gross Revenue)

Insight+Ascot Radiology delivered another year on year improvement in both revenue and EBITDA

Divestment of non-core businesses in Pathology and Orthotics

# FULL YEAR RESULTS SNAPSHOT



\$ Millions	FY14	FY15
Gross Revenue	274.0	300.4
Revenue	211.1	222.2
Underlying EBITDA	29.1	30.7
Acquisition Costs	(1.3)	(1.1)
EBITDA	27.8	29.6
Depreciation and Amortisation	(10.0)	(10.1)
Net Financing Costs and FV Amortisation	(5.8)	(5.8)
Share of loss of associate	(2.2)	(0.1)
Loss on sale of subsidiary businesses	-	(9.0)
Taxation	(3.7)	(4.5)
Minority Interest	(1.2)	(1.4)
NPAT/NLAT	4.9	(1.3)
Underlying NPAT	6.1	8.8

**Record gross revenue and revenues**, primarily driven by acquisitions in the dental business and improving performance across all businesses

**EBITDA and Underlying EBITDA both up on FY14** and in the middle of guidance

Pathology and Orthotics businesses sold for cash proceeds of \$11.1 million, resulting in a non cash loss on sale and reduction in goodwill of \$9.0 million

Net Loss After Tax of \$(1.3) million including non-cash impairment of goodwill and loss on sale

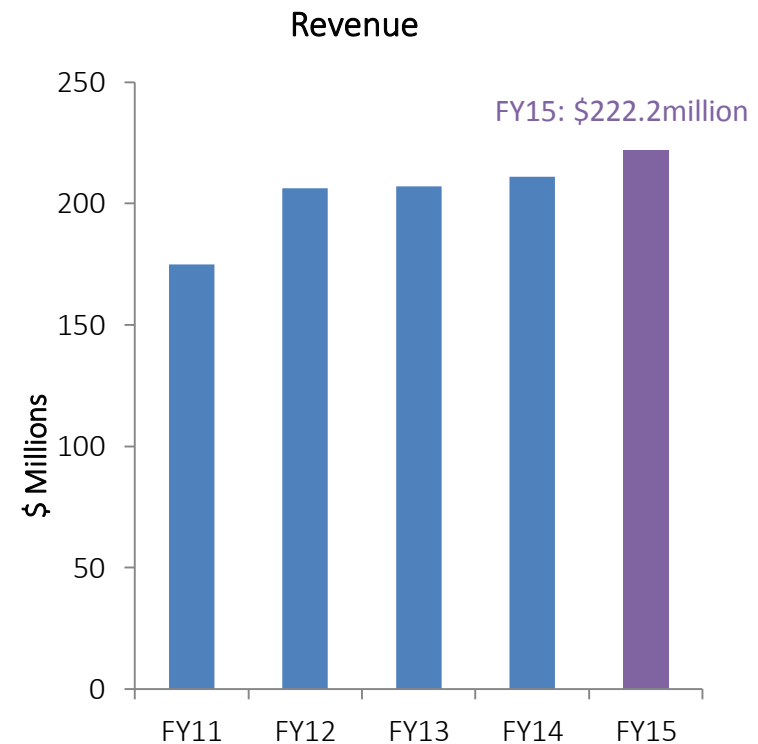
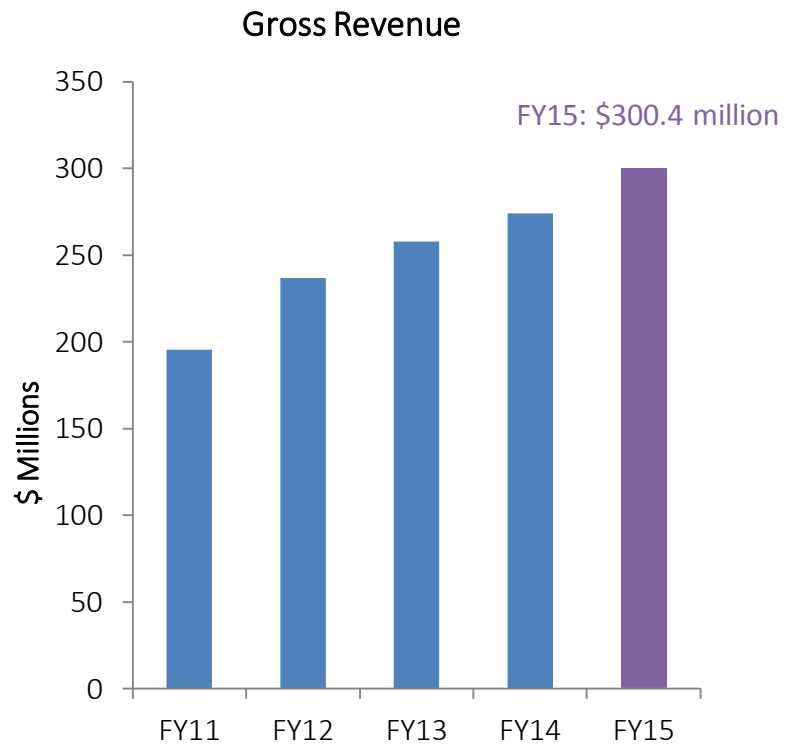
**Underlying NPAT result of \$8.8 million at top end of guidance and up 46% on previous year**

# FY15 REVENUE GROWTH



## Continuing Trend of Year On Year Gross Revenue And Revenue Growth

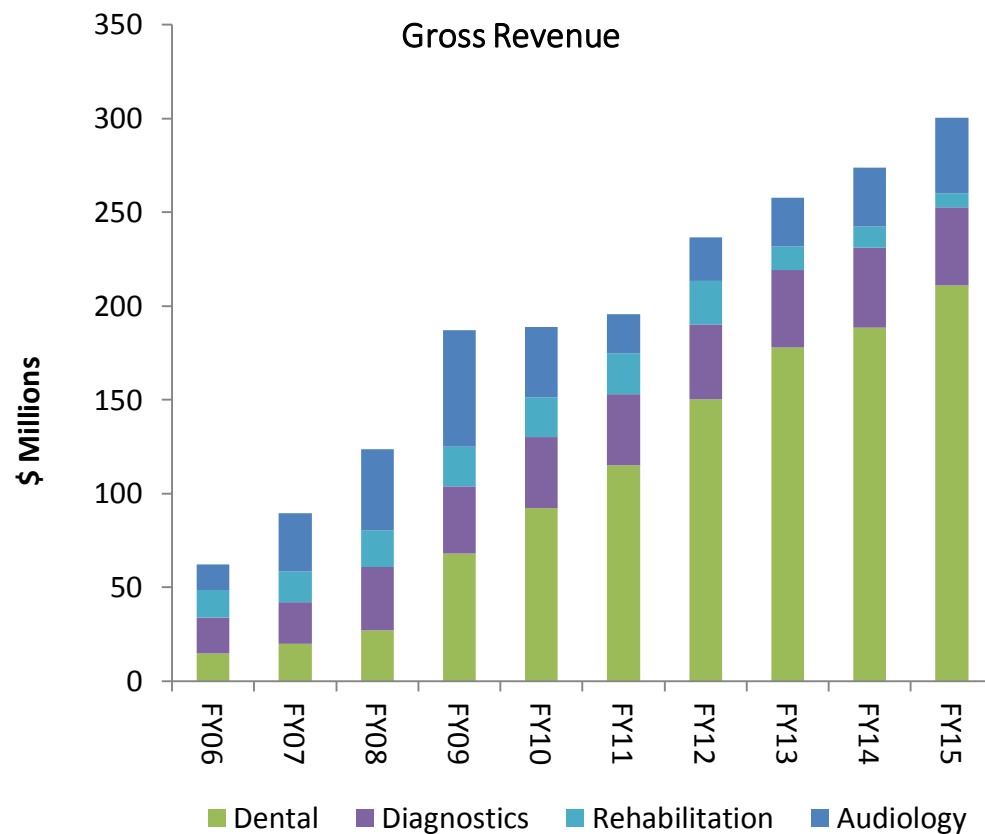
Record revenues primarily driven by acquisitions in the dental business and improving performance across all businesses



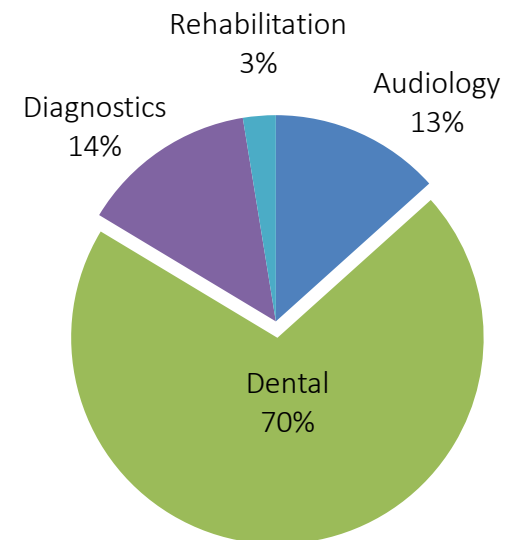
Gross revenue includes audiology and gross dental revenues before the payment of dentists' commissions

# GROSS REVENUE ANALYSIS

By Sector



Gross Revenue Split FY15



Final Rehabilitation business divested in January 2015; Pathology business – part of Diagnostics sector – divested 1 May 2015

# GROSS REVENUE ANALYSIS

## Funding Source

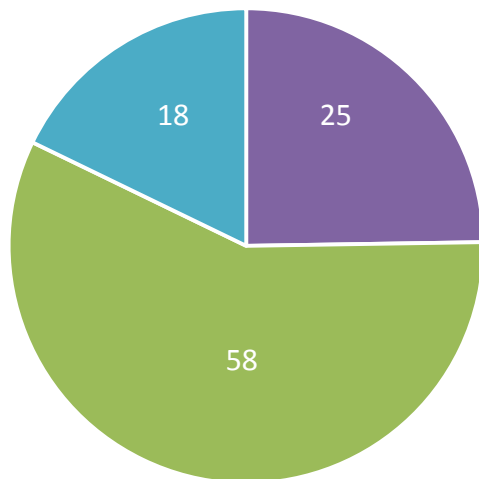


### We Invest In Businesses Predominantly Funded By Private Revenue On A Sustainable Fee For Service Basis

FY15 divestment of Pathology and Orthotics businesses which had a high reliance on DHB and ACC funding and fixed price contracts

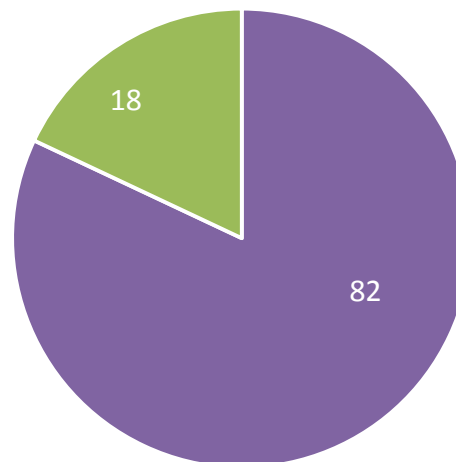
Revenue from private funding is now 92% with less than 3% from NZ DHBs, Ministry of Health and ACC funding

FY03



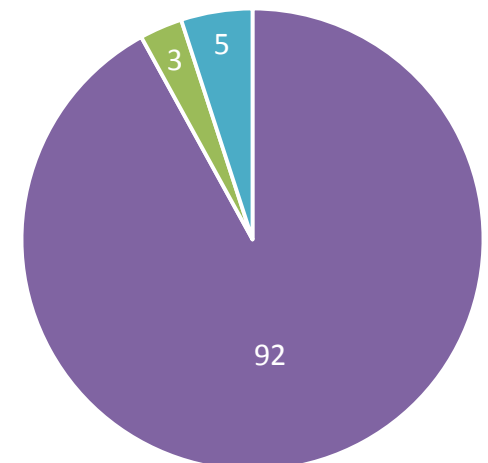
■ Private ■ MOH/DHB ■ ACC

FY15 Including Divested Businesses



■ Private ■ MOH/DHB/ACC/Other

Continuing Operations



■ Private  
■ MOH/DHB/ACC/Other  
■ Australia Office of Hearing Services



# GROSS REVENUE ANALYSIS

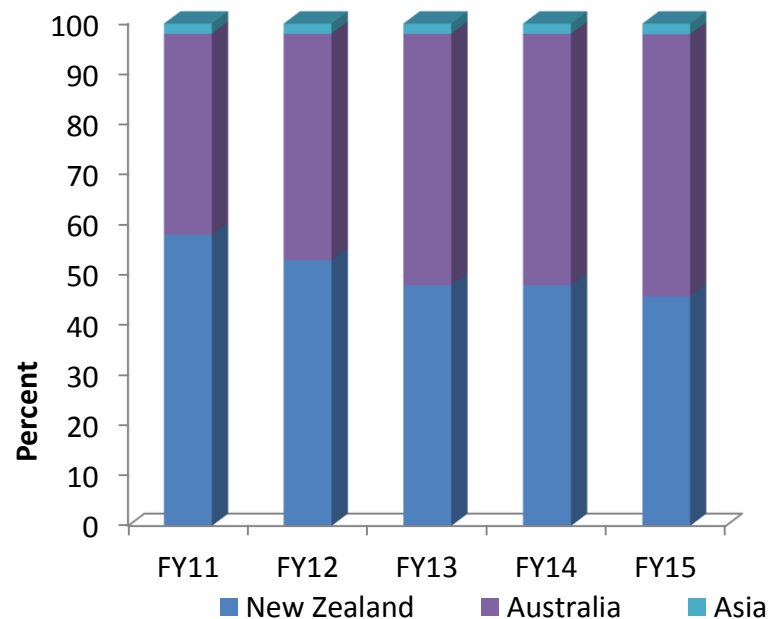
By Region



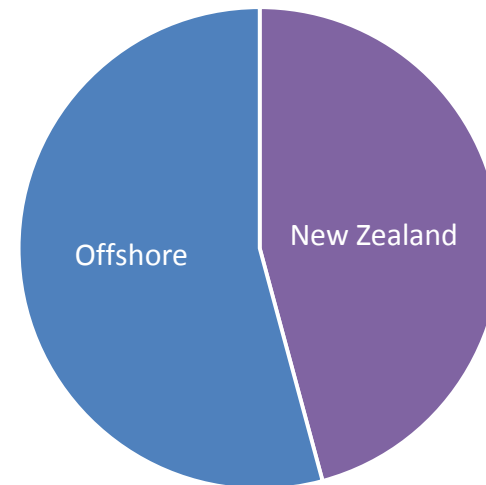
We Diversify Across Markets, Income Streams And Geographical Regions To Reduce Risk

Following the business divestments in FY15, we now expect over 60% of our gross revenue to be generated off-shore, predominantly in Australia

Revenue Sources by Region



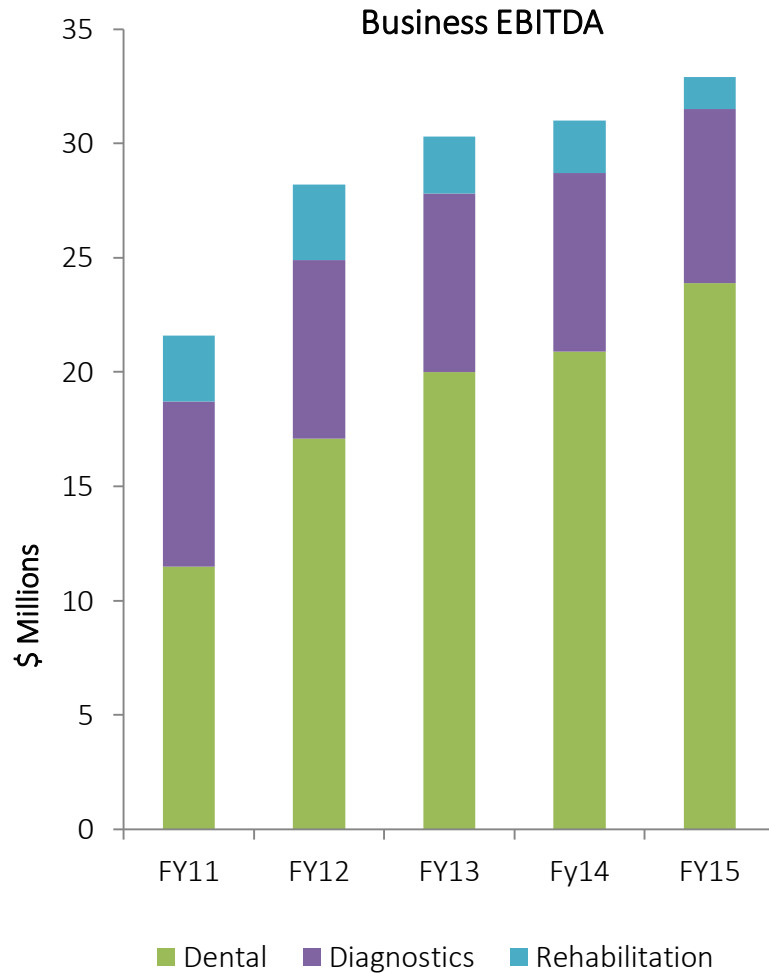
Offshore Revenue - FY15 54.2%



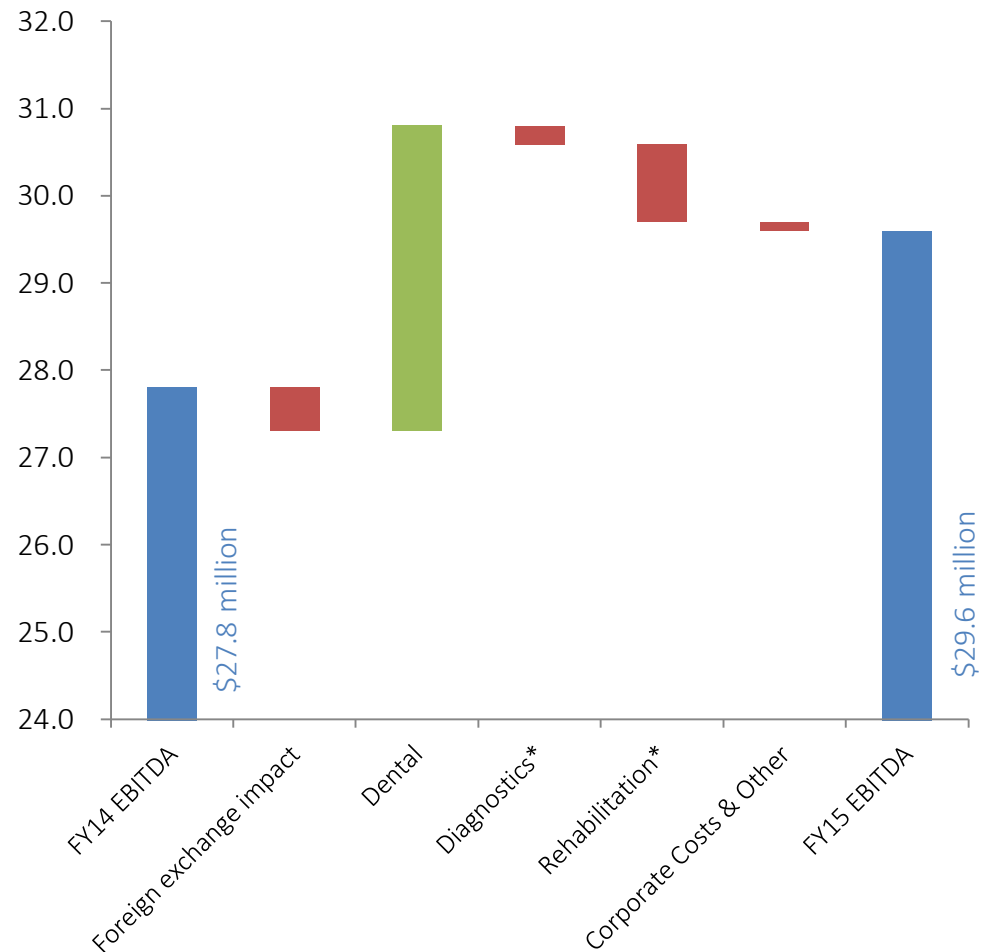
# FY15 EBITDA GROWTH



All Sectors Maintained or Improved Margins



FY14: FY15 EBITDA Growth



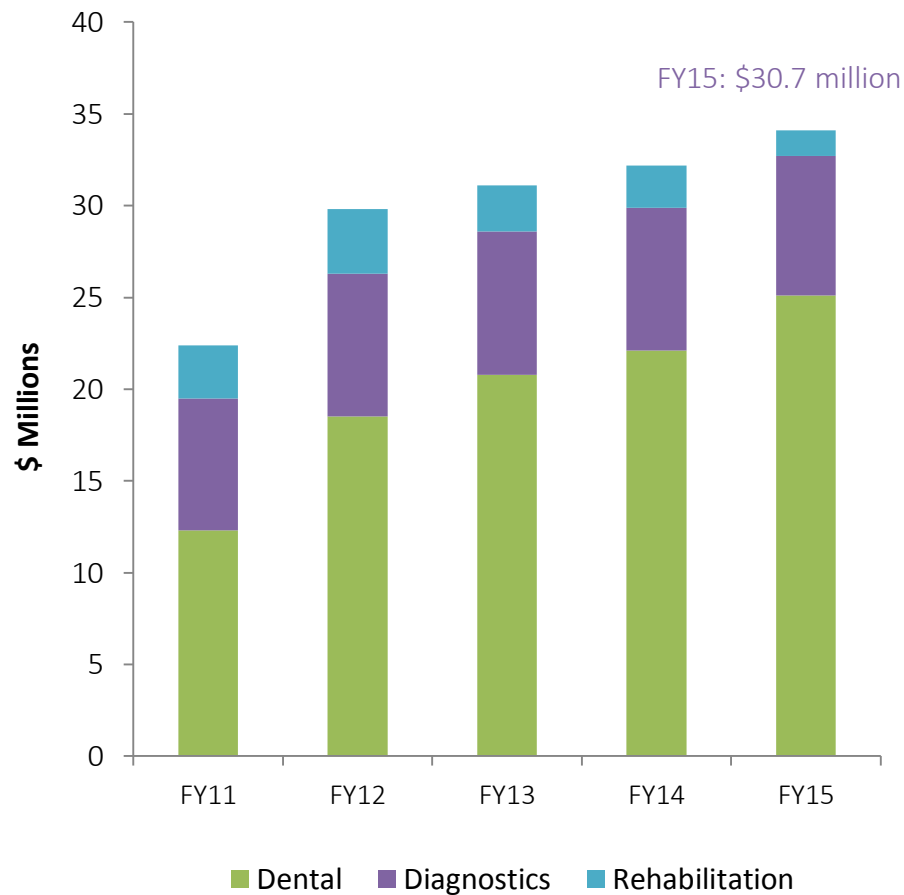
Final Rehabilitation business divested in January 2015; Pathology business – part of Diagnostics sector – divested 1 May 2015

# UNDERLYING EBITDA



Reflects Long Term Strategy to Invest into Growth And Expansion Of Businesses

## Underlying EBITDA



### DENTAL

Continuing year on year growth in dental  
Investment into building strong infrastructure for  
future expansion, particularly in Australia

### RADIOLOGY (part of diagnostics sector):

Growing demand from referrers following  
investment into expanded capacity and offer

### REHABILITATION

Orthotics business divested in FY15

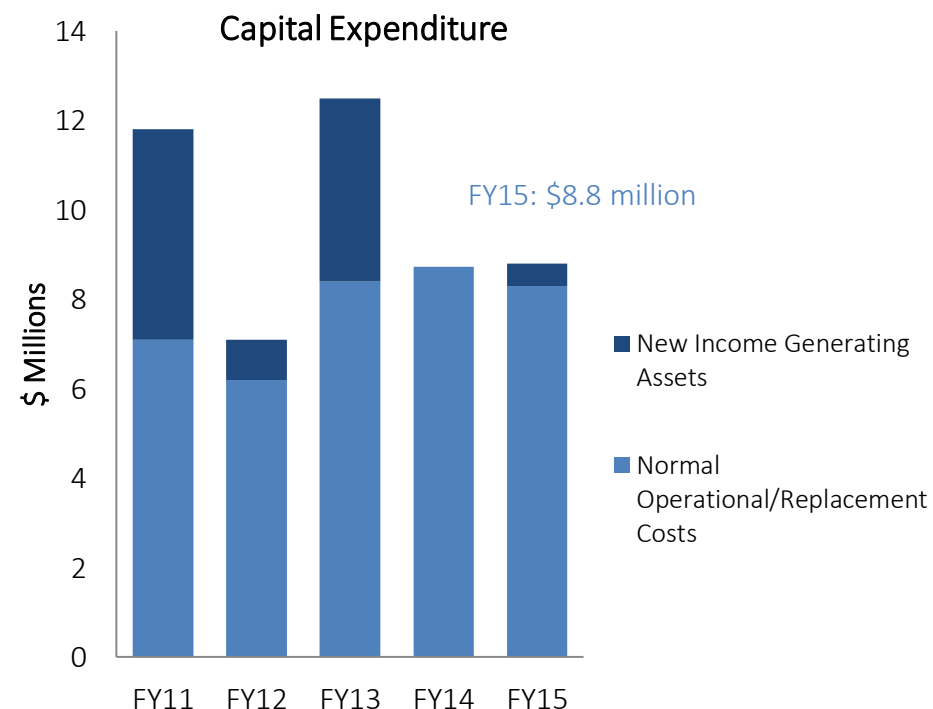
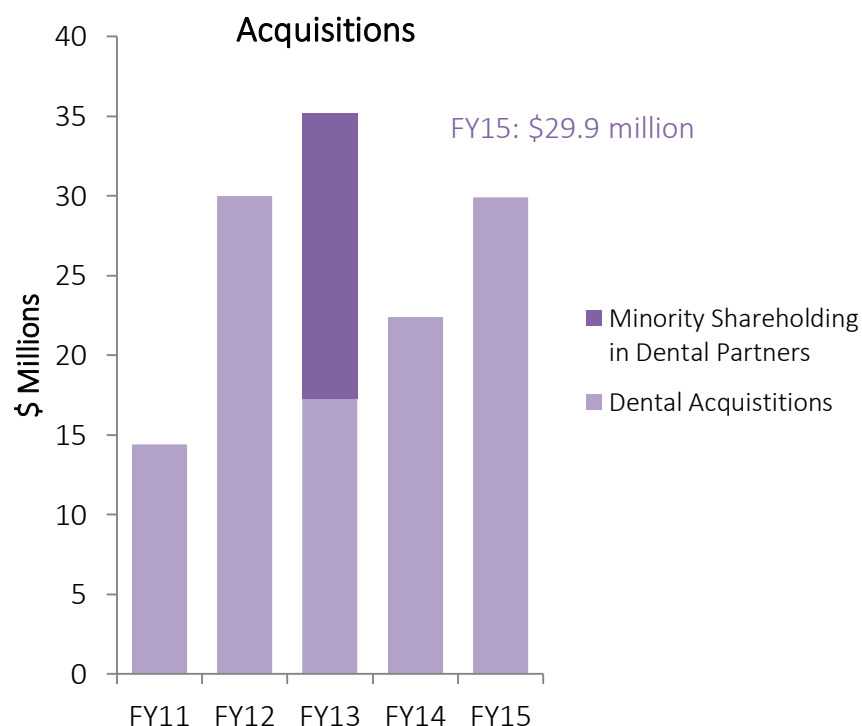
*Underlying EBITDA excludes audiology*

# ACQUISITIONS AND CAPEX



FY15 represented further investment into the trans-Tasman dental industry

Normal operational and replacement capital expenditure is increasing as the business continues to grow and acquire, but at a rate lower than depreciation



Added 20 practices with acquisition of 19 dental practices expected to add additional annualised gross revenue of approximately NZ\$30 million (NZ\$12.1m and A\$16.0m) plus one greenfield dental practice

*Three new greenfield audiology stores not included in group capital expenditure due to this being a joint venture business and therefore not consolidated*

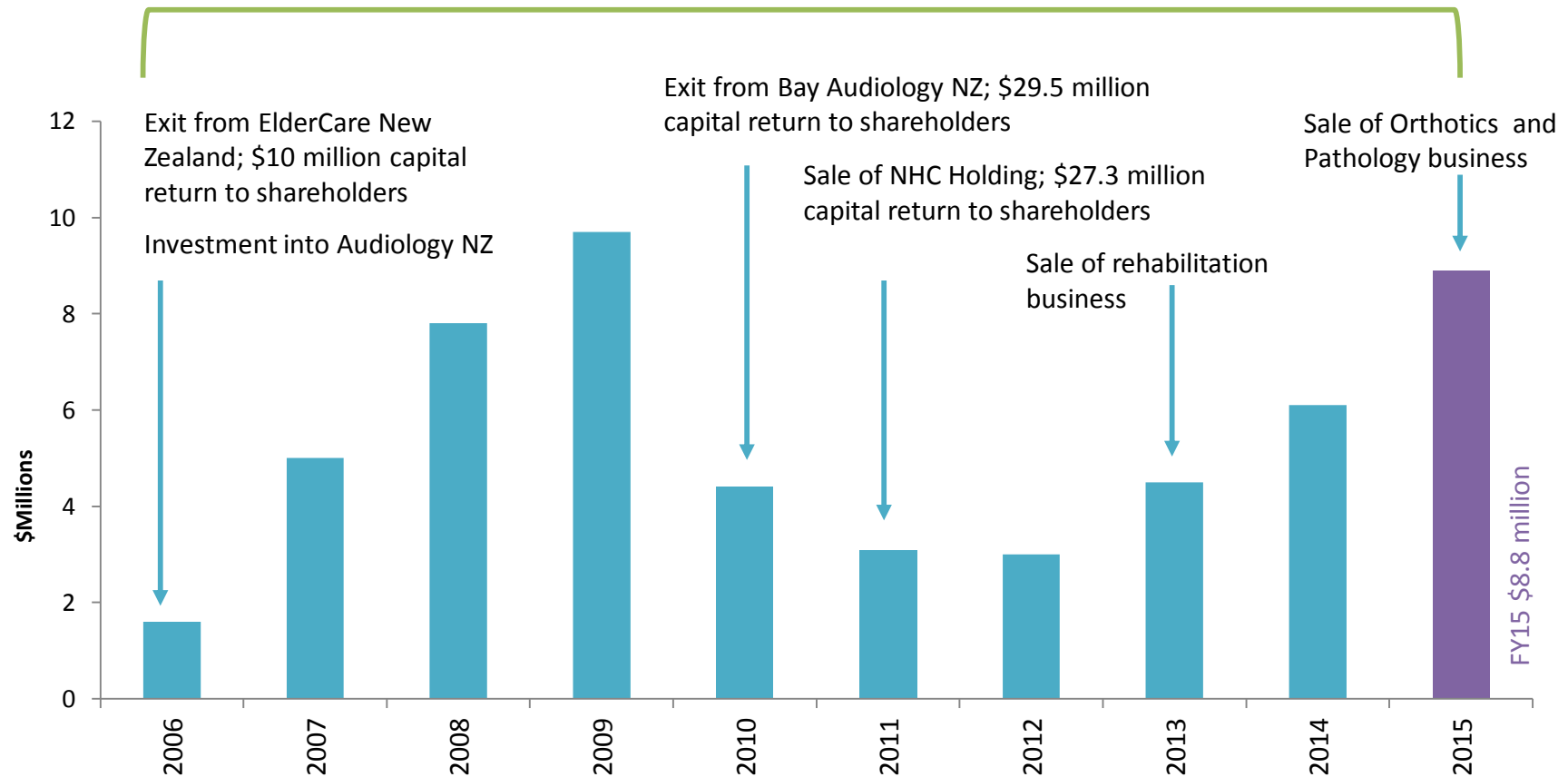
# UNDERLYING NPAT GROWTH



Increasing Returns As We Invest Into Our Growth Businesses

## Underlying NPAT FY06 to FY15

Investment into growth of dental, audiology and radiology businesses

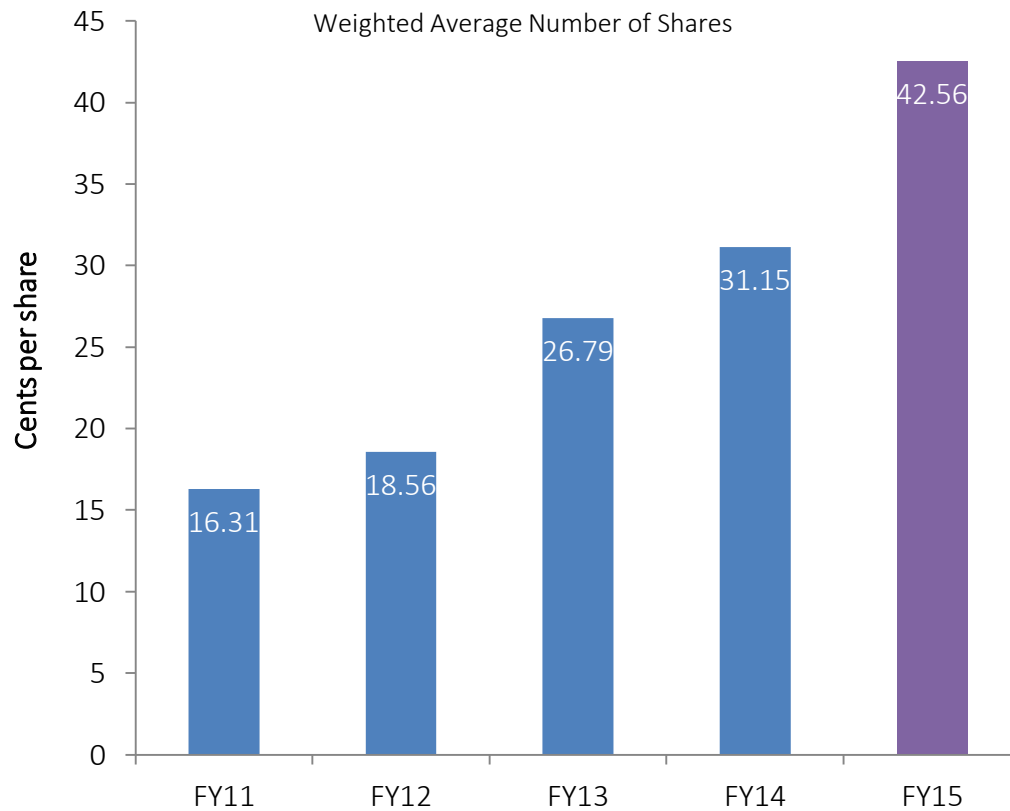


# UNDERLYING EARNINGS PER SHARE



## Underlying Earnings Per Share

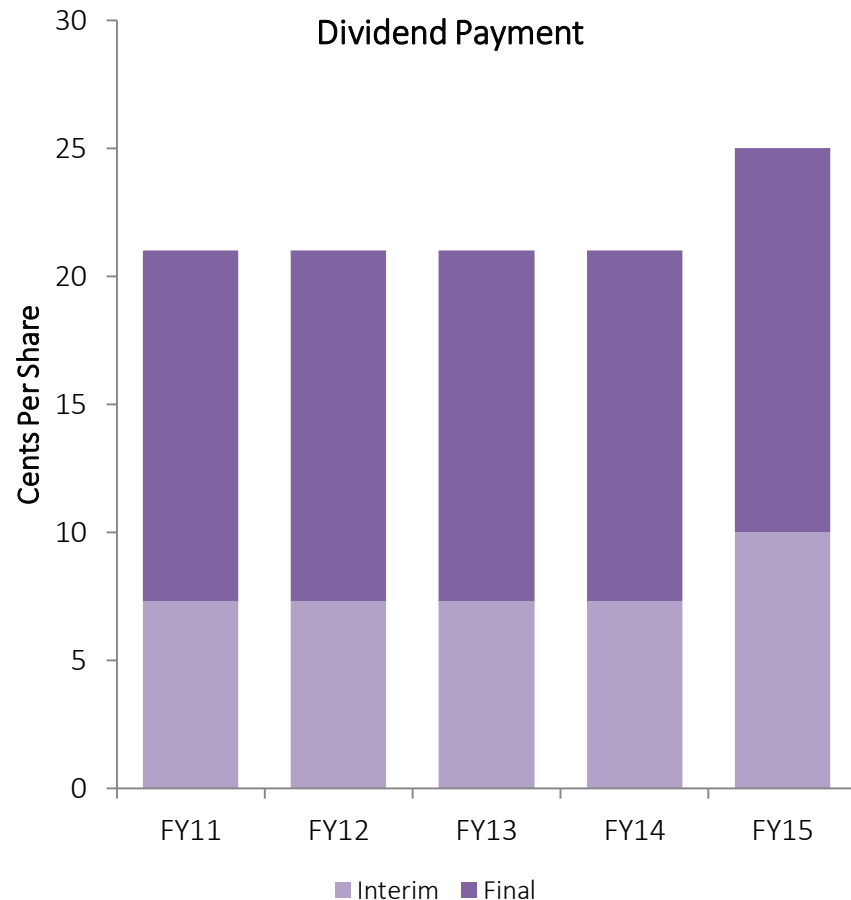
Weighted Average Number of Shares



Increase in Underlying Earnings Per Share driven by:

- Investment into dental delivering growing returns
- Improving performance from audiology joint venture

# DIVIDEND



Directors introduced new dividend policy in FY15 where, subject to relevant factors at the time, including working capital and growth, the annual dividend paid will be between 50-70% of Underlying Net Profit After Tax.

Announced FY15 fully imputed final dividend of 15 cents per share

Full year dividend of 25 cents per share, up 19% on FY14

Equal to 59% of underlying NPAT

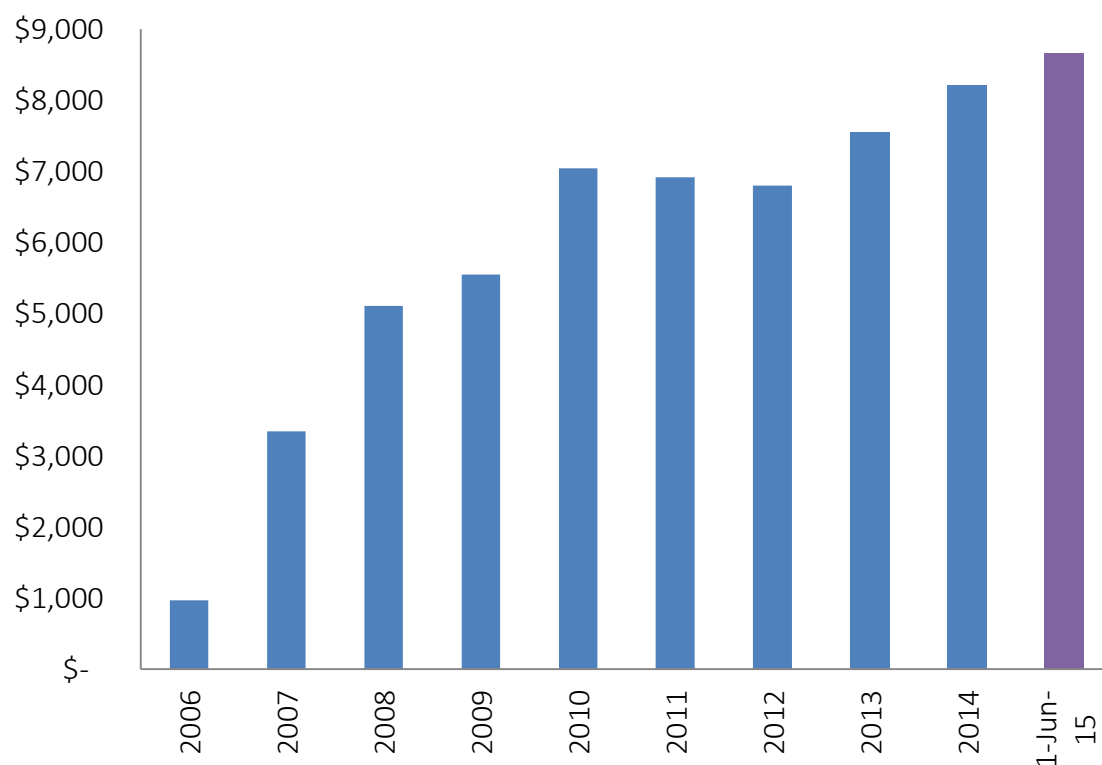
The Dividend Reinvestment Plan (DRP) will again be offered to shareholder. Historically, this has been well supported with approximately 50% of dividends taken up in shares under the DRP.

# SHAREHOLDER RETURNS



## Cumulative dividends/returns and year end share value

Internal Rate of Return = 54.9% pa  
Compound Annual Growth Rate = 31.3% pa



\$970

Initial investment into 1,000 shares as at 31 May 2006

\$4,962

Capital returns and dividends received between 2006 and 1 June 2015

\$8,662

Total value of investment including dividends and capital returns received as at 1 June 2015

\$87m

Returned to shareholders since 2006

31.3%  
per annum

Compound annual growth rate compared to NZX50 of 5.5%

Excludes final FY15 dividend



# BALANCE SHEET



\$m	FY14	FY15
Current assets	27.0	15.9
Property, plant and equipment	40.6	40.6
Intangible assets	138.7	147.4
Other non current assets	18.0	17.2
<b>TOTAL ASSETS</b>	<b>224.3</b>	<b>221.1</b>
Current liabilities	32.7	27.5
Non current borrowings	82.0	89.9
Other non current liabilities	14.7	13.3
<b>TOTAL LIABILITIES</b>	<b>129.4</b>	<b>130.7</b>
Total equity	94.9	90.4
	<b>224.3</b>	<b>221.1</b>

Sale of Pathology and Orthotics businesses reflected in balance sheet

Intangible assets predominantly goodwill in dental acquisitions

# BANKING FACILITIES



Australian Bank Facilities As at 31 May 2015	Value (\$m)	Expiry	Drawn Down As at 31 May 2015 (\$m)
Tranche A	A\$25.0	1 June 2017	A\$25.0
Tranche B	A\$30.0	30 June 2018	A\$30.0
Tranche C	A\$30.0	1 July 2019	A\$0.8
NZ Bank Facilities As at 31 May 2015			
Tranche A	NZ\$30.0	15 Dec 2018	NZ\$10.2
Tranche B	NZ\$20.0	30 Sept 2017	NZ\$20.0
<b>TOTAL</b>	<b>NZ\$141.1</b>		<b>NZ\$90.0</b>
Cash on Hand			NZ\$3.9
Net Bank Debt			NZ\$86.1

Undrawn facilities of over \$50 million, providing headroom for continued growth

Fixed interest rates in place for 69% of drawn debt as at 31 May 2015

Extended tenure and improved pricing were agreed during FY15

# BUSINESS OVERVIEW

abano healthcare



# THE OPPORTUNITY IN DENTAL



~14,000

Dental Practices

**Trans-Tasman dental market** is worth approx.

**NZ\$11 billion**

**Huge pool of practices** for acquisition and ongoing expansion of Abano's dental networks on both sides of the Tasman



**Changing workforce:** Growing number of females favouring flexible working conditions available in corporate dental model



**Predominantly privately funded:** Minimal reliance on Government funded contracts; Payment from patients or their health insurance



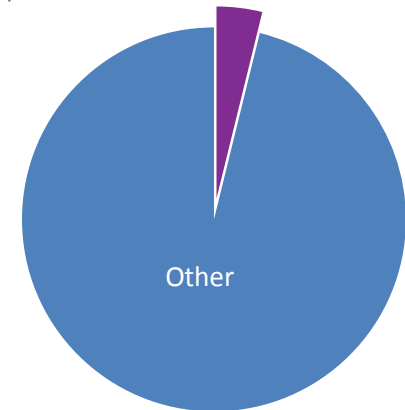
**Long Term Growth Trend:** Better Oral Health and retention of natural teeth; More Services on offer; Increasing Demand for Cosmetic Services

## Growing Acceptance And Popularity Of The Corporate Dental Model

More dentists are choosing to join a corporate dental group

Corporate consolidators own less than 5% of practices and have less than 10% of revenues

**Trans-Tasman Market Ownership**  
Corporate Consolidators



# ABANO'S DENTAL BUSINESSES



## Two Well Established and Fast Growing Dental Businesses

Second largest and one of the fastest growing trans-Tasman dental corporates

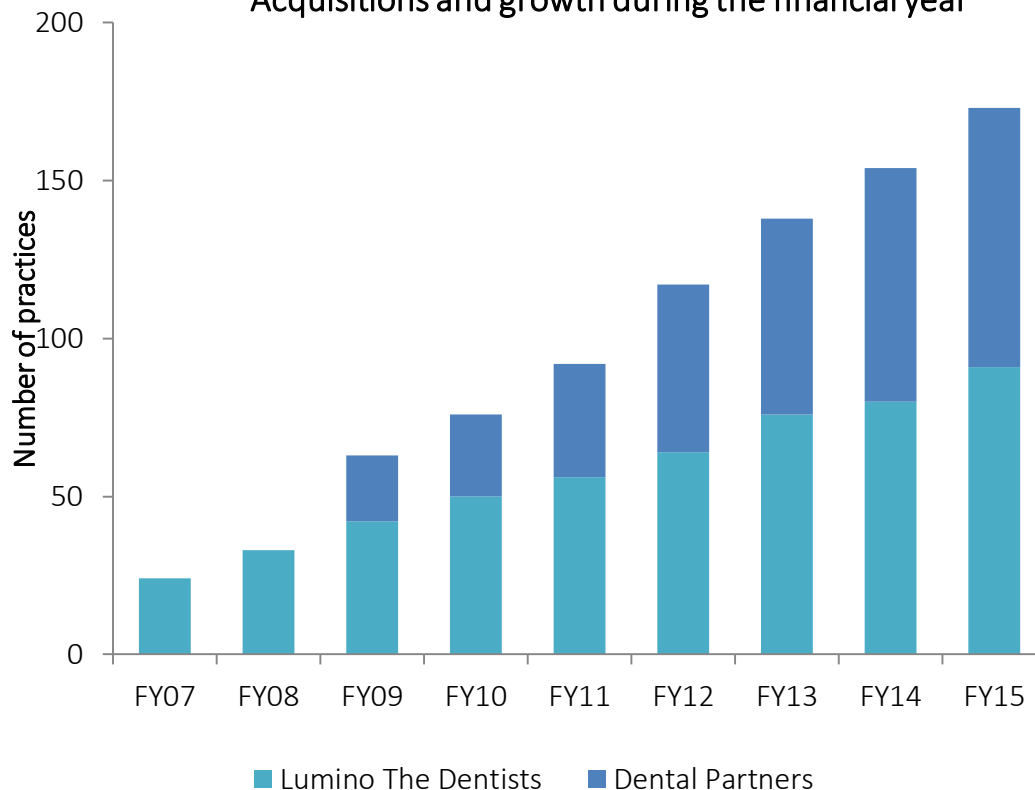
Largest private dental network in NZ and second largest in Australia

Acquiring one practice every two to three weeks

173 dental practices as at 31 May 2015



Acquisitions and growth during the financial year



Three practices acquired since year end providing approximately \$9 million in expected additional gross revenue

Current total network size: 176 practices

Returning in excess of \$240 million in annualised gross revenue (at today's exchange rate)

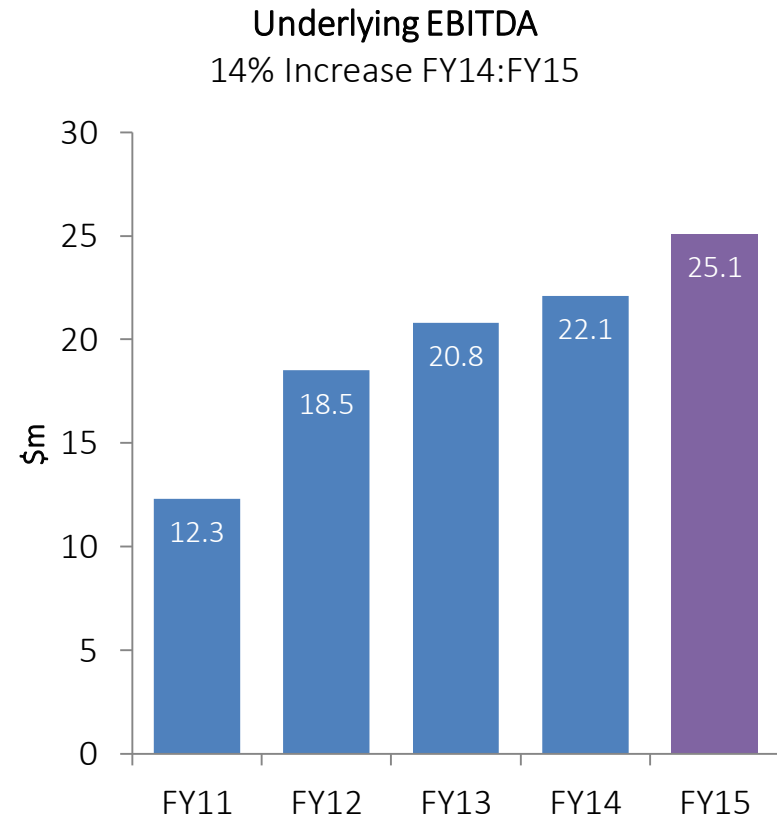
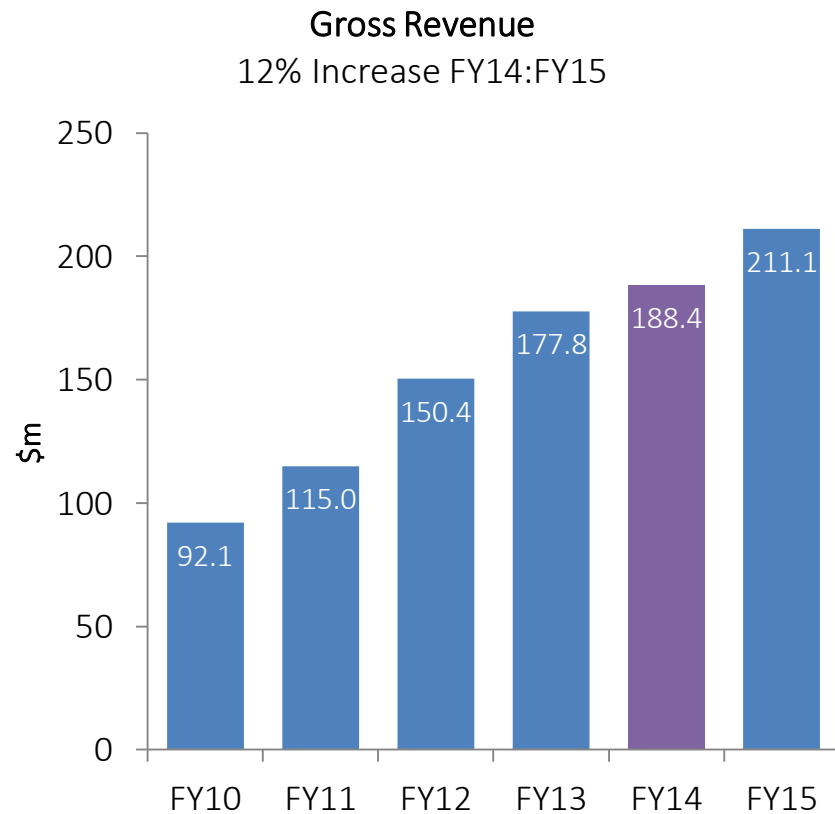
# DENTAL PERFORMANCE



**FY15: Gross Revenue \$211.1 million; Underlying EBITDA \$25.1 million**

Provided 70% of Abano's gross revenue

Gross Revenue split: Dental Partners A\$114.3 million; Lumino \$88.5 million





# LUMINO THE DENTISTS

Largest Private Dental Network In New Zealand



## FY15 HIGHLIGHTS

- Acquisition of 12 practices expected to provide an additional \$12.1 million in annualised gross revenue
- Continuation of successful Lumino advertising campaign
- FY14 – FY15 same store sales growth of 3.2%
- Amalgamation of two North Shore practices
- Continued retention of dentists completing their earn-out period
- Introduction of new clinical training programme LuminoGO

## LOOKING FORWARD:

Continued network growth, focus on marketing to acquire new patients, investing in our people and driving business efficiencies



91 practices as at end-May 2015  
Estimated 12 – 15% market share

Significant market potential  
Leadership position  
Growth strategy by acquisition  
Predominantly private payment

100% ownership by Abano

### Advantages:

- Strong infrastructure and culture across the group
- Benefits of scale including procurement, recruitment and training
- Indepth knowledge base and industry experience
- Innovative marketing campaign and ability to leverage national brand presence

# DENTAL PARTNERS

Second Largest Dental Network In Australia



82 practices as at end-May 2015

Estimated 1.4% market share

Huge market potential

Second largest dental consolidator in Australia Accelerated Growth Strategy – By Acquisition

Predominantly private payment

100% ownership by Abano

## Advantages:

- Focus on private payment
- Benefits of scale
- Currently developing national marketing brand to take advantage of network offer
- Ability to share knowledge and learn from successes in New Zealand market

## FY15 HIGHLIGHTS

- Acquisition of 8 practices expected to provide A\$16.0 million in additional annualised gross revenue
- FY14 – FY15 flat same store sales
- Continued investment into capability and capacity
- Appointment of General Manager Operations and General Manager Marketing
- Development of national brand strategy and new brand identity for rollout in FY16

## LOOKING FORWARD:

Accelerated network growth, launch of new brand and marketing campaigns to drive new patients, focus on business efficiencies



# THE OPPORTUNITY IN AUDIOLOGY



## THE AUDIOLOGY MARKET

Main markets are still OECD countries but increasing demand from populations in emerging countries  
Population boom in 45 – 55 year olds with noise induced hearing loss  
Launch of high value, high margin hearing devices with significant improvements in end-user benefits  
Technology impacting the traditional sales model



## AUSTRALIA

### Mature and Sophisticated Market

Competitive and highly corporatized  
Approx. 30-35% of hearing impaired use a hearing device



## SE ASIA

### Emerging Market; Growing at over 30% per year

Still underdeveloped compared to many other countries  
Large populations and huge, untapped potential  
Less than 5% of hearing impaired use a hearing device

## AUSTRALIA: END USER



**One in six** people suffer hearing loss. Predicted to increase to 1:4 by 2050

**~75% of population** aged +70 years are hearing impaired

Average age of first time user is 69 years

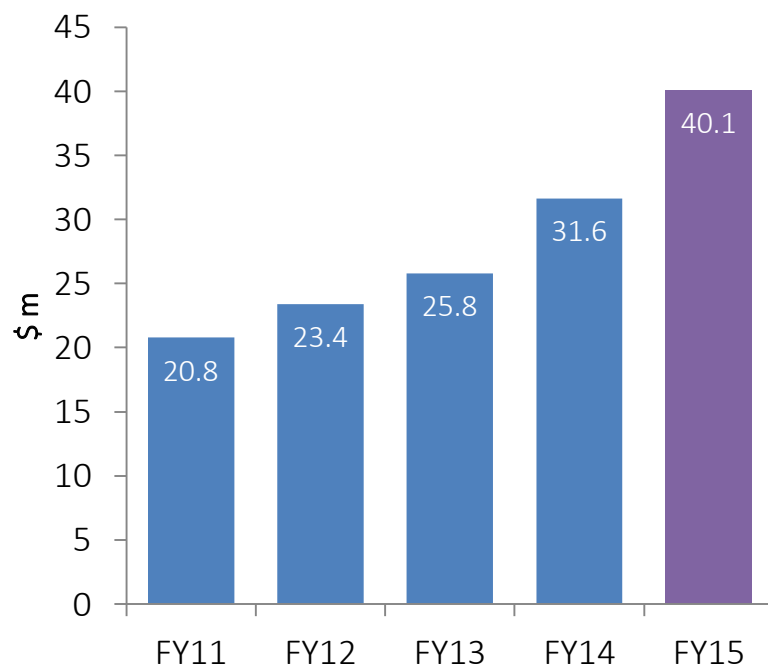
# AUDIOLOGY PERFORMANCE



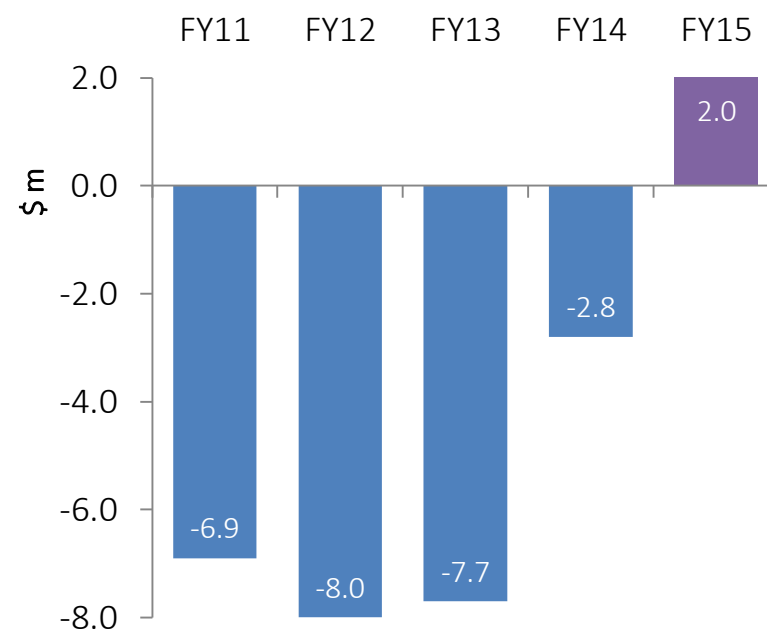
FY15: Gross Revenue \$40.1 million; Underlying EBITDA \$2.0 million

Provided 13% of Abano's gross revenue

**Gross Revenue**  
27% Increase FY14:FY15



**Underlying EBITDA**  
Increase FY14:FY15



# BAY AUDIO AUSTRALIA

High End Hearing Solutions Provider



## FY15 HIGHLIGHTS

- FY14 – FY15 same store sales growth of 22% in local currency
- Opened three new greenfield stores and relocated two non-retail stores into retail centres
- Average 5,500 self test touch screen leads generated per month
- Mobile screening continues to be popular with customers and a key generator of customer leads
- Partnered with Quality Pharmacy Group as their hearing health partner for their group of pharmacies in Victoria, and continued to grow the partnership with Terry White Chemists

## LOOKING FORWARD

Expect to see continued improvements, continuing double digit revenue growth and a full year profit. Further three greenfield stores to open in first half FY16.



36 stores across Australia, with 31 of these in retail malls PLUS mobile locations  
Estimated market share in excess of 3%

Sophisticated and mature market  
Expanding retail footprint  
Targeted growth through organic expansion and greenfield development  
Private payment with some public funding

50:50 joint venture

### Advantages:

- Appealing retail environment
- Indepth industry knowledge
- Innovative marketing and sales strategy

# BAY AUDIO ASIA



## FY15 HIGHLIGHTS

- Focus on growth in Taiwan, our largest opportunity (13 stores), along with Singapore (4 stores) and Malaysia (3 stores)
- Continued to invest into upskilling management and retail staff, with a focus on conversion and driving sale

## LOOKING FORWARD

Now under the oversight of the proven Australian team. Focus on delivering breakeven performance in a more challenging market

14 stores in Taiwan plus 4 in Singapore and 3 in Malaysia

Significant untapped market potential  
Small investments into test markets  
Very small part of Bay International group  
Private payment

### Advantages

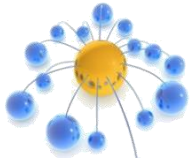
- Introducing a new way for consumers to access hearing health in Asia
- Industry knowledge and experience
- Independent of manufacturing chains
- Local teams in each market

# THE OPPORTUNITY IN RADIOLOGY



## GROWING DEMAND

Medical advances and new technology providing improved diagnosis, and at an earlier stage  
Ageing demographics pushing up demand



## CHANGING INDUSTRY DYNAMICS

Market dominated by private practice groups  
Approx. 100 to 150 individual radiology clinics in NZ  
Increasing consolidation of the market



## NEW TECHNOLOGIES DRIVING INDUSTRY CHANGE

PET-CT scanning for cancer  
Digital breast mammography  
MRI guided breast biopsy  
Move from film to digital images  
Greater collaboration with other clinicians in patient treatment  
Increasing demand for radiologists with sub-specialities

# DIAGNOSTICS PERFORMANCE

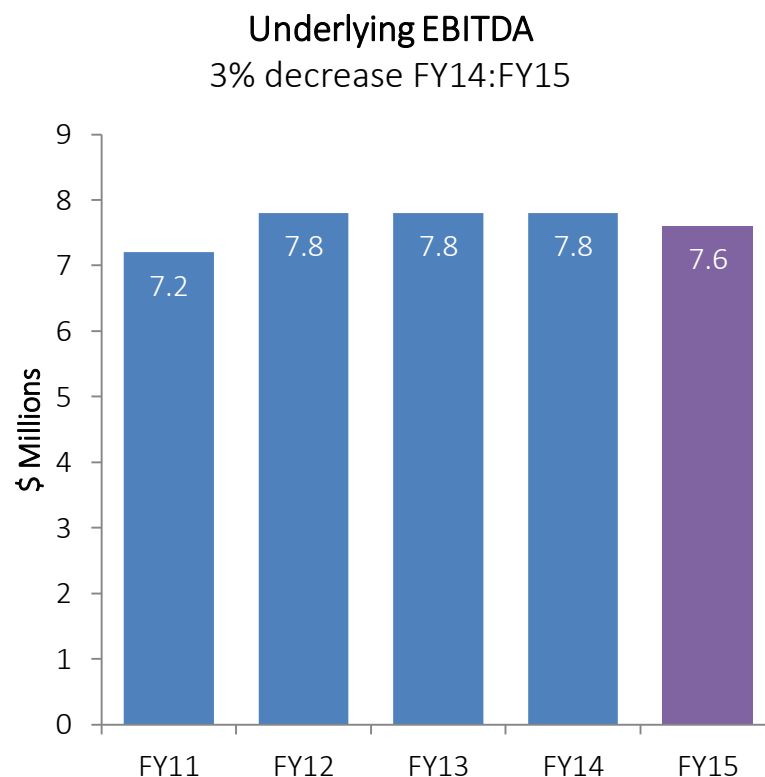
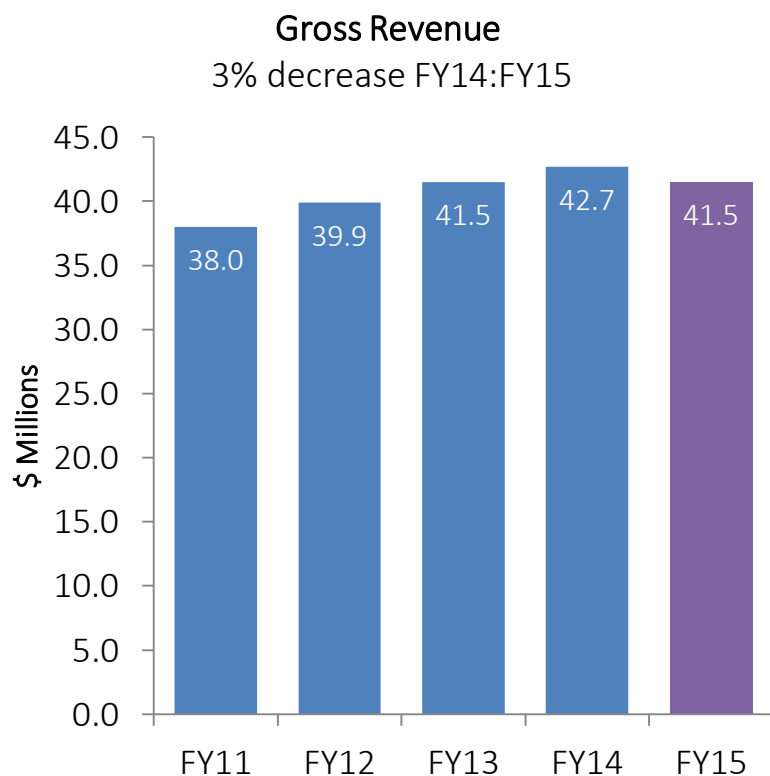
Includes Pathology business which was divested 1 May 15



**FY15: Gross Revenue \$41.5 million; Underlying EBITDA \$7.6 million**

Provided 14% of Abano's gross revenue

Impacted by sale of Pathology business on 1 May 2015





## FY15 HIGHLIGHTS

- Investment into improved customer services and support delivering significant improvements
- Experienced strong growth in PET CT referrals
- Stable radiologist partnership
- Second year of three year PET CT contract with Auckland DHB
- Received Affiliated Provider status for Southern Cross for CT, MRI, PET CT, Cardiac CT and Mammography
- Closure of Greenlane Imaging and transfer of private business to spare capacity at Ascot Central

## LOOKING FORWARD

Continuing improvement in customer service delivery, upgrades to clinics to improve customer experience, investment into high end, digital tomosynthesis mammography imaging

## Five Leading Edge Clinics Located Across Auckland

Growth through organic expansion of services and clinics

65% private payment or private insurance; remainder through MOH and ACC

71:29 partnership with 14 radiologist partners

### Advantages:

- World class clinics
- Leading edge imaging technologies
- Team of expert and highly respected radiologists
- Excellent relationships with referrers

# INVESTING TODAY FOR TOMORROW



## DEMAND FOR HEALTHCARE IS ESCALATING RAPIDLY

- People are living longer than even before
- Healthier lifestyles and medical advances are improving longevity
- As people age, they require more healthcare
- New technologies are providing better and more accurate diagnosis
- People want access to healthcare now, not when they reach the top of a waiting list
- People want their choice of healthcare provider

## PRIVATE HEALTHCARE IS NOW AN ESSENTIAL AND INDESPENSIBLE PART OF THE HEALTHCARE SECTOR

- Governments can no longer fund the public appetite and need for healthcare services
- The role of private healthcare providers has become an essential part of the healthcare sector

## ABANO: INVESTING TODAY FOR TOMORROW

- For the past 15 years, we've been planning for a future of increasing demand
- We have invested in private healthcare and medical services businesses in sectors where we see significant growth potential
- We invest into businesses which generate most of their income from private payment, either from individuals or their healthcare insurance provider
- We will keep investing in our businesses; into helping them to grow, build capability and gain market share
- We are well positioned to become a competitive and profitable large scale provider in our target sectors.



# ABANO - LOOKING FORWARD



## INVESTMENT INTO GROWTH

**Expansion of targeted businesses in sectors with identified growth potential**

Dental practice acquisition and organic growth in dental

Organic growth and greenfield store openings in audiology

New modalities and services in radiology



## EFFICIENT USE OF FUNDS

**Capital deployment towards higher growth, higher return businesses**

In particular, dental and audiology



## INVEST INTO TALENTED PEOPLE

**Recruit and retain the best possible talent**

Invest into our people to help them realise their potential

Create world class working environments and foster cultures that recognise excellence



## DELIVER IMPROVING SHAREHOLDER RETURNS

Dividends in line with new policy

Improving underlying EBITDA and underlying NPAT

# QUESTIONS

abano healthcare



# MANAGEMENT



## CORPORATE

## Joined Abano

Alan Clarke	Managing Director and CEO Retiring post 2015 Annual Meeting	2000
Richard Keys	COO and CFO Designated CEO to replace Alan Clarke	2002
Rachel Walsh	Group Commercial Manager	2013
Brendan O'Sullivan	Group Financial Controller	2007
Peter Radich	Chief Information Officer	2010

## BUSINESS CEOS

## Joined Abano

Andy Tapper	Abano Dental and Lumino The Dentists	2005
Malcolm Lean	Dental Partners	2008
Eron Plumb	Bay Audio	2011
Dr David Rogers	Insight+Ascot Radiology	2005

- Revenue excludes any audiology revenues, as this is a joint venture and is therefore equity accounted, and only includes Australian dental revenues after the payment of dentists' commissions.
- Gross revenue is reported within the segment note in the Financial Statements and includes audiology revenues and Australian dental revenues before payment of dentists' commissions.
- Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") is reported within the segment note in the Financial Statements and is Net Profit After Tax ("NPAT") excluding GAAP compliant net finance expenses, gains/losses arising on sale of businesses, equity accounted investments, non-controlling interests, tax, depreciation and amortisation costs. Particularly, it excludes profit/losses generated by the Bay Group, in which Abano holds a 50% shareholding. Due to this being a joint venture, the results for the Bay Group are equity accounted and therefore not included in the consolidated EBITDA.
- Underlying earnings are reported for both NPAT (a GAAP compliant measure) and EBITDA (a non-GAAP financial measure) and excludes 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, which are non-GAAP financial measures and are not prepared in accordance with NZ IFRS, is available on the Abano website at [www.abano.co.nz/underlyingearnings](http://www.abano.co.nz/underlyingearnings).

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This Company presentation dated 29 July 2015 includes comment on Abano's financial performance including financial results for the year ended 31 May 2015, which were released by Abano Healthcare Group on 29 July 2015. As such, it should be read in conjunction with, and subject to, the explanations and views provided in that material.

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# IFRS REPORTING IMPACT ON THE REPORTED RESULTS



RECONCILIATION OF EBITDA TO UNDERLYING EBITDA (\$m)					
	2011	2012	2013	2014	2015
EBITDA	19.8	25.7	27.7	27.8	29.6
Add back Acquisition Costs	0.8	1.6	0.9	1.3	1.1
Underlying EBITDA	20.6	27.3	28.6	29.1	30.7

RECONCILIATION TO UNDERLYING EARNINGS (DUE TO CHANGES IN IFRS IN 2010)					
	2011	2012	2013	2014	2015
NPAT	11.5	1.6	2.8	4.9	(1.3)
Less: Loss/Gain on sale of subsidiary	(12.3)	-	(1.6)	0.2	9.0
Add back: Impairment tax asset	3.1	-	1.9	-	-
Add back: Fair value movement and amortisation of deferred acquisition consideration	0.2	0.1	0.5	(0.3)	-
Add back: Acquisition and Divestment costs	0.6	1.3	0.9	1.3	1.1
Underlying NPAT	3.1	3.0	4.5	6.1	8.8

More information on underlying earnings, which is a non GAAP financial measure and is not prepared in accordance with NZIFS, is available at [www.abano.co.nz/underlyingearnings](http://www.abano.co.nz/underlyingearnings)