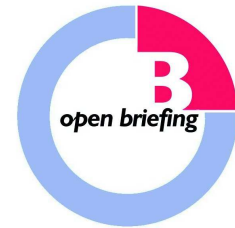


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IBA Health Group Limited last week announced that it will raise up to \$124 million through an accelerated pro-rata entitlement offer at \$0.55 per share. Shareholders will be entitled to two new IBA shares for every seven shares they own and the offer is non-renounceable. What's the rationale for the structure and timing of the capital raising given the weakness of investor confidence and the poor equity market conditions?

Executive Chairman & CEO Gary Cohen

We recognised that part of our debt was expensive, and flagged to investors at our first-half result announcement that we were considering our options. Although we don't believe we're suffering as a result of weaker investor confidence, as borne out by the significant take-up of the institutional component of our offer, we did take note that investors are highly focused on debt and cash flow levels. In fact, it was a very good time for us to raise capital.

It was clear during our investor roadshow following our first-half result that our shareholders were very supportive of our business. A rights offering to existing shareholders was evidently the right way to go.

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What other financing options did you consider?

Executive Chairman & CEO Gary Cohen

We considered a number of alternatives but it was clear that a straightforward rights issue wouldn't be dilutive to our shareholders and was the most equitable way forward.

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On a pro-forma basis, the entitlement offer is estimated to be approximately 7 percent accretive to underlying EPS and approximately 30 percent accretive to statutory EPS for the 12 months ended December 2008. What is the basis for these estimates?

Executive Chairman & CEO Gary Cohen

Much of the earnings upside results from a significant reduction in interest costs as a result of our intention to clear the debt of more than \$60 million we owe to AEP Financial Services Holdings. We're paying almost 20 percent interest on this loan. Most of the saving flows straight through to our bottom line.

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You've indicated you've raised \$82 million under the institutional component of the rights issue, with IBA's largest shareholder AEP, which owns 26 percent of the company, taking up its full entitlement and the balance of the institutional entitlement underwritten. Assuming only the institutional portion of the offer is taken up, on a pro-rata basis net debt as at the end of December 2008 would fall to \$240 million from \$322 million and gearing to 30 percent from 45 percent. To what extent are the pro-rata estimates reflective of the expected level of debt and gearing at the end of June 2009 and what are your longer term debt and gearing targets for the business?

Executive Chairman & CEO Gary Cohen

Since the end of the first half we've paid down \$17 million of our contract financing, which totalled \$68.5 million as at the end of December. We'll continue to reduce our contract financing, to around \$39 million by the end of June, which will further reduce our overall debt level. Further, from October 2009 we'll commence paying down the term debt component of our \$194 million senior facility.

The Board hasn't set a specific debt level or gearing ratio target. Although we've been operating and projected we'd continue operating well within our bank covenants, the market clearly viewed our level of debt as too high and too expensive. The rights issue removes the expensive portion of our debt and also significantly reduces our debt level.

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Assuming only the institutional offer was taken up, EBITDA to finance costs for the 12 months to December 2008 would improve to 4.0 times from an actual 3.0 times. What is your level of comfort with interest cover in this range and what interest cover range would you expect longer term?

Executive Chairman & CEO Gary Cohen

We plan to continue to pay down debt over the medium term and we're comfortable with this level of interest cover.

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AEP is the holder of about 46 million IBA convertible notes, under the terms of which AEP is entitled to subscribe for new notes on similar terms to the rights issue i.e., two new notes for every seven notes held. The notes convert into ordinary IBA shares on a one-for-one basis. Do you have any indication of AEP's intentions regarding the notes rights? What would be the implications for debt levels?

Executive Chairman & CEO Gary Cohen

We're not aware of AEP's intentions on this point. The convertible notes are treated as debt under current accounting standards even though they carry an interest coupon equivalent to any dividend paid.

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In your first-half results announcement in February you indicated IBA would seek to reinstate dividend payments at the end of the current year ending June 2009. Does the rights issue have implications for the potential quantum of the dividend?

Executive Chairman & CEO Gary Cohen

It remains our intention to seek to reinstate dividends for the current year.

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Your guidance for the current year ending June 2009 is for revenue of \$540 million to \$560 million and EBITDA of \$120 million to \$130 million. What are the main risks to achieving this guidance and do you have any insight into the earnings outlook for next financial year?

Executive Chairman & CEO Gary Cohen

As we said at our half-year result announcement, the market for health IT remains robust amid the global recession. We also advised that 94 percent of our full-year revenue was either recurring, contracted or expected (under some form of contract negotiation).

Our revenues are 60 percent recurring and, barring something unforeseen, we don't envisage this changing in the foreseeable future. We haven't provided guidance for the 2010 financial year at this stage but we've said we see the sort of growth we're experiencing this year – around 20 percent – continuing.

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You've said the entitlement offer will allow you to take advantage of your position as a global leader in the growing health IT industry. Post the institutional offer, what will be the capacity of your balance sheet to fund growth opportunities and what are the immediate opportunities for the group?

Executive Chairman & CEO Gary Cohen

Our gearing level will move from above 40 percent to below 30 percent following the rights issue, which we believe is a very comfortable level, even in this market. There's no doubt that the stronger we are at this time, the more we'll be able to take advantage of acquisition opportunities that can strengthen our intellectual property as well as leverage our position in markets around the world. However, it's not appropriate for us to comment on specific opportunities.

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Thank you Gary.

For more information about IBA Health, visit www.ibahealth.com or call Gary Cohen or Director Corporate Affairs Stuart Kelly on (+61 2) 8251 6769

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