



Street Address
Ground Floor,
105 Denham Street,
Townsville, Qld., 4810

Postal Address
P.O.Box 5021,
Townsville, Qld., 4810
Phone: +61 7 4721 1238
Fax: +61 7 4771 5217

www.1300SMILES.com.au
admin@1300SMILES.com.au

ASX ANNOUNCEMENT

28 November 2007

1300 SMILES Ltd (ASX code: ONT)

AGM - Managing Director's Address

Welcome

First of all let me welcome you again to our third annual general meeting as a listed company. Many of you have been with us since listing; others among you have joined us more recently. It's a pleasure to see all of you.

Growth and Consolidation

In my letter to shareholders which accompanied the 2007 full year accounts, I noted that the 2007 year was one of both growth and consolidation. During the 2007 year the company made excellent progress on both fronts. Because of this progress, the company is in a stronger position now than it was last year at this time.

Our revenue for the 2007 year was, as you'll recall, up by 34% on the previous year. This was the right kind of growth. We grew by acquiring existing dental practices, by convincing established dentists to locate their practices within our facilities, and in some cases by hiring young dentists to work as employees of the company until such time as they are ready to carry out their own independent practices from within our facilities.

While our revenue was growing at this solid rate, we were also accumulating experience: experience in recruiting, acquiring, and integrating both large established practices and individual dentists. As I addressed you at last year's AGM, I believed that our company was pretty good at all of these things. A year down the track, I can tell you with certainty that we're now that much better at all of them.

The other notable aspect of the 2007 year was that of consolidation. During the year we built a lot of core infrastructure, reflected in the fact that the number of company employees grew from 48 to 74. While increasing the size of the staff is not an objective by itself, we are committed to having all of the necessary structures in place to make sure that all of our dentists and patients are looked after in the best possible ways. The increase in staff numbers and overhead expense to which we committed in 2007 will lead, I believe, directly and immediately to increased earnings.

Some staffing requirements grow in a linear way: for every extra dentist, we need an additional dental nurse, a fraction of an additional receptionist, and so on. Other staffing requirements grow in a lumpy way. During 2007 we absorbed some of the big lumps required to give 1300 SMILES Limited a solid base from which it can grow into a much larger company.

Clarity and Simplicity

I am proud of the fact that 1300 SMILES Limited is one of the clearest and most easily understood companies listed on the Australian Stock Exchange. We keep it that way on purpose, because we believe that you, our shareholders, like it that way.

First of all, you know what business we're in: we provide services to dentists and patients. These services are designed to deliver high incomes and agreeable lifestyles to dentists and to deliver top-quality dental services to patients under the best possible conditions. If we do these things efficiently and well, we make a profit. Having done so, we simply pay our tax and distribute most of what's left over as dividends to you. We have only one class of shares, so everyone's shares are exactly the same. There's no fancy engineering of any kind; we just work hard to deliver growing profit and dividends.

Just a few weeks ago the markets were gripped by fear that crazy home lending practices in the US, which were imported to many Australian investors in the form of packaged debt securities, would cause havoc with many companies and investment funds. You still have reason to wonder which Australian listed entities stand to suffer big losses as the current credit crisis works itself out. Shareholders in our company don't face any such worries. We have no net debt, and we have not had any since long before the company was first listed. We have no fancy financial structures of any kind.

Combine this perfectly transparent structure with the fact that we operate in a defensive industry, and you have a company which is, in my view, sensible, safe, and sustainable.

I mentioned that dentistry is a defensive industry. What I mean by this is that dentistry is not very sensitive to swings in the economy. Obviously people will seek more elective and cosmetic services when they're feeling wealthy, but if you require the services of a dentist, you're not greatly influenced by current interest rates or the economic outlook. We believe that our business model will allow us to carry on and prosper in both good and bad economic times. As to politics, it's far too early to say what effect the new government and its policies will have on our business, if any, but we would note that one of the incoming government's stated policies is to expand government payments for dental services. If this policy becomes reality, we would expect to benefit from it.

Profits and Dividends

Bob Vause, in his standard text *Guide to Analysing Companies*, notes correctly that listed company profits are "part fact, part opinion, and occasionally part hope."

In the case of 1300 SMILES Limited, it's all fact. We collect fees from our participating dentists, then we pay all staff and facilities expenses. We rent all of our facilities, so there's no confusion whatever about exactly what they cost. Our profit shows up as cash in the bank. We then use this cash for two things only: to acquire additional practices and to pay dividends.

The other quotation we rely on to guide us is this: "You can't fake dividends." We held the final dividend for 2007 steady at 3.4c per share--equal to both the 2007 interim amount and the 2006 final dividend--as a way of communicating to our shareholders the fact that despite the consolidation of the 2007 year we're making money and moving ahead. You can be sure that everything we do is aimed at growing our profitability so that we can increase that dividend.

To my mind, your investment in 1300 SMILES Limited would seem to be a bit less risky than some of the fancier alternatives, for all the reasons I've noted in the course of this address. Our aim going forward is to keep the business simple and transparent and to deliver growing dividends. I look forward to your company along the way.

Developments Since Year End

As we have noted before, we completed two major acquisitions toward the end of the 2007 year, in Gladstone and at the Carindale Shopping Centre in Brisbane. We devoted considerable resources to securing these acquisitions during the 2007 year, but the contributions to revenue and profit have only really started to flow in the current year. We are at this moment pursuing a record number of acquisitions which we will announce as they become final. Meanwhile, let me update you on the progress of some of our ongoing projects and bring you news of the latest acquisition which we will be announcing to the ASX as we speak.

1. First an update on Cairns--over the past several months we've been working to consolidate our separate CBD practices into a single major facility located in the Cairns Central Shopping Centre. This new facility is scheduled to open on Monday. This will give us both more space to accommodate dentists and excellent exposure to the huge number of people who visit Cairns Central every day.
2. Next let's have a look at Mackay--Last year I reported with some pride that we had greatly expanded our Mackay operation, more than doubling its capacity. This year we're in the process of doubling it yet again. We're expanding our existing facility and plan to complete the current works in February 2008. Mackay has always been one of our busiest locations and I look forward to having the room to accommodate several more dentists.
3. In September we announced the acquisition of a major established practice in Caloundra, on Queensland's fast-growing Sunshine Coast. We always new that this would be a powerful profit centre for us right away, but already we can see that its performance exceeds our expectations. Caloundra will on its own have a noticeable effect on our results going forward.
4. Finally, I am extremely pleased to announce that we have entered into a conditional contract to acquire a very attractive, long-established dental practice in Rockhampton. Rockhampton is enjoying the same sort of booming economy as Townsville and our other star performer, Mackay, with a population base of about 60,000. This new facility is located about one hour north of our surgery in Gladstone and gives us a presence in yet another key population centre.

Our established centres are also doing well as we continue to add dentists and use our various facilities more intensively. You would understand that we do not report revenue or profit in between the half-year periods, but I can say that revenue to date in the current half is comfortably ahead of previous periods.

Board of Directors

I am proud to report that the Board of 1300 SMILES Limited is actively involved in assisting me with the direction of our company. It is our practice to keep our board lean and focussed.

Recently Mr. Morris Marrinon, who served as chairman since listing, resigned to tend to many of the other duties clamouring for his attention. We thank him for his time with us and we wish him well.

Our new chairman, Mr. Bob Jones, brings an extraordinary collection of talents and vast experience to our board. Bob is the chairman of the Mater Hospitals here in Townsville. Many of you would be aware that he steered the Mater through the process of acquiring the Wesley Park Haven Hospital and is now overseeing the integration and refinement of our two major private hospitals. As you can imagine, Bob has worked his way around a few bureaucracies, in the government, hospital, and insurance sectors, and he's worked with lots of medical professionals. Bob has also been a director of the Hermit Park Bus Service for decades. That company supplies school bus services under long-term contracts with the Queensland Department of Transport. I'm happy to say that he gives us the full benefit of this immense experience and we're fortunate to have him as chairman of our board of directors.

Mr. Bill Bass has also joined the board since our last AGM. Although he has only been with us since January, Bill has made a big mark. His experience as a corporate officer includes companies such as General Electric, Billabong, Country Road and On-Card International. Bill is enthusiastic in bringing his broad experience to bear and he's making a big contribution.

Finally, Guy Drummond was due to offer himself for re-election at this meeting. Over the past few months, however, another business in which Guy is involved has come to make extraordinary demands on his time. In fairness to the company he has decided to withdraw himself from re-election for the upcoming period of office.

The board therefore comprises Bob Jones, Bill Bass, and myself. I'm extremely happy with this arrangement. It is efficient; it's practical, and it works to the benefit of all of us, so I would ask you all to join me in voting for the re-election of Mr. Jones and Mr. Bass.

Thanks

As always, we thank you, our shareholders, for your support. Those of you who have been with us since the float have seen the share price grow from 80c to the recent level of around \$3.00. With this latest 3.4c dividend, the company has delivered a total of 17.6c per share, all fully franked, since listing. I'm proud of the fact that we have already returned fully 22% of our offer price, in the form of franked dividends, to our early supporters.

Finally, I would particularly like to thank our hard-working employees and the growing number of dentists who choose to conduct their practices in our facilities.



On behalf of the Board
Daryl Holmes
Managing Director