

2 February 2017

Dear Shareholder

On behalf of the Board, I would like to thank shareholders for their support over the last few months, following the notice of a partial takeover offer from Healthcare Partners. This is the company associated with dissident shareholders Peter and Anya Hutson and James Reeves, who have all been involved in previous unsuccessful attempts to gain control of Abano's businesses and to force changes to Abano's Board.

**Your Directors continue to recommend that shareholders REJECT the offer. To do this, shareholders should simply ignore the offer documents from Healthcare Partners and do nothing.**

All of Abano's major institutional shareholders, and retail investors who we have spoken to, have informed us that they support the Board's position to REJECT the partial takeover offer. Two large independent broking firms have also advised that they agree with the Abano Board's recommendation. Abano's Directors and senior management intend to reject the Healthcare Partners' offer in respect of all the Abano shares they hold or control. If this changes, we will advise you.

**HEALTHCARE PARTNERS' OFFER HAS RECEIVED NO TRACTION.** Based on Healthcare Partners' public disclosures, just 1.02% of Abano's shares have been tendered into the offer since it opened almost two months ago. Despite this lack of support, Peter and Anya Hutson and James Reeves continue to pursue control of Abano through Healthcare Partners and have extended the offer closing date to 3 March 2017. We note that apart from this, the offer remains exactly the same.

Importantly, we remind shareholders that **THIS IS A PARTIAL OFFER ONLY.** It is not an offer for all your shares. If successful, the Board believes that shareholders are very likely to be left with the majority of their shares in Abano. The company would then be controlled by Healthcare Partners whose strategy for Abano is unproven and unclear. The Abano Board believes the value of any remaining shares is likely to fall and the ability to sell those shares at what shareholders consider to be a fair price will be significantly reduced. Additionally, as the majority shareholder, Healthcare Partners and its directors would have control over the appointment of any directors, including themselves and any independent directors, to the Board.

**THERE IS NO ADVANTAGE IN ACCEPTING EARLY** as this reduces your options. If Healthcare Partners reaches its acceptance target in the last seven days of the offer, the offer period will automatically extend for 14 days. If this occurs, or Healthcare Partners reaches its acceptance target earlier, Abano's Board will let you know as soon as possible so you can choose what to do with your shares.

We have been made aware that Healthcare Partners has hired an Australian solicitation call centre to contact Abano shareholders. As the call centre is a related entity of Abano's share register, Computershare, this has caused confusion for some shareholders. This approach has not been approved or authorised by Abano, nor is the firm calling on behalf of Abano.

We advise shareholders to read the Target Company Statement and Independent Adviser's Report carefully and seek professional financial or legal advice if they have any questions about the offer and, in particular, about any information provided by the call centre hired by Healthcare Partners or by any other parties calling on behalf of Healthcare Partners.

## **ABANO'S POSITIVE PERFORMANCE CONTINUES**

In contrast to Healthcare Partners' directors who have no clinical or management experience in the dental sector and very little governance experience in publicly listed companies, Abano has a well-planned and communicated strategy; knowledgeable clinical and management teams leading our businesses; a track record of increasing shareholder value; and oversight from an experienced Board comprised wholly of Independent Directors.

As noted by the Abano Board and other industry operators, the complex and clinical dental sector is very different to the retail focused audiology sector, which in effect is the sale of electronic products; and the structure of the two markets is also very different.

While the partial offer has been disruptive, we are continuing to focus on driving performance and growing our businesses, as evidenced by our recent record interim results. Abano's positive trajectory has continued with a December 2016 result above expectations. We expect to deliver full year financial results in line with the FY17 financial forecasts detailed in the Grant Samuel Independent Adviser's report.

## **PAYMENT OF RECORD INTERIM DIVIDEND**

We were pleased to pay out our record interim dividend of 16 cents per share on 23 January 2017. All of Abano's Directors are shareholders in the company, either directly or through associated interests. It is the Directors' practice to participate in Abano's Dividend Reinvestment Plan (DRP) and to reinvest a portion of our directors' fees in shares. As Healthcare Partners' directors refused to allow Abano's usual DRP to be offered for the FY17 interim dividend, Abano's Directors are in the process of buying shares on-market with the dividends received in respect of shares we own. This is a reflection of the continuing increase in value that we believe will be generated for all shareholders under Abano's current strategy and leadership.

## **HEALTHCARE PARTNERS' DIVIDEND APPLIED TO OFFSET NON-PAYMENT OF TAKEOVER COSTS**

To date, Abano has incurred total external costs of over \$700,000 responding to the partial takeover offer by Healthcare Partners. Under the Takeovers Code, these costs are to be reimbursed by the bidding party. However, despite repeated requests for payment for almost two months, as at 23 January 2017 when our interim dividend was paid, we had not received any reimbursement or even any acknowledgement from Healthcare Partners.

The Abano Board does not believe it is reasonable for Abano and its shareholders to be funding these ongoing costs for Healthcare Partners. Accordingly, to ensure Abano's shareholders are not disadvantaged, Abano withheld from Healthcare Partners the recent interim dividend payment and applied it to the unpaid and overdue invoices. There is still an outstanding debt to Abano of over \$185,000, which is overdue for payment, and the Board is taking steps to seek to ensure this is paid promptly and without further delay.

## **ABANO ON TRACK WITH POSITIVE ACQUISITION RATE AND PERFORMANCE**

Abano's positive performance continues and a particular highlight in January 2017 was our trans-Tasman dental group achieving and exceeding the 200 dental practice milestone. Abano's CEO, Richard Keys, provides more comment on this in his executive update in the attached newsletter.

Your Directors remain committed to acting in the best interests of all shareholders and protecting your investment. Thank you again for your continued support.



Trevor Janes  
**Chairman**