

17 November 2016

Dear Shareholder

**NOTICE OF PARTIAL OFFER RECEIVED FROM INTERESTS ASSOCIATED WITH PETER AND ANYA HUTSON AND JAMES REEVES**

On 7 November 2016, Abano received an unsolicited notice of intention to make a partial takeover offer from Healthcare Partners Holdings Limited (Healthcare Partners).

This is a company associated with Peter and Anya Hutson and James Reeves, who have all been involved in previous attempts to gain control of Abano and to force changes to Abano's Board. These prior attempts were unsuccessful and disruptive to Abano, and have cost Abano and its shareholders in excess of \$1 million, not including management time.

**THE ABANO BOARD ADVISES SHAREHOLDERS TO TAKE NO ACTION IN RESPECT OF THE OFFER AND WAIT FOR THE BOARD'S FORMAL RECOMMENDATION**

You should wait until you receive a copy of the Target Company Statement from Abano before deciding whether to accept or reject the offer. We will send this to you within two weeks of Healthcare Partners sending out their offer document. The Abano Target Company Statement will include the Board's recommendation in respect of the offer and the Independent Adviser's Report. In the interim, the Board strongly recommends that you take no action and do not enter into any commitment to accept the proposed offer.

**THE PRELIMINARY VIEW OF THE BOARD IS THAT THE PARTIAL NATURE OF THE PROPOSED OFFER IS NOT IN THE BEST INTERESTS OF SHAREHOLDERS**

Healthcare Partners has indicated that it plans to make a partial offer for 30.99% of Abano's shares, which would take its shareholding to 50.01%. This would be sufficient to give Healthcare Partners' directors, Peter and Anya Hutson and James Reeves, control of your company.

If successful in its bid to become a controlling shareholder, they would be free to re-set corporate strategy, control the Board, change the company's dividend policy and approve certain changes to the capital structure. They have already indicated they would reverse Abano's growth strategy and make significant changes to the membership of the Board.

Despite our formal request to them, they have refused to allow us to declare our normal interim dividend and Dividend Reinvestment Plan in December, which would have seen you receive your dividend in January. They could have easily adjusted the proposed purchase price on any shares acquired by them, to enable you to receive your usual dividend on the shares you own.

**THE ABANO BOARD WISHES TO ENSURE THAT SHAREHOLDERS CLEARLY UNDERSTAND THE NATURE OF A PARTIAL OFFER**

- It is not an offer for all shares. The indicated offer price of \$10.00 is only available on those shares taken up under the offer. Even if it succeeds, it is highly unlikely that you would be able to sell all your shares into the offer or at the offer price.
- Acceptances from shareholders will be scaled down if the total acceptances received exceed the number of shares required for Healthcare Partners to reach 50.01% ownership of Abano. This could result in as little as 38% of your shareholding being taken up under the offer.

**Abano's Board recommends that Shareholders**

**TAKE NO ACTION AND DO NOT ENTER INTO ANY COMMITMENT TO ACCEPT THE PROPOSED OFFER.**

Shareholders should wait until they receive the Target Company Statement from Abano, which will include the Board's formal recommendation and the Independent Adviser's Report, before deciding to accept or reject the offer.

This is NOT an offer for all of your shares. If all shareholders took up the offer for all their shares, this would result in as little as 38% of your shareholding being accepted under the offer.

**Abano Board's Preliminary View**

The Abano Board's preliminary view is that the partial nature of this offer:

- is not in the best interests of all shareholders; and
- does not reflect full and fair value for the control that would be attained by Peter and Anya Hutson and James Reeves; and
- does not reflect appropriate compensation for all of the risks to shareholders of remaining a minority shareholder in the company, including your ability to sell your shares.
- Further, the value of your remaining shares would be uncertain should they be successful in gaining control.

- Because the indicated offer price is only paid on those shares taken up under the offer, you would only receive a premium for control on those shares (ie only a portion of your shareholding). As control would have already passed to Healthcare Partners, it would be unusual to have a premium for control paid for the remainder of your shares in the future.
- You would likely end up retaining a portion of your shares (up to 62%) in a company being controlled by a majority shareholder with its own agenda and an unproven strategy for Abano.
- In addition, there is the risk of reduced liquidity (the ability for you to sell your shares) and the probability of a decline in market price on your retained Abano shares after the offer.
- You should also take into consideration the potential impact on the value of your Abano shares post-takeover as a result of the significant reversal in Abano's growth strategy which is being proposed if the offer is successful.

## ABANO IS A VALUABLE BUSINESS DELIVERING LONG TERM SHAREHOLDER VALUE TO YOU

Since Mr Hutson was last involved in an attempt to gain control of Abano in August 2013, the share price has risen 41%<sup>i</sup>. Shareholders have received a Total Shareholder Return of 13.9% p.a. on their investment in Abano during this period, outperforming the New Zealand share market, being above the NZX ALL return of 13.3% p.a and the NZX 50 return of 12.9% p.a. for the same period<sup>ii</sup>.

Oversight of Abano's growth strategy is provided by an experienced and capable Board. This is evidenced by the performance of the company, as our results and financial returns demonstrate, and by external recognition from industry peers. Trevor Janes, Abano's Chairman, has recently been announced as a finalist for Chairperson of the Year in the 2016 Deloitte Top 200 Awards. In addition, both Trevor and Abano director Ted van Arkel, sit on the boards of companies that have also been named respectively as Award finalists in the excellence in governance and company of the year categories, demonstrating the calibre of Abano's Board.

Abano's Board and management continue to create valuable businesses. In fact, Abano sold its 50% shareholding in the audiology business in June this year for \$32 million, benefitting all shareholders, and well above the 'nominal value' Peter Hutson would have acquired it for under his previous unsolicited takeover proposal in 2013.

## THERE IS NO BENEFIT IN ACCEPTING EARLY

Once the formal Healthcare Partners offer is made, it cannot be closed or withdrawn early and the offer price cannot be reduced. Once you accept the offer, you cannot change your mind and your acceptance cannot be withdrawn.

You may be called by other parties and pressured to accept early; however, there is no benefit in early acceptance. Shareholders will not be paid until after the offer becomes unconditional and the extent of any scaling becomes clear.

The Board will always seek to act in the best interests of all shareholders. We thank you for your continued support as we continue to grow your business and protect your investment.



Trevor Janes  
Chairman



Pip Dunphy  
Deputy Chair



Ted van Arkel  
Director



Danny Chan  
Director



Murray Boyte  
Director



Dr Ginni Mansberg  
Director

**There is no benefit in accepting early. Once given, an acceptance cannot be withdrawn.**

The Abano Board advises shareholders to **TAKE NO ACTION** and wait until they receive a copy of the Target Company Statement from Abano before deciding whether to accept or reject the offer.

**Receive news and shareholder communications by email:**  
[www.abano.co.nz/subscribe](http://www.abano.co.nz/subscribe)

We encourage shareholders to register to receive shareholder communications by email. This will ensure you receive our communications in a timely manner.

You can also subscribe to Abano's ENews service, to receive Abano announcements and shareholder documents as they are released.

Shareholders with any questions should firstly talk to their professional financial or legal adviser or feel free to contact Richard Keys, Abano's chief executive officer, on +64 9 300 1413 or email [richard.keys@abano.co.nz](mailto:richard.keys@abano.co.nz).

<sup>i</sup> Abano share price: 30 day VWAP including 6 August 2013 (the day prior to announcement of unsolicited Indicative proposal) of \$5.85, and \$8.27, being the 30 day VWAP including 3 November 2016 prior to receiving the initial takeover notice.

<sup>ii</sup> NZX All and NZX 50 gross indices.