

14 December 2016

Dear Shareholder

Re: Abano Target Company Statement in response to Healthcare Partners Holdings Limited Partial Takeover Offer

Healthcare Partners 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's businesses and to force changes to Abano's Board.

**THE ABANO BOARD UNANIMOUSLY RECOMMENDS YOU
REJECT HEALTHCARE PARTNERS' PARTIAL TAKEOVER OFFER.**

The reasons for the Abano Board's recommendation are set out in full in the Target Company Statement, which also incorporates the Independent Adviser's Report prepared by Grant Samuel & Associates Limited, and accompanies this letter. This is an important document and we encourage you to read it carefully and in full.

In summary, the reasons for the Abano Board's recommendation are that:

- The Effective Offer Price is too low and it is only for some of your shares. Your Directors believe that the Effective Offer Price of \$9.84¹ significantly undervalues your shares. It is below the bottom end of the Independent Adviser's valuation range of \$9.95 to \$11.96 per Abano share, and 19% below the midpoint of the range.
- The offer is a partial offer. It is NOT an offer for all Abano shares. You will only receive the Effective Offer Price for the shares that are taken up under the offer (potentially only 38% of your shares if all shareholders accepted the offer for all their shares).
- The Implied Weighted Average Offer Value (an important metric which recognises the partial nature of the offer²) is only \$8.87 per share. This is well below the Independent Adviser's valuation range and, at only a 7.3% premium to Abano's 30 day volume weighted average price (VWAP)³ of \$8.27, is materially below the control premium which shareholders should expect.
- The Effective Offer Price does not fairly value, or compensate you, for the control you would be ceding to Healthcare Partners; nor are you compensated for the risk of being a minority shareholder in a company controlled by Healthcare Partners.
- If the offer is successful, it is very likely you will be left with the majority of your shares in Abano (up to 62%). The company would then be under the control of Healthcare Partners and its directors, whose proposed strategy is unproven and unclear. The value of your remaining shares is likely to fall and liquidity (i.e. the ability to sell Abano shares on market) will be significantly reduced.
- Abano has an established and proven strategy and a track record of delivering earnings growth and shareholder value. Healthcare Partners' offer is being made at a time when the value and benefits of Abano's investment into its dental group are just beginning to be realised.

TO REJECT THE HEALTHCARE PARTNERS PARTIAL TAKEOVER OFFER, SIMPLY IGNORE THE OFFER DOCUMENTS AND DO NOTHING.

It is important to note that shareholders cannot time their acceptance of the offer to maximise the number of shares taken up by Healthcare Partners. The offer will automatically extend if Healthcare Partners reaches its acceptance target within the last seven days of the offer period. The Abano Board will advise you if Healthcare Partners reaches its acceptance target so that you can consider your options.

HEADLINE HALF YEAR PROFIT RESULTS AHEAD OF GUIDANCE

(Read the full announcement at www.abano.co.nz)

On 14 December 2016, we were pleased to announce Abano's headline financial results for the six months to 30 November 2016, with profit results ahead of guidance and well above the same period for the prior year, following a strong performance in October and November.

All businesses provided margin improvement, with early benefits being felt from the recent initiatives put in place by the Australian dental business to combat the challenging economic conditions and volatility in Australia.

The Abano Board also confirmed a record partially imputed interim dividend payment of 16 cents per share for the first half year period. As usual, this will be paid in January 2017. Following a request from the Board, Healthcare Partners' takeover offer document now permits the payment of this interim dividend; accordingly, the Healthcare Partners offer price will reduce to \$9.84 per share.

These excellent headline results underscore Abano's continued strong performance and future potential, particularly in the \$11-billion trans-Tasman dental market. We are continuing to grow our dental businesses through the targeted acquisition of dental practices and selected greenfield locations in both New Zealand and Australia. Our acquisition-based growth strategy is driving incremental earnings and margin growth and delivering increasing shareholder value.

The Abano Board believes the current partial takeover offer is another attempt by Healthcare Partners' directors to acquire Abano and its businesses at a low value and at the expense of our other shareholders.

YOUR BOARD RECOMMENDS YOU REJECT THE HEALTHCARE PARTNERS OFFER. If you are in any doubt about how to respond to the Offer, seek advice from an independent, qualified financial and/or legal adviser.

Yours sincerely



Trevor Janes
Chairman



Pip Dunphy
Deputy Chair



Ted van Arkel
Director



Danny Chan
Director



Murray Boyte
Director



Dr Ginni Mansberg
Director

¹ The Effective Offer Price is Healthcare Partners' offer price adjusted, in accordance with the terms of the offer, to deduct Abano's 16 cent per share interim dividend, which was announced by Abano on 14 December 2016.

² The Implied Weighted Average Offer Value takes into account shares sold into the offer and the value of retained shares if all shareholders accept for all their shares. Refer to page 7 of the Target Company Statement for a more detailed explanation.

³ Refer to page 7 of the Target Company Statement for explanation of 30 day VWAP.