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Memo to client advisers: Our view on Crescent's letter ….

In a letter to shareholders dated 7 March 2008, Crescent Capital has made a number of comments. We hope that the following comments may assist you in advising clients…..

1. Crescent continues to compare their offer to the price before "any takeover activity" in September 2007, and indeed even comparing Abano's share price of 18 months ago. Since the Masthead bid in September 2007, the company has twice upgraded it's earnings guidance, including a half year result confirming the growth … with NPAT growing from $1.6 million in FY06 to $5.0 million in FY 07 and forecast $7.9 million in FY 08 and a projection of at least $10.5 million in FY 09.

2. The offer price of $5.20 represents approximately 11.4 times Abano's projected earnings for the 2009 year, which we said would be **at least** $10.5m (a 33% increase on 2008). This is very cheap when compared to P/E ratios of Australasian health sector companies.

3. Crescent continues to state the projected earnings are overly optimistic. Following completion of 9 months, the earnings guidance for the current year has been confirmed and 2009 projections already exceed what was included in the Korda Mentha report.

4. Crescent says we have been 'simply buying improved earnings'. This is simply not correct. As at the end of February 2008, net debt of the company was approximately 20% of total assets. On this basis it could just as well be argued that the company is under geared.

5. The directors of Abano believe that the responsible course for them is to advise shareholders that Crescent's offer of $5.20 undervalues the company's prospects.

6. Management will not be accepting the offer. Indeed, the management of the Audiology business has instead bought a 19.9% stake in the company at the bid price.

The question we believe shareholders should be asking themselves is : Why is Crescent so desperately trying to acquire the company if their view of its prospects is so derisory.

After all, isn't the normal activity of private equity companies to buy companies whose prospects are undervalued and then increase the debt gearing?

As of today, the Crescent bid has attracted acceptances of less than 3.4%. Shareholders, we believe, agree with our analysis …