

EBOS GROUP LIMITED

Chairman' Address by Rick Christie Annual General Meeting 2012 Christchurch 2.30pm

Introduction

This year I will open with a French quotation which will be familiar to many of you, "Plus la change, plus c'est la meme chose"....which roughly translated means that "the more things change the more they stay the same".

The context for this famous French quotation is normally pessimistic, bemoaning that very often change produces no benefit, however I decided to break with tradition and apply it, in a positive context, to the EBOS track record over the recent past.

In reflecting on the past year, I am reminded that much has changed from 2011; not just the size and shape of the business but also amongst the ranks of our shareholders, and our management structure.

What has not changed has been the delivery of improved results for our shareholders and the on-going pursuit of underpinning growth opportunities, despite it being a difficult year for the economies in both Australia and New Zealand.

It would be fair to say that these changes have marked a new phase in EBOS' journey from being a small but profitable business at the beginning of the last decade, to a top 50 NZX company, with over 1000 employees and a strong presence in both Australia and NZ.

Economic Environment

Predictably our business environment has not really improved over last year, and indeed over the last four years, since the so called "Global Financial Crisis" impacted on global commerce generally. Governments' around the world are putting the brakes on their spending, and with many OECD countries especially those with ageing populations, this fiscal rectitude impacts heavily on health budgets. New Zealand and Australia are weathering the storm better than many other countries but, (in health terms), we are not immune, and our business model needs to be even more efficient and competitive to maintain and grow our business.

The good news is interestingly, that, notwithstanding the recessive conditions, spending on Petcare seems to be unaffected, which makes our Masterpet business look like an ideal complement to our traditional markets in the health sector generally.

Mergers and Acquisitions

Last year, about this time, I signaled that although we had come through a period of consolidation and rationalisation, our appetite for acquisitions was still strong, and that we were looking at a number of opportunities. The rest is now history, as in December we announced the acquisition of the Masterpet Group of companies from private interests. This was the largest investment we have ever made, and gave EBOS entry into a new and exciting market sector in Australia and New Zealand. Financially we were well prepared for this, having exited our Scientific businesses for a healthy profit in 2010, and ended last year with money in the bank and no net debt. Nine months down the track, we can report that we are very pleased with this latest addition to the Group and this augers well for healthy growth in earnings in the future.

It is worth emphasizing that of the 18 acquisitions we have made over the last decade, the last two, PRNZ, (Propharma and Healthcare Logistics), in 2007; and Masterpet in 2011 were the largest and the best. Not only have they contributed strongly to earnings, but we have benefited from the management talents which came with the companies we acquired, and widened our capabilities as a team.

EBOS Management and Company Structure

The continued growth of the EBOS Group necessitated some changes in our management structure and operating systems, and I am pleased to report that thanks to a great effort from management, these were achieved as well, and have enabled us to integrate this new business and grow our existing businesses, with a minimum of disruption. Management changes across the group will be commented on in more detail in the Managing Director's report, but we have, where possible, leveraged our existing skills across the Group. In other areas, as I have said, we have acquired new talent, notably from our Masterpet acquisition; but also to supplement and strengthen our financial capabilities.

Results

In the year ended June 2012 revenue from continuing operations increased to \$1.429bn, with EBITDA up to \$46.9m and Net Profit after Tax up 19.4% to \$27.9m. This was a solid result bearing in mind we exited our Scientific businesses in 2010, saw a contribution of only a part year's trading from the Masterpet acquisition, and dealt with a number of legal and integration expenses during a year of great change.

Operating cashflow was a solid \$28m.

Balance Sheet

Despite the very significant investment made in Masterpet, we finished the year with net bank debt of only \$87m, which, after an investment of \$105m plus debt, emphasises the underlying strength of our balance sheet last year.

Furthermore we took the opportunity to diversify our banking partnerships with the inclusion of BNZ in a banking syndicate, led by ANZ/National with whom we have had a long term relationship.

Net assets increased to \$208.6m reflecting the Masterpet acquisition, with total assets \$658m at year end.

Dividend

This strong financial position enabled us to pay a dividend of 34.0 cents for the full year, which, (excluding the special dividend of 20 cents following the exit from Scientific,) was a record amount for the company.

Shareholders

Our shareholder base also underwent significant change with the exit of 10% cornerstone Masthead from the Register, but other new shareholders moved quickly to invest resulting in a wider institutional base and better coverage and liquidity. On behalf of the Board I would like to personally welcome our new shareholders to the EBOS family.

Board

Peter Merton resigned from the Board in September 2011, following a further sell down of his shareholdings and to pursue his growing interest in Pharmacy Brands Ltd., and Mark Stewart departed in March 2012 following Masthead's exit.

I would like to personally thank both of them for their contribution to our meetings and to the ongoing growth of the company. Looking to the future, we are well placed in terms of Board diversity, with a good mix of skills and experience. Two of our Directors, Liz Coutts and Barry Wallace are up for re-election this year, and they enjoy the support of the rest of the Board in this.

I should add that our nominations committee is currently considering at least one further Board appointment, and this will recognize the potential for further acquisitions on the horizon and our growing presence in Australia.

Management

After another successful year of growth and improved financial outcomes, I must commend the work of our management team, very ably led by Mark Waller. Mark personally leads our acquisition and divestment activities, and can claim much credit for their success. Alongside him however, are a very competent team of advisers, who know EBOS well and with whom we have worked for many years.

As I have remarked before, - getting the deal done is only part of the journey- getting the deal to work is the other, vital element; and generally EBOS has managed to achieve this as well.

Outlook

In the short term we expect to further consolidate the gains and synergies resulting from the Masterpet deal, and to further grow by acquisition. The timing of the latter depends, as always, on securing the right opportunity at the right price, and satisfactory due diligence.

In the longer term we now dare to envisage ourselves as a billion dollar company by market capitalization. For those of you whom might regard this as over ambitious I would recall that it was less than 10 years ago that we cracked \$100m, which then was a major milestone for us. This year we pushed through the \$400m mark so we are well on the way.

Notwithstanding our recent track record, EBOS remains "under the radar" as far as the media is concerned. however, the smart money knows where the goal line is and our share price strength has made up for our lack of popular profile.

Finally, to return to my opening quotation:

"plus ça change, plus c'est la meme chose"....and the translation,
"The more things change the more they remain the same"...

Perhaps we should reframe that as:

"onwards and upwards", which is another way of describing the ongoing progress and trajectory of your company EBOS Group.

"We are EBOS", and that includes you, our shareholders, old and new.

Thank you