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MARKET RELEASE

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Strong first half delivers double-digit revenue and profit growth

EBOS Group today announced an interim unaudited net profit of \$68.8 million for the six months to 31 December 2016 following significant growth across its Healthcare and Animal care divisions in Australia and New Zealand.

- Group revenue up 17% to \$4.0 billion
- Underlying Net Profit after Tax up 9.5% to \$70.2 million (+13.2% on a constant currency basis);
- Operating Cashflow before capex of \$47.9 million
- Underlying Earnings per Share growth of 9.0% (+12.7% constant currency)
- Interim dividend declared of 30 cents per share, +15.4% to the previous corresponding period

Financial Highlights

New Zealand Dollars ¹	31 December 2016 (unaudited)	Growth (actual FX)	Growth (constant FX)
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Statutory Results

Total Revenue	\$ 4.0 billion	+17.2%	+20.6%
EBITDA	\$119.9 million	+5.4%	+9.0%
Net Profit after Tax (NPAT) ²	\$68.8 million	+7.2%	+10.9%
Earnings per Share (EPS)	45.4 cents	+6.7%	+10.4%
Interim Dividend per Share	30.0 cents	+15.4%	

Underlying Results³

Underlying EBITDA ³	\$122.3 million	+7.5%	+11.1%
Underlying NPAT ³	\$70.2 million	+9.5%	+13.2%
Underlying EPS ³	46.3 cents	+9.0%	+12.7%

Statutory results in the first half were negatively impacted by the stronger NZD/AUD exchange rate which the Group estimates reduced EBITDA and NPAT by approximately \$3.7 million and \$2.1 million respectively.

¹ All amounts included are denoted in New Zealand dollars unless otherwise stated.

² Net Profit after tax and after non-controlling interests

³ Underlying result excludes \$2.4 million (\$1.4 million after tax and non-controlling interests) of transaction costs incurred on the merger of Chemmart and Terry White Group (TWG).

EBOS Group CEO **Patrick Davies** commented:

“Our Healthcare and Animal Care businesses are performing strongly and the benefits of our diversified portfolio of businesses are evident again in the first half results.

Our more recent acquisitions of BlackHawk and Red Seal are making significant contributions to the earnings growth of the group.

We continue to invest in our healthcare businesses as evidenced by completion of the Terry White Chemmart merger in the first half.

This merger has created one of Australia's largest retail pharmacy networks that is well placed for growth and future opportunities that emerge in the retail pharmacy sector.”

Segment overview

Healthcare

Healthcare NZD	31 December 2016 (unaudited)	Growth (actual FX)	Growth (constant FX)
Total Revenue	\$3.7 billion	+18.1%	+21.5%
EBITDA	\$106.7 million	+6.9%	+10.6%

The Healthcare business generated a 6.9% increase in EBITDA for the period, underpinned by an increase in revenues of 18.1%. The reported growth rates were negatively impacted by the stronger NZD/AUD exchange rate and in constant currency, revenues grew by 21.5% leading to EBITDA growth of 10.6%.

In Australia, revenues climbed 27% resulting in EBITDA growth of 11% (constant currency). Revenue growth was driven by the full six months' sales of Hepatitis C medicines.

In the Australian pharmacy market, wholesale revenue growth (excluding Hepatitis C medicines) was affected by the on-going impact of PBS reforms and lower levels of activity in the non-prescription over-the-counter (OTC) channel.

The Healthcare business continues to offset the negative impact of PBS reforms by expanding its revenue streams and generating cost savings and improved productivity across its operations.

EBOS Group maintained its market leading positions in both the Australian and New Zealand Institutional markets delivering further revenue and earnings growth. Total revenue grew 43.7% (constant currency) driven by strong Hepatitis C medicines sales, market growth and the contributions from Onelink Australia and Zest.

The New Zealand Healthcare operations delivered a solid performance over the period with revenue increasing 3.4% and EBITDA increasing 6.3%.

The Group's Consumer Products division recorded very strong constant currency revenue growth (+58% to last year) with a full six-month contribution from Red Seal (acquired on 30 November 2015). Red Seal is performing strongly in both domestic and international markets with like-for-like revenue growth of 8.4%.

Animal Care

Animal Care	31 December 2016 (unaudited)	Growth (actual FX)	Growth (constant FX)
NZD			
Total Revenues	\$216.1 million	+2.7%	+5.9%
EBITDA	\$21.1 million	+7.8%	+10.7%

The Animal Care business recorded 2.7% revenue growth and 7.8% EBITDA growth for the period. However, in constant currency, Revenue grew 5.9% driven by very strong growth in Black Hawk (+48% to last year) and Vitapet (+10.6%).

A number of strategic initiatives in the first half have helped drive this growth including the launch of Black Hawk's premium grain free product range and a national television advertising campaign. Customer response to these initiatives and the performance of Black Hawk has exceeded expectations.

Vitapet's above-market revenue growth also demonstrated the continued strong performance of this key brand in both New Zealand and Australia.

EBOS Group's 50% owned Animates business also continues to perform well and our share of net profit increased \$0.4m (+39%). This was driven by sales growth of 15.3% from further network expansion with 5 new retail stores opening in the period. The business now operates 37 retail stores and 10 veterinary clinics in New Zealand.

Operating Cash Flow, Net Debt and Return on Capital Employed

Operating cash flow before capex for the period was \$47.9 million. This represented a slight increase on the prior corresponding period and the Group's Net Debt/EBITDA ratio at 31 December 2016 was 1.25x compared to 1.1x at June 16 and 1.8x at December 2015.

Return on Capital Employed increased 1.7% to 16.0% reflecting the increased operating profits and benefits of the Group's recent investments and disciplined approach to managing capital.

Investment in Operational Capability

EBOS is committed to investing in its operational excellence to further improve customer service levels and productivity.

Capital expenditure for the period was \$16.0 million, with \$11.7 million spent on the new wholesale distribution facility in Brisbane, Queensland. The total investment for this site is estimated at \$58m and is expected to be operational by mid-2018.

The Group is also progressing with the expansion of its Australian contract logistics business with the development of a new site in Sydney, New South Wales.

Interim Dividend

The Directors are pleased to reward shareholders with another increase in dividends and have declared an interim dividend of 30.0 cents per share. This represents an increase of 15.4% on the prior corresponding period and a dividend payout ratio of 66%.

The record date for the dividend will be 17 March 2017 and the dividend will be paid on 7 April 2017. The interim dividend will again be imputed to 25% for New Zealand tax resident shareholders and will be fully franked for Australian tax resident shareholders.

The Group's dividend reinvestment plan (DRP) remains suspended and accordingly, will not apply in respect of the interim dividend.

Outlook

EBOS Group has recorded a positive start for the first half of the financial year across both its Healthcare and Animal Care divisions.

In October 2016, we provided guidance of underlying, constant currency, net profit after tax growth in FY17 of between 7% to 10% compared to the prior year.

EBOS Group now expects full year FY17 earnings to be at the upper end of this range.

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Interim Financial Results Presentation webcast link:

<http://edge.media-server.com/m/p/u7mv5p2v>

About EBOS Group

EBOS Group Limited NZBN 9429031998840 (NZX/ASX Code: EBO) is the largest and most diversified Australasian marketer, wholesaler and distributor of healthcare, medical and pharmaceutical products. It is also a leading Australasian animal care products marketer and distributor.