



EBOS GROUP LIMITED



NOTICE OF SPECIAL MEETING OF SHAREHOLDERS AND EXPLANATORY MEMORANDUM

Relating to the proposed acquisition of Symbion
and the issue of shares in EBOS

29 May 2013

Important Dates:

- Meeting time/date: 10:00 a.m., Friday 14 June 2013
- Venue: Great Hall, Chateau on the Park,
corner Deans Avenue & Kilmarnock Street, Christchurch
- Last date for receipt of Voting/Proxy Forms: 10:00 a.m., Wednesday, 12 June 2013

IMPORTANT TRANSACTION FOR EBOS SHAREHOLDERS

On 29 May 2013, EBOS announced its intention to purchase all of the shares of Zuellig Healthcare Holdings Australia Pty Limited (*Symbion*).

This Notice of Meeting and Explanatory Memorandum includes important information requiring your immediate attention relating to the proposed acquisition by EBOS, or a wholly-owned subsidiary of EBOS, of Symbion (the *Symbion Acquisition*), the issue of EBOS Shares in part consideration for the purchase of Symbion, and related matters (such issue of Shares and other matters, together with the Symbion Acquisition, being the *Proposed Transaction*).

The EBOS Board strongly advises that you read this document carefully. For the Proposed Transaction to proceed, Shareholder support is required.

The Notice of Meeting set out in section 5 of this document specifies the Resolutions to be considered at the special meeting of Shareholders to be held at the Great Hall, Chateau on the Park, corner Deans Avenue & Kilmarnock Street, Christchurch on Friday, 14 June 2013 at 10:00 a.m. (the *Special Meeting*).

The remainder of this document sets out the details of, and rationale for, the Proposed Transaction, together with certain related administrative matters. An Independent Report from Northington Partners on the merits of the Symbion Acquisition, and the related Zuellig Share Issue, accompanies this Notice of Meeting and Explanatory Memorandum.

The EBOS Board fully supports the Proposed Transaction and unanimously recommends that Shareholders vote in favour of each of the Resolutions to be put to them at the Special Meeting.

Should you have questions please contact your investment adviser.

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IMPORTANT DATES

Transaction announcement	29 May 2013
Institutional Share placement bookbuild	29-30 May 2013
Bonus Issue record date	6 June 2013
Institutional Share placement Shares issued	7 June 2013
Bonus Issue Shares issued	10 June 2013
Entitlement trading commences on the NZX Main Board	12 June 2013
Entitlement Offer record date	14 June 2013
EBOS Special Meeting of Shareholders	14 June 2013
Entitlement Offer period	17 June – 1 July 2013
Symbion Transaction settlement	5 July 2013
New EBOS Shares commence trading on the NZX Main Board	5 July 2013

These dates, and future dates in this document generally, are subject to change, are indicative only and, subject to the requirements of the Securities Act and NZSX Listing Rules, may be amended by EBOS at its absolute discretion. Further details of the Entitlement Offer will be advised to NZX closer to the time of the Entitlement Offer.

Forward Looking Statements

This Notice of Meeting and Explanatory Memorandum contains certain statements that relate to the future. Such statements are not a guarantee of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company and which may cause actual results, performance or achievements of the Company to differ materially from those expressed or implied by such statements.

Defined Terms

Capitalised terms used in this Notice of Meeting and Explanatory Memorandum are defined in the Glossary, in section 7.

References to dollars and \$

Unless otherwise indicated, all references in this Notice of Meeting and Explanatory Memorandum to dollars or "\$" shall be to New Zealand dollars.

1. CHAIRMAN'S AND CEO'S LETTER

Dear Shareholder,

On behalf of the Board of EBOS, we are pleased to offer you the opportunity to support EBOS' intended acquisition of Zuellig Healthcare Holdings Australia Pty Limited (*Symbion*) from its owner Symbion Holdings Pte Limited (*Zuellig*) (the *Symbion Acquisition*), at an enterprise value of approximately \$1.1 billion.

EBOS Shareholders will be familiar with the merger and acquisition activities of the Company over the last 12 years, successfully making 18 acquisitions, the most recent of which was Masterpet in 2011. Acquisitions have contributed to an increase in revenues from \$80 million to \$1.43 billion, with a corresponding lift in earnings and market capitalisation, which is now in excess of \$500 million. Most of these transactions have been funded from retained earnings and/or debt, the last capital raising having been for the purchase of PRNZ in 2007.

At last year's AGM we suggested that the next milestone for EBOS would be to become a \$1 billion company by market capitalisation, with leading positions in the markets in which it chooses to operate. That milestone is now imminent. The Symbion Acquisition will transform EBOS into the largest diversified Australasian marketer, wholesaler and distributor of healthcare, medical and pharmaceutical products and a leading Australasian animal care products distributor. Combined revenues across Australia, New Zealand and the Pacific Islands are expected to be in excess of \$6 billion.

Symbion is the leading Australian pharmaceutical wholesaler and distributor, by revenue, and a leading veterinary wholesale provider in Australia. It has a strong record of growth and profitability. It has a diversified earnings base in pharmacy, hospital and animal care, and is a great fit with EBOS' core competencies in both countries. Symbion's veterinarian wholesale business, Lyppard, complements EBOS' recent acquisition of Masterpet.

Symbion is privately owned by The Zuellig Group, with whom EBOS has had a long relationship, including through our very successful purchase of PRNZ in 2007. The Proposed Transaction continues that relationship, with Zuellig choosing to retain a 40% shareholding in the Combined Group on terms that are mutually agreed. Zuellig's decision to retain this significant investment reflects the strong understanding between both parties, and a shared vision for the future of the Combined Group in the Australasian market. Symbion's success in Australia is a credit to their CEO and key management, all of whom will remain with the Combined Group.

The period up to the announcement of the Symbion Acquisition has been the subject of the most thorough and searching due diligence and risk assessment the Company has ever undertaken, and this has been reciprocated by Symbion. The Proposed Transaction will be immediately earnings per share (*EPS*) accretive and the Combined Group is expected to offer an attractive dividend yield. The earnings per share accretion for the pro forma 2013 financial year is expected to be approximately 29.8%¹.

Northington Partners has been appointed by EBOS to provide an Independent Report on the merits of the Symbion Acquisition and the issue of Shares to Zuellig as part consideration for the Symbion

¹ See page 12 for further details regarding this calculation.

Acquisition (having regard to the interests of EBOS' shareholders, other than Zuellig's associate Elite Investment Holdings Limited). Northington Partners has determined that, in their opinion, "the purchase price of \$865 million [for Symbion] sits approximately 15% below the mid-point of our valuation range". They conclude that the purchase price is attractive from EBOS' point of view.

EBOS is seeking to acquire 100% of Symbion for consideration of \$865 million, at an enterprise value of \$1.1 billion. The \$367 million cash consideration payable to Zuellig in connection with the Symbion Acquisition will be funded through a combination of:

- new equity raised via an underwritten Share placement to institutional and habitual investors scheduled to be completed on 7 June 2013 (the *Placement*);
- a 7 for 20 pro-rata renounceable entitlement offer incorporating an oversubscription facility (the *Entitlement Offer*); and
- an extension of EBOS' debt facilities.

The remaining portion of the consideration payable to Zuellig (\$498 million) will be satisfied through the issue of new EBOS Shares (the *Consideration Shares*). The additional debt and the assumption of Symbion's debt facilities, which will either be extended in their current form or rolled into EBOS' facilities (accounting for the remainder of Symbion's enterprise value, above the purchase price of \$865 million) have been agreed in principle with EBOS' and Symbion's existing bankers, on both sides of the Tasman, and formal documentation is in the process of being negotiated.

It is of paramount importance to the Board that the Entitlement Offer be structured to allow current Shareholders the opportunity to participate on an equitable basis and in priority to other prospective investors. A pro-rata renounceable entitlement offer gives existing Shareholders that right. Furthermore, existing New Zealand Shareholders will be given the opportunity to apply for additional Shares not taken up by other Shareholders by way of an oversubscription facility forming part of the Entitlement Offer.

The Board has also decided to undertake a bonus Share issue (the *Bonus Issue*) to all Shareholders on the Bonus Issue Record Date (scheduled for 6 June 2013, prior to the issue of Shares under the Placement) so as to allocate available imputation credits to existing EBOS Shareholders. The Bonus Issue will result in Shareholders receiving 2 new Shares for every 53 Shares held at the Bonus Issue Record Date.

The Symbion opportunity is large by any measure and will be transformational for EBOS. The Board believes that the Proposed Transaction will add significant scale and diversification to EBOS' current business and will allow for operational efficiency gains in premises, operations and back office functions. Potential benefits have been identified through the detailed due diligence process. However, they are not factored into any prospective financial information.

EBOS has agreed (except in certain limited circumstances where the Board unanimously decides otherwise) to seek an ASX listing by 31 December 2013. This, together with an increased market capitalisation and index weighting on the NZX, is expected to increase liquidity and investor interest, which should be of benefit to all Shareholders. The EBOS Board will also benefit from the

addition of two experienced Directors, Peter Williams and Stuart McGregor, who will represent Zuellig on the Board.

Following the Proposed Transaction EBOS' ratio of net interest bearing debt to total tangible assets is expected to be approximately 28% as at 31 December 2013. This debt position will be well within EBOS' debt facility covenants and, in the Board's view, well within acceptable levels. EBOS has a sound track record of utilising debt to assist in the funding of acquisitions and paying down the debt associated with those acquisitions over time.

The Proposed Transaction is conditional on a number of conditions precedent, including Shareholder approval. Resolutions to approve the Symbion Acquisition, the issue to Zuellig of the Consideration Shares in part consideration for that acquisition, and to approve other aspects of the Proposed Transaction, will be put to Shareholders at a special meeting to be held in Christchurch on 14 June 2013 (the *Special Meeting*). If the Resolutions are not approved, the Proposed Transaction will not proceed.

Subject to Shareholder approval of the Proposed Transaction at the Special Meeting, a prospectus for the Entitlement Offer will be posted to you on 17 June 2013.

The Proposed Transaction is a rare opportunity to create a clear trans-Tasman market leader. Further, we have a supportive vendor prepared to take a significant shareholding in EBOS, providing even greater confidence for the future.

The Board of EBOS unanimously recommends that Shareholders support the Proposed Transaction.

Yours faithfully,

EBOS Group Limited



Rick Christie
Chairman



Mark Waller
CEO & Managing Director

2. OVERVIEW OF SYMBION

Symbion is a market leading high quality business

Symbion is a well-managed company with a track record of strong financial performance. Its acquisition will offer Shareholders access to a high-quality Australasian healthcare and animal care investment. EBOS believes the Combined Group will be particularly well placed to adapt to the current Australian healthcare reform process, given its experience and success in a similar regulatory framework in New Zealand.

Symbion is the leading Australian pharmaceutical wholesaler and distributor by revenue, and a leading veterinary wholesale provider in Australia, with operations across all states and 22 warehouses. In the year ending 30 June 2012, Symbion had revenue of nearly AUD\$3.9 billion and EBITDA of AUD\$108.5 million².

Symbion primarily derives its revenues through the wholesale of pharmaceutical medicines and OTC products to retail pharmacies and through the wholesale and distribution of pharmaceutical medicines to hospitals. In the healthcare space, Symbion offers an additional suite of services, such as pharmacy management software, clinical trial management and logistics. In recent years Symbion has diversified its operations, including expanding into veterinary products through the purchase of Lyppard in 2011.

Overview of Symbion's business activities

Symbion is the leading Australian pharmaceutical wholesaler and distributor, by revenue, and a leading veterinary wholesale provider in Australia.



Symbion's History

- 1845: FH Faulding is established as Francis Hardy Faulding opens his first pharmacy at 5 Rundle Street in Adelaide
- 1921: Faulding is restructured into a private company
- 1947: Faulding becomes a public company
- 1959: Sir Donald Bradman joins the board
- 1970: Faulding, Service Wholesaling and Specialist divisions are established to improve offerings to customers

² Includes interest income of AUD\$1.7 million.

- 1993: Faulding sales exceed AUD\$1 billion
- 1996: Chemmart Pharmacy co-operative established in Australia as a national brand
- 2000: minfos acquired
- 2004: Sales reach AUD\$2 billion
- 2007: Pharmacy Choice launched
- 2008: The Zuellig Group takes control of Symbion Pharmacy Services
- 2010: Faulding brand is relaunched
- 2011: Lyppard Australia is acquired. Clinect division formed and Symbion Pharmacy Services renamed Symbion

3. RATIONALE FOR THE PROPOSED TRANSACTION AND OVERVIEW OF THE COMBINED GROUP

Rationale for the Proposed Transaction

The Proposed Transaction represents a rare and transformational opportunity for EBOS and its Shareholders. EBOS has a successful business in Australia and is looking to grow significantly in that market. EBOS considers that in order to achieve growth in the Australian healthcare and animal care sectors it needs to be a mainstream player of significant scale.

The Symbion Acquisition is expected to result in the Combined Group becoming the leading³ supply and distribution platform for pharmaceutical products in both New Zealand and Australia. The Combined Group will have a greater range of capabilities to take advantage of new and existing opportunities. In the animal care space, the Combined Group will have a diversified offering, with a range of quality brands and products across the pet speciality, grocery and mass merchant segments, vets and veterinary wholesale.

The Symbion Acquisition will transform EBOS and is expected to deliver significant value for EBOS Shareholders:

1. Creation of the leading supply and distribution platform for pharmaceutical products in both Australia and New Zealand.
2. The Combined Group will have a greater range of capabilities and resources to take advantage of new and existing opportunities in the growing healthcare and animal care markets.
3. The Combined Group will have a diversified animal care offering, with a range of quality brands and products across the pet specialty, grocery and mass merchant segments, vet and veterinary wholesale.
4. EBOS and Symbion both have a proven track record of profit growth under the guidance of the existing experienced management teams.
5. The increased scale of the Combined Group will enhance its ability to provide the critical infrastructure required by healthcare and animal care customers and suppliers.
6. Highly earnings accretive transaction offering an attractive forecast dividend yield.
7. Increased market capitalisation, index weighting and intended ASX listing expected to increase liquidity and investor interest.

1. *Creation of the leading supply and distribution platform for pharmaceutical products in both Australia and New Zealand.*

The Symbion Acquisition represents a rare opportunity to transform EBOS into the only comprehensive trans-Tasman marketer, distributor and wholesaler of healthcare and pharmaceutical products. While EBOS already possesses a footprint throughout Australia, the acquisition of Symbion will considerably deepen EBOS' presence. The Combined Group will become (by market share)⁴:

- #1 in combined pharmacy and hospital pharmaceutical wholesale and distribution in Australia and New Zealand
- #1 pharmacy wholesaler in New Zealand

³ By financial year 2012 revenue, derived from each company's annual accounts.


























⁴ Market position information derived from IMS Statistics, EBOS management estimates based on publicly-available information.

- #2 pharmacy wholesaler in Australia
- #1 in hospital pharmaceutical distribution in New Zealand
- #1 in hospital pharmaceutical distribution in Australia
- #1 or #2 in pre-wholesale/3PL in New Zealand

2. The Combined Group will have a greater range of capabilities and resources to take advantage of new and existing opportunities in the growing healthcare and animal care markets.

The acquisition of Symbion will provide the Combined Group with a larger platform to achieve growth in the expanding Australian and New Zealand healthcare and animal care markets using its complementary capabilities in sales and marketing, wholesaling and distribution of pharmaceuticals, medical consumables, retail OTC, animal care products, veterinary wholesale and third party logistics. EBOS also expects there to be cross-selling opportunities, such as the direct distribution of EBOS' and Symbion's existing own-brand portfolios (e.g. Antiflamme, Faulding) in Australia and New Zealand.

The Combined Group will have a greater breadth and scale of service offering:

	HEALTHCARE					ANIMAL CARE
	Logistics and Distribution	Manufacturer Services	Pharm. & Hospital Wholesaling	Sales & Marketing	Retail brands & Services	Veterinary / pet products
	3 rd party distribution & logistics solutions. Distribution systems and electronic ordering of supplies for healthcare providers	Product management solutions to pharmaceutical companies. Clinical trial logistics and depot services	Specialist wholesaler and distributor of ethical, OTC and consumer products to pharmacies and public and private hospitals	Sales and marketing of a wide range of healthcare products across consumer, primary care, hospital, aged care and international markets	Retail pharmacy brand ownership, sales of branded product and operation of pharmacy support and management systems	Veterinary wholesaler, distributor and retailer of animal healthcare products, pet accessories and premium foods across Australasia
	 		 	 		  
	 	 	 	 	   	

The Symbion Acquisition will also provide the Combined Group with new capabilities (such as expertise in veterinary wholesale and retail brand group operations) that can potentially be utilised in EBOS' existing markets. At the same time EBOS will be able to share with Symbion its knowledge and experience in the pre wholesale/third party logistics segment.

The breadth and depth of the Combined Group's revenue streams will leave it well placed to adapt to changes in regulatory and competitive dynamics in the healthcare and animal care sectors. Additionally, the diversification of the Combined Group's offerings is expected to assist in mitigating the impact of any downturn in demand in any one area of the business, while also introducing multiple avenues for growth in market segments to which EBOS did not previously have access. In the medium term, the increased scale and reach of the Combined Group's distribution network allows for the possibility of expansion into new markets and channels.

3. The Combined Group will have a diversified animal care offering, with a range of quality brands and products across the pet specialty, grocery and mass merchant segments, vet and veterinary wholesale.

The Symbion Acquisition will provide the Combined Group with the opportunity to leverage the networks and brands available to both Lyppard and Masterpet across Australia and New Zealand. The Combined Group will be able to offer a suite of products and services to the animal care market, including the pet specialty, grocery, mass merchants, vet and veterinary distribution channels.

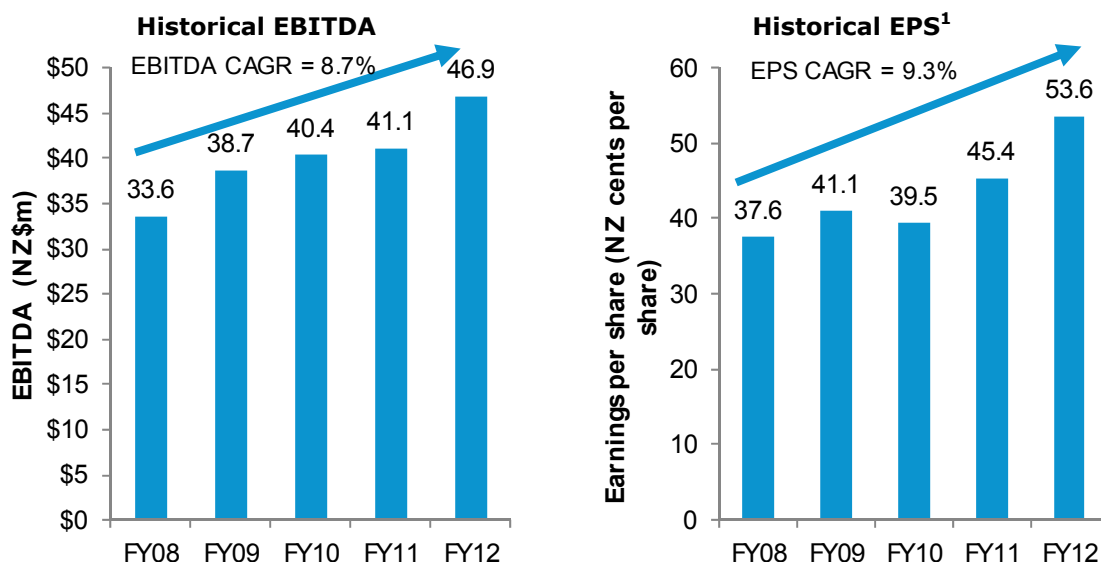
Suppliers to the Combined Group will gain access to a comprehensive wholesale and retail distribution network. In addition, the Combined Group will manufacture and distribute a range of its own pet care brands and operate 21 pet specialty retail outlets through its Animates joint venture in New Zealand.

4. EBOS and Symbion both have a proven track record of profit growth under the guidance of the existing experienced management teams.

Since the acquisition of PRNZ in 2007, EBOS has demonstrated its ability to grow earnings and has achieved an EBITDA compound annual growth rate (CAGR) of 8.7% and an earnings per Share CAGR of 9.3%.

Similarly, Symbion has achieved strong growth over the 2007-2012 period with a 7.7% CAGR in revenue and a 15.2% CAGR in EBITDA. This performance has been achieved through a period of significant regulatory change.

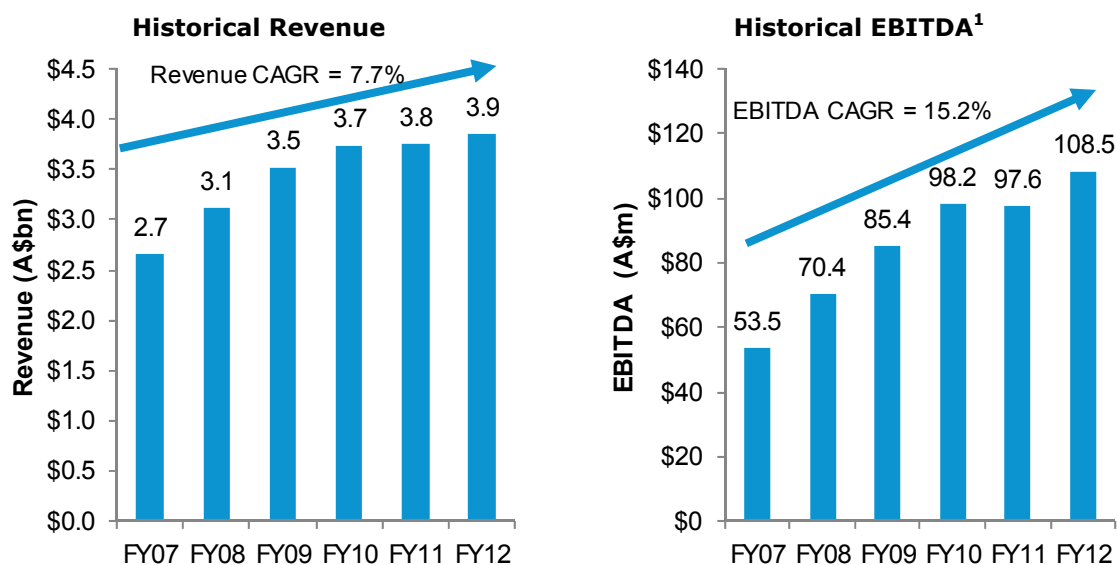
EBOS' financial track record



Source: EBOS Annual Reports. EBOS' financial information is for a June year end.

1. Earnings per Share from continuing operations.

Symbion's financial track record



Source: Symbion management accounts. Symbion's financial information is for a June year end.

1. Historical EBITDA has not been adjusted for APHS trading losses.
2. FY09 includes interest income of AUD\$1.5m, FY10 includes interest income of AUD\$4.7m, FY11 includes interest income of AUD\$1.8m, FY12 includes interest income of AUD\$1.7m.

Further information regarding EBOS, including historical financial statements, can be found at www.ebos.co.nz, while further background information on Symbion may be found at www.symbion.com.au.

5. ***The increased scale of the Combined Group will enhance its ability to provide the critical infrastructure required by healthcare and animal care customers and suppliers.***

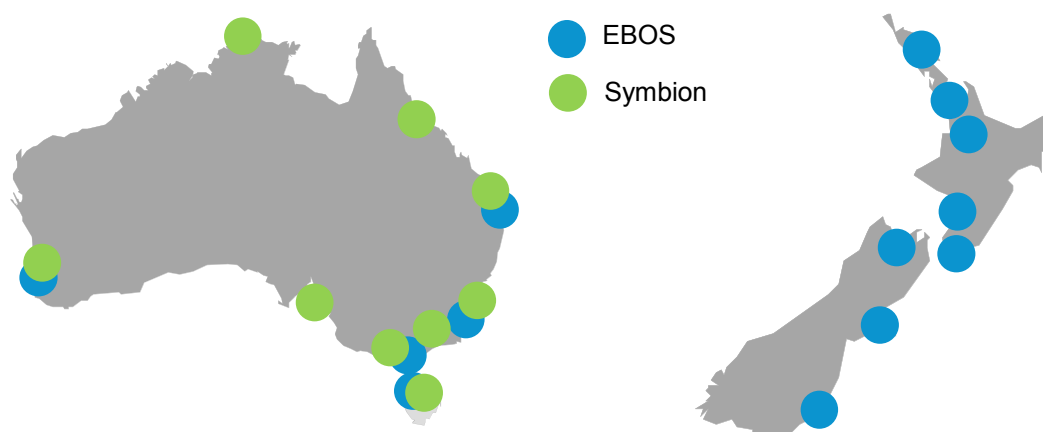
The Combined Group will operate a trans-Tasman integrated network of distribution, manufacturing and retail assets generating pro forma FY13 revenue in excess of \$6 billion and EBITDA of \$199 million⁵.

The Combined Group will distribute products and provide services through a network of 41 warehouses across Australia and New Zealand.

The increased scale will allow for operational efficiency gains in premises, operations and back office functions.

⁵ Assuming a NZD/AUD exchange rate of \$0.7988. Excludes one-off transaction costs of \$4.8 million and is adjusted for APHS trading losses of \$5.1 million.

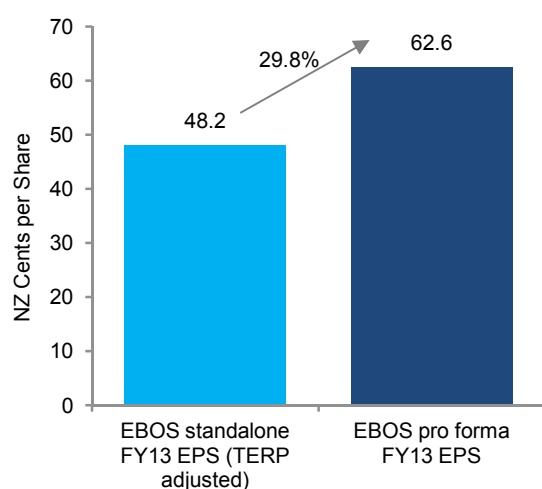
EBOS and Symbion key operating locations



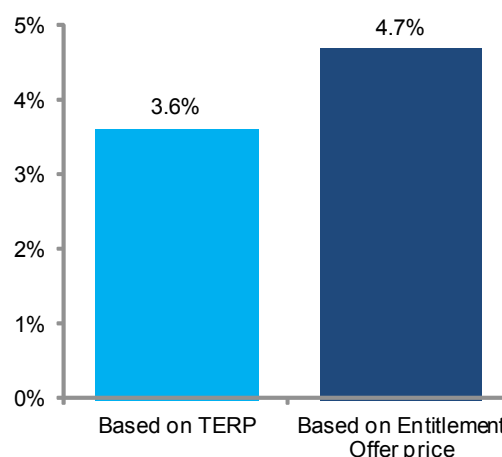
6. *Highly earnings accretive transaction offering an attractive forecast dividend yield.*

The Board expects the Symbion Acquisition to be highly earnings accretive. Based on the Board's expectations of the financial performance of the existing EBOS business and the earnings of Symbion, the Symbion Acquisition would, on a June 2013 pro forma basis, result in EPS accretion of 29.8%¹.

FY13 earnings per share¹



Cash dividend yields²



1. EBOS standalone FY13 EPS assumes that the Proposed Transaction does not occur and is adjusted for the impact of the Bonus Issue and the Entitlement Offer. EBOS pro forma FY13 EPS is based on EBOS' pro forma fully diluted number of Shares and EBOS' pro forma Net Profit After Tax assuming the Proposed Transaction occurred on 1 July 2012 and excludes any synergies and one-off transaction costs. See page 17 for further detail on the pro forma financial information.
2. EBOS FY13 DPS of 30.6 cents per Share includes EBOS' 1H13 dividend of 17.5 cents per Share TERP adjusted by a factor of 0.922 (for the impact of the Bonus Issue and Entitlement Offer) to 15.6 cents per Share and an expected 15 cents per Share dividend for 2H13. Cash dividend yields calculated using the 30.6 cents per Share dividend and a TERP of \$8.57 and Entitlement Offer price of \$6.50. All calculations exclude imputation credits and resident withholding tax. See page 15 of the Independent Report for a reconciliation of how TERP and the TERP adjustment factor is determined.

In addition to the Bonus Issue (see below at page 23 for further details) scheduled to be allotted on 10 June 2013 to Shareholders who held Shares on the Bonus Issue Record Date (scheduled for 6 June 2013, prior to settlement of the Placement), the Board intends to pay a partially imputed cash dividend of 15.0 cents per Share (including on Shares issued in the

Bonus Issue, Placement and the Entitlement Offer, and on the Consideration Shares issued to Zuellig) in respect of the second half of its 2013 financial year, payable in October 2013.

7. Increased market capitalisation, index weighting and intended ASX listing expected to increase liquidity and investor interest.

The Symbion Acquisition and its associated transactions, including EBOS' agreement to seek an ASX listing, will lead to an expanded EBOS Shareholder base, resulting in greater Share liquidity (i.e. an enlarged pool of buyers and sellers of EBOS Shares), an improved NZX 50 index position and a higher index weighting. This should result in increased research coverage of EBOS.

The Combined Group will be the largest listed healthcare and animal care wholesaler and distributor in Australasia with a pro forma market capitalisation of \$1.3 billion⁶.

Overview of the Combined Group

Board of Directors

EBOS' existing Board will be supplemented by the addition of two Zuellig representatives Stuart McGregor and Peter Williams. The Board will comprise:

Rick Christie MSC (Hons), FNZIoD Independent Chairman of Directors Joined the EBOS Group Limited Board in June 2000, and was appointed Chairman in April 2003. He is a member of the Audit and Risk Committee, and chairman of the Remuneration Committee and the Nomination Committee. Rick Christie is a professional director with a breadth of governance and international management experience in a number of industries. A former Chief Executive of the diversified investment company Rangatira Limited, a former Managing Director of Cable Price Downer and former Chief Executive of Trade New Zealand. He is the Chairman of National e-Science Infrastructure – NeSI, director of South Port New Zealand Limited, NZ Pork Industry Board, Solnet Solutions Limited, Acurity Health Limited and Chairman of ServiceIQ. Previously Chairman of AgResearch Limited, Deputy Chairman of the Foundation for Research, Science & Technology and Chairman of the Victoria University Foundation Board of Trustees.

He is also a Companion of The Royal Society of New Zealand, a former director of Television New Zealand and the New Zealand Symphony Orchestra and a past president of Chamber Music New Zealand.

Mark Waller BCOM, ACA, FNZIM Chief Executive Officer & Managing Director Mark Waller has been Chief Executive Officer and Managing Director of EBOS Group Limited since 1987. He is a member of the Remuneration Committee. He is a director of all the EBOS Group Limited subsidiaries, as well as being a director of Scott Technology Limited, and HTS-110 Limited (alternate director). He was the recipient of the Executive of the Year award at the 2010 Deloitte/Management magazine Top 200 Awards.

Elizabeth Coutts BMS, CA Independent Director Appointed to the EBOS Group Limited Board July 2003. She is a member of the Audit and Risk Committee and the Nomination Committee. Elizabeth Coutts is a former Chairman of Meritec Group, Industrial Research, and Life Pharmacy Limited, director of Air New Zealand Limited and the Health Funding Authority, former Deputy Chairman of Public Trust, board member of Sport and Recreation NZ, member of the Pharmaceutical Management Agency (Pharmac), Commissioner for both the Commerce and Earthquake Commissions and former external monetary policy adviser to the Governor of the Reserve Bank of New Zealand and Chief Executive of the Caxton Group of Companies. Her current

⁶ Calculated by multiplying the number of Shares expected to be on issue following Completion by the Theoretical Ex-Rights Price (\$8.57 per Share).

directorships include Chair of Urwin & Co Limited, and director of NZ Directories Holdings Limited (and subsidiaries), Ports of Auckland Limited, Ravensdown Fertiliser Co-operative Limited, Sanford Limited, Skellerup Holdings Limited and Tennis Auckland Region Incorporated, and member, Marsh New Zealand Advisory Board. She is Chair of Inland Revenue, Risk and Assurance Committee.

Peter Kraus MA (HONS), DIP ENG Peter Kraus has been a Director of EBOS Group Limited since 1990. He is a member of the Nomination Committee. He is a director of Whyte Adder No 3 Limited, Strand Holdings Limited, Strand Management Limited, Herpa Properties Limited, Ecostore Company Limited, Huckleberry Farms Limited, Peton Limited and Peton Villas Limited, and Trustee of the The Perpanida Trust and The Annalise Trust.

Sarah Ottrey BCOM Independent Director Appointed to the EBOS Group Limited Board September 2006. Sarah Ottrey is a director of Blue Sky Meats (NZ) Limited, Smiths City Group Limited, Comvita Limited, Whitestone Cheese Limited and Sarah Ottrey Marketing Limited, and is a member of the Inland Revenue Risk and Assurance Committee. She is a past board member of the Public Trust. Sarah has held senior marketing management positions with Unilever and Heineken.

Barry Wallace MCOM (HONS), CA Appointed to the EBOS Group Limited Board October 2001. He is Chairman of the Audit and Risk Committee and member of the Remuneration Committee. Barry Wallace is a chartered accountant with a background in financial management. He is a former Chief Executive of Health Support Limited and is the Finance Director of a private group of companies and trusts. He is a director of Whyte Adder No 3 Limited, Strand Holdings Limited, Strand Management Limited, Herpa Properties Limited, Ecostore Company Limited, Eco Tech Solutions Limited, Huckleberry Farms Limited, Peton Limited and Peton Villas Limited and a Trustee of The Perpanida Trust and The Annalise Trust.

Peter Williams has been an executive of The Zuellig Group since 2000. In this capacity, in addition to being a director of Symbion Pty Limited, Peter Williams is a director of Interpharma Investments Limited, Asia's leading distributor of healthcare products, and of Pharma Industries Limited. Peter Williams is also a director of Cambert, a company marketing health and personal care products in South East Asia.

Stuart McGregor BCOM, LLB, MBA was educated at Melbourne University and the London School of Business Administration, gaining degrees in Commerce and Law. He also completed a Masters of Business Administration. Over the last 30 years, Stuart McGregor has been Company Secretary of Carlton United Breweries, Managing Director of Cascade Brewery Company Limited in Tasmania and Managing Director of San Miguel Brewery Hong Kong Limited. In the public sector, he served as Chief of Staff to a Minister for Industry and Commerce in the Federal Government and as Chief Executive of the Tasmanian Government's Economic Development Agency. He was formerly a director of Primelife Limited from 2001 to 2004. Currently Stuart is Chairman of Donaco International Ltd, an ASX listed company. He is also Chairman of Powerlift Australia Pty Ltd., C B Norwood Pty Ltd., and Symbion Pty Ltd.

Experienced management

The Combined Group will be led by Mark Waller, Chief Executive Officer and Managing Director of EBOS since 1987.

Patrick Davies will continue to lead Symbion as its CEO. Patrick Davies holds a Bachelor of Economics (Adelaide University) and a Masters of Business Administration (Australian Graduate School of Management). He has been in executive management roles in the Australian healthcare industry for over twenty years having held senior roles across many industry sectors including pharmacy, primary care, pharmaceutical and consumer products. In January 2006, Patrick Davies was appointed to his current position of Chief Executive Officer of Symbion. He is a non-executive director of Pharmacybrands Limited a NZX listed public company, the current President of

Australia's National Pharmaceutical Services Association and a member of the Board of Overseers for the International Partnership for Innovative Healthcare Delivery (an initiative of the World Economic Forum).

Dividend Policy

The Board intends to maintain its current dividend policy of paying 60-70% of normalised Net Profit after Tax in dividends, after having regard to all relevant factors, including working capital and growth initiative requirements.

As a result of the increased Australian earnings contribution from Symbion, dividends are anticipated to be partially imputed in the future.

Future Strategy

The Combined Group's goal will be to leverage its scale and broad capability set to enhance revenue and margin improvement. In the healthcare and animal care sectors the Combined Group intends to:

- Expand its 3PL (third party logistics) offering in Australia using Symbion's scale and infrastructure and EBOS' existing 3PL knowledge and expertise.
- Expand the existing EBOS Australian medical consumables business utilising Symbion's scale and infrastructure.
- Increase contribution from business activities that are less reliant on government policy (e.g. OTC products, clinical trials).
- Leverage group buying power and management expertise across both the healthcare and animal care businesses.
- Expand into veterinary wholesale in New Zealand.
- Utilise combined Australian resources to improve Lyppard's and Masterpet's operations and performance.

Key Risk Factors

The Symbion Acquisition is not free from risk. As with any business, there is a risk that the Combined Group may not perform as expected. Similarly, any acquisition carries the risk that EBOS becomes directly or indirectly liable for previously unidentified historical liabilities for which the standard warranties and indemnities in the Share Purchase Agreement turn out to be inadequate. Key specific risk factors relating to the Symbion Acquisition transaction itself, but excluding risks of a general nature or which are currently faced by EBOS regardless of the Symbion Acquisition, include:

- *Change of control risk:* The Proposed Transaction may trigger "change of control" clauses in material contracts of the Combined Group or otherwise result in counterparties seeking to terminate or renegotiate their arrangements with the Combined Group. A failure to retain key customers, suppliers, premises or intellectual property rights, or a material adverse change in the Combined Group's contractual arrangements with them, could adversely affect the Combined Group's performance.
- *Currency risk:* As a trans-Tasman business the Combined Group will be exposed to movements in the relative value of the New Zealand and Australian currencies, and in particular the impact these currency movements may have on the presentation of the Combined Group's financial results. The Combined Group also has exposures to other

currencies, such as the US dollar and Euro. The Combined Group will seek to mitigate the near term impact of these exchange rate movements through its hedging policy and strategies.

- *Regulatory risk:* The Combined Group will operate in a highly regulated industry, in which government entities and programs (PHARMAC in New Zealand and the Pharmaceutical Benefits Scheme (PBS) and Community Service Obligation (CSO) funding pool in Australia) seek to contain the cost of pharmaceuticals, potentially impacting the Combined Group's revenues and margins. Other regulatory decisions (such as the de-regulation of pharmacy ownership in Australia, permitting ownership by persons other than individual pharmacists) or changes to the structure of the pharmaceutical industry in New Zealand or Australia (such as manufacturers choosing to supply their products directly to pharmacy customers, rather than utilising wholesalers like the Combined Group) could adversely affect the Combined Group's performance.

For further information on risk factors please see pages 30 and 44 of the Independent Report.

Key Transaction Metrics and pro forma financial information

	Combined Group pro forma (FY13), NZ\$⁶
Revenue	\$6,275 million
EBITDA	\$199 million
EPS	\$0.626
EPS accretion (compared to EBOS standalone FY13 (TERP adjusted) ¹	29.8%
Cash dividend per Share ²	\$0.306
Cash dividend yield (based on a TERP of \$8.57) ²	3.6%
Market capitalisation on completion of the Proposed Transaction ³	\$1.3 billion
Enterprise value on completion of the Proposed Transaction ⁴	\$1.7 billion
Pro forma net debt / FY13 EBITDA ⁵	2.2 times

1. EPS accretion calculated by comparing EBOS standalone FY13 EPS (calculated assuming that the Proposed Transaction does not occur and adjusted for the impact of the Bonus Issue and the Entitlement Offer) against EBOS pro forma FY13 EPS (calculated assuming (i) EBOS' pro forma fully diluted number of Shares, (ii) EBOS' pro forma Net Profit After Tax (assuming the Proposed Transaction occurred on 1 July 2012) and (iii) the exclusion of any synergies and one-off transaction costs).
2. See page 12 for how the cash dividend is determined.
3. Based on 146.6 million Shares on issue post the Proposed Transaction multiplied by a TERP of \$8.57.
4. Based on a market capitalisation of \$1.3 billion and pro forma net debt of \$457 million.
5. Based on pro forma FY13 net debt of \$444 million and pro forma FY13 EBITDA of \$199 million.
6. Assuming an NZD/AUD exchange rate of \$0.7988.

Pro Forma financial information

The pro forma FY13 financial information represents unaudited historical and forecast financial information that has been adjusted for specific items to assist Shareholders with comparing the profitability of the Combined Group against EBOS on a standalone basis.

Pro forma financial information is presented assuming the Proposed Transaction occurred on 1 July 2012, and excludes one-off costs relating to the Proposed Transaction. The pro forma financial information has also been adjusted to reflect the impact of the Proposed Transaction, including adjustments to amortisation charges, estimated borrowing costs, adjustments to remove financial losses from Symbion's APHS subsidiary which are being underwritten by the vendor (to a maximum of \$3 million) for a limited period (see page 24 of this document for further details), Directors' costs for the forecast period, and the resulting tax impact of these adjustments.

The pro forma FY13 financial information comprises for EBOS 10 months of actual results based on unaudited management accounts and 2 months of forecasts, and 9 months of actual results for Symbion based on unaudited management accounts and 3 months of forecasts. The pro forma financial information does not include any allowance for cost savings or revenue synergies that may arise from the Symbion Acquisition.

A summary of the FY13 pro forma financial information is provided below and is also contained in the investor presentation on EBOS' website (www.ebos.co.nz). Further pro forma financial information, prospective financial information and details of the assumptions underlying them will

be made available to Shareholders in the Offer Document for the Entitlement Offer which is anticipated to be posted on 17 June 2013. Further financial information is presented in the Independent Report.

Unaudited Pro forma FY13 Financial Information

SUMMARY PROFIT AND LOSS (NZ\$M)	EBOS STANDALONE	SYMBION STANDALONE	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED GROUP
REVENUE	1,484	4,791	-	6,275
EBITDA	53	141	5 ¹	199
EBIT	49	125	(5) ²	169
NPAT	29	71	(8) ³	92
SHARES ON ISSUE (MILLION SHARES)	55.0 ⁴			146.6
BASIC EPS (CENTS PER SHARE)	52.3			62.6
TERP ADJUSTMENT FACTOR	0.922			N/A
TERP ADJUSTED EPS (CENTS PER SHARE)	48.2			62.6

1. EBITDA adjustment includes a \$5.1 million adjustment for APHS trading losses and a \$0.5 million adjustment for Directors' fees.
2. EBIT adjustment includes \$9.5 million of amortisation, a \$5.1 million adjustment for APHS trading losses and a \$0.5 million adjustment for Directors' fees.
3. NPAT adjustments includes \$8.3 million of interest cost, \$9.5 million of amortisation, a \$5.1 million adjustment for APHS trading losses and a \$0.5 million adjustment for Directors' fees, and the tax effects of these adjustments.
4. Post the proposed 2-for-53 taxable Bonus Issue of approximately 2 million new Shares.

See page 15 of the Independent Report for further detail on how the TERP adjustment factor is calculated.

4. THE PROPOSED TRANSACTION

The Symbion Acquisition

The Company has contracted to acquire, either itself or through a wholly-owned subsidiary, all of the shares in Symbion, at an enterprise value of approximately \$1.1 billion. EBOS will acquire Symbion for consideration of \$865 million, comprising:

- the issue of 58,126,842 new EBOS Shares (of the same class as EBOS' existing Shares) to Zuellig on Completion (the *Consideration Shares*)⁷, which Shares will, together with the 500,000 EBOS Shares already held by Zuellig's related party Elite Investment Holding Limited (518,868 Shares post the Bonus Issue), result in Zuellig and its associates holding 40% of EBOS' total Shares (taking into account the new Shares to be issued pursuant to the Bonus Issue, the Placement and the Entitlement Offer) immediately following Completion (the *Zuellig Share Issue*); and
- payment to Zuellig of \$367 million in cash.

In addition EBOS will assume \$230 million of Symbion's net debt. This assumption of debt, combined with the purchase consideration, results in the approximately \$1.1 billion enterprise value ascribed to Symbion.

The purchase price to be paid for Symbion is, in the Board's opinion, attractive. Symbion will be acquired on a projected June 2013 EV/EBITDA multiple, adjusted for APHS trading losses, of 7.5x. By comparison, EBOS' Shares currently trade at a multiple of 12.6x FY12 EBITDA (as at 24 May 2013). The purchase price was agreed following extensive negotiations with Zuellig, and was based on EBOS' view of Symbion's future EBITDA potential and valuation multiples for similar businesses (including Sigma and API, two of Symbion's Australian competitors, both of which are listed on the ASX). The Independent Adviser & Appraiser, Northington Partners, has concluded that "the purchase price of \$865m sits approximately 15% below the mid-point of our valuation range". They conclude that the purchase price is attractive from EBOS' point of view.

Completion of the Symbion Acquisition is scheduled for 5 July 2013, with an effective date of 1 June 2013.

Conditions

The Symbion Acquisition is subject to a number of conditions precedent, including:

- Shareholder approval of the Symbion Acquisition and the Zuellig Share Issue (Resolutions 1 and 2);
- Shareholder approval of the appointment of Peter Williams and Stuart McGregor as Directors (Resolutions 3 and 4);
- Shareholder approval of amendments to EBOS' Constitution to permit an ASX listing (Resolution 6);
- EBOS securing prospectus liability insurance in respect of the simplified disclosure prospectus to be registered in connection with the Entitlement Offer;
- the Company not having received minority buy-out notices under section 111(a) of the Companies Act 1993 in respect of 5% or more of the Company's Shares; and

⁷ The Consideration Shares will be issued at an implied price of \$8.57 per Share (the Theoretical Ex-Rights Price), but, for the avoidance of doubt, will be issued to Zuellig in part consideration for the Symbion Acquisition; the Consideration Shares will not be issued for cash.

- successful completion of the Placement and the Entitlement Offer.

If the conditions are not satisfied (or, if permitted, waived) or if a material adverse change occurs in relation to Symbion or the Company prior to Completion, the Proposed Transaction may not proceed on the terms outlined in this Notice of Meeting and Explanatory Memorandum (or at all).

Zuellig Share Issue

Upon Completion, The Zuellig Group will be the Company's largest Shareholder, with control of 40% of the Company's Shares. The Zuellig Group's shareholding will result in it having substantial indirect influence over the direction of the Company going forward, with substantial effective control. The Zuellig Group will have the ability to block the passage of special resolutions of Shareholders (which require 75% approval of the votes of those shareholders entitled to vote and voting on the resolution) and will have substantial influence over the election of Directors to the Board. For further information please see page 78 of the Independent Report.

All of the Consideration Shares to be issued to Zuellig in connection with the Proposed Transaction will be on the same terms, and will rank equally with, the Company's existing Shares, except that Zuellig has agreed to certain restrictions on the sale of the Shares issued to it, which are explained below.

Escrow period for Consideration Shares

The Company will enter into a lock-up deed with Zuellig on Completion, pursuant to which Zuellig will unconditionally and irrevocably agree that from Completion until the earlier of 30 September 2014; the release of the Company's trading results (preliminary announcement) or annual report for the financial year to 30 June 2014 on the NZX Main Board; or the date the Shares cease to be quoted on the NZX Main Board, it will not:

- sell, transfer or otherwise dispose of the legal or beneficial ownership of any of the Consideration Shares;
- pass control of any voting rights attached to any Consideration Shares to any other person; or
- agree to do any of the above,

subject to certain defined exceptions, including:

- with the prior written consent of the Board;
- to a wholly-owned subsidiary of The Zuellig Group Incorporated, provided that such subsidiary agrees to be bound by the same restrictions;
- in connection with the acceptance of an offer for Shares made under the Code;
- pursuant to a merger, amalgamation, scheme of arrangement, restructuring or similar transaction;
- pursuant to a buyback offer made by, or return of capital effected by, the Company; or
- where required by law, an authorisation or any competent authority or where Zuellig reasonably considers the disposition is required to ensure compliance with any law or authorisation applicable to the Consideration Shares.

Consideration Shares pledged as security for warranty claims

The Company will enter into a Share Pledge Deed with Zuellig on Completion, pursuant to which Zuellig will grant the Company a security interest over 4,667,445 Shares, equating to a value of \$40 million at the Theoretical Ex-Rights Price, in order to secure any amounts payable by Zuellig to the Company to satisfy a warranty claim made by the Company under the Share Purchase Agreement in the 18 month period following Completion.

Information on The Zuellig Group

Zuellig is a wholly-owned subsidiary of The Zuellig Group Incorporated. Established in 1912, The Zuellig Group is active in the healthcare, agribusiness and agricultural equipment sectors throughout the Asia Pacific region.

The Zuellig Group's healthcare businesses operate across Asia Pacific and include pharmaceutical distribution and manufacturing, and nutraceutical operations.

The Zuellig Group has an existing New Zealand presence through its investments in Pharmacybrands (New Zealand's only listed retail pharmacy group) and Norwood (an importer, distributor and retailer of agricultural equipment).

The Proposed Transaction reflects a continuation of the Company's strong relationship with The Zuellig Group. EBOS acquired PRNZ from The Zuellig Group in 2007 and The Zuellig Group member Elite Investment Holdings Limited currently owns 0.94% of EBOS' Shares.

Symbion Acquisition Funding

The \$367 million cash payment to be made by EBOS to Zuellig in part consideration for the Symbion Acquisition will be funded through:

Placement

The Company will raise \$90 million of new capital by issuing new Shares to institutional and habitual investors (the *Placement*). The Placement is scheduled to be completed on 7 June 2013, prior to the date of the Special Meeting. The capital raised will be used to partly fund the cash consideration payable to Zuellig for the Symbion Acquisition. The issue price for the Shares to be issued pursuant to the Placement will be \$8.50 per Share. The Placement will be fully underwritten by Forsyth Barr Group Limited and UBS New Zealand Limited.

Whyte Adder No 3 Limited and Herpa Properties Limited (both New Zealand companies of which two Directors of EBOS, Peter Kraus and Barry Wallace, are each directors, and therefore both "Related Parties" of EBOS for the purposes of the Listing Rules) will participate in the Placement, on the same terms as other participants.

The Placement is being made pursuant to Listing Rule 7.3.5(a) and does not require Shareholder approval.

If the Symbion Acquisition does not proceed the proceeds of the Placement will be used for general corporate purposes, including, potentially, the reduction of debt and/or the pursuit of other acquisition opportunities.

Entitlement Offer

The Company will raise \$149 million of new capital by conducting a 7 for 20 pro-rata renounceable entitlement offer, at an issue price of \$6.50 per Share, incorporating an oversubscription facility in respect of unexercised entitlements (together, the *Entitlement Offer*). The capital raised will be used to partly fund the cash consideration payable to Zuellig for the Symbion Acquisition. The Entitlement Offer will be fully underwritten by Forsyth Barr Group Limited and UBS New Zealand Limited, with sub-underwriting being provided by, among others, Whyte Adder No 3 Limited and

Herpa Properties Limited, of which EBOS Directors Peter Kraus and Barry Wallace are each directors. The Entitlement Offer will not proceed if the Symbion Acquisition is not approved by Shareholders. The Entitlement Offer will be open to Eligible Shareholders (being New Zealand and Australian resident EBOS Shareholders as at 5:00 p.m. on the Entitlement Offer Record Date (scheduled for 14 June 2013)).

- The entitlements will be renounceable and EBOS will be making application to NZX for the entitlements to be tradable.
- NZ Eligible Shareholders who apply to take up their full entitlement will be permitted to apply for additional new EBOS Shares (at a price of \$6.50 per Share), being those Shares not taken up under the Entitlement Offer by other EBOS Shareholders (the *Oversubscription Facility*).
- In the event that demand for Shares under the Entitlement Offer exceeds supply (due to the Oversubscription Facility), applications for Shares under the Oversubscription Facility will be scaled on a pro rata basis in accordance with the size of the Eligible Shareholders' respective shareholdings at the Entitlement Offer Record Date, with a scaling preference given to small Shareholders holding less than a "Minimum Holding" (as that term is defined in the Listing Rules) of EBOS Shares.
- Any entitlements not taken up through the Oversubscription Facility will be taken up by the Underwriters, at the application price.
- Allocations under the Entitlement Offer (including under the Oversubscription Facility) will in all cases be subject to EBOS' right to limit the allotment of new Shares to any person when that allotment may result in that person materially increasing their ability to exercise, or direct the exercise of, effective control of EBOS (causing Listing Rule 7.5.1 to be triggered), when Listing Rule 9.2.1 (relating to related party transactions) could be triggered by such allotment, or where such allotment would breach the Code.

The Entitlement Offer is being made pursuant to Listing Rule 7.3.4(a) and does not require Shareholder approval. A simplified disclosure prospectus prepared in accordance with the Securities Act and the Securities Regulations and describing the Entitlement Offer in more detail (including the risks associated with the investment and instructions and an application form to enable Shareholders to accept their entitlement) will be sent to Shareholders on or about 17 June 2013, provided Shareholders vote to proceed with the Proposed Transaction.

Debt Financing

To provide further funding for the cash consideration payable to Zuellig for the Symbion Acquisition, EBOS intends to extend its existing debt facilities by \$140 million (the *Debt Financing*). Symbion's existing debt facilities will be assumed by EBOS and either extended in their current form or rolled into EBOS' facilities.

The Company has received from its banks a credit-approved term sheet in respect of the Debt Financing, with final binding documentation being negotiated as of the date of this Notice of Meeting and Explanatory Memorandum.

Summary of Acquisition Funding

The funding for the Symbion Acquisition can be summarised as follows:

SOURCES	NZ\$ million
Equity issued to Zuellig*	\$498
New equity raised (Placement and Entitlement Offer)	\$239
Roll-over of Symbion debt facility	\$230
Extension of debt facility	\$140
Total sources	\$1,107
USES	
Acquisition of Symbion equity	\$865
Roll-over of Symbion debt facility	\$230
Transaction costs	\$12
Total uses	\$1,107

* For the avoidance of doubt, Shares of this value (valued at the Theoretical Ex-Rights Price) will be issued to Zuellig in part consideration for the Symbion Acquisition; such Shares will not be issued for cash.

Bonus Issue

The Company will issue 2 new Shares to Shareholders for every 53 Shares held by Shareholders (the *Bonus Issue*) as of the Bonus Issue Record Date (scheduled for 6 June 2013). The Company is undertaking the Bonus Issue to ensure that its existing Shareholders have the benefit of its accumulated imputation credits, which would otherwise be lost as a result of the implementation of the Proposed Transaction. The Placement will be timed such that the Shares issued pursuant to the Placement will not participate in the Bonus Issue.

The Bonus Issue is being made pursuant to Rule 7.3.4(b) and does not require Shareholder approval.

Other material terms of the Share Purchase Agreement

In addition to the matters noted above, set out below is a summary of other material terms of the Share Purchase Agreement:

- The Company is prohibited from issuing or agreeing to issue any new Shares, granting any options or other rights for the issue of new Shares and/or granting any securities which are convertible into new Shares for two years from Completion, unless the Company notifies Zuellig in advance and either:
 - Zuellig is provided with an opportunity to participate in the issue on the same terms as other participants and on a basis that would enable The Zuellig Group to maintain the same percentage shareholding in EBOS as it held immediately prior to the issue, in compliance with all applicable laws (including the Code); or
 - all of the Company's Directors at the time unanimously approve the issue.

The above restrictions automatically cease to apply if The Zuellig Group holds less than 20% of the Company's Shares. Similar prohibitions apply to the Company undertaking any buy-back or cancellation of Shares, provided that the prohibition shall apply indefinitely with respect to any buy-back or cancellation that would cause Zuellig to breach the Code's fundamental rule, regardless of whether The Zuellig Group at any time holds less than 20% of the Company's Shares.

- The Company's dividend reinvestment plan will be amended to enable Zuellig to take up Shares under that plan on a basis that would enable Zuellig to avoid dilution of The Zuellig Group shareholding.
- For so long as The Zuellig Group holds at least 25% of the Company's Shares, the Company must not effect an "overseas investment in sensitive land", as that term is used in the Overseas Investment Act 2005, without Zuellig approval. However, the Company can make such an investment if the Board unanimously agrees.
- Zuellig agrees to reimburse the Company (or the wholly-owned subsidiary which purchases the Shares in Symbion) for trading losses in APHS Packaging Pty Limited, a wholly-owned subsidiary of Symbion, during the period from Completion until 30 June 2015, on the basis that the trading losses will be calculated as EBITDA for each 12 month period ending 30 June 2014 and 30 June 2015, provided that such EBITDA for each year is less than zero (multiplied by 0.7), with a cap of \$3m in aggregate.
- The Share Purchase Agreement contains standard warranties and indemnities from Zuellig as seller in favour of the Company and from the Company as issuer of the Consideration Shares in favour of Zuellig. The warranties and indemnities are subject to certain time and monetary limitations.

5. NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

Notice is given that a special meeting of the Shareholders of EBOS Group Limited (the *Company* or *EBOS*) will be held at the Great Hall, Chateau on the Park, corner Deans Avenue & Kilmarnock Street, Christchurch on 14 June 2013 at 10:00 a.m..

BUSINESS

The business of the meeting will be to consider and, if thought fit, pass the following Resolutions (passage of Resolutions 1, 2, 3, 4 and 6 are inter-conditional, such that all must be passed in order for any of them to be effective, reflecting the fact that passage of each of these Resolutions is a condition precedent to the Symbion Acquisition):

Approval of the acquisition of Symbion

Resolution 1: As a special resolution (being a major transaction in terms of section 129 of the Companies Act 1993 (the *Act*)):

"That the Shareholders ratify, confirm and approve, including for the purposes of section 129(1) of the Act and NZSX Listing Rule 9.1.1, the acquisition, by the Company or a wholly-owned subsidiary of the Company, of all the shares of Zuellig Healthcare Holdings Australia Pty Limited (the *Symbion Acquisition*), as more particularly described in the Notice of Meeting and Explanatory Memorandum, and that the Directors be authorised to take all actions, do all things and execute all necessary documents and agreements necessary or considered by them to be expedient to give effect to the Symbion Acquisition."

Approval of the issue of EBOS Shares to Zuellig

Resolution 2: As an ordinary resolution:

"That the Shareholders approve, including for the purposes of Rule 7(d) of the Takeovers Code, NZSX Listing Rule 7.3.1(a) and all relevant provisions of the Company's Constitution, the issue to Symbion Holdings Pte Limited, on completion of, and in part consideration for, the Symbion Acquisition described in Resolution 1, of 58,126,842 fully paid, ordinary shares in the Company, as more particularly described in the Notice of Meeting and Explanatory Memorandum, and that the Directors be authorised to take all actions, do all things and execute all necessary documents and agreements necessary or considered by them to be expedient to effect such issuance."

Resolution 2 will only be considered if Resolution 1 is passed.

Approval of the appointment of additional Directors

Resolution 3: As an ordinary resolution:

"That the Shareholders approve the appointment of Peter Williams as a Director of the Company on and from completion of the Symbion Acquisition."

Resolution 4: As an ordinary resolution:

"That the Shareholders approve the appointment of Stuart McGregor as a Director of the Company on and from completion of the Symbion Acquisition."

Resolutions 3 and 4 will only be considered if Resolutions 1 and 2 are passed.

Approval of change to Director remuneration

Resolution 5: As an ordinary resolution:

"That the Shareholders approve, pursuant to NZSX Listing Rule 3.5.1, an increase of \$450,000 in total Non-Executive Director remuneration, from \$525,000 per annum to \$975,000 per annum, with effect from the financial year commencing 1 July 2013."

Resolution 5 will only be considered if Resolutions 1, 2, 3 and 4 are passed.

Approval of amendments to the Company's constitution

Resolution 6: As a special resolution:

"That the Shareholders approve the amendments to the Company's Constitution specified in Appendix One to the Notice of Meeting and Explanatory Memorandum, with effect from the passage of this resolution."

Resolution 6 will only be considered if Resolutions 1, 2, 3 and 4 are passed.

Summary of Independent Report

The Company has commissioned Northington Partners to prepare an Independent Report on the merits of the Zuellig Share Issue for the purposes of Listing Rule 6.2.2 and Rule 18 of the Code and to opine on the merits of the Proposed Transaction generally.

Northington Partners concluded in their Independent Report that "the purchase price of \$865m [for Symbion] sits approximately 15% below the mid-point of our valuation range". They conclude that the purchase price is attractive from EBOS' point of view.

The conclusions of the Independent Adviser & Appraiser should be read in the context of the full Independent Report. A copy of the Independent Report accompanies this Notice of Meeting and Explanatory Memorandum.

Directors' Recommendation to Approve the Resolutions

The EBOS Board fully supports the Proposed Transaction and unanimously recommends that Shareholders vote in favour of the Resolutions.

Each Director has indicated that they will be voting the Shares they hold or control in favour of the Resolutions (to the extent permitted).

Voting and Proxies

You may exercise your right to vote at the special meeting either by being present in person, by appointing a proxy to attend and vote in your place, or by post. A voting/proxy form is enclosed with this notice. If you wish to vote by proxy or by post you must complete the form and produce it to the Company so as to be received **no later than 10:00 a.m. on Wednesday, 12 June 2013**. Dennis Doherty has been authorised by the Board to receive and count postal votes.

A proxy need not be a Shareholder of the Company. You may direct your proxy how to vote, or give your proxy discretion to vote as he or she sees fit. If you wish to give your proxy such discretion you should mark the appropriate box on the proxy form accordingly. If you do not mark any box then your proxy may vote or abstain from voting as he or she sees fit.

The Chairman of the Company is willing to act as proxy. If you appoint the Chairman as proxy but do not direct him how to vote on any particular matter then the Chairman will vote your Shares in favour of each of the Resolutions.

NZX Waiver

NZX has granted EBOS a waiver from Listing Rule 9.2.1 to the extent that it requires Shareholder approval of the Placement and the sub-underwriting of the Entitlement Offer. Such approval would otherwise have been required due to the participation of Whyte Adder No 3 Limited and Herpa Properties Limited (both New Zealand companies of which two Directors of EBOS, Peter Kraus and Barry Wallace, are each directors, and therefore both "Related Parties" of EBOS for the purposes of the Listing Rules) as sub-underwriters of the Entitlement Offer and participants in the Placement. In the absence of this waiver, both sub-underwriters, and certain associated persons, would have been precluded from voting on the Resolutions to approve the Symbion Acquisition, on the basis that the sub-underwriting forms one of a related series of transactions, of which the Symbion Acquisition is part. Accordingly, both sub-underwriters, and their associates, will be permitted to vote on all Resolutions, other than Resolution 5 (see note 3 below).

By order of the Board

Dennis Doherty

Chief Financial Officer and Company Secretary
Christchurch
New Zealand

29 May 2013

Notes:

- 1 Resolutions 1 and 6 are *special resolutions*, each requiring for passage a 75% majority of the votes of the Shareholders entitled to vote and voting on that Resolution. The remainder of the Resolutions are *ordinary resolutions*, each requiring for passage a simple majority of the votes of the Shareholders entitled to vote and voting on that Resolution.
- 2 Associates (as that term is defined in the Takeovers Code) and Associated Persons (as that term is defined in the Listing Rules) of The Zuellig Group (including Elite Investment Holding Limited) may not vote on Resolution 2. However, each such person may be appointed as a proxy by another person who is not disqualified from voting, to vote in accordance with the express instructions of that other person.
- 3 Under Listing Rule 9.3.1, the Non-Executive Directors (being all of the Directors other than Mark Waller) and their Associated Persons (as that term is defined in the Listing Rules) are precluded from voting in respect of Resolution 5. This does not however prevent a Non-Executive Director who has been appointed as a proxy or voting representative by another person who is not disqualified from voting, or an Associated Person of such a Non-Executive Director, from voting in respect of the Shares held by that other person in accordance with the express instructions of that other person.

6. EXPLANATION OF THE RESOLUTIONS AND ADDITIONAL INFORMATION

Background

The purpose of the Special Meeting is to consider and, if thought fit, to approve resolutions:

- approving the Symbion Acquisition;
- approving the Zuellig Share Issue;
- approving the appointment of Zuellig nominees Peter Williams and Stuart McGregor as additional EBOS Directors;
- approving an increase in total Non-Executive Director remuneration from \$525,000 per annum to \$975,000 per annum with effect from the financial year commencing 1 July 2013; and
- approving certain amendments to the Company's Constitution, which will permit the Company to apply to list its Shares on the ASX, as it has agreed to do.

Summaries of the Symbion Acquisition and the Zuellig Share Issue are set out in the earlier sections of this document.

Why are the Resolutions required?

Resolution 1 – Approval of the Symbion Acquisition

The Symbion Acquisition is a major transaction for the purposes of section 129 of the Companies Act 1993 (the *Act*), and accordingly requires Shareholder approval (by special resolution) under the Act and under Listing Rule 9.1.1. A special resolution is passed if 75% of the Shares of Shareholders entitled to vote and voting on the resolution are voted in favour of the resolution.

The Board's views on the merits of the Symbion Acquisition, which are relevant to each of the Resolutions which Shareholders are being asked to vote on, are set out in the earlier sections of this document.

Companies Act

For the purposes of the Act, a major transaction includes the acquisition of, or an agreement to acquire, assets the value of which is more than half the value of the company's assets before the acquisition. A major transaction also includes a transaction that has, or is likely to have, the effect of the company incurring obligations or liabilities the value of which is more than half of the value of the company's assets before the transaction.

In the Company's view, the market value of the assets it is to acquire pursuant to the Symbion Acquisition (being the shares in Symbion), and the value of the obligation it is incurring to pay Zuellig the purchase price for the Symbion Acquisition (being \$865 million, plus the assumption of \$230 million of Symbion debt), are each clearly more than half the market value of the Company's assets, meaning approval under section 129 of the Act is required.

Listing Rules

Under Listing Rule 9.1.1 a listed issuer must obtain shareholder approval for an acquisition of assets in respect of which the gross value exceeds 50% of the issuer's Average Market Capitalisation. As at the close of business on 24 May 2013, the last NZX Main Board trading day prior to the printing of this Explanatory Memorandum, EBOS's Average Market Capitalisation was \$518.2 million. As a result Shareholder approval for the acquisition of Symbion is also required under Listing Rule 9.1.1 because the gross value of the assets being acquired exceeds 50% of EBOS' Average Market Capitalisation.

Resolution 2 – Approval of the Zuellig Share Issue

Listing Rules

Listing Rule 7.3.1 prohibits the Company from issuing equity securities (such as Shares) unless the precise terms and conditions of the specific proposal to issue those equity securities have been approved by separate resolutions (passed by a simple majority of votes) of holders of each class of quoted equity securities whose rights or entitlements could be affected by that issue, and that issue is completed within twelve months after the passing of those resolutions. In this case, the relevant class for the purposes of Listing Rule 7.3.1 is the Company's Shares.

Under Listing Rule 6.2.2, an issue of equity securities pursuant to Rule 7.3.1 must be accompanied by an appraisal report if the issue is intended or is likely to result in more than 50% of the securities to be issued being acquired by directors or "Associated Persons" (as that term is defined in the Listing Rules) of directors of the issuer. Zuellig is an Associated Person (within the meaning of Listing Rule 1.8) of Peter Williams and Stuart McGregor who, if approved by Shareholders under Resolutions 3 and 4, will become Directors of the Company on Completion of the Symbion Acquisition, and Zuellig will be acquiring all of the securities being issued pursuant to Rule 7.3.1. An appraisal report has therefore been prepared in accordance with the Listing Rules by Northington Partners and accompanies this document. Shareholders should study carefully the Independent Report, which provides details regarding the Zuellig Share Issue.

The Takeovers Code

Rule 6 of the Code contains the fundamental rule, part of which provides that a person (including its associates) who holds less than 20% of the voting rights in a code company may not become the holder of controller of an increased percentage of the voting rights resulting in that person and its associates holding or controlling more than 20% of the voting rights (the *Fundamental Rule*) unless that person does so under an exception contained in Rule 7 of the Code. EBOS is a code company (as defined in the Code).

Elite Investment Holding Limited, an associate of Zuellig, currently holds 0.94% of the voting rights in the Company. The Zuellig Share Issue will, if approved, result in Zuellig and its associates holding or controlling 40% of the voting rights in the Company.

Rule 7 of the Code sets out exceptions to the Fundamental Rule. One of the exceptions is contained in Rule 7(d), which permits the allotment of Shares that would otherwise breach the Fundamental Rule if the allotment is approved by an ordinary resolution of the Company. The Company is seeking Shareholders' approval (by ordinary resolution) for the Zuellig Share Issue, in accordance with Rule 7(d) of the Code. Elite Investment Holding Limited, as an associate of Zuellig, may not vote on this Resolution.

In accordance with Rule 18 of the Code, the Company's Directors have obtained an independent adviser's report from Northington Partners on the merits of the proposed Zuellig Share Issue, having regard to the interests of the Company's Shareholders (other than Elite Investment Holdings Limited). The Independent Report accompanies this Notice of Meeting and Explanatory Memorandum.

Resolutions 3 and 4 – Approval of the appointment of additional Directors

Pursuant to the Share Purchase Agreement, the appointment of two Zuellig nominees, Peter Williams and Stuart McGregor, as Directors of EBOS is a condition precedent to the Symbion Acquisition. Accordingly, Shareholders are being asked to vote on Resolutions to appoint Messrs. Williams and McGregor as EBOS Directors, with effect from Completion.

Resolution 5 – Approval of change to Director remuneration

This Resolution is put to Shareholders in accordance with Listing Rule 3.5.1, and expresses the Non-Executive Directors' remuneration as a monetary sum payable to all such Directors taken

together in any financial year. At present the authorised aggregate Non-Executive Directors' remuneration is \$525,000 per annum, as approved by Shareholders at the Company's October 2010 AGM, while the Directors were paid an aggregate \$437,500 in the 2012 financial year. Directors' fees are not paid to Mark Waller, the Company's Chief Executive Officer and Managing Director. The proposed increase in aggregate remuneration to \$975,000 per annum (an increase of \$450,000) reflects the following:

- (a) the increased size and scale of the Combined Group following Completion and the consequent increase in workload for the Directors, including in sub-committees;
- (b) Non-Executive Directors' remuneration has not been reviewed since the 2010 AGM;
- (c) the proposed addition of two new Australian-based directors to the Board;
- (d) the proposed increase is based on advice received from independent third party consultants and is consistent with the remuneration being paid to Non-Executive Directors in other similar sized NZX Main Board listed companies with substantial Australian operations; and
- (e) EBOS wishes to offer competitive fees in order to attract and retain the highest quality directors.

For these reasons, the Board considers that the proposed increase in Non-Executive Director remuneration is justified and appropriate. The Board has not yet determined the actual level of the Directors' aggregate remuneration, should the increase at issue be approved and the Proposed Transaction proceed. Similarly, the issue of Board committee fees remains to be determined.

Resolution 6 – Approval of amendments to the Company's Constitution

Section 32(2) of the Act requires any amendments to the Company's Constitution to be approved by special resolution of the Company's Shareholders.

It is a condition precedent to the Share Purchase Agreement (and therefore the Symbion Acquisition) that the Company's Constitution be amended so as to enable the Board to apply for a listing on ASX, Australia's principal stock exchange, by the end of this calendar year 2013, although the Board reserves the right to defer an ASX listing if, acting in good faith, all of the Directors of EBOS resolve that to undertake an ASX listing in calendar 2013 is not in the best interests of EBOS. Accordingly, Resolution 6 seeks Shareholder approval to certain amendments to the Constitution which will permit the Company to apply for an ASX listing. The amendments are set out in Appendix One to this document and an explanation of the amendments is set out in Appendix Two.

Takeovers Code disclosures

Pursuant to rule 16 of the Code (with sub-paragraphs below corresponding to sub-paragraphs in rule 16), the Company advises as follows:

- (a) Symbion Holdings Pte Limited (*Zuellig*) is the proposed allottee of Shares carrying voting rights, which will be issued to it pursuant to the Zuellig Share Issue.
- (b) 58,126,842 new Shares will be allotted to Zuellig. This number represents 52.33% of the aggregate of all existing EBOS voting securities as of the date of this document and the voting securities being allotted. After completion of the allotment Zuellig will hold or control 39.6%, and Zuellig and its associates will hold or control 40%, of EBOS' total voting securities. To ensure compliance with the Code and the Overseas Investment Act 2005, the Company had been advised that Elite Investment Holdings Limited does not intend to take up its entitlements under the Entitlement Offer.

- (c) Not applicable (as the voting securities to be allotted are not securities of a body corporate other than the Code company, EBOS).
- (d) The voting securities to be allotted (being the Consideration Shares issued pursuant to the Zuellig Share Issue) will be allotted on Completion (on or about 5 July 2013) in part consideration for the Symbion Acquisition and for that purpose are deemed to be issued at \$8.57 per Share, being the Theoretical Ex-Rights Price.
- (e) The Company's reasons for the proposed Zuellig Share Issue are described above.
- (f) The allotment of the Consideration Shares to Zuellig pursuant to the Zuellig Share Issue, if approved, will be permitted under rule 7(d) of the Code as an exception to rule 6 of the Code.
- (g) The Company has been advised by Zuellig that there is no agreement or arrangement (whether legally enforceable or not) that has been, or is intended to be, entered into between Zuellig, on the one part, and any other person on the other part (other than the Share Purchase Agreement, Lock Up Deed, Share Pledge Deed and Deed relating to minority buy-out rights) relating to the acquisition, holding or control of the voting securities to be issued to Zuellig pursuant to the Zuellig Share Issue, or to the exercise of voting rights in the Company. Relevant details of the Share Purchase Agreement (pursuant to the terms of which the Zuellig Share Issue will be made), Lock Up Deed, Share Pledge Deed and Deed relating to minority buy-out rights are set out in this document.
- (h) This document is accompanied by an Independent Report from Northington Partners on the merits of the proposed allotment of Shares to Zuellig pursuant to the Zuellig Share Issue. The Independent Report is required by Rule 18 of the Code and Rule 6.2.2(b) of the Listing Rules.

The Directors of EBOS recommend approval of the proposed allotment of the Consideration Shares to Zuellig pursuant to the Zuellig Share Issue, on the grounds that the Zuellig Share Issue, as part of the Symbion Acquisition and the Proposed Transaction, should significantly benefit the Company and its Shareholders, for the reasons outlined in this document (particularly in section 3).

Minority Buy-out Rights

Section 110 of the Act may confer minority buy-out rights on Shareholders who vote against the special Resolution to approve the Symbion Acquisition (Resolution 1).

For a Shareholder to exercise those minority buy-out rights, the Shareholder must cast all the votes attached to Shares registered in the Shareholder's name and having the same beneficial owner against the special Resolution. If the special Resolution is nevertheless passed, to exercise minority buy-out rights such a Shareholder must, within 10 working days of the passing of the special Resolution, give written notice to the Company that the Shareholder requires the Company to purchase the Shareholder's Shares.

Within 20 working days of receipt of the notice the Board must:

- (a) agree to purchase the Shares; or
- (b) arrange for some other person to agree to purchase the Shares; or
- (c) apply to the court for an order exempting the Company from the obligation to purchase the Shares on the grounds that the purchase would be disproportionately damaging to the

Company or that the Company cannot reasonably be required to finance the purchase or it would not be just and equitable to require the Company to purchase the Shares; or

- (d) arrange for the special Resolution to be rescinded by special resolution of Shareholders, or decide in the appropriate manner not to take the action concerned, as the case may be.

Written notice of the Board's decision must be given to the relevant Shareholder(s).

Where the Board agrees to the purchase of the Shares by the Company, it must give notice to the relevant Shareholder(s), within 5 working days after the notice referred to in the preceding paragraph, setting out the price the Board offers to pay for those Shares. That price must be a fair and reasonable price as at the close of business on the day before the Resolution was passed calculated using a default methodology designed to achieve a pro rata portion of the fair and reasonable value of all Shares in the Company adjusted to exclude any fluctuation in the value of all Shares that occurred and that was due to, or in expectation of the Proposed Transaction.

Because the buy-out price would not include the value of the Proposed Transaction, the Board considers Shareholders will be disadvantaged if they exercise buy-out rights. The Board may use a different methodology to calculate the fair and reasonable price if using the default methodology would be clearly unfair to the Shareholder or the Company (and in that case the Board must also state in the notice why calculating the price under the default methodology would be clearly unfair).

A Shareholder may object to the price offered by the Board by giving written notice to the Company no later than 10 working days after the date the Board gave notice of the price offered by the Board. If, within that 10 working day period, no objection to the price offered by the Board has been received by the Company, it must, purchase the Shares at the nominated price. If within that 10 working days an objection to the price has been received by the Company, the fair and reasonable price must be submitted to arbitration. The Company must within 5 working days of receiving the objection pay on a provisional basis the price nominated by the Board. The arbitration is to be conducted in accordance with the Arbitration Act 1996. If the price determined by the arbitrator:

- (a) exceeds the provisional price paid by the Company, then the arbitrator must order the Company to pay the balance owing to the Shareholder; or
- (b) is less than the provisional price paid by the Company, then the arbitrator must order the Shareholder to pay the excess to the Company.

The arbitrator must award interest on any balance payable or excess to be repaid except in exceptional circumstances.

If a balance is owing to the Shareholders the arbitrator may award, in addition to or instead of interest, damages for loss attributable to the shortfall in the initial payment.

If the Board arranges for some other person to agree to purchase the Shares, the provisions set out in the preceding paragraphs will (with all appropriate modifications) apply to the purchase of Shares by such person and, in addition, the Company must indemnify the Shareholder in respect of any losses suffered by the Shareholder by reason of the failure by the person to purchase the Shares at the price nominated or fixed by arbitration, as the case may be.

The Company entered into a Deed relating to minority buy-out rights with Zuellig on or about 28 May 2013, pursuant to which the Company agreed that, if the Company is required to buy-out Shares under section 110 of the Act and proposes to purchase the relevant Shares itself, the Company must:

- promptly advise Zuellig;
- hold the relevant Shares as treasury stock; and
- transfer those Shares out of treasury stock within 6 months of purchase.

7. GLOSSARY

Act	Companies Act 1993
Board	The board of Directors of the Company
Bonus Issue	The 2 for 53 bonus issue of new Shares to Shareholders on the Bonus Issue Record Date
Bonus Issue Record Date	6 June 2013, unless amended by the Company
CAGR	Compound annual growth rate
Code	Takeovers Code Approval Order 2000
Combined Group	EBOS and its subsidiaries (including Symbion and its subsidiaries)
Company or EBOS	EBOS Group Limited
Completion	Completion under the Share Purchase Agreement, being completion of the purchase of the shares in Symbion
Consideration Shares	The 58,126,842 new Shares to be issued to Zuellig on Completion pursuant to the Share Purchase Agreement
Constitution	The Company's Constitution
Deed relating to minority buy-out rights	The deed relating to minority buy-out rights entered into on or about 28 May 2013 between Zuellig and the Company governing the manner in which the Company will deal with Shares it has agreed to purchase following the exercise of minority buy-out rights under section 110 of the Act
Director	A director of EBOS
Directory	The directory set out in this Offer Document
DPS	Dividends per share
EBITDA	Earnings before interest, tax, depreciation and amortisation
Eligible Shareholder	Persons who are eligible to participate in the Entitlement Offer, being any person registered as a Shareholder at 5:00 p.m. on the Entitlement Offer Record Date and whose address shown in the Share Register is in New Zealand or Australia
Entitlement Offer	The offer by EBOS to Eligible Shareholders of 7 new Shares for every 20 existing Shares held by that Eligible Shareholder on the Entitlement Offer Record Date, pursuant to the Offer Document, and the Oversubscription Facility
Entitlement Offer Record Date	14 June 2013, unless amended by the Company

EPS	Earnings per share
FY	Financial year
Glossary	This glossary of terms
Independent Adviser & Appraiser	Northington Partners Limited
Independent Report	The combined independent adviser's report and independent appraisal report by the Independent Adviser & Appraiser, which accompanies this Notice of Meeting and Explanatory Memorandum in Appendix Three
Listing Rules	Listing Rules of NZX in relation to the NZX Main Board (or any market in substitution for the market) in force from time to time, read subject to any applicable rulings or waivers
Lock Up Deed	The lock up deed to be entered into on Completion between Zuellig and the Company governing Zuellig's ability to deal with the Consideration Shares
Non-Executive Director	A director of EBOS other than the Managing Director, Mark Waller
NZ Eligible Shareholder	An Eligible Shareholder whose address shown in the Share Register is in New Zealand
NZX	NZX Limited
Offer Document	The simplified disclosure prospectus anticipated to be dated 6 June 2013, expected to be sent to Shareholders on or about 17 June 2013
Oversubscription Facility	The facility for NZ Eligible Shareholders who take up their full entitlement to be permitted to apply for additional new Shares (at a price of \$6.50 per Share), being those Shares not taken up under the Entitlement Offer by other Eligible Shareholders, as more fully described in the Offer Document
Placement	The fully underwritten placement to institutional and habitual investors of 10,591,314 Shares at an issue price of \$8.50 per Share which is scheduled to take place between 29 and 30 May 2013
Proposed Transaction	The Symbion Acquisition, Zuellig Share Issue, Placement, Entitlement Offer and all ancillary and related transactions referred to in this document
Registrar	Computershare Investor Services Limited
Resolution(s)	The resolution(s) set out in the Notice of Meeting in section 5 of this document

Securities Act	The Securities Act 1978, as amended from time to time
Securities Regulations	The Securities Regulations 2009, as amended from time to time
Shareholder	A registered holder of Shares from time to time
Share Pledge Deed	The specific security agreement to be entered into on Completion between Zuellig and the Company in respect of some of the Consideration Shares by way of security for the payment by Zuellig of warranty claims under the Share Purchase Agreement
Share Purchase Agreement	The Share Sale and Purchase Agreement for Symbion, entered into between Zuellig and the Company on or about 28 May 2013
Share Register	The register of securities of EBOS kept by the Registrar in accordance with section 51(1)(a) of the Securities Act
Shares	Fully paid ordinary shares in EBOS of the class quoted on the NZX Main Board
Symbion	Zuellig Healthcare Holdings Australia Pty Limited
Symbion Acquisition	The purchase by EBOS or one of its wholly-owned subsidiaries of all of the issued share capital of Symbion
Theoretical Ex-Rights Price (TERP)	\$8.57 per Share, being the theoretical price of a Share based on EBOS' market capitalisation at a price of \$9.80 (calculated based on the 15 day volume weighted average price to 24 May 2013) per Share adjusted for the cash proceeds of the Placement and Entitlement Offer and the increased number of Shares that will be on issue post the Bonus Issue, Placement and Entitlement Offer
The Zuellig Group	The Zuellig Group Incorporated and its subsidiaries
Underwriters	Each of Forsyth Barr Group Limited and UBS New Zealand Limited, severally
Voting/Proxy Form	The form on which the EBOS Shareholders will vote at the special meeting of EBOS Shareholders, or by post
Zuellig	Symbion Holdings Pte Limited
Zuellig Share Issue	The issue of the Consideration Shares to Zuellig pursuant to the Share Purchase Agreement

APPENDIX ONE: AMENDMENTS TO EBOS' CONSTITUTION

- (a) Inserting the following definitions into clause 1.2 after the definition of Auditor:

ASX means ASX Limited and includes any successor body.

ASX Listing Rules means the listing rules of the ASX and any other rules of the ASX which are applicable while the Company is admitted to the Official List of the ASX, each as amended or replaced from time to time.

- (b) Inserting a new clause 1.7 as follows:

1.7 Incorporation of ASX Listing Rules while listed on ASX

For so long as the Company is admitted to the Official List of the ASX the following paragraphs apply.

- (a) Notwithstanding anything contained in this Constitution, if the ASX Listing Rules prohibit an act being done, the act must not be done.
- (b) Nothing contained in this Constitution prevents an act being done that the ASX Listing Rules require to be done.
- (c) If the ASX Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be).
- (d) If the ASX Listing Rules require this Constitution to contain a provision and it does not contain such a provision, this Constitution is deemed to contain that provision.
- (e) If the ASX Listing Rules require this Constitution not to contain a provision and it contains such a provision, this Constitution is deemed not to contain that provision.
- (f) If any provision of this Constitution is or becomes inconsistent with the ASX Listing Rules, this Constitution is deemed not to contain that provision to the extent of the inconsistency.

APPENDIX TWO: CONSTITUTIONAL AMENDMENTS EXPLANATORY NOTES

Overview

To be eligible for admission to the official list of the ASX, a company's constitution must be consistent with the ASX Listing Rules. They require that the constitution contain certain provisions. In order to comply with the ASX Listing Rules, the Company is proposing to amend its Constitution to incorporate (by reference) the ASX Listing Rules into the Constitution for so long as the Company is listed on the official list of the ASX.

Amendment: Incorporation of ASX Listing Rules while listed on ASX

The effect of the amendment is to incorporate the ASX Listing Rules into the Constitution by reference, when and for so long as the Company is admitted to the official list of the ASX. The form of the new clauses proposed by this amendment are set out in Appendix One.

The proposed additional provisions are similar to the existing provisions in the Company's Constitution with respect to the Listing Rules, which provide that, for so long as the Company remains listed on the NZX Main Board, the Constitution is deemed to incorporate all provisions of the Listing Rules required under those provisions.

Similarly, the effect of this proposed amendment is that when and for so long as the Company is admitted to the official list of the ASX, all necessary provisions of the ASX Listing Rules will be incorporated into the Constitution, and to the extent that there is any inconsistency between the ASX Listing Rules and the Constitution, the ASX Listing Rules will prevail.

The application of the Listing Rules to the Company is unaffected by these provisions. If the Company is admitted to the official lists of both the NZX and the ASX, the Company will also be required to comply with the requirements of the ASX Listing Rules. To the extent that the ASX Listing Rules impose additional requirements over the Listing Rules, then the Company is also required to comply with those additional requirements (and vice versa).

If the Company seeks admission to the official list of the ASX, then the practical benefits of adopting these amendments are that:

- (a) it will avoid the need to update the Constitution every time the ASX Listing Rules are changed;
- (b) it will avoid the possibility of a conflict between the Constitution and the ASX Listing Rules;
- (c) it will result in a shorter and simpler Constitution; and
- (d) it should avoid the need to make additional amendments to the Constitution in order for the Company to be admitted to the official list of the ASX.

Incorporation of these amendments will not impose any new obligations on the Company or Shareholders unless and until the Company is admitted to the official list of the ASX. However, if that does occur, then in order to fully understand the Company's constitutional obligations and requirements, it will be necessary to refer to both the NZSX Listing Rules and the ASX Listing Rules, as well as the Constitution itself.

APPENDIX THREE: INDEPENDENT REPORT

Independent Adviser's Report



EBOS Group Limited

Prepared in Relation to the Proposed Acquisition of Symbion

May 2013

Statement of Independence

Northington Partners Limited confirms that it:

- Has no conflict of interest that could affect its ability to provide an unbiased report; and
- Has no direct or indirect pecuniary or other interest in the proposed transaction considered in this report, including any success or contingency fee or remuneration, other than to receive the cash fee for providing this report.

Northington Partners Limited has satisfied the Takeovers Panel, on the basis of the material provided to the Panel, that it is independent under the Takeovers Code for the purposes of preparing this report.

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Abbreviations and Definitions

A\$	Australian dollars
APHS	APHS Packaging Pty Limited
API	Australian Pharmaceutical Industries Limited
ASX	The Australian Securities Exchange equity securities market operated by ASX Limited
Bonus Issue	A taxable bonus issue of EBOS shares made to existing shareholders prior to the Transaction
Code	The Takeovers Code
CAGR	Compound Annual Growth Rate
Conditions	Various conditions (listed in Section 2.3) that must be satisfied before the Transaction can proceed
CSO	Community Service Obligation, being an obligation on certain wholesalers to supply PBS medicines to pharmacies across Australia (regardless of their location) in exchange for financial support from a CSO funding pool established by the Government
EBIT	Earnings before Interest and Tax
EBITA	Earnings before Interest, Tax, and Amortisation
EBITDA	Earnings before Interest, Tax, Depreciation and Amortisation
EBOS or Company	EBOS Group Limited
EPS	Earnings per share
Ethical Products	Pharmaceutical products that can only be sold with a prescription.
FY	Financial Year
Hospital	Symbion Hospital Services, the second largest division of Symbion, being a business unit involved in the wholesaling and distribution of pharmaceutical products to Australian hospitals, day surgeries and other health agencies
Lyppard	Lyppard Australia Pty Ltd, a national veterinary wholesaler distributing a wide range of products to veterinary clinics across Australia
Masterpet	Masterpet Corporation Limited, a business involved in sales, marketing and distribution of pet care brands to customers in New Zealand and Australia
nm	In respect of graphs and other diagrams in this report means “not meaningful”
Northington Partners	Northington Partners Limited
Notice of Meeting	The notice of special meeting required to be sent to EBOS shareholders in relation to the Transaction
NPAT	Net Profit After Tax
NZ\$	New Zealand dollars
NZSX	The NZX Main Board equity securities market operated by NZX Limited
OTC Products	Non-ethical “over the counter” pharmaceutical products
PBS	Pharmaceutical Benefits Scheme, being a Commonwealth Government scheme that subsidises the cost of PBS-listed prescription only medicines in Australia



Abbreviations and Definitions (Continued)

PHARMAC	Pharmaceutical Management Agency, an entity tasked with securing universal and affordable access to essential pharmaceuticals to the public of New Zealand
Pharmacy	Symbion Pharmacy Services, a full-line wholesale business involved in the distribution of pharmaceutical products to pharmacies throughout Australia (and the largest division of Symbion)
Pre-Transaction Placement	A placement of EBOS shares to new and existing institutional investors (approximately NZ\$90 million) prior to the Transaction being completed
Purchase Price	NZ\$865 million, for 100% of the shares on issue in ZHHA
Rights Issue	A pro-rata renounceable rights issue to all existing EBOS shareholders (approximately NZ\$149 million), subject to the Transaction first being approved by EBOS shareholders at a special meeting
Sigma	Sigma Pharmaceuticals Limited
Symbion	Symbion Pty Limited, the operating subsidiary of ZHHA
TERP	Theoretical Ex-Rights Price
Transaction	The purchase by EBOS of all shares in ZHHA (and indirectly the Symbion business)
VWAP	Volume Weighted Average Share Price
ZHHA	Zuellig Healthcare Holdings Australia Pty Limited, the ultimate Australian domiciled legal owner of Symbion
Zuellig	The Zuellig Group Incorporated (and where the context requires, its subsidiaries), a family owned group which is active in the healthcare and agribusiness sectors in the Asia Pacific region
Zuellig Share Allotment	The issue of fully paid ordinary shares in EBOS to Zuellig such that Zuellig will hold 40% of the total shares on issue in EBOS when the Transaction is completed



1.0 Executive Summary

1.1 Outline of the Proposed Transaction

EBOS Group Limited (“**EBOS**” or “**Company**”) is a public company listed on the NZX Main Board equity securities market operated by NZX Limited (“**NZSX**”). EBOS distributes medical and surgical products, pharmaceuticals and animal healthcare supplies throughout New Zealand, Australia and the Pacific Islands. Further details on EBOS are set out in Section 4.0.

Symbion Pty Limited (“**Symbion**”) is a privately owned company based in Australia. It is currently owned by the Zuellig Group (“**Zuellig**”), a family owned business active in the healthcare and agribusiness sectors in the Asia Pacific region. Symbion’s principal business involves the supply of pharmaceuticals and medical products to pharmacies and hospitals across Australia, as well as the distribution of veterinary supplies. Further details on Symbion are set out in Section 3.0.

EBOS and Zuellig have reached a conditional agreement for EBOS to acquire Symbion (the “**Transaction**”). The Transaction will be effected by EBOS purchasing 100% of the shares in Zuellig Healthcare Holdings Australia Pty Limited (“**ZHHA**”), being the ultimate Australian domiciled Zuellig subsidiary that wholly owns Symbion. A summary of the Transaction is presented in Table 1, with more details on the proposed Transaction structure and funding set out in Section 2.0.

Table 1: Summary of Transaction

Component	Agreed Term
Purchase Price for the Transaction	NZ\$865 million, for 100% of the ZHHA shares on issue (“ Purchase Price ”)
Consideration Paid to Zuellig	<p>The Purchase Price will be paid to Zuellig via two components:</p> <ul style="list-style-type: none">▪ The issue of fully paid ordinary shares in EBOS (“Zuellig Share Allotment”), such that Zuellig will hold 40% of the total shares on issue in EBOS when the Transaction is completed (with value currently estimated at approximately NZ\$498 million).▪ A cash payment to make up the balance of the Purchase Price (approximately NZ\$367 million).
Funding Sources	<p>EBOS will use the following sources to fund the cash component of the Purchase Price and pay for transaction costs of approximately NZ\$12 million:</p> <ul style="list-style-type: none">▪ A placement of EBOS shares to new and existing institutional investors (approximately NZ\$90 million) (“Pre-Transaction Placement”).▪ A pro-rata renounceable rights issue to existing EBOS shareholders, including those issued shares in the Pre-Transaction Placement (approximately NZ\$149 million) (“Rights Issue”).▪ An increase in EBOS’ debt facility (approximately NZ\$140 million).

Source: EBOS

1.2 Regulatory Requirements

The Transaction is a “major transaction” for the purposes of section 129 of the Companies Act 1993 (“**Companies Act**”) and accordingly requires shareholder approval (by special resolution) under the Companies Act¹.

¹ We note that the Companies Act may confer minority buy-out rights on an EBOS shareholder who votes against the special resolution to approve the Transaction, whereby such a shareholder may give written notice to EBOS requiring it to purchase that shareholder’s shares. Further details on minority buy-out rights are set out in the Notice of Meeting that will be sent to EBOS shareholders in relation to the Transaction.

EBOS is a “Code Company” as defined by Rule 3A of the Takeovers Code (“**Code**”). The Transaction must therefore comply with the provisions set out in the Code relating to the Zuellig Share Allotment. Rule 18 of the Code requires the directors of EBOS to obtain a report from an independent adviser on the merits of the Zuellig Share Allotment. The independent report must be included with the information that is sent to EBOS shareholders for the purpose of assisting them to decide whether to approve the Zuellig Share Allotment.

The Transaction is also subject to Rule 9.1 and Rule 7.3 of the NZSX Listing Rules. Pursuant to Rule 9.1, the Transaction must be approved by a special resolution of EBOS’ shareholders and the notice of meeting required to be sent to shareholders (“**Notice of Meeting**”) must contain such reports and other information necessary for shareholders to appraise the implications of the Transaction. Rule 7.3.1 relates to the Zuellig Share Allotment and requires (via Rule 6.2.2) that the Notice of Meeting must be accompanied by an Appraisal Report. That report must state, among other things, whether the report writer believes that the terms and conditions of the share issue are fair to the other existing shareholders.

EBOS’ directors have requested Northington Partners Limited (“**Northington Partners**”) to prepare a combined independent report that satisfies both Rule 18 of the Code and the requirements of the Listing Rules. Further details on the regulatory requirements and scope of this report are set out in Appendix 1.

This report will accompany the Notice of Meeting and sets out our opinion on the merits of the Zuellig Share Allotment and the Transaction more generally. This report should not be used for any other purpose and should be read in conjunction with the declarations, qualifications and consents set out in Appendix 8.

1.3 Summary of Our Assessment

There is a broad range of issues for EBOS shareholders to consider when determining whether or not to support the resolution in relation to the Zuellig Share Allotment. In the circumstances, we suggest that the merits of the Zuellig Share Allotment should be considered in the context of the advantages and disadvantages of the overall Transaction itself. A summary of our assessment of the Transaction is set out in Table 2 below, together with a reference to the main body of our report where each assessed element is discussed in further detail.

Table 2: Summary of our Assessment of the Transaction

Item	Key Conclusions	Further Information
Transaction Purchase Price	<ul style="list-style-type: none"> We have estimated the value of Symbion’s equity in a range between NZ\$973 million and NZ\$1,045 million. The Purchase Price of NZ\$865 million sits approximately 15% below the mid-point of our valuation range. We therefore conclude that the Purchase Price is attractive from EBOS’ point of view, relative to our assessed valuation. 	Section 6.0
Funding Impacts	<ul style="list-style-type: none"> Given the scale of the proposed Transaction, a number of fund raising avenues are needed to minimise the potential impact on existing EBOS shareholders’ positions. A large share placement to Zuellig is clearly needed; apart from Zuellig’s insistence on acquiring a significant ownership position in EBOS, it would be difficult for EBOS to raise the capital needed to pay a materially higher level of cash consideration. The Zuellig Share Allotment will have a significant impact on the control position of the Company (as discussed below). The Pre-Transaction Placement will be issued at NZ\$8.50 per share, which represents a discount to EBOS’ current share price. The Pre-Transaction 	Section 2.0 and Section 7.0



Item	Key Conclusions	Further Information
	<p>Placement will therefore have the effect of diluting (reducing) the share price from its current (Pre-Transaction Placement) level. The discount of approximately 10%² is towards the top end of recent evidence from other placements and block trades, but the “cost” appears reasonable in the broader context of the transaction benefits.</p> <ul style="list-style-type: none"> ▪ The Rights Issue will in theory protect existing shareholders' positions on the basis that those who choose not to participate in the capital raising will be able to capture value from selling their rights entitlements. There is however no guarantee that the rights will trade at a level which fully reflects the anticipated discount between the intrinsic value of EBOS' shares and the issue price. ▪ Overall, we conclude that the Transaction's proposed funding structure is reasonable and that there are no obvious alternatives. Given the scale of the capital requirement, there will be some negative consequences for existing shareholders (e.g. potential dilution and the impact on the control position of the Company) but these should not be viewed in isolation – the implicit costs need to be balanced against the benefits of the Transaction. 	
Financial Implications for EBOS	<ul style="list-style-type: none"> ▪ EBOS expects that the Transaction will increase earnings per share (“EPS”) by approximately 30% (on a pro-forma basis to June 2013). ▪ There is some potential for further moderate growth in the medium term, including through expected revenue and cost synergies which are not factored into the current earnings projections. ▪ The scope for incremental earnings and dividend growth should be greater assuming the Transaction is completed (compared to the status quo). 	Section 5.0 and Section 7.0
EBOS Control Position	<ul style="list-style-type: none"> ▪ The Transaction will result in EBOS moving from having a relatively open share register with no shareholder (together with its associates) holding more than 8.5% of the shares on issue, to a position with a substantial cornerstone shareholder. ▪ Zuellig's 40% shareholding position could provide it with effective control over the Company and put it in a position to pass ordinary resolutions. Zuellig will also be able to block special resolutions of the Company. ▪ However, there is no reason to believe that Zuellig's interests will not be aligned with those of the minority shareholders and its position as the cornerstone shareholder in EBOS may actually provide some benefits. ▪ We believe that Zuellig is a stable cornerstone shareholder. Apart from the escrow arrangement which prevents Zuellig from selling any of its EBOS shares until the FY2014 results are announced, the current expectation is that Zuellig will remain as a long term investor in the Company. 	Section 7.0
Strategic Fit	<ul style="list-style-type: none"> ▪ The Symbion business is clearly well aligned with EBOS and there is a significant cross-over in terms of sector exposure. ▪ This should help to ensure that post-Transaction integration issues are minimised, that the existing executive team is well placed to manage the business, and that there should be opportunities to extract some revenue and cost synergies in the medium term. ▪ We also note that EBOS management has built a strong track record of sourcing and implementing value-enhancing acquisitions. While the Symbion acquisition is clearly far larger than previous transactions, the process is effectively the same. 	Section 5.0 and Section 7.0
EBOS Risk Profile	<ul style="list-style-type: none"> ▪ Symbion's business is exposed to a moderate level of Australian regulatory risk, and the on-going impact of previously enacted reforms is somewhat uncertain. ▪ Although EBOS is also exposed to a number of regulatory risks, EBOS has shown the ability to adapt to key structural changes in the New Zealand context. ▪ The Transaction should effectively de-risk the current EBOS operations in Australia by establishing EBOS as a market leader in its core sectors, with the scale needed to compete effectively. 	Section 3.10, Section 4.11 and Section 7.0

² Compared to the theoretical share price after allowing for the impact of the pre-Transaction bonus issue (see Section 2.2.2 for further details).



Item	Key Conclusions	Further Information
	<ul style="list-style-type: none"> EBOS' gearing level will increase as a result of the Transaction, from a Debt / EBITDA multiple of 1.4x to 2.2x. While this will increase the level of financial risk borne by the Company in the short-medium term, we do not believe the post-Transaction gearing is overly aggressive for a cash-generative business like EBOS. 	
Alternative Options	<ul style="list-style-type: none"> EBOS has considered a wide range of acquisition opportunities (especially in the Australian market), but at a far smaller scale than Symbion. Compared to these other incremental bolt-on acquisitions, the Transaction offers a rare opportunity to transform EBOS' business and position it as a clear leader in the Australasian market. Although there are two other potential scale opportunities in Australia (API and Sigma), neither business is as well aligned with the EBOS business and both may be difficult to acquire. Symbion has also performed better than API and Sigma over the past few years and is expected to retain its comparative advantage in the foreseeable future. If the Transaction is not approved and the status quo position for EBOS is maintained, EBOS' business will be exposed to some strategic risks given its limited remaining opportunities in the New Zealand market and the current sub-scale Australian operation. 	Section 7.0

Source: Northington Partners' Analysis

If it is approved, the Transaction will obviously be transformative for the existing EBOS business. The estimated enterprise value of the Company will increase from approximately NZ\$600 million to NZ\$1,700 million, approximately 80% of the earnings will be generated in Australia, and Zuellig will become a cornerstone shareholder which arguably has effective control of the Company. A transaction of this scale clearly has the potential to change the risk profile of the business and the nature of the investment from current EBOS shareholders' point of view.

We believe that the overall merits of the Transaction should be assessed as a trade-off between the main expected benefits of increased future earnings and improved market positioning, balanced against the potential negative impacts of the capital raising process that is needed to fund the Transaction and the potential changes to EBOS' risk profile. On balance, we conclude that the Transaction is likely to be beneficial for existing EBOS shareholders, reflecting our assessment in relation to the following key areas:

- We believe that the basis for the projected EPS accretion is robust; assuming that Symbion's business continues to perform broadly in line with expectations in the short-medium term, the relative earnings position of EBOS will improve. Projected future earnings appear reasonable compared to recent past performance and exclude any allowance for synergies that may be attainable when the existing EBOS business is combined with Symbion. We therefore conclude that the post-Transaction earnings projections are relatively conservative.
- The uplift in EPS is largely a function of the significant difference between the earnings multiple that is implied by EBOS' current enterprise value (approximately 13.3x FY2012 EBITDA) and the earnings multiple used to determine the Purchase Price for Symbion's business (8.0x FY2012 earnings). We suggest that the market has been anticipating that EBOS would pursue a transaction like this for some time, and that the subsequent significant increase in EBOS' share price over the last 12 – 18 months has given the Company the opportunity to make an acquisition that is strongly earnings accretive.
- Following the Transaction, EBOS will have a market leading position in pharmaceutical wholesaling in both Australia and New Zealand, as well as a significantly improved position in almost all of the other sectors in which it operates. With these improvements also comes a major



shift in emphasis toward the Australian market, with a consequent increase in the exposure to the specific risk factors that affect that market.

- Many previous Australian acquisitions by other New Zealand companies have performed poorly. However, we note that there are a range of factors in relation to this particular Transaction which we believe will improve the likelihood of a more favourable outcome, including the fact that EBOS anticipates the retention of the entire senior management team at Symbion. Zuellig will also remain as a significant stakeholder in the Symbion business through its 40% shareholding in EBOS, and we expect that this continuity will be important when dealing with some of the key regulatory risk factors. Finally, we note that EBOS itself has built a strong track record of identifying and implementing successful acquisitions, several of which were Australian-based.
- We believe that Zuellig is likely to have effective control of EBOS following the completion of the Transaction via its 40% shareholding. While this can be perceived to be a negative outcome from existing EBOS shareholders' point of view, we suggest that there may be some benefits from having a strong cornerstone shareholder like Zuellig which at least partially mitigates the negative factors. Zuellig has a track record as a long-term investor in the pharmaceutical industry, and is therefore likely to have industry knowledge and contacts which may be beneficial for EBOS as the industry structure evolves through time. The fact that Zuellig is happy to retain a 40% interest in EBOS following the Transaction can also be interpreted as a strong vote of confidence in EBOS' future prospects.

1.4 Acceptance or Rejection of the Transaction

This report represents one source of information that EBOS shareholders may wish to consider when forming their own view on whether to accept or reject the Transaction. It is not possible to contemplate all shareholders' personal circumstances or investment objectives and our assessment is therefore general in nature. The appropriate course of action for each shareholder is dependent on their own unique situation. If appropriate, shareholders should consult their own professional adviser(s).

2.0 Transaction Structure and Funding

2.1 Purchase Price

EBOS will acquire all of the shares on issue in ZHHA for total consideration of NZ\$865 million. The Purchase Price has been agreed between the parties based on a number of steps as broadly outlined in Table 3 below.

Table 3: Summary of Purchase Price Determination

Step 1: Agree Valuation Framework		Enterprise Value /less Net Debt Equity Value (Purchase Price)
Step 2: Confirm Input Values for Enterprise Value	Based on agreed multiple of 8.0x FY2012 adjusted EBITDA. Adjustments to EBITDA to reflect components of ZHHA which are excluded from the Transaction.	EBITDA A\$113.0m Multiple 8.0x EV A\$904.0m
Step 3: Confirm Net Debt Value and Assess Purchase Price	Net debt based on the projected balance as at 31 May 2013.	EV A\$904.0m Less Net Debt A\$188.4m Equity Value A\$715.6m
Step 4: Confirm Gross Purchase Price in New Zealand Dollar Terms	Eliminate A\$/NZ\$ exchange rate uncertainty for EBOS by locking in the Purchase Price in NZ\$ terms (example is based on approximate rate at the time of negotiations).	Purchase Price A\$ A\$715.6m Exchange Rate (A\$/NZ\$) 0.815 Gross Purchase Price NZ\$ ¹ NZ\$880.0m
Step 5: Agree Pre-Settlement Dividend to be paid by Symbion	In order to utilise Symbion's franking credits, a pre-settlement dividend will be paid to Zuellig. The dividend will not exceed NZ\$15.0 million.	Purchase Price NZ\$ NZ\$880.0m Pre-Settlement Dividend NZ\$15.0m Net Purchase Price NZ\$ NZ\$865.0m

Source: EBOS and Northington Partners' analysis

¹ After rounding

We note that the Purchase Price has been determined by excluding the financial impact of APHS Packaging Pty Limited ("APHS"), a 100% subsidiary of Symbion. APHS was acquired in 2012 and has to date been unprofitable. As part of the Transaction negotiations, the parties have agreed that APHS will be retained by Symbion following the Transaction on the condition that Zuellig will underwrite on-going trading losses for the period to June 2015, to a maximum payment of NZ\$3.0 million in aggregate³.

As a consequence of the sale and purchase agreement, the FY2012 EBITDA value used in the determination of the Purchase Price has been adjusted to exclude the losses made by APHS in the period to December 2012. On that basis, the adjusted EBITDA value of A\$113 million is A\$3.7 million higher than actual EBITDA.

2.2 Summary of Transaction Funding and Proposed Capital Raising Process

2.2.1 Introduction and Overview

EBOS will pay the Purchase Price using a mixture of cash and EBOS shares. Table 4 summarises the agreed breakdown of the consideration to be paid to Zuellig.

³ Any payments made in relation to this agreement will be determined as the EBITDA loss incurred during the relevant period, multiplied by 0.7 to account for the tax benefit that will accrue to EBOS as a result of the loss. The maximum payment of NZ\$3.0 million therefore relates to an aggregate EBITDA loss of NZ\$4.28 million.

Table 4: Transaction Funding Summary

Transaction Consideration	Value (NZ\$m)
Allotment of EBOS Shares	\$498
Cash Payment	\$367
Total Consideration	\$865

Source: EBOS

The cash component of the overall consideration paid to Zuellig will be funded using a variety of sources including the Pre-Transaction Placement, the Rights Issue, and a new debt facility with EBOS' banking syndicate. The relative contribution of each funding source is set out in Table 5, showing that total funds raised need to be sufficient to cover both the cash consideration paid to Zuellig and the anticipated transaction costs⁴.

Table 5: Sources and Uses of Cash Funding

	Value (NZ\$m)
Cash Funding Requirements	
Agreed Cash Payment to Zuellig	\$367.0
Estimated Transaction Costs	\$11.8
Total Cash Requirements	\$378.8
Cash Funding Sources	
Pre-Transaction Placement	\$90.0
Rights Issue	\$149.1
New Debt Facility	\$140.0
Total Cash Raised	\$379.1

Source: EBOS

⁴ Based on the assumed share values used in our analysis, together with the currently agreed structure of the Rights Issue, the total cash proceeds will marginally exceed the anticipated cash requirements (by around NZ\$300,000).



Some of the important details for each component of the equity raising are summarised below in Table 6.

Table 6: Summary of Equity Raising Components

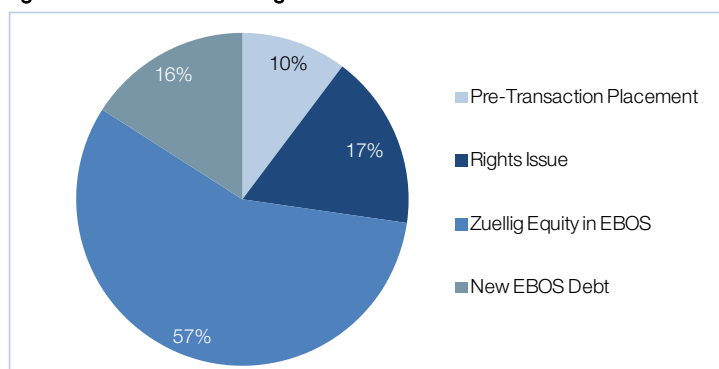
Component	Intended Timing	Proposed Pricing Terms	Other Comment
Pre-Transaction Placement	EBOS advisers will engage with selected institutions and high net worth individuals immediately after the announcement of the Transaction, and make the allotment approximately one week after the announcement date.	Shares will be allotted at a price of NZ\$8.50 per share, which represents a: <ul style="list-style-type: none"> 10% discount to the Volume Weighted Average Price ("VWAP") over the 20 trading days to 22 May (NZ\$9.80)¹; and 12% discount to the observed market closing price of EBOS shares on 22 May (NZ\$9.99)¹. 	<ul style="list-style-type: none"> Given the required timing, this allotment will be made before the Transaction is approved by shareholders. The Pre-Transaction Placement will be fully underwritten.
Rights Issue	The record date for the Rights Issue will be approximately two weeks after the announcement date of the Transaction, and the issue of shares pursuant to the Rights Issue will take place immediately prior to the settlement of the Transaction.	Shares will be issued at a price of NZ\$6.50 per share, representing a discount of approximately 24% to the Theoretical Ex-Rights Price ("TERP") after the Pre-Transaction Placement.	<ul style="list-style-type: none"> The Rights Issue is renounceable, meaning that shareholders who do not want to increase their investment in EBOS will be able to sell their rights on the NZSX. The Rights Issue will be fully underwritten.
Zuellig Share Allotment	The Zuellig Share Allotment will be made at settlement.	The Zuellig shares will be issued at TERP, a price which will reflect the share price impacts of a bonus issue (see below), the Pre-Transaction Placement and the Rights Issue.	<ul style="list-style-type: none"> Following the completion of the Zuellig Share Allotment, Zuellig will own 40% of the shares on issue in EBOS. Shares issued pursuant to the Zuellig Share Allotment will be subject to an escrow arrangement which prevents a sale of the shares until the results for FY2014 are announced (expected in September 2014).

Source: EBOS and Northington Partners' analysis

¹: After allowance for the impact of the Bonus Issue

In addition to the various sources of new equity capital, EBOS will partially fund the Purchase Price with a new debt facility of NZ\$140.0 million. The relative contribution from each source of funding is presented in Figure 1.

Figure 1: Sources of Funding for the Transaction



Source: EBOS

Further details for each of the capital raising components is provided below, and a discussion of the implications of the potential outcomes from the capital raising process for existing EBOS shareholders is set out in Section 7.4.

2.2.2 Taxable Bonus Share Issue

Prior to any of the share issues relating to the Transaction, EBOS will first declare a taxable bonus issue to existing shareholders pursuant to which shareholders will be issued 2 new shares for every 53 shares they hold ("**Bonus Issue**"). The purpose of the Bonus Issue is to utilise imputation credits that would otherwise be lost if the Transaction proceeds. Without some form of taxable distribution, the available imputation credits will be forfeited because the anticipated allotments of EBOS shares via the Pre-Transaction Placement and the Zuellig Share Allotment will cause a breach of shareholder continuity rules. The imputation credits could be utilised by either paying shareholders a cash dividend or by making a taxable bonus issue of shares: EBOS has chosen the latter approach because it involves a non-cash distribution and therefore does not add to the significant amount of cash that already needs to be raised to fund the Transaction.

The benefit of a taxable bonus issue for existing shareholders is relatively subtle. The main impact is that the net taxable bonus issue amount is converted into "available subscribed capital". In the event of a future share repurchase made by EBOS or a liquidation of EBOS, amounts distributed to shareholders (up to the level of available subscribed capital) could be distributed tax free. While this potential benefit is effectively shared with all of the Company's shareholders at the time of the share repurchase or liquidation, there could be other more immediate tax benefits for existing shareholders depending on their individual circumstances:

- Shareholders on marginal tax rates lower than 33% may receive a partial refund of the Resident Withholding Tax that will be withheld by EBOS as part of the Bonus Issue; and
- Corporate shareholders will also be able to credit their imputation credit accounts with the imputation credits attached to the Bonus Issue.

The other impact of the Bonus Issue is that it will be slightly dilutive to the theoretical value of the EBOS shares on issue, reflecting the fact that the total number of shares on issue will increase while the aggregate value of EBOS' equity remains the same. This impact is summarised in Table 7, on the basis that all existing imputation credits (NZ\$7.60 million) are utilised.



Table 7: Impact of Taxable Bonus Issue on Theoretical Share Value

		Amount / Value	Calculation Basis
Prior to Taxable Bonus Issue			
Assumed Share Value per Share	A	\$9.80	
Number of Shares on Issue	B	52,956,571	
Total Market Capitalisation	C	NZ\$518,974,396	A x B
Net Bonus Issue Amount			
Imputation Credits to be Utilised	D	NZ\$7,600,000	
Net Bonus Issue Value	E	NZ\$19,542,857	
Bonus Issue as Proportion of Market Cap	F	3.77%	E / C
Aggregate Number of Shares Issued under Bonus Issue	G	1,998,361	F x B
After Bonus Issue			
Number of Shares on Issue	H	54,954,932	B + G
Theoretical Value per Share	I	NZ\$9.44	C / H

Source: EBOS and Northington Partners' Analysis

2.2.3 Pre-Transaction Placement

EBOS expects to issue approximately 10.6 million shares to a range of new and existing institutional shareholders through the Pre-Transaction Placement. This represents 20% of the shares on issue in EBOS before the Bonus Issue, and is the maximum number of shares that EBOS can issue without prior shareholder approval. The other main features of the Pre-Transaction Placement are as follows:

- The shares will be issued at a price of NZ\$8.50, representing a 10.0% discount to the 20 day VWAP ending on 22 May 2013 and a 12% discount to the closing price on 22 May 2013 (adjusted for the impact of the Bonus Issue, as explained above);
- Because the shares will be issued at a discount to current market values, the Pre-Transaction Placement will have a dilutionary impact on EBOS' share price for existing shareholders. With all else being equal, the immediate theoretical impact on EBOS' price per share will be approximately NZ\$0.15, or 1.5% of the Pre-Transaction Placement value.
- Given the timing requirements of the Transaction process, the Pre-Transaction Placement will be completed immediately after the announcement date but prior to the scheduled EBOS shareholders meeting to vote on the Transaction. That means that the capital will be raised irrespective of whether or not the Transaction is approved by EBOS shareholders. If the Transaction does not proceed the proceeds will be used for general corporate purposes, including, potentially, the reduction of debt and/or the pursuit of other acquisition opportunities.

2.2.4 Rights Issue

If the Transaction is approved by EBOS shareholders, the Company will raise approximately NZ\$149 million through the Rights Issue that will be fully underwritten. Key terms of the Rights Issue are summarised in Table 8.

Table 8: Terms of the Rights Issue

Issue Terms	Expected Value
Entitlement Ratio	7 new shares for every 20 shares held
Shares on Issue Prior to Rights Issue	65.55m
Total Number of Rights Entitlements	22.94m
Shares on Issue After Rights Issue	88.49m
Offer Price under Rights Issue	\$6.50
Total Capital Raised	\$149.1m

Source: EBOS and Northington Partners' Analysis

New EBOS shares issued pursuant to the Rights Issue will be priced at a discount of approximately 24% to the TERP. Table 9 sets out an indicative example of how TERP is determined, based on EBOS' 20 Day VWAP ending on 22 May (NZ\$9.80). The implied discount will change if the actual EBOS share value is different to NZ\$9.80 when the Rights Issue is implemented.

Table 9: Calculation of Theoretical Ex-Rights Share Price

		Amount / Value	Calculation Basis
Market Capitalisation Before Rights Issue			
Shares on Issue (Following Bonus Issue and Placement)	A	65,546,246	
Market Value per Share ¹	B	NZ\$9.29	
Total Market Capitalisation	C	NZ\$609,000,567	A x B
New Shares Issued for Rights Entitlements			
Number of Shares Issued Pursuant to Rights Issue	D	22,941,186	
Indicative Issue Price Per Share	E	NZ\$6.50	
Capital to be Raised	F	NZ\$149,117,710	D x E
TERP Following Rights Issue			
Theoretical Market Capitalisation	G	NZ\$758,118,277	C + F
Total Shares on Issue	H	88,487,433	A + D
Theoretical Ex-Rights Price (TERP)	I	NZ\$8.57	G / H
Rights Issue Price – Discount to TERP		24.13%	1 – (E / I)

¹: Based on the 20 day VWAP ending on 22 May of \$9.80, adjusted to account for impact of the Bonus Issue and Pre-Transaction Placement

Source: EBOS and Northington Partners' Analysis

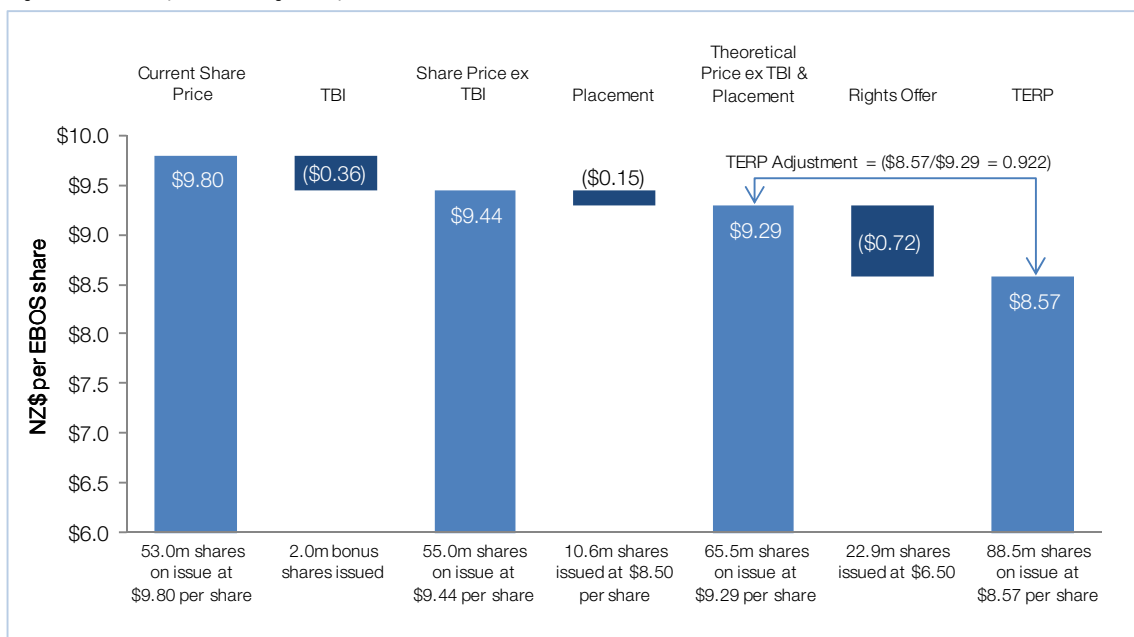
2.2.5 Zuellig Share Allotment

Following the Zuellig Share Allotment, Zuellig will own 40% of the total shares on issue in EBOS (including the more than 500,000 shares already owned by Zuellig interests prior to the Transaction). The shares will be issued at the current TERP of NZ\$8.57, and therefore incorporates the dilutionary impacts of the Bonus Issue, the Pre-Transaction Placement and the Rights Issue.

2.2.6 Summary

The overall impact of the capital raising process on value per EBOS share is summarised in Figure 2.

Figure 2: The Capital Raising Components and TERP¹

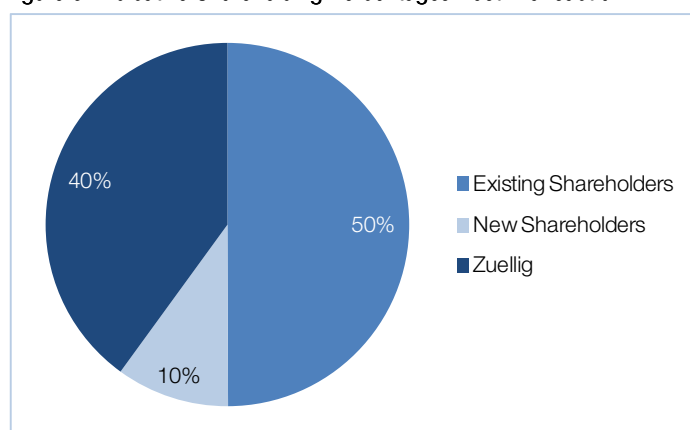


Source: EBOS and Northington Partners' Analysis

¹ Based on data available as at 22 May 2013

The funding structure used to support the Transaction will have a material impact on the ownership position of EBOS. Irrespective of the outcomes of the Pre-Transaction Placement and the Rights Issue (and after making adjustments to take account of the Bonus Issue), Zuellig will hold exactly 40% of the shares on issue after the Transaction is completed, existing shareholders will hold an aggregate of approximately 50%, and new shareholders will own the balance of around 10%⁵. These indicative post-Transaction shareholdings are summarised in Figure 3.

Figure 3: Indicative Shareholding Percentages Post-Transaction



Source: EBOS and Northington Partners' Analysis

⁵ Simplistically assuming both that the Pre-Transaction Placement shares are all issued to new shareholders and that existing shareholders who are entitled to participate in the Rights Issue exercise all of their rights entitlements. Neither of these outcomes is likely to occur and the final shareholding percentages held by new and existing shareholders will therefore differ slightly from the indicated levels.

2.3 Transaction Conditions

The Transaction is subject to a number of conditions. If the conditions are not satisfied or waived, the Transaction may not proceed on the basis of its original terms (or at all). The conditions include (“Conditions”):

- Approval of the Transaction by a special resolution of EBOS shareholders;
- EBOS not receiving minority buy-out notices from shareholders (pursuant to provisions of the Companies Act) in respect of 5% or more of the Company’s ordinary shares;
- The appointment of Peter Williams and Stuart McGregor (Zuellig representatives) as additional directors of the Company by ordinary resolution;
- The successful completion of the Pre-Transaction Placement and Rights Issue; and
- There being no material adverse change in relation to Symbion or EBOS.

If the Conditions are satisfied and the Transaction is completed, EBOS has indicated an intention to dual list the Company on the Australian Securities Exchange equity securities market operated by ASX Limited (“ASX”). To be eligible for admission to the Official List of the ASX, the Company’s constitution must be consistent with the ASX Listing Rules. In order to comply with the ASX Listing Rules, EBOS is proposing to amend its Constitution, a process which requires the approval of the Company’s shareholders by special resolution.

2.4 Timetable

The proposed Transaction timetable is summarised in Table 10 (based on the anticipated timeframe as at the date of this report).

Table 10: Transaction Timetable

Event	Date (2013)
Transaction Announcement	29 May
Pre-Transaction Share Placement Book-build	29 – 30 May
Bonus Issue Record Date	6 June
EBOS Special Meeting	14 June
Rights Issue Record Date	14 June
Rights Issue Offer Period	17 June – 1 July
Transaction Settlement	5 July

Source: EBOS



3.0 Profile of Symbion

3.1 Background

3.1.1 Business Overview

Symbion traces its origins back to 1845. Since then, the business has grown to become a large Australian healthcare company with revenues of approximately A\$3.8 billion. The company's head office is in Melbourne, with operations based out of 11 other Australian cities. Symbion is wholly-owned by Zuellig, a privately owned conglomerate with a strong presence in healthcare markets throughout Asia.

Symbion is principally a high volume, low margin business involved in supplying ethical (i.e. prescription only) and over the counter ("**OTC**") products to pharmacies and hospitals throughout Australia. A high-level summary of Symbion's business divisions is set out in Table 11. More detailed information on each division is set out in Section 3.2 to Section 3.8.

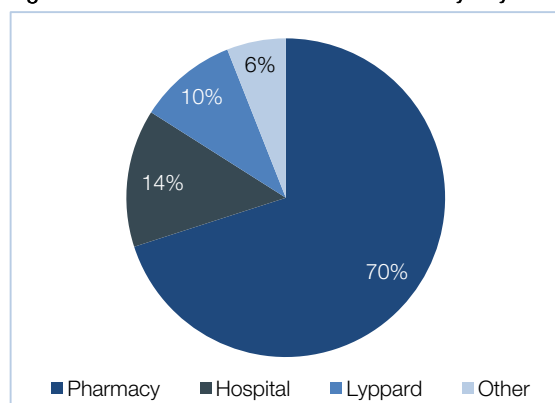
Table 11: Summary of Symbion Business Divisions

Industry Segment	Division	Description
Healthcare	Symbion Pharmacy Services (" Pharmacy ")	A full-line wholesale business distributing ethical and OTC products to pharmacies throughout Australia.
	Symbion Hospital Services (" Hospital ")	A wholesale and distribution business distributing ethical and OTC products to Australian hospitals, day surgeries and other health agencies.
	Symbion Retail Services	Symbion owns the Chemmart Pharmacy and Terry White Chemist brands. It also operates Pharmacy Choice, a retail support program provided to independent pharmacies to help develop their businesses.
	Symbion Consumer Products	Sources medicines, supplements and devices for pharmacies, including national brands owned by Symbion and own-branded products supplied to Chemmart, Terry White, and Pharmacy Choice members.
	Symbion Contract Logistics	Provides a range of logistics solutions for pharmaceutical and healthcare product manufacturers.
	Manufacturer Services	Includes Clinect (offering product management solutions to pharmaceutical companies) and Symbion Clinical Trials (offering a range of clinical trial logistics and depot services for the clinical research industry).
Animal Care	Lyppard	A national veterinary wholesaler distributing a wide range of products to veterinary clinics across Australia.

Source: Northington Partners' Analysis

For the financial year ended 31 December 2012, Pharmacy and Hospital together provided approximately 93% of Symbion's total revenue and 84% of total gross profit. A breakdown of FY2012 gross profit contribution by key business unit is set out in Figure 4.

Figure 4: FY2012 Gross Profit Contributions by Key Business Units



Source: Symbion

3.1.2 Regulatory Overview

Symbion operates within the highly regulated Australian pharmaceuticals industry, comprising firms involved with the manufacture of medicines and medical products, service related segments including wholesaling and distribution, and firms involved with bio-medical research and biotechnology.

A summary of the industry's key regulatory components that impact on Symbion's business is set out in Table 12. A more detailed description of the regulatory environment is set out in Appendix 2, together with details on industry structure, key industry participants, and industry trends.

Table 12: Summary of Key Industry Regulatory Components

Item	Description
Pharmaceutical Benefits Scheme ("PBS")	<ul style="list-style-type: none"> A Commonwealth Government scheme that subsidises the cost of PBS-listed prescription only medicines. Consumers pay a proportion of the cost of all PBS medicines (capped at A\$36.10), with the Government paying the balance of the cost. Consumers on a concession card pay a maximum of A\$5.90. Manufacturers negotiate the price of PBS listed medicines with Government. The remuneration of wholesalers (like Symbion) and pharmacists is calculated with reference to the manufacturer's price. Extensive reforms have been made since 2007 to maintain the financial sustainability of the PBS, particularly around encouraging physicians to prescribe cheaper generic (non-branded) pharmaceuticals.
Community Pharmacy Agreements	<ul style="list-style-type: none"> These agreements, entered into between the Australian Government and the Pharmacy Guild of Australia, provide remuneration for community pharmacies (including pharmacy and wholesaler mark-ups), the provision of pharmacy programs and services, and detail the CSO arrangements with wholesalers. The current agreement, the 5th Community Pharmacy Agreement, took effect on 1 July 2010 and runs for a period of five years.
Community Service Obligation ("CSO") Funding Pool	<ul style="list-style-type: none"> A funding pool established under the 4th Community Pharmacy Agreement that aims to ensure all Australians receive access to PBS medicines via their community pharmacy. The pool (approximately A\$182 million in 2012/13) provides financial support to wholesalers (including Symbion) supplying the full range of PBS medicines to pharmacies across Australia, regardless of location and the relative cost of supply.

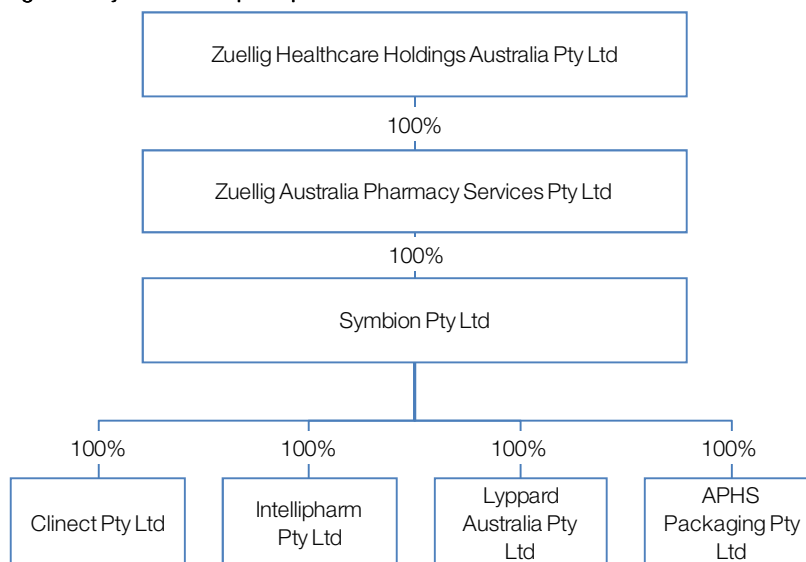
Item	Description
Pharmaceutical Pricing	<ul style="list-style-type: none"> The dispensed price of PBS medicines comprises the sum of the manufacturer's price, the wholesaler's mark-up, the pharmacist's mark-up, and dispensing and other fees entitled to be charged by the pharmacist. For PBS listed medicines, the maximum regulated wholesaler mark-up is 7.52% of the manufacturer's price (capped at a maximum mark-up of A\$69.94). The regulated pharmacy mark-up is determined by a sliding scale depending on the price of PBS medicines, up to a maximum mark-up of A\$70.00. For the bulk of PBS medicines that are "ready prepared" (i.e. require no further preparation or compounding), the dispensing fee is A\$6.52.
Pharmacy Ownership and Location Rules	<ul style="list-style-type: none"> Ownership of pharmacies is restricted to pharmacists and (although differences exist from state to state) is generally restricted to no more than 4-6 pharmacies per pharmacist. Legislation specifically prevents corporate ownership, which has excluded supermarkets and other large retailers from entering the pharmacy retailing space. There are strict rules governing where new pharmacies can be located, or the re-location of existing pharmacies. These rules are designed to prevent new pharmacies from competing against existing practices.

Source: Northington Partners' Analysis

3.1.3 Corporate Structure

The corporate structure for the Symbion group is set out in Figure 5 below:

Figure 5: Symbion Group Corporate Structure



Source: Symbion

Most of Symbion's business units, including Pharmacy and Hospital, are operated out of Symbion itself. The Clinect division was established in 2011 and trades out of a separate legal entity. Symbion's other three wholly-owned subsidiaries reflect business acquisitions made in the last two years, with each new business continuing to operate within its own legal entity. Symbion also owns a number of other non-trading companies which are not relevant for the purposes of this report and have therefore been excluded from the corporate structure diagram represented above.

3.1.4 Significant Historical Events

Key milestones in Symbion's history are summarised below:

- **1845:** F H Faulding (“**Faulding**”) was established upon the opening by Francis Faulding of a pharmacy in Adelaide, Australia.
- **1890 - 1924:** Faulding commenced operations in Western Australia, Sydney, Brisbane and Melbourne.
- **1947:** Faulding became a public company.
- **1964:** Faulding purchased Milne Brown, a dental business with operations in New South Wales and Queensland.
- **1980s:** Faulding established operations in Tasmania and the Northern Territory.
- **1996:** Chemmart Pharmacy was launched as a national pharmacy brand in Australia.
- **1998:** Faulding purchased the Terry White Chemists brand, developing it into a leading retail brand.
- **2001:** Faulding was bought by the Mayne Group Ltd and its name was changed to Mayne Pharmacy Services.
- **2005:** Mayne Pharmacy Services demerged to become Mayne Pharma and Symbion Pharmacy Services (a division of Symbion Health Limited).
- **2007:** Pharmacy Choice was launched, a comprehensive retail programme for independent pharmacies.
- **2008:** Zuellig purchased Symbion Pharmacy Services.
- **2010:** Symbion Consumer Products, a division of Symbion supplying OTC products, re-launched the Faulding brand.
- **2011:** Symbion purchased Lyppard, a veterinary supplies distribution business, and the Clinect division was formed.
- **2012:** Symbion purchased APHS Packaging (a manufacturer of dose administration aids) and Intellipharm (a provider of in-pharmacy data collection software).

3.2 Symbion Pharmacy Services

3.2.1 Business Overview

Pharmacy is the largest part of the Symbion business and operates as a full-line wholesaler distributing approximately 16,000 ethical products and OTC products to retail pharmacies across Australia. The division:

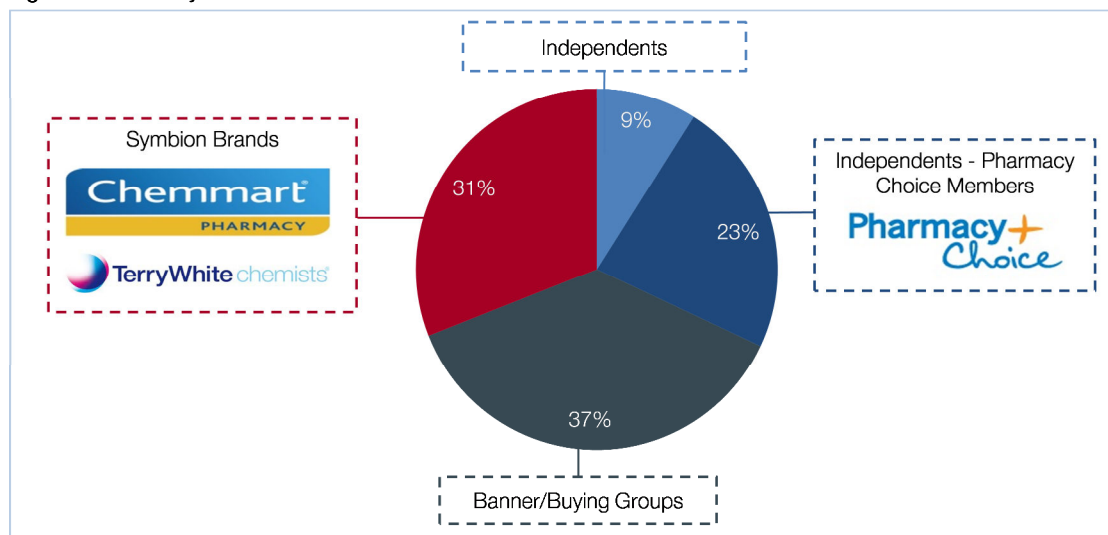
- Operates a nationwide network of 15 warehouses;
- Provides once a day delivery to pharmacies;
- Has a sales mix comprising approximately 76% ethical and 24% OTC products;
- Benefits from CSO pool funding received by Symbion; and
- Supports pharmacies with retail branded franchise systems and comprehensive store management programs (see Section 3.4 below).



3.2.2 Customers

As set out in Figure 6 below, the key customer groupings of Pharmacy comprise its own in-house retail brands (Chemmart Pharmacy and Terry White Chemists), independent banner/buying groups, and independent individual pharmacies (some of whom are also members of Symbion's Pharmacy Choice offering).

Figure 6: Pharmacy Customers



Source: Symbion

3.2.3 Market Size and Market Share

The total size of the pharmaceutical distribution market within the pharmacy segment is estimated at approximately A\$10 billion per annum, with around 88% of all distribution conducted by full-line wholesalers⁶.

Symbion management estimates Pharmacy's overall market share by sales is approximately one-third of the national wholesale distribution market. The division's primary competition comes from the two other national full-line wholesalers: Australian Pharmaceutical Industries Limited ("API") and Sigma Pharmaceuticals Limited ("Sigma"). Competition also exists from regionally based wholesalers such as Central Hospital Services Pty Ltd (based in Victoria) and Friendly Society Medical Association Limited, a mutual organisation trading under the name "National Pharmacies" with operations in South Australia, Victoria and New South Wales.

3.2.4 Financial Overview

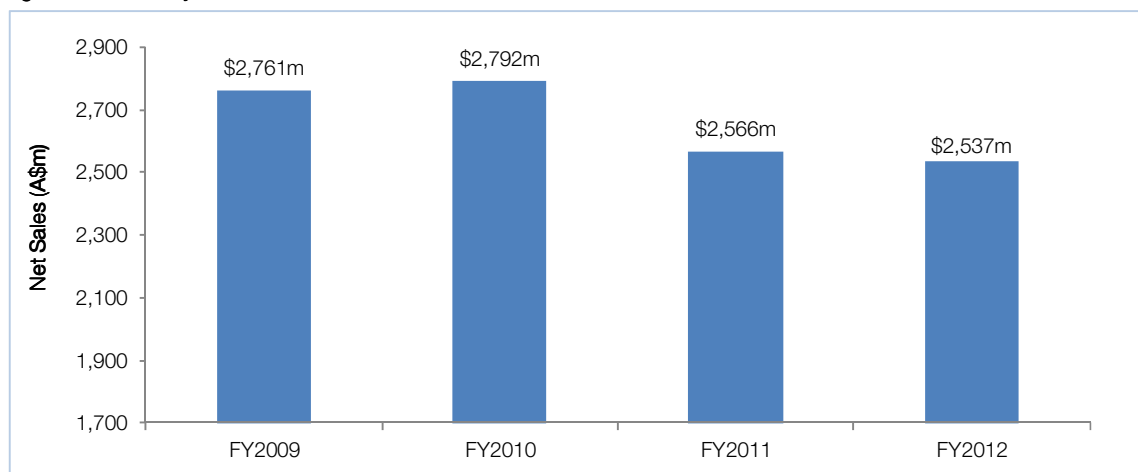
The key drivers of Pharmacy's business are the demand for pharmaceuticals, the regulatory environment around funding and pricing of pharmaceuticals, and the desire of manufacturers to distribute products via wholesale channels rather than directly to retailers.

The revenue of Pharmacy is particularly sensitive to the pricing of PBS-listed medicines given they comprise the bulk of pharmaceuticals distributed by the division. Competition among wholesalers is strong as they strive to win business from pharmacies, with many wholesalers selling pharmaceuticals with a mark-up below the regulated maximum of 7.52%.

⁶ Source: IMS and Symbion management estimate

The net sales achieved by Pharmacy over the last four years (years ended 31 December) are set out in Figure 7 below.

Figure 7: Pharmacy Net Sales



Source: Symbion

Net sales for the division have fallen over recent years, reducing from A\$2.76 billion in FY2009 to A\$2.54 billion in FY2012. The principal reasons for the decline are:

- Reforms made to the PBS and the impact of mandatory price reductions applied upon the introduction of generic drugs (which can occur when the patent applying to proprietary branded drugs expires). All things being equal, lower priced generic drugs reduce the dollar value of sales, including the dollar value of the division's wholesaler mark-up; and
- The decision by Pfizer in early 2011 to supply its products directly to pharmacies under an exclusive logistics arrangement with DHL, reducing the volume of pharmaceuticals that would otherwise have been distributed.

Notwithstanding the reduction in sales, gross profit margin for the division has increased during the period FY2009 to FY2012. This improvement has resulted largely from Pharmacy reducing the size of discounts offered to pharmacists (i.e. by increasing its percentage mark-up closer towards the regulated maximum).

3.3 Symbion Hospital Services

Hospital is the second largest part of Symbion and operates as a specialist wholesaler and distributor to more than 300 hospitals, day surgeries and government and non-government health agencies. The division:

- Supplies more than 14,000 products, including highly specialised drugs under section 100 of the National Health Act 1953⁷;
- Leverages the same fixed cost infrastructure (warehouses and distribution network) as Pharmacy; and
- Provides a minimum of once a day delivery to most Symbion contracted hospitals.

⁷ Highly specialised drugs are medicines for the treatment of chronic conditions. Because of their clinical use or other special features, they are typically restricted to supply through public and private hospitals that have access to appropriate specialist facilities.

The total size of the pharmaceutical market within the hospital segment is estimated at approximately A\$2.8 billion per annum⁸. Around 57% of products are distributed by wholesalers, with the balance distributed directly by manufacturers or by state government departments. Hospital is the largest supplier of pharmaceutical products within the hospitals segment. Hospital's primary competitor is CH2, a company which is 45.5% owned by API.

Hospital's net sales exceed A\$1.0 billion and earnings have grown steadily during recent years (at a rate faster than the Pharmacy division).

3.4 Symbion Retail Services

Symbion's offering to retail pharmacies consists of Pharmacy (detailed in Section 3.2 above) and Symbion Retail Services. A summary of the core elements of the Retail Services division offering is set out in Table 13 below.

Table 13: Symbion Retail Services Offering

Service Offering	Description
Chemmart Pharmacy	<ul style="list-style-type: none"> A leading national retail pharmacy franchise (over 300 stores) with a focus on health and wellness. Member pharmacies are offered a range of retail management programs and systems, including: <ul style="list-style-type: none"> A comprehensive suite of health services (e.g. a 20 minute health check, diabetes support centre and the Kate Morgan Weight Loss program) Marketing programs (e.g. catalogues, TV and radio advertising, and a customer loyalty program) Merchandising solutions
Terry White Chemists	<ul style="list-style-type: none"> One of Australia's largest pharmacy retailers, with the franchise network comprising more than 160 individually owned stores. The Terry White Chemists brand is owned by Symbion but is managed under license by Terry White Management (a company owned by Terry White Chemists members).
Pharmacy Choice	<ul style="list-style-type: none"> Australia's leading integrated retail support program designed to assist independent pharmacies develop their businesses and succeed in a changing and highly competitive retail environment. The largest program of its type in the Australian pharmacy market, with more than 700 member pharmacies. The Pharmacy Choice program provides support across key business areas such as merchandising, advertising, operations, buying, and providing training support.
minfos	<ul style="list-style-type: none"> A pharmacy management and automation software solution. Designed, built and supported in Australia, the minfos system supports key aspects of pharmacy operations, including dispensing, point-of-sale, stock management, and analytical reporting.

Source: Symbion




3.5 Symbion Consumer Products

The Consumer Products division is responsible for the sale of house brand and private label consumer products and medicines. As set out in Table 14 below, the three house brands are Chemmart, Terry White and Pharmacy Choice, with the main private label brand being Faulding.

⁸ Source: IMS and Symbion management estimate



Table 14: Consumer Products Portfolio Overview

Brand Type	Brand	Description
House Brand		<ul style="list-style-type: none"> Pharmaceutical medicines and OTC products Generally only available to Chemmart Pharmacy members
		<ul style="list-style-type: none"> Pharmaceutical medicines and OTC products Generally only available to Terry White Chemists members
		<ul style="list-style-type: none"> Pharmaceutical medicines and OTC products Generally only sold to Symbion customers (i.e. Pharmacy Choice members)
National/Private Label Brands		<ul style="list-style-type: none"> Trusted healthcare brand since 1845 OTC products only (no pharmaceutical medicines) Available to all retail pharmacies through Symbion and its competitors Generally retails at a price premium to Symbion's house brands
	Other	<ul style="list-style-type: none"> A range of products across various brands (My Essentials, 4me, You me & everybody, and Finding Form) OTC products only (no pharmaceutical medicines) Available to all retail pharmacies through Symbion and its competitors

Source: Symbion

Sales have grown strongly over recent years, with divisional gross profit margins in excess of those achieved in the Pharmacy division. Symbion management is expecting further growth in FY2013 from its new product pipeline, further improvements in product distribution, and on-going investment in marketing to grow the awareness of national brands such as Faulding.

3.6 Contract Logistics and Manufacturer Services

Symbion's Contract Logistics division currently provides third party logistics solutions for healthcare product manufacturers. The current service offering includes:

- Central warehousing and distribution services for pharmaceuticals and medical devices
- Specialisation in cold chain and highly monitored products
- Clinical trial logistics
- Customer service and debtor management
- Front-end client e-commerce solutions

Manufacturer Services comprises the offerings from Clinect and Clinincal Trials:

- Clinect sources drugs that are not commonly available in Australia for rare diseases; and
- Clinical Trials offers a range of clinical trial logistics and depot services for the Australian and international clinical research industry, specialising in investigational drug warehousing and logistics for Phase I to Phase IV trials, comparator sourcing for local and international trials, and tailored solutions for other clinical trial requirements.

3.7 Lyppard

Lyppard is a leading national veterinary wholesaler in Australia and was acquired by Symbion in July 2011. The business:

- Supplies over 12,000 product lines;
- Has more than 2,000 customer accounts (comprising mainly veterinarians and veterinary practice groups); and
- Operates out of warehouses that are independent of Symbion located in Melbourne, Sydney, Brisbane, Townsville, Perth and Adelaide.

Lyppard management estimates the business holds a 30% market share in a market serviced by three major players: the remaining two players are Provet (with an estimated 45% market share) and Cenvet (estimated to have a 10-15% market share).

Lyppard is the third largest contributor to the overall Symbion group earnings (behind Pharmacy and Hospital), and revenue closely tracks spending on veterinary services. In the pet care sector, the key driver of veterinary spend is the level of household disposable income. In the rural sector, economic conditions can affect the demand for veterinary services; during periods of low prices for livestock and associated products, animal numbers can fall significantly and expenditure on veterinary services can be cut.

There is currently no regulation of either resale prices or access to the retail end of the veterinary market, providing a wide scope for future strategic direction.

3.8 Other Symbion Businesses

Other businesses within the Symbion group include:

- **APHS Packaging:** acquired by Symbion in February 2012. The business operates as a manufacturer of dose administration aids (e.g. easy-tear medication sachets that contain tablets) to assist patients to take the right dose of medication at the right time. The business is essentially a start-up operation and is currently incurring losses (which are expected to continue until greater scale is attained).
- **Symbion Dental:** a wholesale distribution business providing a wide range of consumable products used in dental practices throughout Australia.

3.9 Group Financial Information

3.9.1 Financial Performance

A summary of the financial performance of Symbion for the periods ending December 2011 and December 2012 is set out in Table 15 below.



Table 15: Symbion Summary of Historical Financial Performance

	12 months to 31 Dec 2011 (A\$m)	12 months to 31 Dec 2012 (A\$m)
Net Sales	\$3,692	\$3,795
Cost of Goods Sold	\$3,458	\$3,534
Gross Profit	\$234	\$260
<i>Gross Margin</i>	<i>6.3%</i>	<i>6.9%</i>
Other Income	\$54	\$64
Total Operating Expenses	\$190	\$215
EBITDA	\$98	\$109
<i>EBITDA Margin</i>	<i>2.7%</i>	<i>2.9%</i>

Source: ZHHA Audited Financial Statements (adjusted to take account of intra-group arrangements).

The main features of Symbion's historical financial performance can be summarised as follows:

- Sales growth over recent years has been reasonably limited. Declining revenue in Pharmacy (due to the impact of on-going PBS reforms) has been offset by growth in net sales in Hospital, the impact of the Lyppard acquisition in July 2011, and an increase in revenue contribution from smaller divisions such as Consumer Products.
- Gross margin improved from 6.3% in 2011 to 6.9% for the year ended 31 December 2012. The majority of this improvement relates to changes in the trading terms with customers (i.e. reducing the size of the wholesaler discount offered to pharmacists) and the contribution made by higher margin business units such as Lyppard and Consumer Products.
- Total operating expenses have increased at a greater rate than the growth in sales. This mainly reflects changes in the general mix of business and investment being made in younger divisions to position them for future growth.

3.9.2 Financial Position

Symbion's financial position for the periods to December 2011 and December 2012 is summarised in Table 16 below. The main features are as follows:

- The investment in non-current assets (A\$194 million as at 31 December 2012) comprises a relatively small proportion of Symbion's total assets. Around 75% of assets at the end of FY2012 constituted receivables and investment in stock.
- Current debt reduced significantly from A\$328 million (31 December 2011) to A\$209 million (31 December 2012), with the reduction reflecting the impact of retained profits and a new term debt facility which was used in part to finance the acquisition of the Lyppard business.

Table 16: Symbion Statement of Historical Financial Position

	As at 31 Dec 2011 (A\$m)	As at 31 Dec 2012 (A\$m)
<i>Assets</i>		
Cash and Equivalents	\$48	\$41
Receivables	\$529	\$529
Inventory	\$306	\$304
Other Current Assets	\$66	\$51
Total Current Assets	\$950	\$924
Property, Plant & Equipment	\$72	\$82
Intangibles and Goodwill	\$95	\$94
Other Non-Current Assets	\$15	\$19
Total Non-Current Assets	\$182	\$194
Total Assets	\$1,132	\$1,119
<i>Liabilities</i>		
Payables	\$542	\$552
Current Debt	\$328	\$209
Other Current Liabilities	\$11	\$11
Total Current Liabilities	\$881	\$773
Term Debt	\$0	\$35
Other Non-Current Liabilities	\$7	\$11
Total Non-Current Liabilities	\$7	\$45
Total Liabilities	\$888	\$818
<i>Equity</i>		
Retained Earnings	\$106	\$131
Equity	\$139	\$170
Total Equity	\$244	\$301

Source: ZHHA Audited Financial Statements (adjusted to take account of intra-group arrangements).

The majority of Symbion's debt relates to a securitisation program based on its receivables:

- The program has a current facility limit of A\$420 million;
- The program funds a revolving portfolio of receivables from over 2,600 trade debtor accounts consisting of pharmacists and public and private hospitals in Australia;
- The receivables portfolio is highly diversified, with the 10 largest debtors comprising approximately 10% of the portfolio value; and
- The securitisation trust is controlled by Symbion.

3.10 Prospects and Key Business Risks

3.10.1 Forecast Financial Information

A summary of Symbion's forecast financial performance for the year ended 31 December 2013 is set out in Table 17 below. In our view, the most significant features of the forecast are as follows:

- Total net sales are forecast to be reasonably flat. Reduced sales in Pharmacy (due to the on-going impact of the PBS reforms) are expected to be offset by increased sales in Hospital and emerging business units such as Consumer Products and APHS Packaging.
- Compared to FY2012, EBITDA is forecast to increase by around \$A8 million with an EBITDA margin of 3.1% (up from 2.9% in FY2012). Given the flat forecast in net sales, most of the improvement in EBITDA is expected to result from improvement in gross profit margins.

Table 17: Symbion Statement of Forecast Financial Performance

	12 months to 31 Dec 2013 (A\$m)
Net Sales	\$3,726
Cost of Goods Sold	\$3,454
Gross Profit	\$272
<i>Gross Margin</i>	<i>7.3%</i>
Other Income	\$71
Total Operating Expenses	\$226
EBITDA	\$117
<i>EBITDA Margin</i>	<i>3.1%</i>

Source: Symbion Management Forecast (Unaudited)

Symbion's statement of forecast financial position as at 31 December 2013 is set out in Table 18 below. Apart from tighter management of receivables and a continued reduction in debt levels, no significant change is expected compared to the position in FY2012.

Table 18: Symbion Statement of Forecast Financial Position

	As at 31 Dec 2013 (A\$m)
<i>Assets</i>	
Cash and Equivalents	\$30
Receivables	\$521
Inventory	\$289
Other Current Assets	\$50
Total Current Assets	\$890
Property, Plant & Equipment	\$94
Intangibles and Goodwill	\$89
Other Non-Current Assets	\$19
Total Non-Current Assets	\$202
Total Assets	\$1,092
<i>Liabilities</i>	
Payables	\$511
Debt	\$170
Other Current Liabilities	\$18
Total Current Liabilities	\$699
Debt	\$19
Other Non-Current Liabilities	\$15
Total Non-Current Liabilities	\$34
Total Liabilities	\$733
<i>Equity</i>	
Retained Earnings	\$191
Equity	\$168
Total Equity	\$359

Source: Symbion Management Forecast (Unaudited)



3.10.2 Key Business Risks

Symbion is exposed to a number of risks common to many businesses, including (among others) reliance on key customers and suppliers, and the ability to retain key personnel. However, the majority of the key business risks are market driven. A summary of those market risks is set out in Table 19 below.

Table 19: Symbion's Key Market Risks

Market Risk	Description
PBS Price Reform	The package of reforms to the PBS is expected to reduce PBS funding for existing drugs. The dollar value impact of the reforms is hard to predict, and different estimates exist within the industry. PBS price reform, particularly driven by the substitution of proprietary brand-name products (protected by patent) with cheaper generic equivalents, is likely to slowly drive down the average value (and therefore statutory wholesaler margin) per script. Against this, costs-to-serve per script are likely to grow steadily, placing pressure on wholesaler margins.
CSO Funding Rebate	The Commonwealth Government has committed to the CSO funding pool until June 2015 under the Fifth Community Pharmacy Agreement. Although most market participants believe CSO funding will continue in the medium term, there is a risk that Government funding of the CSO pool will grow more slowly than wholesaler costs, potentially eroding wholesaler margins over time.
Pharmacy Ownership Rules	Current legislation specifically prevents corporate ownership of pharmacies, which has excluded supermarkets from entering the pharmacy retailing space. However, large Australian supermarket chains have in the past made several unsuccessful attempts to enter this space (a practice which is common in overseas markets such as the US and UK). If the supermarkets were successful in lobbying the Government to overturn the current ban and allow their entry into pharmacy retailing, this would have serious negative implications for existing pharmaceutical wholesalers. Overseas experience has demonstrated that where the supermarkets have entered the sector at scale, they have been successful in capturing market share through a combination of customer convenience and low operating margins. Existing wholesalers would almost certainly lose business as supermarket volumes would be fulfilled through their own internal supply chains.
Pharmacy Trading Terms	<p>Wholesalers typically negotiate trading terms with retail pharmacy customers on an annual basis. The two most important items are:</p> <ul style="list-style-type: none"> ▪ Payment days: Historically, there have been significant differences between the three major wholesalers in terms of the number of days they have required customers to pay. The difference in payment days between all three major wholesalers has reduced in recent years. ▪ Discount levels: Most wholesalers have historically rebated a proportion of their PBS margin (i.e. transferring value to the retailer). In response to recent industry changes (e.g. PBS reforms and Pfizer's direct distribution model), the level of discounting has been reduced. <p>Whether Symbion can continue to maintain existing trading terms will depend on the actions of its competitors, the magnitude of on-going industry reforms, and the extent to which any adverse impacts can be "shared" with retail customers.</p>
Direct Distribution	In early 2011 Pfizer decided to supply its products directly to pharmacies under an exclusive logistics arrangement with DHL. This had a negative impact on Symbion by reducing the volume of pharmaceuticals that Pharmacy would otherwise have distributed. If other manufacturers decided to follow Pfizer's approach, it would materially impact the wholesale model. Effects would be direct (through volume losses) and potentially indirect as it could question the need for Government funding of the CSO (which manufacturers such as Pfizer cannot access).

Source: Symbion Management, Northington Partners' Analysis

All of these key market risks appear to be well understood by market participants. The industry has employed various strategies to deal with the effects of some of the risks, while others are viewed as unlikely to materialise (at least in the short-medium term):



- **PBS Reform:** Wholesalers should retain the ability to reduce the size of their discounts to offset the impact of lower script values. Many market players have successfully implemented such changes to date.
- **CSO Funding:** Full-line wholesalers will no doubt closely analyse the evolving costs of meeting their CSO obligations. Together with industry groups such as the Australian Pharmacy Guild, they should be in a position to actively lobby the Government about any emerging disparity between CSO funding and the costs to serve.
- **Pharmacy Ownership Rules:** The prospects of the supermarkets entering the pharmacy retail space is considered low given the political risks involved and the strength of industry lobby groups. Additionally, average industry margins are lower now than when supermarkets initially expressed interest in the possibility of entering the space (making it harder to justify the additional investment that they would need to make), and the two main supermarket chains are facing a possible ACCC enquiry into their competitive behaviour in the grocery market (reducing the chances of regulatory change to pharmacy ownership rules that would work in their favour).
- **Pharmacy Trading Terms:** Viable wholesalers are a key enabler of pharmacists retaining their preferred industry structure. Although there appears to be little room for general improvements in trading terms to improve margins, changes may be possible if they are backed by analysis (as in recent years) to offset external shocks of reform.
- **Direct Distribution Risks:** The challenges faced to date by Pfizer (e.g. high discounts, no access to CSO funding, and the suggestion of dissatisfaction among some pharmacists about lower service levels than full-line wholesalers) suggest the risk of significant volumes being moved away from wholesalers by other manufacturers is low.



4.0 Profile of EBOS

4.1 Background

4.1.1 Business Overview

EBOS is New Zealand's largest diversified pharmaceutical, medical and animal care products group, focussing on wholesaling, logistics and sales and marketing. Headquartered in Christchurch and listed on the NZSX, the Company employs more than 940 personnel across its operations in New Zealand, Australia and the Pacific Islands.

EBOS has grown strongly over recent years, with revenue increasing from NZ\$307 million in 2007 to NZ\$1.43 billion in 2012 (EBITDA increased from NZ\$19 million to NZ\$47 million over the same period). Organic growth has been supplemented by several acquisitions, most notably the NZ\$87 million purchase⁹ of PRNZ Limited ("PRNZ") in 2007 and the NZ\$105 million purchase of Masterpet Corporation Limited ("Masterpet") in 2011.

A high-level summary of EBOS' business divisions is set out in Table 20, with more detailed information on each division provided in Section 4.2 to Section 4.7.

Table 20: Summary of EBOS Business Divisions

Industry Segment	Division	Description
Healthcare	ProPharma	A wholesale supplier of pharmaceuticals to retail pharmacy stores throughout New Zealand.
	OneLink	A specialist full-line wholesaler distributing medical consumables and pharmaceuticals to public and private hospitals in New Zealand.
	Healthcare Logistics	A pre-wholesale business providing distribution and logistics support to manufacturers, medical device, and OTC suppliers across New Zealand.
	EBOS Healthcare New Zealand	A specialist sales and marketing business to the medical and retail sectors in New Zealand.
	EBOS Healthcare Australia	A provider of wholesale services and sales and marketing services to medical centres, hospitals, specialists and pharmacy wholesalers in Australia.
Animal Care	Masterpet	Sales, marketing and distribution of pet care brands to customers in New Zealand and Australia.

Source: Northington Partners' Analysis

The ProPharma division is the most significant contributor to EBOS revenue, comprising over 43% of FY2012 revenue. However, EBITDA margins from ProPharma are low, and other higher margin business units make a significant contribution to overall EBOS profitability.

4.1.2 Industry Overview

New Zealand's total healthcare spend was approximately NZ\$21.8 billion in 2012, representing around 10.5% of GDP¹⁰. Expenditure by Government accounts for more than 80% of this figure. Over recent decades, total healthcare spending has increased at a rate greater than the nominal growth in GDP. This trend is widely expected to continue in the foreseeable future, driven by several key factors as set out in Table 21 below.

⁹ Consideration paid for 100% of the shares on issue in PRNZ Limited

¹⁰ Source: Statistics New Zealand, Ministry of Health

Table 21: Key Factors Influencing Projected New Zealand Healthcare Expenditure

Factor	Description
Aging Population	An ageing population affects healthcare spending as older people tend to incur more healthcare costs, particularly in end-of-life care. The demographic shift underway in New Zealand is significant, with the proportion of the population over 65 forecast to increase from around 14% currently to around 25% in 2050 ¹¹ .
New Technologies	Public expectations of the health system increase as technology progressively extends the range of possible treatment options. New treatments tend to involve new spending with relatively high unit costs.
Health Consciousness	Over recent decades there has been an increase in the general health consciousness of the New Zealand public. This has resulted in a corresponding preparedness of New Zealanders to spend a greater proportion of their income on preventative health products, including OTC and complementary medicines.

Source: Northington Partners' Analysis

The New Zealand pharmaceutical market is a subset of the total healthcare market. The industry recorded sales of around NZ\$1.36 billion in 2012, with sales forecast to increase between 0.3% and 1.0% year on year between 2013 and 2017¹².

A large portion of New Zealand's pharmaceutical spending flows through the Pharmaceutical Management Agency ("**PHARMAC**"), an entity which reports directly to the Minister of Health. Operating within a funding budget, PHARMAC is tasked with securing universal and affordable access to essential pharmaceuticals to the public. Most of the prescription medications managed by PHARMAC are fully subsidised by the Government.

PHARMAC contracts directly with the suppliers of pharmaceuticals, with reference prices used for all drugs. PHARMAC generally only lists and subsidises one version of a generic drug, with the selection made through a tendering process. Once the subsidy is set by PHARMAC, the ultimate price for ethical pharmaceuticals is determined as follows:

- The suppliers' selling prices, which are generally equal to the subsidies provided by PHARMAC. A premium may apply to some pharmaceuticals for which the consumer pays;
- A margin on PHARMAC's subsidy that covers stock holding and procurement costs; and
- A dispensing fee which is partly reimbursed to retail pharmacies.

Given that the price ex-supplier is determined by PHARMAC, the only scope available for a wholesaler to affect wholesale pricing of ethical pharmaceuticals is in terms of its margin. However, the same regulatory constraints do not apply to OTC pharmaceuticals, where pricing is influenced by competitive forces. Consequentially, the wholesale margin on OTC pharmaceuticals can be larger than that for the ethical sector.

The PHARMAC funding process has had the effect of containing both the price and availability of pharmaceuticals in New Zealand. Due to PHARMAC's funding policies, some newer medicines have not been released to market. Industry-sponsored research found that of the 83 new prescription-only medicines listed on Australia's PBS between May 2000 and October 2006, only 22 were reimbursed in New Zealand.

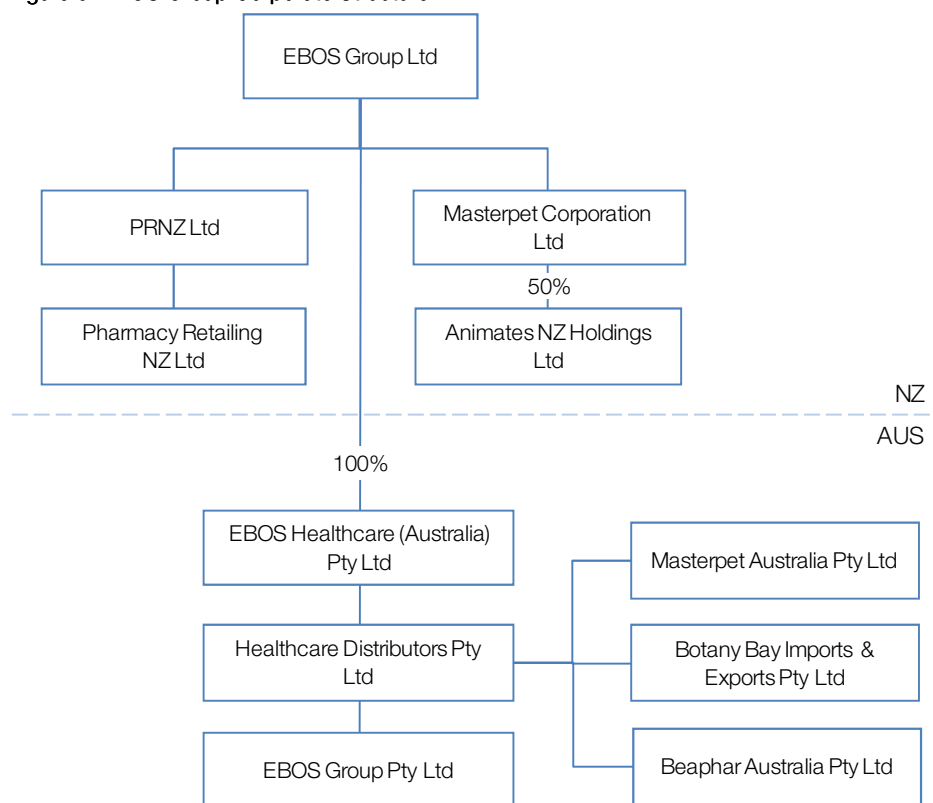
¹¹ Source: Statistics New Zealand

¹² Source: Statistics New Zealand

4.1.3 Corporate Structure

The corporate structure for the EBOS group is set out in Figure 8 below:

Figure 8: EBOS Group Corporate Structure



Source: EBOS

The ProPharma, Onelink and Healthcare Logistics divisions all operate out of Pharmacy Retailing NZ Ltd. Healthcare New Zealand and Healthcare Australia operate out of EBOS Group Ltd and EBOS Group Pty Ltd, respectively, with Masterpet operating out of separate legal entities incorporated in New Zealand and Australia. A number of dormant companies exist within the overall EBOS group structure; they are not relevant for the purposes of this report and have therefore been excluded from the corporate structure diagram represented above.

4.1.4 Significant Historical Events

Key milestones in EBOS' history are summarised below:

- **1922:** The Company was founded as Early Brothers Trading Co. Ltd
- **1960:** Listing on the New Zealand Stock Exchange
- **1986:** The Company name became EBOS Group Ltd
- **1989:** EBOS commenced trading in Australia
- **1990:** Acquired Kempthorne Medical Supplies Ltd, New Zealand's oldest medical company
- **1993:** Established separate operating divisions to focus on specific market segments
- **1996:** Acquisition of the largest private medical wholesaler in Australia – Richard Thompson & Co
- **2000:** Opened EBOS Papua New Guinea

- **2000:** Acquired Medic Corporation, a healthcare and scientific company
- **2002:** Completion of the acquisition of Health Support Ltd
- **2002:** Acquisition of the Natures Kiss business, including the hero brand Anti-Flamme
- **2004:** Acquisition of Stelmara Medical & Vernon Carus to expand Australian coverage to Queensland and Victoria
- **2005:** Acquisition of scientific companies in both Australia and New Zealand
- **2006:** Attained Top 50 listing on the NZSX
- **2007:** Acquired 100% of pharmaceutical wholesaler PRNZ Ltd (which comprises the ProPharma and Healthcare Logistics divisions)
- **2010:** Opened EBOS Fiji, and sold the scientific businesses portfolio to focus on healthcare markets
- **2012:** Acquired 100% of animal health business Masterpet and, via Masterpet's ownership, 50% of Animates pet store group.

4.2 ProPharma

ProPharma distributes ethical and OTC products to retail pharmacies throughout New Zealand and is currently the largest part of EBOS in terms of revenue and EBITDA contribution. The division:

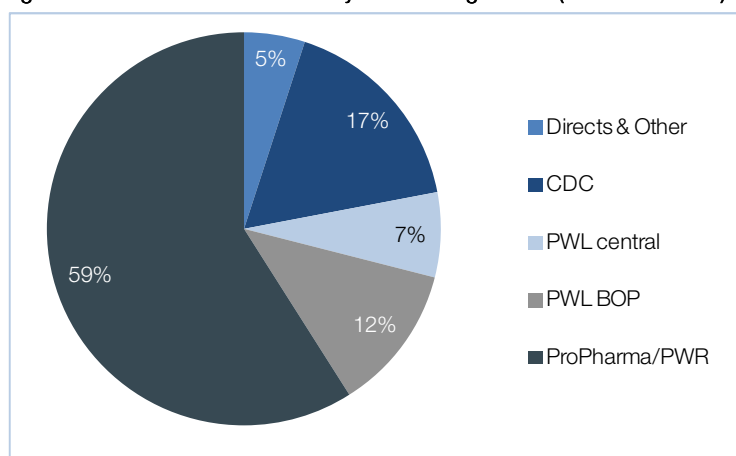
- Is New Zealand's only national pharmaceutical wholesaler;
- Operates from 8 branches with a staff of around 260;
- Conducts its business through the ProPharma, PWR (Pharmacy Wholesale Russells) and Pharmalines brands;
- Supplies around 700 pharmacy stores;
- Has long-term supply relationships with leading pharmacy groups and independent pharmacies:
 - Operates a third party logistics distribution centre for NZSX listed Pharmacybrands Limited (which represents more than 300 community pharmacies operating under the Unichem, Amcal, Life, Radius and Care Chemists brands); and
 - Supplies over 100 independent pharmacies under the Vantage Gold Club label; and
- Serves as the sole specialist service provider for the "Community Client" program delivering medical products directly to residential addresses on behalf of ACC.

ProPharma (including PWR and Pharmalines) is the market leader in the pharmacy wholesaling sector, with three co-operative groups holding the majority of the remaining market share: CDC Pharmaceuticals Limited, Pharmacy Wholesalers (Bay of Plenty) Limited, and Pharmacy Wholesalers (Central) Limited.

Figure 9 below sets out estimated national market share data for December 2012.



Figure 9: Market Share of Pharmacy Wholesaling Market (December 2012)



Source: IMS statistics

Net sales for the division are tracking lower in FY2013 than in FY2012 on the back of PHARMAC price reductions and spending cuts. However, ProPharma's terms of trade were adjusted in November 2012, offsetting the majority of the drop in sales.

Key growth strategies centre on growing market share with profitable pharmacies, expanding product ranges, and seeking operational efficiencies in the supply chain.

4.3 Onelink

Onelink is a specialist distributor and wholesaler of medical consumables and pharmaceuticals to public and private hospitals and healthcare groups in New Zealand. The division:

- Is the largest distributor and wholesaler of medical consumables and pharmaceuticals in New Zealand;
- Provides a unique offering of "just in time" ward and theatre ready products;
- Primarily services District Health Boards ("DHBs") and large private providers such as Southern Cross and Mercy Ascot; and
- Benefits from long term fixed contracts which create business continuity.

The majority of Onelink's revenue comes from the public sector (mainly DHBs). Onelink management estimates a market share of approximately 40% of total DHB business. The division's main competition comes from manufacturers distributing direct to customers and "self-service" customers, particularly the DHBs.

The main drivers of Onelink's revenue are DHB spending and Government procurement policies. The inclusion of medical consumables within PHARMAC's procurement policy from 2015 offers the potential for Onelink to secure a long-term national contract to supply the entire DHB network. Additional growth opportunities include Onelink seeking to increase its presence in the private healthcare market and using technology to drive efficiencies and reduce costs within the division.

4.4 Healthcare Logistics

Healthcare Logistics is a pre-wholesale business that provides distribution and logistics support to pharmaceutical manufacturers and medical device suppliers. The division:

- Offers an effective presence for more than 70 multinational pharmaceutical and medical device companies that do not have their own full service operations in New Zealand;
- Distributes 100% of the vaccines used in New Zealand medical practices;
- Has multiple distribution channels (pharmaceutical wholesalers, pharmacies, hospitals and retail clients including supermarkets); and
- Provides a full range of distribution services including cold chain and humidity controlled distribution, and controlled drug storage.

Healthcare Logistics is the leading supplier in the market, with a market share of approximately 45% of the pharmaceuticals market. Key competitors include DHL, as well as direct supply from manufacturers.

Pricing within the sector is competitive, with DHL in particular pricing aggressively to try and win new business. Pricing pressures in the high volume pharmaceuticals segment are likely to remain in the near term. Accordingly, divisional growth is centred on growing market share in high value/low volume sectors, and expanding into the wider healthcare market, namely consumer products and medical equipment/consumables.

4.5 EBOS Healthcare New Zealand

EBOS Healthcare New Zealand is a specialist sales and marketing business to the medical and retail sectors. The division:

- Seeks to represent manufacturers' brands as they would in their own right, offering sales and marketing, distribution and IT capabilities;
- Operates as agent for a number of multinational brands, including Abbott, Ansell, AVENT, Becton Dickinson, Deep Heat, Kimberly Clark, Sunrise, Teleflex, Vernacare and Welch Allyn;
- Has five dedicated business units providing manufacturers access to six core channels; and
- Utilises specialist sales and marketing teams to "follow the patient and provider".

Around 75% of divisional revenue is derived from the medical sector, with the balance coming from the retail sector.

Competition within the sector primarily comes from regional or single channel distributors. There is no one single organisation that competes "like for like" across the entire New Zealand business.

Although growth prospects within the sector depend heavily on overall demand for health services, key growth opportunities identified by management include securing additional agencies and brands, and product and brand expansion through dual brands and line extensions. A focus will also remain on utilising technology to drive greater business efficiencies and the effectiveness of the sales force.

4.6 EBOS Healthcare Australia

EBOS Healthcare Australia runs a similar business to EBOS Healthcare New Zealand. The division has a strong presence, particularly within New South Wales, but a more limited overall market share than its New Zealand equivalent business.

EBOS Healthcare Australia has a strong medical sector focus, with revenue primarily derived from GP practices, day surgeries, hospitals and aged-care facilities. Key Australian offerings include infection prevention brands like Vernacare and Cutan, consumer brands like Allersearch and hospital niche brands



such as Eschmann. The division also continues to develop its own branded medical consumables range under the In Health label.

As in New Zealand, competition in Australia comes from regional or single channel distributors. However, there has also been a trend of consolidation toward a smaller number of national networks. In response, the Australian business has recently expanded the scale of its pharmaceutical offering to obtain a more substantial national presence, and now provides overnight services to customers from five distribution centres.

Future growth in Australia is expected to be achieved through market share gains, particularly in Queensland, South Australia and Western Australia. Based on EBOS' New Zealand experience, management believe good opportunities exist in Australia to expand existing market offerings.

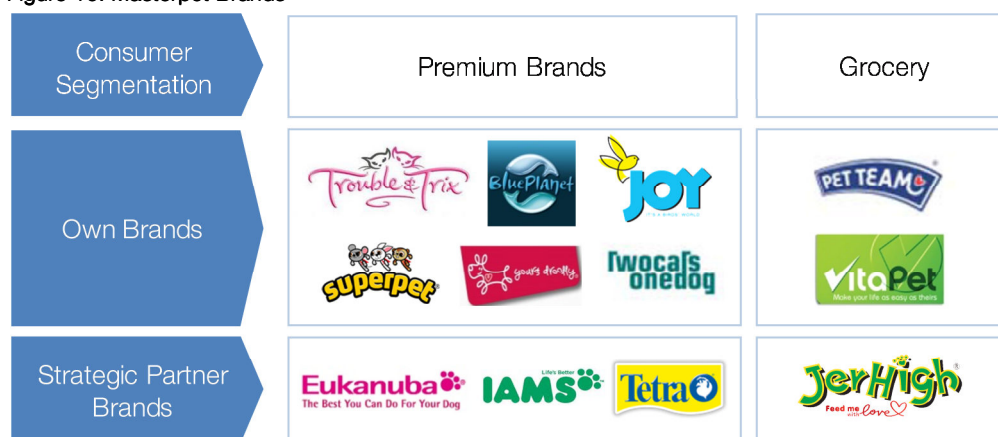
4.7 Masterpet

Masterpet provides sales and marketing, wholesaling and distribution of pet care brands throughout New Zealand and Australia. The business:

- Has its main offices and warehouse distribution in Wellington and Sydney, with sales offices in three New Zealand and three Australian cities;
- Operates in the pet specialty retail market in New Zealand through the Animates joint venture, (which it owns in a 50:50 partnership with Pet Barn Australia);
- Services a broad clientele, including specialty retail stores, “Big-Box” retail networks, veterinary clinics, supermarkets and mass merchants such as The Warehouse and Big W; and
- Has an extensive product range, distributing or retailing everything from dog, cat and fish food to pet care products such as brushes and shampoos.

As set out in Figure 10 below, Masterpet controls a strong portfolio of its own brands, as well as distributing a number of well-known third party offerings.

Figure 10: Masterpet Brands



Source: EBOS

Masterpet management estimates Masterpet New Zealand holds a less than 10% share in the overall animal care product market in New Zealand, while Animates is the top ranked brand in the pet shop and superstores segment, holding a 24% market share. Direct distribution by manufacturers (particularly to

the grocery sector, which accounts for 78% of total revenue) is the key source of competition for Masterpet.

Demand side trends within the industry are favourable, given stable pet populations and the increased willingness of owners to invest in the health and happiness of their animals. Masterpet is targeting opportunities for further expansion in Australia and New Zealand through category and channel growth as well as expanded distribution rights.

4.8 Capital Structure and Ownership

As at 22 May 2013, EBOS had 52,956,571 ordinary shares on issue held by 5,255 shareholders. The Company's top 20 shareholders are set out in Table 22 below.

Table 22: EBOS' Top 20 Shareholders

	Shareholder	Number of Shares Held	% Shareholding
1	Whyte Adder No 3 Limited	3,754,868	7.1%
2	Accident Compensation Corporation	3,664,733	6.9%
3	Tea Custodians Limited	3,212,214	6.1%
4	New Zealand Superannuation Fund Nominees Limited	1,907,986	3.6%
5	Custodial Services Limited (A/C 3)	1,900,030	3.6%
6	Forsyth Barr Custodians Limited (1-33)	1,260,631	2.4%
7	Custodial Services Limited (A/C 2)	735,538	1.4%
8	Herpa Properties Limited	710,106	1.3%
9	Custodial Services Limited (A/C 18)	691,172	1.3%
10	CitiBank Nominees (New Zealand) Limited	685,046	1.3%
11	Superlife Trustee Nominees Limited	657,252	1.2%
12	Forsyth Barr Custodians Limited (1-17.5)	515,169	1.0%
13	Peter Miles Merton & CWM Trustee Company LTD	501,277	0.9%
14	Elite Investment Holdings Limited	500,000	0.9%
15	Custodial Services Limited (A/C 4)	497,659	0.9%
16	Forsyth Barr Custodians Limited (1-30)	456,192	0.9%
17	Investment Custodial Services Limited (A/C R)	452,375	0.9%
18	Custodial Services Limited (A/C 1)	444,072	0.8%
19	Investment Custodial Services Limited (A/C C)	439,594	0.8%
20	Mark Brendon Waller & Angela Laura Waller	424,703	0.8%
	Top 20 Shareholders	23,410,617	44.2%
	Remaining Shareholders	29,545,954	55.8%
	Total Shares on Issue	52,956,571	100.0%

Source: EBOS

EBOS is currently a widely held company with substantial shareholders owning less than 25% of the Company's shares. Substantial security shareholders (each a "SSH") as at the date of the last SSH notices received by EBOS are set out in Table 23 below.

Table 23: EBOS Substantial Security Holders

	Shareholder	Number of Shares Held	% Shareholding
1	Whyte Adder No. 3 Limited & Herpa Properties Limited	4,464,974	8.4%
2	Accident Compensation Corporation	3,702,775	7.0%
3	Milford Asset Management Limited	3,528,052	6.7%
	Substantial Security Holders	11,695,801	22.1%
	Remaining Shareholders	41,260,770	77.9%
	Total Shares on Issue	52,956,571	100.0%

Source: EBOS

4.9 Share Price Performance and Liquidity

The performance of EBOS' shares over the last five years (since May 2008) relative to the NZX50 Index is shown below in Figure 11. EBOS's share price has performed well relative to the index, reflecting the relatively defensive nature of the business during the global financial crises and the successful implementation and positive market reception of a number of acquisitions (most notably PRNZ in 2007 and Masterpet in 2011). We believe that the share price performance in the last 12 months has also positively benefited from statements made by the Company that it is seeking growth from further acquisitions and that it has considered a number of possible targets.

Figure 11: EBOS Share Price Performance Relative to NZX50 Index



Source: Capital IQ, Northington Partners' Analysis

1. Capital return only, not incorporating any allowance for dividends.

On a total shareholder return basis (adjusted for reinvested dividends as well as capital gains) investors in EBOS have received a return of 20% per annum over the last 10 years.

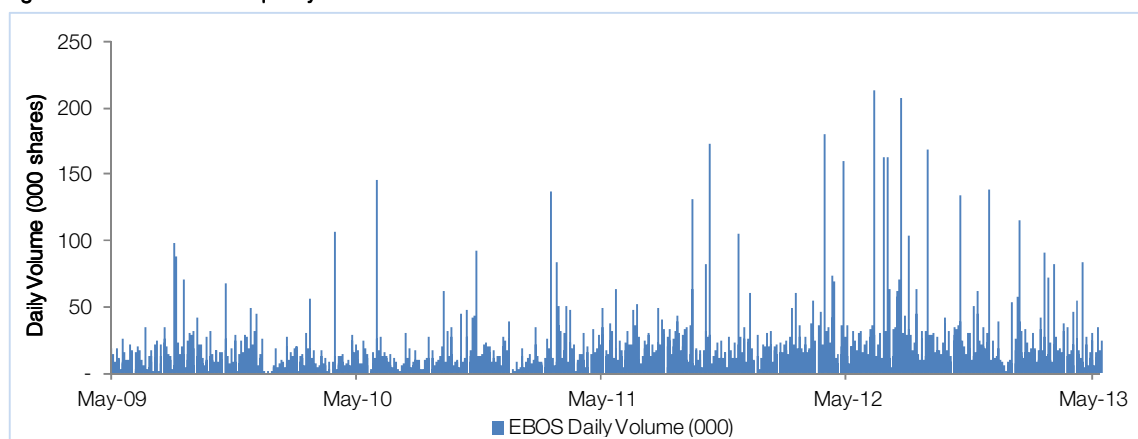
Table 24: Total EBOS Shareholder Returns

Time Period	Total Shareholder Return ¹
1 Year	39%
3 Years	23%
5 Years	23%
10 Years	20%

Source: Capital IQ, Northington Partners' Analysis

¹Total Shareholder Return is calculated as the CAGR of EBOS' share price growth (to 22 May 2013,) assuming all dividends are reinvested

Figure 12 below sets out the daily trading volumes in EBOS during the six month period to 22 May 2013.

Figure 12: EBOS Share Liquidity

Source: Capital IQ / Northington Partners' Analysis

Given the Company's current market capitalisation and the widely held nature of its shares, share liquidity in EBOS is modest with less than 5% of the shares on issue trading over the last six months. Further details on the liquidity of EBOS' shares are set out in Table 25 below.

Table 25: EBOS Share Liquidity Last 6 Months

	6 Months to 22 May 2013
Average Daily Share Trading Volume	21,415
Total Shares Traded (6 Month Period)	2,612,660
Shares on Issue	52,956,571
Total Volume / Shares on Issue	4.9%

Source: Capital IQ / Northington Partners' Analysis

4.10 Financial Information

4.10.1 Financial Performance

A summary of the financial performance of EBOS for the period FY2010 to FY2012 (together with the FY2013 half year to 31 December 2012) is set out in Table 26 below.

Table 26: EBOS Statement of Historical Financial Performance

Year ending 30 June	FY2010 (NZ\$m)	FY2011 (NZ\$m)	FY2012 (NZ\$m)	6 Months to Dec 2012 (NZ\$m)
Revenue	\$1,317	\$1,344	\$1,429	\$755
Cost of Goods Sold	\$1,186	\$1,207	\$1,265	\$658
Gross Profit	\$131	\$137	\$164	\$97
<i>Gross Margin</i>	10.0%	10.2%	11.5%	12.8%
Total Operating Expenses	\$91	\$96	\$117	\$70
EBITDA	\$40	\$41	\$47	\$27
<i>EBITDA Margin</i>	3.0%	3.1%	3.2%	3.5%
Depreciation & Amortisation	\$4	\$3	\$4	\$2
EBIT	\$37	\$38	\$43	\$25
<i>EBIT Margin</i>	2.7%	2.8%	3.0%	3.2%
Net Interest Expense / (Income)	\$6	\$5	\$7	\$4
Income Tax Expense / (Income)	\$11	\$9	\$8	\$6
Net Income (continuing operations)	\$20	\$23	\$28	\$15

Source: EBOS Audited Financial Statements (FY2010–FY2012), Unaudited Financial Statements (6 months to 31 December 2012)

The main features of EBOS' historical financial performance can be summarised as follows:

- Revenue grew at a reasonably modest rate of 2% from FY2010 to FY2011 but increased by 6.3% from FY2011 to FY2012. Stronger FY2012 revenue reflected the part-year contribution from the acquisition of Masterpet (December 2011) which, together with revenue improvements in most divisions, offset an approximate NZ\$30 million decrease in revenue from Healthcare Logistics. Revenue has continued to grow in the six months to 31 December 2012, up around 5% on an annualised basis.
- Gross profit improved by 19.7% between FY2011 and FY2012, reflecting small improvements in gross margins across several divisions and the contribution from the significantly higher margin business of Masterpet.
- Total operating expenses increased from FY2011 to FY2012 reflecting the part year effect of EBOS inheriting the operating cost base of the Masterpet business, which is also the reason for the increased cost base (on an annualised basis) for the half year to 31 December 2012.

4.10.2 Financial Position

Table 27 below summarises EBOS' financial position for the period FY2010 to FY2012 (together with the FY2013 half year as at 31 December 2012). The main features of the financial position are as follows:

- The investment in property, plant and equipment (NZ\$22 million as at 31 December 2012) represented only 3.4% of total business assets. The majority of assets comprise elements of working capital (cash, receivables and inventory) and the value attributed to intangibles and goodwill (see below).

- Intangibles and goodwill result from past business acquisitions by EBOS. The largest acquisitions over recent years were the purchase of PRNZ in 2007 and Masterpet in December 2011.
- The increase in term debt from NZ\$57 million in FY2011 to NZ\$131 million in FY2012 relates to the additional debt taken on by EBOS to fund the Masterpet acquisition.

Table 27: EBOS Statement of Historical Financial Position

	As at 30 Jun 2010 (NZ\$m)	As at 30 Jun 2011 (NZ\$m)	As at 30 Jun 2012 (NZ\$m)	As at 31 Dec 2012 (NZ\$m)
<i>Assets</i>				
Cash and Equivalents	\$56	\$100	\$53	\$42
Trade Receivables	\$148	\$153	\$176	\$178
Inventory	\$128	\$122	\$163	\$162
Other Current Assets	\$3	\$4	\$5	\$5
Total Current Assets	\$336	\$378	\$397	\$387
Property, Plant & Equipment	\$18	\$17	\$23	\$22
Investments	-	-	\$18	\$19
Intangibles and Goodwill	\$158	\$138	\$212	\$212
Other Non-Current Assets	\$7	\$5	\$8	\$7
Total Non-Current Assets	\$182	\$160	\$261	\$259
Total Assets	\$518	\$538	\$658	\$646
<i>Liabilities</i>				
Trade Payables	\$249	\$259	\$276	\$263
Current Debt	-	-	\$11	\$9
Other Current Liabilities	\$13	\$9	\$16	\$13
Total Current Liabilities	\$262	\$268	\$302	\$286
Term Debt	\$59	\$57	\$131	\$127
Other Non-Current Liabilities	\$15	\$14	\$16	\$17
Total Non-Current Liabilities	\$74	\$71	\$147	\$144
Total Liabilities	\$336	\$340	\$449	\$430
<i>Equity</i>				
Common Stock	\$106	\$108	\$108	\$112
Retained Earnings	\$77	\$89	\$100	\$105
Other Equity	\$0	\$2	\$0	\$0
Total Equity	\$183	\$199	\$209	\$216

Source: EBOS Audited Financial Statements (FY2010-FY2012), Unaudited Financial Statements (6 months to 31 December 2012)



4.10.3 Cash Flows

Table 28 below summarises EBOS' historical cash flows for the period FY2010 to FY2012 (together with the FY2013 half year to 31 December 2012).

Table 28: EBOS Statement of Historical Cash Flows

Year ending 30 June	FY2010 (NZ\$m)	FY2011 (NZ\$m)	FY2012 (NZ\$m)	6 Months to Dec 2012 (NZ\$m)
Receipts from customers	\$1,374	\$1,343	\$1,433	\$752
Interest received	\$1	\$2	\$2	\$.45
Payments to suppliers and employees	(\$1,319)	(\$1,306)	(\$1,392)	(\$739)
Taxes paid	(\$8)	(\$12)	(\$8)	(\$8)
Interest paid	(\$6)	(\$5)	(\$7)	(\$4)
Operating Cash Flows	\$42	\$22	\$28	\$1
Capex	(\$3)	(\$4)	(\$4)	(\$1)
Other	\$.01	\$.45	(\$109)	\$.2
Investment Cash Flows	(\$3)	\$41	(\$113)	(\$1)
Proceeds from issue of shares	\$.14	\$2	-	\$4
Proceeds from borrowings	-	-	\$172	\$3
Repayment of borrowings	(\$13)	(\$3)	(\$119)	(\$6)
Dividends paid to equity holders of parent	(\$3)	(\$19)	(\$16)	(\$11)
Financing Cash Flows	(\$16)	(\$21)	\$37	(\$10)
Net increase/(decrease) in cash held	\$23	\$43	(\$47)	(\$10)

Source: EBOS Audited Financial Statements (FY2010-FY2012), Unaudited Financial Statements (6 months to 31 December 2012)

4.11 Prospects and Key Business Risks

4.11.1 Prospects

Although we have not been provided with a detailed forecast statement of financial performance for FY2013, we understand that EBOS management expects the financial result for the year ended 30 June 2013 to be a modest improvement on the FY2012 result.

We have also not seen any detailed projections for FY2014. However, in the absence of a corporate acquisition, EBOS management expects that there would continue to be moderate improvement in business profitability. It appears that there are a limited number of acquisition opportunities within New Zealand of sufficient scale to make a meaningful contribution to overall business performance. There are a number of potential acquisition opportunities in Australia, but none of the scale of Symbion.

4.11.2 Key Business Risks

Although EBOS is a well-run business, it is subject to a number of risks including the risk of losing key customers, suppliers or members of staff. However, as with the key risks facing Symbion (see Section 3.10.2 above), the most notable risks are market and regulatory risks.

The majority of EBOS' business can be considered high volume, low margin. For the Company's business units to be successful, they need to achieve and maintain acceptable levels of pricing from customers. EBOS is therefore exposed to the actions of competitors (who may seek to take business off EBOS based on lower pricing) and changes in government policies, regulations or legislation that may restrict its ability to achieve prices that allow it to operate profitably. The risk of changes in government

policies is arguably a higher risk for EBOS than for businesses operating in different industry sectors given the highly regulated (and political) nature of the pharmaceutical industry.

Although EBOS' Australian focussed divisions are subject to Australian regulatory risk, the bulk of the regulatory risks reside in New Zealand given that is where most of the Company's businesses are based. However, market based risks are very real for the Australian divisions, where EBOS management has already identified those business units as coming under pressure from larger competitors who are able to offer a more complete national service offering.



5.0 Profile of EBOS Following the Transaction

The Transaction is by far the largest acquisition contemplated by EBOS to date. If the Transaction Conditions are satisfied and the Transaction is implemented, the profile of EBOS will be significantly altered. The following sections set out high level commentary on various aspects of EBOS' profile after the Transaction.

5.1 Market Position

The Transaction will result in EBOS having a significantly enhanced supply and distribution platform for pharmaceutical products in both Australia and New Zealand. If the Transaction is successfully implemented, EBOS is expected to have the following market positions:

- Number 1 in combined pharmacy and hospital pharmaceutical wholesaling and distribution in Australia and in New Zealand;
- Number 1 pharmacy wholesaler in New Zealand;
- Number 2 pharmacy wholesaler in Australia;
- Number 1 in hospital pharmaceutical distribution in New Zealand;
- Number 1 in hospital pharmaceutical distribution in Australia; and
- Number 1 or 2 in pre-wholesale/third party logistics in New Zealand.

5.2 Service Offering and Capability

The businesses of EBOS and Symbion are complementary with a high degree of alignment. As a combined group, EBOS will have a greater breadth of service offering and capability. Table 29 summarises the current service offerings of EBOS and Symbion, and shows that they are highly complementary in all but one of the business sectors for the combined entity.

Table 29: EBOS Post Transaction Service Offering and Capability

	Healthcare	Healthcare	Healthcare
	Logistics and Distribution	Manufacturer Services	Pharmacy and Hospital Wholesaling
	3 rd party distribution and logistics solutions. Distribution systems and electronic ordering of supplies for healthcare providers.	Product management solutions to pharmaceutical companies. Clinical trial logistics and depot services.	Specialist wholesaler and distributor of ethical, OTC and consumer products to pharmacies and public and private hospitals.
	 		 
		 	 

	Healthcare	Healthcare	Healthcare
	Sales and Marketing	Retail Brands and Services	Veterinary / Pet Products
	Sales and marketing of a wide range of healthcare products across consumer, primary care, hospital, aged care and international markets.	Retail pharmacy brand ownership, sales of branded product and operation of pharmacy support and management systems.	Veterinary wholesaler, distributor and retailer of animal healthcare products, pet accessories and premium foods across Australasia.
	 		  
	 	   	

Source: Northington Partners' Analysis

5.3 Pro-forma Financial Information

The pro-forma financial information set out in this section has been determined on the basis that the Transaction occurred on 1 July 2012. The numbers presented:

- Represent a simple aggregation of the financial information for each of EBOS and Symbion;
- Are based on 10 months (9 months) of actual results for EBOS (Symbion) and the current forecast for the remaining 2 months (3 months); and
- Do not include any cost savings or revenue synergies.

5.3.1 Financial Performance

Set out in Table 30 below are the pro-forma financials for FY2013 and prospective financial information ("PFI") to 31 December 2013. Although a number of adjustments were made (to take account of the impact of the Transaction including adjustments to amortisation charges, estimated borrowings costs and directors costs for the forecast period, and the resulting tax impact of these adjustments), none of the adjustments were particularly material.

Table 30: EBOS PFI

	6 months to 31 Dec 2013 (NZ\$m)
Revenue from Continuing Operations	\$3,170
EBITDA	\$104
Depreciation	\$7
Amortisation of finite life intangibles	\$8
Net Interest Expense / (Income)	\$18
Profit before Tax	\$70
Income Tax Expense / (Income)	\$21
Profit after Tax	\$49

Source: EBOS (Unaudited)

The increased scale of the combined group is expected to allow for operational efficiency gains and potential cost rationalisation in premises, operations and back office functions. However, no synergy gains have been incorporated into the PFI.

5.3.2 Financial Position

A PFI statement of financial position as at 31 December 2013 is set out in Table 31. Because the Transaction will not have been fully funded by EBOS as at the 30 June 2013 balance date, the pro-forma financial position at that time is not very useful and has therefore been excluded.

Table 31: EBOS PFI Statement of Financial Position

	31 Dec 2013 (NZ\$m)
Assets	
Cash And Equivalents	\$75
Accounts Receivable	\$832
Inventory	\$522
Other Current Assets	\$63
Property Plant & Equipment	\$95
Investments	\$20
Intangibles and Goodwill	\$898
Other Non-Current Assets	\$10
Total Assets	\$2,514
Liabilities	
Payables	\$913
Current Debt	\$211
Other Current Liabilities	\$39
Term Debt	\$300
Other Non-Current Liabilities	\$72
Total Liabilities	\$1,536
Equity	
Issued Capital	\$849
Retained Earnings	\$131
Reserves	(\$2)
Total Equity	\$978

Source: EBOS (Unaudited)

5.3.3 Cash Flows

A PFI statement of cash flows to 31 December 2013 for EBOS is set out in Table 32 below. The main features of the cash flows are the expected receipt of funds from the Rights Issue and the new debt facility, and the cash payment to Zuellig as part consideration for the Transaction. All of these cash flows will occur soon after 30 June 2013.



Table 32: EBOS PFI Statement of Cash Flows

	6 months to 31 Dec 2013 (NZ\$m)
Receipts from customers	\$3,113
Interest received	\$0
Payments to suppliers and employees	(\$3,035)
Taxes paid	(\$17)
Interest paid	(\$18)
Operating Cash Flows	\$43
Capex	(\$15)
Acquisition of Subsidiary	(\$369)
Other	-
Investment Cash Flows	(\$384)
Proceeds from issue of shares	\$148
(Increase)/Decrease of investments in Class B Note	(\$5)
Proceeds from borrowings	\$140
Repayment of borrowings	(\$19)
Dividends paid to equity holders of parent	(\$22)
Financing Cash Flows	\$242
Net increase/(decrease) in cash held	(\$100)

Source: EBOS (Unaudited)

5.4 Board and Management Structure

All of the current EBOS directors will remain on the Board after the Transaction. The only change to the Board's composition will be the addition of two new Zuellig representatives (Stuart McGregor and Peter Williams), both of whom will become non-executive directors.

The management structure will also remain essentially unchanged. The Symbion management team, led by Patrick Davies as CEO, will report directly to Mark Waller (EBOS' current CEO).

5.5 Post Transaction Financial Metrics

An analysis of key financial metrics for EBOS immediately following the Transaction (calculated on a pro-forma basis and based on a 30 June 2013 balance date) is set out in Table 33 below.



Table 33: Key EBOS Financial Metrics Post Transaction

	Pre Transaction June 2013 (NZ\$)	Post Transaction June 2013 (NZ\$)
Financial Performance		
Revenue	\$1,484m	\$6,275m
EBITDA ¹	\$53m	\$199m
EBITDA Margin	3.6%	3.2%
EPS (TERP Adjusted)	\$0.48	\$0.63
EPS Accretion		29.8%
Cash Per Share (EBITDA - Capex)	\$0.84	\$1.32
Financial Position²		
Net Debt	\$73m	\$444m
Market Cap	\$519m	\$1,256m
Total Assets	\$659m	\$2,592m
Total Equity	\$221m	\$945m
EV / EBITDA	11.1x	8.6x
P/E (TERP Adjusted)	17.8x	13.7x
Net Debt / EBITDA	1.4x	2.2x
Net Debt / (Net Debt + Market Equity)	12%	26%
EBITDA / Net Interest	6.3x	5.2x

Source: EBOS (Unaudited) and Northington Partners' analysis

¹ EBOS FY13 budget

² The post-Transaction financial position as at 30 June 2013 is based on Northington Partners' analysis assuming that the Rights Issue, additional debt funding and settlement of the Transaction have all taken place. The estimates are indicative only.

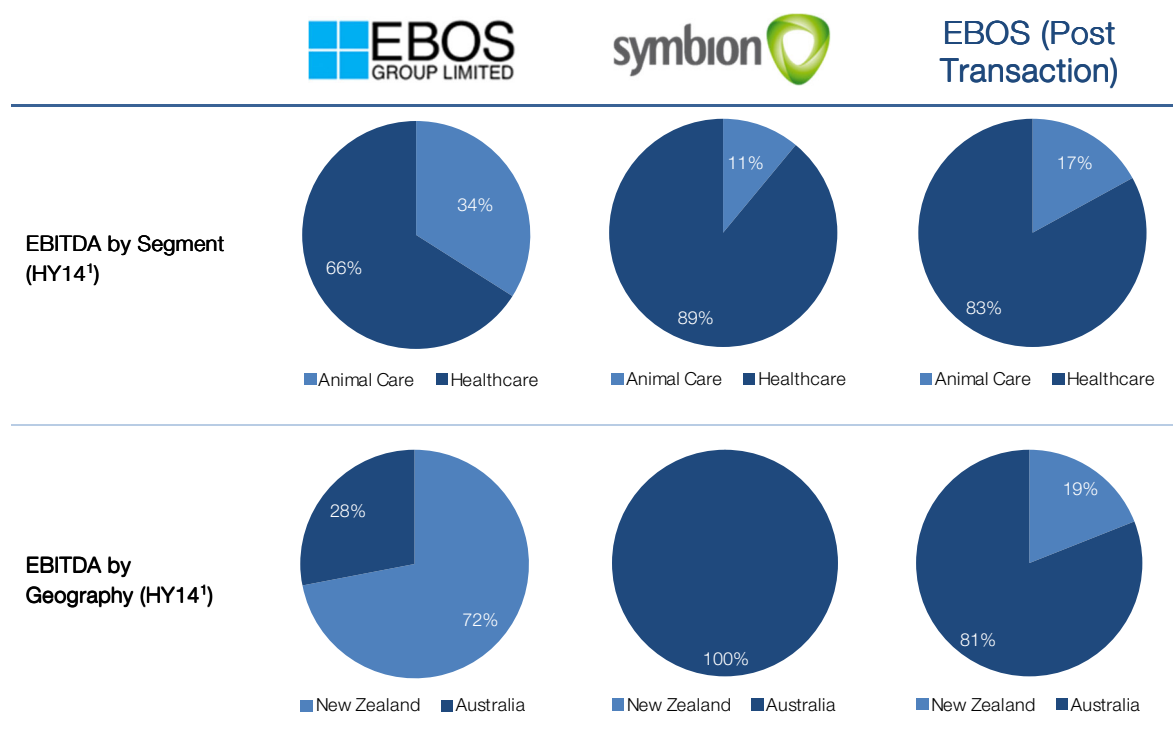
The impact of the Transaction on the EBOS business is clearly very significant:

- The scale of the business increases by over 400% in terms of revenue, and pro-forma EBITDA is about 3.75x higher;
- Projected earnings on a per share basis are estimated to increase by close to 30%; and
- Net debt will increase by approximately NZ\$370 million, reflecting the existing debt assumed from the Symbion business as well as the additional NZ\$140 million facility that will be used to help fund the acquisition. When net debt is considered relative to projected EBITDA, the multiple increases from 1.4x to approximately 2.2x.

Estimates of the proportion of EBOS' PFI earnings (to 31 December 2013) by key industry segment and geography are set out in Figure 13 below. The proportion of earnings derived from the animal care sector is expected to halve, whereas the contribution from Australia is expected to grow significantly (increasing to over 80% of total EBITDA).



Figure 13: EBOS' Post Transaction Earnings by Industry Segment and Geography



Source: EBOS

¹ Based on PFI for the half year to December 2013. An AUD/NZD exchange rate of 0.82 has been applied. EBITDA excludes an allocation of corporate overheads.

5.6 Market Capitalisation and NZSX Weighting

The Transaction will result in a substantial increase to EBOS' market capitalisation, from around NZ\$520 million to a level expected to exceed NZ\$1,250 million (around \$NZ750 million free float market capitalisation). The higher market capitalisation is expected to result in¹³:

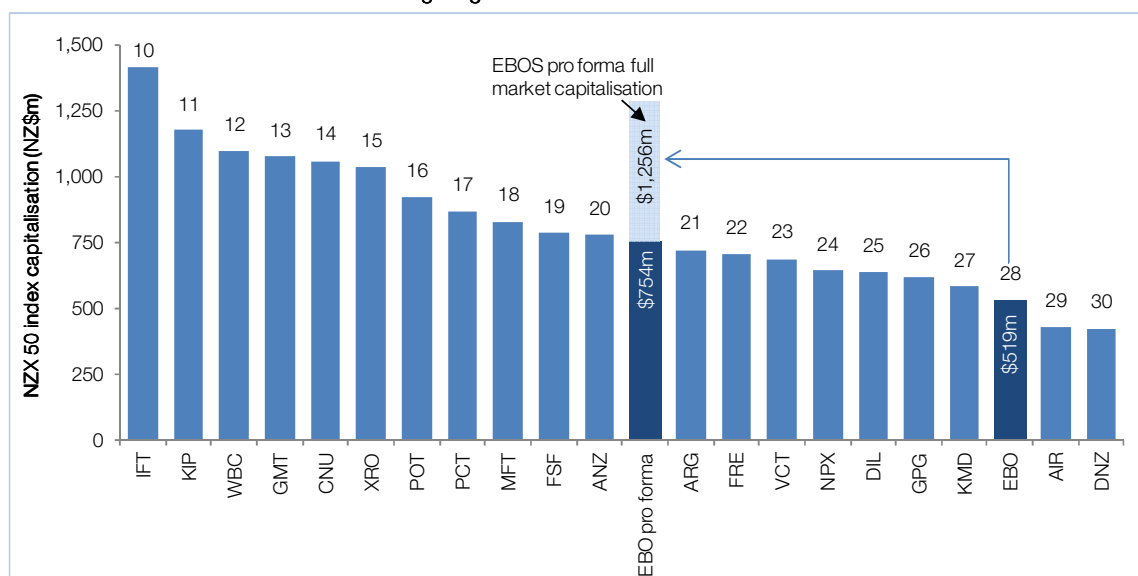
- An improvement in EBOS' NZSX 50 ranking from 28th as at 16 May 2013 to a projected ranking of 21st; and
- An increase in EBOs' index weighting from 1.0% as at 16 May 2013 to a projected weighting of around 1.5%.

In broad terms, EBOS' NZSX 50 ranking and weighting is calculated by "free float" market capitalisation (and there are liquidity thresholds to enter and remain in the index). For present purposes, the effect of this methodology is that the 40% shareholding by Zuellig will be deemed a "strategic holding" and will be excluded from the NZSX 50 ranking and weighting calculation.

We understand that the EBOS board has indicated an intention to dual list EBOS on the ASX by the end of calendar year 2013. If a dual listing did in fact proceed, it would be reasonable to expect investor interest levels in EBOS would improve with a resulting increase in share liquidity.

¹³ EBOS' expected index ranking and weighting has not been approved or confirmed by NZX and is based on analysis performed by Northington Partners and EBOS.

Table 34: EBOS Post Transaction NZX Weighting



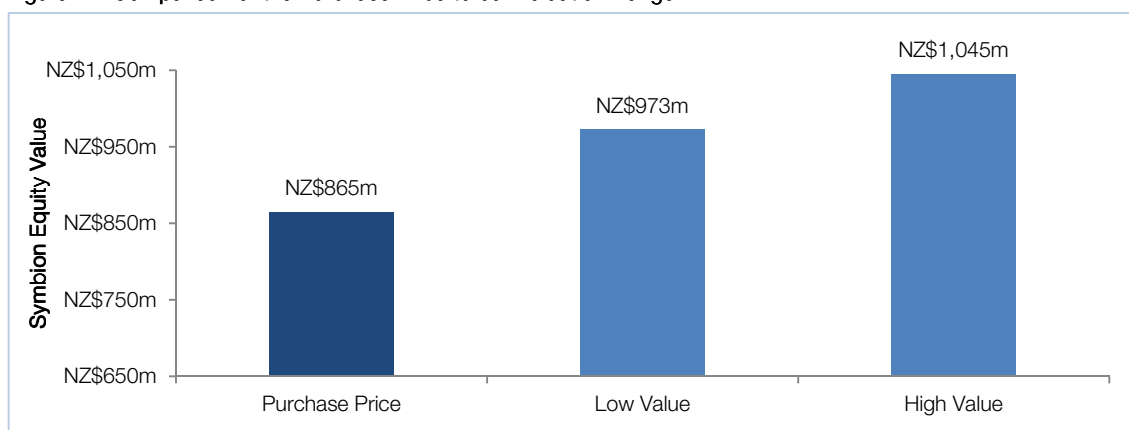
Source: Northington Partners' Analysis

6.0 Valuation of Symbion

6.1 Valuation Summary

Figure 14 summarises our valuation assessment of Symbion. We have estimated a valuation range of NZ\$973 million to NZ\$1,045 million for the equity in the business, based on a 100% control position.

Figure 14: Comparison of the Purchase Price to our Valuation Range



Source: EBOS, Northington Partners' Analysis

6.2 Valuation Methodology

In general terms, the value of equity in any company can be determined using a deductive approach that begins with an estimate of the underlying enterprise value. Enterprise value represents the aggregate value of the company's on-going operations assuming that the assets are entirely equity funded. In order to estimate the aggregate value of equity, the enterprise value is adjusted to account for the level of debt carried by the company and the values of any other assets and liabilities of the company that are not needed to maintain the core operations of the business.

A summary of the steps needed to estimate the aggregate equity value of EBOS is set out in Table 35 below.

Table 35: General Framework for Assessing Equity Value

	Step	Comment
	Value of Operating Assets	Represents the aggregate value of the operating assets of the business. Can be estimated using a variety of methods (see discussion in Section 6.2.1)
Plus	Surplus Assets (if any)	The value of assets that are not required to support the on-going operation of the business and which can therefore be sold.
Less	Net Debt	Defined as interest-bearing debt less cash reserves. Does not include any components of working capital.
Less	Other Liabilities (if any)	Accounts for other liabilities that would be borne by the new owner of the company, such as the net present cost of derivative exposures.
equals	Equity Value	Directly comparable to Market Capitalisation

In almost all cases, estimating enterprise value is the most difficult part of the process.

6.2.1 Alternative Methodologies

For a company viewed on a going-concern basis, enterprise value should be determined as a function of the estimated level of cash returns that the operating assets are expected to generate in the future. The specific approach that is used to estimate this value is dependent on the nature of the company and the expectations regarding future performance. The two main approaches usually adopted in the valuation of publicly listed companies and large private companies are summarised as follows:

- **Earnings Multiple:** This method determines enterprise value by applying a valuation multiple to the assessed level of maintainable annual earnings (or cash flows), where the multiple is chosen to reflect the future growth prospects and risk profile of the business. Depending on the nature of the business, earnings can be appropriately measured at the EBITDA, EBITA, EBIT, or NPAT levels.
- **DCF:** A DCF approach is based on an explicit forecast of the annual cash flows that will be generated over a specified forecast period (typically between 5 and 10 years). The value of cash flows that may occur after the end of the explicit forecast period are incorporated into the valuation process by capitalising an estimate of maintainable cash flows for the terminal period. A DCF model is therefore usually made up of two components:
 - (i) The present value of the projected cash flows during the forecast period; and
 - (ii) The present value of all other cash flows projected to occur after the explicit forecast period. This component is commonly referred to as the terminal value.

Each approach has some advantages and disadvantages, and the most appropriate choice is dependent on the characteristics of the business under consideration and the quality of the market data that is available. The key advantage of the earnings multiple approach is its simplicity. Total enterprise value is determined on the basis of the actual earnings results for the most recent financial reporting period or the equivalent projection for next year. Companies with well-established operations should be in a position to supply reasonably reliable earnings projections for the next one or two years, so the valuation model is only reliant on an independent assessment of the appropriate earnings multiple. Estimates of an appropriate multiple are typically based on data derived from other companies that are considered to be comparable to the target company in relation to growth prospects, capital expenditure requirements, and risk profiles.

Unfortunately, it is extremely rare that the target company will have any close comparables with respect to all of these important characteristics. In many cases, earnings multiples extracted from a set of businesses within exactly the same industry will have a wide range of values that reflect company specific factors rather than the underlying risk level of the industry itself. It then becomes a matter of judgement to make a series of adjustments to the implied multiples to properly account for the differences between the companies. These adjustments are often arbitrary and very difficult to benchmark.

In the majority of cases, the earnings multiple approach is therefore most suited to businesses with a relatively stable earnings outlook, low capital expenditure requirements, and limited growth opportunities. For companies with these characteristics, the multiples derived from market data are more likely to accurately reflect the market's perception of the underlying quality of the projected earnings stream.

The DCF approach can provide a better valuation treatment for companies with future growth prospects and high capital expenditure requirements. Because each of these factors can be explicitly incorporated into the valuation process, the DCF model directly accounts for many important value drivers of the business under consideration. Accessing the necessary data for a DCF model can however be



problematic, especially when there is no credible process by which to construct the future forecasts of free cash flows. The discounting process is also reliant on an estimate for the required rate of return. Because this estimate is not directly observable and must be derived from data collected from other comparable companies, the DCF value is also reliant on the existence of other companies that have the same risk profile.

6.2.2 Appropriate Valuation Approach for Symbion

We believe that the earnings multiple valuation framework is most appropriate for Symbion, largely because that is the approach that was explicitly used by both parties to negotiate the Purchase Price. As set out in Section 2.1, the enterprise value of Symbion was determined for Transaction purposes as 8.0x the adjusted EBITDA for FY2012. The aggregate value of the Symbion shares is then calculated as enterprise value less the agreed value of net debt carried by Symbion as at the Transaction date.

This background to the negotiation process and the valuation framework used by EBOS and Zuellig to settle on the Transaction values has clear implications for the approach that we should adopt in determining the reasonableness of the Purchase Price from EBOS' point of view. In effect, our assessment of the Purchase Price can be broken down into a benchmarking review of the two key inputs used by the counterparties in the earnings multiple valuation framework:

- **Maintainable Earnings:** The Purchase Price was assessed on the basis that adjusted EBITDA for the financial year ending in December 2012 (Symbion's FY2012) is a reasonable proxy for the level of future maintainable earnings for the Symbion business. We have reviewed this assumption in the context of historical earnings, the Symbion projections for the year ending 31 December 2013, and our assessment of the key risk factors that may affect the business in the medium term; and
- **Earnings Multiple:** The agreed valuation of Symbion is based on an EBITDA multiple of 8.0x for the year ending 31 December 2012. We have benchmarked this value against a range of trading and transaction evidence for comparable businesses, with a particular focus on API and Sigma, Symbion's closest comparators in the Australian market.

Our analysis and conclusions for each of these inputs is summarised below.

6.3 Valuation of Symbion

6.3.1 Estimate of Maintainable Earnings

The Purchase Price is based on adjusted EBITDA for Symbion's FY2012, implying that both parties to the Transaction are comfortable that Symbion's actual earnings level for the last completed financial year is a reasonable basis for assessing future maintainable earnings. As set out in Section 2.1, the main adjustment to the actual EBITDA level is the exclusion of the loss generated by the APHS part of the business, with a resulting adjusted EBITDA level of A\$113.0 million.

Compared to the budget for FY2013 and medium term projections beyond the current year, we conclude that adjusted EBITDA for FY2012 could be considered to be a conservative estimate of maintainable earnings. A high level comparison of actual earnings for FY2012 with the budget for FY2013 is set out in Table 36.



Table 36: Symbion Adjusted Earnings for FY2012 and Budget for FY2013

12 Months to 31 December	FY2012 (A\$m)	FY2013 (A\$m)
Net Sales	\$3,795	\$3,726
Cost of Goods Sold	\$3,534	\$3,454
Gross Profit	\$260	\$272
<i>Gross Margin</i>	<i>6.9%</i>	<i>7.3%</i>
Other Income	\$64	\$71
Total Operating Expenses	\$215	\$226
EBITDA (<i>unadjusted for APHS</i>)	\$109	\$117
APHS Adjustment	\$3.7	\$2.5
EBITDA (<i>adjusted for APHS</i>)	\$113	\$120
<i>EBITDA Margin</i>	<i>3.0%</i>	<i>3.2%</i>

Source: Symbion Audited Financial Statements (FY2012), Symbion Unaudited Projection (FY2013)

Based on our analysis of Symbion's actual and projected financial performance, we believe that the FY2013 budget EBITDA level of A\$117 million is the best benchmark for estimating the future maintainable earnings of the business. This view reflects the following considerations:

- Symbion has a track record of earnings growth since it has been under Zuellig control, and the budgeted level of growth in FY2013 (approximately 8% at the EBITDA level) is lower than the average growth rate achieved in the past;
- Actual performance over the last two completed financial years has been very close to the budgeted earnings in each year. This is in part explained by the fact that management remuneration incentives are dependent on performance against budget, and agreed budget targets are therefore set at achievable levels; and
- Year-to-date performance for FY2013 is broadly in line with budget.

After adding back an allowance for the expected loss by APHS in FY2013, we adopt a maintainable EBITDA value of A\$120 million.

6.3.2 Determining Appropriate Earnings Multiples

A valuation multiple range can be derived from two sources:

- Implied multiples from recent transactions for similar target companies; and
- Publically traded companies that are considered to be comparable to the subject company.

There is data available for a small number of transactions that have some relevance to this valuation. A summary of the valuation metrics for these selected transactions is contained in Table 37 below, with more detailed information set out in Appendix 3.

Table 37: Recent Relevant Transactions

Date	Target	Acquirer	Target Description	Implied EV (NZ\$m)	EV / Hist. EBITDA	EV / For. EBITDA
<i>Australia & New Zealand</i>						
Dec-11	Masterpet Corporation	EBOS	Distributes pet accessories, health care products, and foods for animals in Australasia.	\$139		7.0x
Oct-10	Provet Holdings	Henry Schein	Distributes veterinary products in Australasia.	\$124	7.5x	7.2x
Aug-08	Symbion Health (Drugstore Distribution)	Zuellig Australia Pharmacy Services	Distributes pharmaceuticals and allied products to pharmacies in Australia.	\$614	7.2x	
Nov-07	Symbion Health	Primary Health Care Limited	Operator of medical, pathology, and imaging facilities, as well as pharmacies across Australia.	\$3,673	13.1x	11.1x
Aug-07	Pharmacy Retailing NZ	EBOS	Pharmaceutical wholesaler and distributor.	\$103		7.9x
May-06	Douglas Pharmaceuticals Australia	Genepharm Australasia	Distributes pharmaceutical products to pharmacies in Australia.	\$83	9.7x	
Australia & New Zealand Average					9.4x	8.0x
<i>International</i>						
Oct-12	PSS World Medical	McKesson Corporation	Provides medical products, supplies, and pharmaceuticals in the United States.	\$2,217	10.7x	11.8x
Sep-12	Mediq NV	Advent International Corporation	Provides pharmaceuticals, medical supplies, and related care services in Europe and the United States.	\$1,487	7.5x	6.8x
Jun-12	Alliance Boots GmbH	Walgreen	Pharmacy-led health and beauty retailing, and pharmaceutical wholesaling and distribution activities internationally.	\$32,605	11.0x	
Nov-10	Zuellig Pharma (China)	Cardinal Health	Distributes pharmaceuticals in China.	\$635		
Nov-10	Kinray	Cardinal Health	Distributor of pharmaceutical, generic, and health and beauty products in the United States.	\$1,674		
Oct-10	Andrae-Noris Zahn AG	Alliance Boots GmbH	Wholesaler of pharmaceutical products to pharmacies and hospitals in Germany and internationally.	\$947	7.6x	8.3x
International Average					9.2x	8.9x
Overall Average					9.3x	8.4x

Source: Capital IQ and other Public Reports

The most useful data arguably relates to a series of transactions that either involved EBOS or Symbion. In terms of determining an appropriate earnings multiple for Symbion, we suggest that key features of the transaction set include:

- EBOS' acquisition of Masterpet was the most recent transaction and took place at a lower transaction multiple of 7.0x forward EBITDA. Apart from the differing business focus, scale, and risk profile between the Masterpet business and Symbion, we also note that the New Zealand market was generally trading at a much lower level at the time of the transaction. For example,

EBOS itself was trading at an EV/EBITDA multiple of approximately 6.5x in December 2011, compared to the current level of over 11.9x forward EBITDA.

- The Pharmacy Retailing NZ acquisition by EBOS is possibly more comparable to the Symbion Business, given the focus of that business on pharmacy wholesaling and logistics. This transaction took place in a more buoyant market and the implied forward multiple of 7.9x was close to the trading multiple for EBOS at the time.
- Zuellig acquired the current wholesale and distribution components of Symbion in August 2008 at an historic earnings multiple of 7.2x. We note that the financial performance of the company since the acquisition has materially improved, while there have also been a number of significant changes to the size and structure of the business.
- Although the international transactions are potentially less comparable because the target businesses all operate in jurisdictions with different regulatory regimes, we note that several of the transactions involve companies with core business operations that are similar to Symbion. The observed earnings multiples for this group of transactions is reasonably consistent at around 9.0x historic EBITDA.

Relevant evidence from publicly traded businesses is more readily available than comparable transaction data. A summary of the selected comparables is presented in Table 38, broken into three groups based on the geographical location of the target businesses. Our analysis is based on observed earnings measured at the EBITDA level, reflecting the fact that companies operating in this sector have a uniformly low investment in fixed assets with a correspondingly low level of depreciation and amortisation.

The market evidence across all regions is unusually consistent, indicating an average EBITDA multiple of 9.2x based on historic earnings and 8.4x based on forecast earnings for the current financial year. Unlike many other industry sectors, the variability of implied multiples between the comparable companies in the pharmaceutical distribution sector is relatively low, an outcome which we suggest can be attributed to the fact that the sector is generally mature with a stable earnings profile.

Our overall assessment of the comparable market evidence is summarised as follows:

- We first note that the enterprise value estimates used to determine the earnings multiples are based on the observed market value of a minority interest in the business under consideration. Because our valuation assessment of Symbion is undertaken on the basis of a 100% controlling interest, the trading multiples based on share market data may need to be adjusted to reflect any premium for control that accrues to a 100% shareholder. Market rule of thumb suggests that control premiums may range between 20% and 40%. As a guide to the potential impact of this factor, assuming a 20% premium for each company in our comparable data set increases the average historical EBITDA multiple from 9.2x to 11.1x.
- For many of the companies in the sample, there is little difference between the EBITDA multiples calculated using either historic or forward multiples. This reflects the stable earnings outlook for the selected companies and an expectation that EBITDA in the current financial year will be close to the level generated in the most recently completed period.
- EBOS itself provides a potentially useful benchmark for the Symbion valuation. Based on current market trading, the historic EBITDA multiple of 13.3x is considerably higher than most of the other sector participants and has progressively increased over the last 12 months in line with the significant increase in EBOS' market capitalisation. We suggest that EBOS is currently trading at a high multiple of historic earnings due to the market's expectation that the Company's future



earnings will increase as a result of both improvements to its existing business and the impact of potential acquisitions. The observed earnings multiple for EBOS over the three month period immediately following the FY2012 results announcement (and at the time that negotiations between the counterparties commenced) was generally in a range between 10.5x and 11.0x.

Table 38: Comparable Trading Multiples

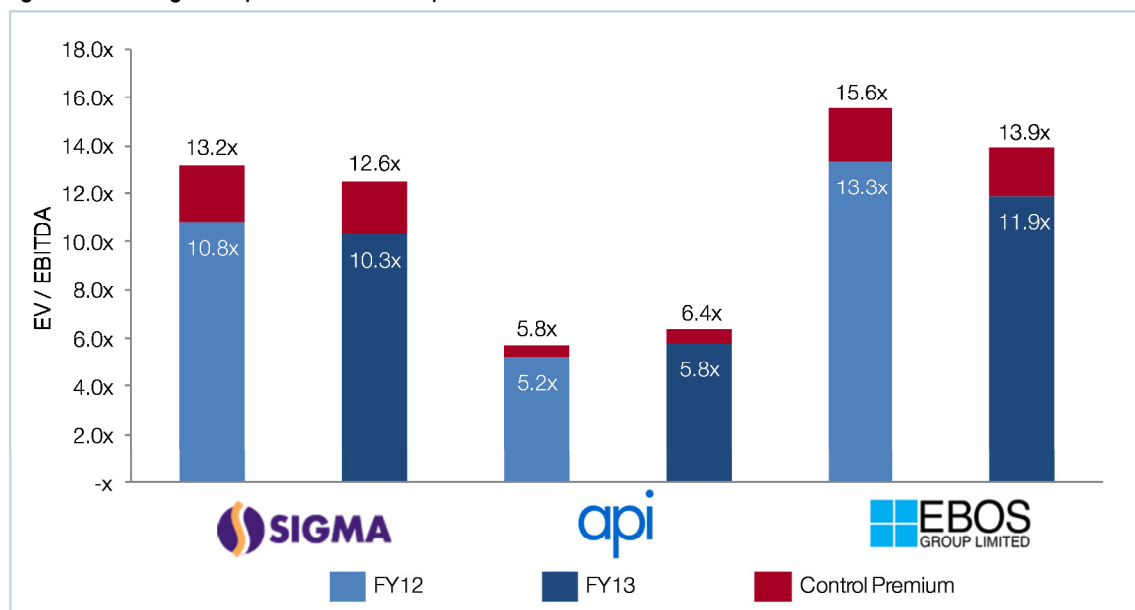
Company	Company Description	EV (NZ\$m)	EV / FY12 EBITDA	EV / FY13 EBITDA ¹
<i>Australia & New Zealand</i>				
EBOS	Distributor of pharmaceutical and allied products in Australasia.	\$625	13.3x	11.9x
Sigma Pharmaceuticals	Distributor and retailer of pharmaceutical and allied products in Australia.	\$1,031	10.8x	10.3x
Australian Pharmaceutical Industries	Distributor and retailer of pharmaceutical and allied products in Australia.	\$519	5.2x	5.8x
Australia & New Zealand Average			9.8x	9.3x
<i>United States</i>				
McKesson Corporation	Distributor of pharmaceuticals, medical supplies, and allied products in the United States.	\$35,819	10.2x	9.6x
Cardinal Health	Distributor of pharmaceuticals, medical supplies, and allied products in the United States.	\$21,789	8.0x	7.6x
AmerisourceBergen Corporation	Provides pharmaceutical distribution and related healthcare services in the United States and Canada.	\$15,603	9.1x	9.0x
Henry Schein	Distributor of health care products and services primarily to office-based dental, medical, and animal health care practitioners.	\$10,939	11.8x	11.0x
Patterson Companies	Distributor of dental, veterinary, and rehabilitation supplies.	\$5,482	11.2x	11.7x
Owens & Minor	Provides distribution and other supply-chain management services to healthcare providers and suppliers.	\$2,686	9.0x	8.2x
United States Average			9.9x	9.5x
<i>Other International</i>				
Sinopharm Group Co	Distributor of pharmaceutical and healthcare products in China.	\$10,408	9.9x	7.8x
Celesio AG	Provides various services for the pharmaceutical and healthcare markets worldwide.	\$6,966	13.3x	7.4x
MediPal Holdings Corporation	Distributor of prescription and OTC pharmaceuticals, cosmetics, and daily necessities in Japan.	\$2,133	4.4x	4.4x
Suzuken Co	Distributor of pharmaceuticals, medical foods, and allied products in Japan.	\$1,775	6.5x	6.0x
Toho Holdings	Distributor of pharmaceutical products in Japan.	\$1,450	5.5x	6.5x
Other International Average			7.9x	6.4x
Overall Average			9.2x	8.4x

Source: Capital IQ and other Public Reports - Estimates as at 22 May 2013

¹Based on consensus estimates of broker's FY13 forecasts (as reported by Capital IQ)

In terms of direct comparables to Symbion, the other two industry participants in Australia clearly represent the best benchmarks. The multiples for API and Sigma are again summarised in Figure 15, along with corresponding multiples for EBOS and an allowance for a 20% control premium.

Figure 15: Earnings Multiples for Close Comparables



Source: Capital IQ and Northington Partners' Analysis

Given their relevance, we have carried out a more comprehensive comparative assessment of Sigma, API and Symbion as a core element of our benchmarking exercise. Our analysis is summarised below.











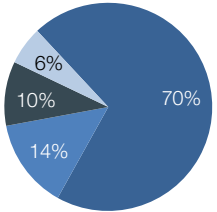
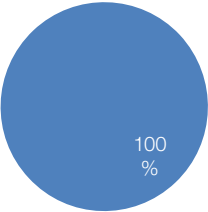
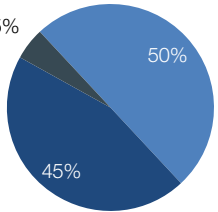
Comparative Analysis of Symbion, API and Sigma

Symbion, API and Sigma are the three dominant participants in the Australian pharmaceutical distribution sector, with an aggregate market share that is close to 90%. All three companies have significant crossovers in their business operations, albeit with some very important differences in terms of direct exposure to the broader retail part of the market. Table 39 sets out a side-by-side comparison of some high level metrics for each business.

The main features of the comparison are as follows:

- Symbion is the largest of the three competitors. Based on estimated enterprise value, Symbion is marginally larger than Sigma and over twice the size of API;
- Compared to Symbion, Sigma and API have a far greater direct exposure to retail through ownership of retail outlets in the health and beauty space;
- Symbion has a more diversified business structure, with a total of 33% of revenue generated in the hospital and "other" sectors. In contrast, Sigma and API have a higher exposure to the pharmaceutical sector (through both the wholesale and retail operations);
- Average earnings growth (measured at the EBITDA level) over the past four years has been stronger for Symbion, with a Compound Average Growth Rate ("CAGR") of 8.6%. The CAGR for API was 5.7% over the same period, while Sigma's performance has been relatively flat.

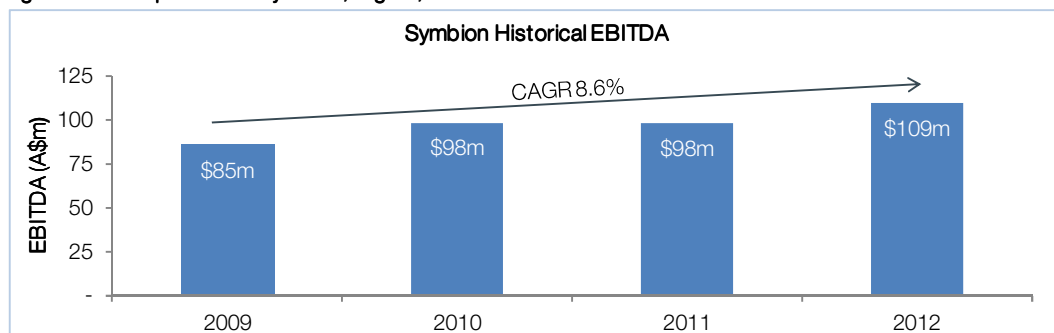
Table 39: Side-by-Side Comparison of Symbion, Sigma, and API

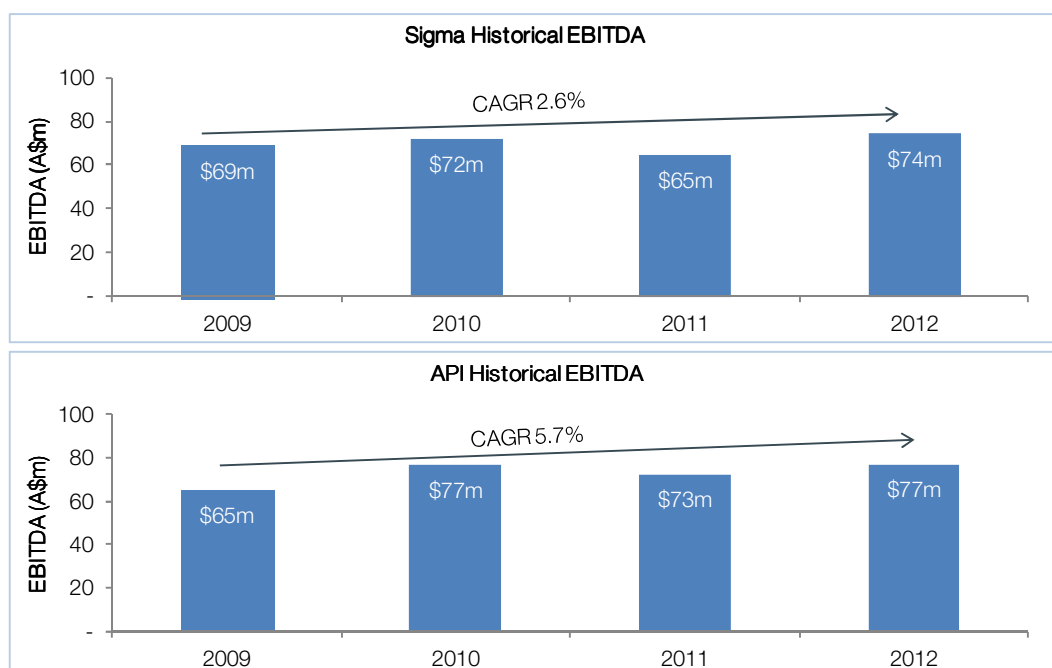
			
Description	Symbion is a full line pharmaceutical and associated product wholesale distributor. Symbion also owns the Chemmart and Pharmacy Choice master franchise, but does not participate in the ownership of retail stores.	Sigma is a full line wholesale distributor of pharmaceuticals and associated products to retail pharmacies. Sigma also serves as a franchisor to a network of 450 stores and provides pharmacy consultancy services under the Pharmacy Advance brand.	API is a full line wholesale pharmaceutical and associated products distributor. API also owns and operates the Priceline brand, a chain of health and beauty stores in Australia, and serves as franchisor to a network of over 150 Priceline Pharmacy stores.
Key Functions	Distribution; Retail franchising	Distribution; Retail franchising	Distribution; Retail franchising; Health and beauty store ownership
Key Brands	 	 	  
Market Capitalisation (A\$m)	A\$715m ¹	A\$967m	A\$220m
Enterprise Value (A\$m)	A\$904m ¹	A\$864m	A\$427m
FY12 Sales (A\$m)	A\$3,795m	A\$2,854m	A\$3,215m
Revenue Split By Business Segment	 ■ Pharmacy Wholesale ■ Hospitals ■ Lyppard ■ Other	 ■ Pharmacy Wholesale	 ■ Pharmacy Wholesale ■ Retailing ■ Manufacturing

Source: Capital IQ, Company Reports (Market data as at 16 May 2013)

¹ Based on proposed Purchase Price

Figure 16: Comparison of Symbion, Sigma, and API Historical EBITDA



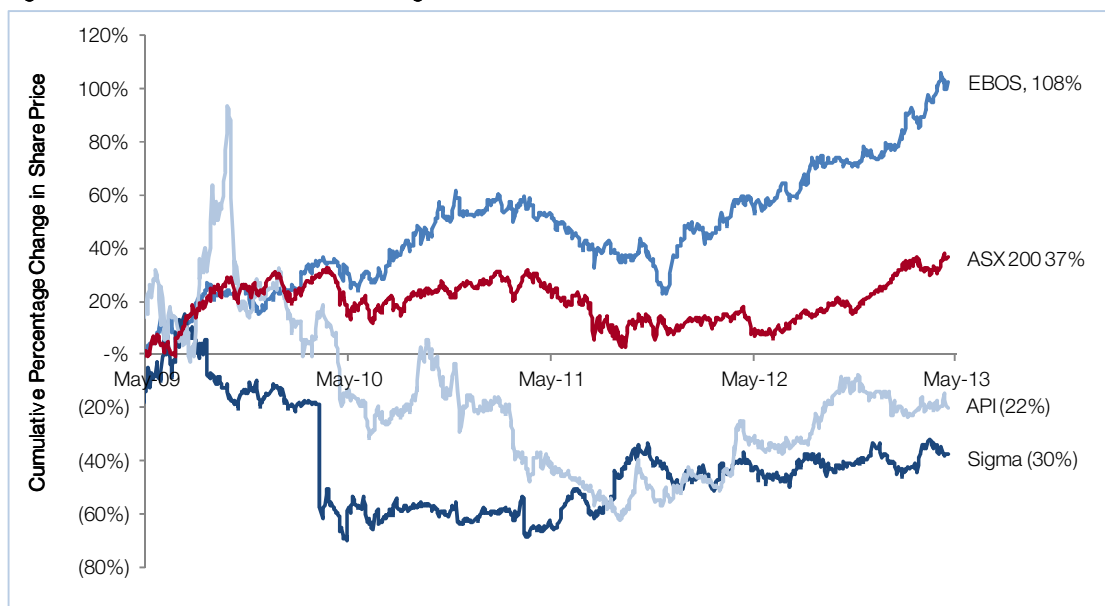


Source: EBOS, Capital IQ, Company Reports

Both Sigma and API are listed on the ASX, and recent share price performance has been mixed. Figure 17 shows share price movements for each company over the last four years relative to both the ASX and EBOS, and clearly demonstrates that Sigma and API have underperformed both comparators. Sharp declines in share price were experienced during 2010 and the first half of 2011, before modest improvements over the last 12 – 18 months. As previously discussed in Section 4.9, the EBOS share price doubled over the same period.

In our view, the share price declines in the 2-3 year period leading up to 2012 reflect the poor performance of business units outside of the core pharmaceutical distribution sector. In API's case, the issue related to the retail strategy pursued through the Priceline stores and the company's ability to compete effectively with supermarkets in the health and beauty segment. There appears to be on-going market uncertainty over the likely future success of this strategy. For Sigma, overall performance appears to have been negatively impacted as a consequence of its 2005 acquisition of Arrow Pharmaceuticals, a manufacturer of generic products. This part of the business did not perform well and was subsequently divested in 2010.

Figure 17: Share Price Performance for Sigma and API relative to EBOS and ASX200



Source: Capital IQ

A comparison of the historical financial performance of all three companies is summarised in the series of graphs presented below, with more detailed data set out in Appendix 5. Results for API and Sigma cover the five year period from FY2008 while the analysis for Symbion is limited to just the last three years, the period for which Zuellig has operated the business in its current form.

Figure 18: Comparison of Symbion, Sigma and API – Average Profitability Over the Last Three Years

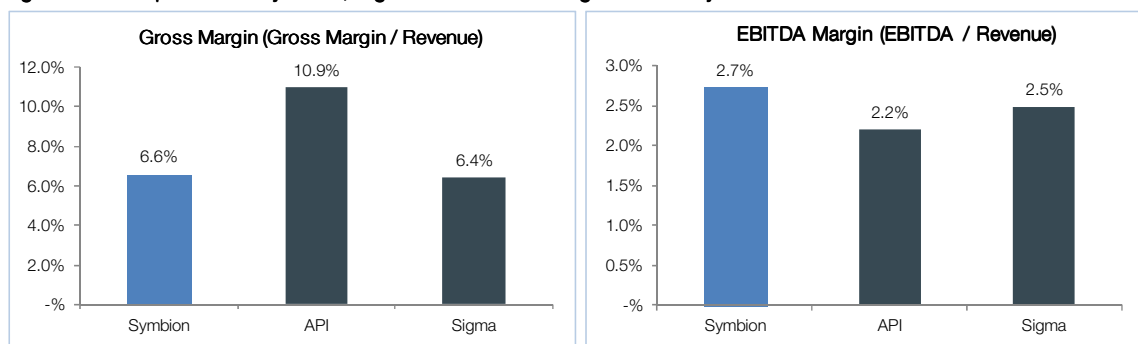


Figure 19: Comparison of Symbion, Sigma and API – FY12 Debt and Working Capital

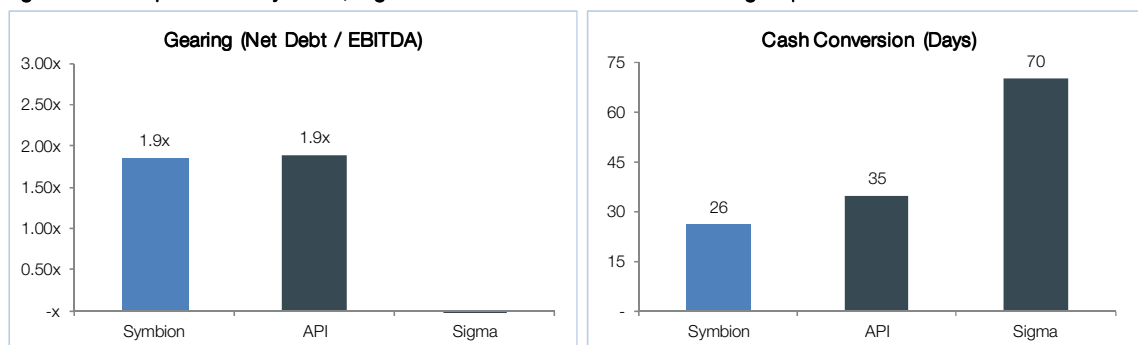
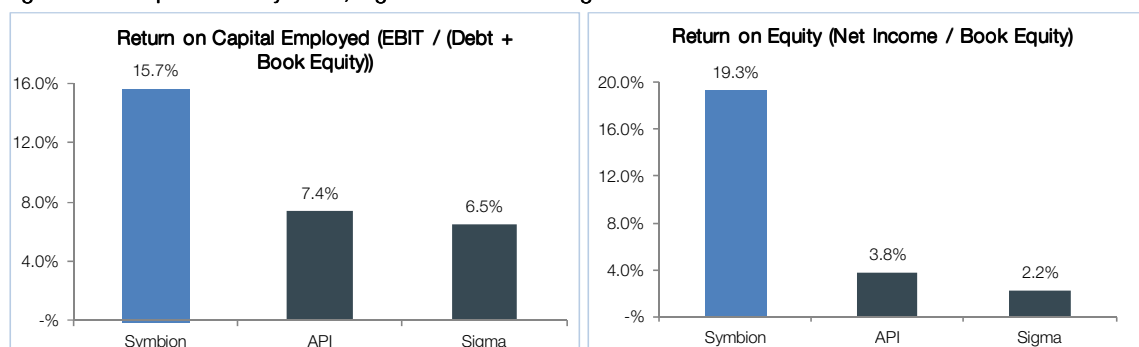


Figure 20: Comparison of Symbion, Sigma and API – Average Return on Investment Over the Last Three Years



Source: Capital IQ and Northington Partners' Analysis

Conclusion on Appropriate Earnings Multiple

Considering all of the available market evidence, we conclude that an appropriate EBITDA multiple range for Symbion is 8.5x to 9.0x. In forming this view, we have placed particular emphasis on the following factors:

- While the benchmark evidence for Sigma and API is arguably the most comparable for our assessment, the recent earnings multiples for both companies have been consistently different and should be treated with some caution.
- API has generally traded at relatively low earnings multiples since the global financial crises, a trend which has been reinforced following the large drop in profitability in 2011. The market has held a negative view of API for some time, largely in relation to uncertainty over the prospects for its retail strategy, concerns over its debt position, and risks around the current implementation of a new ERP system. Brokers also project a low level of earnings growth for API over the next 2-3 years and expect that the implied earnings multiples will continue to reflect a significant discount relative to its peers.
- The implied earnings multiple for Sigma has consistently exceeded 8.0x EBITDA since September 2011, and the market appears to view Sigma's prospects as being more positive than API's. The value premium placed on Sigma relative to API can also be attributed to its strong cash flow generation, capital management initiatives, and strong balance sheet.
- On a comparative basis, the Symbion business has generally performed better than both Sigma and API over the last few years and has medium term growth prospects which also appear to be higher. Based on our assessment of the relative strengths and weaknesses of the three companies, we would expect Symbion to be valued at the highest EBITDA multiple to reflect its superior profitability, return on invested capital and earnings outlook.
- The international evidence on earnings multiples is reasonably consistent at a level above 8.0x EBITDA.

However, we also note that current trading multiples have been increasing for some time and are arguably approaching cyclical highs. On this basis, we believe that a prudent range of acquisition multiples for our valuation assessment should reflect some level of discount to the current market data.

6.3.3 Enterprise Value Range

Based on our estimates for maintainable earnings and an appropriate earnings multiple, the resulting enterprise value range for Symbion is summarised in Table 40. These values represent our assessment

of the full acquisition value of Symbion's business, and implicitly incorporate a premium for control and acquisition synergies.

Table 40: Earnings Multiple Valuation Assessment

	Valuation Range	
	Low	High
Maintainable EBITDA	A\$120m	A\$120
EBITDA Multiple	8.5x	9.0x
Enterprise Value	A\$1,020m	A\$1,080

Source: Northington Partners' Analysis

6.3.4 Aggregate Equity Value

The aggregate value of equity in Symbion is determined as the difference between the enterprise value assessment and the Company's outstanding net debt position. Determining net debt for Symbion is slightly complicated by its seasonal working capital position and the nature of the funding arrangements in place to support that investment. Because projected net debt is relatively volatile on a monthly basis, we have based our estimate on the average monthly balance for the three months from May 2013 to June 2013.

The projected total debt position of the Company as at 30 June 2013 is summarised in Table 41 below.

Table 41: Projected Debt Position (30 June 2013)

Component	Value (A\$m)	Comment
Securitisation Facility Balance	\$200.0	To account for month-to-month variability, our estimate based on the average projected balance for May – July 2013.
<i>plus</i> Term Debt	\$27.0	Projected balance on 30 June 2013
<i>plus</i> Pre-Transaction Dividend	\$12.5	Based on maximum allowable dividend of NZ\$15.0m, payment of which will add to net debt
<i>less</i> Cash	\$27.2	Projected balance on 30 June 2013
Net Debt	\$212.3	

Source: Symbion and Northington Partners' Analysis

The resulting range for the value of 100% of the equity in Symbion is set out in Table 42, indicating an assessed value between NZ\$973 million and NZ\$1,045 million.



Table 42: Estimated Equity Value Range for Symbion

	Low Value (\$m)	High Value (\$m)
Assessed Enterprise Value	A\$1,020	A\$1,080
/less Net Debt (rounded)	A\$212	A\$212
Total Equity Value – A\$	A\$808	A\$868
Assumed A\$/NZ\$ Exchange Rate ¹	0.83	0.83
Total Equity Value – NZ\$	NZ\$973	NZ\$1,045

Source: Northington Partners' Analysis

¹ Approximate average exchange rate for five days to 20 May 2013.

Our value range is between 11% and 17% higher than the Purchase Price of NZ\$865 million and on that basis, we suggest that the negotiated Purchase Price is attractive from EBOS shareholders' point of view.

The main factors contributing to the difference between the Purchase Price and our assessed valuation range are as follows:

- The negotiated earnings multiple of 8.0x historic EBITDA is slightly lower than the appropriate level indicated by the market evidence. As discussed in Section 6.3.2, most of the current trading evidence indicates historic multiples that are consistently higher than 8.0x, especially when adjustments are made to allow for the value premium that is usually paid for a 100% control position;
- We believe that the budget EBITDA level for FY2013 is a more suitable estimate for Symbion's maintainable earnings level compared to the actual earnings for the FY2012 year (which was used in the negotiation of the Purchase Price.) The budget for FY2013 reasonably allows for about an A\$7.0 million increase in earnings over the previous year, which leads to an increase in the resulting enterprise value for Symbion of between A\$59.5 million and A\$63.0 million.



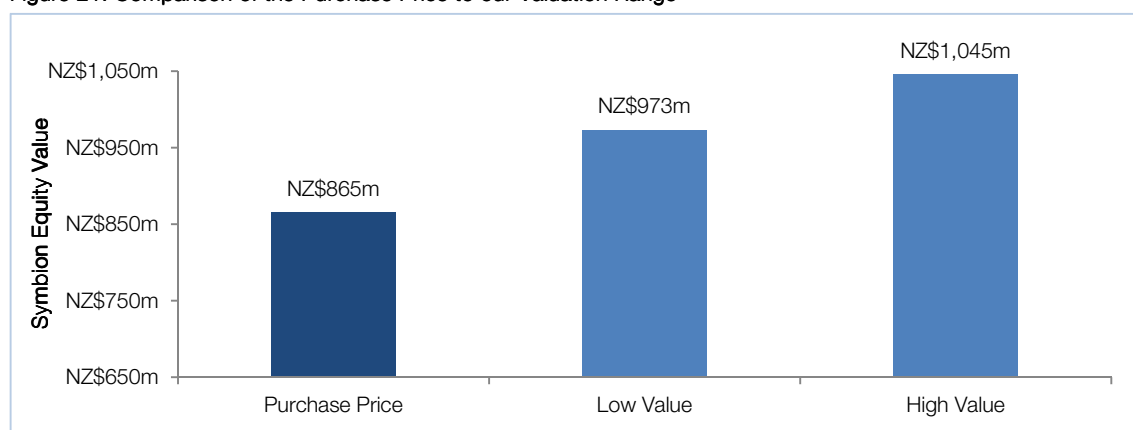
7.0 Assessment of the Merits of the Transaction

This section sets out our assessment of the merits of the Transaction from the point of view of existing EBOS shareholders (other than Zuellig).

7.1 Transaction Purchase Price

Figure 21 summarises our valuation assessment of Symbion, which is set out in detail in Section 6.0. On a comparative basis, the agreed Purchase Price of NZ\$865 million is below the bottom end of our assessed range of NZ\$973 million to NZ\$1,045 million.

Figure 21: Comparison of the Purchase Price to our Valuation Range



Source: EBOS, Northington Partners' Analysis

We believe that EBOS is acquiring Symbion at an attractive price relative to other similar businesses. As discussed in Section 2.1, the Purchase Price has been determined on the basis of 8.0x adjusted EBITDA for the financial year ending 31 December 2012, and in our view both of these chosen pricing parameters are favourable from EBOS' point of view:

- Adjusted FY2012 EBITDA of A\$113.0 million appears to be a reasonably conservative basis on which to determine maintainable earnings for the Symbion business. There has been consistent year-on-year growth in earnings over the last few years and further growth is expected in FY2013 and beyond. Because Symbion management also has a good track record of meeting budget projections, we suggest that maintainable earnings should more appropriately be based on the FY2013 budget (A\$120.0 million);
- The adjustment to actual EBITDA to partially exclude the negative impact of APHS provides EBOS with downside protection;
- Based on the available market evidence, we believe that Symbion should be valued at a maintainable EBITDA multiple range of 8.5x to 9.0x. This assessment is based on a wide range of relatively comparable transaction and trading evidence, with a particular focus on the market-based values for Symbion's two listed competitors in the Australian market (Sigma and API).

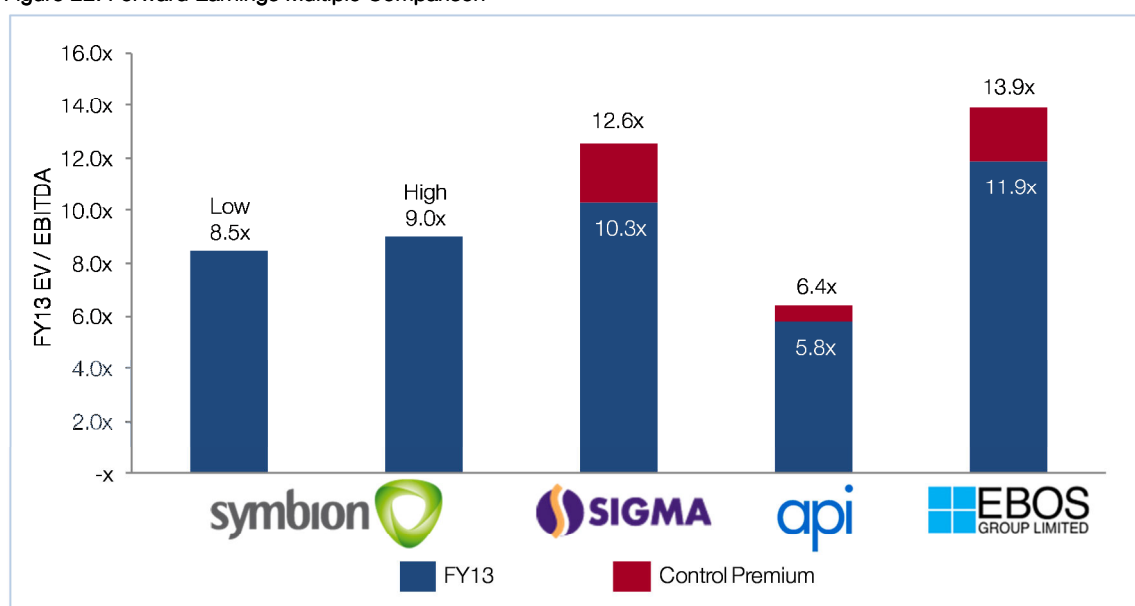
The main adjustment to the FY2012 EBITDA used in the Purchase Price determination process relates to APHS, a newly acquired subsidiary company of Symbion which is currently in a loss making position. EBOS does not want to be exposed to the risk that the business will remain unprofitable in the future and has therefore negotiated for Zuellig to underwrite on-going trading losses for the period to June 2015, to

a maximum of NZ\$3.0 million in aggregate. This has been achieved by excluding the realised losses from the adjusted FY12 EBITDA figure, and agreeing that Zuellig will reimburse EBOS for any further losses incurred by APHS from the completion date of the Transaction through to the end of the June 2015 underwrite period (up to the maximum of NZ\$3.0 million).

Although we have not seen a formal forecast for APHS through to the end of June 2015, there is a chance that the future losses will exceed the NZ\$3.0 million threshold and EBOS therefore remains exposed to that risk. However, the underwriting structure means that EBOS is effectively paying nothing for the APHS subsidiary and retains a free option to continue with the business if it is expected to become profitable beyond 2015. EBOS management will also be in a position to take all possible steps to ensure that the APHS losses do not materially exceed the agreed underwriting level.

A comparison of our chosen multiple range for Symbion to the observed multiples for Sigma, API and EBOS is set out in Figure 22. Based on the detailed comparative analysis of the three Australian companies in Section 6.3.2, we believe a multiple range of 8.5x – 9.0x for the Symbion business is readily justified. Symbion has been the strongest performer over the last few years, arguably has a lower risk profile given its current business mix and lower direct exposure to the retail sector, and has future growth prospects that are at least in line with its two main competitors.

Figure 22: Forward Earnings Multiple Comparison



Source: EBOS, Capital IQ, Northington Partners' Analysis (market data as at 22 May 2013)

We therefore conclude that the Purchase Price is reasonable from the point of view of EBOS' shareholders not associated with Zuellig.

7.2 Strategic Fit

As discussed in Section 5.2 above, the businesses of EBOS and Symbion are well aligned and have a significant amount of overlap in terms of service offering and sector exposure. Indeed, almost 90% of Symbion's FY2012 gross profit was derived from operations and/or channels that overlap with existing EBOS operations. Table 43 below comments on the extent to which Symbion's key business divisions overlap with those of EBOS.

Table 43: Symbion and EBOS Business Overlap

Symbion Division	EBOS Division	Overlap	Comment
Pharmacy	ProPharma	Significant	Both involved in wholesaling of pharmaceuticals to pharmacies. Largest revenue and EBITDA contribution for both companies.
Hospital	Onelink	Significant	Both involved in wholesaling of pharmaceuticals to the hospital sector. Second largest revenue contribution for both companies.
Retail Services	ProPharma	Moderate	Both involved with retail pharmacy brand ownership and/or support systems. EBOS' Vantage Gold Club label is less prominent in New Zealand than Symbion's Chemmart, Terry White and Pharmacy Choice brands in Australia.
Consumer Products	Healthcare NZ Healthcare Australia	Significant	Both involved in sales and marketing of healthcare products. Symbion has a higher proportion of own brand products; EBOS distributes mainly third party owned labels.
Contract Logistics	Healthcare Logistics	Significant	Both involved in third party logistics services. Symbion's business is in its infancy and could benefit from the experience of EBOS' Healthcare Logistics.
Manufacturer Services	n/a	None	EBOS does not have an offering equivalent to Symbion's Clinical Trials and Clinect divisions.
Lyppard	Masterpet	Minor	Lyppard is not directly comparable to the wider Masterpet business although Masterpet does perform similar operations on a smaller scale. Moving into vet wholesale (the primary activity of Lyppard) is a natural extension to the Masterpet strategy.

Source: Northington Partners' analysis

Given the close alignment of the Symbion and EBOS businesses, in our opinion:

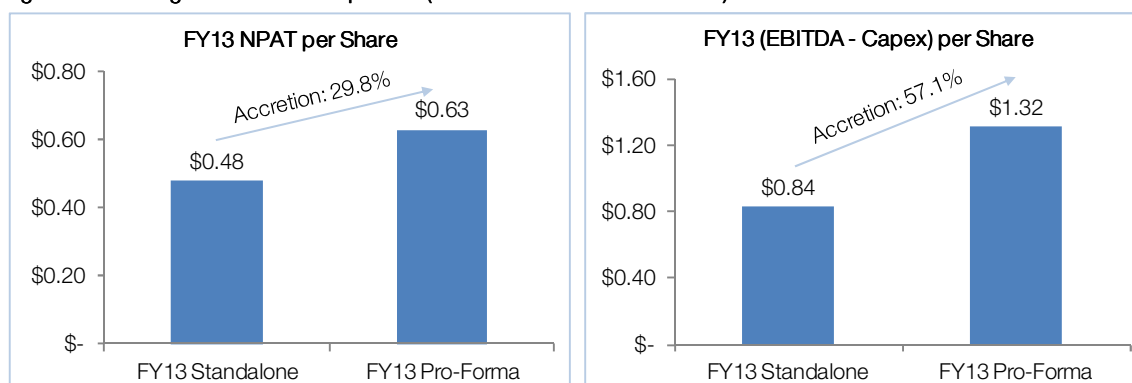
- Post-Transaction integration issues should be minimised;
- The EBOS Board and management team should be familiar with the vast majority of business risks and opportunities associated with Symbion's business;
- The existing Symbion management team should be well placed to continue to manage the various business divisions of Symbion; and
- The increased scale of the combined group should provide EBOS with the opportunity to extract operational efficiency gains and revenue and cost synergies in the medium term.

7.3 Financial Implications for EBOS

The potential impact of the Transaction on investor returns is most appropriately considered on an earnings per share basis. Figure 23 compares the projected EPS for EBOS on a standalone basis and following the completion of the Transaction, after adjusting for the impacts of the Bonus Issue and the Rights Issue on the number of shares outstanding.



Figure 23: Earnings Per Share Comparison (FY2013 Pro-forma to 30 June)



Source: EBOS, Northington Partners' Analysis

Our analysis indicates that reported EPS will increase by 29.8%, based on the projected pro-forma performance of the combined group for the period to June 2013. In terms of cash earnings, the improvement is better because of the relatively high level of amortisation and depreciation for the Symbion business. As discussed in Section 5.5, the EPS projections are based on post-Transaction earnings estimates which simply reflect the standalone earnings of EBOS and Symbion, with no allowance for any synergy gains once the two businesses are combined. While we believe that there is potential for some level of synergy benefits (both in terms of revenue and operating costs) in the medium term, we believe that the conservative modelling treatment excluding any allowance for synergies is appropriate and provides greater confidence that the projected EPS accretion is achievable.

The projected EPS accretion is largely an indirect function of the differential between the earnings multiple implied by EBOS' current market capitalisation and the earnings multiple used to determine the Purchase Price for Symbion. Because EBOS is trading at an historic EBITDA/EV multiple of over 13.0x, compared to the Symbion acquisition multiple of 8.0x, the existing EBOS shareholders benefit from the fact that a large part of the Symbion business is acquired using the relatively more expensive EBOS shares (via the Zuellig Share Allotment).

Other key considerations for existing EBOS shareholders include:

- EBOS has not prepared formal projections for the business beyond 31 December 2013. However, based on our analysis of Symbion's medium term prospects, we expect that the pro-forma EPS accretion projected for the period to June 2013 should be maintainable (subject to the potential impact of the business risks outlined below in Section 7.6);
- We do not expect that the Transaction will have a material impact on EBOS' dividend policy, and the projected increase in EPS should translate into similar increases in dividend payments. Dividend payments in any particular year will of course remain subject to on-going cash demands for further potential acquisitions and investment in working capital, but the Symbion business does not appear to have any unusual capital expenditure requirements which will prevent EBOS from distributing a significant proportion of its earnings as dividends;
- EBOS' ability to pay fully imputed dividends in the future may be at risk given that a material proportion of the Company's total earnings will be generated in Australia. Under current legislation, tax paid by EBOS in Australia in relation to Australian profits is not 'recognised' as giving rise to imputation credits when dividends are paid to New Zealand shareholders. That means that it is likely that at some point in the future, EBOS will be in a position where its distributable earnings are not matched by the required level of New Zealand imputation credits to

allow for fully-imputed dividend payments. With all else being equal, New Zealand investors will therefore pay more personal tax in relation to dividend distributions. We note that talks continue between the New Zealand and Australian Governments regarding the potential for mutual recognition of tax credits earned in each country with a view to overcoming this issue. However, at this stage it is not possible to determine the likelihood of legislative changes or when they may take effect.

- Projected increases in returns should be considered in the context of potential changes in the risk profile for EBOS' business. If either the business or financial risks of the business are expected to materially increase, then a commensurate increase in expected return is needed to compensate for the higher risk profile. Our assessment of the impact that the Transaction will have on EBOS from a risk perspective is set out in Section 7.6, where we conclude that while the overall risk profile of the business will arguably increase, the impact may be relatively limited. On that basis, the earnings accretion expected from the Transaction appears to be reasonably attractive.

7.4 Funding Impacts

We suggest that the impacts of the proposed funding structure from existing EBOS shareholders' point of view (other than Zuellig) should be addressed with reference to the following questions:

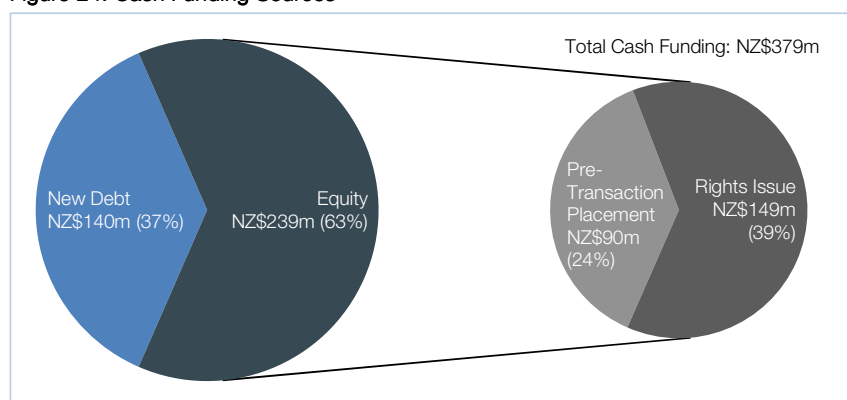
- Is the proposed mixture of debt and equity funding reasonable?
- What impact does the proposed Pre-Transaction Placement have on existing shareholders, and is the pricing of the placement consistent with other recent market transactions?
- What are the potential outcomes from the proposed Rights Issue and is the issue price for shares to be allotted under the Rights Issue reasonable?
- What is the potential impact of the Zuellig Share Allotment on the control position of the Company?

The first three of these issues are discussed in more detail in this section, while the impact on the control position of the Company is set out below in Section 7.5.

7.4.1 Post-Transaction Gearing Position

As discussed in Section 2.2, approximately NZ\$379 million of cash is required to partially fund the Transaction. Figure 24 summarises the intended mix of debt and equity and shows that approximately 63% of the total required funding will be sourced from the issue of new equity.

Figure 24: Cash Funding Sources



Source: EBOS, Northington Partners' Analysis

The implications of the proposed funding structure can be appropriately considered by comparing EBOS' gearing position before and after the Transaction. This is summarised in Table 44.

Table 44: EBOS Gearing Position Before and After Transaction

	Before Transaction	After Transaction
	June 2013 Projected (NZ\$m)	June 2013 Projected (NZ\$m)
Net Debt	\$73	\$444
Market Equity	\$519	\$1,256
Debt + Market Equity	\$592	\$1,700
Net Debt / (Net Debt + Equity)	12%	26%
EBITDA / Net Debt	1.4x	2.2x

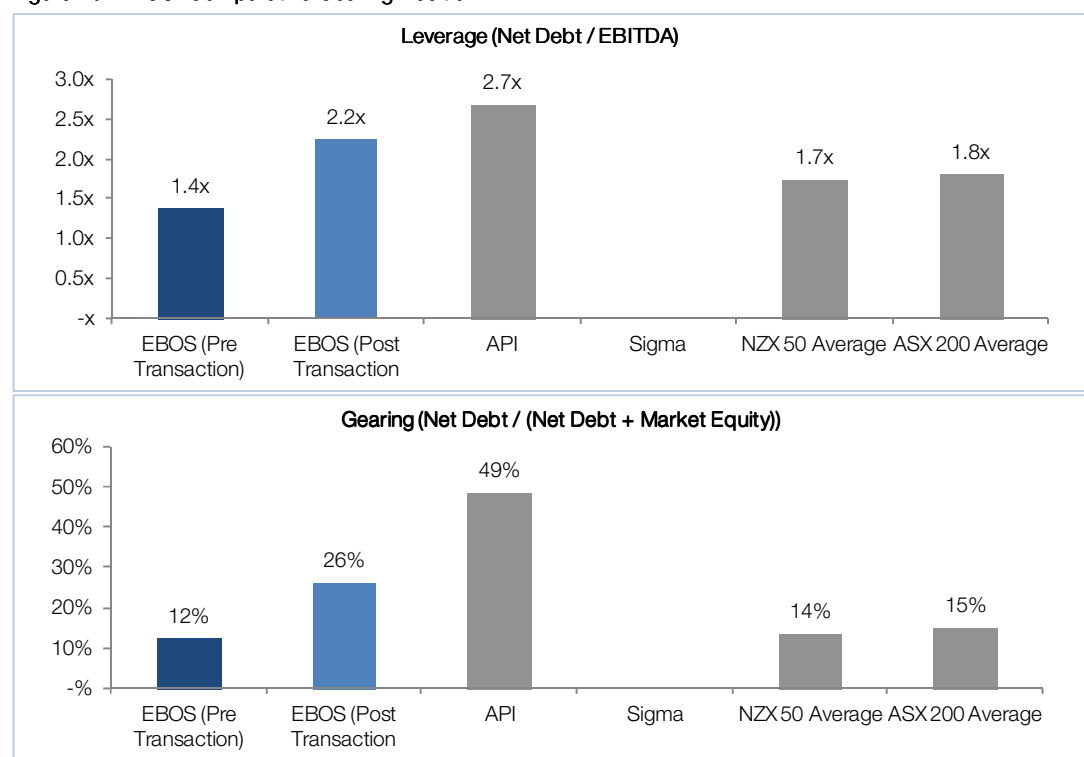
Source: EBOS

Gearing levels for EBOS will increase following the Transaction as a result of two factors:

- The existing level of gearing used by Symbion is higher than that currently used by EBOS, and EBOS will assume the Symbion debt funding arrangements as part of the Transaction; and
- EBOS will increase its current debt facility by NZ\$140 million to help fund the Purchase Price.

Figure 25 compares the projected post-Transaction gearing level for EBOS with Symbion's two main competitors in the Australian market, as well as with the broad market averages in both New Zealand and Australia.

Figure 25: EBOS' Comparative Gearing Position



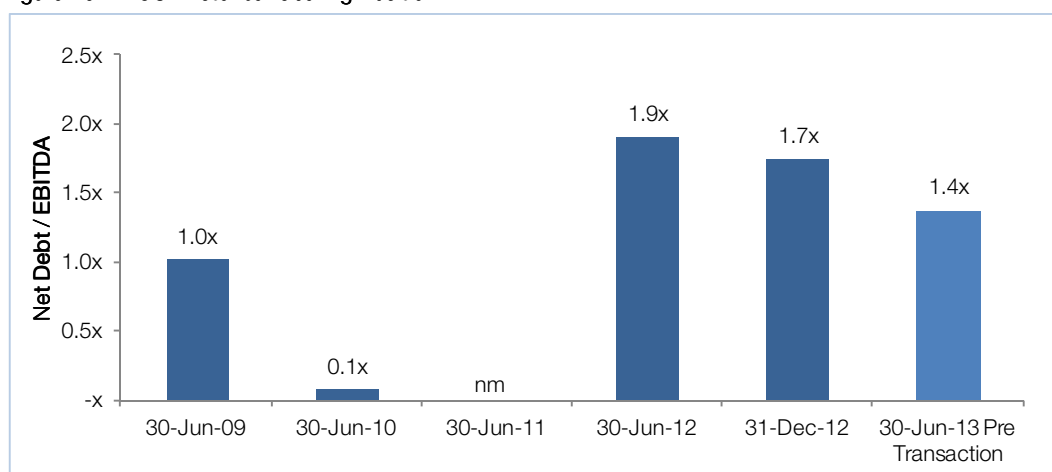
Source: EBOS, CapitalIQ, Northington Partners' Analysis (market data as at 22 May 2013)

The comparative data indicates that EBOS will have a gearing level which is much higher than Sigma (which has a net cash position), but which is significantly lower than that of API. While this comparison has only limited value, we note that API's debt level is attributed as one of the reasons for its recent poor perception in the Australian market.

Figure 25 also shows that EBOS will have higher gearing than the market averages in both New Zealand and Australia. However, we note that EBOS has a track record of stable earnings growth with very strong cash flows, and is expected to retain a reasonably conservative interest coverage ratio following the Transaction (with a projected EBITDA / Interest ratio of 5.2x). On that basis, we suggest that EBOS is in a better position to prudently support a higher level of debt than many businesses included in the broad market averages.

EBOS' gearing position during the last four years is presented in Figure 26, which shows that net debt was very low in the two year period leading up to the Masterpet acquisition during FY2012. At the end of the financial year following the acquisition, the Net Debt / EBITDA ratio reached 1.9x before subsequently declining as a result of both debt repayments and increases in EBITDA.

Figure 26: EBOS' Historical Gearing Position



Source: EBOS, Capital IQ, Northington Partners' Analysis

The Transaction will clearly lead to a significant increase in EBOS' debt level and the associated financial risk profile of the business. However, in the circumstances we do not believe that the post-Transaction capital structure of the Company is overly aggressive:

- The EBOS business generates a high level of operational cash flow and has limited capital expenditure requirements in the short-term. Even allowing for a continuation of the current dividend policy, the Company should be in a position to reduce its debt position through time if that is needed; and
- The proposed mixture of funding sources balances the trade-off between using a moderate level of lower cost debt funding and the Company's capacity to raise a significant amount of new equity at a price which minimises the potential dilution to existing shareholders.

7.4.2 Pre-Transaction Placement

Given the relative scale of the Transaction, EBOS needs to raise a significant amount of new equity to fund the Purchase Price. Excluding the Zuellig Share Allotment, EBOS intends to raise approximately

NZ\$239 million of new equity capital, representing close to 50% of the Company's pre-Transaction market capitalisation. It is extremely unlikely that this level of capital could be raised from existing shareholders and the Company has therefore decided to issue about NZ\$90 million of shares to new and existing institutional shareholders via the Pre-Transaction Placement. The number of shares that will be issued under the Pre-Transaction Placement equals 20% of the total shares currently on issue.

These shares will be issued at a discount to the pre-announcement market price for existing EBOS shares, as summarised in Table 45. With all else being equal, the discount incorporated into the issue price will dilute the value of existing EBOS shareholders' investment and should therefore be minimised.

Table 45: Proposed Price for Pre-Transaction Placement

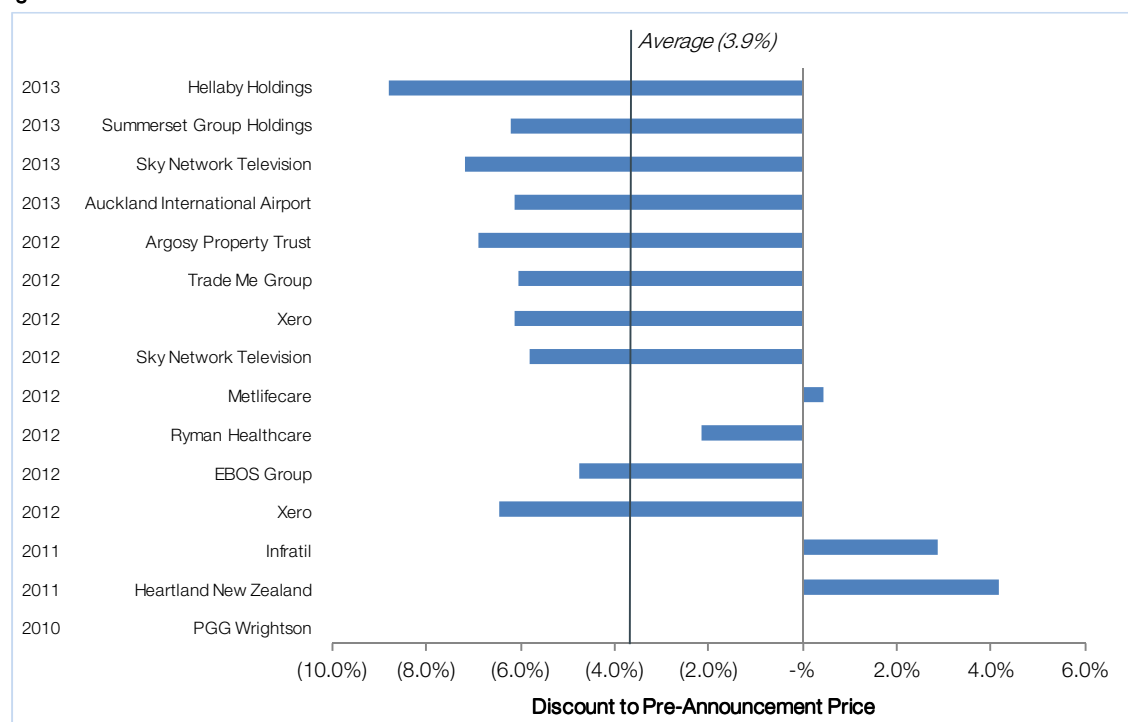
	Share Price	Implied Discount
Issue Price	\$8.50	
20-day VWAP to 22 May 2013 ¹	\$9.44	10.0%
Closing Price on 22 May 2013 ¹	\$9.63	12.0%

Source: EBOS

¹: Adjusted for the impact of the Bonus Issue

The level of discounts observed for a range of other recent share placements and block trades in the New Zealand market are summarised in Figure 27. The data indicates that the discount for the Pre-Transaction Placement is toward the higher end of the observed range.

Figure 27: Discounts for Recent Placements and Block Trades



Source: NZX, Capital IQ, Company announcements, Northington Partner's Analysis

In the circumstances, we believe that the discount for the issue price of the shares under the Pre-Transaction Placement is reasonable. While it is higher than those for most of the recent market transactions, we note that:

- Most of the most recent evidence relates to large block trades of existing share parcels, and on that basis is not directly comparable to the Pre-Transaction Placement;
- The overall EBOS capital raising is large and the discount offered to new investors needs to be sufficient to ensure that the placement can be successfully implemented; and
- The Pre-Transaction Placement makes up only 39% of the NZ\$239 million total new equity capital being sought, and the impact of the price dilution is therefore relatively limited. We estimate that the theoretical impact of the placement on EBOS' share value will be a decline of about 1.5% (approximately NZ\$0.15). However, as discussed in further detail below, this potential dilutionary share price impact should be considered in the context of the overall impacts of the Transaction.

As indicated in Section 2.2, the Pre-Transaction Placement will take place immediately following the announcement of the Transaction, but prior to the confirmation of the shareholder approvals which are needed before the Transaction can be confirmed. This means that there is a chance that the capital will be raised even though the Transaction may not subsequently proceed, with EBOS incurring related capital raising costs and arguably leaving the Company with surplus capital.

While it would obviously be optimal to structure the capital raising process in a way that avoided the possibility of this scenario taking place, the timetable constraints for the Transaction mean that there is little alternative. We also suggest that if this particular Transaction does not proceed, EBOS will continue to pursue other opportunities that could utilise the new capital. The potential negative impact of this factor is therefore relatively minor.

7.4.3 Rights Issue

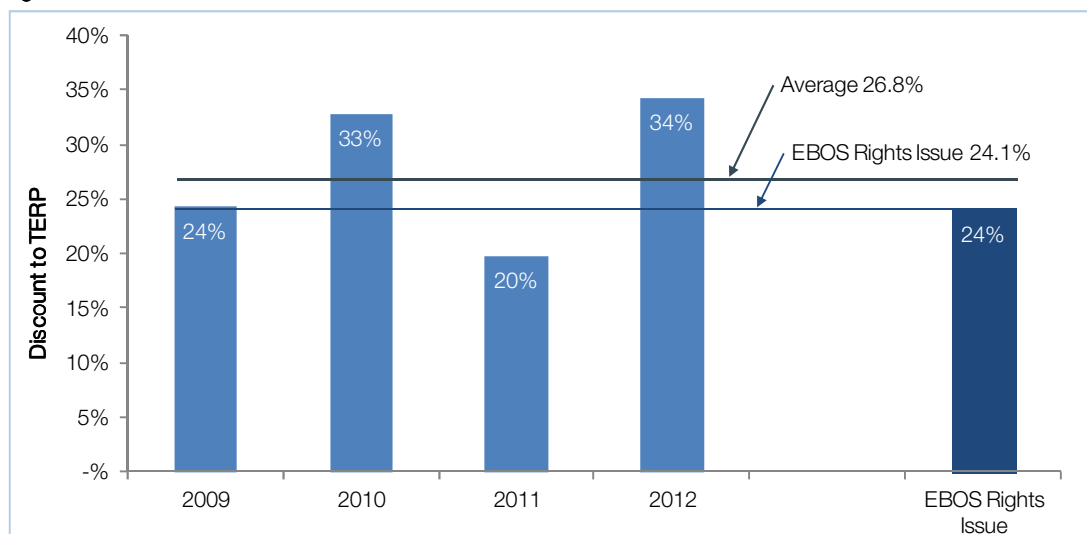
EBOS intends to raise approximately NZ\$149 million from the Rights Issue. All shareholders at the time of the Rights Issue (including the recipients of shares issued under the Pre-Transaction Placement) will receive an entitlement to acquire 7 new shares for every 20 shares already owned.

The appropriate discount to TERP incorporated into the issue price for any rights issue is a matter of subjective judgment. In EBOS' case, it requires striking a balance between encouraging broad participation in the Rights Issue by all shareholders and not unduly facilitating the acquisition of discounted EBOS shares by key institutional shareholders (under possible underwriting commitments) at the expense of minority shareholders who are not in a position to participate.

The issue price of NZ\$6.50 per share represents a discount of just over 24% to EBOS' TERP (based on a current market share price of NZ\$9.44 per share, after allowance for the impact of the Bonus Issue). This level of discount is generally consistent with the range of discounts observed in a selection of similar rights issues conducted over the last few years, a summary of which is set below in Figure 28 (with more detail provided in Appendix 6).



Figure 28: Market Evidence for Observed Discounts to TERP



Source: NZX, Capital IQ, Company announcements, Northington Partners' Analysis

We conclude that the terms of the Rights Issue are reasonable:

- If existing shareholders are not in a position to exercise their rights and subscribe for their full entitlement, the rights can potentially be sold to other parties;
- We are not in a position to determine the likely market value for the rights, or whether the rights will be tradeable at all. However, if the market determines that the subscription price under the Rights Issue does represent a material discount to the intrinsic value of the shares, we would expect that:
 - Existing shareholders will be more inclined to subscribe for their full entitlement of shares under the Rights Issue; and
 - There will be an active market for the rights and existing shareholders who are not in a position to participate in the Rights Issue will be more likely to receive fair value for their rights entitlements.

7.5 EBOS Control Position

7.5.1 Meaning of "Control"

Discussions regarding the "control" position of a company typically refer to the ability of one or more shareholders to influence the company's ability to pass ordinary or special resolutions. Ordinary resolutions require support from more than 50% of the shareholders entitled to vote and voting on the resolution, whereas special resolutions require support from at least 75% of shareholders entitled to vote and voting on the relevant matter. Special resolutions typically relate to what can be thought of as "major transactions" for the subject company, and include proposals such as changes to the company's constitution and acquisitions or divestments with transaction values that exceed certain thresholds.

7.5.2 Current Control Position

As set out in Section 4.8 above, EBOS is currently a widely held company. Key points to note about the current shareholding structure are as follows:

- The largest single shareholder is EBOS director Peter Kraus (via Whyte Adder No 3 and Herpa Properties), with a shareholding level of approximately 8.4%;
- Based on the dates of the last SSH notices received by EBOS, the three existing substantial security holders (being those shareholders who hold 5% or more of the Company's shares) hold a combined shareholding of about 22.1%; and
- The top 20 shareholders (as at 16 April 2013) together hold approximately 44.2% of the Company's shares.

No single shareholder currently has the ability to control the direction of EBOS in terms of unilaterally determining whether an ordinary resolution or special resolution is passed or not. Even if all three substantial security holders were to act in concert and vote against a special resolution, they would still require the support of at least one or more other shareholders before their aggregate votes would be sufficient to defeat the resolution.

7.5.3 Impact of Transaction on Shareholding Levels

If implemented, the Transaction will result in significant changes to the make-up of EBOS' shareholder register. The most notable feature will be the impact of the Zuellig Share Allotment, which will result in Zuellig's shareholding increasing from its current level of approximately 0.94% to 40.00%¹⁴.

The ultimate shareholding levels attained by other shareholders, most particularly those shareholders who are or will become substantial security holders, will depend on the outcome of the Pre-Transaction Placement and the Rights Issue. Both of these funding elements of the Transaction will take place after the finalisation of this report; accordingly, it is not possible for us to make comment in relation to specific shareholders or shareholding levels that may eventuate. However, we note:

- The Pre-Transaction Placement (which is fully underwritten) is for an amount of approximately NZ\$90 million, representing 20% of the current (pre-Transaction) EBOS shares on issue. Some of the placement shares may be issued to existing substantial security holders, increasing the level of their shareholding further above the 5% level. However, we understand the majority of the Pre-Transaction Placement is expected to be made to new institutional investors or existing institutional shareholders in EBOS who sit below the SSH level.
- It is possible that the number of SSHs will increase after the Pre-Transaction Placement is completed. It is not possible at this stage to determine the likelihood of this happening, or the number of SSHs that may end up on EBOS' share register.
- If all shareholders entitled to participate in the Rights Issue subscribe for their full entitlement, there will be no change in relative shareholding levels. However, to the extent that this does not occur, relative shareholding levels will change as those shareholders who do not fully participate will have the level of their shareholding diluted.
- As noted in Section 7.4 above, in the event that all shareholders do not fully participate in the Rights Issue, it is possible that the underwriters (and/or sub-underwriters) will become shareholders in EBOS. The size of any shareholding by the underwriters/sub-underwriters will depend on general participation levels in the Rights Issue and the extent of any rights trading during the specified trading period. It is not possible at this stage to determine the likelihood of the underwriters/sub-underwriters becoming shareholders, or the size of any such shareholding.

¹⁴ As set out in Section 2.2 above, the Transaction has been structured so that Zuellig's shareholding in EBOS will exactly equal 40.00% after taking account of the Pre-Transaction Placement and the Rights Issue.



- Notwithstanding the uncertainties surrounding the composition of the EBOS share register following the Pre-Transaction Placement and the Rights Issue, the provisions of the Takeovers Code will prevent any shareholder (apart from Zuellig) from holding more than 20% of EBOS' shares. We expect few (if any) other shareholders will end up with a shareholding level higher than 10%.

7.5.4 Post-Transaction Control Position

An increase in Zuellig's shareholding to 40.00% will have a material impact on the control position of EBOS. Key points to note are as follows:

- The overall influence that Zuellig will have in passing ordinary resolutions will increase significantly. In some cases where a single shareholder holds or controls less than 50% of the voting rights and the remaining shares are spread across a large number of minority shareholders, the dominant shareholder can have effective control of the company. This situation arises because the cornerstone shareholder can often approve ordinary resolutions in situations where a sufficient number of minority shareholders do not vote. Given it is likely that there will remain a large number of minority shareholders in EBOS after the Transaction is implemented, it is likely that Zuellig will have effective control in this particular situation. We suggest that the practical impact of Zuellig's cornerstone shareholding position needs to be considered alongside the fact that:
 - It is reasonable to expect Zuellig to act rationally and in a manner that is consistent with the best interests of all shareholders; and
 - Other institutional shareholders will exist on the EBOS shareholder register. These investors will take an active interest in any resolution that must be considered by shareholders; the presence of the institutional investors should therefore act as a counterbalance (albeit somewhat limited) to poor participation by minority shareholders.
- Even if Zuellig does not have effective control (and the ability to pass ordinary resolutions by itself if other minority shareholder do not vote), it would only require the support of one (maybe two) other substantial security holders in order to be assured of being able to pass ordinary resolutions.
- Zuellig will be in a position to veto special resolutions of the Company. However, we do not believe this fact should of itself be cause for concern. Zuellig has a long-standing association with pharmaceutical industries across a number of countries, is a reputable investor, and (as already indicated) can reasonably be expected to act rationally and in a manner that is consistent with the best interests of all shareholders.
- In terms of passing special resolutions, Zuellig will still need widespread support from a range of other shareholders.

On balance, Zuellig's increased influence over the passing of ordinary resolutions will be strictly in line with its increased shareholding following completion of the Transaction. Although Zuellig may not necessarily be able to unilaterally pass ordinary resolutions with a 40% shareholding, it could do so with the support of a small group of existing or new institutional shareholders. However, assuming again that the investment objectives of Zuellig are closely aligned with those of all of the other major shareholders, the practical impact of the Zuellig Share Allotment on the voting outcomes for ordinary resolutions may be limited.



7.6 EBOS Risk Profile

EBOS is exposed to a number of risks which can be categorised as financial risks and business risks. The key financial risks are discussed above in Section 7.3 and Section 7.4, and a summary of EBOS' key existing business risks is set out in Section 4.11.

After the Transaction, EBOS will also become exposed to the main business risks of Symbion (as detailed in Section 3.10). Table 46 below provides a summary of EBOS' risk profile before and after the Transaction.

Table 46: Key Business Risks for EBOS Before and After the Transaction

Before the Transaction	After the Transaction
<ul style="list-style-type: none"> ▪ The most significant business risks are market and regulatory risks. For EBOS to be successful, it needs to be able to achieve acceptable pricing and reimbursement from its customers (including government agencies and third party providers). ▪ EBOS is exposed to the actions of competitors and the risk of new government policies, regulations or legislation that may impact or restrict its ability to achieve acceptable pricing and therefore operate profitability. ▪ Given the geographical focus for the majority of EBOS' divisions, the market and regulatory risk exposure is predominantly New Zealand based. ▪ However, EBOS' Australian based divisions are sub-scale and are exposed to the actions of larger competitors who seek to offer a more complete service offering. 	<ul style="list-style-type: none"> ▪ Like EBOS, Symbion operates in a highly competitive and highly regulated environment. At a general level, Symbion's business risks are therefore similar in nature to those experienced by EBOS - i.e. the actions of competitors and changes in government policies and laws. ▪ At a more detailed level, the different business risk profile of Symbion reflects the different operating and regulatory environment in Australia. Symbion has two significant competitors in API and Sigma, and a lower overall national market share in its key divisions than EBOS' equivalent divisions in New Zealand. Arguably, the Australian environment is more competitive than in New Zealand. ▪ From a regulatory standpoint, Symbion's key exposures relate to on-going PBS reforms, whether CSO funding will continue to match the costs of servicing, and the possibility of future changes to pharmacy ownership rules that could allow supermarkets to enter the pharmacy retailing space. ▪ The sub-scale risks that EBOS' existing Australian divisions are exposed to should be alleviated when their service offerings can be supplemented with the fuller, national offering of Symbion.

Source: Northington Partners' analysis

We conclude that both EBOS and Symbion are exposed to business risks that are well understood by the respective management teams. Strategies appear to exist to deal with the probable effects of many of those risks, while other risks appear unlikely to materialise in the near-term. Both businesses have demonstrated a track record of being able to adapt to key structural changes in their respective operating markets.

On balance, we believe that the business risk profile for EBOS following the Transaction is not significantly different to the business risks it currently faces. The increased exposure to the competitive and regulatory risks in the Australian market is at least partially offset by the benefits of increased scale and geographical diversification.



7.7 Alternative Options

On the basis of discussions with EBOS management, we understand the Company has considered a wide range of alternative acquisition opportunities. Most of those opportunities have been Australian based and on a far smaller scale than Symbion. Compared to these smaller alternative options, the Transaction offers EBOS a rare opportunity to transform its business and establish itself as a clear sector leader in the Australasian market. On this basis, the Transaction is preferred by EBOS over the other transactions that have been considered.

The other two obvious scale opportunities that EBOS could consider are API and Sigma. In our view, the key considerations in relation to these alternatives are as follows:

- Neither API nor Sigma is as well aligned with EBOS' existing business as Symbion. Symbion represents a far better strategic fit in terms of the overlap of service offerings and sector exposure.
- Symbion is a market leader in a number of its business divisions and is perceived to have a number of competitive advantages over both API and Sigma.
- API and Sigma are both publicly listed entities on the ASX. Accordingly, acquiring either of these businesses would require EBOS to make a public takeover offer and adhere to the strict rules and timeframes regarding the takeover of a listed entity. Given all of the uncertainty in relation to a public takeover process, acquiring the privately owned Symbion is an easier transaction to execute with a far higher level of completion certainty.
- The financial performance of Symbion has been better than API or Sigma over recent years. Notwithstanding this, the Transaction Purchase Price appears to represent better value than EBOS would likely need to pay for Sigma (based on current trading multiples). Although API is currently trading on an earnings multiple well below that implied for Symbion, EBOS would likely need to pay an acquisition premium (typically around 35% in the Australian market) to have a realistic chance of acquiring API through a public takeover offer. When such a premium is factored in, the likely price of acquiring API would be similar to or higher than the Purchase Price to acquire Symbion.
- After the Transaction, EBOS will own 100% of Symbion. There is no guarantee that a public takeover offer for either API or Sigma would get acceptances sufficient to allow EBOS to achieve 100% ownership of either company.
- EBOS has been able to conduct a detailed due diligence on Symbion's business. A public takeover of API or Sigma would initially be limited to publicly available information; any further due diligence would be limited in scope and need to be conducted over a short time period to comply with the statutorily imposed time limits of a listed takeover.

Finally, the Transaction should be considered against a status quo position (i.e. if EBOS shareholders do not approve the Transaction). In our view, the key issues in relation to the status quo alternative are as follows:

- EBOS has limited growth opportunities in New Zealand (it is a mature business in a mature market with few acquisition opportunities of scale available);
- EBOS' Australian divisions are sub-scale and at risk from the actions of larger competitors; and
- The share price of the Company has rallied strongly over the last 12 months on the basis of comments made by EBOS that it is looking for further acquisitions. If the market's expectations



of further acquisitions are not met, there is a very real risk that EBOS' share price could decline materially as the market contemplates how further earnings growth could be achieved.

7.8 Other Important Impacts of the Transaction

As summarised in Section 5.5, the Transaction will result in EBOS becoming far more reliant on the Australian market. On a pro-forma basis, earnings generated in Australia will increase from the current level of approximately 20% of the total to more than 80% after accounting for the Symbion business. Apart from the dramatic increase in EBOS' exposure to risks associated with the Australian market and exchange rate fluctuations, there are two other potential ancillary effects of the increased Australian focus to consider:

- **Organisational Structure:** While the current management and governance structure of EBOS will not dramatically change in the short term (as described in Section 5.4), we suggest that it is likely that a greater proportion of Board appointees and senior management personnel will in time be Australian based. Following an initial integration period post-Transaction, the transfer of key roles to Australia will appropriately reflect the relative importance of that market to the overall business and is likely to be in the best interests of all shareholders.
- **ASX Listing and Share Liquidity:** As part of its agreement with Zuellig, EBOS has agreed to a primary dual listing on the ASX by the end of 2013 (unless a unanimous resolution of EBOS' Board is passed to the contrary). The desired listing in Australia reflects an expectation that an increasing proportion of the shares will be owned by Australians in the medium term and that the ASX listing will therefore improve the overall liquidity in the shares.

It is difficult to assess the impact of the Transaction on the likely liquidity of EBOS' shares in the short-medium term. The 40% shareholding held by Zuellig following the completion of the Transaction cannot be traded until around September 2014 at the earliest¹⁵, and we are in no position to comment on Zuellig's potential trading activity following the completion of the trading blackout period: it is possible that Zuellig will retain all of its EBOS shares as a long-term investment. We also expect that the majority of shares issued under the Pre-Transaction Placement will be acquired by investors with a long-term investment horizon and that most of these shares will not be traded in the short term.

However, it is likely that the Transaction will generate more market interest in the Company in both New Zealand and Australia, based on its increased scale and improved index position. That increase in interest may in turn lead to the potential for more trading activity over time.

7.9 Fairness Assessment

The key requirement of an Appraisal Report produced for this sort of transaction under NZSX Listing Rule 1.7.2 is an assessment of whether or not the consideration and the terms and conditions of the Transaction are fair to the EBOS shareholders who are not associated with Zuellig. Although the exact meaning of the word "fair" is not prescribed in the NZSX Listing Rules, it is usually given a fairly narrow interpretation which focuses on the price paid or received for the assets under consideration.

In this particular instance given the nature of the Transaction, the main focus for the EBOS shareholders should be whether the Symbion business is being acquired by EBOS at a price, and on terms and conditions, which are favourable to Zuellig.

¹⁵ Based on Zuellig's undertaking not to sell any shares until after EBOS' announcement of its FY2014 earnings results.



All of the relevant terms and conditions of the Transaction are discussed in some detail throughout this section. As set out in our discussion, we conclude that the terms and conditions of the Transaction (including the consideration paid by EBOS for the Symbion business) are fair to the EBOS shareholders who are not associated with Zuellig.



Appendix 1: Regulatory Requirements and Scope of this Report

1.0 Takeovers Code Requirements

1.1 Overview

The Takeovers Code sets out rules governing the conduct of company takeovers in New Zealand. The provisions of the Takeovers Code apply to any company that is a “Code Company” (as defined in the Takeovers Code). EBOS is a “Code Company” under Rule 3A of the Code by virtue of it being listed on the NZSX.

The fundamental rule of the Takeovers Code is set out in Rule 6 and prevents any entity (together with its associates) from becoming the holder or controller of 20% or more of the voting rights in a “Code Company” other than via one of several courses of action prescribed in Rule 7 of the Takeovers Code.

Pursuant to Rule 7(d) of the Takeovers Code, a person may become the holder or controller of 20% or more of a Code Company by an allotment of voting securities that has been approved by an ordinary resolution of the Code Company.

The Transaction must therefore comply with the provisions set out in the Code relating to the Zuellig Share Allotment. Rule 18(1) of the Code requires the directors of EBOS to obtain a report from an independent adviser on the merits of the Zuellig Share Allotment. The independent report must be included with the information that is sent to EBOS shareholders for the purpose of assisting them to decide whether to approve the Zuellig Share Allotment.

The exact meaning of the word “*merits*” is not prescribed in the Takeovers Code and there is no well accepted, authoritative New Zealand reference that clearly establishes what should be considered when assessing the merits of a takeover offer. Although the Takeovers Panel has published a guidance note about the role of an Independent Adviser, it has been careful not to limit the scope of the assessment and states that the relevant factors that should be taken into consideration will depend on the features of the proposed transaction as well as the prevailing circumstances of the parties involved. However, the Takeovers Panel suggests that a merits assessment is broader than a valuation assessment and will include other positive and negative aspects of a transaction.

1.2 Basis of Assessment

Northington Partners has assessed the merits of the Zuellig Share Allotment on the basis that it is an integral part of the funding support for the Transaction. Accordingly, our merits assessment considers the Zuellig Share Allotment in the context of the wider Transaction.

Our assessment included analysis and discussion of:

- The underlying value of the ordinary shares in ZHHA, based on an assessment of the intrinsic value of Symbion’s business. Our assessment of value has been primarily based on the existing analysis and financial models prepared by the counterparties and their advisers.
- The consideration offered for ZHHA’s shares, and the implied premium or discount that the Purchase Price represents relative to our assessment of ZHHA’s underlying value. Given that part of the consideration for ZHAA comprises the Zuellig Share Allotment, our assessment also considered the implied issue price of the EBOS shares;
- The projected financial position and financial performance of EBOS following the Transaction, taking account of the short-term transaction costs, post-Transaction synergies, and the impact of the intended capital raising that will be carried out to partly fund the Purchase Price. This discussion was



extended to include a comparative assessment of the potential future returns and the risk/reward dynamics for the Company's shareholders assuming the Transaction is rejected and the Company continues to operate under the "status quo".

- The prospects, attractiveness and risk profile of both EBOS and Symbion, including an assessment of key industry dynamics for both businesses in the Australian and New Zealand markets.
- Alternative courses of action that may be available to EBOS' shareholders to derive value from their investment, including a high level assessment of alternative acquisition options that may be pursued by the Company.
- The impact of the Zuellig Share Allotment on the control position of EBOS and the future rights and obligations of Zuellig if the Transaction is successful.
- The likely impact of the Transaction on the liquidity of EBOS' shares.
- Other financial and non-financial factors we considered relevant in the circumstances.

2.0 NZSX Listing Rules Requirements

2.1 Overview

The Zuellig Share Allotment is subject to NZSX Rule 7.3. Under Listing Rule 6.2.2, an issue of equity securities under Rule 7.3.1 must be accompanied by an Appraisal Report if the issue is intended or is likely to result in more than 50% of the securities to be issued being acquired by directors or Associated Persons of directors of the issuer. Zuellig is an Associated Person (within the meaning of NZSX Listing Rule 1.8) of Peter Williams and Stuart McGregor who, if approved by shareholders under separate resolutions, will become directors of the Company on completion of the Transaction. Zuellig will be acquiring all of the securities being issued pursuant to Rule 7.3.1.

Listing Rule 6.2.2 requires that the Notice of Meeting sent to EBOS shareholders outlining the Transaction must be accompanied by an Appraisal Report. This report represents the Appraisal Report required by the Listing Rules and, pursuant to Listing Rule 1.7.2, sets out our opinion on whether or not the consideration and the terms and conditions of the Transaction are fair to the EBOS shareholders not associated with Zuellig and the grounds for that opinion.

For the purpose of the Listing Rules we certify that:

- We believe that the EBOS shareholders entitled to vote on the resolution in relation to the Zuellig Share Allotment will be provided with sufficient information on which to make an informed decision. The main sources of information are this report and the Notice of Meeting;
- We have been provided with all of the information that we believe is required for the purposes of preparing this report; and
- The material assumptions on which our opinion has been based are clearly set out in the body of this report.

The Transaction is also subject to NZSX Listing Rule 9.1 (Disposal or Acquisition of Assets). Rule 9.1.1 prevents a listed entity from entering into a transaction or series of transactions to, among other things, acquire assets as part of a major transaction unless the transaction is approved by an ordinary resolution of the listed entity's shareholders. The Transaction falls within the ambit of Rule 9.1.1 because the Purchase Price exceeds 50% of the weighted average market capitalisation of EBOS during the 20 business days prior to the Transaction being announced to the market.



Pursuant to Rule 9.1, the Notice of Meeting to be sent to EBOS shareholders must contain such reports and other information necessary for shareholders to appraise the implications of the Transaction. Rule 9.1 does not explicitly state that an independent adviser's report is required. However, EBOS believes that this report helps to satisfy the requirements of Rule 9.1 of the Listing Rules.

2.2 Basis of Assessment

In our experience, the form of report required to satisfy Rule 18 of the Takeovers Code will meet most (if not all) of the reporting requirements for the purposes of Rule 9.1 and Rule 7.3 of the NZSX Listing Rules. Accordingly, the basis of our assessment of the Transaction for the purposes of the NZSX Listing Rules is the same as that outlined above for the purposes of the Takeovers Code.



Appendix 2: Profile of the Australian Pharmaceuticals Industry

1.0 Overview

1.1 Products

A broad classification of pharmaceutical products, which include both prescription and non-prescription products, is set out in Table 47 below.

Table 47: Classification of Pharmaceutical Products

Classification	Description
Ethical Pharmaceutical Products	Medicines which can only be obtained with a prescription from a medical practitioner.
Pharmacist-only and Pharmacy-only Products	Classes of non-ethical products (i.e. no prescription required). Pharmacist-only products must be sold in a pharmacy under the supervision of a pharmacist and must be stored and displayed behind the counter. Pharmacy-only products must be sold in a pharmacy but can be displayed in front of the counter.
Over the Counter ("OTC") Products	OTC products are non-ethical products. Some must be sold in pharmacies and some may be sold in other retail outlets such as supermarkets.

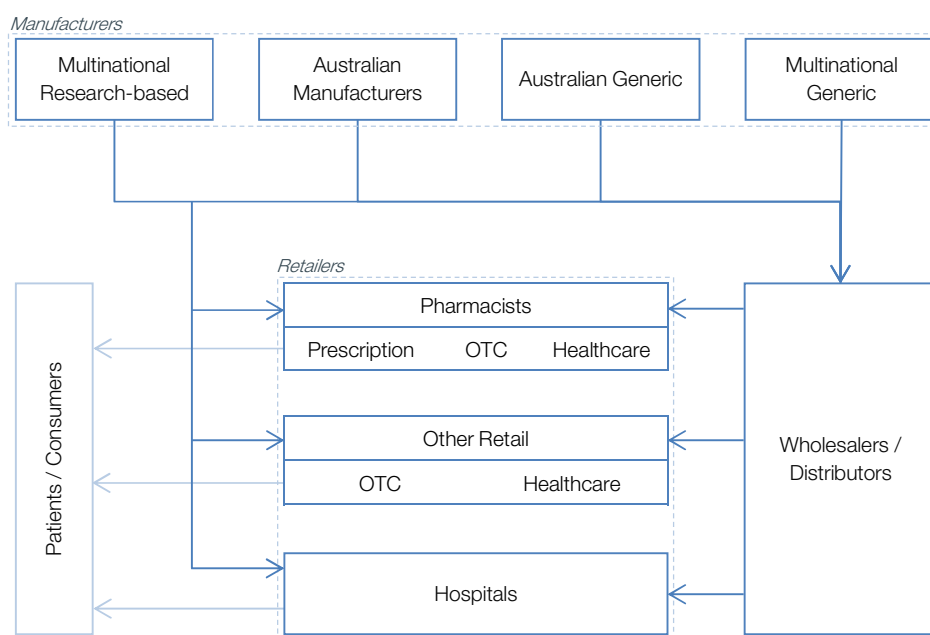
Source: Northington Partners' Analysis

The majority of ethical pharmaceuticals are supplied through the PBS, a Commonwealth Government scheme that subsidises the cost of certain prescription only products. Details on the PBS are set out in paragraph 3.2 below.

1.2 Industry Structure

The Australian pharmaceuticals industry primarily comprises firms involved with the manufacture of medicines and medical products, and service related segments including wholesaling and distribution. A comparatively smaller number of firms are involved with bio-medical research and biotechnology. An overview of the structure of the industry is set out in Figure 29 below.

Figure 29: Industry Structure



Source: Northington Partners' Analysis



2.0 Key Industry Participants

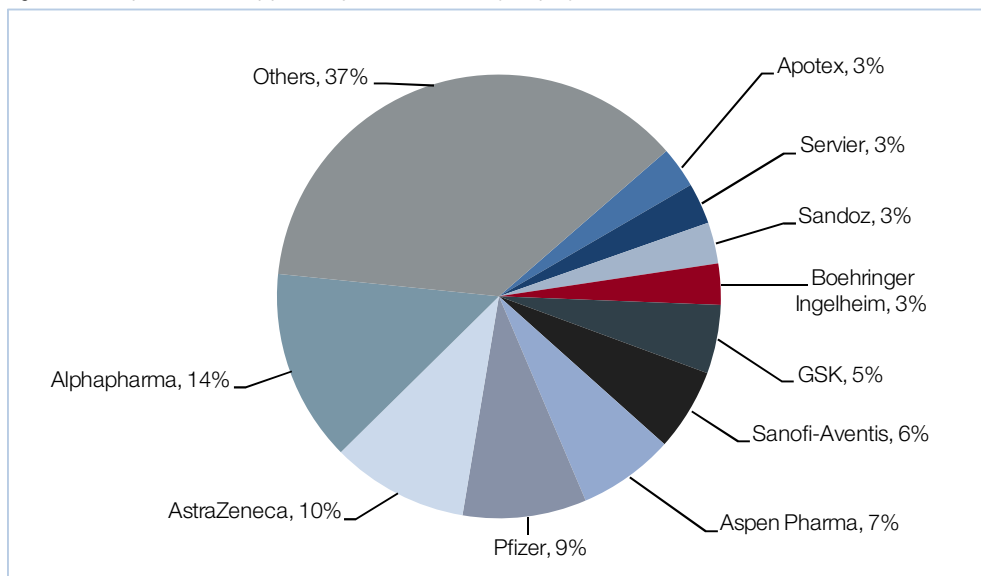
The main participants in the Australian pharmaceuticals industry are summarised below.

2.1 Manufacturers

Pharmaceutical manufacturers produce ethical pharmaceuticals, non-ethical pharmaceuticals available in pharmacies, and other healthcare products available in outlets other than pharmacies. Pharmaceuticals may be proprietary brand-name products (protected by patent) or generic products (not protected by patent).

The top 10 suppliers to the PBS by market share (scripts) during 2010-11 are set out in Figure 30.

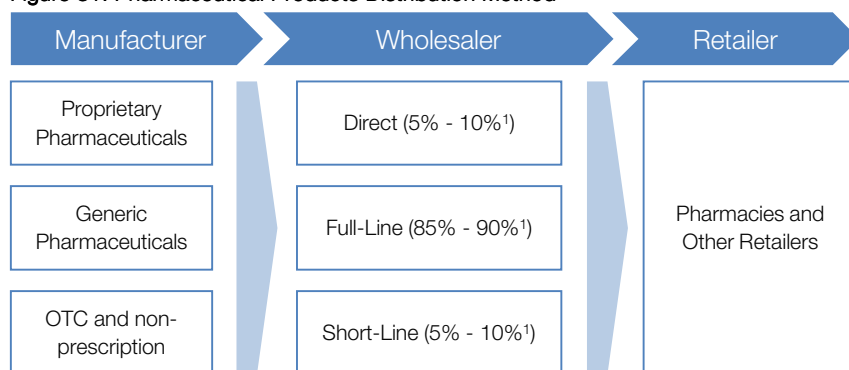
Figure 30: Top 10 PBS Suppliers by Market Share (Scripts), 2010-11



Source: Pharmaceutical Benefits Pricing Authority Annual Report 2010-2011

The majority of manufacturers utilise the services of wholesalers to supply their products to retailers. The major exception is Pfizer, which in early 2011 embarked on a direct distribution model in an exclusive logistics partnership with DHL.

Figure 31: Pharmaceutical Products Distribution Method



¹. Share of volume estimate; assumes Pfizer's share of the OTC market is the same as for PBS medicines

Source: Symbion management, Pharmacy Guild of Australia, IBIS World



2.2 Full-line Wholesalers

As indicated in Figure 31 above, the vast majority of pharmaceuticals, healthcare and other products required by pharmacies and hospitals are distributed by full-line wholesalers. Full-line wholesalers stock a large number of product lines (often over 15,000 items) and provide a high level of service that frequently requires delivery of small quantities of products on a national basis. Typically, deliveries are made at least daily to most urban pharmacies and daily to most regional locations. In order to provide this level of service, full-line wholesalers have warehouses spread around the country to minimise delivery times.

The wholesaling of pharmaceutical products differs from general wholesaling in several respects:

- High frequency of delivery;
- Short turnaround times from order to delivery (as short as four to five hours);
- Frequent delivery of items on an individual basis (compared to general wholesalers who typically deliver by the box or pallet load);
- High information technology requirements, including establishing systems for single item picking; and
- Requirements for high levels of security for particular types of drugs.

As set out in Table 48 below, there are currently three full-line wholesalers in Australia: Symbion, API and Sigma. Details are set out in Section 3.0 for Symbion and Section 6.3 for API and Sigma.

Table 48: Full-line Wholesalers

Item	Symbion	API	Sigma
Key businesses	<ul style="list-style-type: none"> ▪ Pharmacy and hospital wholesale services ▪ Private label products 	<ul style="list-style-type: none"> ▪ Pharmacy wholesaling ▪ Consumer brands (healthcare manufacturing) ▪ Retailing 	<ul style="list-style-type: none"> ▪ Healthcare wholesaling
Sales	A\$3.9 billion ⁽¹⁾	A\$3.2 billion ⁽²⁾	A\$2.9 billion ⁽³⁾
Est. market share ⁽⁴⁾	c. 32%	c. 31%	c. 37%

Note: (1) Year Ended 31 December 2012, (2) Year Ended 31 August 2012, (3) Year Ended 31 January 2013, (4) Volume percentage of full-line wholesale market in FY2011

Source: Company annual reports, Company websites, Public announcements

2.3 Short-line Wholesalers

Short-line wholesalers provide a more limited service than full-line wholesalers. Generally, they deal in a narrower product range than full-line wholesalers, deliver less frequently, and operate on a regional rather than a national basis. Two of the more notable short-line wholesalers include Central Hospital Services Pty Ltd (based in Victoria, and stocking around 3,500 product lines) and Friendly Society Medical Association Limited, a mutual organisation trading under the name “National Pharmacies” with operations in South Australia, Victoria and New South Wales.

2.4 Community Pharmacies

Australia’s retail pharmacy market contains over 5,000 pharmacies. Pharmacies typically fall into one of three classifications, as set out in Table 49 below.



Table 49: Classification of Pharmacies

Classification	% of all pharmacies ⁽¹⁾	Description
Aligned Brands	25%	Groups of retail pharmacies (similar to franchise groups) which are principally marketing groups that allow for joint advertising and promotion. Formed with the purpose of providing support to retail pharmacies, group support generally includes marketing services and may comprise assistance with store layout, promotions and business advice. In many cases, banner group members are able to obtain (or must obtain a certain proportion of) products branded with the name of the banner group. The majority of banner groups are operated by the three full-line wholesalers.
Banner / Buying Groups	30%	Buying groups are formed by individual pharmacists with the aim of acting collectively in purchasing so as to obtain cheaper prices than would otherwise be possible if they were acting individually. Buying groups obtain products both from wholesalers and directly from manufacturers.
Independent Pharmacies	45%	Independent pharmacies are essentially those that are not part of a banner group or a buying group. Some independents are nonetheless informally aligned with wholesalers by making use of retail support programs offered by those wholesalers (for example, the "Pharmacy Choice" program provided by Symbion).

Note: (1) LEK Consulting Limited estimate

Source: Northington Partners' Analysis

2.5 Hospitals

Public and private hospitals acquire products directly from manufacturers as well as from full-line and short-line wholesalers. Public hospitals may also obtain products from manufacturers by way of competitive tender, a process which differs in various states.

3.0 Regulatory Framework

3.1 Overview

The vast majority of therapeutic goods sold in Australia are regulated under the Therapeutic Goods Act 1989 ("TG Act"). Principal features of the TG Act include:

- Setting out the legal requirements for the import, export, manufacture and supply of medicines in Australia;
- Detailing the requirements for listing or registering of all therapeutic goods in the Australian Register of Therapeutic Goods ("ARTG"); and
- Establishing many other aspects of the law such as advertising, labelling and product appearance.

The TG Act is supported by Regulations and various Orders and Determinations which provide further details of matters covered in the TG Act. Many of the TG Act's requirements are overseen by the Therapeutic Goods Administration ("TGA"), a business unit of the Australian Government Department of Health and Ageing, which is responsible for ensuring therapeutic products available in Australia are of an acceptable standard.

3.2 Pharmaceutical Benefits Scheme

3.2.1 Overview

The PBS is a Commonwealth Government scheme that subsidises the cost of certain prescription only products. The PBS has been in operation since 1948, with the aim of providing Australian residents and eligible foreign visitors with reliable and affordable access to a wide range of necessary medicines. Although all prescription drugs approved by the TGA can be sold (on prescription) in Australia, most are supplied through the PBS.



Once a drug has received TGA approval, the manufacturer or supplier of the drug may seek to list it on the PBS. To be listed on the PBS a drug must be recommended by the Pharmaceutical Benefits Advisory Committee (“**PBAC**”). The PBAC is an independent expert body comprising medical practitioners, pharmacists, consumers and health economists. The PBAC assesses clinical evidence to determine the need for the drug, the efficacy of the treatment against alternatives, and the cost effectiveness of the drug compared against alternative treatment.

If the PBAC recommends a product for listing on the PBS, the information is sent to the Pharmaceutical Benefits Pricing Authority (“**PBPA**”). The PBPA makes recommendations to the Minister for Health and Ageing on the price and conditions the manufacturer or supplier should receive for supplying medicines to the PBS. The objective of the PBPA is to secure reliable supply of pharmaceutical products at the most reasonable cost to Australian taxpayers and consumers consistent with maintaining a sustainable pharmaceutical industry in Australia. The PBPA also reviews the PBS price of every listed medicine at least once a year.

Consumers pay a proportion (a “co-payment”) of the cost of all PBS medicines, with the Australian Government paying the balance of the cost. The amount of the co-payment is adjusted on 1 January each year in line with the Consumer Price Index. From 1 January 2013, consumers pay up to a maximum of A\$36.10 for most PBS medicines (or A\$5.90 if they hold a concession card).

For the year ended 30 June 2012, the total cost of PBS prescriptions was A\$9.1 billion, comprising government expenditure of A\$7.6 billion (83.4% of the total cost) and patient contributions of A\$1.5 billion (16.6% of the total cost)¹⁶.

3.2.2 PBS Reforms

In 2007, the Australian Government, with the support of the Opposition, passed the most comprehensive package of changes to the PBS since its inception in 1948 (“**PBS Reforms**”). The PBS Reforms created structural changes to the PBS intended to maintain the efficiency and sustainability of the scheme and to provide certainty about pricing policy for the Australian pharmaceutical industry. A key objective of the reforms was to encourage physicians to prescribe more generic (non-branded) pharmaceuticals which, together with other initiatives, were originally estimated to produce savings to government of more than A\$3billion over 10 years.

The PBS Reforms were designed to cover the three main functions which concern the supply of medicines – manufacturing, wholesaling and dispensing – and included the following elements:

- The creation of two separate formularies – F1 consists of drugs listed for which there is only one brand listed on the PBS and F2 consists of drugs where there are two or more brands listed on the PBS.
- A series of price reductions were applied to F2 drugs.
- The first time a new drug is listed on the PBS, the price of that drug is reduced by 12.5%.
- Progressive introduction of a system of price disclosure for all F2 medicines.
- A change to the pharmacy mark-up structure resulting in an increase in mark-ups for many medicines.
- An incentive for pharmacies to process claims online (using PBS Online).
- A premium-free dispensing incentive to encourage dispensing of brands of substitutable PBS medicines that cost consumers no more than the co-payment.

¹⁶ Source: Department of Health and Ageing (“**DoHA**”); data reported on a cash accounting basis.



- An incentive for wholesalers to increase their participation in the Community Service Obligation (“**CSO**”) pool (details on the CSO are set out in Section 3.2.4 below).
- Funding for a campaign to increase consumer awareness of the safety and effectiveness of generic medicines.

As a result of the evaluation of the PBS Reforms, a Memorandum of Understanding (“**MOU**”) was signed in September 2010 between the Australian government and Medicines Australia (the peak body representing the manufacturers and suppliers of proprietary medicines in Australia). The MOU is designed to continue the innovations and reforms to the PBS between 2010 and 2014 (“**Additional PBS Reforms**”) and includes additional price reductions (16% instead of the previous 12.5%) for a new listing of a PBS drug as a competitor drug.

Another key component of the Additional PBS Reforms was the introduction of an expanded and accelerated price disclosure (“**EAPD**”) regime, which expanded on the price disclosure regime that applied to F2 drugs under the PBS Reforms. Essentially, in the second year that an off-patent drug is listed on the PBS alongside a competitor generic drug, the EAPD regime requires the manufacturer to disclose monthly volume and price data. The PBS listed price for that drug is then adjusted annually to the weighted average disclosed price. Since its introduction, the price disclosure regime has had the effect of increasing the penetration of generic drugs and reducing average prices for off-patent drugs.

3.2.3 Community Pharmacy Agreements

Community Pharmacy Agreements entered into between the Australian Government and the Pharmacy Guild of Australia (the national body representing community pharmacies) are a key part of the regulatory landscape. The Agreements provide remuneration for around 5,000 community pharmacies for the dispensing of PBS medicines (including details around dispensing fees and pharmacy and wholesaler mark-ups), the provision of pharmacy programs and services, and the CSO arrangements with pharmaceutical wholesalers.

The current agreement, the Fifth Community Pharmacy Agreement, was signed on 3 May 2010 and took effect on 1 July 2010 for a period of five years.

3.2.4 Community Service Obligation

As part of the Fourth Community Pharmacy Agreement, the Australian Government provided funding for a CSO Funding Pool in addition to the wholesale mark-up included in remuneration for pharmacists. The objective of the CSO Funding Pool (approximately A\$182 million in 2012/13) is to ensure that arrangements are in place to provide all Australians with on-going and timely access to the full range of PBS medicines via their community pharmacy.

The CSO Funding Pool provides financial support to pharmaceutical wholesalers (typically full-line wholesalers) supplying the full range of PBS medicines to community pharmacies across Australia, regardless of pharmacy location and the relative cost of supply.

The Australian Government has committed to the on-going operation of the CSO Funding Pool until June 2015 under the Fifth Community Pharmacy Agreement.

3.2.5 Pricing of PBS Pharmaceuticals

When a community pharmacist supplies a PBS listed pharmaceutical, the pharmacist is paid the PBS dispensed price of the pharmaceutical, less the amount of any co-payment from the consumer. The PBS dispensed price consists of:



- The cost to the pharmacist;
- A mark-up by the pharmacist;
- Dispensing fees; and
- Any other fees the pharmacist is entitled to (e.g. special handling fees for dangerous drugs).

3.2.6 Cost to the Pharmacist

The cost to the pharmacist is made up of the manufacturer's price (as determined by the PBPA) plus a mark-up added by the wholesaler. The wholesaler mark-up is regulated under the terms of the Fifth Community Pharmacy Agreement, as set out in Table 50 below. Wholesalers may apply a lesser mark-up than the regulated maximum (which is a reasonably common occurrence as wholesalers seek to win business from pharmacies).

Table 50: Regulated Wholesaler Mark-up

PBS Manufacturer Price	Wholesaler Mark-up
Up to and including \$930.06	7.52% of the manufacturer's price
Over \$930.06	\$69.94 (maximum price)

Source: Fifth Community Pharmacy Agreement

3.2.7 Pharmacy Mark-up

The pharmacy mark-up covers the costs to the pharmacist of storing and handling PBS pharmaceuticals. The mark-up is added to the cost to the pharmacist of the product from the wholesaler and is a compulsory charge to the consumer. As set out in Table 51 below, there are six levels of pharmacy mark-up allowed under the terms of the Fifth Community Pharmacy Agreement. The level of mark-up remains the same, regardless of the quantity of medicines supplied.

Table 51: Regulated Pharmacy Mark-up

Cost of medicine to pharmacist	Pharmacy Mark-up
Up to and including \$30.00	15%
Between \$30.01 and \$45.00	\$4.50
Between \$45.01 and \$180.00	10%
Between \$180.01 and \$450.00	\$18.00
Between \$450.01 and \$1,750.00	4%
Over \$1,750.00	\$70.00

Source: Fifth Community Pharmacy Agreement

3.2.8 Dispensing Fees

A "ready prepared" dispensing fee applies for PBS pharmaceuticals that do not require further preparation or compounding, which is the case for the bulk of PBS medicines. This fee is a compulsory addition to the pharmacy mark-up component, regardless of the cost of the medicine. The current ready prepared fee is \$6.52. Only one fee is paid for each prescription, regardless of quantity.

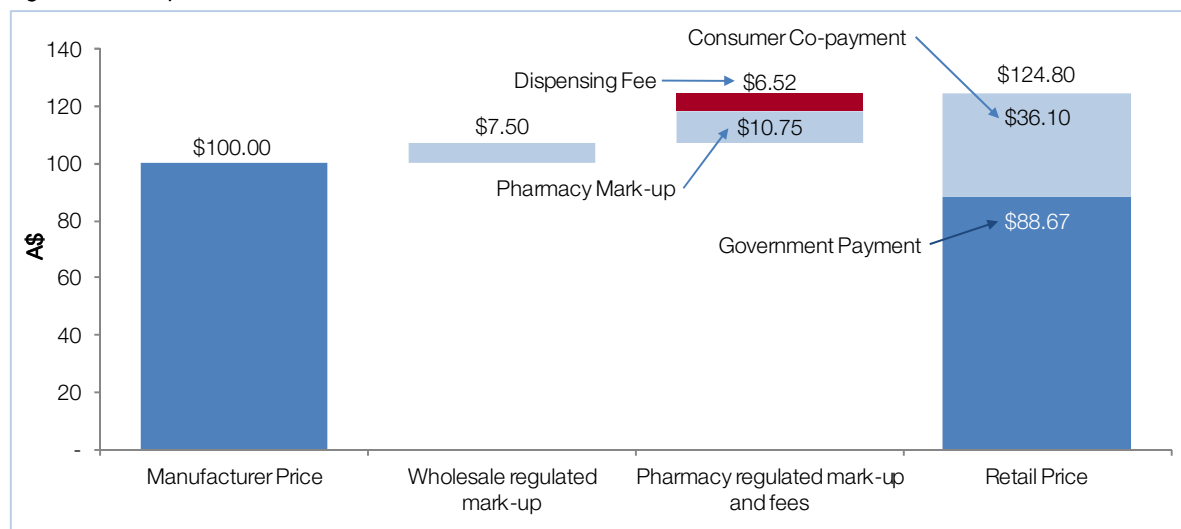


Different fee levels (or additional fees) apply in the case of pharmaceuticals that cannot be ready prepared or constitute dangerous or highly specialised drugs.

3.2.9 Summary

An illustration of how the retail price of a PBS pharmaceutical is calculated (assuming a manufacturer price of \$100 as the starting point) is set out in Figure 32 below.

Figure 32: Example of Pharmaceutical Retail Price Calculation



Source: Fifth Community Pharmacy Agreement, Northington Partners' Analysis

3.3 Pharmacy Ownership and Location Rules

On 1 July 2010, a national scheme (covering all states and territories) was established for the registration and accreditation of health professionals, including pharmacists. However, the scheme does not address the rules regarding pharmacy ownership, which continues to be the responsibility of individual states and territories. As a result there are variances from state to state on who may have an ownership interest in a pharmacy business, and how many such businesses a person or entity can have an ownership interest in.

As a general rule (exceptions do exist), all jurisdictions within Australia restrict ownership of a pharmacy business to pharmacists, entities owned by pharmacists, and friendly societies operated for the benefit of their members. For pharmacist owners (excluding friendly societies), ownership is generally restricted to 4-6 pharmacy businesses in order to restrict the formation of corporatised chains.

Although large supermarket chains in Australia have made several attempts to enter the pharmacy space (which is common in many overseas markets such as the US and UK), they are currently banned from doing so under the terms of the Fifth Community Pharmacy Agreement. It is unclear whether the supermarkets will lobby for this ban to be overturned before negotiations commence on the Sixth Community Pharmacy Agreement which will come into force in July 2015.

There are strict rules governing where new pharmacies can be located, or the re-location of existing pharmacies. These rules are designed to prevent new pharmacies competing against existing practices.

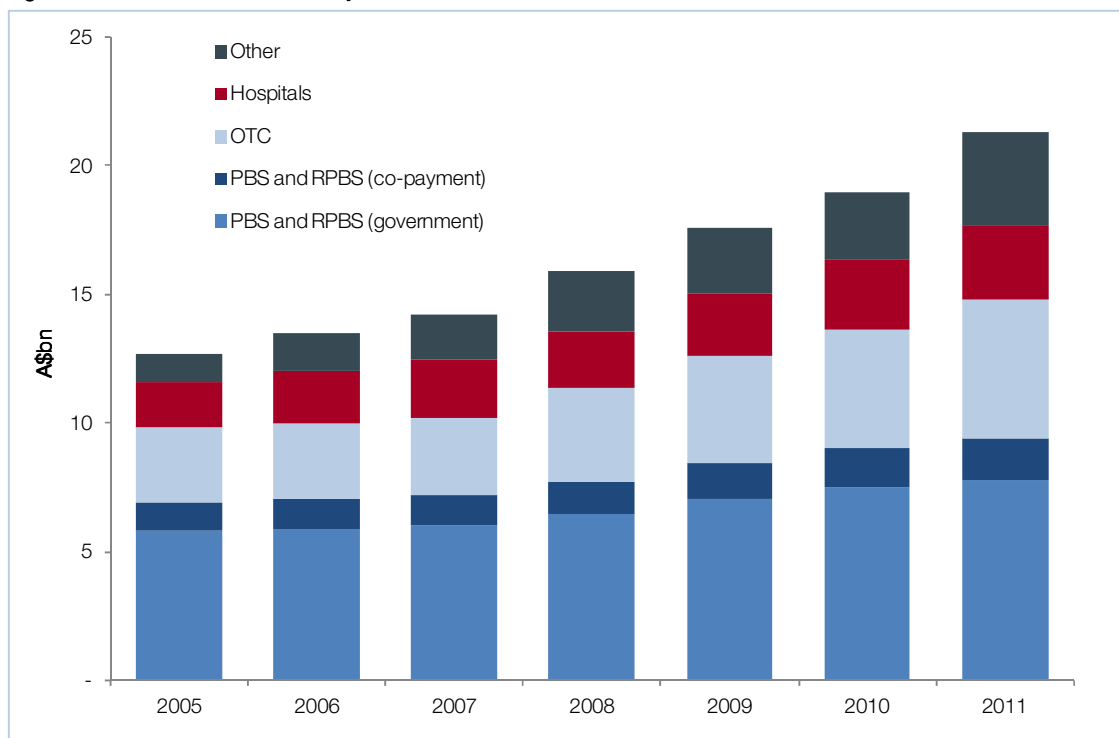


4.0 Industry Trends

4.1 Size

As set out in Figure 33 below, total pharmaceutical industry turnover has increased from around A\$12.7 billion in 2005 to around A\$21.3 billion in 2011. Growth in the industry has been driven principally by PBS and OTC expenditure.

Figure 33: Pharmaceuticals Industry Turnover



Notes: (1) Hospitals data excludes PBS drugs but includes highly specialised drugs

Source: Australian Institute of Health and Welfare.

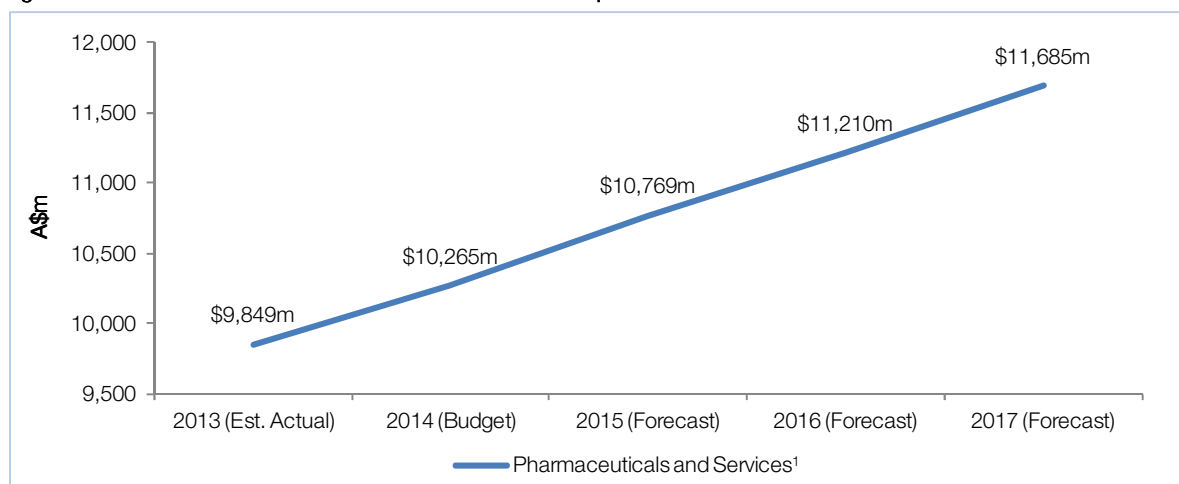
4.2 Outlook

On 14 May 2013, the Commonwealth Government announced its budget for 2013-14 ("**Budget**"). The Budget states that total healthcare expenditure is estimated to increase by a total of 8.6% in real terms through to 2016-17, driven by a growing and ageing population. However, the PBS expenditure component of the Budget is estimated to grow at a lower rate of 5% in real terms.

Figure 34 below sets out the Budget's forecast expenditure on pharmaceutical benefits and services from 2012-13 through to 2016-17.



Figure 34: Forecast Pharmaceutical Benefits and Services Expenditure



Source: Australian Commonwealth Budget

1. Includes expenditure on pharmaceuticals, pharmaceutical services, and targeted assistance (pharmaceuticals), but excludes expenditure on community pharmacy, pharmaceutical awareness and targeted assistance (aids and appliances).

One of the stated purposes of the PBS Reforms and Additional PBS Reforms was to reduce the cost of off-patent drugs and create funding headroom for the listing of new and innovative drugs. Although the Government initially estimated (before the reforms) the savings from the PBS Reforms to be around A\$3 billion over 10 years, a number of subsequent estimates in 2009-10 commissioned for the Government and other industry participants suggested the savings may be in the range of A\$5.8 billion to A\$7.4 billion¹⁷. A more recent report prepared in May 2013 for Medicines Australia by Victoria University's Centre for Strategic Economic Studies¹⁸ ("**May 2013 CESC Report**") concluded that:

- Together, the PBS Reforms and Additional PBS Reforms are likely to deliver cumulative savings of around A\$17.9 billion in the period 2010-11 to 2017-18.
- Estimated savings attributable to the PBS Reforms of A\$14.5 billion (2010-11 to 2017-18) are around five times the original estimate of A\$3 billion and around twice the Government's revised estimate of A\$5.8 billion in 2010.
- Around 70% of the total estimated savings of A\$14.5 billion (2010-11 to 2017-18) from the PBS Reforms is attributable to the price disclosure regime, confirming that there is a high level of competition between suppliers in the off-patent (F2 formulary) market, resulting in price reductions.
- In the period 2010-11 to 2017-18, around 85% of the savings from the Additional PBS Reforms will be borne by manufacturers, with the balance split between wholesalers (6%) and pharmacists (9%). The Government will be the overwhelming beneficiary of the reforms (94%), with consumers benefiting around 6%.
- Overall PBS expenditure will remain constrained and the impact of any new listings on the PBS is not likely to threaten the sustainability of the PBS.
- There has been a significant decline in the number of new innovative medicines listed on the PBS since 2009-10, with 2011-12 having the lowest number of new medicines listed in 20 years.

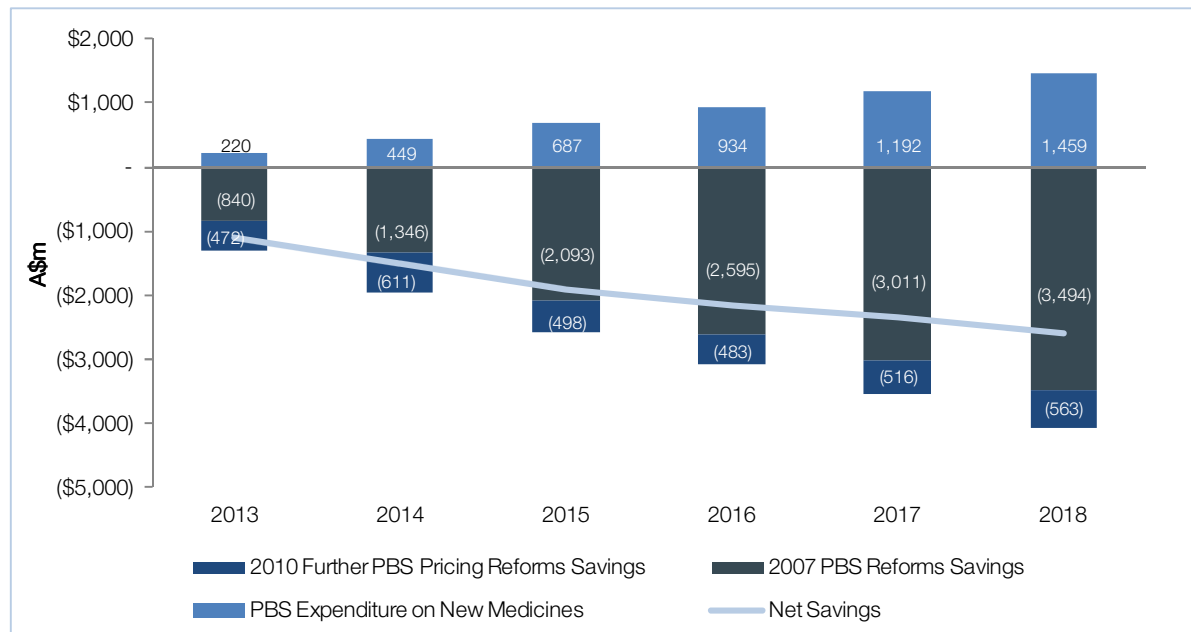
The May 2013 CESC Report also modelled the level of expenditure expected on new medicines that enter the PBS. Assuming that the PBS formulary increases by 20 medicines per year and the average cost of each grows by 4% per year, it was estimated that the net effect of new medicines would be an additional A\$1,459 million per year in PBS expenditure by 2017-18. As set out in Figure 35 below, the modelled level

¹⁷ Medicines Australia – Centre for Strategic Economic Studies (2009), Pharmacy Guild of Australia – Illuminate Consulting (2009), and DoHA – PwC (2010).

¹⁸ "The Impact of Further PBS Reforms" (May 2013), Dr Kim Sweeny, Centre for Strategic Economic Studies, Victoria University.

of expenditure on new medicines is well below the modelled savings from the PBS Reforms and Additional PBS Reforms.

Figure 35: PBS Expenditure on New Medicines and PBS Reforms Savings



Source: May 2013 CESC Report

In conclusion, since the introduction of the PBS Reforms there have been many estimates prepared on the level of savings the reforms would produce. Many of the original estimates turned out to be too low, fundamentally because of an underestimation of the impact of the reforms (particularly the price disclosure regime) and an overestimation of the demand for medicines. While it is difficult to land on a consensus view as to the on-going net effect of the savings from the reforms and expenditure on new PBS listed medicines, there is a very real risk that overall PBS expenditure will decline, impacting manufacturers, wholesalers and pharmacists.



Appendix 3: Comparable Transaction Data

A summary description of the transactions listed in Table 37 in Section 6.3.2 is set out below.

Date	Target	Acquirer	Target Key Industries	Target Description
<i>Australia & New Zealand</i>				
Dec-11	Masterpet Corporation	EBOS	<ul style="list-style-type: none"> Pet product distribution Pet product retailing 	Distributes pet accessories, health care products, and foods for animals in Australasia.
Oct-10	Provet Holdings	Henry Schein	<ul style="list-style-type: none"> Veterinary product distribution Vet consulting and training 	Distributes veterinary products in Australasia.
Aug-08	Symbion Health (Drugstore Distribution)	Zuellig Australia Pharmacy Services	<ul style="list-style-type: none"> Healthcare distribution 	Distributes pharmaceuticals and allied products to pharmacies in Australia.
Nov-07	Symbion Health	Primary Health Care Limited	<ul style="list-style-type: none"> Diagnostic testing and imaging Healthcare distribution 	Operator of medical, pathology, and imaging facilities, as well as pharmacies across Australia.
Aug-07	Pharmacy Retailing NZ	EBOS	<ul style="list-style-type: none"> Pharmaceutical distribution and logistics 	Pharmaceutical wholesaler and distributor.
May-06	Douglas Pharmaceuticals Australia	Genepharm Australasia	<ul style="list-style-type: none"> Pharmaceutical distribution 	Distributes pharmaceutical products to pharmacies in Australia.
Australia & New Zealand Average				
<i>International</i>				
Oct-12	PSS World Medical	McKesson Corporation	<ul style="list-style-type: none"> Healthcare product distribution to non-hospital providers 	Provides medical products, supplies, and pharmaceuticals in the United States.
Sep-12	Mediq NV	Advent International Corporation	<ul style="list-style-type: none"> Healthcare distribution Pharmacy retail 	Provides pharmaceuticals, medical supplies, and related care services in Europe and the United States.
Jun-12	Alliance Boots GmbH	Walgreen	<ul style="list-style-type: none"> Healthcare and beauty distribution Pharmacy and beauty retail 	Pharmacy-led health and beauty retailing, and pharmaceutical wholesaling and distribution activities internationally.
Nov-10	Zuellig Pharma (China)	Cardinal Health	<ul style="list-style-type: none"> Pharmaceutical distribution 	Distributes pharmaceuticals in China.
Nov-10	Kinray	Cardinal Health	<ul style="list-style-type: none"> Healthcare, home healthcare, pharmaceutical distribution 	Distributor of pharmaceutical, generic, and health and beauty products in the United States.
Oct-10	Andreae-Noris Zahn AG	Alliance Boots GmbH	<ul style="list-style-type: none"> Pharmaceutical distribution 	Wholesaler of pharmaceutical products to pharmacies and hospitals in Germany and internationally.
International Average				
Overall Average				

Source: Capital IQ, Company Announcements and Financials, Northington Partners' Analysis



Appendix 4: Comparable Company Data

A summary description of the companies listed in Table 38 in Section 6.3.2 is set out below.

Company	EV (NZ\$m)	FY12 EBITDA (NZ\$m)	Net Debt / FY12 EBITDA	Net Debt / (Net Debt + Market Equity)	EV / FY12 Revenue	EV / FY12 EBITDA
<i>Australia & New Zealand</i>						
EBOS	\$625	\$47	2.0x	15%	0.4x	13.3x
Sigma Pharmaceuticals	\$1,031	\$95	nm	(10%)	0.3x	10.8x
Australian Pharmaceutical Industries	\$519	\$99	2.6x	49%	0.1x	5.2x
Australia & New Zealand Average			1.2x	18%	0.3x	9.8x
<i>United States</i>						
McKesson Corporation	\$35,819	\$3,512	0.8x	8%	0.2x	10.2x
Cardinal Health	\$21,789	\$2,729	0.6x	8%	0.2x	8.0x
AmerisourceBergen Corporation	\$15,603	\$1,721	0.0x	0%	0.2x	9.1x
Henry Schein	\$10,939	\$925	0.7x	6%	1.0x	11.8x
Patterson Companies	\$5,482	\$488	0.7x	7%	1.3x	11.2x
Owens & Minor	\$2,686	\$300	nm	(0%)	0.2x	9.0x
United States Average			0.5x	5%	0.5x	9.9x
<i>Other International</i>						
Sinopharm Group Co	\$10,408	\$1,050	1.1x	11%	0.4x	9.9x
Celesio AG	\$6,966	\$525	4.7x	36%	0.2x	13.3x
MediPal Holdings Corporation	\$2,133	\$489	nm	(88%)	0.1x	4.4x
Suzuken Co	\$1,775	\$274	nm	(118%)	0.1x	6.5x
Toho Holdings	\$1,450	\$262	nm	(19%)	0.1x	5.5x
Other International Average			nm	nm	0.2x	7.9x
Overall Average			nm	nm	0.3x	9.2x

Source: Capital IQ and other Public Reports - Estimates as at 22 May 2013



Appendix 5: Financial Comparison of Symbion, Sigma and API

A table containing the financial metrics used in our comparative analysis in Section 6.3.2 is set out below.

Revenue Growth		FY2009	FY2010	FY2011	FY2012
Revenue (T) / (Revenue (T-1)) -1	Symbion	13.1%	6.3%	(1.4%)	2.8%
	API	9.6%	4.4%	(7.6%)	(6.1%)
	Sigma	(16.2%)	10.0%	6.6%	(2.1%)
Gross Margin		FY2009	FY2010	FY2011	FY2012
Gross Profit / Revenue	Symbion	n/a	n/a	6.3%	6.9%
	API	10.4%	9.9%	10.8%	12.1%
	Sigma	0.0%	6.0%	6.1%	7.1%
EBITDA Margin		FY2009	FY2010	FY2011	FY2012
EBITDA / Revenue	Symbion	2.4%	2.6%	2.7%	2.9%
	API	1.8%	2.1%	2.1%	2.4%
	Sigma	2.8%	2.6%	2.2%	2.6%
Operating Efficiency		FY2009	FY2010	FY2011	FY2012
Operating Expenses / Revenue	Symbion	n/a	n/a	5.2%	5.7%
	API	8.6%	7.9%	8.7%	9.7%
	Sigma	0.0%	3.4%	3.8%	4.5%
Interest Cover		FY2009	FY2010	FY2011	FY2012
EBIT / Net Interest Expense	Symbion	n/a	n/a	4.6x	5.3x
	API	2.3x	2.5x	2.1x	2.3x
	Sigma	0.0x	0.9x	0.8x	nm
Net Debt / EBITDA		FY2009	FY2010	FY2011	FY2012
Net Debt / EBITDA	Symbion	n/a	n/a	2.9x	1.9x
	API	0.0x	2.2x	2.1x	1.9x
	Sigma	6.2x	3.6x	nm	nm
ROCE		FY2009	FY2010	FY2011	FY2012
EBIT / (Total Equity + Total Debt)	Symbion	n/a	n/a	14.5%	16.8%
	API	11.1%	7.3%	7.1%	7.8%
	Sigma	3.8%	4.9%	5.1%	9.6%
ROE		FY2009	FY2010	FY2011	FY2012
Net Income / Total Equity	Symbion	n/a	n/a	20.3%	18.3%
	API	4.2%	3.8%	3.8%	3.9%
	Sigma	0.0%	(0.0%)	(0.4%)	7.1%

Source: Capital IQ, Company Announcements and Financials, Northington Partners' Analysis



Appendix 6: Market Evidence for Rights Issues

A table outlining the evidence referred to in Section 7.4.3 is set out below.

Date	Issuer	Offered (NZ\$m)	Offer Price (NZ\$)	Discount to TERP
2012	Rubicon	\$21	\$0.22	34.3%
2011	Goodman Fielder	\$338	\$0.59	27.0%
2011	Pacific Edge	\$16	\$0.19	21.8%
2011	Scott Technology	\$10	\$1.20	18.6%
2011	Contact Energy	\$331	\$5.05	12.0%
2010	Wellington Drive Technologies	\$8	\$0.01	66.9%
2010	Mercer Group	\$9	\$0.05	41.7%
2010	Hellaby Holdings	\$28	\$1.30	21.5%
2010	Dorchester Pacific	\$10	\$0.10	22.1%
2010	Pike River Coal	\$40	\$0.88	22.4%
2010	NZ Windfarms	\$31	\$0.15	34.2%
2010	Rubicon	\$21	\$0.60	39.2%
2010	Auckland International Airport	\$126	\$1.65	14.7%
2009	PGG Wrightson	\$181	\$0.45	21.5%
2009	Pyne Gould Corporation	\$237	\$0.40	20.7%
2009	Skellerup Holdings	\$22	\$0.40	21.3%
2009	Tower	\$81	\$1.34	19.5%
2009	Fisher & Paykel Appliances	\$143	\$0.41	27.4%
2009	NZX	\$21	\$4.00	38.6%
2009	AMP NZ Office Trust	\$201	\$0.65	16.2%
2009	Allied Farmers	\$8	\$0.40	25.2%
2009	Nuplex Industries	\$133	\$0.23	13.2%
2009	Pike River Coal	\$41	\$0.70	15.1%
2009	Metlifecare	\$38	\$1.08	49.3%
Average				26.8%

Source: Capital IQ, Company Announcements and Financials, Northington Partners' Analysis



Appendix 7: Sources of Information Used in This Report

Other than the information sources referenced directly in the body of the report, this assessment is also reliant on the following sources of information:

- Annual reports for EBOS for 2010, 2011 and 2012
- Audited financial statements for EBOS for the period FY2010 to FY2012, and unaudited financial statements for the six month period ending 31 December 2012
- Audited financial statements for ZHHA for the period FY2010 to FY2012
- Presentations prepared by EBOS and Symbion management in respect of the operations and prospects for their respective businesses
- Draft Notice of Special Meeting of shareholders and explanatory memorandum (relating to the proposed acquisition of Symbion and the issue of shares in EBOS)
- Discussions and correspondence with senior management of EBOS
- Various correspondence with senior management of Symbion
- Due diligence reports on Symbion's business prepared by Chapman Tripp (legal review), Ernst & Young (tax review), Deloitte (financial information review), and LEK Consulting (pharmaceutical market review)
- Financial models prepared by UBS New Zealand Limited
- An investor presentation prepared for the benefit of institutions considering participating in the Pre-Transaction Placement
- The websites of EBOS and Symbion
- The websites of various governmental and industry bodies involved in the Australian healthcare sector (including statistics or reports included on those websites)
- Various other documents that we considered necessary for the purposes of our analysis



Appendix 8: Declarations, Qualifications and Consents

Declarations

This report is dated 27 May 2013 and has been prepared by Northington Partners at the request of the independent directors of EBOS to fulfil the reporting requirements pursuant to Rule 18 of the Takeovers Code and Rule 6.2.2 of the NZSX Listing Rules. This report, or any part of it, should not be reproduced or used for any other purpose. Northington Partners specifically disclaims any obligation or liability to any party whatsoever in the event that this report is supplied or applied for any purpose other than that for which it is intended.

Prior drafts of this report were provided to EBOS, Symbion and their respective advisers for review and discussion. Although minor factual changes to the report were made after the release of the first draft, there were no changes to our methodology, analysis, or conclusions.

This report is provided for the benefit of all of the shareholders of EBOS (other than Zuellig or any entity associated with Zuellig), and Northington Partners consents to the distribution of this report to those people. The engagement terms did not contain any term which materially restricted the scope of our work.

Qualifications

Northington Partners provides an independent corporate advisory service to companies operating throughout New Zealand. The company specialises in mergers and acquisitions, capital raising support, expert opinions, financial instrument valuations, and business and share valuations. Northington Partners is retained by a mix of publicly listed companies, substantial privately held companies, and state owned enterprises.

The individuals responsible for preparing this report are Greg Anderson B.Com, M.Com (Hons), Ph.D, Steven Grant B.Com, LLB (Hons) and Mark Cahill BSC, M.Com. Each individual has a wealth of experience in providing independent advice to clients relating to the value of business assets and equity instruments, as well as the choice of appropriate financial structures and governance issues.

Northington Partners has been responsible for the preparation of numerous Independent Reports in relation to takeovers, mergers, and a range of other transactions subject to the Takeovers Code and NZSX Listing Rules.

Independence

Northington Partners has not been previously engaged on any matter by EBOS or (to the best of our knowledge) by any other party to the proposed transaction that could affect our independence. None of the Directors or employees of Northington Partners have any other relationship with any of the Directors or substantial security holders of the parties involved in the proposed Transaction.

The preparation of this independent report will be Northington Partners' only involvement in relation to the Transaction. Northington Partners will be paid a fixed fee for its services which is in no way contingent on the outcome of our analysis or the content of our report.

Northington Partners does not have any conflict of interest that could affect its ability to provide an unbiased report.



Disclaimer and Restrictions on the Scope of Our Work

In preparing this report, Northington Partners has relied on information provided by EBOS, Symbion and their respective advisers. Northington Partners has not performed anything in the nature of an audit of that information, and does not express any opinion on the reliability, accuracy, or completeness of the information provided to us and upon which we have relied.

Northington Partners has used the provided information on the basis that it is true and accurate in material respects and not misleading by reason of omission or otherwise. Accordingly, neither Northington Partners nor its Directors, employees or agents, accept any responsibility or liability for any such information being inaccurate, incomplete, unreliable or not soundly based or for any errors in the analysis, statements and opinions provided in this report resulting directly or indirectly from any such circumstances or from any assumptions upon which this report is based proving unjustified.

We reserve the right, but will be under no obligation, to review or amend our report if any additional information which was in existence on the date of this report was not brought to our attention, or subsequently comes to light.

Indemnity

EBOS has agreed to indemnify Northington Partners (to the maximum extent permitted by law) for all claims, proceedings, damages, losses (including consequential losses), fines, penalties, costs, charges and expenses (including legal fees and disbursements) suffered or incurred by Northington Partners in relation to the preparation of this report, except to the extent resulting from any act or omission of Northington Partners finally determined by a New Zealand Court of competent jurisdiction to constitute negligence or bad faith by Northington Partners.

EBOS has also agreed to promptly fund Northington Partners for its reasonable costs and expenses (including legal fees and expenses) in dealing with such claims or proceedings upon presentation by Northington Partners of the relevant invoices.





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