

22 October 2013

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EBOS Chairman Rick Christie

Address for AGM 2013

Once again I would like to thank you all for your support of EBOS. When I reflected on yet another momentous year for this company I was once again reminded of the English translation of the French expression that I made mention of several years ago: *'the more things change the more they stay the same'*. Another year, another major deal.

Over the past 12 years we have made 20 significant investments – clearly things change regularly here. But what has remained constant is the underlying focus of the EBOS board and management to deliver exceptional returns. As I have always been at pains to highlight, growth is not the end goal in itself. The key is to always target being the leader or the number two player in all the key market segments that we operate.

That is the underlying philosophy that drives EBOS and that will continue to do so in the future. The result of this growth is consistent returns to you our shareholders – over the past 10 years we have provided investors with compounding returns of 19% per annum.

We have talked much about the Symbion transaction in recent months – in fact five months have now passed since we were last in front of you, seeking approval for the largest ever transaction in EBOS's long history, indeed one of the largest on the NZX this year. Mark will be giving you a progress report on how things are tracking with Symbion and the rest of the business and how we are going against PFI. But given the significance of this \$1.1 billion transaction it would be remiss of me not to reflect briefly on the reasons why it is so important. To me a critical attribute is that Symbion gives us increased scale which means we can invest in infrastructure that will create further

efficiencies for our manufacturing and pharmaceutical partners, while maintaining or creating market leading positions for our business units. Symbion also opens up Australia for us. EBOS was already in Australia of course, but the opportunities now before us are so much bigger. This is without doubt a major step up for us. But what I hope we have proven to you over the years, is this team is up to that task.

The Symbion transaction also expands our shareholder base, resulting in greater share liquidity, an improved NZX 50 position and increased broker coverage. With a significant part of our earnings now coming from Australia it also gives us a reason to dual list there, which further increases the attractiveness and tradability of our shares. In that regard we are progressing well with an ASX listing and we are still targeting the end of this calendar year. I should add that Mark and his team have presented to a number of Australian institutions and broking firms, in recent months, and the reception has been very good.

Whilst the Symbion transaction is a watershed one, it has to some extent overshadowed another important milestone event that is also potentially very significant. On the 26 June 2013 we were advised by the Crown owned company Health Benefits Ltd (HBL) that we were the “preferred respondent” to streamline the distribution of medical supplies across the national public hospital network and similarly distribute pharmaceuticals to most of our public hospitals. This speaks to our logistics ability which is a core part of our business. I know Mark and his team see this as an exciting opportunity as it reinforces a lot of what we do now and what we want to do in the future. It’s a big tick of approval from the Government. But here is still some work to be done to secure this contract.

Whilst we may be very well known in the circles in which we do business, one of the historical challenges of this company is its relative low profile. We are not a Telecom or a Mighty River Power. As a company we have always flown below the radar. We don’t mind that. We accept, however, that this is changing as we grow and reach a scale that means we become more visible. But whatever

shape that may take the important thing is that the engine under the bonnet is still the same. Our focus will continue to be on driving performance and delivering outstanding returns to shareholders.

I have already introduced you to our Board and our two new members who add another layer of experience and knowledge, particularly in Australia. So the Board has changed since the Symbion transaction; but not a lot – you will note the same familiar faces here beside me.

It is fair to say we are not a passive Board – in fact the Board took a very active part in the Symbion acquisition. Liz and Barry were deeply involved in the due diligence process. Their engagement gave the Board significant comfort around the transaction. This was important because though we liked the business and saw the logic in it, there are major complexities in doing such a significant trans - Tasman deal.

EBOS is a company with a proud heritage. This slide shows that it has come a long way since the Early Brothers Trading Company opened for business in 1922. We are not far away from being 100 years old. Through our history change has been very important growth driver and it will continue to be important - but it will be so around a stable Board and a framework that recognises and values experience, expertise and management capability.

EBOS is fortunate to have such a capable and strong leader as Mark. But behind every good man is the team (and Mark's wife Angie of course). Mark very ably leads a small but very effective and capable team of senior executives. They all must be congratulated on bringing the Symbion transaction to a successful conclusion after an extensive period of intense work, as did the Symbion management team on the other side of the transaction.

Obviously the work does not, and has not stopped here – there is plenty being done to get the most out of the businesses and there is continuing focus on new opportunities. The Board is confident that the senior management group, including the Symbion team led by Patrick Davies is already

working to deliver on that potential. Importantly we also have the balance sheet capability to continue to look at opportunities if they fit our very strict criteria.

For shareholders it has once again been a rewarding year. There has been share price appreciation as the market reacted positively to the Symbion purchase. Distributions have also been strong. An interim dividend of 17.5 cents a share fully imputed was declared in April 2013 and a two for 53 bonus issue of ordinary shares was made in June 2013 to distribute available imputation credits. A final dividend for the 2013 year of 15 cents per share on the much enlarged capital base, partially imputed, will be payable on 22 October 2013. The Board has determined that future dividends will amount to 60-70 per cent of normalised net profit after tax (NPAT) after taking into account working capital requirements and funding for growth initiatives.

Finally I would like to take this opportunity to congratulate Mark on his Special Commendation at the Champion Canterbury Business Awards. I know Mark does not seek such accolades but as his Chairman, and speaking here on behalf of the whole board, I can't think of anyone more deserving of this distinction. Mark, in my opinion, is an exceptional Managing Director.

Without doubt he has presided over significant and rewarding changes to this business. But what has not changed is his service to this company, which has been outstanding - measured by his track record of driving performance consistently over many years.

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