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EBO: ADDRESS BY CHAIRMAN RICK CHRISTIE AT 2011 ANNUAL MEETING AT CHRISTCHURCH

CHAIRMAN'S ADDRESS:

Overview of the 2010-2011 financial year.

On the eve of the Rugby World Cup one of our national stockbroking firms Forsyth Barr produced an innovative gem of a booklet analysing each competing team's prospects and their national economy from several perspectives.

Last year, when we met, I noted my concern that the economic outlook was not a lot better than the year before. This year, I would have to say, it has not improved.

All but three Cup teams have now departed and there would not be one among them that will return to an economy bristling with confidence.

We are a reasonable way now into the life-span of the current global economic cycle and just when you might consider things are looking brighter there is another dropped pass. To continue the rugby parlance there are a number of countries which are now getting done over because they're lying on the ball, and slowing down their own recovery process.

Ireland played with courage and brilliance but their economic miracle is in tatters. The England team mirrored their country's economy – less expansive and less committed than before and now facing what the Bank of England calls possibly the worst crisis in England's history. A long and hard recovery process. High quality teams will always carry the ball forward perhaps they should add this:

All of the semi-finalists are from countries with strong credit ratings: Australia, France and Wales are each triple A rated; New Zealand is on AA+

In the present world financial turmoil, where sovereign debt issues have required expansive actions by central banks, your company is very fortunate to be heavily involved in two major economies that have sound banking systems, political stability and good medium term recovery prospects.

However, business conditions remain competitive and rugged.

We as a company have toiled with a great deal of resolve to deliver to you our result of 2011. What we *have not* done yet, is make another acquisition.

Intuitively, one would think that in tough economic times, there would be any number of distressed companies out there just waiting for new owners to inject new capital and new life into them.

To be fair, we have looked at a number, some quite large, and we have come very close; but for one reason or another they have not made the grade. The fact is, companies often falter, and eventually fail, because they have fundamental problems. It is axiomatic that many of them fail because they are poorly managed and strategically weak.

We have no appetite to buy companies on the cheap and then have to spend millions of dollars and many years to put them on a sound footing. Our acquisition strategy is to buy good companies, that are a good fit with our own objectives and competencies and with which we can hit the ground running, to our mutual advantage. We don't always succeed, but mostly we do, and our track record with 17 deals over the last 10 years will attest to that.

What we *have* done, in 2011, the year just past, is demonstrate real resilience in maintaining sales just above last year and achieving a very creditable bottom line of solid earnings. Mark Waller and his team deserve huge credit for that, despite the worsening economic conditions and with our head office in a city ruptured with three additional major earthquakes following September last year, and major floods in Queensland and New South Wales.

Our risk management processes stood up to the crisis. EBOS met the challenge with the capabilities demanded by its function as an essential player in the overall health system.

Let's review the results...with a few comments as we move ahead. Mr Waller will give you more insights into our operations in his commentary.

Revenue from *continuing operations* was sustained at \$1.34 billion, at much the same level as the year before, however without including the benefit of the sales from our scientific group which was sold last year

EBITDA was sustained at \$41.1m, slightly ahead of the year prior however NPAT from continuing operations was ahead 18.8%.

Including proceeds from the sale of our scientific business we achieved a bottom line net profit of \$31.6m...which boosted earnings per share to 61.2 cents for the 2011 year.

Dividends have reflected the company's results and we declared a final dividend of 18.0 cents paid on 7 October which together with the interim of 13.5 cents and the special dividend of 20.0 cented 51.5 cents for the year.

Key Fundamentals for the company:

- Top 50 NZX Board
- Issued Shares 52.11 million
- Share Price \$6.50
- Earnings Per Share 61.2 cents
- Price Earnings Ratio 10.62
- Dividend per share 51.50c
- Gross Dividend Yield 11.3%
- Market Capitalisation \$338.70 million

EBOS still has insignificant debt, however this will obviously change when the right acquisition comes along.

Cash flow remains strong and at balance date we held \$99.68 million in cash or cash equivalents in the bank.

Directors

Two of our directors are up for re election this year, and you will have seen from the Notice of Meeting that this year they are Mark Stewart and Peter Kraus. The Board unanimously supports a positive vote for each related resolution. I will ask each Director to say a few words at the appropriate time.

At this point I also wish to record the Board's appreciation of the excellent contribution made by director Mr Peter Merton who has resigned from the Board during the course of the year.

Peter joined the EBOS board following the acquisition of the PRNZ group and his deep knowledge of the pharmaceuticals distribution industry was of considerable help to us during the integration of that enterprise into the enlarged EBOS Group.

Peter has divested much of his original shareholding interest in EBOS acquired as part of the PRNZ transaction and therefore he felt it inappropriate to continue being a director of EBOS. Mr Merton retains an interest in the pharmaceutical industry and is therefore an important industry partner of EBOS

Acknowledgements

I would like to make some acknowledgements for the year past, starting by thanking the Board for their work during a challenging and highly eventful year.

The board is working well and confident about the direction EBOS is taking to look beyond present horizons.

EBOS has a highly skilled senior management team and an outstanding leader in Mark Waller.

I should also remind us that Mark was awarded the coveted title of 2010 Executive of the Year in the Deloitte/Management Magazine awards last year, following in the footsteps of Rob Fyfe of Air New Zealand, who was the 2009 winner.

The Board also sincerely appreciates the efforts of all of the staff of EBOS Group companies throughout Australia and New Zealand.

I acknowledge our suppliers within New Zealand and Australia and internationally and again thank them for putting your trust in EBOS.

We also greatly value our relationships in the healthcare, and consumer markets and we continue to work hard to deliver excellence in all of our contacts with our customers.

I now have pleasure in handing over to Mark for his commentary to the meeting.

Thank You.