

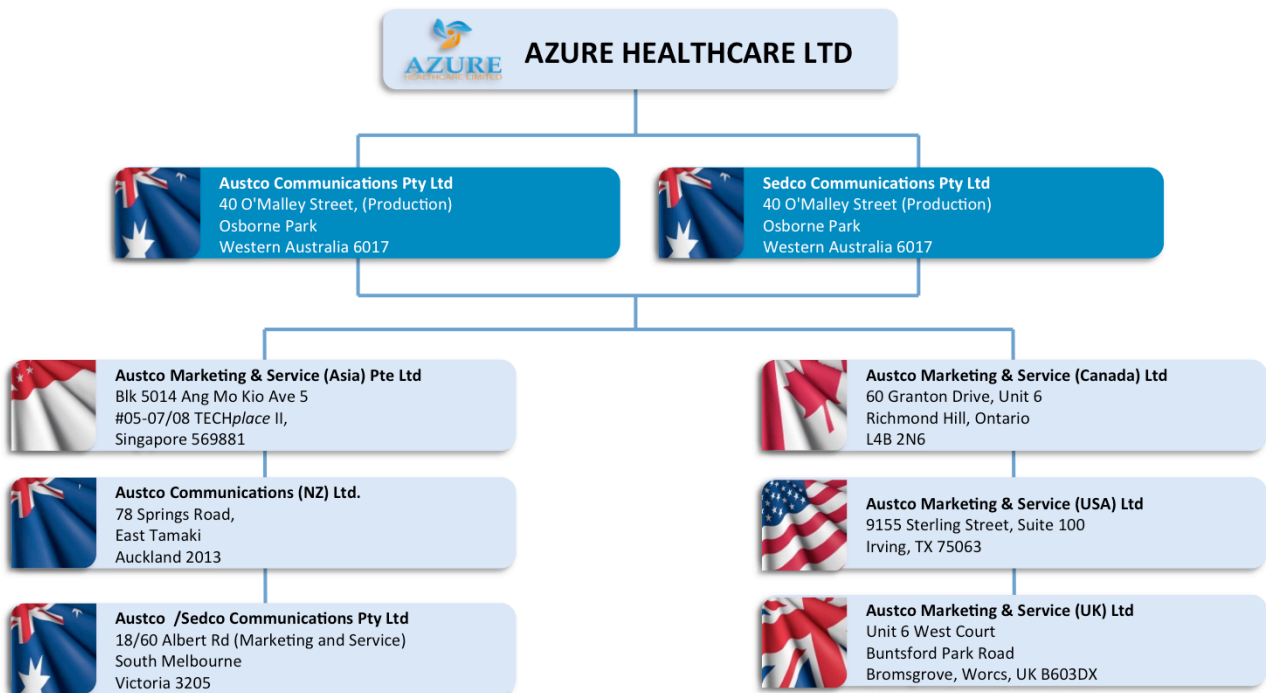


**CHAIRMAN'S ADDRESS TO AGM**  
**MELBOURNE 20 NOVEMBER 2014**

My fellow Shareholders,

The Directors are pleased to advise that in the 2014 financial year the strategic focus on the USA market continued to gain traction and momentum with increases in revenue, gross margins and profitability.

# CORPORATE STRUCTURE



2

Our worldwide management team worked hard to increase revenues and profitability. Our USA strategy is based around manufacturing our leading edge third generation Tacera Nurse call system in Irving Texas which has enabled us to gain both FDA registration and UL1069 certification.

## PERFORMANCE CLARIFICATION



On the 10 November 2014 we released an Update and Profit Guidance Announcement. Feedback from our shareholders has suggested that we provide further details on our current and expected performance. The following factors will influence our business in the short to medium term:

### *Strong and increasing pipeline of sales*

The Azure business continues to grow. Following on from significant project wins we anticipate future growth to be strong, although we are well aware that revenues are lumpy, management will always invest and manage our businesses for the long term.

### *Seasonality*

Ordinarily the Azure business has a financial performance which is weighted more strongly in the first half of the financial year. This is because there are more production and working days and higher demand for our products in the lead up to Christmas. For the first time in recent years we are experiencing a reversal in this trend with stronger demand and product delivery occurring more in the second half of this financial year.

### *Increasing revenues and margins*

The Azure business has continued to increase sales in the 2014 / 2015 financial year. The business is continuing to increase its software and maintenance sales and consequently is experiencing higher gross margins from its product offerings, we as a company, prefer to be judged on long term growth and profit, not on quarter by quarter financial outcomes.

## PERFORMANCE CLARIFICATION



R & D



Manufacturing

### *USA is a key market*

The business continues to increase sales year on year in particular in the US market. This is despite deferred revenue in New Zealand, Canada and Asia, due to key larger contracts deliveries being stretched or delayed in these regions. We cannot determine absolutely when these contracts will be completed although management would expect them to be finalised in the next 6-18 months.

### *Increased investment expenditure in production and R&D*

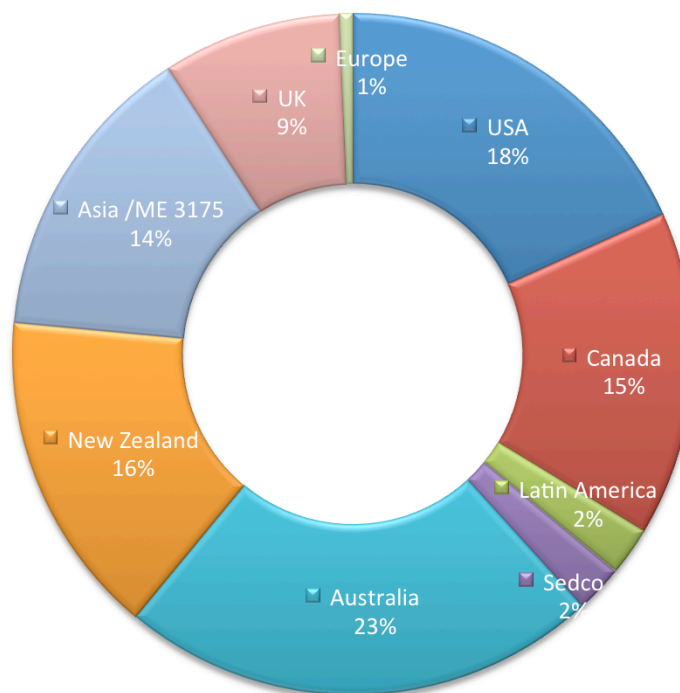
The good news is that the business continues to grow. In order to facilitate this growth we need to resource for the future. This involves spending more on production staffing to meet future demand and investment in developing new software to meet customer requirements. Additional expenditure in production staffing for the new US manufacturing facility will be approximately \$0.5m for the half year and \$0.65m for additional R&D expenditure. The Company expects these costs to continue for the foreseeable future but anticipates future revenue growth to eventuate from these investments. As a conservative approach the Company continues to expense these costs rather than capitalise them. Managements policy has not changed, we don't confuse the market by capitalising R&D and capital expansion costs to report higher earnings.

### *Cashflow and funding*

The Company confirms that despite the increased expenditure on R&D and production expansion that it has sufficient working capital to fund these initiatives without seeking external bank finance or capital raisings.



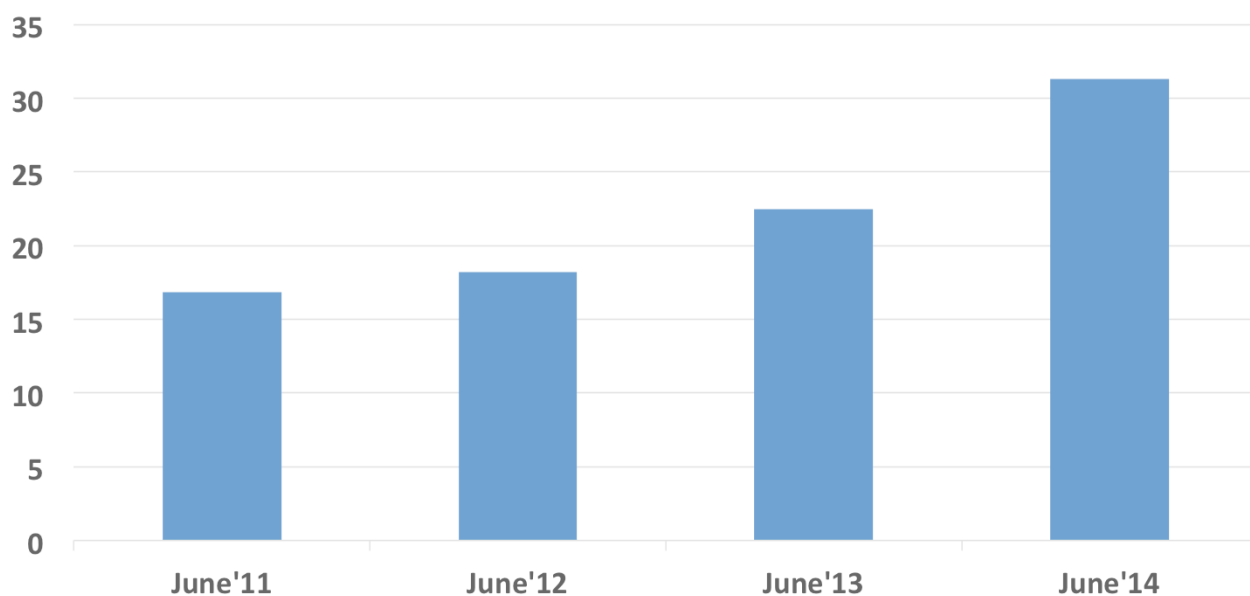
## % REVENUE BY REGION



The rapid increase in demand for workflow solutions has been readily met by our third generation Tacera platform and has seen us expand our traditional markets in Australia and New Zealand whilst obtaining substantial and escalating growth in North America. The significant increase in demand and requirement for our products in North America will be met by our new manufacturing and assembly plant in the USA. This facility is currently running at full single shift capacity and we have decided to increase the facility floor space by 65% in this financial year to meet current orders and future anticipated demand. The added production capacity will feed the growing US, Canadian and South American markets with reduced tariffs, shipping costs and lead times.

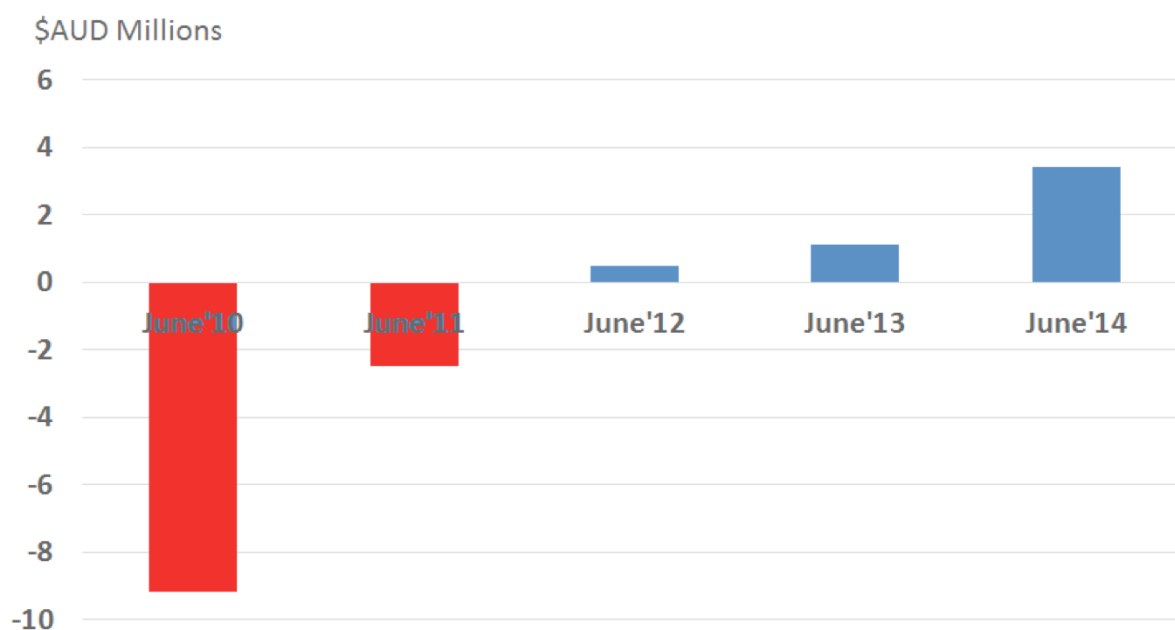
## REVENUES

\$AUD Millions



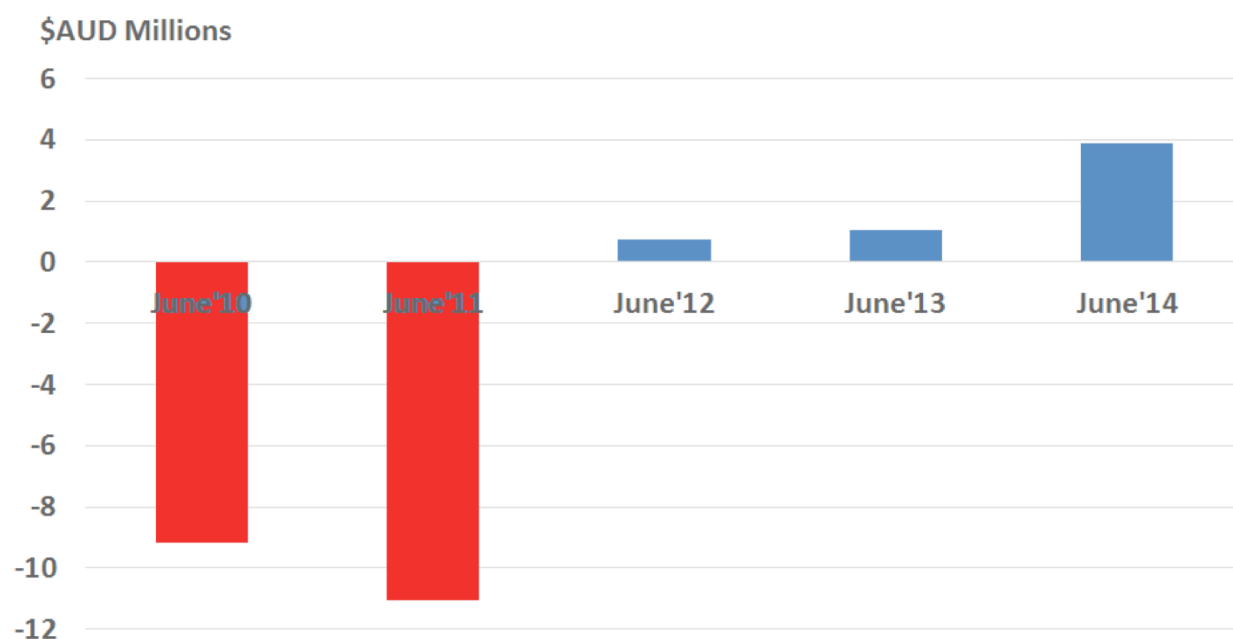
Revenue from ordinary activities increased by 39.2% in the 2014 financial year to \$31.3 million, reflecting increased demand for our new generation Tacera products.

## AZURE GROUP EARNINGS BEFORE INTEREST AND TAX



Net earnings before interest, tax, depreciation and amortisation, (EBITDA) was \$3.88 million, whilst earnings before interest and tax (EBIT) were \$3.40 million.

## AZURE GROUP NET PROFIT AFTER TAX



Net profit after tax (NPAT) was \$3.865 million representing a 271.7% increase from the 2013 financial year. The Azure Group produced a positive operating result of 2.04 cents earnings per share compared with 0.51 cents in 2013.

## 2013-2014 INITIATIVES COMPLETED

- Commission a new US production facility
- Introduce complimentary product lines
- Streamline and improve products
- Build our integrations /workflow offering
- Increase revenue and profit above the industry norms.
- Obtain UL and FDA 510(k) approvals



Financial Year 2013-2014 Initiatives that were successfully implemented to improve our business were:

- Commission and ramp up our new manufacturing plant in Irving Texas to take advantage of the potential growth in North and South America.
- Increase our direct revenue by engaging in strategic partnerships with Xtag and Curbell distributing their Tacera rebranded product through our extensive worldwide reseller channel and client base of over 8500 facilities.
- Increased our Research & Development investment to \$2.6m with increased emphasis on software integrations to allow us to capture more of the high margin clinical middleware business.
- Grew our Revenues by 39% and or Profits by 271% well above the industry norm.
- We gained the most important industry recognised certifications in North America, being Underwriters Laboratory's UL-1069 and the Food and Drugs Administration FDA 510(k) registration

## 2014-2015 INITIATIVES

- Build Strategic Partnerships
- Elevate and build the Austco brand
- Obtain TGA registration in Australia
- Increase capacity in the USA factory
- Build a USA based software development capacity
- Hire, train and build the staff capacity for future expected expansion



We started last year to develop strategic partnerships with the largest American Healthcare hardware and software supply companies. These partnerships will allow our development teams to provide company certified seamless integrations between our respective software and hardware solutions.

We have in the 2014/15 financial year doubled our marketing budget to \$0.6 million to increase brand awareness and grow new business in the future.

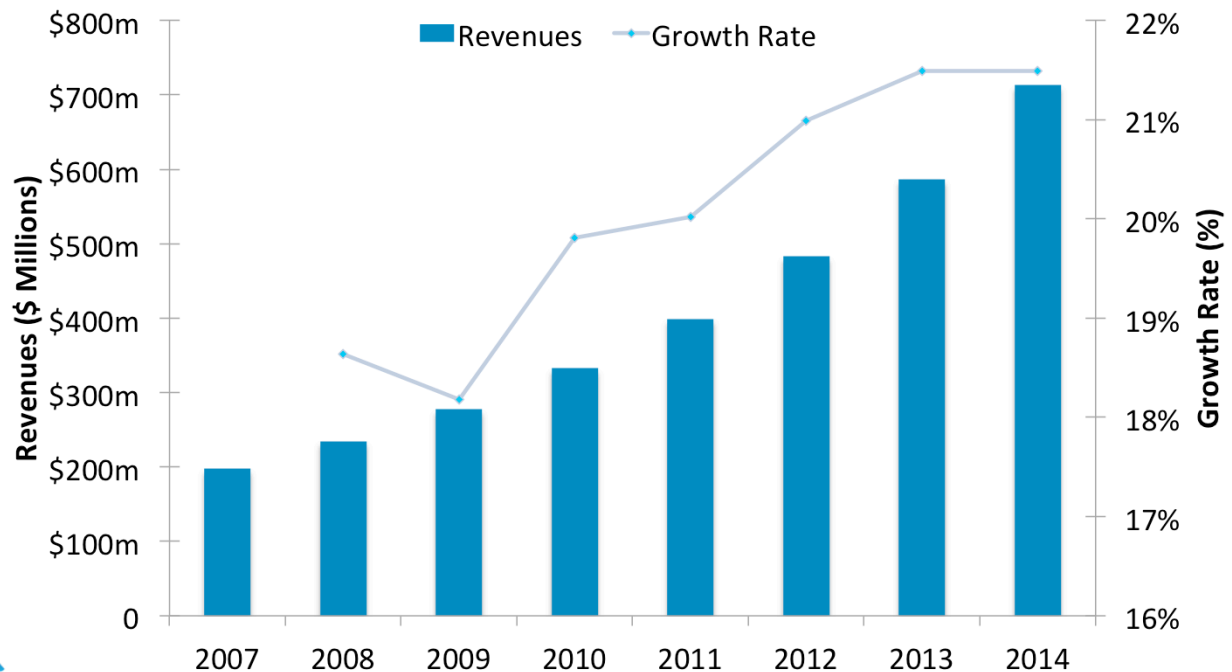
Just recently we obtained TGA registration as an approved device.

We are increasing the floor capacity in the USA factory by 65% by converting existing offices to manufacturing space and have leased an adjacent office space in our commercial complex and are moving our non manufacturing administration, sales and R&D personnel next door.

We are expanding our software development into the USA to meet FDA requirements for full 510K accreditation of our workflow software.



## NURSE CALL REVENUES (GLOBAL) 2007-2014



The world healthcare nurse call market grew from an estimated \$586.8 million in 2013 to \$712.9 million in 2014, (21.5 percent). Our success over the past 12 months has been possible only because we have addressed the market drivers within the Clinical Workflow space with more integrations, to empower nursing staff with mobile solutions. It is self evident that the Azure Group's installation base of some 8,500 nurse call systems worldwide, has allowed us to capture more of these emerging opportunities and will continue to drive our sales in the future.

## WHY ARE WE SO EXCITED ABOUT THE US MARKET

- Technology trends originate in the United States and are gradually adopted internationally.
- There is a much broader number of clinical, facility management & wireless telephony suppliers and the integrations require deeper levels of sophistication.
- Outside of North America, middleware focuses on facility alarm management, whereas the USA has a stronger emphasis on clinical integration and workflow management.
- The market is more commercially focussed, emphasizing the requirement to improve operational efficiencies than their international counterparts.
- The more sophisticated commercial relationships, coupled with the litigious nature of the market, places a greater degree of emphasis on formalized partnerships & certifications.



12

### US HEALTHCARE MARKET

The United States culture is more patriotic than its international counterparts, with a strong emphasis on purchasing from American firms and “made in America”, thus Azures American Made push.

- The expectation of Product Aesthetics vary in different countries. In the United States there is tendency for products to appear “Sturdy and Solid” whereas most Western Cultures have a stronger emphasis on a “Sleek and Clean” look and feel. Due to our industrial design implementation, we are considered the most attractive product in the US and with a reputation for reliability.
- The size of the US, requires

marketing strategies such as direct marketing in order to influence the broader audience as Austco is a (relatively) unknown brand within the US healthcare system, a greater degree of emphasis needs to be placed on promoting and educating both end users and strategic partnerships to reduce the fear, uncertainty and doubt of our ‘new brand’.

- The US is fragmented in the clinical and facility alarm management business so it is important to align ourselves with and certify our integrations with the leading suppliers to accelerate revenue opportunities.

## WHY ARE WE SO EXCITED ABOUT THE US MARKET

- The size of the market, in conjunction with ongoing market consolidation makes it economical for Healthcare management to invest substantial effort in streamlining operational efficiencies through technology.
- This results in a more sophisticated and complex sale with a larger transaction value.
- US hospitals are in direct competition with each other due to the high cost of care model and are all looking for a technology edge over their competition.

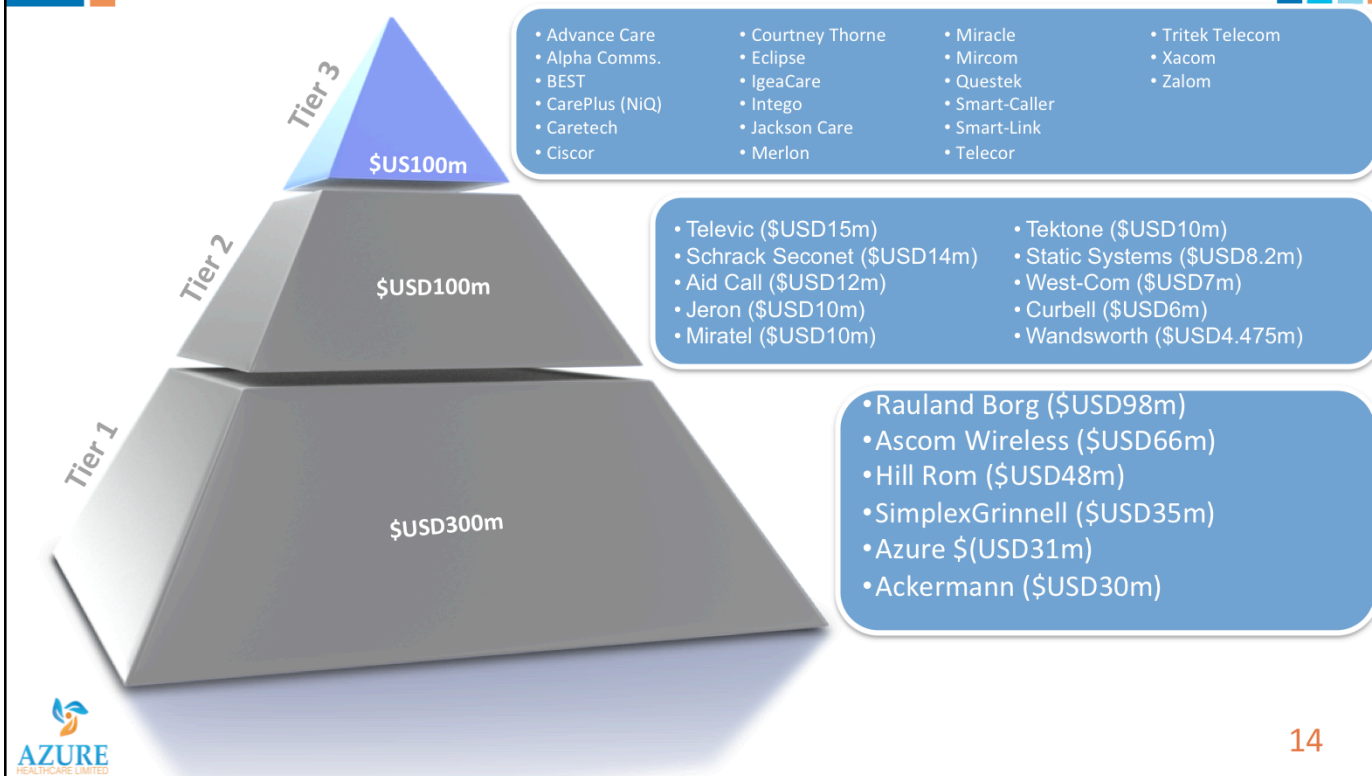


13

### US HEALTHCARE MARKET OBSERVATIONS

- The North American marketplace is more sophisticated, and there are a substantially higher number of third party integrations required and a growing trend to tightly couple clinical systems and wireless telephony devices into a ubiquitous platform. This typically in the past was done by middleware vendors separate from Nurse call providers, this business is now being encroached by Azure as we develop these systems.
- There is a strong ROI case for CIO's / CCIO's and executive management to invest substantial effort in streamlining operational efficiencies through the utilization of technology as the costs involved in analysing and reviewing proposed solutions may be mitigated over a broader installation base. This results in a more sophisticated and complex selling cycle, albeit for a larger transaction value with improved margins.
- The private for profit model and strong competition in US are a threat to hospitals high cost of care model, so it is in the Hospital's interest to streamline workflows and operations through the use of advanced technology to keep their pricing competitive when a patient is deciding which Hospital to receive their treatment at.
- Hospitals are looking for innovative technologies to allow the Hospital to promote themselves not just on cost but on quality of care with the latest available technologies.

## COMPETITIVE LANDSCAPE



14

It is interesting to note that although our 2013/14 FY revenues were US\$31 million we are the fastest growing and one of the largest Nurse call and Clinical software company's in the world. We expect the ongoing market consolidation will create opportunities to acquire other competitors as the industry moves more to workflow and clinical connectivity. The majority of tier 2 and tier 3 companies are too small to make the required investment and transition into Clinical Software.



### **Future performance and investment**

We are not in a position to accurately forecast our expected financial performance for the full year due to the continued uncertainty of project timing, our increased investment in capacity, R&D innovation and the expansion requirement of our international subsidiaries. We expect the Company to increase both sales and gross profitability in the 2014/15 financial year whilst expanding production capability and investment in future products.

# Thank you!

The 2013-2014 was a challenging yet rewarding year for the company as the economic climate improved in the Americas, Asia, New Zealand and Australia, it declined or was stagnant in European and the Middle East. These changes called for major commitment, dedication and flexibility on the part of our employees and business partners. The result was that the company still increased its worldwide revenues and net profit.

On behalf of the Board of Directors, we would like to thank all our employees for their outstanding support.

Our thanks go also to our customers for the trust they show in our products and services, the good business relationship and the many ways in which they inspire us.

We as Azure Healthcare shareholders should be proud of the progress our company has made this year and I personally thank all our 1500+ shareholders for your support of our company as we continue to grow and prosper.





# Any Questions?