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EBOS REPORTS STRONG EARNINGS GROWTH FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

Financial and Business Highlights

New Zealand Dollars[1]	31 December 2015 (unaudited)	Growth (actual FX)	Growth (constant FX)
Total Revenues	$3.4 billion	+8.3%	+9.0%
EBITDA	$113.7 million	+13.3%	+13.9%
EBIT	$101.4 million	+14.6%	+15.2%
Profit before Tax	$91.7 million	+19.1%	+19.7%
Net Profit after Tax	$64.2 million	+18.9%	+19.6%
Earnings per Share	42.5 cents	+17.5%	+18.1%
Operating Cash Flow	$46.6 million	+52.6%	
Interim Dividend per Share	26.0 cents	+18.2%	

- Strong revenues from retail pharmacy markets in Australia and New Zealand
- Red Seal acquisition provides new growth platform for our Consumer Products business
- Performance of recent acquisitions (in particular BlackHawk and Red Seal) provides confidence for future investment in key markets and business units
- Directors have declared an interim dividend of 26.0 cents per share representing an increase of 18.2%

Group overview

EBOS Group Limited is pleased to announce strong financial results for the six months ended 31 December 2015 following a robust performance by the Group's Healthcare and Animal Care business units.

EBOS Group Chief Executive Officer, Patrick Davies said the result reflected the benefits of continued organic growth and nearly $100 million in strategic investments across the Group during the first half.

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

Mr Davies said the results provided confidence for the Group to continue investing in its key markets to drive future growth and improved returns for shareholders. "Importantly we have been able to fund our strategic investments through either cash flows generated by the business or existing debt facilities thereby maximising our return on investment," Mr Davies said.

The Group was pleased to execute the acquisition of Red Seal, a natural vitamins, supplements and products business for $80 million on 30 November 2015 and is excited about the potential of this business. "This acquisition is strategically important for the Group as Red Seal accelerates the growth of our Endeavour Consumer Health business in Australia, New Zealand and Asia," Mr Davies said.

"We also completed the acquisition of Zest in the first half. Whilst a relatively small transaction for the Group, Zest is part of the company's growing focus on areas including the delivery and administration of specialty pharmaceutical products, further strengthening our relationships with the manufacturer community," Mr Davies said.

Group Financial Results

Revenues for the half year of $3.4 billion were up 8.3% on the same period last year (9.0% in constant currency terms) with Healthcare up by 8.2% and Animal care up by 10.1%.

Earnings before net finance costs, tax, depreciation and amortisation **(EBITDA**) grew by 13.3% to $113.7 million with Healthcare up by 12.7% and Animal Care up by 16.3%. The Group's EBITDA margin increased by 14 points to 3.36% with margin growth across both divisions.

The impact of a higher NZD/AUD cross rate once again negatively impacted the Group's reported earnings. For the first half the higher average exchange rate resulted in EBITDA being approximately $0.6 million lower.

Profit before Tax increased by 19.1% due to both the solid growth in operating earnings and lower net finance costs which were down 15.6%.

Net Profit after Tax increased to $64.2 million, representing an increase of 18.9% on the prior half-year, and **earnings per share** increased by 17.5%.

Divisional overview

<u>Healthcare</u>

The Healthcare business generated EBITDA for the period of just under $100 million representing growth of 12.7% underpinned by revenue growth of 8.2%. Strong revenue and EBITDA growth was recorded by both our Australian and New Zealand businesses.

In Australia, EBITDA growth of 10.1% was recorded on the back of a 7.8% increase in revenue. The profit performance of the Australian business reflected sound performances across Pharmacy, Institutional Healthcare and Contract Logistics.

In the Australian pharmacy market, solid wholesale revenue growth was assisted by increased levels of activity particularly in the non-prescription channel.

Importantly, the Group's Onelink Australia business commenced operations under the NSW Health medical consumables warehousing and distribution contract, demonstrating to governments and other principals the operational capacity and expertise of our Onelink business.

The New Zealand operations (including our International healthcare business) delivered a strong performance over the half-year with revenue increasing by 9.7% and EBITDA increasing by 24.1%. The strong performance was reflective of higher levels of activity within our Contract Logistics business combined with a robust performance from our International division.

Animal Care

Animal Care recorded a 10.1% increase in revenue and a 16.3% increase in EBITDA.

The Animal Care business benefited from a full six month earnings contribution from our BlackHawk business (acquired 31 October 2014). "We are pleased with the performance of BlackHawk and we continue to see strong support for the brand by pet specialty retailers in Australia," Mr Davies said.

EBOS Group's 50% owned Animates business (NZ) further demonstrated its position as the pre-eminent pet retailer in New Zealand with impressive like for like sales growth of 7.3%.

Operating Cash Flow and Return on Capital Employed

Operating cash flow for the period of $46.6 million was up 52.6% on the prior corresponding period and the Group's Net Debt/EBITDA ratio at 31 December 2015 was 1.8x.

Return on Capital Employed increased by 1.4% to 14.3% reflecting the increased operating profit and cash performance of the Group, including the benefits of strategic investments undertaken in both the current and prior years.

"The Group's cash generation and balance sheet strength has allowed us to continue to make significant strategic investments in our business and at the same time efficient use of our capital has delivered an improvement in our ROCE ," Mr Davies said.

Interim Dividend

The Directors have declared an interim dividend of 26.0 cents per share representing an increase of 18.2% on the prior corresponding period.

The interim dividend will be imputed to 25% for New Zealand resident shareholders and will be fully franked for Australian resident shareholders.

The record date for the dividend will be 11 March 2016 and the dividend will be paid on 1 April 2016.

As communicated in August 2015, the Board has reviewed the Group's dividend reinvestment plan (DRP). The Board has decided to suspend the DRP and, accordingly, it will not apply in respect of the interim dividend.

Outlook

EBOS has recorded positive financial results for the first half of the financial year across both its Healthcare and Animal Care divisions. The financial performance and growth in the first half has benefited from acquisitions and investments undertaken in previous periods which have now cycled through a full twelve months of ownership. We remain confident of delivering another year of double digit, constant currency, profit growth for our shareholders in 2016.

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