



HEALTH ZONE

healthy life



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LIMITED

MARKET UPDATE

August 2011



Australia's Wellness Sector

Market Leader

Healthzone operates a portfolio of distribution, consumer health products and retail businesses and is the largest operator in the Australian Wellness Sector with significant and growing Asian and China wellness market interests.

Each business provides immediate opportunities for earnings growth through business development and integration.

Healthzone's businesses are comprised of three principal activities;

- **Health and Beauty Distribution**
- **Health and Beauty Own Brand Products**
- **Health Food Retail**



Listed on the Australian Stock Exchange (ASX): November 2006 (ASX code: HZL)
Shares on Issue: 96.3 million
Share Price Range (12 months): 0.24c to 0.48c
Market Cap: \$35 million
Historical P/E (2009/10): 3.5x – 6.0x
Listed on OTCQX: April 2010 (OTCQX code: HLTZY)
ADR OTCQX: 1:20 Ordinary Shares

Lawyers: Baker & McKenzie
Auditors: PKF Accountants

Key Attributes;

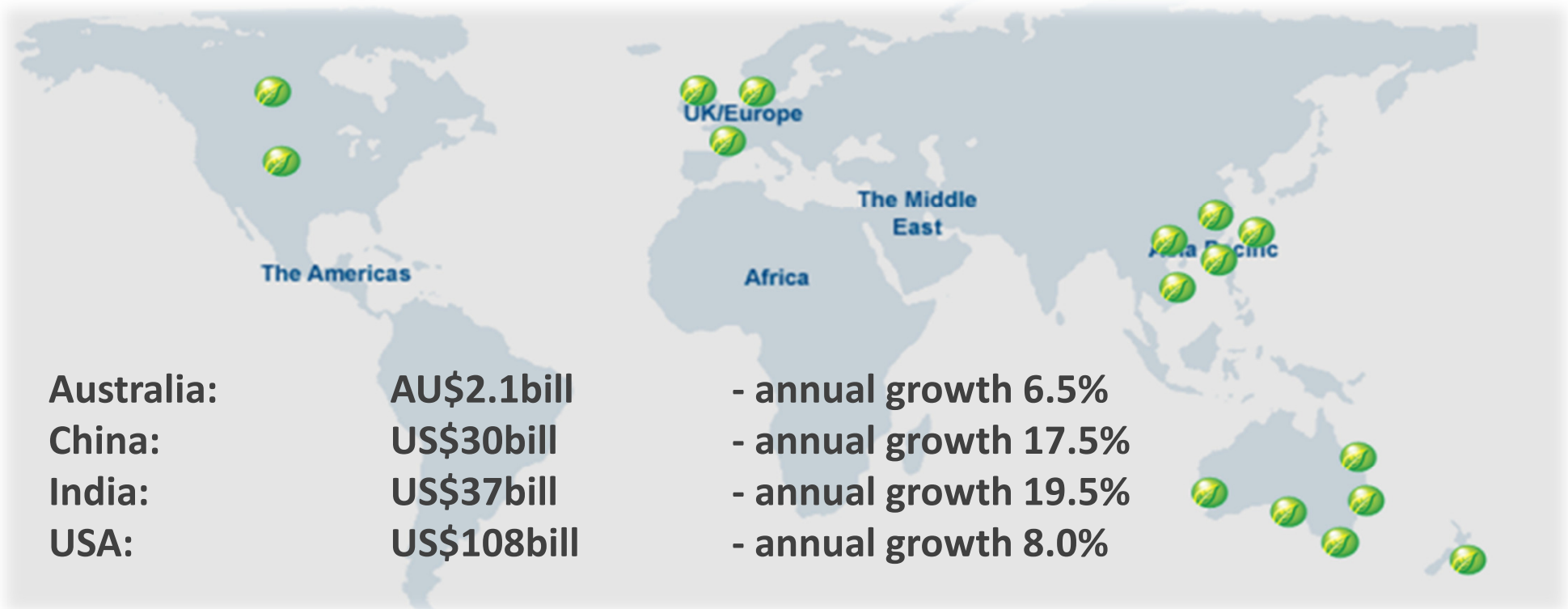
- Businesses established for more than 40+ years
- China trading profitable and established for 14+ years
- Experienced management team – China & Australia based
- Solid financial performance
- Diversified income stream
- Margin growth opportunity
- Rapidly expanding markets



GLOBAL WELLNESS SECTOR MARKETS

The Wellness Sector encompasses a broad range of products and services to enhance general health & wellbeing including vitamin supplements, dietary & sports nutrition, natural personal & beauty care and functional, healthy & organic foods.

Healthzone is clearly focused with established strategies for growth in markets much larger than the Australian market with the China market growing at more than twice the size of the Australian market every year. Healthzone's now largest shareholder **Eu Yan Sang** will accelerate Healthzone's growth in these rapidly expanding Asian markets.



HEALTHZONE COMPETITIVE ADVANTAGE

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BRANDS
the natural health experts

AVERAGE MARGIN 55%
300+ Healthy Life products
150+ Natural Alternative
45+ Bod skincare
45+ Aurinda products

Vertical integration of the Healthzone CGU's provide between 55% and 95% gross margins at Retail level

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RETAIL
the natural health experts

HEALTHY LIFE retail franchise
30 Company stores **AVERAGE MARGIN 40%**
120+ franchised stores - 200 stores by 2012
Healthy Life China - 100 stores by 2012

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SOLUTIONS
the natural health experts

AVERAGE MARGIN 15%
Expanding to 25%
Supply 5,500+ products to 5,000+ outlets;

- Pharmacy
- Health food
- Supermarkets
- Department Stores
- Online Retailers
- Practitioners
- Travel Retail



**Margin
Expansion
Strategy**

HEALTHZONE DISTRIBUTION



- Australia's largest natural products distributor
- Established 25+ years
- Supplier of more than 5 mill products per annum
- 5,500 product lines from 170 suppliers
- More than 5,000 wholesale customers
 - Health food chains
 - Pharmacies
 - Supermarkets

International Distribution

- More than 1,600 kiosks in China
- Established wholesale distribution network in Asia, Europe and Nth America

Jasham International

- Accelerating penetration of pharmacy channel – 65% reach
- Distribution of beauty, cosmetic, hair care, fragrance and wellness products



Key Growth Objectives - Distribution

- ❖ Expand Australian and International product supply customers
- ❖ Increase China and Asian regional growth
- ❖ Margin growth through value add supplier services – Expanding to 25%
- ❖ Margin growth through own brand development & product substitution
- ❖ Leverage new advanced EDI and ERP technology - \$1mill investment
- ❖ Expansion of skincare and cosmetics distribution - Natural Personal Care 18% annual growth
- ❖ Expand organic food product distribution - AU\$1+bill* market 15.1%** annual growth
- ❖ Capitalize on Healthzone scale and strategic relationships in new markets

* Australian Organic Market Report 2010 (AOMR) ** IBIS World research



HEALTHZONE RETAIL



- Australia's leading national health food retail franchise established since 1968
- More than 120 health food retail stores, including 30 company owned stores
- AU\$100+ million annual retail turnover
- Integrated electronic POS and EDI technology
- Established marketing strategy
 - Club Life Loyalty/Bonus Points Program
 - 556,000+ loyalty members
 - Access to 280,000+ email
 - Access to 350,000+ SMS
 - Healthy Life News
 - 6 million copies distributed per annum
 - Healthy U Magazine
 - Instore Digital Signage
 - E Newsletter



Key Growth Objectives - Retail

- ❖ Expansion to 200 stores by 2012 in Australia
- ❖ International expansion through Master Franchise arrangements – China/Asian region
- ❖ Leverage new **Eu Yan Sang** Traditional Chinese Medicine (TCM) retail range, training and marketing
- ❖ Margin growth through substitution of higher GP products, group buying power and supplier incentives
- ❖ Expand loyalty club membership through increased marketing and enhanced offers
- ❖ Increase Franchisee sales revenue growth = increase COGS
- ❖ Increase Franchise COGS purchases from Healthzone



HEALTHY LIFE CHINA



- China \$30bill wellness market annual growth rate 17.5%
- Healthzone owns established Aurinda brand since 1996
- Range of 45+ OTC natural supplements and vitamins
- Sold through 1600+ Aurinda branded kiosks are located in shopping centres, department stores & pharmacies.
- Restrained growth opportunity in current kiosk locations
- Healthzone developing, registering and ranging up to 2500 SKU's of Healthzone and 3rd party products through 4 sales channel strategy;
 - Healthy Life lifestyle stores
 - Healthy Life e-commerce platform
 - Telemarketing, and;
 - Distribution to 3rd party retailers.



Aurinda Kiosk model



Standalone Healthy Life store

HEALTHY LIFE CHINA



Key Growth Objectives – Healthy Life China

- ❖ 6 sites currently established with expansion to 100 sites by 2012 through new sites and conversion of acquired sites.
- ❖ Healthzone is conducting due diligence on existing retail outlets with the plan to acquire and convert to the Healthy Life brand for accelerated growth.
- ❖ E-commerce platform establishment underway
- ❖ Telemarketing will be used to sell direct to consumers as well as drive business to the webshop & in-store
- ❖ 142 SKU's now available with 150+ in registration process
- ❖ Leverage **Eu Yang Sang** TCM and established Aurinda offer
- ❖ Expand loyalty club membership through Healthy Life China marketing and enhanced offers.



New Healthy Life Xin Zhuang Shanghai store



HEALTHZONE BRANDS



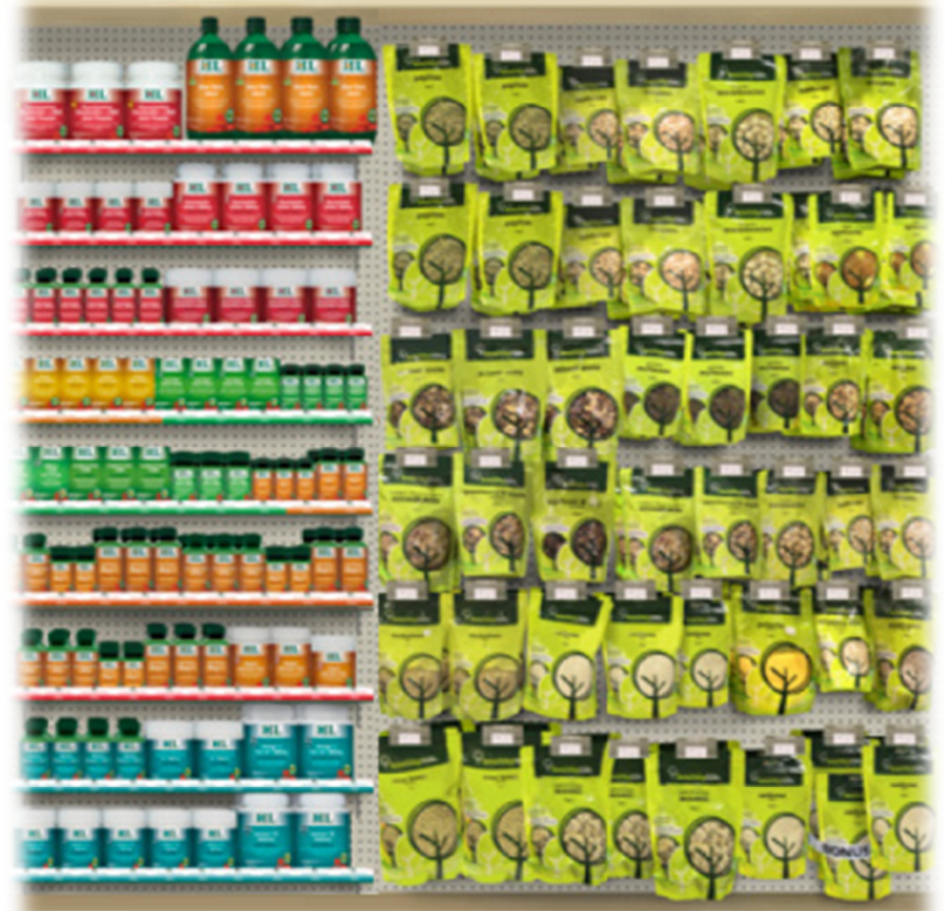
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BRANDS
the natural health experts

- **Healthy Life** range of 300 health food products
- Exclusive to Healthy Life franchise



- **Healthy Life Vitamin** branded supplements
- 65+ SKU's - Brand acquired July 2009
 - \$1.1mill and increased from 15% GP to 55% GP
- Contract manufactured for distribution exclusively through Healthy Life stores



- **Natural Alternative** range of sector leading SKU's
- More than 175 products launched with another 195 products scheduled
- Exclusive to the Health Food Channel
- Supported by health food channel and national franchise network due to channel exclusivity
- Developed from distribution & retail research data of national store network and 556,000 club members and 9 million transactions pa.
- Low cost launch, short cash cycle, produce-to-demand contract manufacture



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B R A N D S
the natural health experts

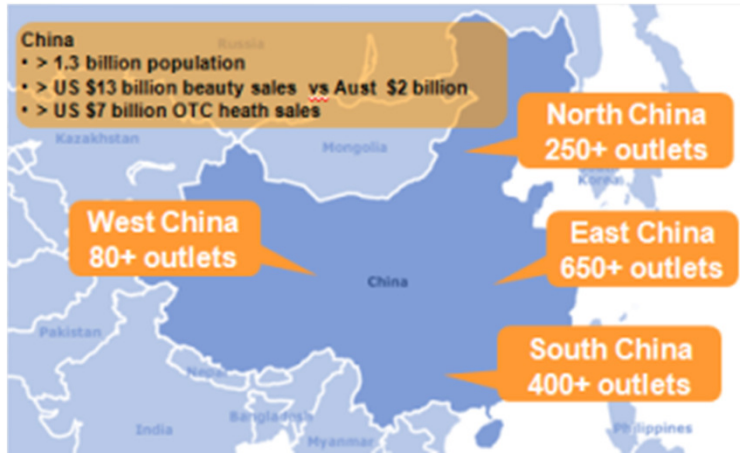
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bod for bubs



- **Bod** range of premium skincare and beauty products
- Produced in Australia for sale in Australia, Japan, Hong Kong, Korea, Canada, Europe, Singapore, China and New Zealand
- Certified Organic ingredients
- 45+ skincare and beauty products
- Includes targeted **Bod for Bubs** range
- Bod Hair Care range launched
- New **Bod Ecology** range of 17 SKU's including cosmaceutical supplements launched
- Online **Bod** store established



- Established China brand since 1996
- Sold through 1600+ company owned kiosks in China
- Range of 45+ OTC natural supplements and vitamins
- Launch of 15 new products for expanding Australian travel market.
- Produced in Australia using contract manufacturers
- Premium priced high GP margins and USF of the Australian “Pure & Clean and Natural story”
- Brand expansion through Healthy Life China
- New Manuka Honey range of 18 SKU’s for pharmacy, travel retail and export into Asian and China markets
- New packaging design introduced February 2011



LOOKING FORWARD... RETAIL

Accelerate growth of Healthy Life Retail Operations

- Increase Market Share & Control
- Increase High Margin Branded Product Sales
- Increase Distribution Sales & Market Leverage

- **Healthy Life Australia –**
 - 200 stores by 2012 through;
 - Acquisition
 - New Sites
 - Competitor conversion to Healthy Life
 - Increase in Company stores
 - Current August 2011 – 32 sites
 - Proposed 60 sites by 2012

- **Healthy Life China –**
 - 100 stores by 2012 through;
 - Acquisition
 - New Sites
 - Competitor conversion to Healthy Life
 - E-Commerce platform
 - E- Commerce Call Centre
 - 3rd Party Distribution Network
 - Major retail outlets
 - Strategic Alliance with Eu Yan Sang with Eu Yan Sang kiosks in every store + online



LOOKING FORWARD... BRANDS

Accelerate growth of High Margin Own Brand products

- Existing brand expansion
- New brand development
- Established brand acquisition

➤ Brand Expansion & Development

- 42 new **Healthy Life** products
- 50 new **Natural Alternative** health supplements
- 12 new **BodELogic** Sports Nutrition products

➤ Acquisition and Development of scalable sector brands

- Advanced '**East meets West**' nutritional supplement range
 - 50 products combining ancient and modern traditional Chinese medicines with popular Western herbs and vitamins
 - Empowered by Eu Yan Sang scientific research and high quality potent herbal content.

➤ Forte Brands – New Acquisition

- **Trelivings** and **Evodia**
 - Natural and organic skincare ranges
 - Established 25 year history
 - Department stores
 - Pharmacy
 - Health Food



LOOKING FORWARD...

- **Leverage vertically integrated competitive advantages of Brands, Distribution and Retail business units for Gross Margin growth**
- **Eu Yan Sang Alliance development**
 - Board Member appointment
 - Healthzone brand expansion into ASEAN region
 - Eu Yan Sang brand expansion China & Australia
- **Continue Share Price & PE growth through intensive investor relations program;**

