



Chairman's address to Green Cross Health Ltd AGM, held @ 2.30pm Tuesday 29th July 2014 at Ellerslie Convention Centre, Auckland

Welcome to the 2014 Annual shareholders meeting of our recently renamed company Green Cross Health. As we have communicated, the reason for the change is that we have moved beyond being just a pharmacy business into a primary healthcare company and indeed much of our focus in the next few years is to develop meaningful positions in medical and community healthcare. The Green Cross is an iconic symbol across the world for the provision of healthcare and it is our vision to create the same "brand presence" in New Zealand. In light of this I thought I would take this opportunity to give some history of the company and how we earn our money. The following slides give a brief overview of Green Cross Health...

History

- > 1981 Unichem Chemists - buying group co-operative
- > 1985 Amcal Chemists - launched
- > 1995 Life Pharmacy formed
- > The Doctors group started
- > Early 2000's Pharmacybrands:
 - > Acquired Amcal
 - > Corporatized Balance sheet
 - > Various cornerstone shareholding changes
- > 2005 Life Pharmacy listed on NZX
- > 2006 Radius group acquired "The Doctors"
- > 2009 Pharmacybrands merged with Life Pharmacy, NZX Listing
- > 2011 Acquired Radius Pharmacy Group
- > Acquired Radius Medical Group
- > 2014 Invested in Total Care Health (50%)

Unichem®

Life Pharmacy

radius medical

the doctors care for you

Market Size

- **Pharmacy** **\$1 billion +**
(Prescription & Retail)
- **Medical** **\$820m (total NZ excl ACC)**
(Not including Patient contribution)
- **Home Healthcare** **Approx \$600mil**
ACC & MOH & Private (Small)

Unichem®

life
Pharmacy

radius
medical

the doctors
care for you

Services - Medical & Pharmacy

- Marketing
- Professional Services
- Training
- Contract provision e.g. rest homes
- Exclusive products, categories
- Medicine re-classification
- Branding
- Compliance packaging
- Merchandising
- Vaccinations
- Buying
- Financing
- Back office support
- Financial dashboard - benchmarking
- Claims management
- Clinical services
- Governance

Unichem®

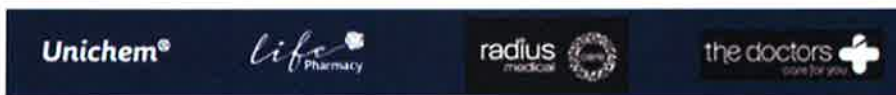
life
Pharmacy

radius
medical

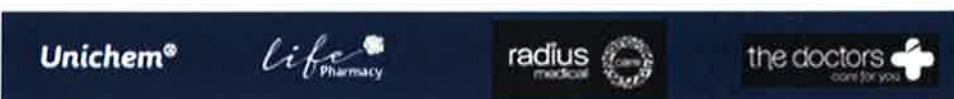
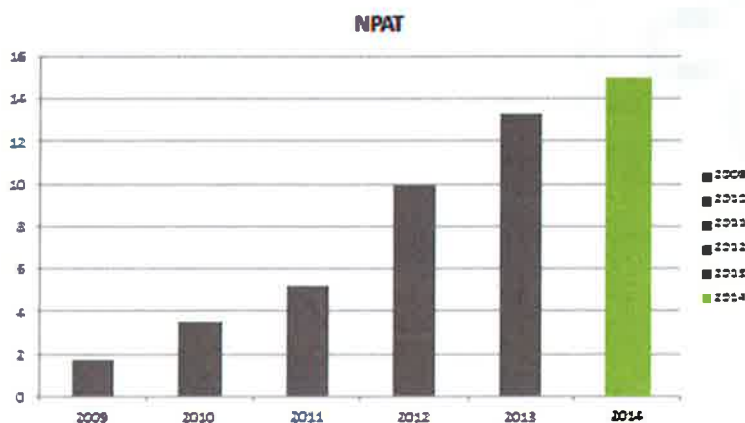
the doctors
care for you

Income Streams

- Revenue from Investments in Pharmacy, Medical and Total Care Health
- Fees from Pharmacies & GP practice's for "Franchisee" services
- Supplier contribution in Pharmacy Group for advertising and promotion.



Financial History



We believe that last fiscal year's performance was very good across all parts of the company, and was achieved during a period of upheaval in the pharmacy business as we commenced the rebranding of approximately 300 stores and relaunched our Living Rewards loyalty program. This all sounds straight forward, but I can assure you that isn't the case, and much of our resource was focused on achieving success in these two projects. The medical business continued its significant growth and grew its profit by

34.5% and its patient numbers by 26.2% to 188,331. The number of medical centres we now provide services to increased by 7. We continue to follow a two pronged approach in these divisions with focus on both increasing our services business and taking equity stakes in pharmacies and medical centres when the right opportunity arises. Last year we took new equity positions in 5 businesses, with another 2 on 1st April.

Our first step into the Community Healthcare market was in March with our investment in the community nursing business Total Care Health Services Ltd. We had been researching this sector for several years and believe that the macro economic factors around population, government funding, increased service standard requirements and technology all point to a growing sector and one that could benefit from investment in consolidation and efficiency systems. Whilst it is early days and a relatively small investment, it is performing above expectation to date.

Our priorities for the next few years are along the following lines:

1. Growth in our medical business. We have just under 200,000 patients enrolled in medical centres that we provide services to. We aim to increase this substantially by increasing the service offering to the GP's and the patients. We wish this growth to come from both equity investments in medical centres and from centres to whom we provide certain services. The Green Cross logo will become the "quality mark" for practices where we are involved. We have allocated additional resource to the medical business to develop the necessary systems and to accelerate the growth here. This will probably mean a lower short term profit growth rate than we have been experiencing recently.
2. Growth in the Community Healthcare sector. Most of this is government contract based and we aim to use Total Care Health Services as the vehicle for this growth. The sector is large and has very diverse income streams and service provisions from taking people for drives to the beach to highly specialised nursing services. The total sector has an estimated value of \$600mil per annum (excluding a small private sector). The community nursing care, which is where Total Care specialises is the higher margin business in the sector and can grow in its own right geographically as it is currently only an Auckland provider. Again, we aim to use the Green Cross logo to distinguish our businesses from others in the sector.

3. Develop or invest in continued growth of our pharmacy business through sales increases, store numbers growth, product offering optimisation, loyalty club penetration and increased number of equity stakes in pharmacies.
4. Other primary healthcare opportunities that can link into our network of services. Again it would be our intention to use the Green Cross logo as an identifier and "quality mark" for these businesses.

Once we have achieved greater critical mass in the medical and community healthcare sectors the challenge will be to link these businesses to provide integrated primary care with the patient at the centre. We would then be looking to offer new models of care to the "payor", eliminating the current silos and probably linking with other support departments such as social welfare. This is where we are trying to take your company, and with our experience in health, we know that it will not be a quick journey, but it is one that we believe has an outcome that there is a demand for. That is, the consistent increase in demand for healthcare coupled with the corresponding cost increase means that new, more efficient delivery methods have to be found.

At a corporate level, we have endeavoured over the last few years to make our annual report more informative and more "reader friendly" and we hope you like the result. As mentioned in the Annual Report, Mark Vuksich, a founding director of Unichem Chemists (which is where this company started) is retiring and I think he can be very proud of the legacy that he has created and the positive contribution he has made not only to this company, but to the wider retail pharmacy environment.....he has achieved the mantra of "have fun, make money and be proud of what you help create"... something many of us aspire to. Many thanks Mark and all the best.

Last year also saw a number of personnel changes at the top of our pharmacy head office. We believe that there is now an exciting blend of "old and new" and they have proven themselves with a very successful roll out of the revamped brands. We are looking forward to seeing the improved business results from these efforts in the future. I would like to thank all the staff involved in Green Cross for their work and efforts over the last year. Likewise, many thanks to the board for their work and efforts.

Hopefully you are happy with the dividend position of the company and indeed the turn around from only a few years ago where paying a dividend seemed a remote possibility. We will continue to ensure we have a strong balance sheet to pursue growth opportunities and that may limit the dividend payout growth, but we believe there are too many opportunities in primary healthcare to ignore.