



CHAIRMAN'S ADDRESS

2014 ANNUAL GENERAL MEETING

It is my pleasure to be reporting a record result for Greencross Limited in FY2014. This result has been driven by new store openings, vet acquisitions and market leading organic growth.

This year has been a transformative year for the Company, following the merger with Mammoth Pet and the acquisition of City Farmers. The fact that we have continued to achieve strong sales growth in our existing retail and veterinary services businesses during this period is a credit to our management team.

Purpose and Vision

Our vision for Greencross is to be Australasia's pet care specialist of choice.

The Mammoth acquisition increased the size of our addressable market in Australia from \$2 billion, being the market for veterinary services only, to over \$8 billion, being the total pet care market in Australia and New Zealand. It also provides the Company with an integrated retail and services pet care platform, which provides us with a point of differentiation from our competitors.

Our integrated model means we have multiple points of engagement with pet parents – so we can help them to meet their pets needs – across all manner of products and services including food, bedding, clothing and accessories, grooming, training, dog washing and veterinary care.

Our loyalty and wellness programs mean we now have a relationship with over 2 million families and their pets through our 300 locations across Australia and New Zealand. Yet our share of the Australian pet care market is small at only 7.5% - so there is still a long way to go.

We are delighted with the progress we have made this year in delivering on our vision and we are determined to continue the rapid expansion of our clinic and store network as we work toward our target of 20% market share in Australia, and in doing so continue to deliver earnings growth in line with our historic trends.

Performance Highlights

I will leave it to our Chief Executive, Jeffrey David, to speak to our financial performance in detail, but I would like to briefly call out some of the highlights.

In FY2014, Greencross achieved a record underlying profit underpinned by outstanding organic sales growth across all of our business segments and geographic regions. In doing so, Greencross exceeded the EPS guidance that we previously provided to the market and delivered EPS growth of 28%.

This was a very pleasing result and on the back of this performance Greencross shareholders received fully franked dividends of 12.5 cents per share, an increase of 25% over the previous year's dividend. This represents a dividend payout ratio of approximately 52% based on underlying EPS of 24 cents. Going forward, the Board intends to maintain a dividend policy that delivers a payout ratio of approximately 50%.

Goodwill Impairment

You will have noted that our statutory result for the year included a one off, non cash goodwill impairment of \$130 million which delivered a statutory result of a loss of \$128 million. I appreciate this is quite a complicated issue to understand, but I will try to provide a brief explanation of this impairment.

Under accounting standard AASB3, the merger between Greencross and Mammoth was accounted for as an acquisition of Greencross by Mammoth. The acquisition price for the transaction, which was a scrip for scrip merger, was determined by a fixed exchange ratio which was agreed when the deal was struck.

However for accounting purposes, the acquisition price was set by reference to Greencross' share price at the date of completion as opposed to when the deal was either agreed or announced.

Between the time the merger was announced and the time when the acquisition was completed there was a strong appreciation in the Greencross share price. For accounting purposes, this share price appreciation increased the acquisition price and substantially increased the goodwill arising on the merger. We have subsequently tested this goodwill for impairment and have prudently written down the carrying value to a more sustainable level.

For those shareholders, who would like a further explanation of this accounting treatment, which I acknowledge is quite technical, you should feel free to speak with our CFO Martin Nicholas or Adam Thompson, a representative of our auditor PriceWaterhouseCoopers, at the conclusion of the meeting.

City Farmers Acquisition and Network Expansion

In July 2014, Greencross completed the acquisition of City Farmers. The City Farmers acquisition gave us the opportunity to accelerate the expansion of our retail store network by acquiring 42 stores, primarily in Western Australia. That West Coast presence complemented our existing east coast business and now provides us with a truly national footprint. It also provides an additional opportunity for us to expand our network of veterinary practices by co locating vet clinics in City Farmers stores.

As previously advised to the market, the ACCC is currently conducting an informal merger review on the acquisition and Greencross is assisting the ACCC with its enquiries. We remain confident that there are no competition issues arising in relation to the acquisition.

Including the City Farmers acquisition, in FY2014 and FY2015YTD, Greencross has opened or acquired 69 retail stores and 23 veterinary clinics. As a result, Greencross now operates at 299 locations across Australia and New Zealand including 183 stores and 116 veterinary clinics.

Equity Raising

The acquisition of City Farmers was partly funded by a \$120 million equity raising which was successfully completed in June 2014.

That equity raising comprised a 1 for 15 entitlement offer to our existing shareholders which raised \$51 million together with a \$69 million placement to institutional investors.

We have received feedback from some of our shareholders on the structure of the equity raising, and in particular, some shareholders have queried why we included an institutional placement component.

In determining the structure of the equity raising the board took into account a number of considerations including the fair treatment of existing shareholders, the need to have underwriting arrangements in place to provide funding certainty for the acquisition and the desirability of increasing the institutional representation on Greencross' register to improve liquidity in our shares and provide increased flexibility for future equity raisings. Taking into account all of these factors, the board considers that the offer structure was appropriate in the circumstances and I am pleased to note that a number of large domestic and international fund managers have now joined the Greencross register.

Staff

Greencross currently employs over 2,500 highly skilled, talented and dedicated employees. The strong results achieved by the Company over the past 12 months are a credit to the hard work and incredible levels of engagement of all Greencross team members.

On behalf of the Board, I would like to thank each and every one of these team members for their contribution. The commitment and passion of our team is critical to the ongoing success of our organisation and our ability to deliver returns to our shareholders.

Board and Management

Given the recent changes to our board and management structure, there are a few individuals whose efforts I would like to briefly recognise.

Firstly, I would like to mention Dr Glen Richards, who has announced that he intends to retire from his executive role in March 2015. Dr Richards was one of the founders of Greencross. He was also Chief Executive Officer of the Company for 7 years from the time of our IPO in 2007 until completion of the merger with Mammoth earlier this year. Glen's energy and entrepreneurial skills were critical in building and managing the growth of the business in its formative years. Following his retirement as an executive, Glen will continue to have an ongoing role with the Company as a non executive director, enabling the Company to benefit from his wealth of experience.

In addition, following the selldown by TPG Star of its 16.6% shareholding in August, Mr Matt Hobart and Mr Scott Gilbertson, TPG's nominated directors, resigned from the board. I would like to thank Mr Hobart and Mr Gilbertson for their valuable contributions. I also welcome our new directors, Christy Boyce and Chris Knoblanche to the board.

I would also like to thank Mr John Odium, who stepped down as a member of the Greencross Board following completion of the merger with Mammoth in February 2014. John, who has over 35 years' experience as a veterinary surgeon, is also a founder of Greencross and served as an executive director from the Company's listing on ASX in 2007. During his tenure he was an insightful, hard-working member of the board.

Greencross Shareholders

Finally, on behalf of the board of directors of Greencross, I would like to thank you, our shareholders, for your support and I now call on our Chief Executive, Jeff David to address the meeting.