

Media release

Life Pharmacy to make offer for 100 percent of Pharmacybrands

Merged company poised to play a significant role in shaping industry

Auckland, August 3, 2009 – Life Pharmacy Limited (NZX: LPL) today announced that it has entered into a Merger Agreement with Pharmacybrands Limited (PBL), under which it will make an offer for 100 percent of the ordinary shares of PBL, merging the operations of the two companies.

Life Pharmacy will offer to purchase PBL shares by way of share swap, offering PBL shareholders the opportunity to sell their shares and receive LPL shares in exchange.

Pharmacybrands shareholders who accept the offer will receive 39.783 LPL shares for every Pharmacybrands share. The offer values Pharmacybrands at approximately \$20 million, or \$19.55 per PBL share, and Life Pharmacy at approximately \$36.2 million. The shares to be issued by the Company under the offer will have an issue price of \$0.491 per share and will rank pari passu with all other ordinary shares on issue at the date of allotment.

The Directors of Life Pharmacy believe that the proposed merger represents a real opportunity to establish an organisation of sufficient scale, strength and capability to play a major role in reshaping the pharmacy sector in New Zealand.

The offer is recommended to Pharmacybrands shareholders by the Board of Directors of Pharmacybrands. Cape Healthcare Limited (holder of 66.11 percent shares in Pharmacybrands and associated with director Peter Merton) and the Pharmacybrands Directors (Peter McSweeney, Ken Orr, Graham Gyde, Steve Tatton and Ian Sharp), who together hold 68.9 percent of the shares in Pharmacybrands, have signed pre-bid agreements stating they will accept the offer, when made, in respect of all of their PBL shares.

As part of the transaction, and prior to the share swap offer, LPL will buy back \$4.2 million of its partly paid shares.

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Immediately prior to the merger LPL will be undertaking a 1:100 taxable bonus issue to use up imputation credits.

Following the completion of the transaction the major shareholders will be LPL Trustees Ltd (representing interests of Andrew Bagnall) and Cape Healthcare Ltd (representing interests of Peter Merton and the Zuellig family).

The offer will be made in accordance with the Takeovers Code. As a requirement of the code PBL will appoint an independent advisor to report on the merits of the transaction to Pharmacybrands shareholders. In addition, LPL has appointed an independent advisor to report on the merits of allotting shares to Cape Healthcare Limited under the offer and an appraisal report in respect of the buy back.

The new merged company Board will be a blend of the two existing company boards. Peter Merton, Ian Sharp and Bill Meaney will become Life Pharmacy Board members.

Merged business will have scale, reach and resources

With around 30 partly owned pharmacies, 220 franchised pharmacies and a presence in most towns and cities, the merged organisation will extend a broad national footprint and will be representative of the total pharmacy industry. The merged entity's operations will range from community pharmacies to high end retail outlets with exclusive ranges of fashion and beauty products, and will have the range, relationships, scope and expertise to meet the needs of a wide range of customers, wherever they are. The Life Board believes that the pharmacy industry needs strong ownership structures, particularly as competition continues to build from other retailers and grocery traders. As well as providing that fundamental strength, this merger will also create an organisation with the scale and diversity that allows it to act as an effective voice within the industry and with the credibility it needs to represent the pharmacy channel in a delicately poised regulatory environment.

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About Life Pharmacy

Life Pharmacy Limited (LPL) is New Zealand's only listed Retail Pharmacy Group and comprises the Life Pharmacy, Life Metro, Life Outlet and Care Chemist brands. The total LPL Group includes 50 retail outlets operating throughout New Zealand comprising 29 Life branded stores, (including three Life Metro, one Life Pharmacy Outlet store and two non-Pharmacy Life outlet stores), and 18 pharmacies branded Care Chemist. Of the 50 Retail Outlets, LPL has a 49 percent investment in 20 Associate Pharmacy companies and two 50/50 joint venture operations.

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