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ASX + MEDIA RELEASE

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## **API RESULTS FOR THE TWELVE MONTHS ENDED 30 APRIL 2005**

- **Revenue up 16.3%; EBIT up 65.0%; NPAT up 61.1%**
- **Strong progress in implementing Strategic Review outcomes**
- **Aligning the business to the retail-led strategy**
- **Final dividend of 6.75 cents declared**

Integrated healthcare services company API today reported strong sales growth for the twelve months ended 30 April 2005, and also announced good progress in implementing the outcomes of the Strategic Review announced on 8 December 2004.

API reported sales revenue of \$3.42 billion for the twelve months to 30 April 2005, an increase of 16.3% over the corresponding twelve months (“corresponding period”). Earnings before interest and tax was \$54.26 million, compared to the corresponding period of \$32.89 million. Net profit after tax was \$29.72 million, compared to the corresponding period of \$18.44 million.

The consolidated results include a seven-month contribution from the New Price Retail (NPR) business, acquired by API in a transaction concluded on 6 October 2004.

The results were impacted by continued manufacturing difficulties in the Australian pharmaceutical plant, which reported an EBIT loss of \$17.96 million. This loss was partially offset by the sale of the Kingsgrove property. Excluding the manufacturing losses and the profit on the sale of the Kingsgrove property, the overall EBIT performance of API would have been \$67.19 million.



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The total increase in revenue included an encouraging 8.1% increase in Pharmacy Distribution revenue to \$2.77 billion, with EBIT of \$47.23 million attributable to the Pharmacy Distribution Division compared to EBIT of \$38.15 million for the corresponding period, after adjusting for significant items. The Retail Division performed strongly, recording \$255 million revenue and EBIT of \$19.17 million for the seven months since the NPR acquisition.

API has recently secured a greater share of the Australian pharmacy market, moving to 33.4% market share as of April 2005, from 31.2% in April 2004.

API Group Leader Mr Jeff Sher said the overall results were encouraging: "The New Price Retail business, acquired by API in October 2004, has contributed strongly to API's results. The former NPR business continues to grow and offers API significant scale and buying synergies.

"The performance of the Pharmacy Distribution Division was robust, and reflects the progress we are making in the division. During the period, Pharmacy Distribution benefited from a stronger logistics focus and a move to centralised replenishment buying. We are building a better supply chain at API with further working capital improvements and scale savings expected," Mr Sher said.

The Board of Directors has declared a final dividend of 6.75 cents a share fully franked, maintaining API's dividend for the full year of 13 cents. The dividend will be paid on 1 August 2005 to shareholders registered at 19 July 2005.



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### **FINANCIAL SUMMARY**

	<b>2005 (\$ 000)</b>	<b>2004 (\$ 000)</b>	<b>Change %</b>
Sales Revenue	<b>3,424,634</b>	<b>2,944,060</b>	<b>16.3</b>
EBITDA	<b>70,739</b>	<b>45,507</b>	<b>55.5</b>
EBIT	<b>54,255</b>	<b>32,889</b>	<b>65.0</b>
Profit before tax	<b>43,917</b>	<b>27,380</b>	<b>60.4</b>
Profit after tax	<b>29,721</b>	<b>18,444</b>	<b>61.1</b>

### **STRATEGIC REVIEW PROGRESS**

Mr Sher said API is focused on a core offering in the pharmacy channel and emphasised that the retail-led strategy was the right strategy for API.

“We are making good progress in implementing the outcomes of the Strategic Review and aligning the business behind a retail-led strategy,” Mr Sher said.

“We have recently completed a comprehensive study to determine attitudes to retail brands covering industry, pharmacists, consumers and suppliers. On the basis of this study we have developed three pharmacy models – franchise, promotional and independent, each with varying levels of compliance. These models are underpinned by API’s shared service offering, and provide real choice to pharmacists.

“We conducted an Australia-wide road show in May to launch these new brand models, and the response from pharmacists has been overwhelmingly positive,” Mr Sher said.

“We have also launched new store formats for our three compliant franchise brands: Priceline Pharmacy, Pharmacist Advice, and Soul Pattinson, which have also been extremely well received by pharmacists.”



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Mr Sher said API had made significant progress in acting on non-core or under performing assets, also a Strategic Review imperative. This includes:

- Closure of the Kingsgrove manufacturing plant, with manufacturing relocated to API's two plants in Auckland, NZ
- Kingsgrove property sold for \$11.2 million, effectively covering the cost of closure of the Kingsgrove plant
- Hospital Supplies of Australia and Clifford Hallam Pharmaceuticals to merge in a new Joint Venture, with API owning 50% equity in the new Joint Venture
- Halas Dental sold for a maximum consideration of \$19.75 million

“These steps are part of API’s strategy of divesting non-core assets, and maintaining a strict focus on its businesses in the pharmacy channel - retail, distribution, and manufacturing - and on a core offering in health, beauty and lifestyle products,” Mr Sher said.

“The integration process of the NPR business is progressing well, and savings from the integration are beginning to materialise.

“We have created a Strategic Forum comprised of senior API executives to manage the business, fuel growth and develop the organisational culture. And underpinning this, we have formed separate performance focused operational management forums for Australia and New Zealand,” Mr Sher said.

### **INITIATIVES FOR THE YEAR AHEAD**

Mr Sher said the year ahead would involve several key initiatives to drive future growth.

“We will continue rolling out the new store formats for our three compliant franchise brands: Priceline Pharmacy, Pharmacist Advice, and Soul Pattinson. We are aiming to have 50 fully compliant pharmacies by the end of December 2005. In addition, we will be focusing on building the Chemworld Promotional model and increasing our offer to Independent pharmacists, including API Health Care and IPA.



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“We are focused on developing a low cost response to the pharmacy supply chain changes, and on achieving working capital improvements. As part of these working capital improvements we will continue reducing trade debtor risk.

“A major initiative for the year ahead is a private label products program for all API member pharmacies, utilising our significant manufacturing capabilities in Auckland, New Zealand,” Mr Sher said.

Mr Sher said another important initiative for API was to clarify the business structure and strategy in New Zealand, which will be resolved with an increased focus on improving margins.

API has recently secured a new joint venture agreement with Making Life Easy, a mobility and independent living superstore. Making Life Easy serves Australia’s ageing population, providing a full range of ‘caring’ products. Under the agreement, API will acquire a 50% equity ownership interest in Making Life Easy, and will fund a roll out of further superstores over the next 3 years. Additionally, a selected range of Making Life Easy products will be available to all API pharmacies. API’s initial investment in Making Life Easy will be \$2 million, and will be capped at a maximum of \$12 million.

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