PETER ROBINSON

CHAIRMAN'S ADDRESS FOR AGM

Cover Slide: API Logo

The 2004/05 year has been another momentous one for API.

Slide 1: NPR Acquisition

It has been a year of significant change and consolidation. It was at last year's AGM that I announced to shareholders the acquisition of the New Price Retail ('NPR')business with the retail brands of Priceline, Priceline Pharmacy, House, and Price Attack effective 7 October 2004.

The NPR businesses acquired have a combined annual turnover of $370 million. The consideration for NPR was $113.4 million, paid by the issue of 33.5 million shares and cash consideration of $28.7 million. There is also a potential deferred consideration amount, based on the future share price performance of API and payable in shares or cash at API's option. The deferred consideration will be calculated approximately 3 years from the date of acquisition, and will be the amount by which the API share price exceeds $3.00, multiplied by 20 million.

API expected NPR to contribute EBITDA of $26 million on a full financial year basis. The acquisition multiple for NPR at a EBITDA level was 4.4.

The Board was very pleased to advise that Jeff Sher had been appointed as Group Leader and Managing Director of API.

Jeff's appointment was a clear indication of your Board's commitment to a retail lead strategy. Jeff will update you shortly on the progress achieved in the implementation of this strategy.

Slide 2: Year in Review

Today, I will focus my comments on *a review of the year* to 30 April 2005 before handing over to Jeff who will provide you with more details on the work undertaken during the financial year and the 12 months since the acquisition of New Price Retail.

Slide 3: Review of the Year ended April 2005

API announced a profit after tax of $29.72m for the year ended 30 April 2005, a 61% increase compared to last year.

The company's activities were affected by a number of items during the year including:

- The impact of the slow return to production due to the delay in implementing new product validation processes and the subsequent decision to close the manufacturing plant at Kingsgrove and transfer the production to the manufacturing plant in Auckland has caused the Australian plant to incur a loss before tax of $18.56m, including redundancy costs $3.53 million, stock write off $1.54 million and fixed assets write down of $2.18 million, (compared with a loss before tax of $10.45m last year);
- The seven months contribution from the acquisition of the New Price Retail on 7 October 2004 of profit before tax of $17.16m; and
- The profit on disposal of the Kingsgrove property amounting to $5.02m.

Another issue affecting the results was the Halas Dental performance, which lost a major contract and under performed generally to produce profit before tax of only $0.8m compared with $5.3m for the previous year.

After the completion of a Strategic Review of the business and subsequent to year end , in May 2005 API sold Halas Dental for a maximum of $19.75 million, which includes a performance based earn-out of $3 million. The sale of Halas Dental includes the sale of its sister business in New Zealand, Shalfoon.

API was also impacted by redundancy costs through the integration process of $1.5m.

The Retail Division performed strongly for the seven months led by Priceline and Price Attack which continue to grow and offer API significant scale and buying synergies.

Slide 4: Revenue / Dividend

API's profit result was based on revenue growth of 16.3% driven by the seven months revenue from the acquisition of the New Price Retail business of $255m and sales revenue growth in Pharmacy Distribution of 8% and Hospital Distribution of 19%.

I am pleased to report the Company paid a final dividend of 6.75 cents a share fully franked on 1 August 2005, maintaining it's full year dividend of 13.0 cents per share, fully franked.

Slide 5: Pharmacy Industry

There are a number of issues facing the pharmacy industry including the negotiation of the Guild / Government agreement, the threat of deregulation, the wholesaler margin review and the continued pressure on pharmacy margins. I would like to take this opportunity to comment specifically on pharmacy deregulation.

The Board's position is very clear on this matter and I wish to restate API's position on deregulation of Pharmacy. API has never supported the entry of supermarkets into the pharmacy industry. We stand proud of our record in supporting pharmacists over many decades and do not believe there is any reason, commercial or otherwise for us to change this position.

We have been vocal and are on record through our Group Leader Jeff Sher, in indicating that API will resist at every quarter the current attempts to break up this industry. Indeed we have been working diligently to ensure that all API customers, in particular our independent customers, have access to the very best product, price and service to ensure that a defensible position can be created.

API's formal position in relation to supermarkets entry into the pharmacy industry is:

- We do not support their attempts;
- We believe the professional standards of the industry would be undermined by the introduction of pharmacy into the supermarkets;
- We believe supermarkets cannot deliver the savings they suggest; this is due to the fact that 70% of pharmacy sales are PBS items where the price is fixed; and
- We believe pharmacist's interests are best served through the objectives of the Pharmacy Guild and we fully support those objectives.

As the Pharmacy Guild attempts to finalise the next agreement with the Government, we are committed to supporting the Guild's position in every possible way to ensure that the Guild / Government Agreement is extended for another 5 years.

You can be assured that the Board and Management at API are committed to the pharmacy industry and will play our part in protecting it from predators whose culture and motives are contrary to those of the professional ethics of pharmacists.

Slide 6: API Focus

During 2005 / 06 API will be focused on several key initiatives to drive growth and create a value proposition for our pharmacy customers.

API is committed to continue to develop and support pharmacies in the different formats for each of our branded pharmacy groups and our independent pharmacy customers. In every case the pharmacists guidance will be considered as each of the businesses evolve. To facilitate this a Pharmacy Advisory Board has been formed to ensure API is responsive to the industry and the professional services needs of the consumer.

As a key to ensuring pharmacy customers remain competitive, API has the goal of further developing the lowest cost pharmacy supply chain.

Slide 7: The Road Ahead

Today marks the first anniversary of a retail-led, market-driven strategy for API.

Our focus remains on the consumer, which will in turn drive our Retail banner brands and independent customers which will flow through to improved business for our wholesale and manufacturing divisions.

With the closure of the Kingsgrove plant and the relocation of our manufacturing capability to the Auckland plants, combined with ongoing delays in validation processes own branded products have not retuned to acceptable levels. Work is continuing on validating manufacturing processes and/or sourcing own branded products for pharmacies.

A key issue to be addressed in the next 12 months is the further development of our generics strategy as we look to ensure we gain a share of the generics market.

Distribution arrangements have been agreed with generic manufacturers including Hexal and further work is being undertaken.

To tell you more about the progress we have made in the first twelve months please let me invite the Group Leader and Managing Director of API, Jeff Sher to address you.