

API BUYS AUST AND NZ OPERATIONS OF ZUELLIG

API Buys Aust And NZ Operations Of Zuellig In Exchange For Strategic Shareholding In API

Integrated healthcare services company, Australian Pharmaceutical Industries Limited (API), has acquired from Interpacific and Interpharma their Australian and New Zealand operations for a maximum consideration of approximately A\$113 million.

The New Zealand businesses are involved in pharmaceutical distribution and retail pharmacy services as well as the manufacturing of over the counter medicines, toiletries and pharmaceutical medicines.

The Australian operations are in dental products distribution in both Australia and New Zealand.

The businesses acquired have a combined annual turnover exceeding A\$600 million.

API will issue approximately 29.3 million shares at \$3.50 a share to the Interpacific group for the three businesses, plus a maximum cash consideration of A\$11 million.

The Interpacific Group will hold approximately 13 per cent of API's expanded issued capital once the acquisitions are completed.

Interpharma, a wholly-owned subsidiary of Interpacific (formerly known as "The Zuellig Group"), is a holding company comprising various dynamic and sustainable core businesses in 13 countries across Asia Pacific, servicing over 125 international research-based pharmaceutical manufacturers.

Group businesses include Zuellig Pharma Distribution, Interpharma Manufacturing, Pharmalink sales and marketing services, as well as the B2B platforms AsiaRx and Zip-Online, and HealthCare Consulting.

Mr Peter Zuellig, Chief Executive of Interpacific, said that the merger of Zuellig's operations in Australia and New Zealand with those of API represented a further logical rationalisation of the industry in Australia and New Zealand.

"We welcome the approach by API to integrate our business into the API structure as a platform for future growth, as well as an opportunity to be a participant in a larger volume business in Australia. I am particularly pleased that we can contribute to the strategic development of API's business," Mr Zuellig said.

Two representatives from the Interpacific team will join the API board as part of an ongoing strategic shareholder relationship between API and Interpharma.

API's managing director, Mr David Young, said the acquisition fitted directly within API's strategy and provided enormous opportunities for core operations.

"The strategic relationship with Interpharma provides API with a channel for opportunities outside the Australian and New Zealand markets and will add an established international industry participant to our shareholder base," Mr Young said.

The three businesses to be acquired by API are:

- **Zuellig Pharma Limited:** located in New Zealand, Zuellig Pharma is the market leader in pharmaceutical distribution, hospital distribution and retail pharmacy services. Zuellig Pharma operates from 10 branches with 360 staff and supplies 21,000 different products to over 7,000 customers. It is expected to have a turnover in excess of A\$500 million for the 12 months to 31 December 2002
- **PSM Healthcare Limited:** located in New Zealand, PSM is a leading manufacturer of pharmaceutical medicines and consumer toiletries. PSM operates from two manufacturing sites, employs 200 staff and is expected to have a turnover from Australia and New Zealand of approximately A\$30 million for the 12 months to 31 December 2002
- **Halas Dental Limited:** Halas Dental is a market leader in dental products distribution in Australia and New Zealand. Halas Dental operates in all states in Australia and also New Zealand, services over 11,000 customers and employs 228 people. Halas is expected to have a turnover of approximately A\$100 million for the 12 months to 31 December 2002

The acquisition also includes the leading retail brands throughout New Zealand – Amcal, Guardian and Vantage (banner groups in New Zealand), and a 40 per cent holding in Unichem (the leading banner group in New Zealand).

Mr Young said the acquisition was appealing to API because it provided an opportunity to acquire businesses that were natural extensions to API's operations in Australia while also leading to a unique opportunity to grow API's Healthcare Services business .

"In addition, the strategic opportunity of working with a major international participant in the same industry provides a raft of future mutual benefits for the two organisations," Mr Young said.

"Each business is a leader in its field and they all have substantial growth opportunities available to them through the acquisition.

“Halas Dental and PSM Healthcare operate on significantly higher margins than the current API wholesaling operations and will fit well alongside the recent acquisitions of HSA and Soul Pattinson manufacturing as a platform for growth.

“These are three very successful, profitable stand alone businesses that will add substantial value to API and will provide positive earnings per share on a pre-goodwill basis.

“We believe the acquisition adds substantial value to our shareholders,” Mr Young said.

Final settlement of the acquisitions is expected to take place at the end of September 2002.

API, established originally as a chemist’s cooperative in 1910 and listed on the ASX in 1997, has four core business operations - pharmaceutical distribution, manufacturing, retail pharmacy services and hospital and medical distribution.

ISSUED FOR : AUSTRALIAN PHARMACEUTICAL INDUSTRIES LIMITED (ASX CODE: API)
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