



ASX + MEDIA RELEASE

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**API LIFTS HALF YEAR REVENUE 23%, PROFIT AFFECTED BY NON-RECURRING COSTS**

	<b>2002</b>	<b>2001</b>	<b>% change</b>	<b>Comments</b>
	<b>\$'000</b>	<b>\$'000</b>		
Sales revenue	<b>1,124,079</b>	913,550	+23.0	Acquisitions lift sales
EBIT	<b>24,852</b>	27,983	-11.2	Significant non-recurring costs of \$5.167M
Profit after taxation	<b>14,368</b>	17,804	-19.3	Business growth affected by one-off costs
Interim Dividend (c)	<b>6.25</b>	6.25	-	Dividend maintained

Integrated healthcare services company, Australian Pharmaceutical Industries Limited (API) has increased revenue 23 per cent for the half year to 31 October 2002 from \$913.6 million to \$1.124 billion, although profit was affected by significant non-recurring costs.

The majority of this revenue growth came from acquisitions including Hospital Supplies of Australia (HSA) and the businesses acquired from Interpacific's Australian and New Zealand operations.

HSA contributed over \$84 million in sales revenue to API for the six month period.

The Interpacific businesses included Halas Dental (Aus), Shalfoon Dental (NZ), PSM Manufacturing (NZ), Zuellig Pharma (NZ) and Healthcare Logistics (NZ). These businesses contributed \$59 million sales revenue for the month of October which were included in these results.

Results from the Interpacific acquisition suggest continued strong revenue growth over the full year and a positive contribution to profit for the 2003 financial year.

Directors maintained API's dividend for the first half, declaring an interim dividend of 6.25 cents a share fully franked (2001: 6.25 cents).

Significant non-recurring costs affected API's net profit performance for the six months which fell 19.3 per cent to \$14.368 million (last year, \$17.804 million).

These costs totalled \$5.167 million before tax and included \$1.838 million related to API's proposed merger with Sigma, \$862,000 from an increase in stock obsolescence, \$985,000 for development of a loyalty club program for all API's banner groups and \$1.482 million from provisions for warehouse closure and restructure.

The warehouse closure results from the proposed move of head office, warehousing and distribution facilities to new state-of-the-art premises at Camellia in early 2003.

If these additional non-recurring costs were removed, API's EBIT would have increased by 7.3 per cent over the previous corresponding period.

Constraints on the Pharmaceutical Benefits Scheme (PBS) also affected API's core pharmaceutical distribution business, with its rate of growth halving from a peak in 2001/2002 to single digit levels in 2002/2003.

According to API's managing director, Mr David Young, half year results demonstrated the soundness of API's business and the benefits that come from broadening its base, both geographically and across healthcare industry sectors.

"The constraints of the PBS emphasise the value of our strategy of adding value to core operations through acquisitions and we are fortunate in having the capacity to consider further opportunities as they arise," Mr Young said.

"In relation to our HSA acquisition, we are a little disappointed it has not yet contributed positively but its current sales are now where we expected them to be and more than double the level at the time of acquisition.

"However, the integration of our Interpacific and HSA acquisitions is proceeding well and all parts of the business will benefit from the efficiencies that will result from our move to new premises and an investment in IT systems," Mr Young added.

When API acquired HSA in September 2001 it was making losses and since then, API has made progress with improving the quality of its operations, including:

- completion of the integration of facilities and improved operating efficiencies, resulting in \$84 million in sales for the half year
- sales are now in line with management's expectation and double the level of sales on acquisition
- support from customers and manufacturing partners
- an expected full year positive profit contribution from HSA by the end of the current financial year

Directors noted the following factors which indicated confidence in a positive outlook for API:

- positive contributions to profit from all Interpacific businesses, based on results to date
- lower costs of doing business after February 2003 from new premises at Camellia, which incorporate automation and technology investments which are expected to improve productivity
- sustainable earnings benefits from a planned IT infrastructure upgrade to improve management of product and customer profitability and supply chain investments
- continued gains in market share from API's core business, given the competitive strength of its retail and service offerings, customer focus and logistic capabilities
- continued growth from API's retail banner groups, Soul Pattinson, Chemworld, Pharmacist Advice and API Health Care

Interim dividend of 6.25 cents a share fully franked will be paid on 30 January 2003 to shareholders registered on 17 January.

Originally established as a chemist's co-operative in 1910 and listed on the ASX in 1997, API operates wholesale pharmaceutical services, retail pharmacy banner groups, hospital, medical, surgical and dental distribution services and manufacturing throughout Australia and New Zealand.

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*A copy of this release and Appendix 4B can be downloaded from [www.westbrookfin.com.au](http://www.westbrookfin.com.au)*