

Australian Pharmaceutical Industries Limited

Annual General Meeting
Tuesday 9 September 2003

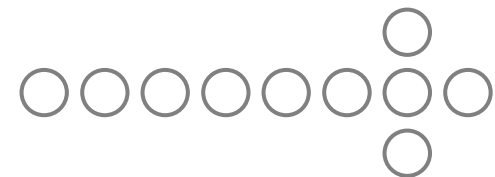
Chairman's Address
Mr Peter Robinson



Healthcare Services

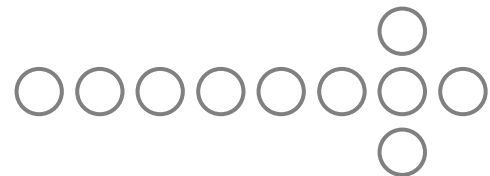
2003 – A Year Of Challenges

- Proposed API / Sigma merger rejected
- Integration of Hospital Supplies of Australia (HSA)
- Slower PBS growth
- Camellia Head Office / Warehouse relocation
- Interpacific business units acquired
- Sale of loan book to Bank West
- Share Buy-Back
- Re-organisation – Six operating businesses



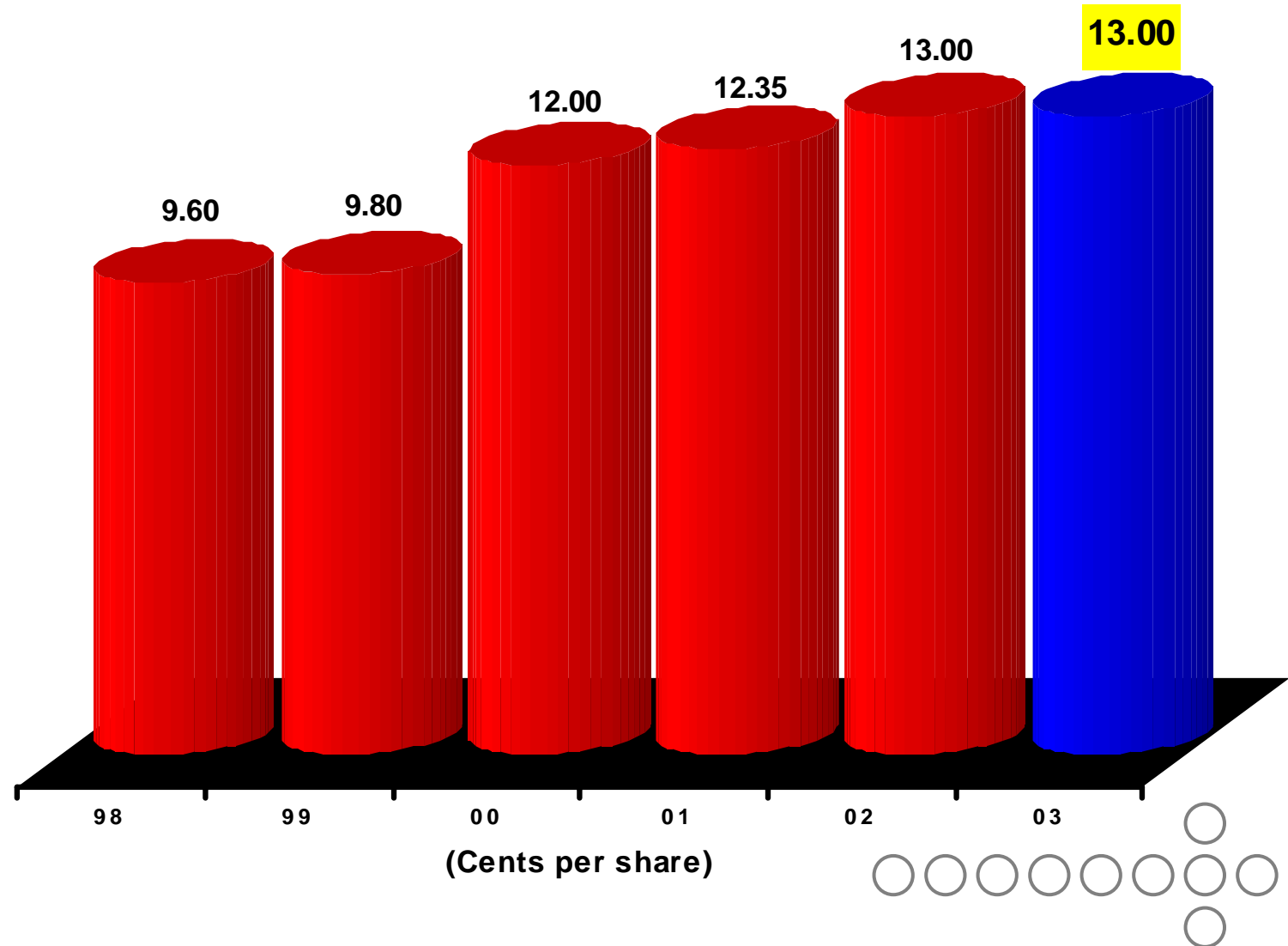
Financial Performance

- Revenue Growth 29.6% to \$2.485 billion
- Profit after tax \$23.567M, down 32.0%
- \$12.251M Impact of Significant One Off Expenses
- Despite profit result – dividends maintained



Maintained Dividend Per Share

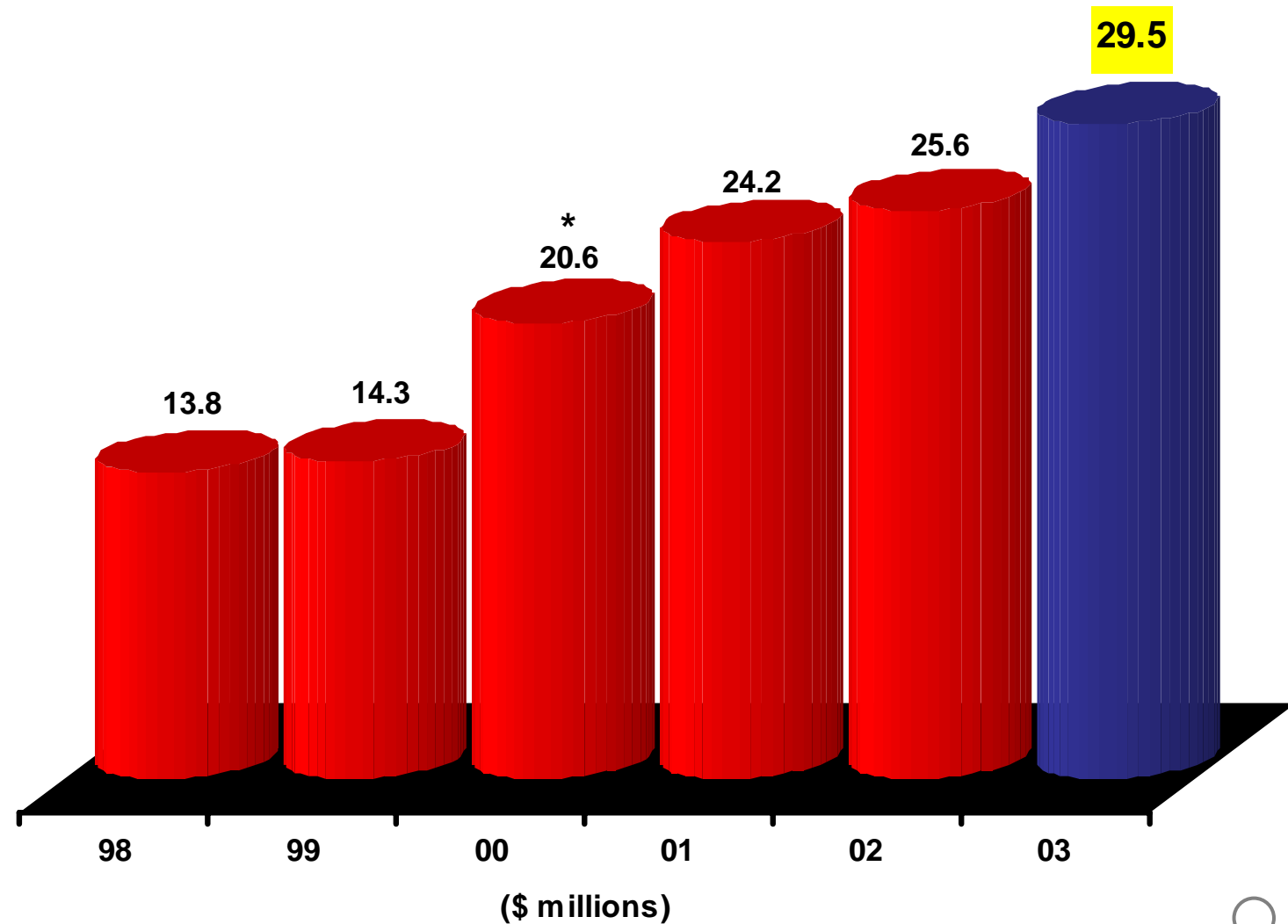
Dividend per share (cents)



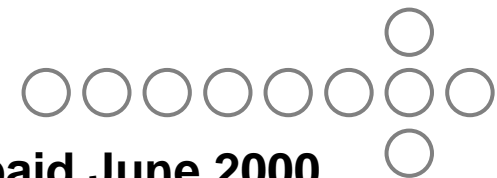
Healthcare Services

Board Commitment To Reward Shareholders

Cash Dividends

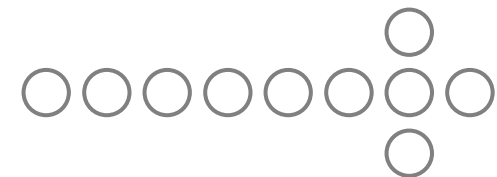


* Excluding special dividend - \$29.4 million paid June 2000



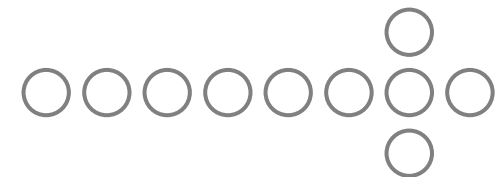
Corporate Governance

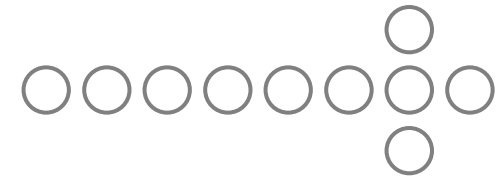
- Directors responsibility to shareholders, customers, suppliers and staff (stakeholders)
- Financial statements and reports detail the Companies Corporate Governance Statement
- Continual review of the Corporate Governance Program
 - Audit Committee Charter
 - Business Ethics and Independence Statement
- Non Executive Directors participate in
 - Audit Committee
 - Remuneration Committee
 - Credit Committee



The Year Ahead

- Subdued growth in the PBS
- Competitive market
- Gains to be achieved from:
 - Camellia to deliver planned cost savings
 - HSA improving trend
 - Market Share Growth
 - Full year contribution from
 - Halas Dental
 - ProPharma (formerly Zuellig Pharma)
 - PSM Manufacturing
 - Launch of Healthcare Logistics





Australian Pharmaceutical Industries Limited

Annual General Meeting

Tuesday 9 September 2003

Managing Director's Address

Mr David Young

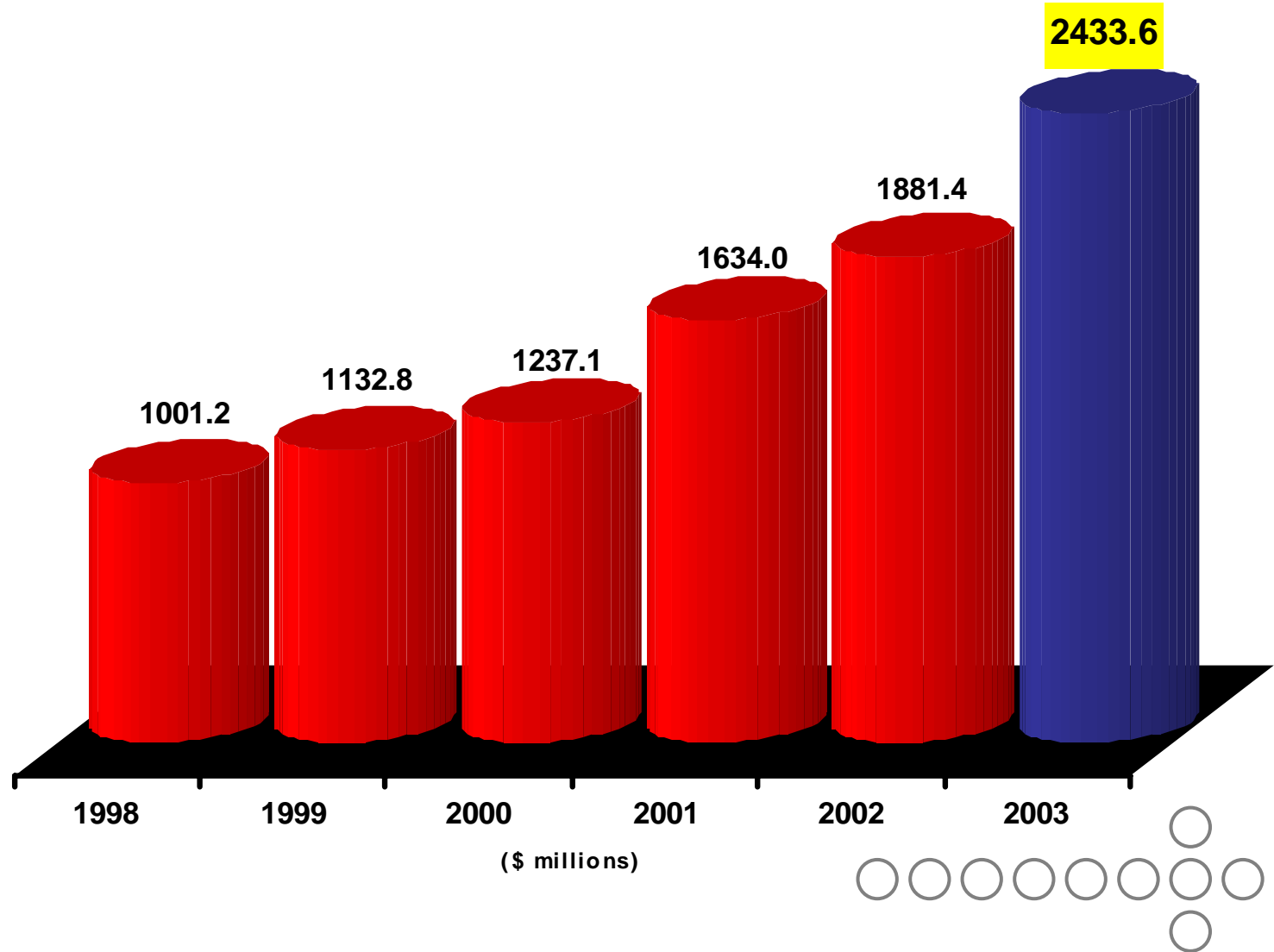




Sales Revenue

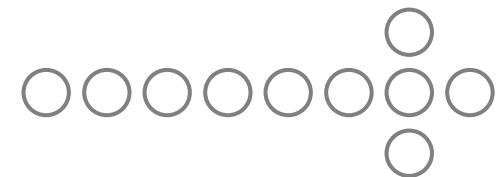
Sales Revenue

**29.35%
Growth**



Financial Results

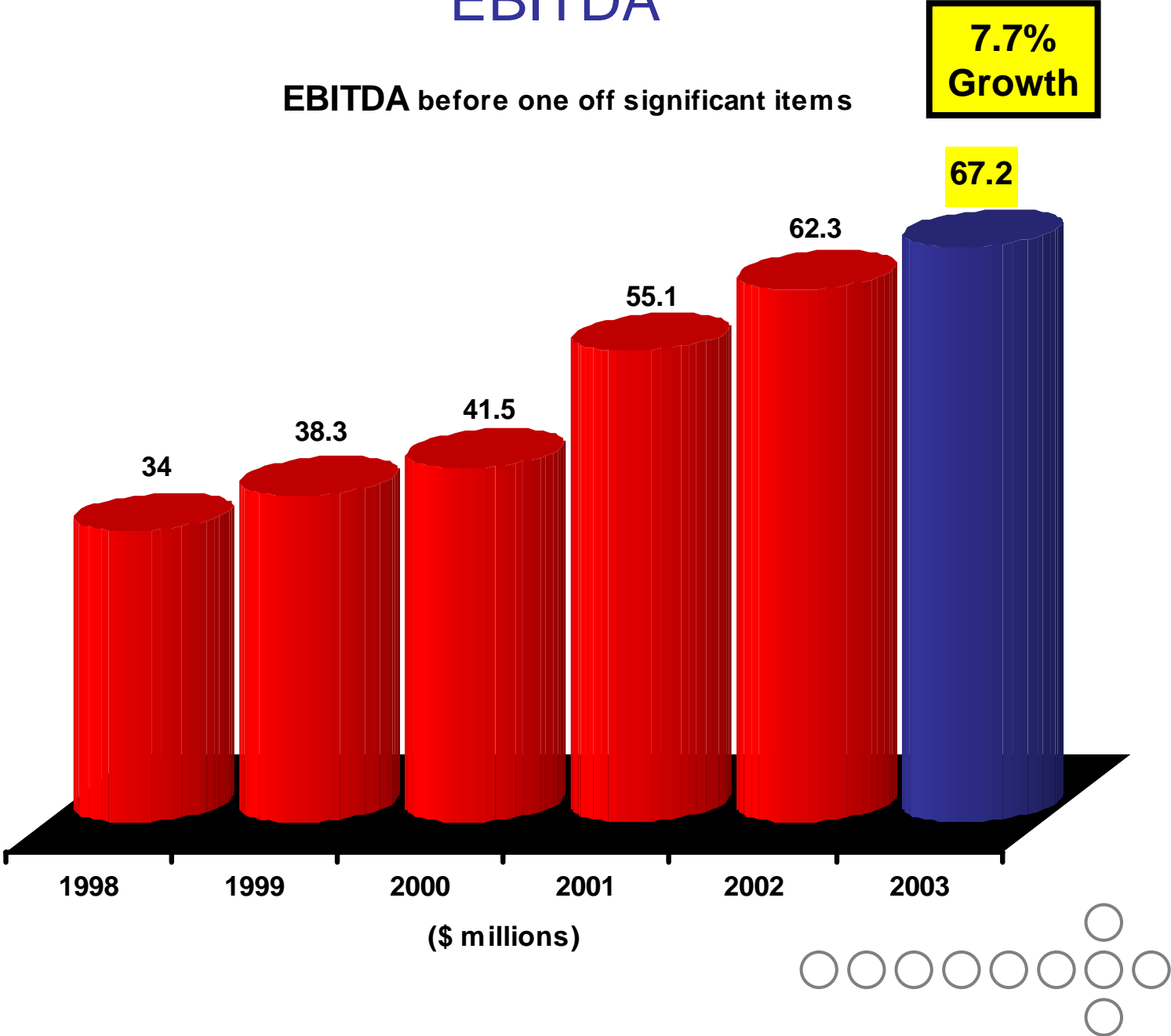
- Revenue growth - \$552.0 Million
- EBITDA - \$ 67.2 Million
(excluding significant one off expenses)
- Profit before Tax - \$ 48.4 Million
(excluding significant one off expenses)
- Net Profit - \$ 23.6 Million





EBITDA

EBITDA before one off significant items



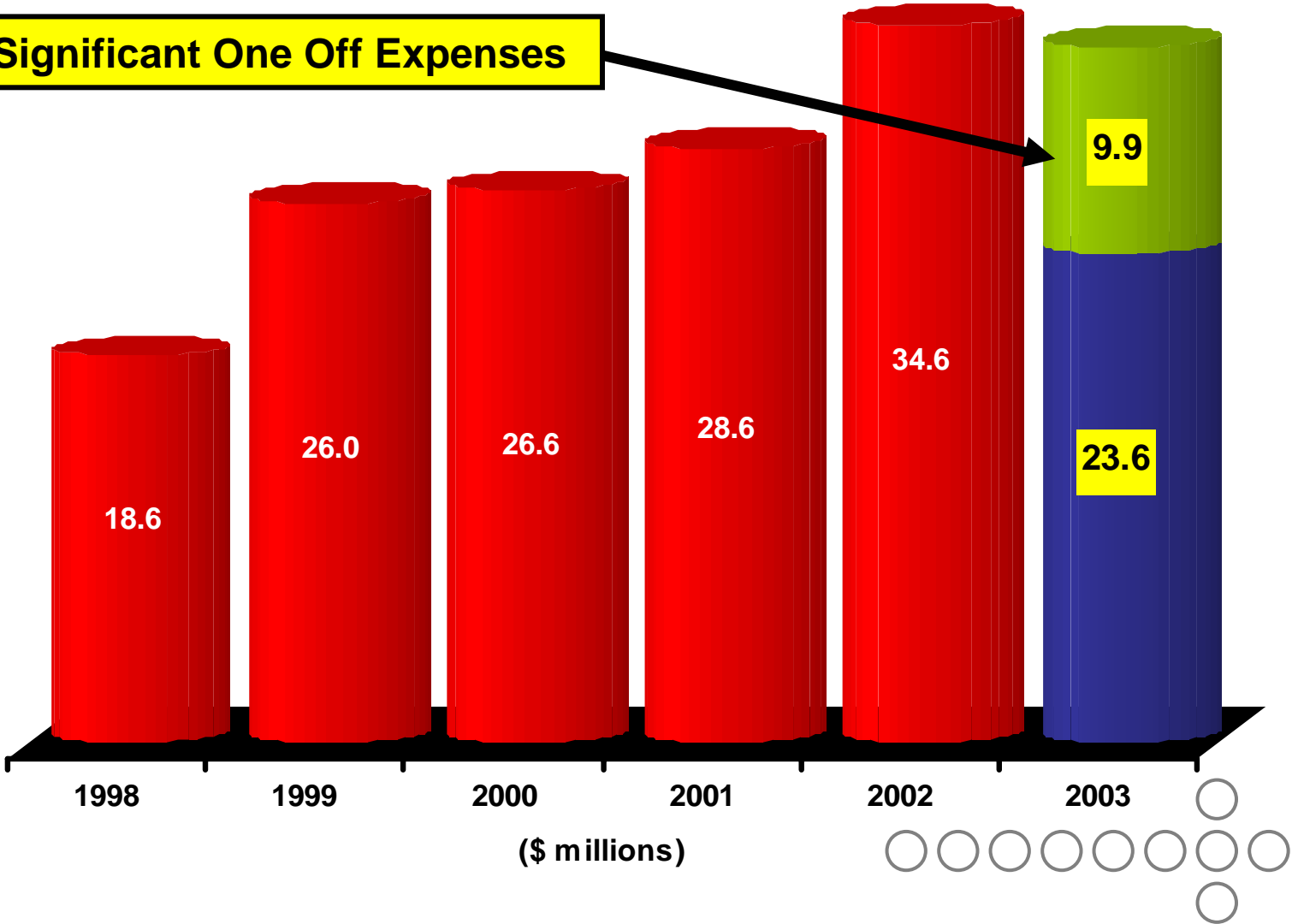


Net Profit

Net Profit

**31.8% Decline
after Significant
One Off Expenses**

Significant One Off Expenses



Financial Performance

- Significant One Off Expenses:

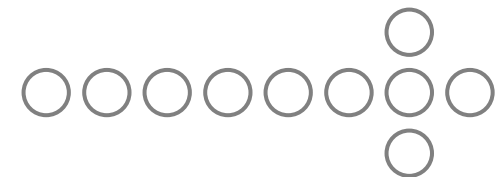
\$million

• Costs associated with the proposed merger between API and Sigma	1.838
• A further provision for stock obsolescence	0.862
• Provision for warehouse closure and restructure	2.141
• Provision for PAN product recall	2.000
• Goodwill write-off	4.425
• Development of loyalty club programme	<u>0.985</u>
	<u>12.251</u>



PAN Pharmaceuticals

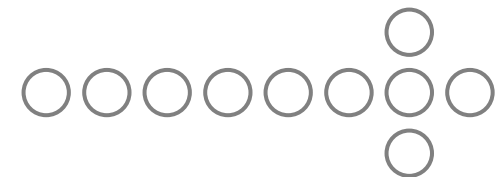
- API undertook due diligence on Pan Pharmaceuticals
 - No offer made
- Pan Administration
 - API has lodged claim
 - Return to creditors in the range of 27cents - 88cents in the \$
 - Costs and any loss – provision has been made



Healthcare Manufacturing

- Kingsgrove Site

- **Voluntary** Suspension of license announced today
- **No** product recall
- **No** consumer health risks
- **Approximate six week** voluntary suspension



API's Strategic Direction

- Substantial progress towards strategically positioning API as an Integrated Healthcare Services Company



- Reorganising the structure of API into six businesses

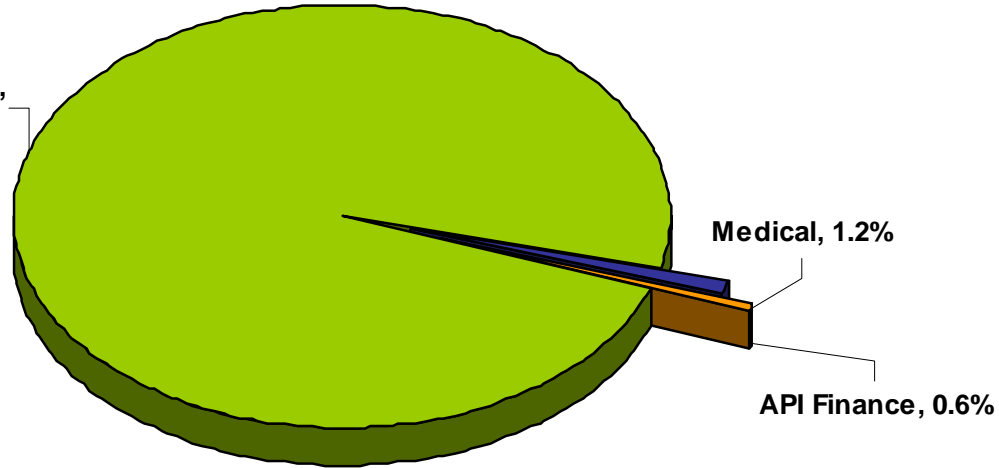


Integrated Healthcare Services Strategy

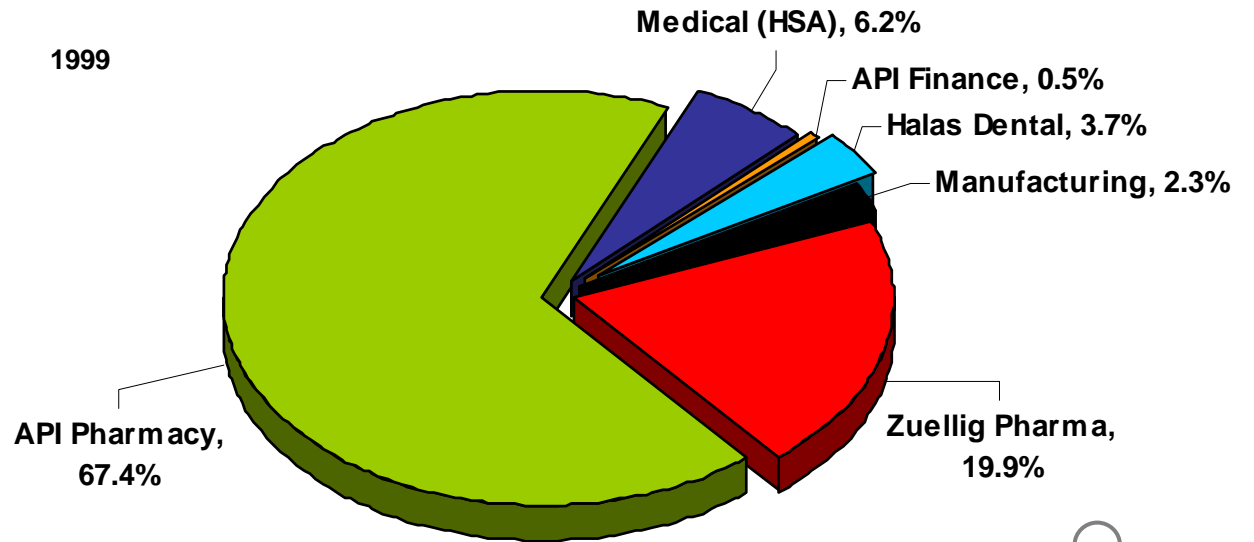
Revenue By Business



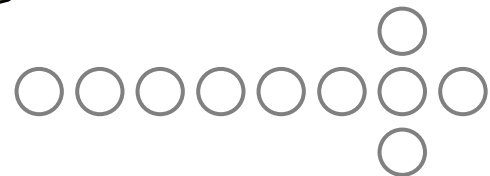
API Pharmacy,
98.2%



1999



2003



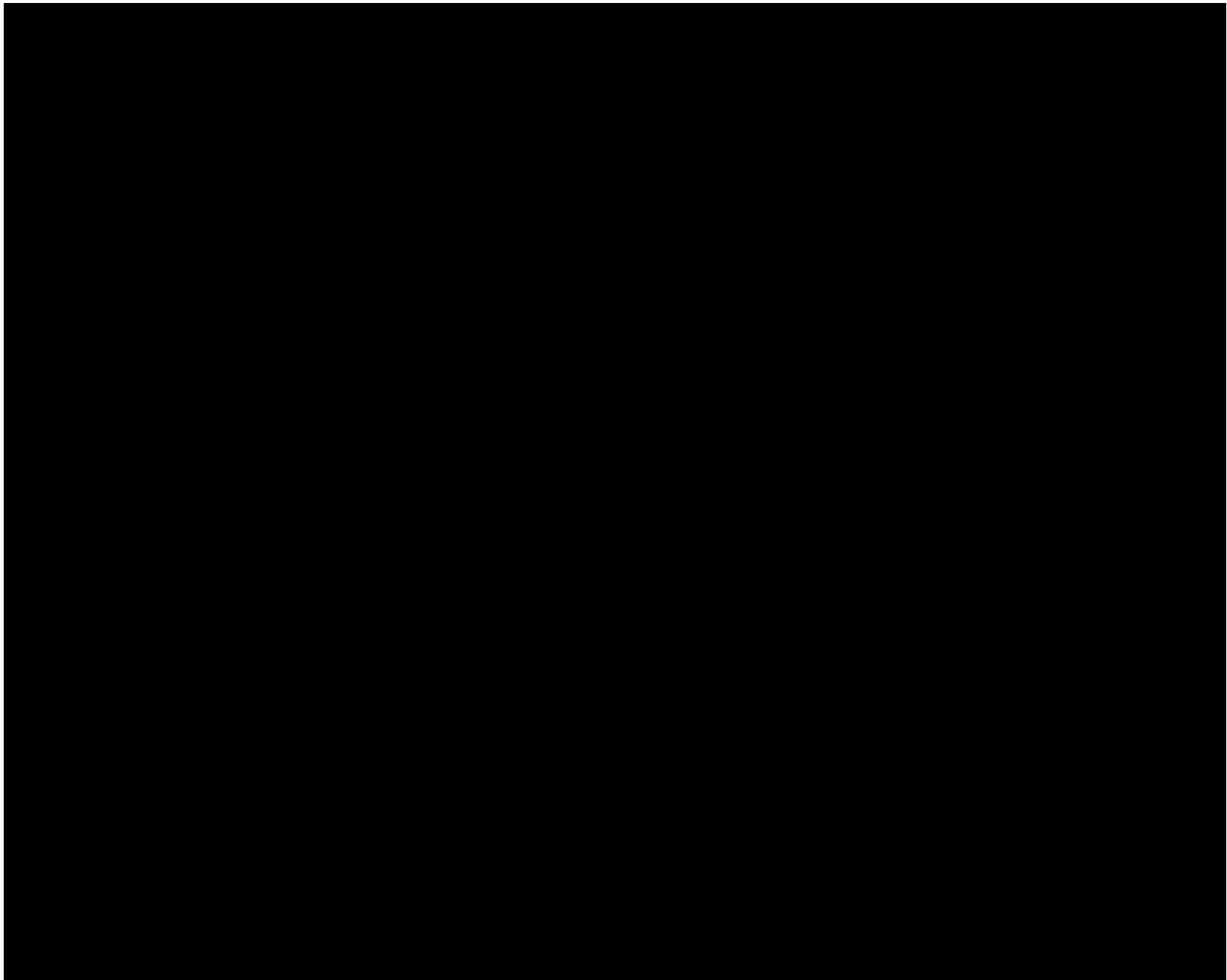
Based on a full year of revenue for businesses acquired during the year

API's Strategic Direction

- Substantial progress towards strategically positioning API as an Integrated Healthcare Services Company (cont.)
 - Sale of Loan Book to BankWest - proceeds \$132 million
 - NSW and HO move to Camellia
 - Strategic investment in the businesses through IT and warehouse upgrades aimed at improved productivity
 - Acquisition of Pharmacy Health



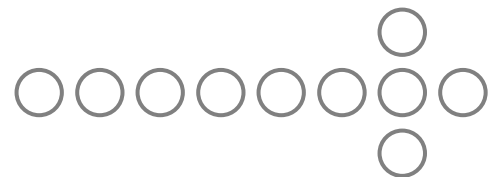
Corporate Video

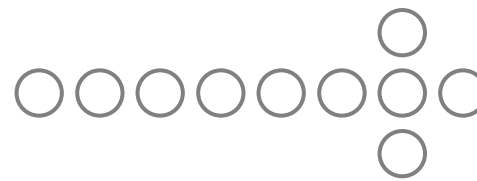


Healthcare Services



- Thank you for your support and attendance today





Australian Pharmaceutical Industries Limited

Annual General Meeting
Tuesday 9 September 2003



Healthcare Services