



4 May 2009

Dear API Shareholder,

API performs strongly despite difficult trading environment

API announced its first half profit result on 30 April 2009. The company reported a strong lift in profit for the six months ended 28 February 2009 despite difficult trading conditions caused by the significant downturn in the domestic economy during the period.

In summary:-

- Net profit after tax of \$6.7 million, an increase of 8.7% and in line with guidance provided in January 2009;
- Group sales for the period increased by 8.1% to \$1,734.7 million;
- Revenue growth in Pharmacy (Wholesaling) is up 10.4% with EBIT/Sales margin improvement to 1.9%;
- Strong comparable store revenue growth of 5.7% for Priceline in difficult retailing conditions;
- Operational investment of \$5 million in the Priceline brand for the period drove comparable store growth but led a lower retail EBIT result than last year.

Revenue growth in Pharmacy has continued strongly at 10.4%. The improvement in operations is reflected in the EBIT margin lifting from 1.5% to 1.9% over the prior corresponding period. The Pharmacy division recorded EBIT of \$24.7 million, more than \$6 million ahead of the same period last year. Significant progress has also been achieved with the relaunch of our Soul Pattinson and Pharmacist Advice offers in conjunction with our API Member program for Independent Pharmacist customers.

The management team remains confident that we are well placed to successfully work through the second phase of PBS Reforms given the demonstrated performance in handling the first phase of changes, and in negotiations around our compensation from the Government's Community Service Obligation (CSO) fund.

API's retail division encountered a volatile and fluctuating market during the period but was able to maintain very good like-for-like sales growth as the division further developed its Priceline Pharmacy platform

Through this phase, API's average net debt levels have reduced whilst investing in Revitalise, a new Priceline brand position and successfully driving sales reflecting management's focus on its main activities.

Shareholders should note that the roll-out of API's integrated supply chain program, Revitalise, is on schedule and budget. The first of our integrated Distribution Centres in Melbourne is nearing completion and we are currently constructing our Brisbane facility. We are now advanced in our planning for the Sydney site. Once fully implemented our integrated supply chain will reduce total annual transport requirements by more than one million kilometres. Not only will this mean a significant reduction in costs but a meaningful improvement in our carbon footprint.

Given the recessionary climate, the Board has decided not to pay a dividend for the half, but will review this position as we approach year's end. The Board thought it prudent to retain profits in the current global economic environment and as we continue to implement our growth plans during this period.

The Board is encouraged by the underlying improvement in the business and the potential provided by the investment in the Priceline brand and Revitalise initiative. This result represents further improvement in performance across all divisions.

Please refer to the Company's web site should you require any additional information – www.api.net.au.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Peter Robinson'.

Peter Robinson
Chairman