



30 October 2009

The Manager  
Company Announcements  
ASX Limited  
Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam

**Australian Pharmaceutical Industries Limited (API)  
Accelerated Non-Renounceable Entitlement Offer – Letter to ineligible retail shareholders**

Attached is a sample letter being mailed to retail shareholders who are ineligible to participate in the Retail Entitlement Offer.

This letter will be mailed to ineligible retail shareholders today.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Peter Sanguinetti', is written over the typed name.

**Peter Sanguinetti**  
General Counsel and Company Secretary

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30 October 2009

[MR A B SAMPLE  
Overseas Address 1  
Overseas Address 2  
Overseas Address 3]

Dear Shareholder,

**AUSTRALIAN PHARMACEUTICAL INDUSTRIES LIMITED Entitlement Offer**

**Notification to Ineligible Retail Shareholders**

On Wednesday, 21 October 2009 Australian Pharmaceutical Industries Limited (ABN 57 000 004 320) ("**API**") announced a \$150 million equity raising of new fully paid ordinary shares ("**New Shares**") comprising:

- an approximately \$112 million 2 for 3 accelerated pro rata non-renounceable entitlement offer ("**Entitlement Offer**"); and
- an approximately \$38 million institutional placement to institutional investors (the "**Placement**").

Under the Entitlement Offer, eligible shareholders may subscribe for 2 New Shares for every 3 existing API shares held, at an offer price of \$0.65 per New Share ("**Offer Price**").

The Entitlement Offer comprises an institutional component ("**Institutional Entitlement Offer**") and an offer to Retail Shareholders (as defined below) to participate ("**Retail Entitlement Offer**"). The Entitlement Offer is being made by API in accordance with section 708AA of the Corporations Act 2001 ("**The Act**") as modified by the Australian Securities and Investments Commission Class Order [CO 08/35]. On Friday, 23 October 2009 API announced it had raised approximately \$50 million through the Institutional Entitlement Offer and approximately \$38 million through the Placement.

Unfortunately, under the terms of the Retail Entitlement Offer, not all shareholders are eligible to subscribe for New Shares. The reasons for this are explained below under 'Why am I not eligible to participate in the Retail Entitlement Offer?'.

For those reasons, you are not eligible to subscribe for New Shares under the Retail Entitlement Offer and API will not be extending the Retail Entitlement Offer to you.

This notice is to inform you about the Retail Entitlement Offer. This notice is not an offer to issue New Shares to you, nor an invitation for you to apply for New Shares. **You are not required to do anything in response to this letter.**

**Details of the Retail Entitlement Offer**

The Retail Entitlement Offer is being made to Retail Shareholders (as defined below), on the basis of 2 New Shares for every 3 existing API shares ("**Shares**") held at 7.00pm (AEDT) on Monday, 26 October 2009 ("**Record Date**").

A booklet in relation to the Retail Entitlement Offer was lodged with the ASX on Friday, 30 October 2009 ("**Retail Offer Booklet**").

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### Why am I not eligible to participate in the Retail Entitlement Offer?

The restrictions upon eligibility under the Retail Entitlement Offer are in place because of legal limitations of making or extending an offer of shares in some countries, the relatively small number of shareholders in those countries, the number and value of shares to which those shareholders would otherwise be entitled and the potential cost of complying with regulatory requirements in those countries.

API has determined, pursuant to Listing Rule 7.7.1 (a) of the ASX Listing Rules and section 9A(3)(a) of the Act, that it would be unreasonable to make or extend offers to shareholders in countries outside of Australia and New Zealand under the Retail Entitlement Offer.

Accordingly, in compliance with ASX Listing Rule 7.7.1 (b) and section 9AA(3)(b) of the Act, API wishes to advise you that it will not be extending the Retail Entitlement Offer to you and you will not be able to subscribe for New Shares under the Retail Entitlement Offer.

Shareholders who are eligible to participate in the Retail Entitlement Offer ("**Retail Shareholders**") are shareholders who:

- a) were registered as a holder of Shares as at 7.00pm (AEDT) on the Record Date (Monday, 26 October 2009);
- b) have a registered address in Australia or New Zealand;
- c) are not in the United States and are not, and are not acting for the account or benefit of, any U.S. Person (as defined under Regulation S under the U.S. Securities Act of 1933);
- d) are not an institutional shareholder who was invited to participate in the Institutional Entitlement Offer;
- e) are not an ineligible institutional shareholder; and
- f) are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer without any requirement for a prospectus or other formal offer document to be lodged or registered.

Unfortunately, as you do not satisfy the eligibility criteria for a Retail Shareholder, you will not be able to subscribe for New Shares and you will not be sent the Retail Offer Booklet ("**Ineligible Retail Shareholder**").

Although the Offer is non-renounceable, API has appointed and the Australian Securities & Investments Commission has approved RBS to act as nominee for Ineligible Retail Shareholders in accordance with section 615 of the Corporations Act 2001 (Cth) ("**Nominee**"). API will issue to the Nominee or its authorised representative rights to subscribe for those New Shares which would otherwise have been available for subscription by Ineligible Retail Shareholders had they been eligible to participate in the Entitlement Offer.

The Nominee, or its authorised representative, will offer those rights for sale off-market to institutional investors via a bookbuild process, which is expected to occur on or around 18 November 2009.

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Any proceeds from the sale of those rights (which for the avoidance of doubt will not include an amount attributable to the offer price of \$0.65 for each underlying New Share) will be returned to you on a pro rata basis (net of expenses) via API's Registry within 10 business days of the allotment of New Shares under the Retail Entitlement Offer. There is no guarantee that the Nominee will realise any proceeds from the sale of the rights on behalf of Ineligible Retail Shareholders.

If you have any questions in relation to any of the above matters, please contact the API Shareholder Information Line on 1300 737 760 (local call cost within Australia) or +61 2 9290 9600 (from outside Australia) from 8.30am to 5.30pm (AEDT) Monday to Friday.

Yours sincerely

A handwritten signature in black ink, appearing to read 'P. Sanguinetti'.

**Peter Sanguinetti**  
General Counsel and Company Secretary

This notice does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to, or for the account or benefit of, any U.S. Person (as defined in Regulation S under the U.S. Securities Act of 1933) (the "Securities Act") ("U.S. Person") or in any other jurisdiction outside of Australia and New Zealand. Neither the Entitlements nor the New Shares have been, or will be, registered under the Securities Act or the securities laws of any state in the United States and may not be offered or sold in the United States or to, or for the account or benefit of, a U.S. person, except in transactions exempt from, or not subject to registration under the Securities Act and relevant U.S. state securities laws.

**IMPORTANT NOTICE TO NOMINEES:** Because of legal restrictions, you must not send copies of this letter nor any material relating to the Entitlement Offer to any of your clients (or any other person) in the United States or to any other person acting for the account or benefit of a U.S. Person or to any person in any other jurisdiction outside of Australia and New Zealand. Failure to comply with these restrictions may result in violations of applicable securities laws.

The provision of this notice is not, and should not be considered as, a securities recommendation or financial product advice. The information in this notice is general information only, and does not take into account your individual objectives, taxation position, financial situation or needs. If you are unsure of your position, please contact your accountant, tax advisor, stockbroker or other independent professional advisor.

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