



ASX Release

29 April 2010

API continues to record strong growth

Australian Pharmaceutical Industries (ASX: API), a leading Australian healthcare company and one of Australia's leading health and beauty retailers, today reported continued strong growth for the six months to 28 February 2010.

In the half year results released today:

- Net profit after tax of \$10.3 million – up 54.5%.¹
- Earnings per share of 2.6c – up 13.0%.²
- The Board has declared a fully franked interim dividend of 1 cent per share.
- Sales for the period of \$1.85 billion – up 6.7%
- Pharmacy sales revenue of \$1.43 billion - up 7.4%
- Priceline comparable store revenue growth of 2.0% but lower than expected EBIT result.
- Priceline ClubCard membership now over 3 million members, confirming its status as one of Australia's largest retail loyalty programs.
- Revitalise, the company's supply chain initiative, is expected to deliver projected savings.

In announcing the half year results, API Managing Director and Chief Executive Officer, Stephen Roche, said: "These results reflect the underlying strength of the business in a very challenging economic environment."

"We have increased revenue by 6.7% to \$1.85 billion and net profit after tax by 54.5% to \$10.3 million, while at the same time continuing to invest for the future in our successful Priceline brand and the transformation of our supply chain through Revitalise."

"In a period which saw declining consumer confidence and spending, retail store sales for Priceline are up 5.3%. The Pharmacy division has recorded sales growth of 7.4% and EBIT growth of 8.7%."

"We continue to ensure the company is in a sustainable, profitable position. We have carefully managed the balance between investment in the business and increasing the company's net profit position."

"It is also significant to mention that API's solid performance continues in this our centenary year."

"It is with this underlying confidence in our business that the Board has declared an interim dividend of 1 cent per share (fully franked) payable on 3 June 2010, an increase from nil the previous year".

¹ NPAT up 29% after removing effect of 2009 Capital Raising

² EPS adjusted for 2009 Capital Raising

Pharmacy Division delivers solid result in a dynamic market

Mr Roche said API's pharmacy division continued to grow solidly despite a very competitive and dynamic regulatory environment.

"Sales growth in pharmacy has continued strongly at 7.4% with margins maintained."

"The division has focussed on working capital and customer trading terms, whilst at the same time planning for continued PBS reforms being led by the Federal Government."

"In addition, our alliance with Alphapharm has continued to deliver value and positions the company to deal with competitive pressures in the growing generics market."

"New formats introduced for Soul Pattinson and Pharmacist Advice, along with our API member program, have been well accepted and have secured a strong foothold in the core pharmacy categories."

Mr Roche said that the Consumer Brands (NZ) business is trading profitably, but there are opportunities to improve underlying cost performance.

Retail Division performs well in a tough economic environment

Priceline's status as one of Australia's leading mass market health and beauty retailers has been reinforced with retail sales growth of 5.3% and comparable store sales of 2.0% in what has been one of the most competitive markets experienced.

Mr Roche said that this performance was particularly pleasing given the uncertainty in consumer confidence created by the global financial crisis in the past 12 months, the increase in competition in core health and beauty categories, and the impact on EBIT of transition costs of the new supply chain model under Revitalise.

"Our significant investment in the brand through media and other mediums has paid off, with consumers recognising the value and quality offering in both our Priceline and franchised Priceline Pharmacy stores."

"We continue to focus on a controlled expansion of our Priceline network, aiming for 400 stores in 2011. Economic conditions will largely dictate the speed of our expansion, either through new stores or conversion of company owned stores, but we are making sure we have the right foundations in place to prudently grow the network".

Priceline ClubCard loyalty program continues to attract new members, with the member base exceeding 3.1 million members.

"This membership base confirms the status of the Priceline program as one of Australia's largest retail loyalty programs in Australia, whilst at the same time driving sales growth and brand awareness across the network. The average sale for a ClubCard member is more than 30% higher than for a non-ClubCard customer"

'Revitalise' roll out

Mr Roche said the roll-out of API's supply chain consolidation program, Revitalise, continues to be implemented and is on track to meet planned efficiencies and cost savings in 2011/2012.

"Our first Distribution Centre ("DC") in Melbourne is close to finalising a complete transition to an integrated retail/pharmacy operation. In addition, our new state-of-the-art Brisbane DC is now operating and transitioning to a similar integrated retail/pharmacy model, so we are well positioned to take advantage of the expected Revitalise benefits."

Outlook

API confirms previously provided guidance of \$24.6m³ for the full year. Key assumptions include no material changes to the regulatory environment and no further reduction in consumer demand.

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About API

Australian Pharmaceutical Industries Limited (API) is one of Australia's leading health and beauty companies. API's Pharmacy business provides wholesale distribution, business and marketing services to community pharmacies across Australia. The Retail division is one of Australia's leading health and beauty market retailers through its retail brand Priceline. The Consumer division is a niche player in over-the-counter pharmaceuticals and is based in New Zealand.

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³ FY09 NPAT of \$18.6m x 10% and the impact of Capital Raising \$4.2m NPAT.