

AUSTRALIAN PHARMACEUTICAL INDUSTRIES LIMITED

2011 ANNUAL GENERAL MEETING

17 JANUARY 2012



Important information

The material in this presentation is of general information about API's activities current at the date of the presentation. It is information given in summary form and does not purport to be complete. Nothing in this presentation should be construed as a recommendation or forecast by API or an offer to sell or a solicitation to buy or sell shares. It does not take into account the investment objectives, financial situation or needs of a particular investor. These should be considered with or without professional advice when deciding if an investment is appropriate.



Welcome



Admittance cards

- **Blue** for voting shareholders
- **Yellow** for non-voting shareholders
- **White** for visitors

Introductions – API Board

- Mr Rob Millner
- Mr Miles Hampton
- Ms Lee Ausburn
- Mr Peter Sanguinetti – Company Secretary

- Mr Stephen Roche – CEO & Managing Director
- Mr Gerry Masters
- Dr Michael Wooldridge
- Ms Carol Holley

2011 ANNUAL GENERAL MEETING

CHAIRMAN'S ADDRESS

Mr Peter Robinson



2011 ANNUAL GENERAL MEETING

CEO & MANAGING DIRECTOR'S ADDRESS

Mr Stephen Roche



Outline

Our business, market opportunity, vision and strategy:

- API overview
- Significant, high-growth market opportunity
- Competitive positioning
- Regulatory environment - challenging and manageable
- Competitive advantages
- Our company vision and strategy for success

Why we will succeed:

- Proven offshore strategies
- Appealing franchisee proposition
- Attractive customer proposition
- Compelling commercial model

API's investment case



API overview



Significant, high-growth market opportunity

- API is uniquely well positioned to capitalise on two powerful consumer trends within the Pharmacy sector:
 - Health conscious
 - Cost conscious
- Consumers increasingly want to look and feel good, but are looking to spend less on their favourite brands and are looking for cheaper alternatives
- Consumers are also looking for wellness solutions
- Opportunity to build a uniquely attractive revenue profile – underlying growth and defensive



Regulatory environment – challenging & manageable

- Regulatory framework provides both commercial advantages and restrictions
- API has 101 years of experience with this framework and a clear record at operating successfully within it
- Deregulation of Pharmacy unlikely:
 - Pharmacy Guild remains strong
 - Current position has bi-partisan support of major political parties
 - API supports the ownership of pharmacies by pharmacists
- Positive impact of PBS reforms unappreciated:
 - Reduced dispensary income will accelerate need for Pharmacists to diversify their customer offering
 - Should lead to increased franchisee interest in Priceline
 - Further growth in Soul Pattinson and Pharmacist Advice is also expected.

Competitive positioning



- Competitors are positioned at top and bottom end of the market
 - Department stores
 - Supermarkets and discount chemists
- Priceline Pharmacy occupies the middle ground – a mass market health and beauty offer
 - Provides both a health and beauty offer
 - Provides recognised trusted brands with competitive value pricing
 - Specialists on hand
 - An environment where women can enjoy a shopping experience

Priceline customer offering = service + value



Competitive advantages

- First mover advantage – API has been refining its strategy over the last 5 years
 - Significant investment in infrastructure and people is now in place which can facilitate 2x current store numbers
 - Extensive site network and franchisee base already secured
 - Existing loyal customer base
 - Low cost and low risk growth plan established and working
- Strong and trusted portfolio of brands
- Highly successful loyalty program – Priceline's Clubcard
- Market leader for pharmaceutical distribution



Our company vision and strategy for success

Vision: To become the dominant mass-market health and beauty retailer and best franchise partner in Australia

Strategy

- Pursue robust growth in Priceline Pharmacy by:
 - *Capitalising on expected surge in independent pharmacies diversifying their product offering to combat PBS reforms*
 - *Leveraging leading market positioning and scalability*
- Maintain a leading market position in the Australian pharmaceutical distribution market
- Be the best franchise partner for our customers, branded or independent
- Tailored health and beauty products through manufacturing and marketing capabilities



Proven offshore strategies

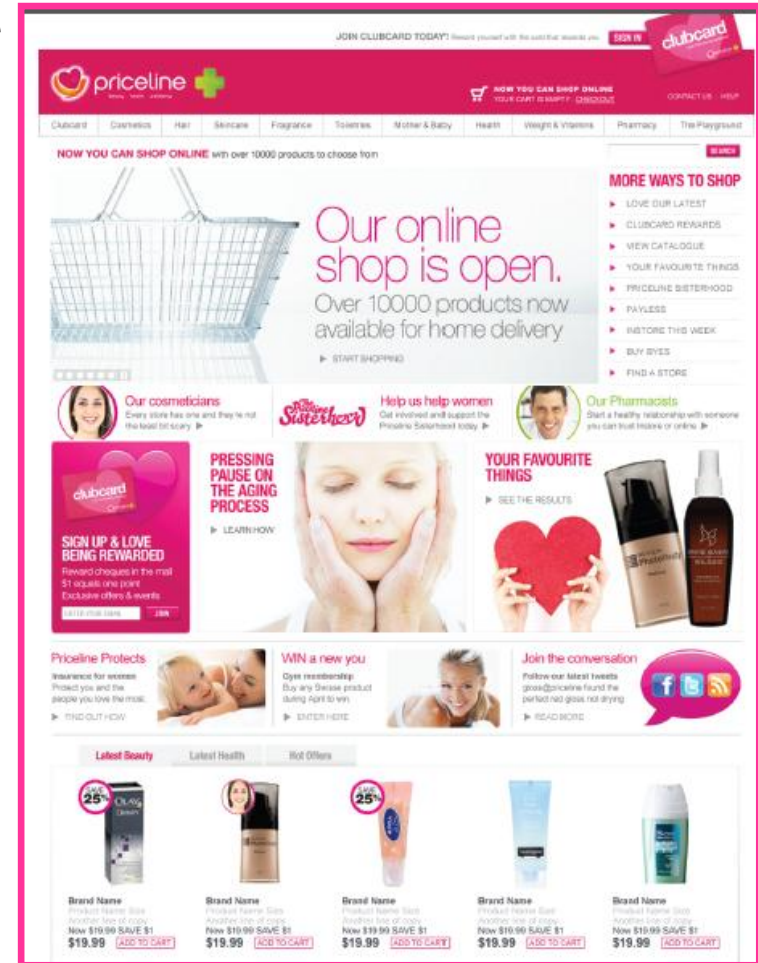
Learning from successful offshore peers, applying 'best of breed' strategies



...and adapting these strategies to the nuances of the Australian market

Appealing franchisee proposition with Priceline Pharmacy

- Greater earnings potential – Priceline stores promote a health and beauty offer diversifying reliance on the dispensary
- Priceline brand, Clubcard and marketing spend significantly increases store traffic and builds customer loyalty
- Priceline's bargaining power with generic suppliers can mitigate the margin impact of PBS reforms
- Business and Retail Expertise support
- Launch of the Priceline On-line Store in first half of 2012
- Independent survey shows outstanding franchisee satisfaction levels



Attractive customer proposition

- Distinctive offering sets Priceline Pharmacy apart from competitors
 - Mid-mass market branded products at competitive prices
 - Pharmacist and beauty specialists on hand
 - Enjoyable in-store experience - touch, feel and try
 - Customers basket size increases due to complementary nature of product range
- Priceline Clubcard
 - Top 4 loyalty card in Australia
 - Over 3.6m members
 - Account for over 40% of store sales (including prescriptions)



Compelling commercial model

- Priceline Pharmacy business model is hugely scalable
- Significant historical investment made in infrastructure and people
- Store numbers could double without any material increase in fixed costs
- Store roll out growth will drive huge margin expansion – a “J curve profile”



API's Investment Case

- Earnings improvement in FY12 post one-off factors in FY11
- Priceline offers unrivalled leverage to a growth and defensive health and beauty segments
- Pharmacists needs to diversify future consumer offers creates a foundation for growth
- Scalability of business model to deliver “J curve” future earnings profile
- Significantly undervalued relative to peers
- Low gearing, good cash flow generation and a dividend yield of +10%

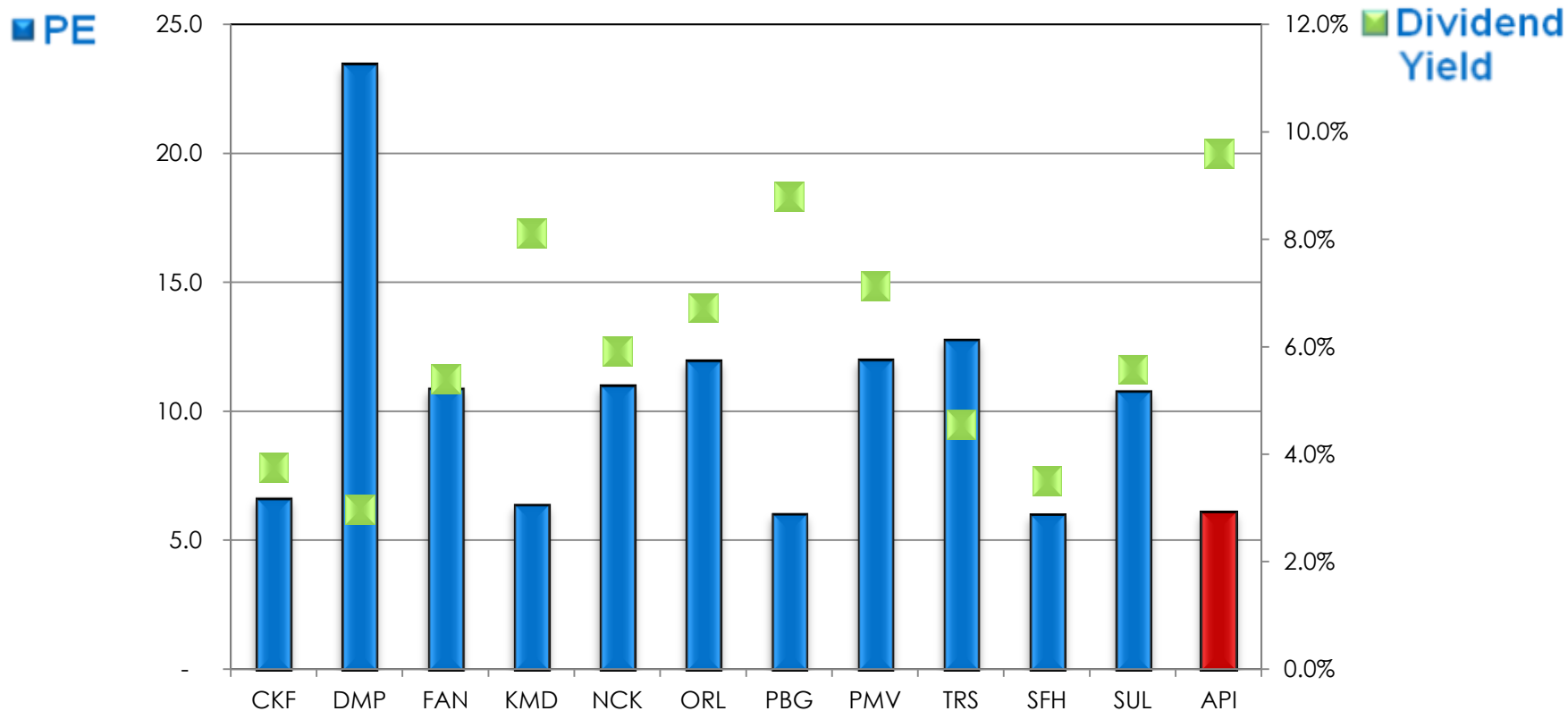


Soul Pattinson Chemist

Pharmacist Advice



Significantly undervalued relative to peers



API trading on highest yield and lowest PE of peer group



Summary

- We have 100 year heritage in Pharmacy
- We will work to provide product and service offers for pharmacists
- We are confident that we have a strong strategy in place:
 - Attractive customer offer and successful loyalty program
 - Appealing franchisee offer
 - Compelling commercial model
- Our strategy is well suited to the market opportunity and will deliver value to shareholders
- Thank you to our Employees, Management and the Board



2011 ANNUAL GENERAL MEETING

ORDINARY BUSINESS



Financial Report

“To receive and consider the Financial Report of the Company and its controlled entities and the reports of the Directors and the Auditor for the year ended 31 August 2011”

Remuneration Report

“To adopt the remuneration report for the year ended 31 August 2011”

Remuneration Report

Voting will be conducted by a poll at end of this meeting.

Re-election of Director

Ordinary Resolution:

“To re-elect a Director. Mr Peter Robinson retires by rotation in accordance with the Company’s Constitution, and being eligible, offers himself for re-election”

Re-election of Peter Robinson – Proxy Votes

Proxies Received	
For:	209,743,523
Against:	117,791,231
Open – usable:	2,992,065
Abstain:	1,628,046

Re-election of Director

Ordinary Resolution:

“To re-elect a Director. Ms Lee Ausburn retires by rotation in accordance with the Company’s Constitution, and being eligible, offers herself for re-election”

Re-election of Lee Ausburn – Proxy Votes

Proxies Received	
For:	210,275,896
Against:	117,069,815
Open – usable:	2,992,396
Abstain:	1,816,758

Grant of Performance Rights

“That the grant of performance rights under the API Long Term Incentive Plan to the Company’s Chief Executive Officer & Managing Director, Mr Stephen Roche, in the manner set out in the Explanatory Notes to Notice of 2011 ANNUAL GENERAL MEETING be approved for all purposes, including for the purpose of ASX Listing Rule 10.14”

Grant of Performance Rights – Proxy Votes

Proxies Received	
For:	206,254,415
Against:	121,400,593
Open – usable:	4,019,644
Abstain:	948,888

Conduct of Poll – Remuneration Report

- *Only blue card holders can vote*
- *Directions for poll*
- *Vote FOR or AGAINST and write your name*
- *Results issued to ASX*

THANK YOU FOR ATTENDING

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