

ASX Announcement

28 July 2006

Update from Australian Pharmaceutical Industries Limited

Australian Pharmaceutical Industries Limited (API) today advised that the Australian Securities & Investments Commission has granted the company an extension to enable the company to lodge its financial results and report for financial year 2006 on or by 14 August 2006.

As previously advised the delay is due to a complex set of issues that emerged as a result of an IT systems changeover. The changeover involved a move from an outdated mainframe system and associated financial package to a fully integrated ERP system. The implementation of the conversion was phased in over a period of time, completing in March 2006. The resultant conversion has not affected the company's ability to service its pharmacy customers and in this regard it's business as usual. However, as year-end financial processes were being completed discrepancies were identified.

After initial analysis of the issue, API requested a trading halt so the issue could be thoroughly examined and the impact quantified. Specialist IT and financial resources were immediately brought in to complement an internal team focused on resolving the issue.

Whilst the situation is clearly unsatisfactory, the Board is determined to complete a thorough investigation in as timely a manner as possible to ensure the issue has been fully understood and addressed before release of the full year results and expected resumption of trading in API shares. As part of this the Board has set up a sub-committee to review the process, and the Board is satisfied that management are focused on the right objectives.

Once the present rigorous review process is completed, API will be in a position to finalise and announce its 2006 financial year results. The Board has indicated that a detailed explanation of what has occurred and the review process undertaken by API will be provided at the time of the results announcement.

Once API's results have been lodged with the ASX it is anticipated that trading in API shares will recommence.

API Group Leader, Jeff Sher, said that while the main focus was on resolving the issue at hand, API's daily business operations continue trading normally and the company maintains a market leading position in pharmacy distribution.

"The implementation of the Community Service Obligation has occurred smoothly and pharmacy distribution revenue in May and June was in line with industry growth. In the retail division sales for May and June were approximately 13 per cent up on last year despite the obvious pressures from petrol prices and interest rates," he said.

A current year trading update will be provided at the same time as the release of the 2006 financial year results.

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