australian pharmaceutical industries

4 months to August year end results presentation

30 October 2007

Restoring value

Underlying business showing steady growth

1. Fix the foundation
   - Divisional performance shows the basics are now in place
   - Increased stability demonstrated in top line performance
2. Build on core strengths
   - Process to maximise existing businesses has commenced
   - Building relationships with independent pharmacy
   - Priceline & Priceline Pharmacy development continues
   - Non-core assets addressed
3. View to growth
   - Opportunities from Alphapharm partnership
   - Developing Priceline brand position
   - Supply chain options

Results overview
Key points

- Business base continues to grow – the top line performance continues to build
  - Total revenue of $940m in 4MYE* is up 7.8%** on the same period last year
  - Pharmacy ahead of expectations and Retail a positive like-for-like performance
- EBITD performance of $17.2m up on same season last year
- Excluding Associates, PAT of $3.0m during seasonally low Retail period
- Associates positions affected net profit performance
  - We continue to address Associates positions to further control results

*4MYE = Four month year end – 1 May '07 to 31 August '07
** Based on unaudited 1 May '06 to 31 August '06 revenue

Group Performance

Key financials

4MYE Group Results

$m	4 months Aug-07	Year ended Apr-07	6 months Oct-06
External Sales	915.0	2,570.6	1,242.5
External Services	25.3	78.4	41.9
Revenue	**940.3**	**2,649.0**	**1,284.4**
Gross Profit	105.9	327.6	146.8
Other Income	9.7	12.5	4.1
Overheads (excl Depreciation)	(98.4)	(317.7)	(158.4)
EBITD	**17.2**	**22.4**	**(7.6)**
EBITD % External Sales	1.9%	0.9%	-0.6%
Depreciation	(5.6)	(15.4)	(6.9)
EBIT	**11.6**	**7.1**	**(14.4)**
EBIT % External Sales	1.3%	0.3%	-1.2%
Net Interest	(7.3)	(20.4)	(9.4)
Share of Associates	(5.6)	(2.5)	(1.4)
Tax	(1.4)	4.4	8.0
Reported NPAT	**(2.6)**	**(11.5)**	**(17.3)**
One Offs *	1.9	(30.5)	(24.3)

* One Off's as reported for 6 months to October 06, 12 months to April 2007 and $ 1.9m profit in 4 months to Aug 07 for the sale of House & Price Attack

Key financials
4MYE Group Ratios

$m	4 months Aug-07	Year ended Apr-07	6 months Oct-06
Gross Profit % External Sales	11.6%	12.7%	11.8%
Overheads (incl depreciation) / External Sales (%)	11.4%	13.0%	13.3%
EBITD (excl one offs) % External Sales	1.7%	2.1%	1.3%
EBIT (exc one offs) % External Sales	1.1%	1.5%	0.8%
One Offs *	1.9	(30.5)	(24.3)

* One Off's as reported for 6 months to October 06, 12 months to April 2007 and $ 1.9m profit in 4 months to Aug 07 for the sale of House & Price Attack

Key financials

Cash Flow Summary

	4 months Aug-07	Year ended Apr-07	
Opening Cash & Cash equivalents	14,622	30,060	
Net Cash from operating activities	(14,140)	49,900	*
Net Cash from investing activities	8,317	(23,503)	
Net Cash from financing activities & FX	759	(41,835)	**
Closing Cash & Cash equivalents	9,558	14,622	

* April 07 included $82m inflow from net $50m increased securitisation. Like-for-like $(32.1)m

** April 07 included $32m outflow from net $50m increased securitisation. Like-for-like $(9.8)m

Key financials
Operational Working capital

$m	4 months Aug-07	Year ended Apr-07	6 months Oct-06
Operational Working Capital	**275.8**	**251.4**	**320.8**
Trade Creditors / Inventory ratio	1.3	1.3	1.0
Trade Debtors / External Sales*	1.5	1.6	1.5

* 3 month average external sales used

Key notes and initiatives:

- Seasonality driving working capital growth
- Pharmacy momentum exceeded expectations
  - 9% sales growth over comparable period last year (unaudited)
  - Had expected PBS growth to be between 0-2%
- Immediate focus on accelerating collections and inventory levels
- Supply chain management important future driver

Transition

Unaudited underlying full year to August

$m	Pro-forma FY Aug-07	Year ended Apr-07
External Sales	2,623.8	2,570.6
External Services	78.4	78.4
Revenue	2,702.1	2,649.0
EBITD (excl one offs)*	59.6	53.0
EBITD (excl one offs) % External Sales	2.3%	2.1%
EBIT (excl one offs)*	44.0	37.6
EBIT (excl one offs) % External Sales	1.7%	1.5%
* One offs	(27.0)	(30.5)

Division Reviews

Pharmacy

Divisional review*

$m	4 months Aug-07	Year ended Apr-07	6 months Oct-06
External Sales	730.3	1,962.9	1,002.3
External Services	6.2	26.5	14.1
Revenue	736.5	1,989.4	1,016.5
EBITD	12.9	35.9	15.2
EBITD % External Sales	1.8%	1.8%	1.5%

Key notes and initiatives:

- External sales up 9%** on May-August 2006 sales of $671m
- Managing growth opportunities without diluting margin
- Margin initiatives now taking hold, with benefits flowing through from 1H 08
- Transition of Alphapharm underway
- Exposure to more than 4500 pharmacies

*as per segment note

** Unaudited

Retail

Divisional review*

$m	4 months Aug-07	Year ended Apr-07	6 months Oct-06
External Sales	172.8	566.0	218.2
External Services	19.0	51.9	22.7
Revenue	191.9	617.9	240.9
EBITD	9.9	30.7	10.0
EBITD % External Sales	5.7%	5.4%	4.6%

Key notes and initiatives:

- External sales up 6%** on May to August 2006 sales of $163m
- Lowest retail trading period in the calendar year
- Traditionally strong sales and earnings Christmas period moves from second half to first half in new financial calendar
- Upswing in sales from September and October as per 1H07

*as per segment note

** Unaudited

Consumer
Divisional review*

$m	4 months Aug-07	Year ended Apr-07	6 months Oct-06
External Sales	11.9	41.7	27.0
External Services	-	-	-
Revenue	11.9	41.7	27.0
EBITD	0.9	1.0	(0.2)
EBITD % External Sales	7.4%	2.5%	-0.7%

Key notes and initiatives:

- Incremental margin improvement
- Increased focus for management now that major divisions are on track
- Pharmac opportunities in process
- Inter-divisional opportunities underway

*as per segment note

Development

Developing core business

Key platforms to build API's position

- API has articulated key strategies to build the business:

Restore base business

Develop Priceline Pharmacy

Generics position finalised

Increase supply efficiencies

- The strategies are aimed at making the pharmacist more competitive in the market by bringing them closer to the needs of the consumer:
  - Through retailing, services and supply chain

Restoration of base business

Steady growth

- Base business growth on steady path
- API now in-line or ahead of pharmacy market growth
- Every state has improved position since April 2007
- Pharmacist feedback increasingly positive
  - Includes reinvigoration of Soul Pattinson and increased choice of business services
- Growth of top line in all businesses despite tough conditions

Grow Priceline Pharmacy

Building beauty and health footprint

- Footprint continues to build
  - Currently 135 Priceline Pharmacy stores
  - Combined Priceline and Priceline Pharmacy +280 stores
  - Largest beauty and health presence in the market
  - Increasing pipeline first phase in continuing growth

- Key development work in brand positioning
  - 30 Days of Fashion, September 07
  - Consumer research
  - Development of complete beauty and health proposition

- Traditional Priceline store divestments to pharmacists will continue
  - Longer term goal of increasing returns with lower use of capital remains in place

- Continue to open traditional Priceline stores
  - Traditional stores will open where opportunities arise

Generics position finalised

Partnership with market leader

- Requirement for key generic pharmaceuticals partner identified and detailed review process identified requirements for a new partnership
- Alphapharm announcement on 8 October and implementation program went live as at 29 October
- Initial positive feedback from pharmacy community, incremental benefits for API's retail pharmacy brands
- Successful implementation has potential upside for business opportunities
- Accretive to margins immediately

Untapped supply chain

Integral part of unlocking business value

- API has commenced process of moving to one delivery per day in every state
- Alphapharm is the largest supplier to the PBS and volume will increase utilisation of API assets
- API's Pharmacy and Retail divisions have supply chain assets that can be maximised for a more competitive and efficient position

Summary

Confident about future performance

- Base business improvements are continuing through low period
- Further benefits to be gained from current assets
- Stabilising working capital with growing top line important
- Bedding down Alphapharm partnership to leverage position

Questions