



Changing the shape of the Australian
pharmacy industry

An API & Alphapharm partnership

A five year strategic partnership:

- Brings together two of the pharmacy industry's leading brands
 - Alphapharm is the industry leading generic pharmaceuticals company
 - API is the leading retail pharmacy brand provider and a leading pharmaceutical distributor
- API will be the preferred distributor for Alphapharm's generic pharmaceuticals
- For existing Alphapharm pharmacy customers to access their best terms they will need to order through API
- Preferred pricing on Alphapharm products to be available for API's pharmacy brand members

Financial benefits for API

Financial uplift and resolves strategic issues:

- Ongoing annual EBIT benefit of approximately \$7.5 million once operational (EBIT does not include interest costs from increased working capital requirements)
- Participate in generic pharmaceuticals market
- No increase in base operating infrastructure required
- Minor investment in areas such as customer service centres to manage increased level of customer calls
- Working capital increase can be accommodated

Importance of generic pharmaceuticals



The generic pharmaceutical industry:

- Valued at more than \$800m annual turnover
- Generic pharmaceuticals growing at +10% in Australia
- August 2007 PBS reforms only give further impetus to the generic industry and the need for API to be well positioned
- Major molecules are coming off patent in the next three years

Choosing the right partner - Alphapharm meets the key criteria:

- Part of a globally competitive company with a strong pipeline
- Possesses the most comprehensive product range in the market and is the leading supplier today
- Understands the pharmacist customer base
- The partnership will provide incremental value for API brands and better choice for independents

Implementation plans

API and Alphapharm have commenced working together on the implementation plans

- API will purchase and hold all stock requirements from Alphapharm
- Alphapharm's 4000+ customers will have accounts opened with API - if not already dealing with API
- Alphapharm will remain the primary contact for each pharmacist to determine product pricing
- API brand members will have access to preferred pricing
- API to receive customer orders and despatch through current branches

Leading pharmacy position

Retail

Superior retail offer to pharmacy

Generics

Most comprehensive product offers to pharmacy



Providing better choices for pharmacists

Distribution

Leading position after generics implementation

Major benefits for API

The partnership creates the most comprehensive business offer across the industry:

- Provides a total package to pharmacists from one source
- Streamlines supply chain within the industry
- Increases customer service options for both companies within the pharmacy market, eg API's high service levels into retail pharmacy
- Increases eligible CSO payments for API
- Increases relationships with pharmacists for both companies
- Increases benefits for API's pharmacy brands
 - Priceline Pharmacy, Soul Pattinson, Chemworld, Pharmacist Advice

Timing estimates

Key milestones:

- 8 October – announcement of partnership
- 9-15 October – transition requirements finalised
- 15 October – stock transfer commences
- 20 October – customer details finalised
- 29 October – supply commences from API warehouses

API's industry position improving

- Confidence in API growing consistently in the pharmacy market
- Service levels remain very high
- Demand for Priceline Pharmacy remains strong
- Alphapharm partnership possible due to API's strong position and potential
- First major strategic change in the industry for 2 years
- API back to concentrating on core assets
 - House and JV positions finalised in four month reporting period to 31 August 2007



australian pharmaceutical industries