

Notice of 2008 Annual General Meeting



Notice is given that the 2008 Annual General Meeting of shareholders of Australian Pharmaceutical Industries Limited will be held at Rosehill Racecourse, James Ruse Drive, Rosehill, NSW on Tuesday, 20 January 2009 at 2:00pm.

Business:

Items 2 to 5 will be proposed as ordinary resolutions.

Ordinary Business

Reports

1. To receive and consider the Financial Report of the Company and its controlled entities and the reports of the Directors and the Auditors for the year ended 31 August 2008.
2. Adoption of the Remuneration Report.

To adopt the Remuneration Report for the year ended 31 August 2008.

The vote on this resolution is advisory only.

Directors

3. To re-elect a Director. Mr Peter Robinson retires by rotation in accordance with the Company's Constitution and being eligible, offers himself for election.
4. To elect a Director. Ms Lee Ausburn retires as a Director, having been appointed by the Board during the year and in accordance with the Company's Constitution, being eligible, offers herself for election.

Special Business

5. Resolution – Dividend Reinvestment Plan

To consider and, if thought fit, pass the following as an ordinary resolution:

"That the Directors be authorised to establish and maintain a dividend reinvestment plan in respect of dividends distributed by the Company on such terms and conditions as the Directors consider appropriate from time to time."

Voting Entitlements

For the purpose of the Corporations Act, the Company has determined that all securities of the Company that are quoted securities at 7.00pm Australian Eastern Daylight Saving Time on Sunday, 17 January 2009 will be taken, for the purpose of the Meeting, to be held by the persons who held the securities at the time.

Proxies

A shareholder has the right to appoint a proxy, who need not be a shareholder of the Company. If a shareholder is entitled to two or more votes they may appoint two proxies and may specify the percentage of votes each proxy is appointed to exercise. The Proxy Form must be deposited at the share registry of the Company, Registries Limited located at Level 7, 207 Kent Street, Sydney NSW 2000 or at the Company's Registered Office, 11 Grand Avenue, Camellia NSW 2142, or by facsimile to Registries on +61 2 92790664 or to the Company on +61 3 87203402 so that it is received no later than 2.00pm on Sunday, 17 January 2009.

By order of the Board

Peter Sanguinetti

Company Secretary

19 December 2008

Explanatory Notes on Items of Business



Remuneration Reports – non-binding advisory note

As required by the Corporations Act, the Board is presenting the Remuneration Reports for the year ended 31 August 2008 to members for consideration and adoption by a non-binding vote. Each Remuneration Report contains:

- information about Board policy for determining the nature and amount of remuneration of the Company's directors and senior executives;
- a description of the relationship between the remuneration policy and the Company's performance;
- a summary of the approach to remunerating senior executives, including performance related remuneration; and
- Remuneration details for each Director and for each of the Company's nominated senior executives.

Each Remuneration Report, which is part of the Company's Annual Report, has been sent those members who have elected to receive an Annual Report. Copies of the Remuneration Report are available by contacting the Company's Share Registry or by visiting the Company's website www.api.net.au and clicking on the following links: www.api.net.au – choose News and Investors, Annual Reports, and select 2008 version.

Board Recommendation

The Board considers that the remuneration policies adopted by the Company are appropriately structured to provide rewards that are commensurate with the performance of the Company.

On this basis, the Board recommends that members vote in favour of item 2.

Items 3-4 Election of Directors

Mr Peter Robinson *B. Com*

Director since 5 May 2000.

Appointed Chairman 8 July 2003.

Mr Robinson joined Washington H Soul Pattinson and Company Limited in 1978 and was appointed a director of Washington H Soul Pattinson and Company Limited in 1984. Mr Robinson is also Chairman of Clover Corporation Limited and a director of New Hope Corporation Limited. Mr Robinson resigned as a Director of SP Telemedia Limited in April 2008.

During the last 3 years Mr Robinson has also been a non-executive director of KH Foods Limited (1987-2006) Mr Robinson was re-appointed as a Director of KH Foods Limited in February 2008.

Ms Lee Ausburn *M. Pharm, B. Pharm, Dip.Hosp.Pharm GAICD*

Director since 7 October 2008

Member of the Audit and Risk Committee since 7 October 2008

Ms Ausburn is a pharmacist with experience in retail and hospital pharmacy and in academia. She joined the pharmaceutical industry with Merck Sharp and Dohme

(Australia) Pty Ltd in 1983 and most recently was Vice President, Asia, for Merck and Co Inc with responsibility for the company's operations across Asia.

Item 5 – Dividend Reinvestment Plan

There is no requirement under either the ASX Listing Rules or the *Corporations Act 2001* (Cth) for a company to obtain shareholder approval before it establishes a dividend reinvestment plan. Rule 28.16 of the Company's constitution provides that a general meeting of the Company may authorise the establishment of a dividend reinvestment plan. It is because of this rule that the Directors seek authorisation from members for the proposed plan.

It is the Board's intention to establish a Dividend Reinvestment Plan prior to declaration of any future dividends.

A dividend reinvestment plan is a convenient way for members to increase their shareholding in a company by reinvesting their dividends in additional shares. Generally, shares provided under a dividend reinvestment plan rank equally with all other fully paid shares on issue.

Some typical features of a dividend reinvestment plan include:

- No brokerage, commission or other transaction costs are payable by members on shares provided. Under present law, participants do not pay any stamp duty or other transaction duties either.
- The number of shares provided is calculated by reference to the daily volume weighted average sale price of fully paid ordinary shares sold on the ASX during a specified period following the record date of each dividend. The Board may apply a discount to the volume weighted average sale price if it chooses to do so.
- Participation is optional and members who participate may choose to have all or part of their dividends reinvested.
- For Australian resident members, dividends reinvested are assessable for income tax in exactly the same manner as cash dividends. Franking credits are available depending on the extent of franking under the dividend imputation arrangements and the individual circumstances of the shareholder. Capital gains tax may apply if and when Australian resident members ultimately dispose of shares provided.

The Board unanimously recommends that members vote in favour of the resolution.