



Media Release
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API full year results

Australian Pharmaceutical Industries Limited (API) today reported its results for the full year ended 30 April 2007 with sales for the year of \$2,649 million, up 2.6% on the prior year. Earnings before interest, tax, depreciation (EBITD) and significant items were \$53.1 million for the year. After significant items EBITD was \$22.6 million. The company recorded a net loss after tax of \$11.3 million.

As advised on 26 June 2007 the EBITD for the second half was \$36.4 million before significant items of \$6.2 million.

The Board of Directors will be looking for further improvement in the trading position prior to reinstating a dividend.

API Managing Director and Chief Executive Officer, Stephen Roche, said that the company was now positioned to push forward with the development of its strategy.

"API has made very good progress since August last year, we've been rebuilding the Pharmacy business and at the same time developing the fastest growing retail brand in Australia and taking API to a unique position in the Australian market," Mr Roche said.

"The second half performance is a significant improvement on the first half, however we still have more work to do," he said.

Operational performance improved during the course of the second half in the Pharmacy division.

"There's been a concerted effort in this division to build customer relationships with an experienced management team and it has taken until we were into the second half to see those efforts flow through with more significant customers joining API during that period," Mr Roche said.

"Sales from the division in the second half were \$960.6 million compared to \$936.7 million in the second half of the previous year. This excludes any benefit from Priceline Pharmacy sales and is a demonstrable improvement in the market.

"We've kept our focus on the importance of independent pharmacy customers and the services that we are delivering for them are making a difference, whether it is the new Soul Pattinson format or the new services in the API Member program.

"There is a continual focus on improving our logistical efficiencies which includes working more closely with pharmacists in managing our delivery cycles."



The Retail division has continued to roll out the Priceline Pharmacy model at an average of 50 stores per year. Managing the fastest expanding retail format in Australia and a base of more than 140 Priceline corporate stores is a significant challenge for management.

"We have a clear goal to build our Priceline Pharmacy store numbers to 350-400 in the next three to four years. We understand the benefits this can bring to API and our pharmacy partners," Mr Roche said.

"We have a window of opportunity in which to build our competitive advantage and our Retail team can achieve that.

"Retail sales across corporate stores were up 5% and our consumer offer continues to be attractive, especially with our core customer base growing through the ClubCard program, now at almost 2 million members.

"Our EBITD trading result in Retail did not meet our expectations, although it was assisted by Priceline corporate store sales for transition to Priceline Pharmacy stores, and there are various initiatives in supply chain and in-store developments to continue working on its performance."

The Consumer division continued to improve its EBITD performance and its result was characterised by strong management control of expenses.

Mr Roche said that the voluntary share trading suspension had a longer than expected hangover in its impact on working capital and as a result the interest costs for the company were too high.

"It is taking time to work with suppliers and customers to wind back our working capital levels, but it continues as one of our key priorities as we look to address our interest costs," Mr Roche said.

The significant items for the half total \$6.2 million. \$3.5 million related to the Retail division and includes fixed asset reviews for Price Attack and House, \$1.1 million in the Pharmacy division includes reconciliations of third party logistics arrangements and \$1.6 million in corporate that includes resolution of audit adjustments with associates and additional professional fees.

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Change in financial year end

On 30 March this year API announced that it received approval from ASIC and ASX to change its financial year from beginning on 1 May to a new timetable beginning on 1 September and ending on 31 August. The new financial year will mean that API will no longer need to report



results during its peak retail trading periods. As part of the transition API will report a four month period of 1 May to 31 August this year. The four month period will be subject to a standard full year audit and reporting process. The reporting periods to 30 April and 31 August will both be considered at the Annual General Meeting in December 2007.

About API

Australian Pharmaceutical Industries Limited (API) is one of Australia's leading health and beauty companies. API's Pharmacy business provides wholesale distribution, business and marketing services to community pharmacies across Australia. The Retail division is a leader in the health and beauty market managing retail brands such as Priceline. The Consumer division is a niche player in over-the-counter pharmaceuticals and is based in New Zealand.

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