



Media Release 26 June 2007

API results update

- API advises it will achieve \$36.4 million in EBITD before significant items for the second half of the financial year ending 30 April, 2007
- Significant items of \$6.2 million mainly related to Retail business
- Basis now established for continuing improvement in financial performance in FY08

The Board of Directors of Australian Pharmaceutical Industries Limited (API) advises that it anticipates earnings before interest, tax and depreciation ("EBITD") before significant items for the second half of the year to 30 April 2007 will be \$36.4 million.

On 7 December 2006 API advised that EBITD was expected to be restored to that of the prior corresponding period of approximately \$39 million (prior to one off items). Reported EBITD after significant items will be \$30.2 million for the second half.

The directors had been anticipating booking an \$8 million transaction in corporate store sales, however having taken independent advice on the issue the directors now believe it is appropriate to account for the transaction in the four month period to 31 August 2007.

The significant items include the result of asset reviews for the Price Attack and House brands. These brands have been the subject of many informal purchase offers and API has now decided to assess their veracity. API undertook a balance sheet review of these assets prior to commencing a formal process to resolve if these brands will provide greater shareholder value through a sale of the assets or if API continues to operate them.

Chairman of API, Mr Peter Robinson, said that the result was underpinned by an improved performance in the Pharmacy division, while the last three months of the year were weaker than expected for the corporate stores in the Retail division.

"API is back on track," Mr Robinson said. "We are seeing the benefits of defining and focusing on our core businesses in increased sales. While the turnaround has taken longer than expected, we are starting to see these initiatives now take hold in the business."

"Pharmacy is delivering positive results again. Retail corporate stores had a more difficult time in a softening market. Unfortunately the directors have again had to take significant items into this result as we push the business forward," Mr Robinson said.

API Managing Director and Chief Executive Officer, Stephen Roche said Pharmacy's market position has continued to stabilise in the past six months, with some significant gains in business now returning to the company.

"We expect the traditional patterns of trading will now continue. Customer feedback has been increasingly positive in recent months particularly in NSW," Mr Roche said.

"The Priceline Pharmacy franchise has recorded like-for-like front of store growth of 14% year-on-year. As the model is working consistently well, we are aiming to increase the rate of store roll out," he said.



"We have verified the financial returns from Priceline Pharmacy and as a result we are now in the process of examining a revised target of 350 to 400 stores by 2010-11. We'll need to work very closely with the pharmacy community to achieve this aim. Focusing on this retail brand will provide a robust earnings stream for the company in future with a lower level of capital investment.

"By focussing on maximising the asset value of each division we've seen the Pharmacy division quickly put the issues of the previous period behind it, the Priceline Pharmacy franchise continue to grow strongly and we are now starting to see promising results in turning around our working capital performance.

"We still have work to do in overall capital management, and more opportunity to significantly improve our return to shareholders.

"Most importantly we now have the base to work from which will provide more confidence to our customers to work with us and allows the pursuit of our strategic path as a leading health and beauty company."

The Retail division continued to expand the Priceline Pharmacy franchise with 117 stores now open and a full pipeline in place for the remainder of the year. Trading in the Priceline corporate stores was good over Christmas but it was under expectations in the fourth quarter where consumer demand was slower in retailing overall.

"In the past six months we have had informal offers for the House and Price Attack brands. We are now evaluating if the sale of either or both brands is in the best interests of shareholders. API has not committed to sell the brands and will assess this following any formal bids.

"During this process we have addressed the performance of Price Attack and House, with measures including an increased focus on supplier relationships.

"I am confident we can further improve the performance of our core businesses. We are well positioned for any industry changes by focusing on the consumer end of the supply chain.

"API is the only company in this sector focusing its business around the demands of the consumer.

"This is a solid base for the company to build on and we've managed a difficult period for the company while we were still addressing the fundamentals," Mr Roche said.

The full year results will be released on the afternoon of Thursday 28 June 2007.

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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.

Further information:

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