
API full year results presentation

for the 12 months ended 31 August 2008

30 October 2008

Restored business

Strategic plans remain on track

1. Fix the foundation

- Momentum restored across all divisions

2. Build on the core assets

- Market leading positions established
- Focus has improved underlying returns in existing operations
- Strong platform post PBS Reforms

3. View to growth

- Revitalise program on track to reform supply chain
 - Priceline brand surpasses 300 stores and growing
 - Partnership with leading generic company, Alphapharm
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Results highlights

Sustainable earnings position achieved

- Revenue growth maintained
- Net profit and earnings consistency
- Improved cash management

Management focus on operational improvement

- PBS reform transition implemented
- Volatility in consumer confidence managed
- Discretionary expense reduction to offset business cost increases

Long term strategy remains on target

- Priceline development as the leading health and beauty retail brand
 - Sustainable earnings from pharmacy distribution business
 - Revitalise implementation plan brought forward and increase in annual savings
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Financial overview

Key financials

Improvement sustained throughout FY08:

- Net profit recorded for the full year
- Earnings per share growth
- Dividend reinstated and payable in December
- Significant improvement in debt and cash management
- Overhead costs continued to reduce as a % of sales

	\$m	FY08	FY07*	% change
Revenue		\$3,238	\$2,649	22.2%
EBITD		\$65.4	\$22.4	291.5%
EBITD (excl one-offs**)		\$65.4	\$52.9	23.5%
EBIT (excl one-offs**)		\$49.7	\$37.6	32.2%
NPAT		\$15.2	\$(11.3)	236.4%
Earnings per share (cents)		5.9	(4.4)	234.1%

API changed its financial year end in 2007. FY07 refers to the last full 12 month period that ended 30 April 2007

*FY07 contains \$3.8 million more in proceeds from sale of company owned Priceline stores than was achieved in FY08

**One offs of \$30.5 million only relate to the FY07 period. No one-off costs were recorded in FY08.

Working capital

Increased requirements during FY08 due to:

- Alphapharm initiation
- Underlying sales growth remained strong
- Increasing number of Priceline Pharmacy stores
- Inventory well managed
- Debtors days outstanding had marginal improvement
- PBS Reforms restocking in August

	FY08	FY07
Trade creditors/inventory ratio	1.5	1.3
Trade debtors/external sales ratio*	1.6	1.6

*based on average monthly sales over six month period

Cash flow and funding

\$'000	FY08	FY07
Cash from operations	53,479	77,457
Net cash from operating activities	30,554	49,900
Net cash from investing activities	2,813	(23,503)
Net cash from financing activities	(652)	(41,696)
Closing cash and cash equivalents	42,906	14,622

\$m	As at 31 August 2008
Securitisation balance*	298.9

*includes off balance sheet debtors securitisation program, including the Aspire program

Divisional reviews

Divisional review - Pharmacy

- 26.3% total revenue increase since last full 12 month period in FY07
 - 12 months total revenue to Aug 07 of \$2,035m
- Underlying market growth of approximately 7%
- Alphapharm partnership successful, with competitive market offer
- EBITD growth of 43% over FY07
- Margin growth continuing, run rate of 2.0% EBIT:Sales on track

\$m	FY08	2H08	1H08	FY07
External sales	2,478.2	1275.0	1203.2	1962.9
EBITD	51.6	28.5	23.1	35.9
Margin	2.1%	2.2%	1.9%	1.8%
EBIT	43.1	24.2	18.9	27.5
Margin	1.7%	1.9%	1.5%	1.4%

Divisional review - Pharmacy

- PBS Reform implementation
 - Stronger re-order trend than initially expected in late July and August with volumes spiking from 17 July
 - Higher labour costs required to manage demand
 - Normal ordering patterns now resumed
 - Cost focus demonstrated in 2H08
 - Incurred cartage cost increases of approximately 15% above the same period for the prior year
 - Limited ability to leverage price to offset input costs
 - Controlled other expenses throughout division
 - API choice of services a key differentiator:
 - New Soul Pattinson format generating positive results
 - API Member program has continued to grow with range of retail services
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Divisional review - Retail

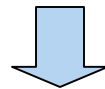
- Transitioning to Pharmacy franchise ownership model has continued now with more than 300 total stores – on target to reach 400 Priceline branded stores in 2010
- 8.7% total revenue increase since the last full 12 month period in FY07
 - 12 months total revenue to August 08 of \$575.4 m
- Like for like store growth over the year was competitive
 - Total comparable store growth 5.0%
- Store divestments met expectations in 2H08 – \$10.3 m
- Underlying operational margin improvement of 0.3%
 - FY07 had \$3.8 million additional proceeds from sale of company owned stores to franchisees

	\$m	FY08	FY07
External sales		615.6	566.0
EBITD		30.9	30.7
Margin		5.0%	5.4%
EBIT		24.8	24.6
Margin		4.0%	4.3%

Divisional review - Retail

- New brand plan announced in June
 - Full review conducted that began in mid 2007 – surveyed consumers, pharmacists, suppliers and assessed feedback
 - Launched to franchisees in 2008
 - Total plan covers merchandise, training, in-store environment, and visual identity
 - Flagship store in George St, Sydney, all new stores now with new branding

The old priceline logo, featuring the word "priceline" in a bold, black, sans-serif font. Above the letters "i" and "c" is a stylized orange and red arc with two small red dots at its ends.



Divisional review - Retail

- In the new Priceline expect:
 - Clearer signage for dispensary
 - Cleaner in-store environment
 - Merchandise to focus on health and beauty



Divisional review - Consumer

- On track with business plans to keep growing
 - Long term plans to build the business is gaining greater traction
 - Steady improvement expected to continue
 - Emphasis on penetrating Australian pharmacy market succeeding

\$m	FY08	FY07
External sales	35.2	41.7
EBITD	2.5	1.0
Margin	7.1%	2.5%
EBIT	1.3	0.0
Margin	3.7%	-

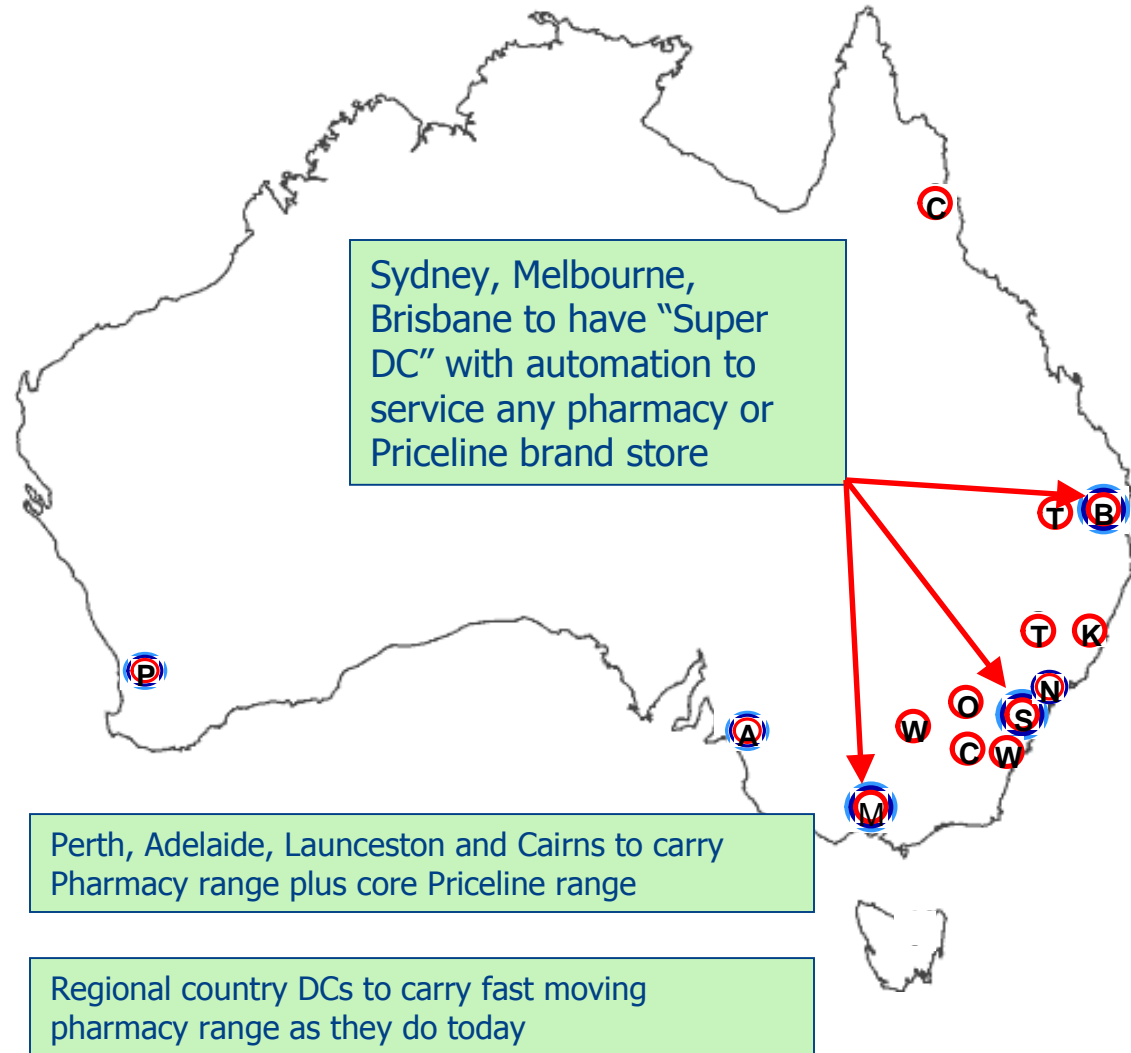
Revitalise – building a better platform

Decrease overall freight and handling requirements – lower cost per pick

Increase efficiency and capacity in core DCs

Increase efficiency of inventory holdings

Focus on “store friendly” delivery capability



Revitalise – Update

- Board has approved and work commenced on:
 - Melbourne DC:
 - Integrating 2 Melbourne DCs into 1 at the existing Dandenong site
 - Building works to commence in January, full completion mid-year
 - Warehouse Management System implementation:
 - Manhattan system is commonly used and will integrate with existing IT systems
 - It will allow greater operational visibility and planning in DCs
 - Other major capex items:
 - Brisbane DC:
 - Board has approved business plan
 - In final negotiations with developers for greenfield site
 - Sydney DC
 - Planning to be completed by end of this calendar year
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Revitalise – Update

- Revitalise has also identified:
 - Potential working capital savings
 - Transport tender to generate savings on national operations
 - Potential for greater flexibility for in-store deliveries to smooth workflow and improve efficiencies
 - Revitalise timing:
 - Increased speed of implementation being planned
 - Expect to generate at least \$10 million savings in FY11
 - Expect to realise more than initial estimate of \$18 million in annualised savings on completion
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Summary

2008 re-established API:

- Earnings momentum and NPAT recorded
- Demonstrable operational management improvements
- Strategic goals tracking to plan

2009 outlook:

- General economic conditions uncertain, with consumer confidence to be tested in Christmas trading with Government incentives to take effect
 - Opportunity remains significant in supply chain
 - Store growth plans remain strong
 - Management discipline to focus on cost management and margin improvement
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Questions
