



**ASX Release  
30 October 2007**

## **Underlying business continues improvement**

*Note: On 30 March 2007 API gained approval from ASIC and ASX to change its financial year of 1 May to 30 April to a new timetable of 1 September to 31 August. The transition to the new financial year required the company to report a full year result for the four-month period of 1 May to 31 August 2007. Statutory reporting requirements mean that the company must lodge its financial report (Appendix 4E) with comparisons to the last financial reporting period previously audited. There is no equivalent audited four-month period to which API is able to make financial comparisons. Financial comparisons are provided for: the audited six month period to 31 October 2007, the audited full year period to 30 April 2007. Where comparative figures for the four months to 31 August 2006 are referenced it is important to note these figures are unaudited.*

Australian Pharmaceutical Industries Limited (API) today released an audited result for the four months to 31 August. This four month report was required to allow API to move its financial year end to 31 August in future.

API announced that the underlying business had made good progress over the past 12 months, improving its overall performance when compared with last year.

API's Managing Director and Chief Executive Officer, Stephen Roche, said that the four-month results demonstrated that API had consolidated its industry position with revenue up 7.8% on the same four month period last year and that it was now well placed to post positive results in future.

"The priority 12 months ago was to fix the foundation of the business and we have seen in the seasonal comparisons that overall sales and margins have improved," Mr Roche said.

"The industry confidence in API has grown consistently, underlined by the partnership with Alphapharm announced earlier this month, and the management team is working hard on pursuing further opportunities to improve our returns," he said.

For the four month year end the company reported revenue of \$940.3 million, earnings before interest, tax and depreciation (EBITD) of \$17.2 million. Excluding associates, API would have recorded a profit after tax of \$3.0m. API's associates Clifford Hallam Healthcare and MLE, over which API did not have direct operational control, accounted for combined losses of \$5.6 million. The company recorded a final after tax net loss of \$2.6 million.

"API has now acted on its non-core assets. During the four-month period the MLE joint venture has been consolidated back into API, the House franchise brand was sold in July and earlier in the year we exited the New Zealand joint venture, Pharmacy Brands Limited. The Clifford Hallam Healthcare joint venture had a disappointing result but new management has seen operational improvements in recent months," Mr Roche said.

API's Pharmacy division external sales of 730.3 million are 9% up on the \$671 million sales for the same four month period in the prior year. It also improved earnings margins against the first half of last financial year. Market share has increased in every state since April this year.



"API's relationships have been successfully restored in the pharmacy industry, thanks largely to the experienced management team put in place over the past 12 months," Mr Roche said.

"We have continued to deliver value added business and retail services that offer pharmacists choice while also providing a high level of reliable product distribution."

The Retail division reported sales of \$173m, up from \$164m or 6% on the same four month period last year, during its slowest period of the calendar year. Overall average like-for-like corporate store sales growth was up on the same four month period last year. The Retail division is traditionally stronger in sales and earnings through the peak four-month period of October to January.

"Reporting a result for our Retail business was always going to be challenging at the slowest time of the year, however we have been able to continue growing and prepare the business for the peak season. This is also being managed with the rollout program for Priceline Pharmacy growing strongly with 135 now open and a robust pipeline of Priceline Pharmacies in place," Mr Roche said.

"Importantly overall like-for-like store growth has been positive and we expect the new management initiatives we have in place will strengthen the total brand position, which includes in-store changes and a new marketing approach, to further improve returns."

The New Zealand-based consumer business increased sales and margins on last year and is making steady progress.

The overall sales growth for API was higher than forecast and as a result both working capital and interest expense remain a key focus for management.

"Total revenue was ahead of our expectations and this has also increased working capital requirements. We recognise further improvement can be made but we are committed to ensuring service levels to pharmacy are not compromised as we've rebuilt the base business," Mr Roche said.

"We are confident that we have further opportunities to grow the business, particularly with the Alphapharm partnership that provides benefits to both our Retail and Pharmacy divisions."

### **Audited comparisons to previous periods**

Excludes significant items as previously reported in the FY07 (\$30.5m) and 1H07 (\$24.3m) periods.

<b>\$m</b>	<b>4 month year end to Aug '07</b>	<b>Full year to April '07</b>	<b>Half year to October '06</b>
<b>Revenue</b>	940.3	2,649.0	1,284.4
<b>EBITD</b>	17.2	53.0	16.7
<b>EBIT</b>	11.6	37.6	9.9

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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 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.

*Media and investor enquiries:*

Rob Tassie

Ph: 03 8720 3130