



**API PROFIT REPORT FOR SIX MONTHS ENDED 28 FEBRUARY 2013
UNDERLYING NET PROFIT IMPROVES IN TOUGH MARKET
PRICELINE PHARMACY STORE GROWTH CONTINUES**

- **Statutory net profit after tax of \$12.9m**
- **Underlying net profit after tax 6.8 per cent up on prior corresponding period**
- **Priceline Pharmacy network expands to 360 stores**
- **Continued net debt reduction and improved cash flow from operations**
- **Improvement in Capital Returns – ROFE to 8.6%, ROE to 4.4%**
- **Fully franked interim dividend of 1.5 cents per share**

API today reported a statutory net profit after tax of \$12.9 million, compared with \$18.3 million in the prior corresponding period.

The prior corresponding period included insurance proceeds of \$14.5 million, with underlying profit up 6.8 per cent. Commenting on the result, Mr Stephen Roche, API's Chief Executive and Managing Director, said that the Priceline Pharmacy store network programme was proceeding well and that the pharmacy division was proving resilient in the face of on-going sector reform.

"Our operational performance continues to improve and our business strategy is delivering. The Priceline Pharmacy proposition remains central to our future growth and I am pleased to report that we have opened ten more new stores since the full year. This brings the total number of Priceline and Priceline Pharmacy stores to 360. As we grow our store numbers, the resulting economies of scale deliver more benefits to franchisees and also strengthen our appeal and reach to our 3.9 million Sister Club members. Our loyalty program is one of the most successful in the country and remains unrivalled in the pharmacy sector."

API reported that total retail sales for Priceline, excluding dispensary, were up 3.3 per cent on the same period last year. Like for like store sales were marginally down 0.6 per cent on the corresponding period but strong growth in gross profit margin of 0.8 per cent was achieved.

"The period just gone saw intense competition across the sector. We will continue to ensure we offer the most appealing mass market range of beauty and health brands to our customers, as well as investing in developing our own brands to offer Australian women the quality they want at the right price.

"We anticipate further network growth will maintain its impetus as the impact of PBS reform makes a compelling proposition for independent pharmacists looking for alternative profit drivers," said Mr Roche.



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API's pharmacy division delivered a solid sales performance driven by underlying growth of 6.9%, adjusting for the impact of sector reforms.

"API took the initiative and introduced the measures necessary to stabilise pharmacy wholesaling in the face of major structural changes following the introduction of PBS reform. The combination of restructuring our distribution model and working with our customers to reduce discounts to pharmacists in a structured, timely manner is working.

We caution however, that if Government wants the next round of reforms to deliver further savings, while keeping the commitment of equity of access to PBS medicines for all Australians, then it must include those responsible for their distribution in the next round of negotiations," said Mr Roche.

Dividend

The API Board has declared and maintained a fully franked interim dividend of xx cents per share. The latest dividend is to be paid on 7 June 2013. The record date for the dividend is 10 May 2013.

Outlook

API said that it expects the underlying improvement in net profit after tax to be maintained in the second half of the year.

This guidance is subject to no material change in consumer or customer demand, a stable economic climate and no further adjustments to the regulatory environment or unforeseen reforms of the Pharmaceutical Benefits Scheme.

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This release should be read in conjunction with the Appendix 4D and Half Year Results presentation. Underlying NPAT is a non-statutory measure used by the Chief Operating decision maker to measure the financial performance of the group following the financial guarantee charge in February 2011 and the Queensland floods in January 2011.

This announcement contains certain non-IFRS measures that API believes are relevant and appropriate for the understanding of the business. Refer to Appendix 1 in the Half Year Results presentation for further information.