

9 December 2016

Dear Shareholder

Australian Pharmaceutical Industries Limited (API) – Final dividend payment

API released its annual financial results on 20 October this year, and I am pleased to provide the details of your final fully franked dividend payment with this letter.

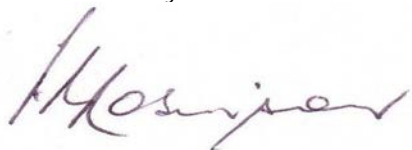
API has continued the exceptional performance of recent years with improvements on the prior year of all financial measures including underlying net profit after tax, up 18% to \$51.4m, return on equity up 96 basis points to 9.58% and earnings per share up 20.5% to 10.6 cents. The ongoing successful execution of the API strategy, to expand the Priceline Pharmacy network and sustain the performance from Pharmacy Distribution, has delivered these record results.

The ongoing operational performance combined with the strength of our financial position resulted in Directors lifting the payout ratio for shares this year and declared a fully franked final dividend of 3.5 cents per share, up 40% on the same time last year. This brings the total fully franked dividend for the 2016 financial year to 6.0 cents per share, an increase of 33% on 2015.

You will separately receive details of the Annual General Meeting to be held on Wednesday 25 January 2017. A copy of the 2016 Annual Report will also be sent to shareholders who elected to receive a hard copy.

The Directors and management look forward to providing shareholders with an update on API's operations at the meeting.

Yours sincerely



Peter R Robinson
Chairman