

25 January 2017

AUSTRALIAN PHARMACEUTICAL INDUSTRIES LIMITED – MR STEPHEN ROCHE RETIRES AND SUMMARY OF MATERIAL TERMS OF EXECUTIVE SERVICE AGREEMENT WITH MR RICHARD VINCENT

As announced earlier today at the Annual General Meeting of Australian Pharmaceutical Industries Limited (**API**), upon the retirement of Mr Stephen Roche effective 15 February 2017, Mr Richard Vincent will commence as Chief Executive Officer and Managing Director of API.

The material terms of the Executive Service Agreement between API and Mr Richard Vincent (**Agreement**) are as follows:

Commencement Date	15 February 2017 and continues until the employment is terminated in accordance with the Agreement.
Total Fixed Remuneration	\$AUD 1,040,000 per annum, inclusive of superannuation and reviewed annually.
Short Term Incentives (STI)	<p>Mr Vincent will participate in the API STI Plan. The performance hurdles and key performance indicators are to be approved by the Board at the beginning of the performance period.</p> <p>The STI target reward, if all performance targets are met, is set at 65% of fixed annual remuneration. Performance in excess of targets will be determined by a straight line calculation up to a maximum reward of 100% of fixed annual remuneration.</p> <p>50% of any STI award is deferred for twelve months in the form of performance rights. Upon vesting of the performance rights, shares may be either purchased on-market, or, subject to shareholder approval, by the issue of new shares.</p> <p>Full details of the STI Plan can be found in the Remuneration Report which forms part of API's Annual Report located at www.api.net.au.</p>
Long Term Incentives (LTI)	<p>Mr Vincent will be entitled to participate in API's LTI Plan. The LTI Plan involves the granting of performance rights, being rights to acquire fully paid ordinary shares in API.</p> <p>If the performance conditions are tested and satisfied then the performance rights will be automatically exercised on the vesting date.</p>

	<p>The performance period is three years and the performance conditions are assessed after the performance period.</p> <p>The API Board will review the performance conditions and the term before making an initial or subsequent grant of performance rights to Mr Vincent, noting all such grants will be subject to shareholder approval.</p> <p>LTI Plan participation and terms in future years is at the discretion of the API Board.</p> <p>Full details of the LTI Plan can be found in the Remuneration Report which forms part of API's Annual Report located at www.api.net.au.</p>
Notice periods	<p>Mr Vincent may resign from API by giving three (3) months written notice.</p> <p>API may terminate the Agreement by giving twelve (12) months' written notice.</p> <p>API may terminate the Agreement with immediate effect in certain specified circumstances, including serious misconduct.</p>
Termination payment	<p>In the event that API terminates the Agreement, API may make a termination payment in lieu of notice of up to twelve (12) months' fixed remuneration.</p> <p>The treatment of any STI or LTI benefits on termination will be dealt with in accordance with the rules of the applicable Plan.</p> <p>However, API will not be required to make a termination payment on cessation of employment where that payment would exceed the amount specified in Division 2 of Part 2D.2 of Chapter 2 of the Corporations Act and shareholder approval has not been obtained.</p>
Post-employment restraint	<p>A non-compete restraint of six months or twelve months (depending on length of service) will apply after cessation of employment.</p>