

8 December 2017

Dear Shareholder

Australian Pharmaceutical Industries Limited (API) – Final dividend payment

API released its annual financial results on 19 October this year, and I am pleased to provide the details of your final fully franked dividend payment with this letter.

Despite challenging market conditions during 2017, API has continued to grow its revenue, profit and dividends to shareholders. Revenue was up 5.8% to \$4.061 billion, underlying net profit up 5% to \$54.2 million, return on capital employed up 140 basis points to 16.9% and dividends have increased 17% on last year to 7 cents per share.

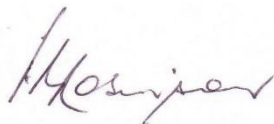
The growth in the business has come from Pharmacy Distribution building its national market share during the year while leveraging the investment we have made in infrastructure, such as the new distribution centre in Perth. The Priceline Pharmacy network grew by another 20 new stores during the year to reach a total of 462 at the end of August and overall sales grew 5% which was a very good result in a weaker consumer spending environment.

The directors have again been pleased with the continued growth of the company and management's capability to adapt to the changing conditions. As a result of this operational result and the further improved financial position of the company, directors have further lifted the payout ratio for shares this year to 65% and declared a fully franked final dividend of 3.5 cents per share.

You will separately receive details of the Annual General Meeting to be held on Wednesday 24 January 2018. A copy of the 2017 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 and progress at the meeting.

Yours sincerely



Peter Robinson
Chairman