



7 December 2018

Dear Shareholder,

**Australian Pharmaceutical Industries Limited (API) – Final dividend payment**

API released its annual financial results on 18 October this year, and due to the strong financial position of the Company and confidence in our long-term future, we were able to increase dividend returns for shareholders once again.

During our 2018 financial year, the Company recorded underlying net profit after tax of \$54.7m, 0.9% up from \$54.2m in 2017. Total revenue of \$4.0bn saw an underlying EBITDA of \$118.7m, down 1.5% on the prior year, primarily due to the increased number of Pharmaceutical Benefits Scheme (PBS) price reduction cycles during the period.

The focus on financial disciplines was again evident, with improvements in the cost of doing business by 10 basis points to 10.3%; the cash conversion cycle improved 1.7 days to 20.4 days; reported net debt at year-end was in line with our expectations at \$55.9m; and return on equity was up 51 basis points to 10.29%. The increase in the final dividend payment to 4.0 cents per share brought total dividends for the year to 7.5 cents, up 7.1% on the prior year.

In operations, Pharmacy Distribution weathered statutory price reductions that were worth more than \$10m in gross profit and also an increase in competition to deliver a creditable result, with underlying revenue up 6.4% to \$2.9bn. Priceline Pharmacy grew total network sales by 2.1% and the store network increased to 475, up from 462 in the prior year. While the network is strong, ongoing uncertainty in consumer spending made for a challenging environment.

The financial year was a transformative one for API with the acquisition of Clear Skincare Clinics and the development of our Consumer Brands portfolio that will both provide new avenues of growth. As part of our strategic plans, these businesses will reduce reliance on the earnings coming from the pharmacy sector, providing shareholders with more growth options in future through leveraging core competencies from our heritage assets.

You will separately receive details of the Annual General Meeting to be held on Wednesday 23 January 2019. A copy of the 2018 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,

**Mark Smith**  
Chairman

