



CHAIRMAN AND CEO LETTER TO SHAREHOLDERS UPDATE ON IMPACT OF COVID-19 AND TRADING UPDATE

Dear Shareholder,

Given the COVID-19 emergency, many of you have contacted us to see how the Company is managing and performing. We are writing to update you on the current impact of COVID-19 on our operations and provide you with an update regarding the half year ending 29 February 2020.

Safety and Wellbeing

API's approach during COVID-19 has been to keep the safety and wellbeing of our staff and customers paramount in our decision making. We have processes in place to protect people from, and to reduce the spread of, COVID-19 wherever possible. These processes are applicable to operations at our pharmacy distribution centres, manufacturing sites, retail stores and clinics, as well as our support offices.

Pharmacy Distribution

We are proud to say pharmacy distribution is a major and vital part of Australia's critical national health infrastructure distributing health products to pharmacies across the country and API is contributing strongly. This month we have witnessed unprecedented demand for PBS and other medicines through the pharmacy supply chain. Demand during March is in excess of 50% more than usual for this time of year.

There are approximately 5,700 community pharmacies and we have 1,519 members in our retail pharmacy programs, so we will continue to be pivotal to ensuring that all Australians have access to all PBS medicines quickly and efficiently.

You may recall that we put in place measures and contingencies during the bushfire emergency that ensured the delivery of vital medicines in fire-affected areas. This emergency is on a far greater scale and we are working very closely with the Government and suppliers to ensure the ongoing supply of medicines for the community. We are working across the industry to ensure that the pharmacy sector can cope during the escalating COVID-19 emergency.





Priceline Pharmacy

Our Priceline network, which is approaching 500 stores, is also a vital part of Australia's critical national health infrastructure and is considered an essential service by Government. Our pharmacists and their staff are doing an excellent job in reassuring their customers, providing important health advice and services such as administering the latest flu vaccine.

Priceline Pharmacy has in fact been the first major pharmacy network to provide flu services nationally to the community and we expect to administer more than 250,000 flu vaccinations in coming weeks. Priceline Pharmacy also has a pivotal role to play with the Australian Government accelerating the implementation of electronic prescriptions.

While we are experiencing a significant increase in demand for medicines, we have also seen growth in our beauty and personal care categories compared to last year and online sales have more than doubled.

Importantly, our pharmacists are working hard to ensure that people get the medicines they need in the quantities they need. This will ensure the whole of our community can continue to have confidence that in the future they will be able to access the community care they rely on.

Clear Skincare Clinics

Clear Skincare provides health and cosmetic related skin treatments, upon which the brand's reputation was built, and people are still seeking those services.

While the highest levels of hygiene and safety are standard, we added steps to ensure staff safety, including additional cleaning and disinfecting, and removal of product testers. In line with evolving health advice, our clinics have not been accepting staff or customers who have recently travelled internationally, been in contact with anyone diagnosed with COVID-19 or shown signs of infection.

We are monitoring the Australian and New Zealand Governments' health advice closely and we will take all appropriate action to keep our people and customers safe. The New Zealand Government announcement to lock down all non-essential services from 24 March 2020 means we have closed our four New Zealand clinics.





Following last night's National Cabinet meeting we have instructed our clinics to cease providing beauty treatments. We are currently confirming whether or not our clinics can continue to provide health related and prescribed services for conditions such as acne.

Until the COVID-19 event, Clear Skincare's revenue growth was ahead of last year with clinic growth well underway.

Consumer Brands

As one of Australia's leading providers of private label over the counter medicines, demand for these products during March has been significant.

Our team in New Zealand has an important role to play in providing product to meet the demand in Australia and New Zealand and we continue to ship product out of New Zealand. They have been able to do this successfully to date and they continue to strive to meet these demands in coming months.

Half Year

At our AGM in January, we provided shareholders with an update on our first half financials. Our result will be in line with that update.

We are pleased to say that our net debt position (on a like-for-like basis vs prior year) is more favourable, reflecting strong inventory and working capital management.

We will be reporting our results for the half year ended 29 February 2020 on Thursday 16 April 2020.

Moving forward

We have a strong management team in place to manage API through the COVID-19 emergency, however the situation is fluid and we are not in a position to provide profit guidance for the second half. At our AGM, we referred to our forward outlook being dependent on trading conditions remaining unchanged. Clearly this no longer applies, noting that we have performed well to date in March.

We are experiencing improved like-for-like sales throughout our Priceline Pharmacy network, but we cannot predict how long that will continue. We do know that Priceline Pharmacies are highly likely to remain open throughout the entire emergency due to their essential role in healthcare.

Our Pharmacy Distribution business remains strong and will keep delivering vital medicines and other products to our community pharmacies.





At this stage, API's strong balance sheet will allow us some flexibility in managing the business in coming months, even if some parts of our business are unable to trade.

In conclusion, we are sure you will join us in thanking everyone in the business, particularly those working so hard in our distribution centres delivering to pharmacies throughout Australia as well as our Priceline, Soul Pattinson and Pharmacist Advice pharmacists and staff as they go way above and beyond what is normal to help keep our community reassured, safe and well.

On behalf of all the API Board, and all our people, stay safe and we wish you the best of health.

Mark G Smith
Chairman

Richard Vincent
CEO & Managing Director

25 March 2020

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