



AUSTRALIAN PHARMACEUTICAL INDUSTRIES LIMITED

2014 ANNUAL GENERAL MEETING

29 JANUARY 2015



Important information

The material in this presentation is of general information about API's activities current at the date of the presentation. It is information given in summary form and does not purport to be complete. Nothing in this presentation should be construed as a recommendation or forecast by API or an offer to sell or a solicitation to buy or sell shares. It does not take into account the investment objectives, financial situation or needs of a particular investor. These should be considered with or without professional advice when deciding if an investment is appropriate.

Welcome

Admittance Cards

- **Blue** for voting shareholders
- **Yellow** for non-voting shareholders
- **White** for visitors

Introductions – API Board

- Mr Rob Millner
- Mr Ken Gunderson-Briggs
- Ms Lee Ausburn
- Mr Peter Sanguinetti – Company Secretary
& General Counsel
- Mr Peter Robinson - Chairman
- Mr Stephen Roche – CEO & Managing Director
- Mr Gerry Masters
- Ms Carol Holley

- Paul McDonald - KPMG

Notice of Meeting

1. Receive and consider Financial Report for year ended 31 August 2014
2. Adopt the Remuneration Report for year ended 31 August 2014
3. Re-election of Peter Robinson
4. Re-election of Lee Ausburn
5. Election of Kenneth Gunderson-Briggs
6. Grant of Performance Rights to CEO and MD

Financial Report to 31 August 2014

- Chairman's Address
- CEO and Managing Director's Address

2014 ANNUAL GENERAL MEETING

CHAIRMAN'S ADDRESS

Mr Peter Robinson



API overview

Strategic direction generating results

- Strategy has successfully transformed the business
- PBS changes well managed
- Retail results increasing contribution to API

Financial results

- Improved operational performance
- Maximising results from core assets
- Retail investment the key focus
- Large presence with 400 store network

Financial summary

Revenue
+ 5.7%

- Revenue increased to \$3.346 billion

Gross Profit
+ 6.8%

- Gross profit increased to \$431m

Operating Costs
+ 2.4%

- Continued focus on cost control, kept in check well below sales growth

Impairment
\$131m

- As announced in April 2014 - Following review \$131m impairment charges taken on the Retail and NZ business units, CH2 investment and Pharmacy customer loans

Financing
- 15%

- Reduction in financing costs and reduction in average net debt

Net Profit*
+ 32.5%

- Dividends up 7.7% on prior year

*Refer to API's website for FY'14 results summary and reconciliation of underlying earnings
See Appendix 1 to the FY'14 Results Presentation for definitions of underlying earnings

2014 ANNUAL GENERAL MEETING

CEO & MANAGING DIRECTOR'S ADDRESS

Mr Stephen Roche



Operating environment

Pharmaceutical Benefits Scheme status

- No further changes expected to PBS Reform program
- More than \$1 billion in PBS savings realised from December 2013
- Focus on 6th Community Pharmacy Agreement (CPA)

Wholesaler remuneration

- No material increase expected in Community Service Obligations payments in 6th CPA
- Continued sound management of costs and trading terms will deliver sustainable returns

Consumer sentiment

- Overall cautious consumer sentiment remained in 2014
- Roy Morgan consumer confidence rating in 2014 the lowest since 2009
- No expectations for a major shift in demand

Retail summary

Sales and margin growth

- Comparable sales + 6%
- Network sales + 11.1%
- Gross profit + 7.1%
- Store network + 27 stores

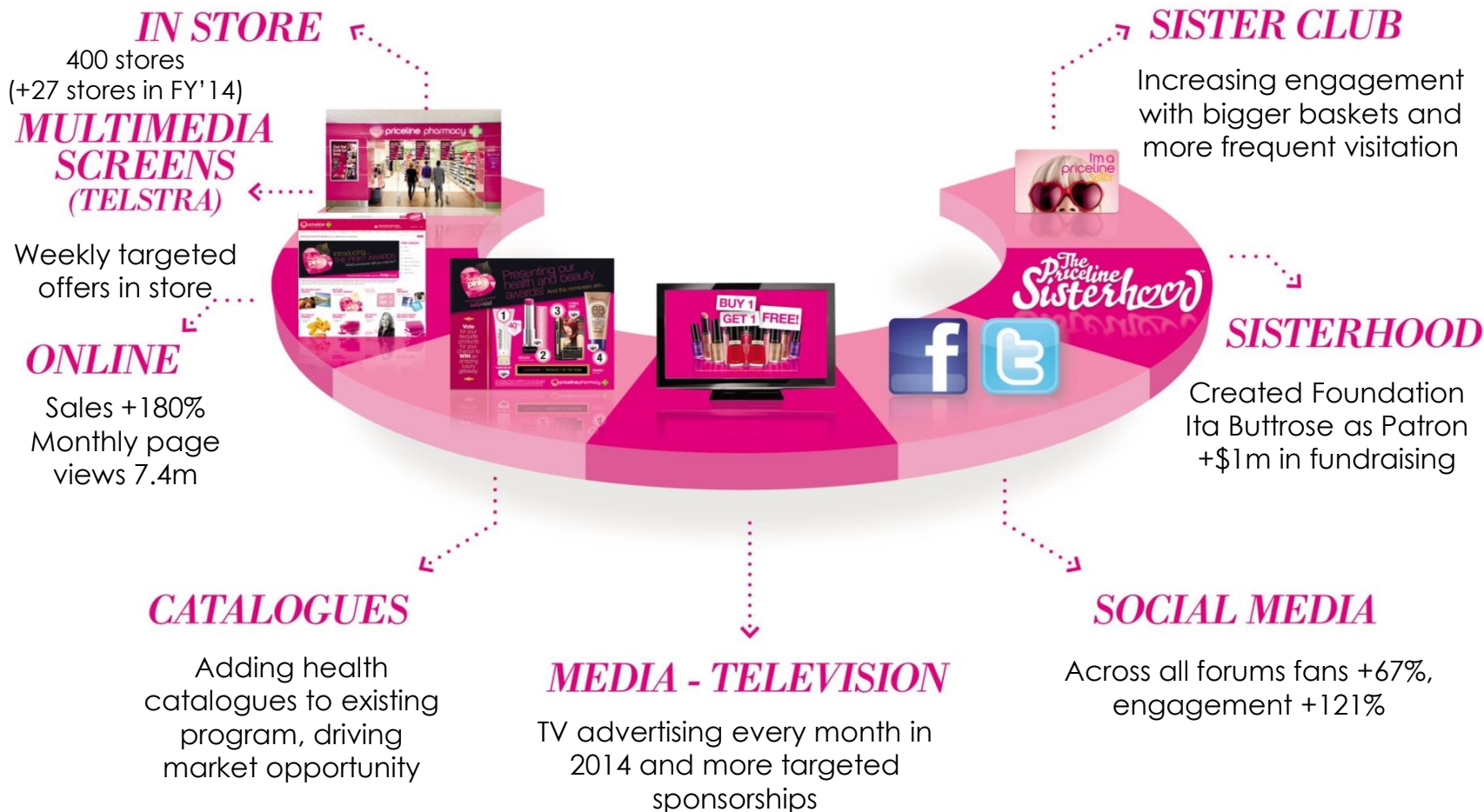


Compelling consumer engagement & loyalty

- | | |
|--------------------------------------|----------|
| • Brand awareness over 12 months | + 95% |
| • Last purchase of health and beauty | 31% |
| • Sister Club membership | 4.7m |
| • Average basket size | + 1.6% |
| • Transaction numbers | + 6.2 % |
| • Online store visitation | + 100.3% |
| • Online sales | + 182.6% |



Maximised retail assets



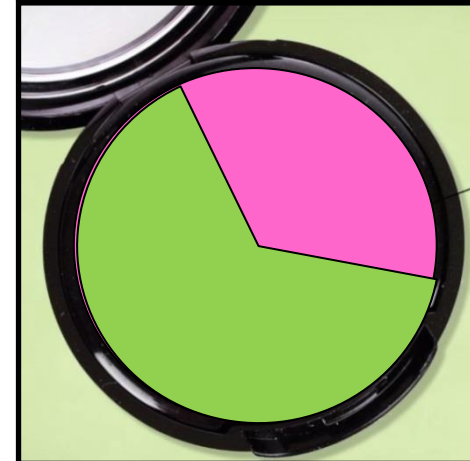
Store execution & franchise satisfaction

Leveraging Health & Beauty advantage

Category	Market share [#]	Growth
Colour cosmetics	41.0%	+ 12.9%
Skincare	18.0%	+ 13.8%
Fragrance	31.5%	+ 21.1%
Personal care	5.8%	+ 8.2%
Medicinal health	5.3%	+ 12.2%

Nielsen data to 31 August 2014 - pharmacy & grocery market

Total beauty market share[#]



Compelling model for business partners

Franchise store LFL growth	6.2%
Franchisee overall satisfaction with the brand	90 th percentile
Franchisee satisfaction with marketing	98 th percentile



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Pharmacy Distribution summary

Sales and margin growth

- Total revenue + 3.9%
- Underlying revenue* + 11.9%
- Gross profit + 7.0%

*Adjusted to exclude the effect of PBS reforms

Preferred model for business partners

- More than 1100 aligned pharmacies – with increasing membership of Club Premium at 690 stores
- Delivering professional consultation programs for stores
- Leveraging premium retail expertise across all services to pharmacies

Integrated business driving value

- Cost management across the business maintaining earnings despite PBS Reforms
- Supply Chain team reduced delivery costs by 7% per unit
- Adjustment of trading terms maintaining sustainable profit



New Zealand summary

Sales and margin growth

- Total revenue +2.3%
- Gross profit +5.3%



Integrated business driving value

Sales flat impacted by FX and declines in Australian contract volumes following mild 2013 winter

Important role in health and personal care categories for export to Australian business and independent pharmacy

Private and exclusive brand development opportunity remains in the context of supporting all retail brands in Australia



api

New Zealand's
leading innovator in healthcare,
pharmaceuticals and toiletries



Company results

Results demonstrate momentum

- Results from operating units demonstrate good management
- Revenue +5.7%, underlying NPAT up 32.5%
- Net debt reduction across the period



oneERP investment

- Investing \$42 million with a 6 year payback
- It will harness efficiencies across the organisation to improve performance



People and safety investment

- Future leaders identified and growth in team leadership capabilities
- Improved safety results in DCs with a drop of 11.2% in LTIs



Corporate social responsibility

Priceline Sisterhood Foundation

- Incorporated as a Foundation in May 2014
- Independent Board appointed
- Ita Buttrose as Patron
- Passed \$1 million in funds raised for six charities



Priceline
Sisterhood
Foundation™
HELP US HELP WOMEN

We all know someone affected by serious illness.
Help us to help the women we love by supporting
the Priceline Sisterhood Foundation.

In summary

Underlying performance remains strong in key assets

- We have shown strong, sustainable growth in core operating assets
- Cost management effective across the business

Trading performance strong in current year

- Consumer sentiment remains cautious
- Outlook remains positive with Priceline/Priceline Pharmacy:
 - Total sales this financial year +7.5% (until 24 January)
 - Comparable store sales of 2.4% (for the same period)
 - Total store numbers of 400
 - Will add 20 net new stores by May 2015
- Steady performance in Pharmacy Distribution continues
- Expect NPAT in 1H15 to be 20%-25% up on the underlying result of \$16.2m from 1H14

Outlook is subject to:

- no material change in consumer or customer demand
- a stable economic climate
- no unforeseen adjustments to the regulatory environment or reforms to the Pharmaceutical Benefits Scheme
- Refer to API website for 1H14 announcement for further information on underlying results for that period

2014 ANNUAL GENERAL MEETING

ORDINARY BUSINESS



Business of Meeting

Reminder

- **Blue** Admission card – vote and ask questions
- **Yellow** admission card - ask questions but cannot vote
- **White** Admission card - cannot ask questions or vote

“To receive and consider the Financial Report of the Company and its controlled entities and the reports of the Directors and the Auditor for the year ended 31 August 2014”

Item 2 - Remuneration Report

“To adopt the remuneration report for the year ended 31 August 2014”

Remuneration Report – Proxies Received

Proxies Received	
For:	250,721,299 (97.93%)
Against:	5,059,708 (1.98%)
Open – usable:	226,807 (0.09%)
Abstain:	58,677,395
Exclusions:	1,193,335

Election of Directors

- Peter Robinson
- Lee Ausburn
- Kenneth Gunderson-Briggs

Item 3 - Re-election of Peter Robinson

Ordinary Resolution:

“To re-elect a Director. Mr Peter Robinson retires by rotation in accordance with the Company’s Constitution, and being eligible, offers himself for re-election”

Re-election of Peter Robinson – Proxies received

Proxies Received	
For:	244,288,829 (95.02%)
Against:	10,757,787 (4.18%)
Open – usable:	2,050,890 (0.80%)
Abstain:	58,781,038

Item 4 - Re-election of Lee Ausburn

Ordinary Resolution:

“To re-elect a Director. Ms Lee Ausburn retires by rotation in accordance with the Company’s Constitution, and being eligible, offers herself for re-election”

Re-election of Lee Ausburn – Proxies Received

Proxies Received	
For:	254,935,805 (80.88%)
Against:	58,233,179 (18.47%)
Open – usable:	2,056,499 (0.65%)
Abstain:	653,061

Item 5 - Election of Ken Gunderson-Briggs

Ordinary Resolution:

“To elect a Director. Mr Kenneth Gunderson-Briggs retires in accordance with the Company’s Constitution, and being eligible, offers himself for election”

Election of Ken Gunderson-Briggs – Proxies Received

Proxies Received	
For:	254,606,827 (80.76%)
Against:	58,603,421 (18.59%)
Open – usable:	2,057,499 (0.65%)
Abstain:	610,797

Item 6 - Grant of Performance Rights

“That, for the purposes of listing Rule 10.14, sections 200B and 200E of the Corporations Act 2001 and for all other purposes, the grant of performance rights under the API Long Term Incentive Plan to the Company’s Managing Director and Chief Executive Officer , Mr Stephen Roche, on the terms set out in the Explanatory Notes to Notice of 2014 Annual General Meeting be approved.”

Grant of Performance Rights – Proxies received

Proxies Received	
For:	249,182,355 (79.05%)
Against:	64,093,064 (20.34%)
Open – usable:	1,908,323 (0.61%)
Abstain:	409,832
Exclusions:	8,334



THANK YOU FOR ATTENDING

**2014 ANNUAL GENERAL MEETING
29 JANUARY 2015**

