

5 June 2015

Dear Shareholder,

Australian Pharmaceutical Industries Limited (API) – Interim Dividend payment

I have pleasure in enclosing details of your fully franked interim dividend payment.

As announced at the Half Year results presentation on 23 April 2015, API reported an improved underlying net profit after tax result of \$21.3 million, up 32.1% on the prior corresponding period. This result is attributable to growth in earnings from its core businesses, a continued reduction in net debt resulting in lower financing costs, and disciplined cost control.

In particular, the Priceline and Priceline Pharmacy store network continues to grow, along with revenue and earnings, with 3.9% like-for-like sales growth recorded during the period. Store numbers are predicted to increase to 420 by financial year end. In addition, the Pharmacy Distribution business maintained its position despite significant competitor activity and further sector reforms.

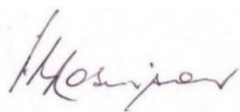
The Sixth Community Pharmacy Agreement (6CPA) has been signed and provides certainty to both Pharmacists and API. The de-linking of pharmacy remuneration from further pricing disclosure, in addition to there being no change of location rules unless mutually agreed between the Guild and Government until 2020, is a responsible and significant achievement. Combined with the doubling of funding for Professional Service Programs, these outcomes provide a sound foundation for the retail pharmacy sector.

In addition, the maintenance of funding for the agreement, along with sensible deregulation for CSO Distributors, provides API and its shareholders with the financial platform and certainty it requires through the 6CPA.

It is expected the business momentum will continue during the remainder of the financial year, subject to market factors outside of our control. In this context, your Board of Directors is pleased to have declared a fully franked interim dividend of 2.0 cents per share, an increase of 33% on the prior year.

I look forward to updating you on the release of the Full Year results in late October.

Yours sincerely,



Peter Robinson
Chairman