

AUSTRALIAN PHARMACEUTICAL INDUSTRIES LIMITED

2017 ANNUAL GENERAL MEETING

WEDNESDAY 24 JANUARY 2018



Soul Pattinson Chemist

Pharmacist Advice



CLUB PREMIUM

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

Handset

- For voting shareholders

Admittance Cards

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

Introductions - API Board

- Mr Robert Millner
- Mr Ken Gunderson-Briggs
- Ms Lee Ausburn
- Mr Peter Sanguinetti, Company Secretary
- Mr Peter Robinson, Chair
- Mr Richard Vincent, CEO & Managing Director
- Mr Mark Smith, Chair-elect
- Ms Jennifer Macdonald
- Mr Gerry Masters

- Mr Maurice Bisetto – KPMG

Notice of Meeting

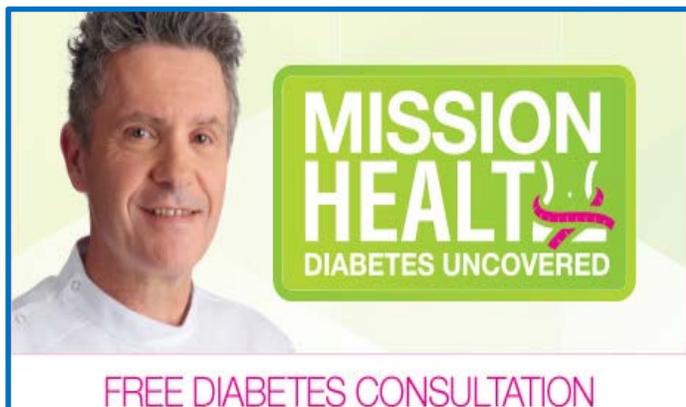
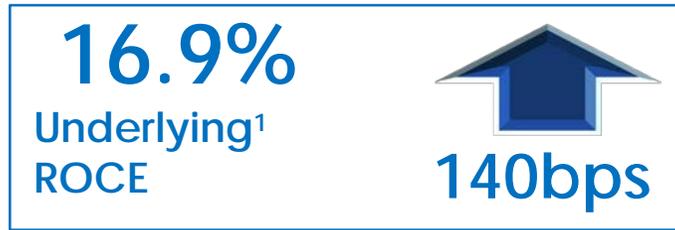
1. Receive and consider the Financial Report for the year ended 31 August 2017
2. Adopt the Remuneration Report for the year ended 31 August 2017
3. Re-election of Directors:
 - 3.1 Lee Ausburn
 - 3.2 Ken Gunderson-Briggs
4. Election of Directors:
 - 4.1 Mark Smith
 - 4.2 Jennifer Macdonald
5. Grant of Performance Rights

- Chair's Address
- CEO & Managing Director's Address

CHAIR'S ADDRESS

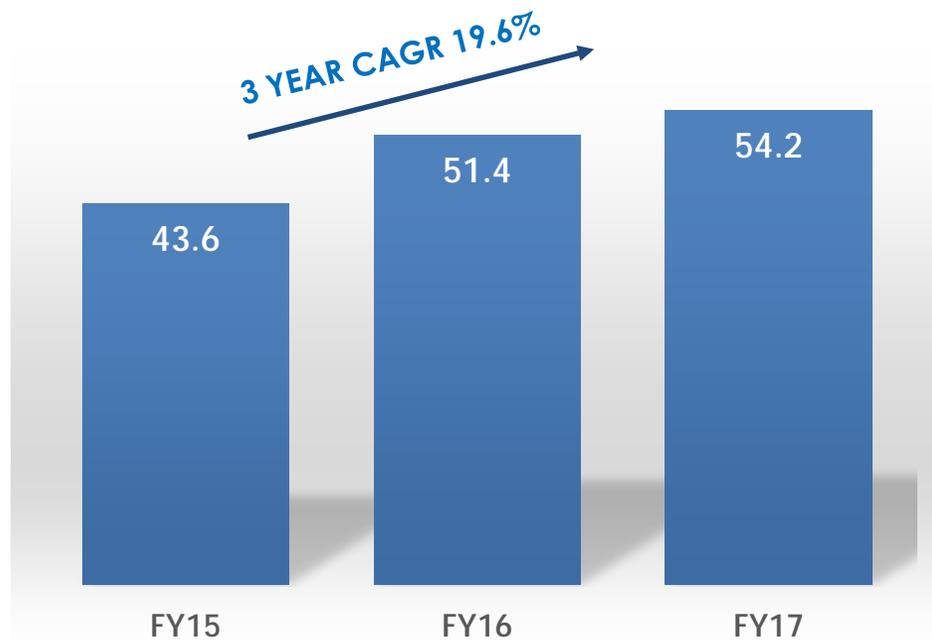
PETER ROBINSON

Consistent Shareholder Returns

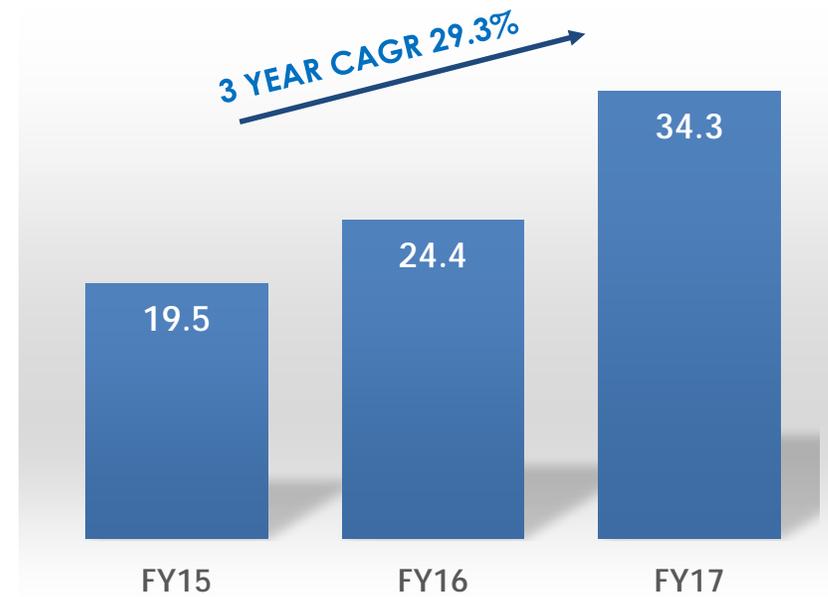


Sustained Performance over 3 years

Underlying NPAT \$m



Dividend paid \$'m



CONSISTENT OBJECTIVES

- Further building the Priceline Pharmacy network as Australia's favourite health and beauty retail brand
- Delivering an ongoing sustainable return on assets from Pharmacy Distribution

KEY BUSINESS ISSUES

- Consumer sentiment and competitive intensity
- Review into Pharmacy Remuneration and Regulation
- Exclusive distribution of PBS products that bypass CSO wholesalers and compromise the National Medicines Policy

STRONG BALANCE SHEET

- Debt management ahead of expectations
- Working capital expertise demonstrated through the cash conversion cycle
- Constant increase in the payout ratio for shareholders

FUTURE OPPORTUNITY

- Will demonstrate prudent use of shareholder funds in potential acquisitions
- The right business in the right segment will provide further upside for shareholders
- Organic growth and smaller, scalable acquisitions remain the focus

CEO & MANAGING DIRECTOR'S ADDRESS

RICHARD VINCENT

BUSINESS FOCUS

- Retail and Pharmacy business retain leading market positions
- Management priorities are to deliver:
 - Strong customer propositions that are evolving in a changing market
 - Profitable organic growth from core assets
 - Sustained improvements on balance sheet
- Prudent, scalable acquisitions will be assessed



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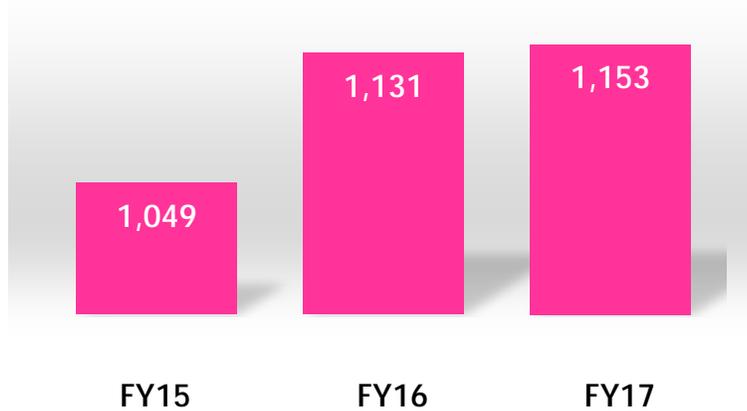
Pharmacist Advice



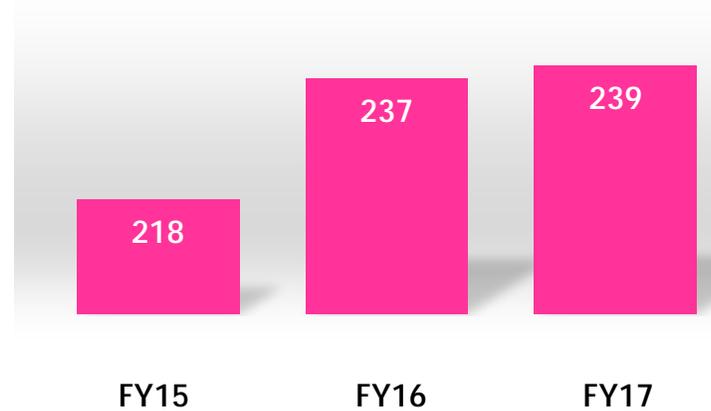
CLUB PREMIUM

Priceline Pharmacy

Retail Register Revenue \$m



Retail GP \$m



GROWTH CONTINUES IN TOUGHER MARKET CONDITIONS

- 📈 Total Priceline Pharmacy network* sales up 5% to \$2.1b
- 📈 Total Retail# network sales up 2.0% (LFL store sales down 0.4%)
- 📈 GP reflects sales activity to address retail climate
- 📈 462 stores met 20 new stores target for FY17
- 📈 Sister Club members now up to 7.1m

Now more rewarding than ever!

Category	Sister Club	Diamond	Pink Diamond
REWARDS	<ul style="list-style-type: none"> Quarterly Reward Birthday Reward Beauty Advisor Bonus NEW 	<ul style="list-style-type: none"> Quarterly Reward Birthday Reward Beauty Advisor Bonus 	<ul style="list-style-type: none"> Quarterly Reward Birthday Reward Beauty Advisor Bonus
SAVINGS	<ul style="list-style-type: none"> Exclusive Perks Sister Club Secret Sales NEW Health & Beauty Offers NEW 	<ul style="list-style-type: none"> Exclusive Perks Sister Club Secret Sales Health & Beauty Offers 	<ul style="list-style-type: none"> Exclusive Perks Sister Club Secret Sales Health & Beauty Offers
FREEBIES	<ul style="list-style-type: none"> Exclusive Events Competitions Seasonal Gift NEW 	<ul style="list-style-type: none"> Exclusive Events Competitions Seasonal Gift 	<ul style="list-style-type: none"> Exclusive Events Competitions Seasonal Gift

priceline pharmacy
priceline.com.au

* All retail sales, including dispensary recorded at register
 # Retail network sales at register stated on a financial year basis but excludes dispensary sales. Retail sales made by franchise stores do not form part of API's financial results. See Appendix 4E for recorded segment revenue.

Retail Results

CATEGORY MAT GROWTH¹ %



- 🍷 OTC Health strong at 12.1% growth
- 🍷 Priceline MAT result for Health & Beauty

CAPITALISE ON BEST PERFORMERS	NEED TO IMPROVE CONTRIBUTION
Dispensary	Fragrance
OTC Health	Vitamins
Colour Cosmetics	
Skincare	

¹AC Nielsen to 20/8/17

HAIR RECIPE 0% Silicone* 0% Paraben 0% Mineral Oil 0% Gluten [SHOP NOW](#)

SAVE 50%
Selected Blackmores products [SHOP NOW](#)

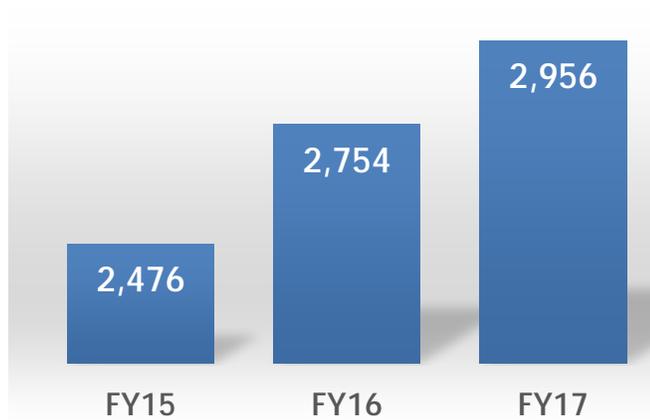
OLAY TOTAL EFFECTS ANTIOXIDANT SPF FORMULA REVIVES DULL & TIRED SKIN **SAVE 30%** Olay Regenerist, Total Effects & Eyes ranges [SHOP NOW](#) Offer ends: 31st Jan 2018

Fragrance GIFT SETS

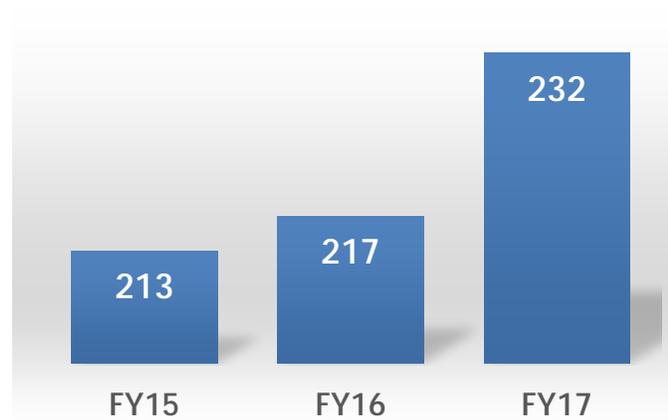


Pharmacy Distribution Results

Distribution Revenue \$m



Distribution GP \$m



CORE BUSINESS ACHIEVES REAL GROWTH

- Growth reflects strong value proposition to the market
- Investments have sustained steady growth profile despite new competition
- Underlying Pharmacy Distribution revenue growth 7.5% (exc Hep C and PBS Reforms)
- New WA Distribution Centre opened smoothly
- Actively involved in the Pharmacy Review into Remuneration and Regulation



Consumer Brands (NZ)

- Codeine rescheduling required new sales activity to establish stronger manufacturing pipeline during the year
- OTC focus has seen a spike in manufacturing contracts for key Australian clients in cold & flu and analgesic products
- Promising developments in small-scale exports outside Australia and to build over time



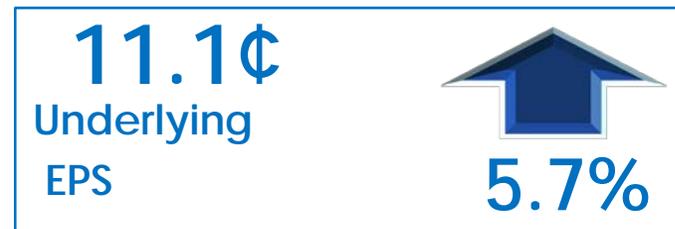
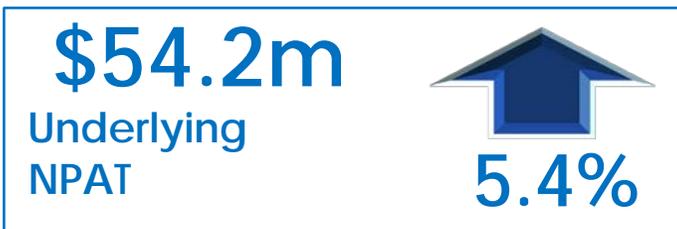
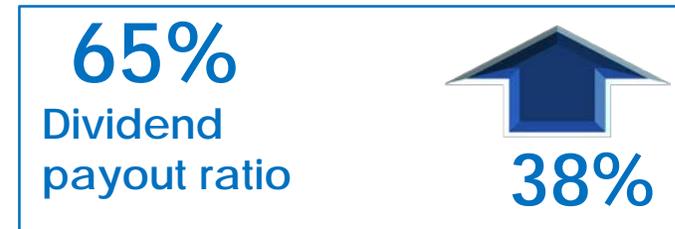
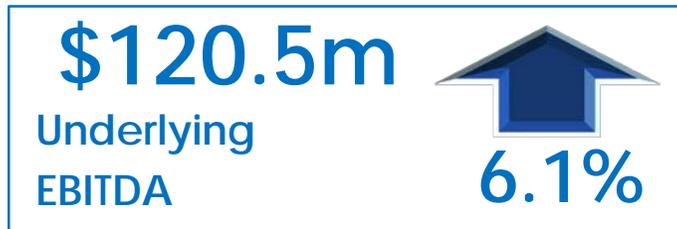
Only Good[®]



HEALTH BASICS[®]
MADE OF NEW ZEALAND



2017 Balanced Performance



CONTINUED GROWTH ACHIEVED FROM CORE ASSETS

- Revenue and NPAT increase
 - Priceline Pharmacy network expansion
 - Growth in Pharmacy Distribution position 
 - Shareholder returns growth
-

2018 Focus

RETAIL STRUCTURE

- Streamlined management team for improved decision making
- Bolstered retail skill base in the senior team
- Increase focus on in store execution and customer experience
- Opportunity remains to build services offering

DIGITAL TRANSFORMATION

- Phase one: relaunch of Sister Club with tiered offers and system integration
- Phase two: will deliver more personalised offers and improved flexibility
- Final objective is a more integrated customer experience online and in stores

KEY ENVIRONMENTAL ISSUES

- Landlord negotiations on rental agreements
- Sustainable CSO and exclusive distribution solution

IN STORE HEALTH SERVICES **SISTER CLUB HEALTH PLUS**

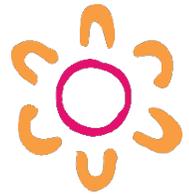
\$1 PENSIONER DISCOUNT **SMS REMINDERS**

NEW ARRIVALS
Discover the latest health & beauty must-haves
[SHOP NOW](#)

Safety Improvements



Priceline Sisterhood Foundation



hear to
listen
program



*Priceline
Sisterhood
Foundation*TM
HELP US HELP WOMEN



PANDA
Perinatal Anxiety &
Depression Australia



look good **feel better**
FACING CANCER WITH CONFIDENCE

childr@n first
foundation



**dementia
australia**TM

GROWTH EXPECTED IN FY18

- Clear focus on operational performance and have flexed investment in systems to reduce costs
- Expect that current market conditions will continue in regards to the economy and fragile consumer sentiment
- Pharmacy Distribution expected to deliver steady performance
- Priceline Pharmacy store network growth will continue with sales growth moderated in the near term
- Improvements expected throughout the second six months of FY18



AGM ORDINARY BUSINESS

PETER ROBINSON

Reminder

- **Handset** – 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 2017.”

Conduct of a Poll

- To be conducted on each item of business by use of a handset.
- Results of poll available following consideration and discussions of all items of business

Proxy Voting

- Proxy holders must vote in the manner instructed
- By voting on a handset, those proxy holders will be taken to have voted in accordance with instructions given to them

Handset Instructions - Inserting Your Smartcard

- The smartcard should be inserted into your handset
- If the smartcard is not inserted into your handset please do so now
- Make sure the chip at the bottom of the smartcard is inserted and facing you



Handset Instructions – Welcome Message

- A welcome message will briefly appear when the card is inserted correctly
- You will then be returned to the holding screen where your name will now appear at the top of the display



Handset Instructions - Casting your Vote

- Navigate to a resolution using the blue track ball and then select the item by pressing the green square button
- When the poll opens, the handset will display the voting options. Press:
 - Button 1 to vote **FOR** the resolution
 - Button 2 to vote **AGAINST** the resolution
 - Button 3 to **ABSTAIN** your vote



Handset Instructions - Casting your Vote

- Confirmation that your vote has been received will appear on the screen
- Press the green square button to advance to the next resolution
- Press the red triangle to return to the resolution list
- To change your vote, simply enter your new choice (1, 2 or 3) to overwrite your previous selection
- If you wish to cancel your vote, press the 'X' button



Opening the Poll

- Handsets are now activated
- You can vote at any time
- You will be advised when voting closes

Ordinary Resolution:

“To adopt the remuneration report for the year ended 31 August 2017.”

Remuneration Report – Proxies Received

Proxies Received	Votes	%
For:	324,166,015	98.09
Against:	4,015,029	1.21
Open – usable:	2,302,726	0.70
Abstain:	893,531	
Exclusions:	1,765,620	

Re-election of Director – Ms 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 Director – Ms Lee Ausburn – Proxies Received

Proxies Received	Votes	%
For:	329,703,141	99.17
Against:	467,554	0.14
Open – usable:	2,307,592	0.69
Abstain:	664,634	
Exclusions:	0	

Ordinary Resolution:

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

Re-election of Director – Mr Ken Gunderson-Briggs – Proxies Received

Proxies Received	Votes	%
For:	329,587,079	99.13
Against:	588,016	0.18
Open – usable:	2,307,592	0.69
Abstain:	650,234	
Exclusions:	10,000	

Election of Director – Mr Mark Smith

Ordinary Resolution:

“To elect a Director. Mr Mark Smith, in accordance with the Company’s Constitution, and being eligible, offers himself for election.”

Election of Director – Mr Mark Smith – Proxies Received

Proxies Received	Votes	%
For:	329,599,872	99.15
Against:	514,551	0.15
Open – usable:	2,338,599	0.70
Abstain:	689,899	
Exclusions:	0	

Election of Director – Ms Jennifer Macdonald

Ordinary Resolution:

“To elect a Director. Ms Jennifer Macdonald, in accordance with the Company’s Constitution, and being eligible, offers herself for election.”

Election of Director – Ms Jennifer Macdonald – Proxies Received

Proxies Received	Votes	%
For:	329,663,897	99.16
Against:	450,460	0.14
Open – usable:	2,342,299	0.70
Abstain:	686,265	
Exclusions:	0	

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 Richard Vincent, on the terms set out in the Explanatory Notes to Notice of 2017 Annual General Meeting be approved.”

Grant of Performance Rights – Proxies Received

Proxies Received	Votes	%
For:	325,542,097	98.78
Against:	1,717,837	0.52
Open – usable:	2,308,333	0.70
Abstain:	1,809,034	
Exclusions:	1,765,620	

- Please ensure that you have entered your selection for each resolution
- Voting is now closed
- The results will be displayed shortly on the screens

AUSTRALIAN PHARMACEUTICAL INDUSTRIES LIMITED

THANK YOU FOR ATTENDING



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