

1 June 2018

Dear Shareholder,

Australian Pharmaceutical Industries Limited (API) - Interim Dividend payment

Further to our half year financial results announcement on 19 April 2018, I am pleased to enclose the details of your fully franked interim dividend payment for the six months ended 28 February 2018.

The company has continued to maintain its dividend payments to shareholders over recent years due to sound operational and financial management.

The Priceline Pharmacy network continues to grow. At the half year, the network reached 466 stores, cementing its place as one of the largest specialty retail brands in Australia. The pipeline of independent pharmacists looking to join the network remains robust.

Our pharmacy distribution business continued to perform strongly, with underlying sales growth of 9.8%. This is a particularly pleasing result given the impact of some of the more profitable PBS medicines now being distributed outside the Community Service Obligation wholesaling system.

Overall, underlying net profit after tax of \$26.8m was down eight per cent on the prior corresponding period, as a consequence of subdued retail trading conditions. Our prior capital investments provide the ability to reduce operational costs during the 2nd half of the year to help combat these persisting market conditions.

We believe that our existing assets continue to be capable of delivering sustainable medium to long term growth. Additionally, we continue to assess other scalable and synergistic growth opportunities.

Our strong balance sheet and confidence in the future has, once again, allowed your directors to declare a fully franked interim dividend of 3.5 cents per share, in line with the prior corresponding period.

We look forward to updating you on our full year performance on Thursday 18 October 2018.

Yours sincerely,



Mark Smith
Chairman