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100 YEARS

Sigma Pharmaceuticals Limited

Results Presentation for the
year ended 31 January 2012

Mark Hooper – CEO & Managing Director
Jeff Sells – Chief Financial Officer

22 March 2012

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Overview

- Sigma 12 months on – Mark Hooper
- Financial summary – Jeff Sells
- Sigma 100 years and beyond – Mark Hooper

Sigma 12 months on

Presented by Mark Hooper
CEO & Managing Director
Sigma Pharmaceuticals Limited

12 months on

- Debt fully repaid, currently in a net cash position
- Improved profitability and ROIC
- New strategy being implemented
  - Moving from manufacturer push / *reactive* to customer centric / *proactive*
- Executive team in place
  - Gary Dunne appointment as Chief Operating Officer
- Identified key re-investment areas – operating and capital
- Key programs underway

Sigma has delivered on key metrics

- Sales – sales revenues up 10% on like for like basis
- Profit – EBIT of $70.3m versus $9.1m loss
- Working Capital – cash conversion cycle reduced 10 days YOY
- ROIC – 12.4% versus 7.3%
- Cash flows – operating cash flows increased by $44.5m to $145.8m
- Net cash of $113.6m at year end
- Dividends reinstated – 20 cents fully franked declared in last 12 months

Dividends

- 2.0 cent fully franked final dividend declared plus:
- 1.5 cent fully franked special dividend
- High payout ratio rewards shareholders from improvements made in working capital
- Total dividends of 20 cents per share fully franked over past 12 months
- Over the full year Total Shareholder Return was over 70%
- Intention is to maintain high payout ratio going forward

Financial Summary

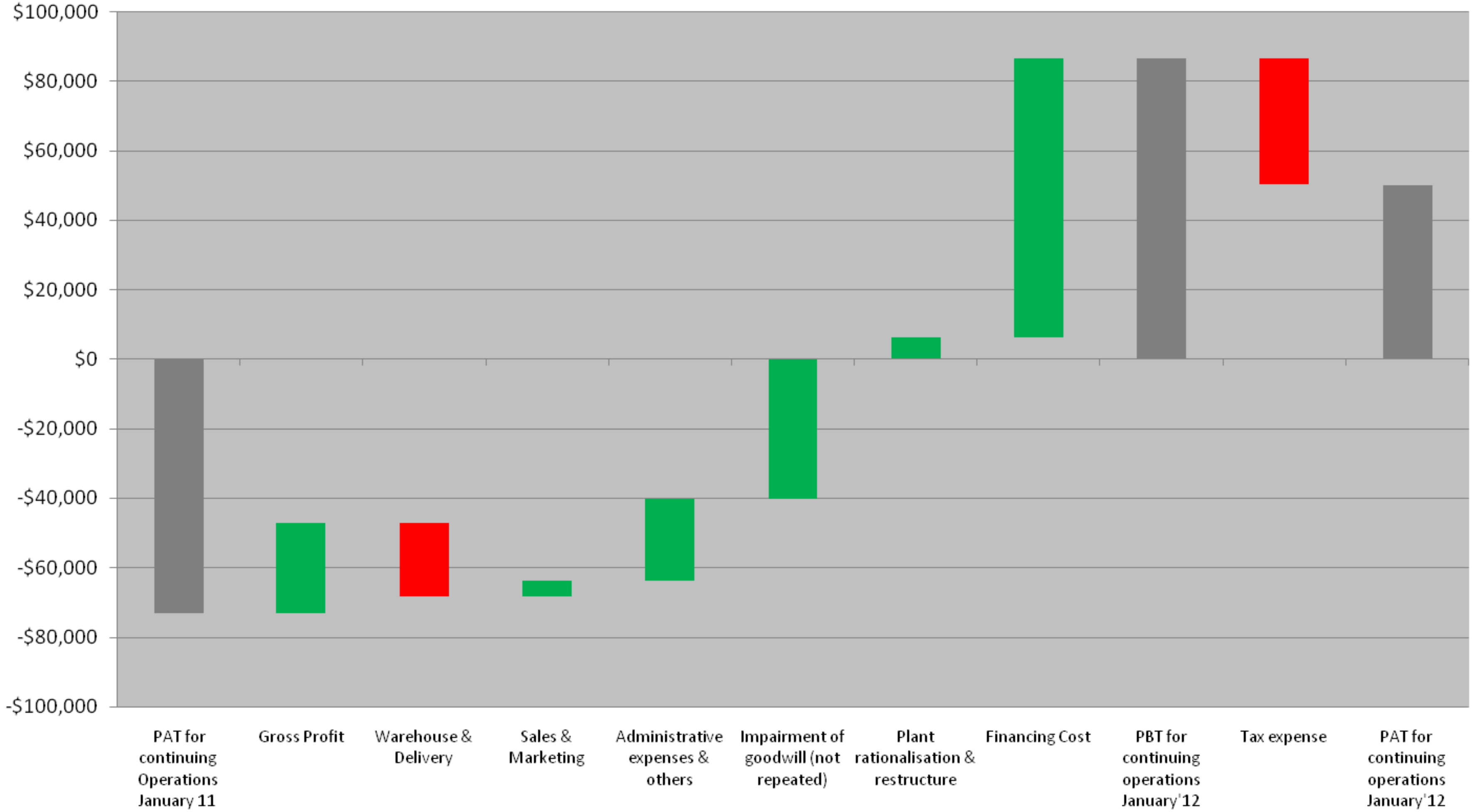
Presented by Jeff Sells
Chief Financial Officer
Sigma Pharmaceuticals Limited

FY12 income statement

$m	FY2011	FY2012	% change
Sales revenues	2,914.3	2,853.9	(2.1%)
Gross Profit	176.6	202.7	14.8%
Other revenue	36.5	36.6	0.4%
Costs (Warehousing, SGA)	(177.2)	(170.6)	3.7%
Other	(45.0)	1.6	103.5%
EBIT	**(9.1)**	**70.3**	**871.9%**
Financial income/(expense)	(78.8)	1.6	102.1%
Tax (expense/benefit	14.8	(21.6)	(246.5%)
NPAT – Continuing Ops	**(73.1)**	**50.3**	**168.8%**

- **Revenue**
  - Reported down 2% mainly reflects impact of Pfizer and PBS reform
  - Like for like up 10% due to market share gains and PBS growth
- **Costs**
  - Administration costs lower
  - Higher warehouse and delivery
- **EBIT**
  - One off inventory gain in H1 of $4m
  - H2 doubtful debt of $8m as announced
- **Other**
  - Goodwill impairment, and restructuring costs in FY 2012 not repeated in FY 2013
- **Interest**
  - Net cash positive for year

Earnings waterfall



Operating costs

	Key themes
Warehouse & Delivery	• Approx one-third of increase due to reclass of costs (Aspen distribution) • Freight and people costs increased due to higher activity • Increase in rent and depreciation from Rowville • Some inefficiencies from running multiple sites during the year in Victoria • **Going forward** – expect to see efficiency gains in Logistics
Sales & Marketing	• Lower doubtful debts charge • Cost savings achieved offset by investing in Marketing and Category Management • **Going forward** – further investment will occur to drive retail strategy
Administration	• Significant savings achieved in HR, Legal, IT and other professional fees • Also due to reduced support functions required post sale of Pharma division • **Going forward** – further savings expected in core services, but further investment in people and systems is required

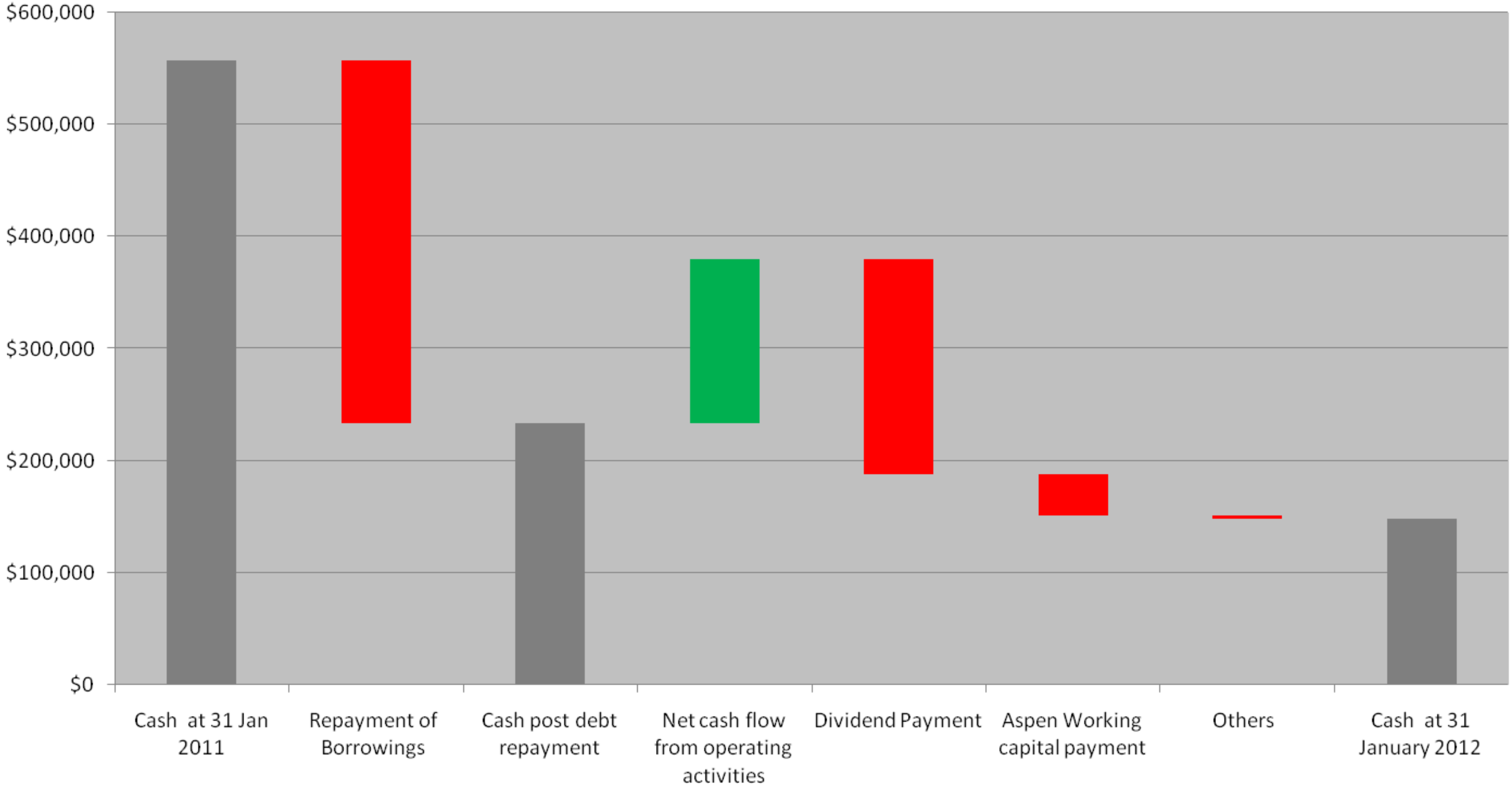
The operating cost base will continue to be rationalised and will assist in funding re-investment in FY 2013

EBIT margin

$m	H1 FY 2012	H2 FY 2012	FY 2012
Sales Revenue	1,372.3	1,481.6	2,853.9
	48%	52%	100%
EBIT	38.0	32.3	70.3
Reported EBIT Margin	2.77%	2.17%	2.46%
Adjusted for:			
– net inventory gain	(4.0)		
– doubtful debts		8.0	
	34.0	40.3	
EBIT Margin	**2.50%**	**2.72%**	**2.60%**

- Second half margin stronger due to increased gross profit from higher sales
- FY 2013 sales will be impacted by PBS reform, and ongoing EBIT margin will increase due to adjustment in customer trading terms and cost savings

Strong cash repays debt and funds dividends



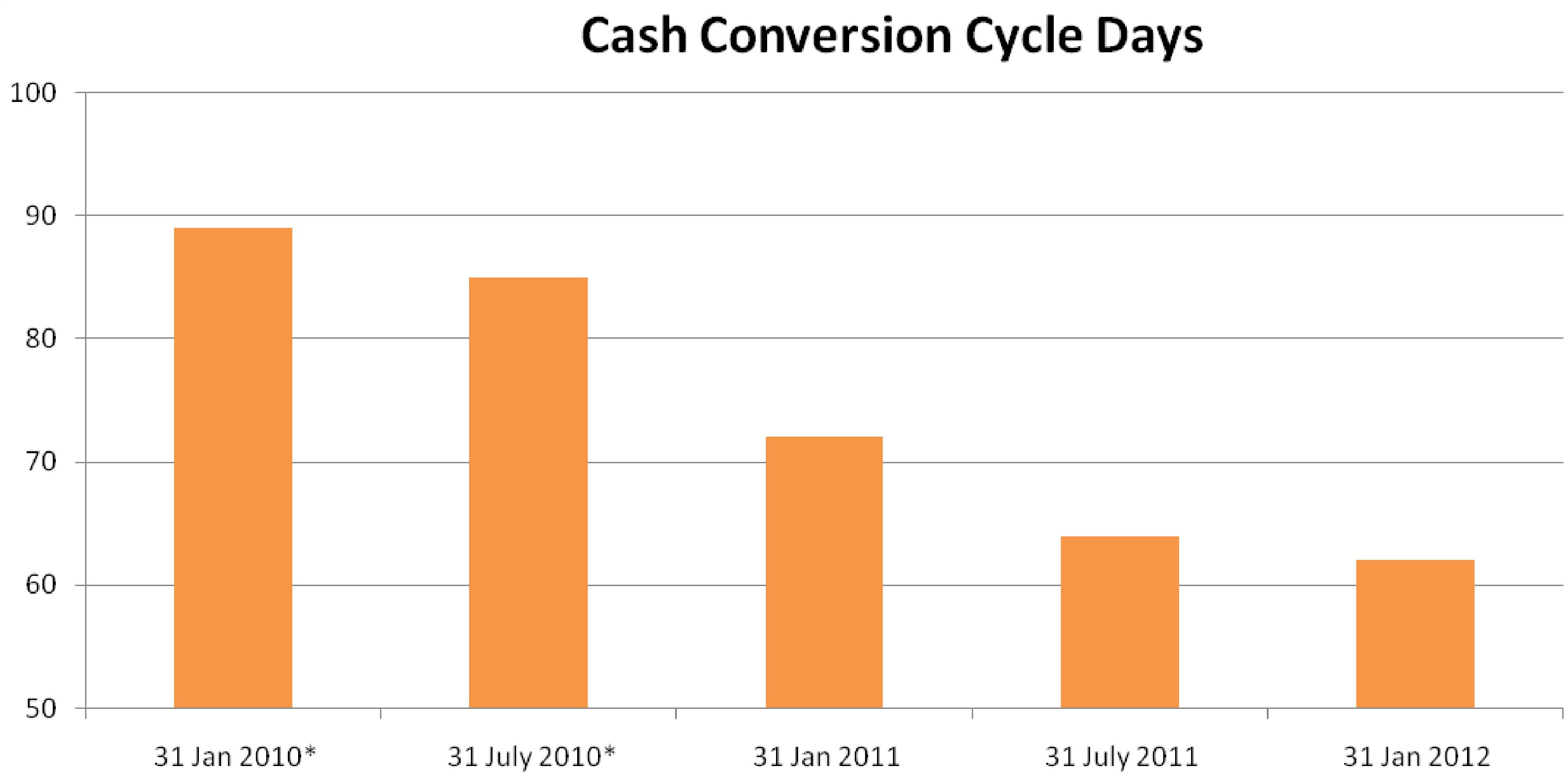
Further working capital gains

Working Capital $m	As at 31 Jan 2011*	As at 31 Jul 2011*	As at 31 Jan 2012
Trade Receivables	641	581	593
Inventories	225	275	214
Trade Creditors	251	334	312
Total Working Capital	615	522	495
Days Sales Outstanding	75	71	76
Days Inventory Outstanding	30	38	29
Days Payable Outstanding	33	45	43
Cash conversion cycle days	**72**	**64**	**62**

- 10 day reduction in cash conversion = $120m improvement
- Operating cash flow of $146m vs EBITDA of $76m
- Receivables impacted by seasonality and buy back arrangements

** There has been a change in the presentation of CSO proceeds during the year, resulting in these years' DSO being restated for comparative purposes.*

Continued improvement in cash flow conversion



** These years include Pharma division working capital.*

Days Sales Outstanding (DSO)

- Extended trade credit arrangements are no longer offered to customers
- Total Receivables down but DSO calculation impacted by:
  - unwinding of Pfizer benefit in H1
  - stronger seasonal H2 sales
  - repayment arrangements of previous extended credit
- Improvement in FY 2013 will occur from agreed arrangements to repay previous extended credit (repayment periods 12-18 months)

Positive trend in ROIC performance

$m	As at 31 Jan 2011	As at 31 July 2011	As at 31 Jan 2012
Net assets	832.9	676.8	682.5
Less: cash and cash equivalent	(556.9)	(135.8)	(148.6)
Add: borrowings *	354.8	47.2	35.0
Capital employed	630.8	588.2	568.9
EBIT	46.7^{+}	54.5^{+}	70.3
ROIC	**7.3%**	**9.3%**	**12.4%**

* excludes Gateway liability

$^{+}$ EBIT for continuing business – rolling 12 months

- Improvement in ROIC driven by profit growth and reducing invested capital
- ROIC is expected to further improve in FY 2013

Sigma 100 years and beyond

Presented by Mark Hooper
CEO & Managing Director
Sigma Pharmaceuticals Limited

Building momentum

- By the end of 2012, the first phase of our strategy will be complete
- This will be delivered through:
  - new strategy supported by upgraded skills base and infrastructure
  - integrated, multi-team approach focused on customer and supplier partnerships
- Process underway – full benefits will take time
- A renewed focus on Retail

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New Retail strategy

- Focus on end consumer – 'placing pharmacists and consumers at centre of everything we do'
- Multi channel, e-Commerce, social media
- Private and exclusive label
- Pilot stores
- Pharmacy brand "new faces"
  - TV personality Georgie Parker brand ambassador for Amcal
  - GP & medical commentator Dr Cindy Pan brand ambassador for Guardian

2012 industry outlook

- In calendar 2011, PBS growth slowed to 2.4% pa.
  12 months to January 2012 slightly higher at around 3%
- Over 2012, major PBS reforms expected to slow growth further to flat or negative
  - 1 April adjustments already announced
  - significant molecules coming off patent for the first time (only 40%-50% of these impact Sigma)
- Sigma has responded through further cost reduction measures and re-negotiation of customer terms
- Further exclusive distribution arrangements less likely but still possible

FY 2013 outlook for Sigma

- Additional working capital improvement will further improve ROIC
- PBS reforms will dampen sales and profit growth
- Further cost savings expected – will assist in funding continued investment in the business
- Cash flows combined with strong balance sheet may provide further opportunities for shareholder returns
- Intention is to maintain high dividend payout ratio in future

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Questions ?