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Sigma Pharmaceuticals Limited

Results Presentation for the
Full Year ending 31 January 2010

2pm, 31 March 2010

Elmo de Alwis CEO/MD & Mark Smith CFO

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Agenda

1. Recent Events
2. Full year results for 2009/10
    - Summary
    - Business overview
    - Underlying earnings
    - Non-recurring items
    - Balance sheet, cash flow and debt facilities
    - Business segments
3. Outlook

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Recent events

- Board sought a trading halt and then suspension of shares upon becoming aware of the likelihood of significant adjustments to FY2010 accounts
  - Regrettable but responsible
    - Amount and effect of adjustments needed to be quantified and agreed
    - Banking covenant implications
- Accounts released today for the year ended 31 January 2010, in compliance with Sigma's statutory accounts filing date obligations
  - Reported loss of $389 million
    - Includes goodwill impairment of $424 million; other non-recurring items $52 million
    - No final dividend as a consequence
    - Underlying EBITDA of $213.0 million for the year
    - Underlying NPAT of $67.7 million for the year

Recent events

- Banking covenants have been reset and agreed with Sigma's debt providers
  - Sigma appreciates the ongoing support of lenders
  - Sigma has continued to trade within all its facility limits
    - All principal and interest commitments have been met when due
  - All covenant breaches waived
  - All debt facilities remain committed and are in place to various dates beyond January 2011, with certain commitments to reduce debt over the coming year
- Trading performance YTD and business outlook remain sound

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2010 Results Summary

A$m	2010 Reported	2010 Non Recurring	2010 Underlying	2009 Total	Δ 2010 to 2009 Underlying
Sales	3,220.4	0.0	3,220.4	3,081.3	▲ 4.5%
EBITDA	(263.2)	(476.2)	213.0	235.0	▼ 9.4%
EBIT	(309.0)	(476.2)	167.2	190.3	▼ 12.1%
Interest expense	(72.1)	-	(72.1)	(76.7)	▼ 6.0%
NPAT Reported	**(389.0)**	**(456.7)**	**67.7**	**80.1**	**▼ 15.5%**
Amortisation	32.4	-	32.4	30.3	▲ 6.9%
Cash profit	-	-	106.8	130.2	▼ 18.0%
Group EPS (basic)	(40.7)c		7.1c	9.4c	▼ 2.3c

Sigma strengths

- Unique vertically integrated and diversified business model with leading market positions in:
  - **Generics** – significant market share
  - **OTC/Consumer** – largest Australian owned OTC portfolio
  - **Medical** – largest Australian owned supplier of prescription pharmaceuticals
  - **Manufacturing** – largest pharmaceutical manufacturer in Australia
  - **Wholesale** – one of three full line wholesalers, market share in excess of 30%
  - **Retail Banner** – Sigma owns Australia's 2 largest retail pharmacy banners in Amcal and Guardian, strong brand recognition

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Leveraging the unique market position
Rejuvenated Embrace program

SHARE THE FUTURE.
EMBRACE EQUITY

- Successful program refreshed
- Three objectives:
  - Acquisition of new customers
  - Growth in share of existing customer's business
  - Retention of existing customers
- Embrace Equity an 18 month additional benefit of Embrace membership
- Set, transparent and measurable total net spend targets
  - No flexibility with compliance measures
- Well received since launch in late Feb

Underlying results commentary

- Generics
  - – Since Arrow acquisition, Sigma's second half result underpinned by year-end promotions, particularly in the generics channel
    - 6+ months stock build on major molecules
  - – Customer participation in promotions less than expected
    - Material impact on profit and excess inventory
  - – More aggressive market with lower margins
    - Industry-wide regulatory impact
  - – Margins also impacted due to gap in timing of achieving cost reduction benefits

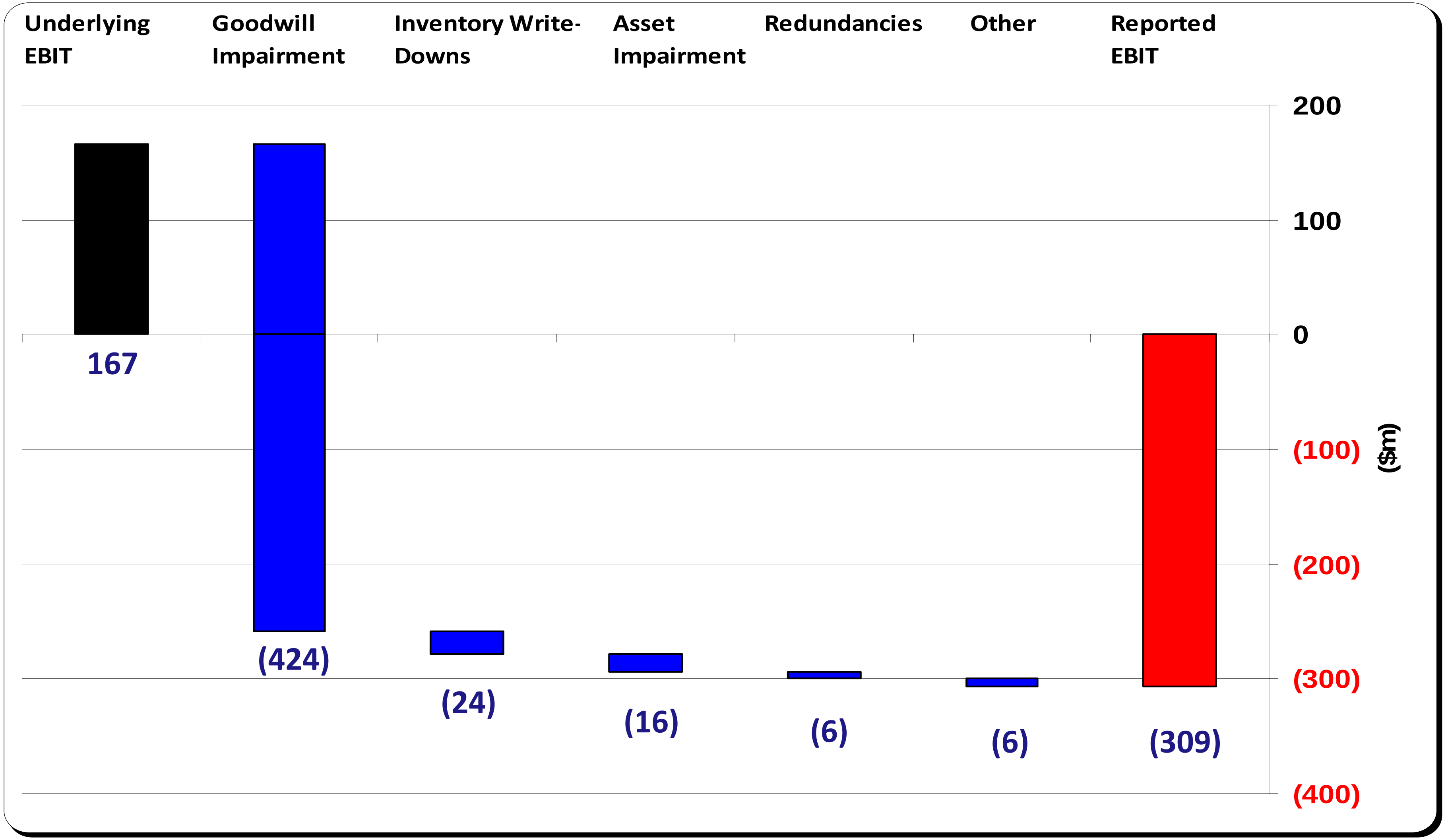
Underlying results commentary

- Consumer/OTC
  - Herron growth in pharmacy, disappointing in grocery channel
  - Other brands demonstrated strong growth
- Medical
  - Orphan in line with expectations
- Manufacturing
  - Site rationalisation program to optimising fixed cost base
- Wholesale
  - Industry-wide lower effective margin through statutory price reductions
  - Working capital usage increased substantially
- Retail banners
  - Stable membership numbers

Reconciling underlying NPAT result to previous guidance

• Underlying FT2010 NPAT	$67.7m
• Key impacts:	
– Increased competition and shortfall on year end generics promotion	$7.8m
– Interest cost of increased working capital usage	$1.1m
– Herron shortfall in grocery channel	$3.5m

Non-recurring items



Non-recurring items
Goodwill impairment

- Reduction in future expected cash flows
  - Detailed review of regulatory and industry impacts
  - Trading/market conditions in Q4 of 2009/10
    - Changed expectation of future trading conditions
    - Recent external reports substantiate a change in view
  - Changes in the risk profile of Sigma has contributed to the increase in the Group's estimated WACC
- Total goodwill impairment of $424.2m
  - Arrow ($375.1m)
    - $819m of goodwill recognised post 2005 merger, which was inflated by Sigma's share price increase post the merger announcement
      - » $309m goodwill increase from merger announcement to scheme date
    - Forecast impact of regulatory reforms
    - Competitive pressures
  - Herron ($49.1m)
    - Weaker performance of the brand in grocery channel

Non-recurring items
Inventory write-downs

- 2009/10 write downs of $24m
- Increased provisioning for inventory
  - Changed view on future sales impacted on views of saleability of existing inventory
    - Traditionally have written down inventory with <6 months of useful life remaining
    - Additionally provided for inventory that has <18 months of remaining useful life due to reduced future sales expectations
  - Review of non-core inventory

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Non-recurring items
Asset impairment

Heading	Details of write-down	A$m
Export licences	Uncertainty around ability to generate future earnings at carrying value	8.9
Pharmaceuticals segment intangibles	Certain licenses whose future earnings expectations no longer support carrying value – eg Septrin and Isordil	1.4
Gateway provision	Specific provision following Gateway Pharmacy Finance program being consolidated – already refinanced $72.7m, planned refinancing of balance $34.8m by remaining Gateway borrowers during FY2010/11	2.5
Other	Other licences & PinPoint JV	3.3
TOTAL		**16.1**

Non-recurring items
Other one-offs

- Redundancies $6.3m
  - Traditionally booked when incurred
  - Redundancies determined in Nov09
    - Fully provided in FY2009/10
    - Cash outflow to occur in FY2010/11
- Seasonal promotional costs $4.8m
  - One-off adjustment to inventory costs associated with year-end promotions/clearances
- Legal & other $1.2m

Balance sheet, cash flow and debt facilities

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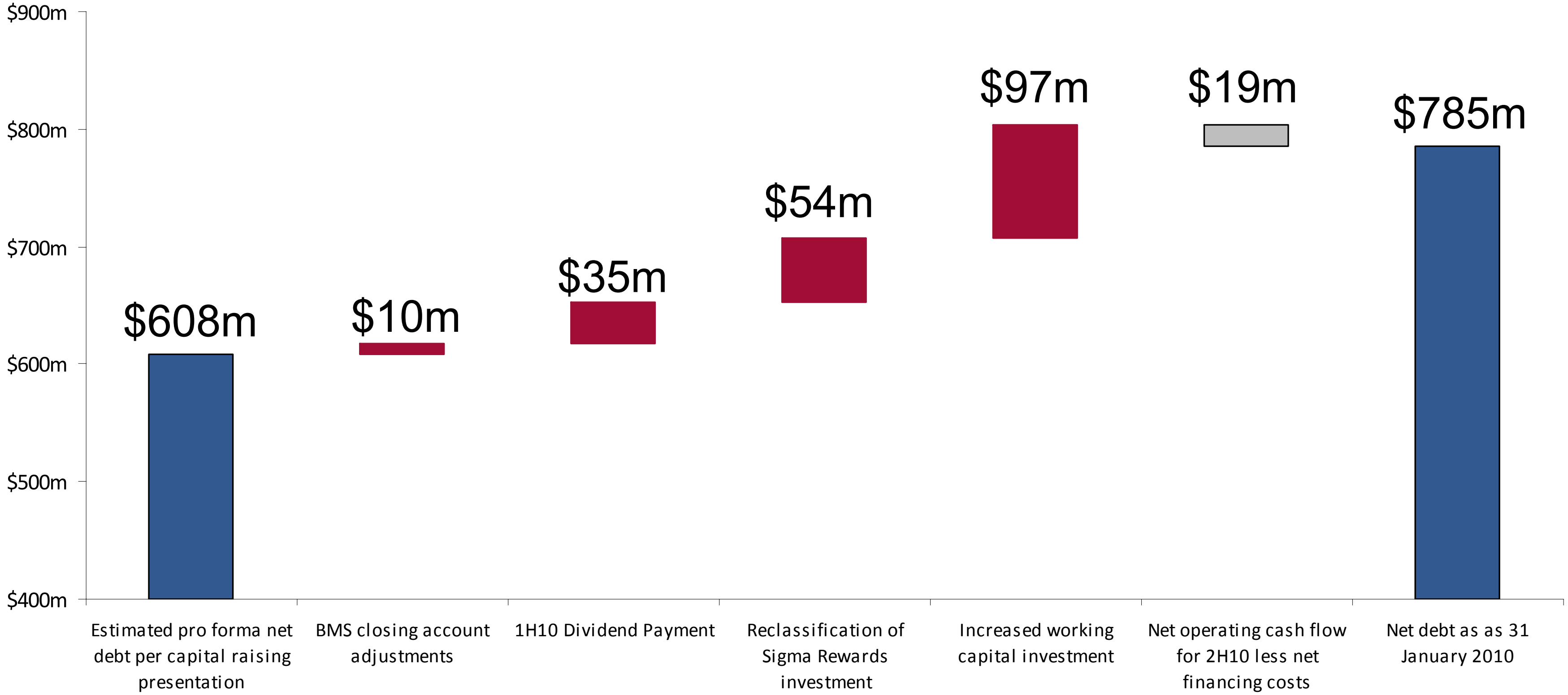
Balance sheet

A$m	2010	2009	Δ 2010 to 2009
Total assets	1,926.1	2,201.5	▼ 12.5%
Sigma Rewards debt	520.0	487.8	▲ 6.6%
Syndicated and other balance sheet debt facilities	279.4	437.7	▼ 36.2%
Total debt	799.4	925.5	▲ 13.6%
Cash & cash equivalents	14.4	(1.2)	▲ 108.3%
Net total debt	785.0	926.7	▼ 15.3%
Shareholders Equity	1,067.0	1,197.9	▼ 10.9%
Gearing (Debt/Debt + Equity)	42.4%	43.6%	▼ 4.2%

Cash utilisation post capital raising

- Net debt pre BMS acquisition and Capital Raising $839m
- Net Capital Raising $291m
- BMS acquisition $60m



Increase in working capital

- Causes of increase
  - Seasonality of retail pharmacy customers
    - Annual peak in debtor balances
  - Growth in receivables balances with large groups with extended terms
  - Inventory stock build in preparation for forecast sales
    - Shorter creditor terms
  - Generics sales lower than expected
    - Reduced customer participation in year-end promotion
- Actions to address
  - Negotiations underway to reduce extended payment terms
    - Particular focus on large groups and un-economic contracts
  - Continued focus on creditor term extension
  - Inventory sell-through
    - Strict control of new purchasing

Discontinuing extended credit terms

- Renegotiation of terms with customers who currently enjoy extended trading terms
- More aggressive program targeting large customer groups planned for 2010/11
  - YTD have already secured commitments to reduce current extended credit arrangements by over $90 million by January 2011

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Committed debt facilities
All covenant breaches waived

- $400m Syndicated
  - ANZ, CBA, NAB & WBC
    - $100m to be repaid by March 2011
    - Balance $300m remains scheduled for maturity September 2011
- Working capital facilities
  - $100m Waratah (Westpac)
    - On balance sheet trade receivables securitisation
    - Scheduled for maturity February 2011
  - $650m Sigma Rewards (Senior Note of $585m (90%) funded by ANZ)
    - Off balance sheet trade receivables securitisation
      - Customer loyalty program operates independently of debt facility
    - Sigma investment 9.4% (maximum $61m)
    - Scheduled for maturity September 2011
- Revised covenants (key gearing and interest cover covenants relaxed over FY2011); any interim dividend for H1 FY2011 would require prior lender consent

Sigma financial position remains sound

- Underlying FY2010 EBITDA of $213.0m, Interest expense $72.1m
  - Average underlying interest cover >3.00x during FY2010
- All debt effectively backed by high quality working capital
- Program to sell certain non core assets
- Quick renegotiation of covenants evidence of good continuing relationship with lenders

Business Segments

Pharmaceuticals

- An Australian market leader facing continued margin pressure

A$m	2010	2009	Δ 2010 to 2009
Sales	670.9	710.7	▼ 5.6%
Reported EBIT	(124.6)	130.0	
Adjustments:			
Impairment of goodwill	184.4	-	
Impairment of other intangibles	13.6	-	
Other	31.6	7.6	
Total adjustments	229.6	7.6	
Underlying EBIT	105.0	137.6	▼ 23.7%

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Generics trading conditions

- Strong pipeline moving forwards
  - 10 new ethical molecules launched in FY2009/10
  - 9 scheduled for FY2010/11
  - Clovix (Clopidogrel - current PBS spend $230m pa) expected to be listed on the PBS June 2010
- Intense level of competition
- Continued emphasis on sourcing key molecules at reduced cost
- Improved service levels >98.2% in FY2009/10

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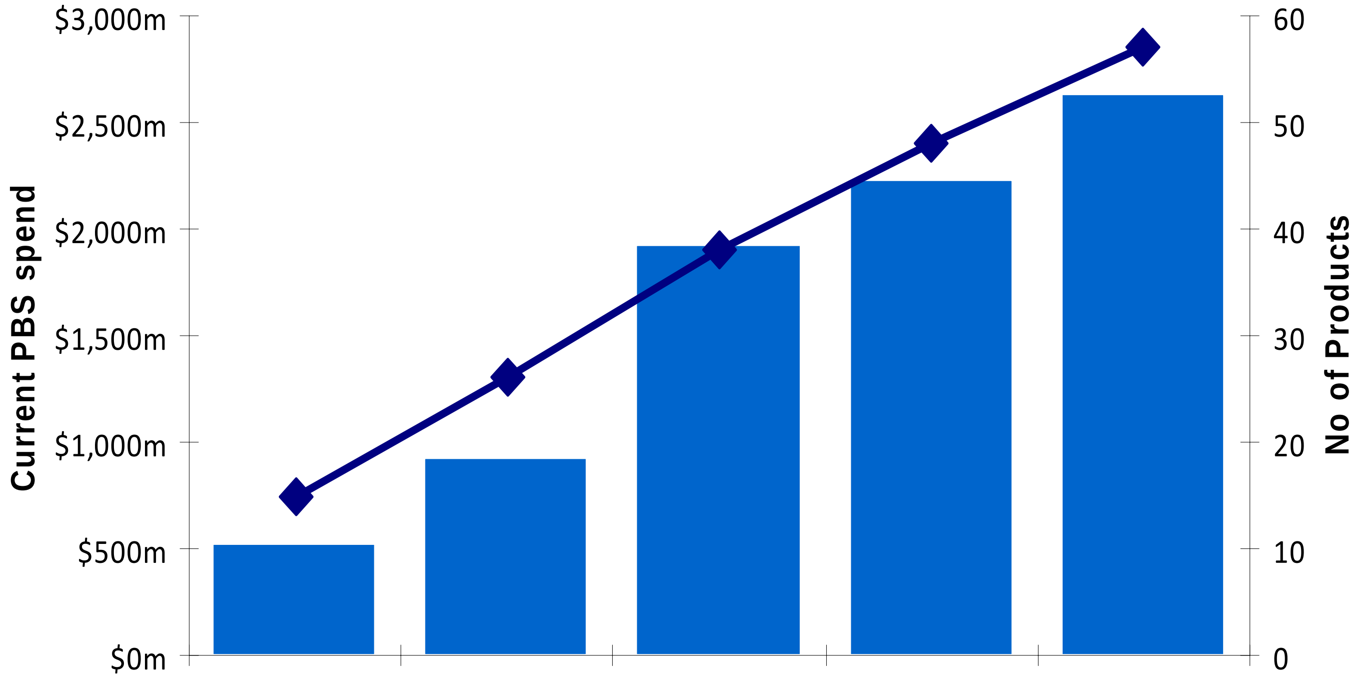
Generics remains an attractive long term business

- 2nd largest market share [1] in highly competitive industry with multiple domestic and international participants
  - Approximately 25% market share [1]
  - Including private prescription products, almost 25 million units sold last year (internal sales data)
- Heritage of delivering first to market molecules
- Specialised tools to drive increased conversion levels in stores
- Highly motivated sales team
- Embrace equity and other sales initiatives provide opportunity to grow market share
  - Strong pipeline of new product will incrementally grow business

[1] Internal estimates

Major patent expiries - next 5 years

- >$2.5bn of current PBS spend to come off patent



2010	2011	2012	2013	2014
Actonel Durogesic Famvir Keppra Prograf Somac Taxotere	Actos Arimidex Crestor Coversyl Plus Flomaxtra Reductil Valtrex	Cellcept Femara Lipitor Pariet Seroquel Xalatan Zometa Zuprexa	Aricept Atacand Evista Mabthera Singulair	Avonex Celebrex Micardis Nexium Xeloda Viagra

Consumer and OTC

- Variable Herron performance
  - Growth in Pharmacy, decline in Grocery
  - But Herron remains a strong Australian consumer brand
- Another strong year for Chemists' Own and Other OTC brands
  - Ural, Coloxyl and Goanna
  - Strengthening position in Pharmacy
  - High ROC businesses
- Ongoing focus on new products
  - 14 new skus launched in 2009/10
  - 25 scheduled for launch in 2010/11

Recent acquisitions

- Orphan:
  - First full year contribution of Orphan in line with expectations
  - Integration of existing Sigma medical and Orphan sales teams
  - Complements other divisions of Sigma
  - Synergies delivering ongoing growth opportunities
  - Increased number of licences in portfolio
- BMS
  - Sales and profit performing in line with expectations
  - Initial downsizing of Noble Park completed

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Manufacturing

- Site rationalisation continues
  - Closure of Tennyson on track
    - All redundancy costs included in FY2009/10 result
  - Corresponding Dandenong expansion proceeding on time
- Dandenong now operating at 3 shifts
- FX gains and renegotiated raw material contracts expected to deliver annualised savings of $9.6m
- Ongoing program of in-sourcing Sigma branded products
  - Incremental capacity utilisation

Healthcare

- Stable underlying returns

A$m	2010	2009	Δ 2010 to 2009
Sales	2,549.5	2,370.6	▲ 7.5%
Reported EBIT	(174.9)	67.0	
Adjustments:			
Impairment of goodwill	239.8	-	
Impairment of other intangibles	-	-	
Other	3.0	3.7	
Total adjustments	242.8	3.7	
Underlying EBIT	67.9	70.7	▼ 4.0%

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Wholesale

- Stable growth, working capital attention required
  - National market share 30.2% (IMS – MAT Jan10)
  - Annual growth in sales of $180m - up 7.5%
  - Working capital investment has increased
    - Higher sales have resulted in greater working capital investment
    - Significant growth in larger customer groups
- Key focus in 2010/11:
  - Tighter control of days stock on hand
  - Renegotiation of customer trading terms
  - Improved service levels
    - Stock availability 97.6%
    - More consistent delivery times

Wholesale

- Ongoing infrastructure upgrades expected to deliver increase in efficiency and reduction in logistics costs
- Continuation of CSO announced in Guild Government Agreement
- Pharmacy Advance program
  - Modular retail services offer for non-banner customers

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Banner group relationships

- Number 1 and Number 2 Australian retail pharmacy banners
  - Steady membership numbers
  - Circa 550 Amcal & Guardian members
- Extensive Private Label range covering all major OTC categories
- Compliant retail model
  - Successful pilot program in FY2009/10

Business Update and Outlook

Performance FY2011 year to date

- Encouraging growth
  - Strong sales growth over the first six weeks of FY2011
  - Clopidogrel decision and other new generic launches
- Sigma greatly appreciates the continued good support of its customers, suppliers and staff

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Outlook

- Focus in FY2010/11:
  - Improving returns across core businesses
  - Further synergies and operational improvements
  - Debt reduction
  - Customer trading term renegotiation
  - Non-core asset rationalisation
- The FY2009 Net Profit After Tax result was $80.1 million. Sigma is budgeting that its FY2011 Net Profit After Tax will return to similar levels

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