SIGMA

EXPERIENCE STRATEGY POTENTIAL

SIGMA

Results Presentation for the Half Year ended 31 July 2013

Mark Hooper – CEO & Managing Director

Jeff Sells – Chief Financial Officer

12 September 2013 – Sydney

Important notice

The material that follows is a presentation of general information about Sigma's activities current at the date of the presentation. It is information given in summary form and does not purport to be complete. No representation or warranty is made as to its completeness, accuracy or reliability. Any forward looking information in this presentation has been prepared on the basis of a number of assumptions which may prove to be incorrect. Known and unknown risks, uncertainties and other factors, many of which are beyond Sigma's control, may cause actual results to differ materially. Nothing in this presentation should be construed as a recommendation or forecast by Sigma or an offer to sell or a solicitation to buy or sell shares.

Overview

SIGMA

Overview	– Mark Hooper
Financial Summary	– Jeff Sells
Closing remarks	– Mark Hooper

Overview

Presented by Mark Hooper

CEO & Managing Director

Sigma Pharmaceuticals Limited

First half at a glance

- Strong sales and gross profit from growing market share.
- Reported EBIT of $24.9 million versus $35.1 million (pcp) after Vifor settlement ($3.7m) and increased doubtful debt provisioning for Harrisons ($4.1m).
- Balance sheet remains strong – net cash position of $27 million which is expected to improve in the second half.
- Maintain fully franked interim dividend of 2.0 cents.
- More than 5% of capital purchased under share buyback.
- Good progress on strategy implementation which builds the base for an improved second half.

Results overview

SIGMA

- Sales revenue up 3% against a flat PBS (6% adjusted for PBS reform).
- Sigma continues to offset the impact of PBS reform via adjustments to trading terms and Service Level Initiatives (SLIs).
- Operational costs impacted by:
  - higher Warehouse and Logistics expenditure;
  - re-investment to support business strategy; and
  - Vifor settlement and Harrisons doubtful debt provision.
- Reported EBIT of $24.9 million / NPAT of $16.3 million.
- Net cash of $27 million compared to $83 million in January 2013 reflecting share buyback activity and movements in working capital.
- 12-month rolling underlying ROIC* of 11.8% lower in line with earnings (12.4% pcp).

** See Appendix 1*

Key deliverables for Operations in 2013/14

SIGMA

As detailed in strategy presentation in January 2013	
Consolidation of market share gains in wholesaling and further development of Pharmacy Advance offer	Green
Growth in Retail brand membership	Green
Market leading Multi Channel (e-Commerce) platform in place	Green
Further adjustments to trading terms to help offset current year PBS reform	Green
Inventory efficiencies realised via improved supporting systems	Amber
Reduced Logistics cost base	Amber
Other factors	
Impact of Vifor settlement and Harrisons doubtful debt	Red

Ongoing investment in growth strategy

SIGMA

Market facing:

- Launch of Amcal and Guardian eCommerce sites in July 2013 (investment circa $3m)
- Expansion of Private & Exclusive Label platform (investment circa $2m):
  - Private Label pipeline includes more than 600 products
  - Exclusive deals in place e.g. Colour Theory
- Market-leading space management software to be implemented over the balance of 2013 (investment circa $2m)
- Pilot store program in progress (investment circa $2m)
- More initiatives in progress on upgraded Loyalty platform, improved Local Area Marketing and a structured Professional Services solution

Sigma enablement:

- Upgraded supply chain infrastructure (investment circa $3m)
- New data warehouse implemented (investment circa $3m)

To come:

- Upgraded Distribution Centre network (2014 onwards)

Financial Summary

Presented by Jeff Sells

Chief Financial Officer

Sigma Pharmaceuticals Limited

H1 2014 income statement

SIGMA

$m	H1 2014	H1 2013	Variance	% Change
Sales revenues	1,463.8	1,419.8	44.0	3.1%
Gross Profit	106.4	103.4	3.0	2.9%
Other revenue	18.3	18.8	-0.5	-2.5%
Operating costs	-96.1	-87.1	-9.0	-10.4%
EBIT (excluding net litigation)	**28.6**	**35.1**	**-6.5**	**-18.6%**
Litigation settlement	-3.7	--	-3.7	--
Net financial income/expense	-1.2	1.3	-2.5	-191.0%
Tax expense	-7.4	-10.3	2.9	28.2%
NPAT – Continuing Ops	**16.3**	**26.1**	**-9.8**	**-37.4%**

Revenue headline

- Grew by 3% despite accelerated PBS price reform
- Like for like growth of 6% adjusted for PBS reform
- Sales growth from continued market share gains

Gross Profit

- GP up on higher sales
- H1 2014 GP% is 7.3% in line with prior

Costs

- Warehouse & Delivery increase on higher volumes
- Sales & Marketing includes provision for Harrison doubtful debts
- Vifor litigation settlement, expensed in full

Interest

- Net interest expense due to lower cash
- Primarily due to buyback and working capital increase

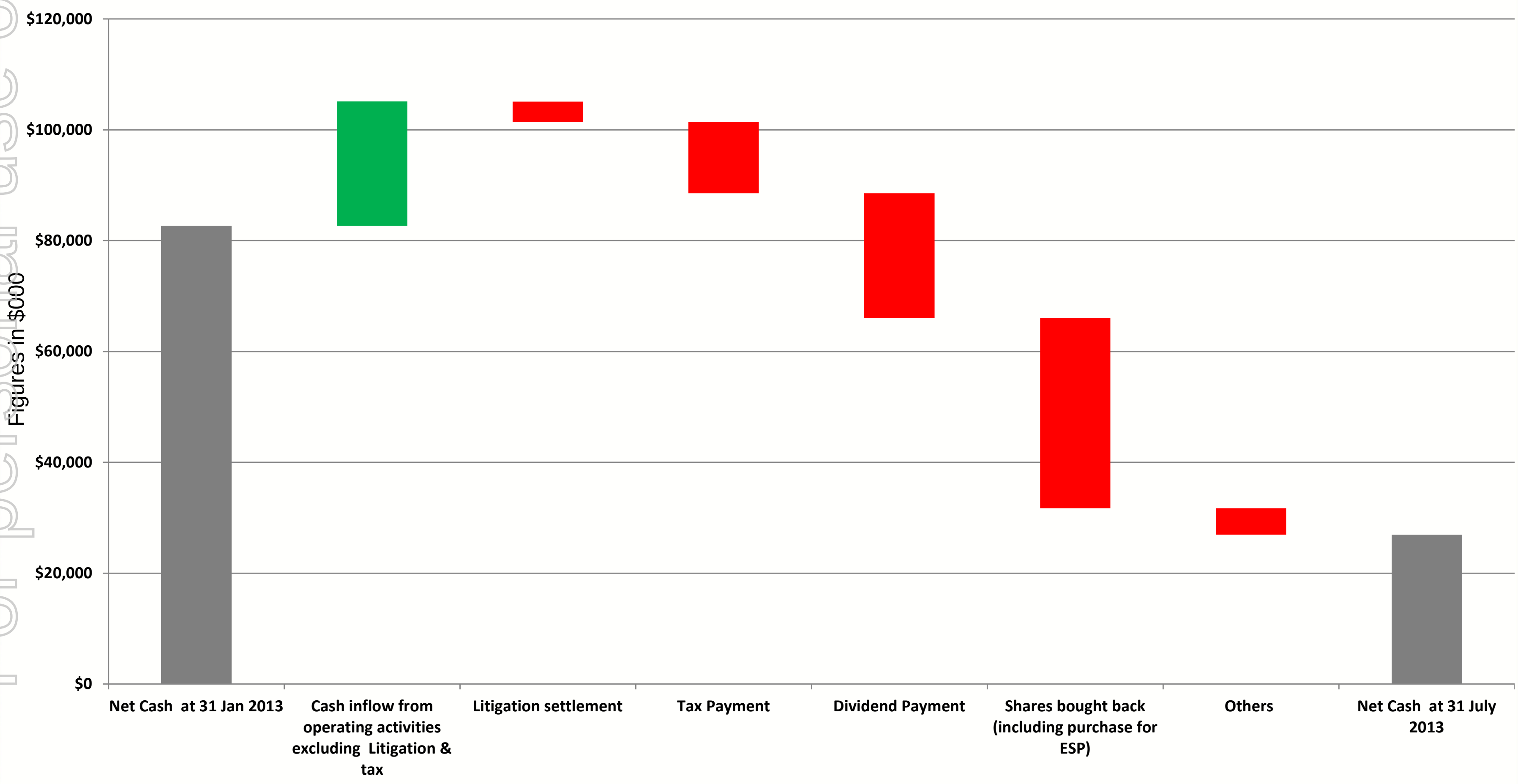
Warehouse & Delivery costs

- Total Warehouse & Delivery up 3.3% on last year impacted by higher volumes and EBA wage increases.
- Number of units shipped increased by 3.8% or 4.1 million units compared to H1 2013.
- This has resulted in total labour hours volume increase of 2.3%.
- Logistics overheads were impacted by electricity price increases.
- On a positive note:
  - labour cost per unit is below last year, as is freight cost per unit.
  - key warehouse productivity of units shipped per labour hour has also improved on last year by 2%.
  - national contracts in Labour, Transport and other services tendered and being implemented.
- Review of our facilities network well progressed, and the preparation of detailed business cases are currently underway.

Sigma's approach to credit risk

- Sigma has continued to reduce extended credit terms, with another round of wind-back currently being implemented.
- Significant resources have been added to credit review and monitoring.
- New credit legislation allowing the registration of a security interest in customers' inventory is beneficial.
- Re-invigorated policies and procedures implemented, training to field force team undertaken, and greater emphasis on "know your customer" in place.
- The Harrisons provision highlights the need for Sigma to work with banks and other industry service providers to improve lending practices and business management.

Significant cash return benefits shareholders

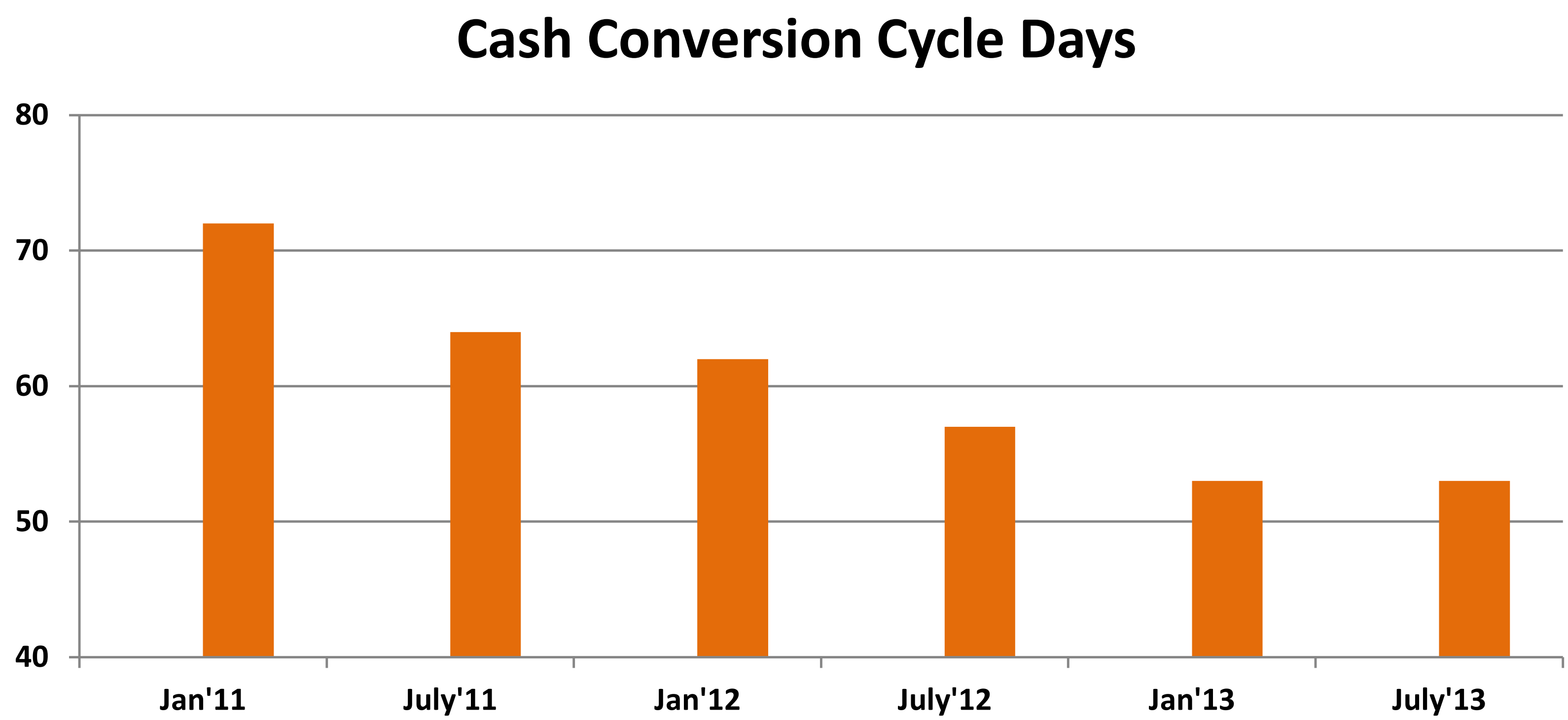


Working capital

Working Capital $m	As at 31 Jan 2012	As at 31 Jul 2012	As at 31 Jan 2013	As at 31 Jul 2013
Trade Receivables	593	581	557	549
Inventories	214	224	255	250
Trade Creditors	-312	-345	-376	-353
	495	460	436	446
Days Sales Outstanding	76	73	69	67
Days Inventory Outstanding	29	31	35	33
Days Payable Outstanding	-43	-47	-51	-47
Cash conversion cycle days	**62**	**57**	**53**	**53**

- Marginal improvement in DSO this half year; further improvements can still be achieved.
- Slight improvement in inventory, but some loss in spread to payables occurred in H1 2014.
- Primarily due to wind-back of inventory build-up in prior year; focus is on improving inventory turns going forward.

Cash conversion cycle still has upside



SIGMA

Closing remarks

Presented by Mark Hooper

CEO & Managing Director

Sigma Pharmaceuticals Limited

Pharmacy operating in a challenging environment

SIGMA

- PBS growth outlook remains flat and is in danger of moving into negative territory.
- Proposal to shorten price disclosure window to six months from October 2014 will accelerate this.
- Wholesalers and pharmacies need to be more innovative to generate growth given ongoing PBS reform and a rising cost base.
- Sigma looking to new government to create greater certainty in the sector:
  - no further change to price disclosure arrangements which already lock in future gains above expected levels
  - strengthen CSO arrangements
  - prevent further expansion of exclusive distribution model
- Effective healthcare needs a stable delivery platform to meet the needs of an ageing population.

Outlook for Sigma

SIGMA

- Full year EBIT still expected to be higher than last year (excluding Vifor and Harrisons).
- General industry conditions for the second half likely to be similar to first half with flat PBS.
- Sigma performance driven by:
  - improved market share
  - benefits starting to flow from investments in strategy
- Opportunities remain to further improve working capital / ROIC.
- Improving cash position can support:
  - strong dividend payout ratio (subject to franking credit availability)
  - buyback to continue but at a slower rate
  - consideration of other growth opportunities

SIGMA

Appendix 1

ROIC performance

$m	As at 31 Jan 2012	As at 31 Jul 2012	As at 31 Jan 2013	As at 31 Jul 2013
Net assets	682.5	669.0	610.8	572.9
Less: Cash and cash equivalents	-148.6	-145.8	-112.7	-151.9
Add: Interest bearing liabilities	35.0	20.0	30.0	125.0
Capital employed	568.9	543.3	528.1	546.0
Rolling 12-month EBIT	70.3	67.3	71.1[1]	64.5[2]
ROIC (see Notes 1 & 2)	**12.4%**	**12.4%**	**13.5%**	**11.8%**

[1] January 2013 EBIT excludes net litigation settlement expense (class action)

[2] July 2013 EBIT excludes net litigation settlement expense (class action and Vifor settlement)