

Sigma Pharmaceuticals Limited

2006/07 Annual Results

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Overview

- Financials
 - Key Measures
 - Specific Issues
- Industry Dynamics
 - CSO
 - PBS Reforms
- Growth Strategies
 - Embrace
 - Generics
 - Manufacturing
- Outlook

Financials

Group Financial Highlights Reported

A\$m	2007	2006	Change
Sales	2,698.5	2,168.5	Up 24.4%
EBITDA	202.8	146.0	Up 38.9%
EBIT	168.2	125.1	Up 34.5%
NPAT Underlying	104.6	73.0	Up 43.3%
Plus: Tax consol	3.4	33.2	
Less: Restructure costs	(6.2)	(1.4)	
NPAT Reported	101.8	104.8	Down 2.9%

Another excellent year for Sigma



Group Financial Underlying Business (1)

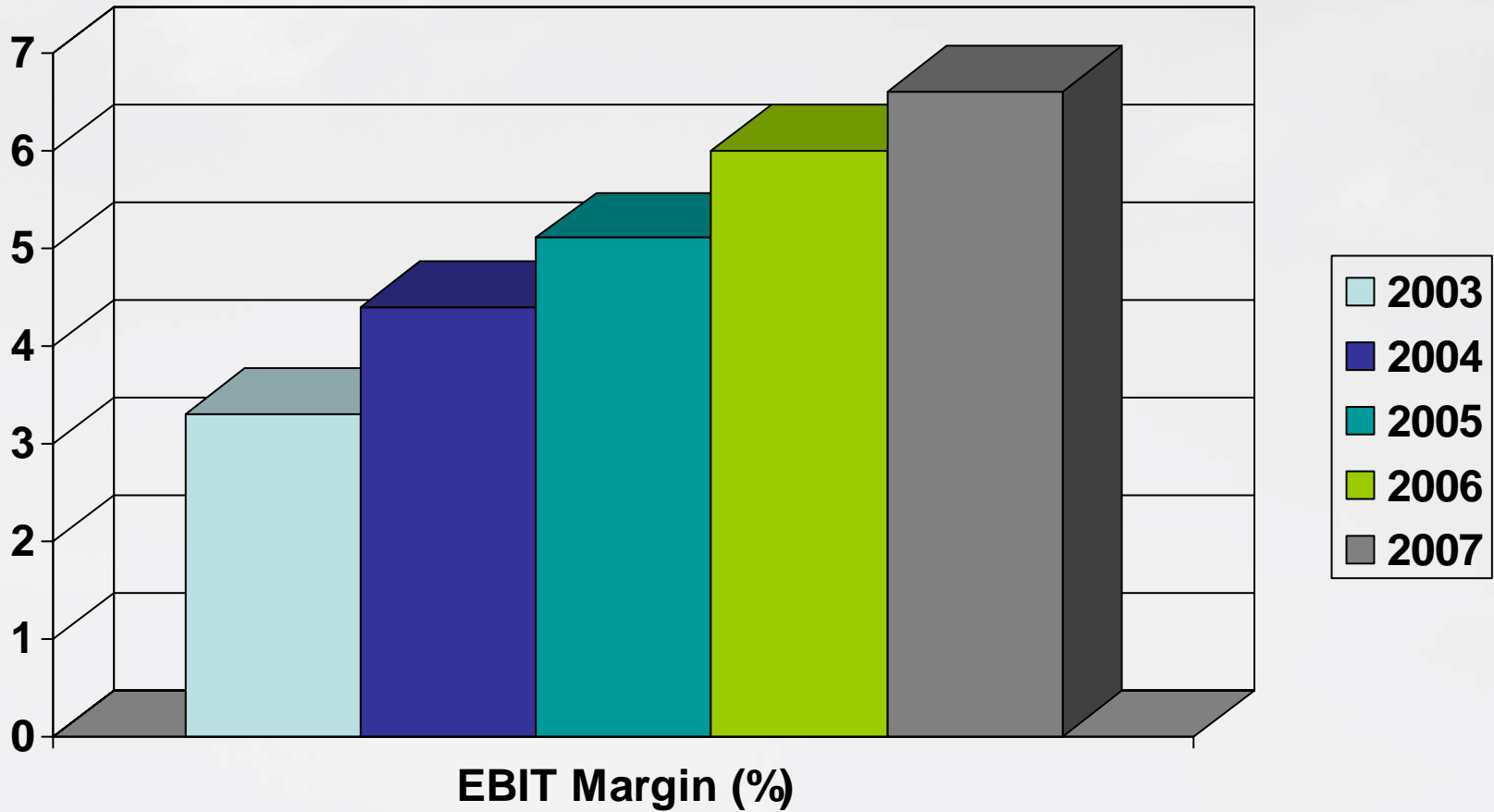
A\$m	2007	2006 Pro Forma	Change
Sales	2,698.5	2,524.4	Up 6.9%
EBITDA	211.7	185.8	Up 14.0%
EBIT	177.2	152.5	Up 16.2%
NPAT	104.6	90.7	Up 15.4%

(1) Excludes restructure costs

Strong Organic Growth



Group Margins

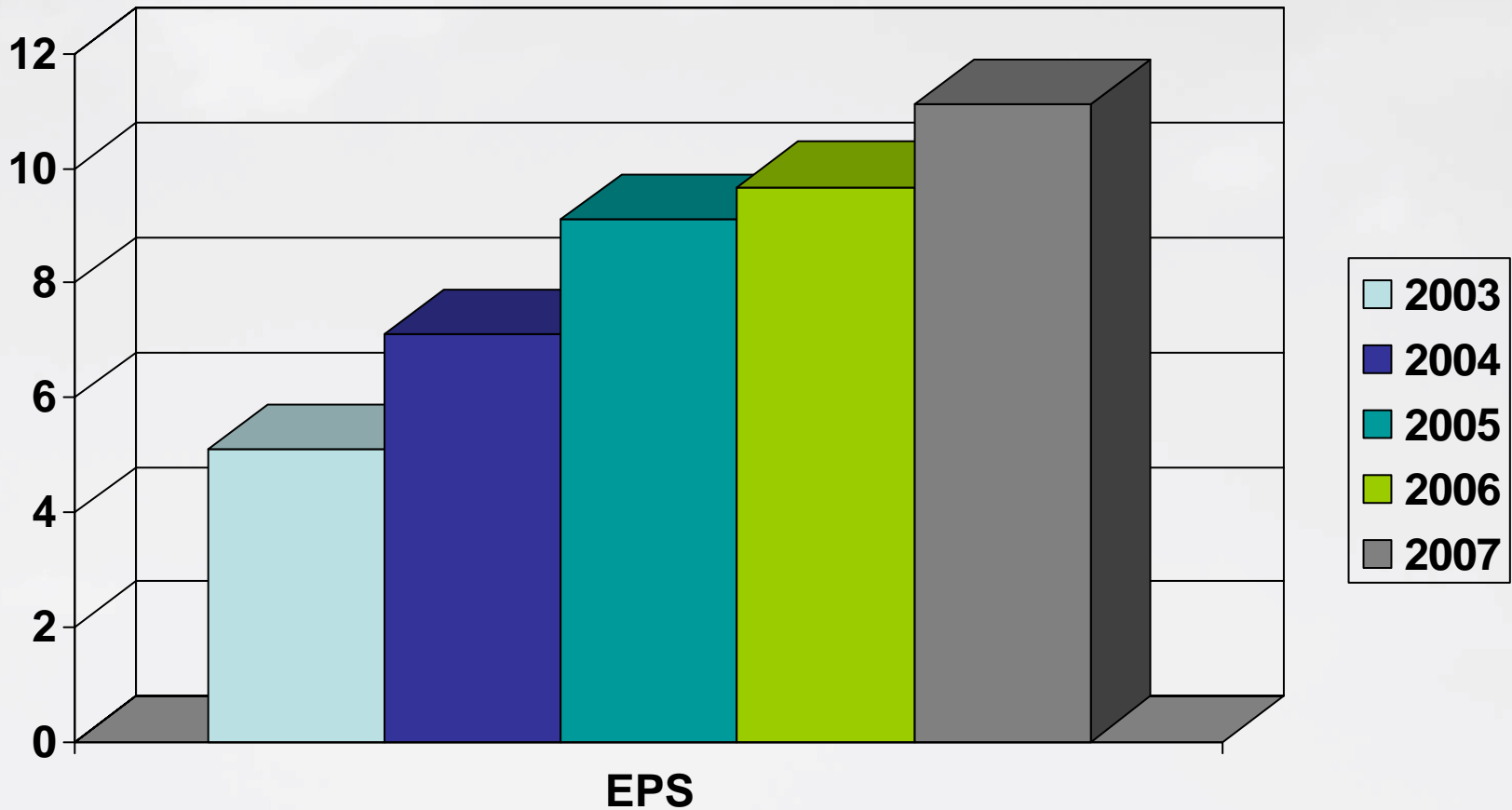


Margins tracking sales growth



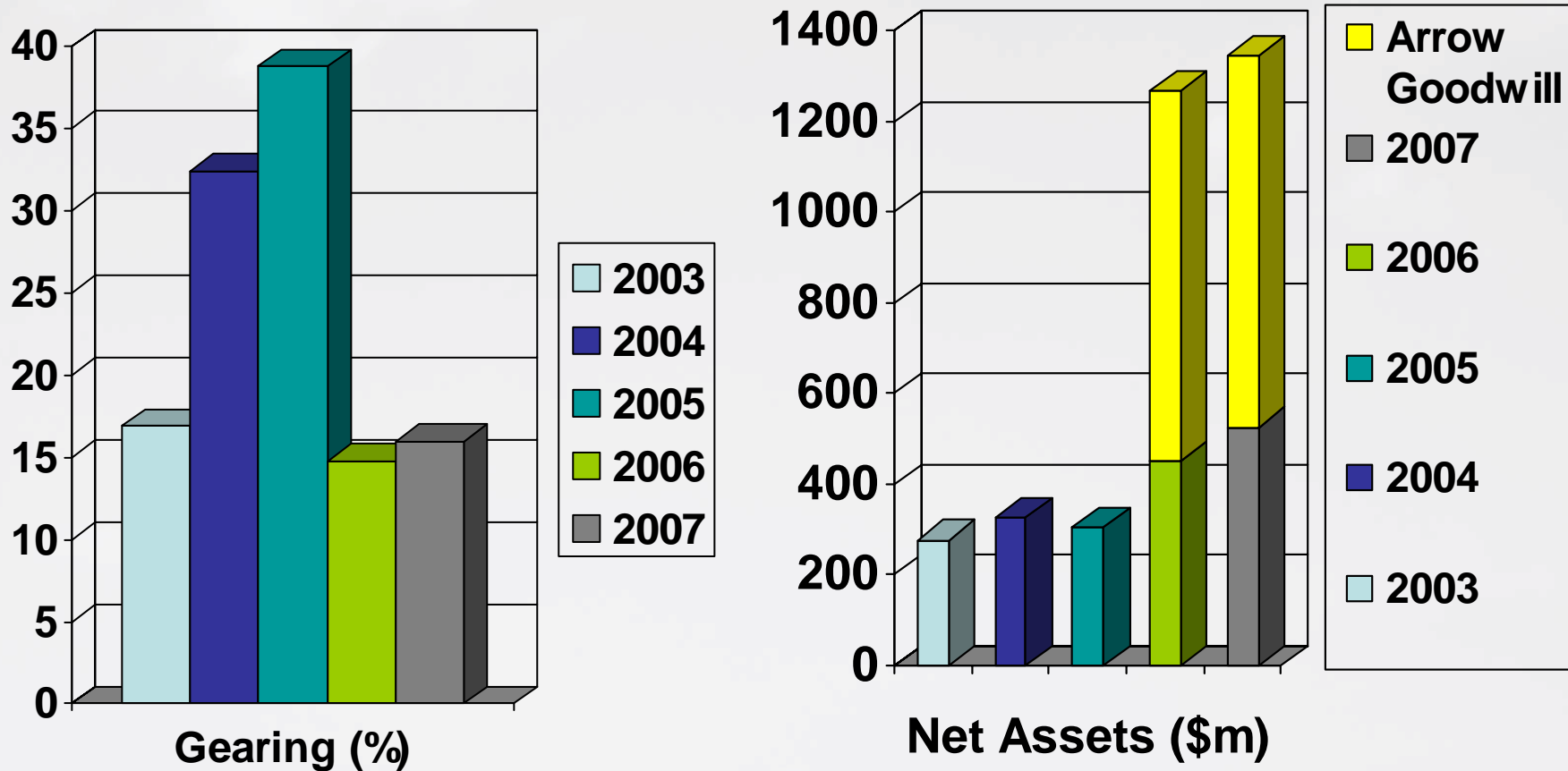
EPS

Underlying Business



EPS growth in line with underlying PAT

Balance sheet



Strong & primed for further growth 

Pharmaceutical Division

Underlying Business (1)

A\$m	2007	2006 Pro Forma	Change
Sales	629.5	660.1	Down 4.6%
EBIT	127.4	110.3	Up 15.5%
EBIT Margin	20.2%	16.7%	

(1) Excludes restructure costs of \$6.4m (2006 - \$1.9m)

Continued strong margins



Pharmaceutical Division Sales

- Sales of Simvar and Xydep decreased as expected due to patent expiry (\$37m)
 - Offset by success of new generics
 - Excluding Simvar and Xydep, Generics business increased by over 50% in year
- Increased generics portfolio
 - 13 new products in 2006/07
 - New launches represented 10% of sales
- Decreased sales of distributed products
 - More emphasis on manufactured molecules

Changing Sales Mix

Healthcare Division Underlying Business ⁽¹⁾

A\$m	2007	2006	Change
Sales	2,069.0	1,864.3	Up 11.0%
EBIT	56.2	49.7	Up 12.9%
EBIT Margin	2.7%	2.7%	Stable

(1) Excludes restructure costs of \$2.3m (2006 nil)

***Notable market-share growth ...
but not at the cost of margins***

Cash Flow

A\$m	H1	H2	FY
Cash Working Profit ⁽¹⁾	62.7	63.2	125.9
Working Capital	(59.1)	3.4	(55.7)
Net Cash Flow from Operations	3.6	66.6	70.2

⁽¹⁾ Cash Working Profit = EBITDA less interest and tax paid

Improved cash flows in H2

Working Capital

- Stock build in Pharmaceuticals
 - Plant closures & Dandenong coming on-line
- Creditor terms
 - Tightened across industry
- CSO
 - Generics business through Healthcare DC's
 - Minimum stock service levels
- Sales growth in Healthcare
 - Higher inventories

Positioned for strong cashflows in 2008



Funding

A\$m	2007	2006	Change
Net debt at year end	255.8	220.8	Up 15.9%
Gearing – year end	16.0%	14.8%	

Increase in Net Debt due to:

- Capital expenditure
- Higher opening borrowings
 - 2006 Special & Early Final dividends
- Investment in working capital

Capacity to fund growth by acquisition



Net Interest Expense

A\$m	2007	2006	Change
Net interest expense ⁽¹⁾	33.6	24.7	Up 36.0%
Interest cover	6.0x	5.9x	

(1) Includes Sigma Rewards securitisation program financing charge

Increase in Net Interest Expense due to:

- Increase in interest rates
- Increase in average debt outstanding
 - Balance sheet
 - Sigma Rewards

Headroom on interest cover covenants 

Dividend Policy

- Final dividend of 5.15c declared
 - 8.75c for full year
 - Headline payout ratio on reported profits 81%
 - Represents payout ratio of 76% before amortisation of Arrow intangibles

Industry Dynamics

Healthcare - CSO

- Introduced 1 July 2006
- Traction of Embrace strategy - sales growth
 - H1 - 3.7%
 - H2 - 17.8%
- 3% margin reduction not fully offset by CSO entitlement
- EBIT margins maintained overall

PBS Reforms – Impact on Generics and Wholesaling

- Measures to take effect August 2008
 - Pharmacists separately reimbursed for reduced prices
- Reforms suit a more-diversified company
- Impact on Wholesaling largely negated by extra \$69m (over 3 years) added to CSO
- Expect to maintain net margins

Growth Strategies



SIGMA
RETAIL

SIGMA
WHOLESALE

SIGMA
GENERICS

SIGMA
CONSUMER
BRANDS



EMBRACE THE FUTURE

Electronic
Ordering

Finance

Sale of
Business

Private
Prescription

Connect

Embrace Overview

- 3 year agreement with Sigma
 - First line support across Wholesale, OTC & Generics
 - Member required to achieve specified levels of generics substitution
- Access to preferential pricing across entire suite of Sigma offering, including Private Prescription Products
- Embrace members in Sigma banners have additional support
- Aim to gain similar levels of compliance across wholesale, generics and OTC

Comprehensive offer

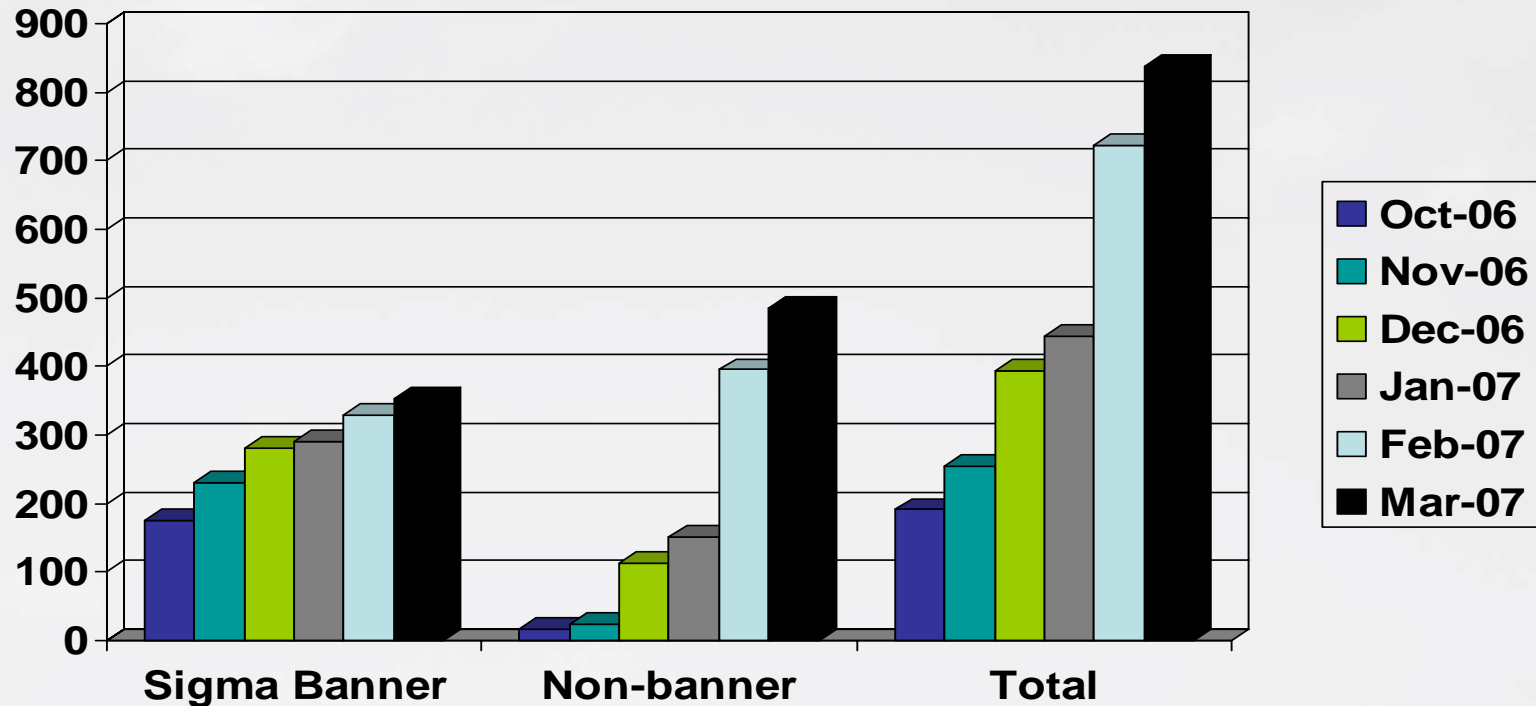


Embrace Overview continued

- Ease of doing business
- Electronic ordering
- Members provided exclusive access to:
 - Finance package
 - Sale of Business
 - “Connect” that offers exclusive events and networking opportunities

Exclusive

Member numbers exceeding expectations



Well received by Industry and continues to gain traction

Key Embrace outcomes thus far

- Experienced team with proven track record of implementation success
- Increased market penetration across all areas of business
- EBIT accretive
- Finance package
 - \$125m of finance deals in progress since inception in December 2006
 - Over half represents “new” business to Sigma
- Member target number increased

Continued market penetration



Generics

- Portfolio now totals 155 products
- First to market with 2 key molecules
- Automatic uptake by Embrace members
- Increased market share on existing range
 - Embrace compliance
 - Programs for increased substitution & higher conversion rates

Growing business

Generics continued

- Sigma's comprehensive offer compelling
 - Changing industry dynamics
 - Pharmacy looking for a strong business partner
 - OTC leverage
 - Continued government efforts to increase use of generics

Integrated Business is compelling  SIGMA

Merger integration

- Sales and Marketing integration completed ahead of schedule
- Forecast savings of \$2m-\$3m already exceeded
- Working on next stage of system/process integration
 - Expected to deliver a further \$3m-\$4m savings pa

Exceeding expectations

Manufacturing Facilities

- Dandenong Expansion on-time, on-budget
 - Completion expected by end of 1st quarter 2007
 - Expect to be working at full capacity for 2 shifts by July 2007
 - Additional capacity able to be easily and inexpensively implemented in a timely fashion
 - Clayton liquids and Nth Croydon facilities closed
- Environmentally friendly initiatives:
 - Water reclamation
 - Energy-efficient lighting

World-class facility

Outlook

Generic Pipeline Asset

- Total pipeline of products from Arrow group ahead of scheme booklet
 - 54 products already qualify under the merger agreement of 60 minimum
 - 13 launched in 2006/07
 - 18 approved by TGA and ready for marketing over next 18 months
 - 23 accepted for evaluation
 - 42 products to be submitted to TGA
 - All major patent expiries for next 5 years covered
 - Significant ongoing value creation opportunity

Exceeding expectations

2007/08

- Forecast underlying NPAT growth of between 10% to 15% for 2007/08
- Strong platform for future growth
 - Organic and by acquisition
 - Strong balance sheet
 - Comprehensive goods & services offer
 - Embrace strategy exceeding expectations and offers a significant competitive advantage

Questions

Thank You