

# Sigma Pharmaceuticals Limited

## 2010 Annual General Meeting

11.00am, 21 June 2010

ANZ Pavilion, Victorian Arts Centre, Melbourne

Please turn all mobile phones off

# Welcome

Brian Jamieson, Chairman

# **Retiring Chairman's Address**

**Dr John Stocker, AO**

# Contributing factors to FY10 result

- Margin squeeze
  - Regulatory
  - Aggressive generics discounting
- Emphasis on growth
  - Diversification
    - Leverage wholesale customer relationships
  - Arrow acquisition
    - Goodwill recognised
- Board has moved to fix the issues

# Good business with a good future

- Leading position in many sectors
- Respected brands
- Excellent customer relationships
- Renewed Board
- New, committed Management

# **CEO and Managing Director's Address**

Mr Elmo de Alwis

# 2010 Results Summary

A\$m	2010			2009	Δ 2010 to 2009 Underlying
	Reported	Non Recurring	Underlying	Total	
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%
<b>NPAT Reported</b>	<b>(389.0)</b>	<b>(456.7)</b>	<b>67.7</b>	<b>80.1</b>	<b>▼ 15.5%</b>
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



A\$m	2010	2009	Δ 2010 to 2009
Sales	670.9	710.7	▼ 5.6%
Reported EBIT	(124.6)	130.0	
<b>Adjustments:</b>			
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%

# Diversification in to Pharmaceuticals

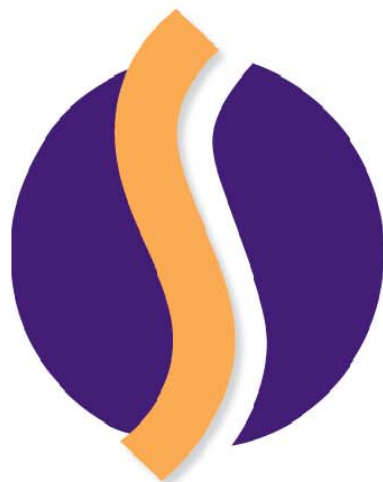
Generics	Significant market share
Consumer	Largest Australian owned OTC portfolio
Manufacturing	Largest Australian pharmaceuticals manufacturer
Medical	Largest Australian owned prescription business

A\$m	2010	2009	Δ 2010 to 2009
Sales	2,549.5	2,370.6	▲ 7.5%
Reported EBIT	(174.9)	67.0	
<b>Adjustments:</b>			
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%

# Healthcare complements our uniquely diversified model

Generics	Significant market share
Consumer	Largest Australian owned OTC portfolio
Manufacturing	Largest Australian pharmaceuticals manufacturer
Medical	Largest Australian owned prescription business
Distribution	One of 3 full-line wholesalers, >30% market share
Retail	No 1 & No 2 banner groups (Amcal & Guardian)

- Successful renegotiation of all facilities
- Efficient use of working capital paramount
  - Reducing extended trading terms across all customers
  - Appropriate creditor terms
- Facility rationalisation



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# **Chairman's Address**

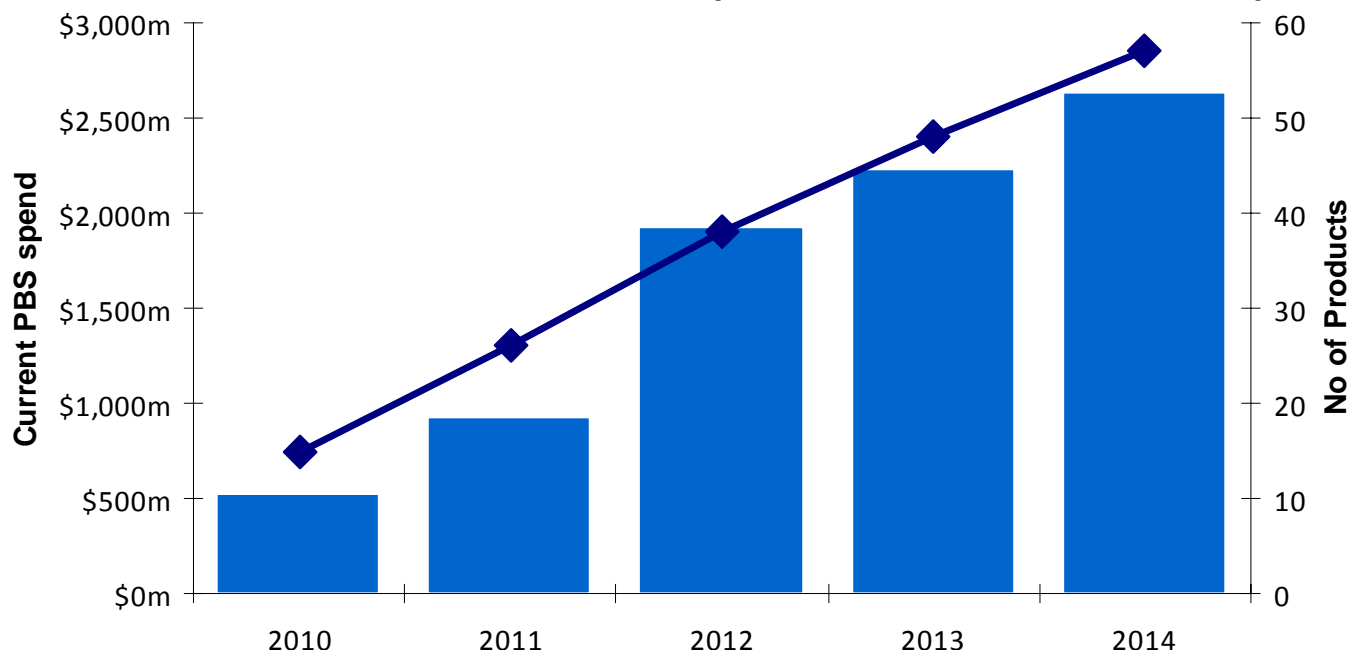
**Mr Brian Jamieson**

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# Major patent expiries - next 5 years

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



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

## Chairman's scorecard for next AGM

- Strategic review
- Renewed Management team & Board
- Debt
- Profitability
- Working capital

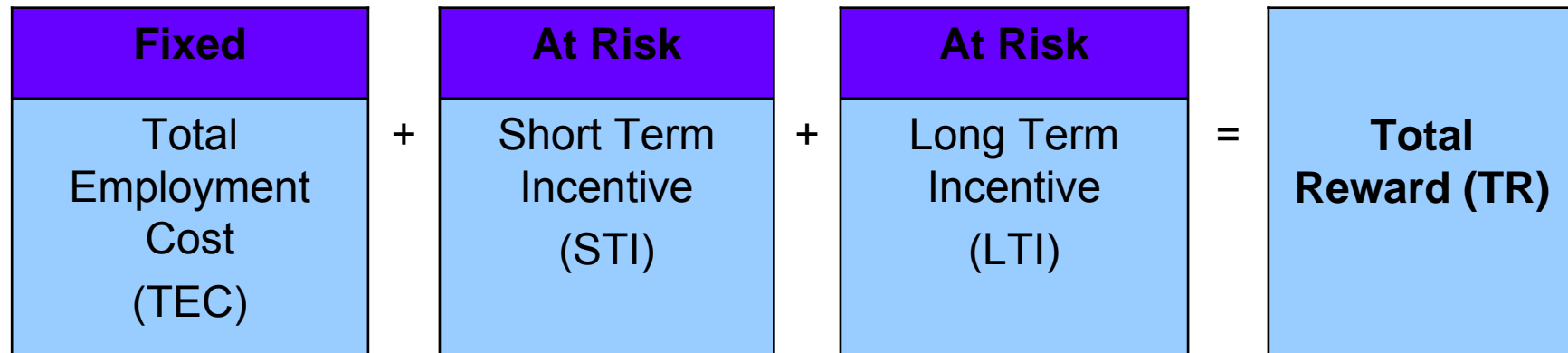
# Remuneration Report

Mr. David Bayes

Chairman Elect of Remuneration  
and Nomination Committee

- No Short term Incentives were paid to the CEO and Executives under the Sigma Short Term Incentive Plan for the 2009 and 2010 financial years
- Rights arising under the 2004 Long Term Incentive Plan for the CEO and the 2006 Long Term Incentive Plan for the CEO and Executives have lapsed
- Rights arising under the 2007, 2008 and 2009 Long Term Incentive Plans for the CEO and Executives have not satisfied the performance conditions to permit payment during the 2009/10 financial year

- CEO and Executive remuneration review increases were consistent with the rate of inflation for the 2008/09 and 2009/10 financial years
- Non-Executive Director fees were not increased during the 2008/9 and 2009/10 financial years
- The aggregate fees maximum limit for the Non-Executive Director fee pool has not been increased since the 2007 Annual General Meeting and no increases to the aggregate fee pool are sought at today's Annual General Meeting



- TEC = Cash Salary
- STI = Annual Cash Incentive
- LTI = 3 Year Equity Incentive

- Small TEC (salary) increase for CEO and Executives
- CEO eligible to earn up to 100% of TEC as Short Term Incentive
- Executives are eligible to earn up to 30% of TEC as Short Term Incentive
- CEO eligible to earn up to 60% of TEC as Long Term Incentive
- Executives eligible to earn up to 40% of TEC as Long Term Incentive

# Long Term Incentive Plan

		Financial Year					
LTI Plan	Activity	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
2007	Granted	✓					
	EPS Test			✓			
	TSR Test				✓		
	Shares Vest (if EPS and TSR met)				✓		
2008	Granted		✓				
	EPS Test				✓		
	TSR Test					✓	
	Shares Vest (if EPS and TSR met)					✓	
2009	Granted			✓			
	EPS Test					✓	
	TSR Test						✓
	Shares Vest (if EPS and TSR met)						✓

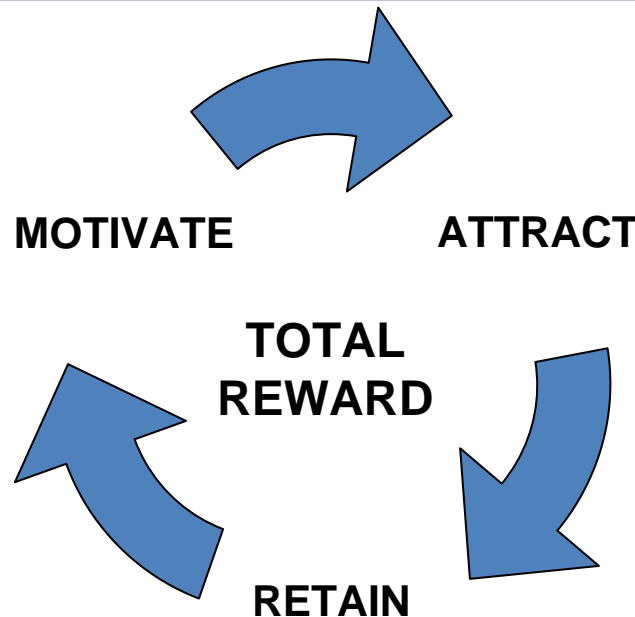


# Long Term Incentive Plan

	Year	Salary	Non Monetary Benefits	Superannuation	Potential Share Based Benefits-Unpaid	Total Potential Remuneration	Total Paid Remuneration
<b>Managing Director</b> Mr. E de Alwis	2009/10	\$965,706	\$28,359	\$24,163	\$388,480	\$1,406,708	\$1,018,228

LTI Plan	Share Based Benefits	Actually Paid in 2009/10
2004 LTI Plan	\$247,096	\$0
2006 LTI Plan	\$33,874	\$0
2007 LTI Plan	(\$62,903)	\$0
2008 LTI Plan	\$146,230	\$0
2008 LTI Plan	\$24,183	\$0
<b>Total</b>	<b>\$388,480</b>	<b>\$0</b>

# Group Remuneration Strategy



- Emphasis on linking Remuneration with individual and Company performance and the creation of value for Shareholders
- Designed to motivate our Executives with market competitive Fixed and At Risk remuneration
- Designed to Attract and Retain high calibre Executives to drive our strategic objectives



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## Item 3 – Remuneration Report

503,597,374 valid available proxies received comprising:

For:	475,276,231
Against:	19,991,510
Open:	8,329,633
Open to Chairman:	3,602,113



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## Item 4(c) – Election of Mr David Manuel

506,273,466 valid available proxies received comprising:

For:	379,405,366
Against:	118,216,066
Open:	8,652,034
Open to Chairman:	3,844,133



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