

**CHAIRMAN ADDRESS  
BRIAN JAMIESON, CHAIRMAN  
SIGMA PHARMACEUTICALS LIMITED  
WEDNESDAY 3 MAY 2017 IN MELBOURNE, AUSTRALIA**

The 2016/17 year was yet another successful year for Sigma. We focused our approach to improve our operational performance, diversify our business base and invest in our future growth. Combined, these have contributed to:

- Revenue increasing 26.2% from last year to reach \$4.4 billion. This growth is heavily influenced by the listing of Hepatitis C medicines on the PBS, which is a high cost but low margin product. Excluding Hepatitis C medicines, revenue was still up 6.3%;
- Reported Net Profit After Tax for the year was \$53.2 million, up 5.3%. This was however distorted by two significant on-off items – the repayment of an historical insurance claim, and a debt provision raised against one customer group. The better reflection of the true performance of the business is Underlying Net Profit After Tax, which reached of \$66.9 million, an increase of 13%. This is the third consecutive year of underlying profit growth above 10%;

The result was also positive for shareholders with a lift in the total dividend paid in respect of the year. Maintaining our high dividend payout ratio at 89% of Underlying NPAT resulted in an increase in the dividend from 5.0 cents per share to 5.5 cents per share.

For our extensive customer network, we invested in programs, products and services to continue to improve operational performance and service delivery. Ultimately, we want our customers to be successful so Sigma can be successful.

Whilst we do not control share price, it is pleasing to see our consistently strong performance being recognized by the market. For the 12 months to 31 January, our share price is up 44%. Combined with the dividend, that is a Total Shareholder Return for the year of 51%, which positions Sigma as one of the better performing stocks on the ASX.

There are three things in particular I would like to touch on in my address today:

1. The regulatory environment and our Strategic direction
2. Our commitment to investing in our business

### 3. Our Capital Management strategy

Firstly, to the regulatory environment and our strategic direction. Our strong financial performance has been driven by our commitment to driving non-PBS earnings to counter the impact Government reforms have on the price of PBS medicines and therefore our earnings. This strategy is about us taking control of our destiny and our drive to diversify our business and earnings. Whilst we continue to discuss these issues with Government to seek a sustainable solution, we will continue to invest to strengthen our business.

Secondly, I will outline our commitment to investing in our business. We have a clear strategy and both management and the Board are committed to its ongoing implementation. This strategy includes investing in acquisition opportunities where they fit our strategic direction and drive the right returns. We have invested in people resources to ensure the business has the skills and capacity to actively pursue opportunities to grow and expand our business. These are areas we now have the bandwidth to pursue in a strategic way, and signals an ongoing maturity of our business. We have also committed to reinvesting in our distribution network. This is more than a \$200 million investment in our network over the next three years to drive operational efficiencies and enhance our ability to better service our customers.

Finally, to capital management. Sigma has a very strong balance sheet, with only \$8.7 million net debt at year end. This gives us the firepower to fund our capital investment program, invest in acquisition opportunities that make sense and add to shareholder value, and continue to reward shareholders with a high dividend payout ratio. In fact, our payout ratio has been maintained at close to 90% in four out of the last five years, with 2015 being the exception due to a lack of ranking credits at the time. The Board has also unanimously supported a refresh of our share buyback program. Under our existing program, we have invested \$86.6 million to buy back 116 million shares, which is approaching our original cap of 10%. The decision to refresh this program up to a further 10% will provide scope for the Board to approve opportunist buying of our own shares should general market volatility impact the Sigma share price for no operational or structural reason.

I would now like to cover a few more important elements of what I consider to be a sign of business maturity and success.

As a Board and management we have been advocates of promoting gender diversity. Whilst it is visible at a Board level with Christine and Kate making up one-third of the Board, the gender diversity runs deeper. At our Exco level, we have now reached the 50% equilibrium. At the next level, being our Executive Leadership Team, we are at 44%, and more broadly across the business females now represent 56% of our workforce. This has not been achieved through quotas but by ensuring we practice an open and unbiased recruitment regime.

Sigma values our team members and is very focused on providing a safe and healthy workplace that embraces diversity and encourages development. We have a strong safety first culture embedded across the business that has seen our Lost Time Injury Frequency rate continue to improve. We have also rolled out a number of health related programs to support the health and wellbeing of our team members. These include drug and alcohol testing, bone density testing, providing free flu vaccinations, providing free fruit, and support for team member participation in activity based programs.

Sigma also actively encourages our team members to become shareholders in Sigma through an interest free loan program. The result has been extremely pleasing, with around 63% of our team members taking up the offer to become shareholders. We will continue to promote participation in the program amongst our team members.

What is also pleasing is that our recent Team Member engagement survey indicates that our efforts are valued, with the overall satisfaction rating reaching 78% from a 70% survey participation rate, both improvements on previous years.

We are also committed to supporting the communities in which we operate. At a corporate level, Sigma has been a long term supporter of the Summer Foundation. They are an organization who are advocates for young people with acquired disability who are forced to live in aged care facilities because there are no alternatives. The Summer Foundation have not only advocated for change with Government, but have made significant inroads in proving that better alternatives are possible to integrate these young people back in to society.

In the last 12 months, Sigma, and in particular Amcal and Guardian, have also become supporters of Carers Australia. Carers Australia provide support to the unsung community

heroes who look after people in need. They are not only advocates to Government, but also play an important role in supporting carers physically and through providing resources and care programs. Unpaid carers take a significant burden away from a health system that would undoubtedly be further stretched without them, so we are proud to provide support through Amcal and Guardian.

Finally, as I hand over to Mark, I would just like to thank my fellow Board members for your contributions, our team members who are driving the business to success, and our many pharmacy members and other business partners. As we say repeatedly, we want our partners to be successful so Sigma can be successful. It is this joint success that ultimately creates value for shareholders.

Thank you.

**Brian Jamieson**

**Chairman, Sigma Pharmaceuticals Limited**

**3 May 2017**