

**ADDRESS BY THE CEO/MANAGING DIRECTOR OF SIGMA  
PHARMACEUTICALS LTD, MR ELMO DE ALWIS,  
AT THE SIGMA ANNUAL GENERAL MEETING IN MELBOURNE  
ON 12 MAY 2009**

**[SLIDE]**

Thank you Mr Chairman

Ladies and Gentlemen

The Chairman has provided an overview of the business results, and I would now like to discuss these in more detail.

As the Chairman noted, the 2009 year has been a turnaround period for Sigma, and the company is well positioned to weather the global financial crisis and global economic downturn. Similar to 2008, the second half result demonstrates our ability to generate attractive returns against an uncertain economic outlook:

- Our earnings are relatively insulated from economic cycles;
- We hold established, market leading positions in a range of Healthcare markets; and
- We have a more diversified business model than other comparable Australian healthcare companies.

In turn, we are also uniquely positioned to assist our customers identify improvements to their own businesses and support their growth by offering a superior service proposition.

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Our earnings base continues to diversify across the pharmaceutical market, predominantly to high margin sales channels, and is depicted by the chart on screen. Whilst sales for the Healthcare division represent 78% of our total

sales and Pharmaceuticals represents 22%, there is a three-fold 75% share of the Group's Earnings Before Interest, Tax, Depreciation and Amortisation generated by the Pharmaceuticals division. This ongoing commitment to investing in higher margin opportunities is evidenced in the past year with the acquisition of Orphan Australia in February 2008 and the Methadone portfolio in July 2008.

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Sales revenue for the Sigma Group grew by 3.9% over the prior year. Our first half result, whilst representing a significant uplift in operating margins over the prior year's first half, was impacted primarily by our Retail Pharmacy customers de-stocking in the lead-up to the introduction of statutory price reductions under reforms to the PBS.

Group Earnings Before Interest and Tax, or EBIT increased by 20.0% over the prior year to 190.3 million dollars. The improvement in both Divisions over the prior year reflects the upside potential for future periods, notwithstanding the global economy facing a sustained period of downturn. Group EBIT margins of 6.2% were up from 5.3% the prior year, with both the first and second half margins recording an increase over previous corresponding periods. The Pharmaceuticals division result in particular for the second half reflects the long term shareholder return from our focus on growing sales of our generic and manufactured products, and along with continued improvement in the efficiency of the Healthcare division, positions the Group for ongoing growth.

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**Healthcare Division**

The Healthcare division had a strong year, and has consolidated the growth from previous years, with sales revenue up 5.7% and continued improvement in margins. This sales growth was in line with market growth, and was

achieved against a backdrop of regulatory changes introduced during the year and relatively flat growth in the portion of the PBS available to the Group. EBIT to sales margin continues to improve, up from 2.4% to 2.6% for the full year, reflecting our ongoing focus on costs whilst maintaining service levels. The Return On Invested Capital growth from 6.4% to 7.6% for the Healthcare Division over the past year reflects the ongoing focus of optimising the investment in working capital across the business.

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Distribution

Focus over the next year will be to ensure this business delivers an attractive medium to long term value proposition for both customers and shareholders. This balance between superior service mix and return on invested capital has seen a number of key targets and operational priorities set, and we are confident that a low cost distribution business, as part of the total Sigma offering, can remain an important part of the company's total pharmacy business.

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Retail Relationship Management

Amcal and Guardian remain the largest two pharmacy groups in Australia, with a retail pharmacy market share of 13%. The Retail business has an ongoing focus on adding to the membership benefits of our bannered pharmacies. Such value and innovative support will be of even greater importance if retail business conditions deteriorate over the next year. Retail programs such as Xndo weight loss which is now in nearly 400 stores, planogram services and an attractively priced comprehensive range of private label OTC products, together with the combined buying power of being Australia's 9th largest retailer, positions this business to continue to support our banner members.

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Pharmaceutical Division

Growth in profitability of the higher margin Pharmaceutical Division remains a key long term goal for Sigma. With a market leading presence in Australia's

pharmaceutical manufacturing, generics and over-the-counter products portfolios, the division is uniquely positioned for capitalising on future growth opportunities.

External sales revenue decreased by 3.2%, reflecting a continued reduction in the percentage of total sales attributable to our low margin distributed products and licensed generics. Pleasingly, the past year has seen significant margin improvement, with EBIT to sales growth of nearly 26% for the full year, and an increase in the Return On Invested Capital from 6.1% to 7.1% for this key Division of Sigma.

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#### Generics

In 2007, Generics accounted for 14.3% of the total pharmaceuticals market in Australia, and is forecast by Business Monitor to increase to 17.2% by 2012. The growth of this sales channel is heavily dependant on the off patent product pipeline and the successful launch of new generic equivalents to market. Such new launches are critical to the Group maintaining operating margins and growing profitability. During the year, this decrease in contribution from our large licensed generic molecules has been offset by the addition of new molecules to our “home-grown” manufactured portfolio. Ten new generic Ethical molecules were launched during the year, including Dilasig and Felodil, with a further twelve Ethical molecules with current PBS sales of 413 million dollars scheduled for launch in 2009/10.

Moving forward, the continued enhancement of our relationship with customers, further up-skilling, training and retention of our key staff, development of further strategic partnerships with suppliers and a focus on high quality business development, systems and processes will enable this business to remain the generics partner of choice to the retail pharmacy market. The value and importance of the Generics business has also been recognised by Frost and Sullivan at their recent Asia Pacific Excellence in Healthcare Awards held in Singapore, at which Sigma was selected as the Generics Company of the Year.

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Over The Counter Products (OTC) and Consumer

The OTC sector accounts for approximately 20% of the total pharmaceuticals market in Australia. We have integrated the management of our OTC portfolio, including our Herron brand, and remain a significant market player. During the past year, eight new OTC molecules were released to market.

Sigma has one of the largest OTC portfolios in Australia, and our business is well positioned to capitalize on the trend in recent years towards preventative healthcare. Sigma will continue to enhance and strengthen its relationship with pharmacists through the provision of products and services that meet the needs of the self-medicating consumer. Our OTC business has strong consumer equity and pharmacist endorsement, including endorsement by the Pharmacy Guild of Australia of the Chemists' Own range, and have products that compete in all major OTC categories.

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Medical

In February 2008, Sigma acquired the Orphan Australia medical products business. Integration of Orphan proceeded smoothly through the year, and the financial result is in line with our initial expectations. Orphan has been extremely successful in the licensing, marketing and distribution of novel, highly specialized therapeutics from international pharmaceutical and biotech companies. The acquisition has provided Sigma entry into the high growth specialized pharmaceutical market which has a low risk profile, minimal competition and which is complimentary to Sigma's existing medical product range. The acquisition of the Methadone portfolio from Glaxo Smith Kline in July 2008 will further complement our growing medical portfolio.

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Manufacturing Facilities

In-house manufacturing capability has been a cornerstone of Sigma's strategy for many years, including further leveraging the value of an "Australian Made" branding, security and flexibility of supply, quality of product manufactured

and profit opportunities from third party contract manufacturing work. We continue to explore export opportunities, particularly in emerging markets and with products where Sigma has an intellectual property advantage.

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Net debt as at 31 January 2009, including the Sigma Rewards off balance sheet securitisation program, was 876 million dollars compared to 821 million dollars at the same time in 2008. This increase included the acquisition of Orphan for 131 million dollars.

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A concerted focus on optimising working capital investment across Sigma has resulted in net operating cash flow from operations of 245.9 million dollars, underpinned by a 115.7 million dollar improvement in working capital. Optimising our working capital investment across inventory, creditors and debtors will remain a key focus, and specific targets have been set for each sales channel. We expect to deliver an additional 100 million dollar improvement over the coming year. Capital expenditure remains largely in a “maintenance” phase, with expenditure for next year expected to be in line with depreciation.

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**Liquidity Risk Management**

With the global financial crisis severely impacting on the availability of debt for corporate Australia, maintaining headroom on committed debt facilities is a prudent measure, notwithstanding the benefits accruing from our working capital project. As announced at the release of our full year results, Sigma has received pricing and credit approval from our Banks to extend the maturity profile of both our 100 million dollar Westpac receivables facility and 100 million dollars of syndicated facilities out to a variety of maturities in 2011. In conjunction with the earlier refinance in September 2008 of 300 million dollars of syndicated facilities and our 650 million dollar Sigma Rewards receivables facility to 2011, this is a significant achievement in the current climate of a

global shortfall of available liquidity. Importantly, these successful refinances reflect our Bank's ongoing support and endorsement of our business model.

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Sigma Management remains focussed on improvements to operating margins whilst maintaining service levels to our customers. Due to the continued uncertainty in both the regulatory and global financial environments, the Company is unable to provide detailed guidance, however we reconfirm our expectation to deliver modest growth for the 2009/10 financial year.

In closing, I would like to echo the Chairman's comments by acknowledging the ongoing commitment of our employees. In addition, I would also like to thank our many customers and suppliers for their support, the Board for its direction of the Company, and our shareholders for the confidence they place in Sigma.

Thank you

Mr Elmo de Alwis  
CEO/Managing Director  
12 May 2009