

ADDRESS GIVEN BY THE CEO & MANAGING DIRECTOR OF SIGMA PHARMACEUTICALS LIMITED, MARK HOOPER, AT THE ANNUAL GENERAL MEETING ON WEDNESDAY 8 JUNE 2011 IN MELBOURNE, AUSTRALIA

I am pleased to have this opportunity to give you further insight into Sigma's performance for the financial year ending 31 January 2011 and our plans for the upcoming year and beyond.

As many of you will know, I returned to Sigma in late August 2010. My first six months were focused on stabilising the business, and in particular completing the sale of the Pharmaceuticals Division and taking steps to reduce the impact of the industry changes on Sigma.

As Brian has discussed, the sale of the Pharmaceuticals Division has resolved Sigma's debt issues. The net proceeds of \$844 million were used to fully repay \$325 million of syndicated debt on 31st January 2011 and fully repay \$358 million of Sigma Rewards debt on 9th February 2011. The balance of the proceeds was used to fund the majority of the fully franked 15 cent special dividend paid in mid May.

The structure of the sale to Aspen also provides ongoing benefit at an operational level. As we have told you previously the Aspen transaction included, a number of agreements which broadly replicate the arrangements between the Healthcare and Pharmaceuticals Divisions prior to the sale. Sigma acts as the preferred distributor for Aspen products and Aspen is the contract manufacturer for the majority of Sigma's Private label products.

In late 2010, PBS reforms were announced which saw generic drug prices reduced in February this year, with further reductions scheduled for April 2012. Wholesaling revenues are heavily impacted by movements in the PBS and therefore without taking action, these reforms would have had a negative impact on Sigma.

In December last year one of the industry's largest suppliers, Pfizer Australia, informed the wholesalers of its decision to distribute its portfolio of drugs directly to pharmacies, by passing the wholesalers from February 1st this year. Pfizer previously accounted for between 10% - 15% of Sigma's revenue.

We responded promptly to implement strategies that mitigated the impact of both of these changes. We have reduced operational costs and wound back customer trading terms and discounts, and in doing so, we have acted to protect Sigma's earnings base.

In commenting on the financial results for the year ended 31 January 2011, I will focus on Sigma's continuing business. Sales revenue of \$2.9 billion showed a 6.6% growth over the previous year. The reported loss of \$73.1 million included a number of non recurring costs and a net interest charge of \$78.7 million.

The next two slides present the continuing business as if it had traded over the full 2011 year to help you understand Sigma's financial position going forward. Underlying EBIT for the continuing business (that is before non-recurring items) would have been \$46.7 million for the year ending 31 January 2011.

In terms of the continuing business's performance, in a year-on-year comparison, the divisional EBIT for Healthcare operations, pre corporate costs, was \$71.3 million for the ending 31 January 2011 against \$63.6 million in the previous year. The EBIT margin expanded from 2.33% to 2.45%.

As you can see on the next slide the working capital position has also significantly improved. In particular, there has been a 15 day reduction in debtor days which was flagged as a key focus at last year's AGM. While this is pleasing we are very aware that 77 days is still unacceptable and improving return on invested capital will continue to be a key objective over 2012.

So, in summary, while it was disappointing to report a loss both as a group and for the continuing business, we believe that the underlying results demonstrate that Sigma's core business is sound and growing. Sigma now has a strong balance sheet with minimal intangible assets and low debt levels.

As Brian has mentioned, trading for year to date has been strong.

The stronger momentum reflects a number of factors, including market share gains and changes in the distribution cost base following the sale of the Pharmaceuticals Division.

We would anticipate a sustainable increase in EBIT for these factors of \$6 - \$8 million per annum.

The results for the half year ending 31 July 2011 will also include a one-off EBIT benefit of approximately \$3 - \$5 million from a favourable opening inventory position.

Adjustments to customer trading terms to largely offset the impact from Pfizers decision to bypass existing wholesalers and PBS reform measures, have been implemented and are holding in the market.

We will not be providing any guidance for the full financial year as there remain a number of challenges ahead including the negotiation of a number of key customer contracts.

We will continue to update the market of any significant developments as they occur.

The Chairman touched on the fact that we have been through a thorough review of our overall strategy. This has involved a critical review of all areas of the business and has provided a reinvigorated base for us to work from. We believe that the fundamentals for the industry are still attractive with an ageing population driving demand. However, I suspect the environment will have plenty of new opportunities and challenges. We need to ensure Sigma is a proactive and agile organisation which is more adept in responding to industry developments.

Our plans include building on the work commenced over 2011 to reinvigorate Sigma. Sigma now has a clear and well communicated financial strategy which is driven by profitable topline growth and improving return on invested capital.

Improving the efficiency of our logistics infrastructure is a key driver of profitability for the wholesaling operations. To this end we have committed to some \$10 - \$15 million in capital works projects over the next 18 months to two years to upgrade our Brisbane, Sydney and Melbourne warehouses.

IT and business systems will be upgraded to support these financial goals and meet the demands of a more rapidly changing industry so that we can continue to better serve our customers and suppliers as they also respond to new industry dynamics.

Our strategic review emphasised retail pharmacy services as a key opportunity for future growth. We will be investing further in the support programmes that we offer to both our banner members and independent pharmacies. These programmes are expected to augment the traditional retail support services and our private label product portfolio, and see the introduction of systems to support Pharmacy Health Management services.

Clearly our staff are fundamental to our success. Our ability to become a responsive and proactive organisation, leading the industry, requires a culture of innovation and high performance. This culture will be fostered through programmes to recruit, retain and develop high calibre employees.

Looking ahead to next year Sigma will celebrate its 100th anniversary. Over the past century the company has shown an ability to evolve and respond to an ever-changing industry. We will continue to do that and aim to illustrate in our centenary year that we are delivering on our strategy.

I look forward to being able to report a more positive result for the 2011/12 year.

Thank you.

Mark Hooper
CEO & Managing Director
8 June 2011