ADDRESS GIVEN BY THE CEO & MANAGING DIRECTOR OF SIGMA PHARMACEUTICALS LIMITED, MARK HOOPER, AT THE ANNUAL GENERAL MEETING ON WEDNESDAY 9 MAY 2012 IN MELBOURNE, AUSTRALIA

I am pleased to have this opportunity to update you in detail on Sigma's performance for the financial year ending 31 January, 2012 and our plans moving forward.

I am delighted to report that Sigma is now in a much stronger financial position and that we have delivered on the undertakings we made last year.

We have increased profitability and now have a stronger balance sheet. Our net cash position was $113.6 million at year end.

As Brian mentioned, this has also allowed us to reinstate dividends with a total of 20 cents fully franked, declared in the past 12 months.

Higher profitability and reducing invested capital has also resulted in an improved ROIC - increasing from 7.3% to 12.4% over the past 12 months. We expect ROIC to further improve in FY 2013.

This slide provides a high level summary of our income for FY 2012.

You will see that reported revenues are down by 2% compared to last year. This primarily reflects the decision by Pfizer to bypass the current CSO wholesalers and deliver direct to pharmacies.

Importantly, on a like for like basis, sales are up by 10% due to market share gains and modest underlying PBS growth.

The strong underlying growth in market share and an improved cost position have been the key drivers of our EBIT performance, which improved from a $9.1 million loss last year to a $70.3 million profit in the current year.

As I mentioned last year, one of our key focuses is improving our working capital position which combined with our stronger earnings resulted in significant improvement in our net cash position and reduced interest charges.

The combined benefit of these factors is reflected in an improved net profit after tax which is $50.3 million for the current year compared to a $73.1 million loss for the previous year.

The next slide shows our working capital position in more detail.

The most significant factor here is a $120 million improvement in our net working capital position over the past year.

As we have said previously, we expect to make further working capital gains in the coming year.

As part of this year's results, we have declared a 2.0 cents final and 1.5 cents special dividend. Both are fully franked.

When combined with the interim dividend, the final dividend represents a payout ratio of approximately 85%. We also felt it was important to reward shareholders with a special dividend for the working capital improvements achieved to date.

As Brian mentioned, when viewed on a total shareholder returns basis, Sigma shareholders have enjoyed a return of over 70% in the year to January 2012.

The Board has already announced that, subject to usual business considerations, Sigma intends to maintain a high payout ratio going forward.

Importantly, we have achieved our strong financial performance against the delivery of our reinvigorated strategy which, at its core, means changing our focus from a reactive manufacturing push to a proactive customer centric approach.

The Chairman touched on the fact that we have also restructured the executive team to more effectively support our strategy. Nine of the twelve senior executives currently in the business were not in those roles two years ago.

Gary Dunne's appointment as Chief Operating Officer has been pivotal in this process. The wealth of experience he brings from Coles, Woolworths, Aldi and other organisations is already having a major, positive impact on the business.

A revamped strategic framework has also allowed us to identify key areas for focus, all of which are now underway, with full benefits to be realised over time.

This covers a range of areas including Logistics and Systems infrastructure and our revitalised retail offer.

While much of the focus over the past 12 months has been ensuring Sigma's core business is operating more efficiently, there are also opportunities for us to further enhance our current business. One of the key focus areas is Sigma's new retail strategy which offers us a great opportunity to grow the business moving forward.

Our retail strategy will focus on the end consumer – 'placing pharmacists and consumers at the centre of everything we do'.

While it does have some impact on the dispensary, the main focus of the strategy is on front of shop activities within a pharmacy - helping our customers to be in the most competitive position they can be. A higher quality of retail offering will improve customer loyalty to Sigma as well as driving sales and profit growth.

The key pillars supporting this strategy include the appointment of brand ambassadors – popular medical commentator Dr Cindy Pan for Guardian and TV personality Georgie Parker as the new face of Amcal and Amcal Max.

We will also be moving to a multi-channel strategy, which will include e-commerce and social media.

We continue to build on the success of our private label, with an expanding range of products.

As many of you will be aware, PBS growth has been relatively flat over the past 12 months. It was around 2.4% in calendar 2011.

We have previously flagged that we would expect the PBS reform measures to slow this further.

Knowing this, Sigma moved early to negate the earnings impact of the April 1 changes with a combination of cost improvements and changes to customer trading terms.

The other future industry issue is the potential for a further expansion of exclusive distribution arrangements.

Although this seems less likely, it is important to recognise that any expansion of these arrangements potentially undermines the objectives of the Government's National Medicines Policy. Sigma will continue with our efforts to seek regulatory change to ensure all PBS medicines are available via CSO wholesalers.

Into the future we believe that there are further opportunities for us to improve Return On Invested Capital. In the coming 12 months, further improvement in working capital is likely to be the main contributor.

Although PBS reforms will slow sales and profit growth, further cost savings are expected to assist in funding continued investment in the business.

As I said, it is our intention to maintain a high dividend payout ratio in the future and we believe that strong cash flows, combined with a healthy balance sheet, will provide further opportunities for shareholder returns.

I am very pleased that in our centenary year I have been able to report to you a significant improvement in the Sigma business. Just as importantly, we have built a strong base for the business to deliver shareholder returns in the longer term.

I can assure you the entire management team is focused on continuing to improve Sigma's performance and delivering on our strategy.

Thank you.

Mark Hooper
CEO & Managing Director
9 May 2012