

**CHAIRMAN ADDRESS
BRIAN JAMIESON, CHAIRMAN
SIGMA PHARMACEUTICALS LIMITED
WEDNESDAY 6 MAY 2015 IN MELBOURNE, AUSTRALIA**

The 2014/15 year has seen Sigma continue to grow revenue and deliver increased profitability from a broader base. Over the past year, Sigma has delivered:

- An increase in revenue of 5.7% to now reach \$3.1 billion;
- EBIT, which is Earnings Before Interest and Tax of \$78.0 million, up 11.0%;
- Underlying ROIC, which is Return on Invested Capital of 14.5%;
- A Final dividend of 2.0 cents per share and a special dividend of 1.0 cents per share, both fully franked;
- A share price that was up 34.5% for the 12 months, compared to the ASX200 which was up 7.7%;
- An additional 31.6 million shares bought back and cancelled at an average price of \$0.74 per share; and
- The acquisition of CHS, Pharmasave, Chemist King and Discount Drug Stores.

We have also reinvested in our operating capability and ended the year with a strong balance sheet that provides the capacity to continue our growth.

Pleasingly, EBIT growth has been largely driven by non-PBS revenue. We have repeatedly stated our objective is to broaden our revenue base to reduce our reliance on PBS revenue. The results are starting to shine through, and Mark will talk more about this shortly.

Strategy

I thought it was worth quickly reflecting on Sigma's overarching strategy, where Sigma has come from, where we are now and our opportunities for the future.

Horizon 1 of our strategic focus from 2010 to 2014 was on fixing the business. We have now moved beyond that. What we said we would deliver, we have delivered.

We are now firmly focused on Horizon 2 of our strategy, with considerable progress already achieved. We have acquired CHS which provides an alternate distribution model plus an

entry into the adjacent hospitals distribution market. We also acquired the Pharmasave, Chemist King and Discount Drug Stores pharmacy brands, all strongly performing consistent offerings that complement our existing brands. We have also entered into long term arrangements with customer group's Pharmacy Alliance, SmarterPharm, and most recently Reform, which collectively support over 600 independent pharmacies. In addition, we have partnered with numerous suppliers to bring substantial benefits to our brand members and other customers. In short, we have made significant strides in achieving our Horizon 2 strategy objective of being the Partner of Choice through the supply chain.

We have set the framework and positioned the business to succeed. Horizon 3 of our strategy provides an exciting opportunity for us to leverage our strengths to sustainably grow the business.

Government Reform

Before handing over to Mark, I thought it worth addressing the current regulatory environment in which we operate. There continues to be significant public commentary on the impact of PBS reform on the pharmacy industry, the forthcoming sixth community pharmacy agreement, and the pharmacy ownership and location rules.

Firstly, to PBS reform. Sigma acknowledges the Government's right and responsibility to manage and contain the cost of the PBS, particularly in the context of a growing and ageing population. It is in everyone's interest that the PBS is at a sustainable cost to the Federal Budget, yet continues to meet Government objectives under the National Medicines policy of providing timely and efficient access to medicines. I think it is worth noting that through the PBS Reform measures, the Government is projected to achieve around \$20 billion in savings up to 2024, with the National Commission of Audit projections expecting the PBS to remain static at just 0.6% of Gross Domestic Product or GDP over that period. This policy is here to stay, and has influenced Sigma's strategy of diversifying our revenue base to lessen our reliance on PBS-revenue. As I have already outlined, this is a strategy that we are implementing and will continue to pursue.

Unfortunately, regulatory uncertainty has perhaps been amplified by calls, most recently from the Harper review, for the pharmacy ownership and location rules to be scrapped in favor of

an open contestable market. Much public debate has followed from independent commentators and parties with vested interests.

I do not intend to wade into the detail of the debate today. I do however encourage all interested parties to be fully aware of the consequences, both intended and unintended, of moving to an untested model in this market. Australia continues to enjoy a healthcare system that is the envy of the world. It is dangerous to assume that what will be irreversible changes will deliver desirable and better outcomes above what can already be achieved through the many levers Government has to regulate the industry.

Whatever path the Government chooses, Sigma will adapt our business to suit the operating environment, with our shareholders and customers front of mind.

Finally, as I flagged at last year's AGM, the fifth Community Pharmacy Agreement (5CPA) with the Government is due for renewal in June 2015. Rather than me recite what this all means, I will hand over to Mark while we show you this short video presentation prepared by the National Pharmaceutical Services Association or NPSA, which explains how this system all hangs together.

Thank you.

Brian Jamieson

Chairman, Sigma Pharmaceuticals Limited

6 May 2015