

**ADDRESS BY THE CHAIRMAN OF SIGMA PHARMACEUTICALS LTD
DR JOHN STOCKER AO
AT THE SIGMA ANNUAL GENERAL MEETING IN MELBOURNE
ON 12 MAY 2009**

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The 2008/09 financial year has been a year of consolidation for Sigma. Following a disappointing prior year, I am pleased to report that we achieved a full year result in line with expectations. Your company's performance is all the more notable against the backdrop of a significant downturn in the domestic economy. Our results for cash and earnings generation highlight the Group's attractiveness as a defensive investment in difficult times.

Our full year performance also offers insights into the long term benefits that will accrue from investments in diverse, high margin opportunities. The pipeline of new generic molecules available from the Arrow Group, the February 2008 acquisition of the Orphan niche medical product business and the Methadone portfolio acquisition in July 2008 are all providing margin growth.

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A concerted focus on Return On Invested Capital over the year resulted in cash generation of 245.9 million dollars. We have achieved a sustainable reduction in the amount of working capital invested in the business and this has enabled Sigma to reduce the amount of committed debt facilities that we require to fund ongoing operations. At the same time, we have successfully refinanced all debt facilities that were due for maturity in 2009 and 2010 out to new maturities in 2011. We are particularly pleased with this achievement in the face of the significant shortfall in debt liquidity available to Australian companies as a result of the Global Financial Crisis. Sigma has very close relationships with our lenders, whose continued understanding and

acknowledgement of our long term business model is demonstrated by their willingness to refinance our maturing facilities.

The year saw the introduction of reforms to the Pharmaceutical Benefits Scheme (PBS). On 1 August 2008, the reference price payable on a number of PBS products with annual sales of close to 2 billion dollars reduced by 25%, delivering a considerable cost reduction to the Federal Government. This has led to margin pressure which we have offset by reducing discounts offered to retail pharmacy customers and renegotiating supply contracts on key inputs with alternative suppliers. Our wholesaling business was also affected, as the fixed 7% margin payable to wholesalers is based on the reduced product reference price. There was, however, an increase to the Community Service Obligation (“CSO”) pool that partially compensated for the margin loss.

We believe that the reforms have delivered the savings the government set out to achieve. At Sigma, we see no reason to believe additional changes to the PBS by way of further radical reform is needed.

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Turning to Sigma’s financial results for the year ended 31 January 2009, as reported, external sales revenue for the full year increased 3.9% on the prior year to over 3 billion dollars, comprising 5.7% growth in our Healthcare business and a decrease of 3.2% in our Pharmaceuticals business. The sales growth of the Healthcare business was in excess of the underlying growth in the PBS available to pharmacy wholesalers, and reflects a consolidation of previous market share gains. The decrease in Pharmaceuticals revenue primarily reflects the impact of a highly competitive landscape, reduced sales of some licensed generics and the PBS reforms. Earnings Before Interest, Tax, Depreciation and Amortisation for the full year increased by 20.2% to 235.0 million dollars, with both first and second halves of the year increased over the prior corresponding periods. Earnings Before Interest and Tax (or EBIT) also increased over the prior year by 20.0% to 190.3 million dollars.

Reported Net Profit After Tax of 80.1 million dollars was up 3.9% on 2007/08. EBIT to Sales margins improved materially across both the Pharmaceuticals and Healthcare divisions, as a result of our investment in high margin opportunities and continued focus on cost control.

The final dividend for the 2009 year was 4 cents per share, fully franked, bringing the total for the year to 7 cents per share. This represents a headline payout ratio on reported profits of 58% after adding back the amortisation of intangibles and rationalisation and restructure costs, which is consistent with payout ratios in previous years.

Our Managing Director, Mr Elmo de Alwis will later cover the performance of the company and the results of each division in more detail.

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At Sigma, we place high priority on attracting and retaining highly skilled staff, who are a key success factor in enabling us to achieve attractive shareholder returns. We strive to maintain a culture of high performance while providing a safe and healthy work environment.

The events of Black Saturday profoundly affected us all, and I am proud of the compassionate response of Sigma, our employees and our customers, with a total of 616,705 dollars being donated to a variety of relief organisations in affected areas.

We are also proud to have continued supporting a number of cause-related programs. By leveraging our position in the market, we are able to provide ongoing marketing and promotional coordination support to our Amcal Max, Amcal, Guardian and other pharmacist customers. Programs we have been involved in over the past year:

- the Prostate Cancer Foundation of Australia
- the Juvenile Diabetes Research Foundation
- the Guardian Angel Program

- the National Breast Cancer Foundation
- and the Make A Wish Foundation

We have also commenced a dedicated carbon footprint reduction project, initially focussed on calculating existing greenhouse emission levels and to be followed by identification of options for reduction available to the Group.

As one of Australia's leading healthcare companies, we employ close to nineteen hundred people and our confidence in the industry is demonstrated by our seventy million dollar investment in our state of the art Dandenong manufacturing facility. We believe that the sustained employment and continued growth in employment is the best way that as a nation we can address the Global Financial Crisis. Recognition and support of Australian made products by consumers and government alike will assist maintain and indeed grow employment during this difficult period. Such times should not be about cutting back, but about support for companies that promote the employment of Australians.

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Before concluding, I would like to take this opportunity to acknowledge the efforts of Ms Linda Nicholls AO, Chairman of our Risk Management and Audit Committee, and Mr Brian Jamieson, Chairman of our Remuneration and Nomination Committee and member of our Risk Management and Audit Committee. In accordance with the Sigma Constitution, they are both retiring and, being eligible, will be standing for re-election as Non-executive directors of Sigma. Later during this meeting they will each address you. We were also pleased during the year to welcome the appointment to the executive team of our new General Manager of Operations, Mr Ian Finlay, who joined Sigma in January 2009.

In closing, I would like to thank my fellow Directors, Sigma Management and all employees for their continued support and commitment over the past year. Considerable progress has been made both in improving profitability of the

business and in the return on the capital invested in Sigma. The improved financial performance of the Group during 2008/09 is pleasing, and gives us confidence in Sigma's ability to generate attractive returns over the long term.

Thank you.

Dr John Stocker AO

Chairman

12 May 2009