

Chairman's Speech

Sigma Company Limited

Annual General Meeting 25 May 2005

(SLIDE 1 – INTRODUCTION))

In addressing you today, I am very pleased to report on another highly successful year for Sigma.

It was a year in which Sigma continued the substantial growth that has established the firm as one of the most significant players in the pharmaceutical industry in this country.

Indeed, we continue to make good progress towards our goal of becoming Australia's leading pharmaceutical manufacturer and marketer, and the nation's most efficient pharmaceutical wholesaler.

[PAUSE]

While the Board, is focussed on Sigma's commercial and financial targets, we feel strongly that this should not to be done at the expense of the firm's heritage.

To this end, we have continued our commitment to retail pharmacy with significant enhancements to our retail offering in Amcal and Guardian.

In addition, we have made further investment in retail pharmacy with the development of the Amcal Max brand, something to which I will make specific reference later.

[PAUSE]

((SLIDE 2 – KEY BUSINESS DRIVERS))

Ladies and gentlemen, the strong financial performance outlined in our Annual Report, has resulted from maintaining a strategic focus on our key business drivers:

- in the pharmaceutical business, these drivers are organic growth and growth through strategically aligned acquisitions;
 - in healthcare, it is about driving operational efficiencies and profitable sales growth;
 - across the business as a whole, it is through maintaining rigorous investment criteria;
- and,
- overall, it is about maximising returns whilst managing risk.

[PAUSE]

The year in review – 2004/2005 – has seen Sigma yet again deliver a record financial performance.

The Company achieved sales of \$2.1 billion – a 10.1% increase on the previous year – and Earnings Before Interest and Tax (EBIT) of \$104.8 million, an increase of 25.4% on the previous financial year.

[PAUSE]

((SLIDE 3 – PAT))

Profit after tax, including the one off impact of tax consolidations, reached \$59.6 million – an increase of \$15.4 million or 34.8% on the year before.

Underlying profit after tax (excluding tax consolidations) was \$57.3m – an increase of \$13.1 million or 29.6%

The significance of this performance is perhaps best demonstrated by the fact that the absolute dollar INCREASE in Profit After Tax this year is approximately equal to Sigma's FULL year's profit in 2001!

[PAUSE]

I would now like to focus on the two core streams of our business – pharmaceuticals and healthcare.

PHARMACEUTICALS

The pharmaceutical business contributed 12.9% of sales and 58% of EBIT for the reporting year.

Whilst these percentages are down marginally on last year, this is due to the increasing relative strength of the healthcare business, not to any weakness in the pharmaceutical business.

((SLIDE 4 – PRODUCT PHOTOS))

The pharmaceutical business has continued to expand through organic growth and strategic acquisitions.

During the year we acquired several prescription products such as Coumadin, and arranged an exclusive licencing agreement with Ferrosan for the distribution of Imedeen. These transactions are important contributors to our growth strategy and future success.

[PAUSE]

((SLIDE 5 – FACILITIES & SCIENTIFIC PHOTOS))

During the year, Sigma continued to focus on maintaining high levels of regulatory compliance. While ongoing compliance costs have increased

significantly, we are uncompromising in our commitment to regulatory compliance.

[PAUSE]

Our facilities investment program is well underway.

During the year, construction work commenced at our Dandenong facility. This work will pave the way for implementation of our total facilities strategy which will see our manufacturing activities concentrated in our 4 major facilities.

With these modern and vastly improved facilities, Sigma will have the greater capacity and significant operational efficiencies necessary for our future success.

[PAUSE]

I'd like now to turn to HEALTHCARE

The performance of the Healthcare business has been particularly pleasing.

((SLIDE 6 – HEALTHCARE PHOTOS))

For the reporting year, the Healthcare business contributed 87.1% of the Group's total of \$2.1 billion of sales and 42% of the Group's EBIT.

The Healthcare business operates in a high volume, low margin industry. This makes a focus on operating efficiencies and the efficient use of capital an absolute imperative to the success of the business.

Sigma's healthcare business has again been highly successful on both fronts.

Now with a return on capital employed in healthcare of 22.4%, and an earnings to sales margin of 2.5%, we are the industry leaders.

[PAUSE]

We continue to strive for initiatives to further enhance shareholder value.

We have continued the implementation of our new Information Technology system in healthcare. We have also continued to improve our logistics operations in order to maximise service to customers whilst reducing costs.

((SLIDE 7 – AMCAL MAX))

A very important initiative for future success has been the launch of the new Amcal Max brand.

Amcal Max complements our existing banner offerings in Amcal and Guardian and provides

pharmacists with greater flexibility in terms of business models.

Pharmacists play an important role in meeting the health needs of the general community. Amcal Max is yet another means by which Sigma supports pharmacists in the effective delivery of health care services.

I encourage you to take time to review our Amcal Max displays in the foyer at the conclusion of this meeting.

[PAUSE]

There has been much discussion concerning issues such as generic pharmaceuticals, the wholesaler margin review, and the Guild Government agreement.

I wish to assure you that the business settings put in place by your Board and management through our strategic planning, position Sigma to deal with any such issues as they arise and to capitalise on opportunities which may present themselves as a result.

There has also been widespread publicity concerning the possible introduction of pharmacies into supermarkets.

The Government has repeatedly confirmed its unwillingness to allow pharmacies in supermarkets.

We are not able to speculate the outcome.

Distribution of essential medicines to ALL parts of Australia remains a priority, and we continue to pursue efficiencies in this area.

The primary objective of the National Medicines Policy is to ensure equity of access to pharmaceuticals at affordable prices for consumers and taxpayers.

[PAUSE]

I would like now to focus on returns to shareholders.

((SLIDE 8 – ROCE))

As this graph indicates, Sigma has achieved significant growth in return on capital employed. This is an important measure of performance which demonstrates the rigour we apply in assessing opportunities to ensure we deliver shareholder value.

((SLIDE 9 – EPS))

With strong performances from all areas of the business, Earnings Per Share have again improved, rising by 33.4% to 41.9 cents.

While we continue to invest in the growth of the business, the Board has maintained Sigma's current policy of returning 60 to 65% of profits to shareholders, in the form of dividends.

((SLIDE 10 – DIVIDENDS))

This policy has seen the annual dividend paid to shareholders increase by 30% – from 20.0 cents in 2003/2004 to 26.0 cents in the 2004/2005 year.

[PAUSE]

Sigma's success has continued to be well received by the external financial markets.

((SLIDE 11 – TOTAL SHAREHOLDER RETURN))

The sustained share price performance combined with increasing dividend payments has delivered excellent overall returns to shareholders.

A report recently released by the Boston Consulting Group ranked Sigma in the top quartile of performers for Total Shareholder Returns over the past 5 years. With a per annum return of 42.6% Sigma was ranked

6th overall – further confirmation of our sustained performance.

[PAUSE]

[CORPORATE GOVERNANCE]

Corporate Governance remains one of our highest priorities.

Your Board and management remain fully committed to maintaining high standards of corporate governance practice and policy across all facets of the business.

During the year, Sigma commissioned an independent performance review of the Board and individual Directors.

We will use the findings of this review to ensure the ongoing performance of your Board in delivering maximum long-term returns to shareholders, at an acceptable and managed level of risk.

((SLIDE 12 – SCIENTIFIC PHOTOS))

Similarly, we set high priority on ensuring the safety and efficacy of our products and have consequently centralised product compliance processes within the newly formed Scientific Affairs department.

[LOOKING AHEAD]

The outlook for Sigma continues to be very positive.

((SLIDE 13 – OUTLOOK))

The efforts of your Board, the Management and particularly the Staff have seen organic growth in sales, the successful completion of strategic transactions, overall efficiency gains and a growth in the proportion of wholesaling sales completed with banner members.

We have, and we will continue to invest in our future and to maintain our scrutiny of the issues that are of importance for our ongoing success.

Our achievements to-date in this financial year and the initiatives we have in place, give us, your Board, confidence in our ability to deliver Profit After Tax growth of 15% for the year 2005/2006.

[PAUSE]

In closing, I would like sincerely to thank my fellow Directors, the Managing Director, the management and the staff of Sigma for their hard work and the special personal contributions, upon which we are building Sigma's success.

[PAUSE]

((SLIDE 14 – THANKYOU))

I now have much pleasure in introducing our Managing Director, Elmo de Alwis, who will detail the annual results and discuss the factors contributing to our strong performance.