

FINAL SPEECH – MANAGING DIRECTOR

SIGMA AGM MAY 24 2006

((SLIDE 1 – INTRODUCTION))

Thank you Mr. Chairman.

Ladies and Gentlemen,

The Chairman has provided an overview of the business results for the 2005/6 financial year. I would now like to discuss these in more detail for each Division.

At the outset, I think it is worth pointing out that this has been one of the more complex sets of financial accounts prepared by the company.

((SLIDE 2 – COMPLEXITIES))

The accounts reflect the impact of:

- ◆ The introduction of International Accounting Standards;
- ◆ The merger, which under Accounting Standards was treated as a reverse acquisition with Sigma acquiring Arrow, but the parent company is Arrow.
- ◆ Tax Consolidations;

- ◆ Arrow has changed accounting periods to adopt Sigma's 31 January year-end.

This complexity also creates some difficulty in making prior year comparisons. To assist for next year, the CFO's section in the Annual Report includes pro-forma results for 2006.

((SLIDE – PHARMA/HEALTHCARE
CONTRIBUTIONS))

As our Chairman has noted, the merged group achieved sales of 2.2 billion dollars and EBIT of 146 million dollars. The respective contributions to these results are indicated in this chart. As these charts do not reflect the full year of the merged group, you can expect to see greater contributions from the pharmaceuticals business going forward.

((SLIDE – PHARMACEUTICALS RESULTS))

Turning first to the pharmaceuticals division, sales have increased by 17.9% to 381 million dollars. The main contributors to this increase were:

- ◆ The inclusion of 2 months of sales from the Arrow business
- ◆ 10.6% growth in sales of prescription products;
- ◆ 20.8% growth in exports

- ◆ Steady performance from our OTC range of products;
- ◆ Contract manufacturing income steady at 108 million dollars. This was consistent with our position of not actively pursuing contract manufacturing opportunities whilst our facilities rationalisation program was underway.

What is pleasing is that we have continued to leverage the sales growth into incremental profit growth at a faster rate.

Our ability to leverage our fixed cost base and manage variable costs has seen the 17.9% sales growth translate into EBIT growth of 26.2% to 82.9 million dollars.

This is again a strong performance, particularly as it includes the costs associated with the closure of our Croydon facility.

((SLIDE – PRO-FORMA SALES CATEGORIES))

The composition of sales in the Pharmaceutical business has changed significantly from previous years. As this chart illustrates, the merger between Sigma and

Arrow has significantly diversified the earnings profile of this division.

Pharmaceuticals now has access to the fastest growing sector of the pharmaceuticals market, generics, and the opportunity to provide a more comprehensive suite of product and services to our customers to contribute to their future growth as well as that of Sigma.

Importantly, this extensive suite of products available to the company provides significant opportunities to drive organic growth as well.

Arrow currently has approximately 36% share of the Australian generics market, and a keen willingness to become the largest generic player in Australia.

As discussed earlier, the merger was an all equity transaction, with Arrow acquiring the shares in Sigma in return for issuing shares in Arrow. However, under Accounting Standards, Sigma is deemed to have acquired Arrow, the reverse of the legal form. As a result, the Sigma pharmaceuticals division is deemed to have increased Capital Employed by approximately 1 billion dollars to acquire Arrow, which has a significant impact on the reported Return on Capital Employed as at the end of the financial year.

Turning now to the Healthcare business.

((SLIDE - HEALTHCARE MARKET))

I think it is important to put the performance of the Healthcare business in context.

Healthcare operates in a very competitive industry with high turnover, relatively low margins, and in an industry that is highly influenced by factors outside our direct control.

For example, the industry has been negatively impacted by the slow down in the growth of the PBS as the Chairman has previously discussed. It has been impacted by the growth of generics, which tend to adopt a direct distribution model. It can be negatively impacted by product recalls, such as Vioxx, and the relatively low value of new products introduced on the PBS. These are all factors we do not control.

((SLIDE – HEALTHCARE RESULTS))

Against this backdrop, it is pleasing therefore that the Healthcare Division has been able to deliver sales growth of 2.2%, compared to a market available to wholesalers that has grown at only 0.4%. We have

been able to leverage this sales growth into EBIT growth of 8.3%.

These growth figures demonstrate our ability to do well in the things that we can control – such as product and service offering, cost management initiatives, operational efficiencies and efficient use of capital.

Our continued sales growth and focus on cost management has seen the **EBIT**-to-sales margin steadily and consistently grow from 1.6% in 2001 to 2.7% in 2006, making Sigma the industry leader.

((SLIDE – HEALTHCARE RETAIL))

The value to Sigma in operating the banner groups is in deriving greater support from banner members of our Healthcare and Pharmaceutical business.

Our ability to market and support banner members is linked to the level of support received from these banner members for our Healthcare and pharmaceutical businesses.

We have continued to successfully increase the percentage of business Amcal banner members conduct through Sigma Healthcare, increasing from 65.1% in

2005, to 67.2% in 2006, based on Moving Annual Turnover.

Likewise, Guardian improved from 77.9% in 2005 to 79.9% in 2006.

We have previously outlined the launch of the new brand, Amcal Max. The Amcal Max model draws on the strong heritage, trust and consumer awareness of the Amcal brand in conjunction with the benefits to the member of a compliant store format.

4 Amcal Max stores are now operating, with excellent results achieved to date. A further 10 stores are due to go live over the next 6 months, and an additional 20 stores are currently under negotiation.

In addition, we are in the process of updating the Amcal and Guardian models, and will be rolling these out to pharmacists throughout the year.

The new Sigma, with a broader based product and service offering encompassing prescription products, OTCs, generics, wholesale distribution services and retail choice, provides us with a greater opportunity to continue to grow and to better service our pharmacist customers.

[RISK MANAGEMENT]

Sigma has continued to tightly manage financial and operational risk.

Sigma's gearing levels are now sitting at a very conservative 15%, providing significant capacity to fund any future acquisition opportunities. Interest cover is currently a very comfortable 5 times.

Despite low gearing, our absolute interest rate exposure increased during the year, reflecting the funding of the expansion of Dandenong and the special dividend paid. As a consequence, we have increased our focus on interest rate hedging during the year to better manage any negative financial implications.

In healthcare, the Sigma Rewards financing program continues its success, and now accounts for nearly 50% of wholesaling sales. This is a significant tool in the working capital management of the Healthcare Division.

Shareholders may recall that wholesalers historically provided pharmacy guarantees. From a contingent

liability of 105 million dollars in 2002, it is pleasing to report that the contingent liability has all but disappeared, now down to 8 million dollars, despite Sigma being responsible for facilitating unprecedented levels of financing support for our many pharmacists customers.

[SUMMARY]

In wrapping up, I would like to comment on our journey. The Sigma business today is in a far stronger position that at any time in our history.

We continue to achieve financial success. We have a more diversified earnings base with an improved growth profile. We have invested in our business to provide the framework to continue our growth into the future.

Importantly, we have a strong Balance Sheet that positions us to act upon any opportunities identified.

I believe that there are significant opportunities ahead of us. Whilst progress to date has been positive, the benefits from the merger, our improved retail models, and our facilities rationalisation program are yet to be realised.

As with any business, there are industry issues that can have implications for our business. However, I believe that the business we have today is in a far stronger position to deal with these issues.

I remain confident that we are on track to deliver our forecast underlying growth of 15% in terms of Profit after Tax for the year ending 31 January 2007.

This growth is likely to be skewed towards the second half. This reflects the profile of the prescription product market, and the benefits from our revised sales program which are expected to be higher in the second half.

In concluding, I would like to thank all employees of the company for the significant contributions they have made towards the growth and development of Sigma to the "ASX Top 100" company it is today.

Mergers present many challenges and changes. I thank the employees of Sigma and Arrow, old and new, for the professionalism they have demonstrated through this sometimes difficult process, and the role they have played to making the merger successful.

In these times of ongoing industry change, we are confident that our merged group with its diversified

business operations and significant management experience, places Sigma in a strong position going forward.

I would also like to thank our Chairman and my fellow Directors for their continuous support and contribution towards Sigma's success.

((SLIDE 19 – THANK YOU))

Finally, I would like to acknowledge and thank the investors, and our many customers, for their ongoing support.

I will now hand over to Mr Brian Jamieson, the Chair of the Remuneration Committee, who will run through the pertinent points in relation to the Remuneration Report.

Thank you