ADDRESS BY THE CEO/MANAGING DIRECTOR OF SIGMA PHARMACEUTICALS LTD MR ELMO DE ALWIS AT THE SIGMA ANNUAL GENERAL MEETING IN MELBOURNE ON 22 MAY 2008

Thank you Mr Chairman

Ladies and Gentlemen

The Chairman has provided an overview of the business results for the 2007/8 financial year. I would now like to discuss these in more detail.

As the Chairman noted, 2007/8 was a challenging year for Sigma and the industry. Regulatory and competitive factors weighed heavily on our financial performance, particularly impacting the first half.

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With a significant improvement in the second half, the following full year data has been split into first and second half, to demonstrate the quantum of the return to historic levels of profitability.

Sigma achieved pleasing sales growth for the year ended 21 January 2008, with group sales revenues up by 9.9% to almost $3 billion.

Earnings Before Interest, Tax, Depreciation and Amortisation decreased by 0.8% to $210.1 million for the full year, with the second half seeing a 35.3% improvement on this measure over the first half of the year.

Earnings Before Interest and Tax was down 2.3% on the prior year to $173.2 million, but likewise showed a significant turnaround in the second half, up 42.9% on the first half performance. Group EBIT margin in the second half was 6.6%, up slightly from the previous year.

Underlying Net Profit After Tax of $90.2 million was down 13.8% on 2006/07, with a strong $53.6 million contribution from the second half.

It is important to note that whilst the 2008 year was challenging for both Sigma and the Pharmaceuticals industry in general, this is in the context of Sigma's strong history of delivering solid underlying performance growth. Sigma's operating profit after tax (on an underlying basis and excluding significant items) in previous financial reporting periods has seen strong growth year on year. The first half of the 2008 financial year represents the only half year in the past 16 since Sigma listed on the ASX in 1999 that your company has failed to achieve or beat guidance.

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Whilst margins overall were under pressure due to competition, 2008 also saw a continued shift in the margin mix across Sigma. Sales from our Pharmaceutical division accounted for 24% of Group sales, however the EBITDA contribution of Pharmaceuticals represented 74%. This margin mix improvement is a continuing trend, demonstrating the long term value proposition of our business model, in particular our generics and OTC sales channels.

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Net balance sheet debt at 31 January 2008 was $421.7 million and balance sheet gearing was 26.0% compared to 16.0% for the prior year. Off balance sheet debt for the Sigma Rewards securitisation program was $357.8 million, and combined on and off balance sheet gearing was 39.4%. Net interest expense increased by $15.5 million to $49.1 million. These increases were predominantly due to:

- $151.2 million of new debt relating to the completion of the 9.9% share buyback;
- increased investment in working capital to support the sales growth;
- the two rises in official interest rates during the period; and
- the increased funding costs experienced by all debt market participants since the onset of the global credit crunch.

Our capital management strategy remains underpinned by targeting an investment grade financial risk profile for the business within our debt funding partners. This approach will ensure Sigma remains able to access funding from the debt capital market at rates attractive for continued investment in value creating projects and opportunities.

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The Directors declared a fully franked final dividend of 4.0 cents per share, bringing full year dividends to 7.0 cents per share. After adding back the amortisation of intangibles and rationalisation and restructuring costs, this represents a dividend payout ratio of 60% of reported profits, consistent with Sigma's existing policy.

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Healthcare Division

In relation to divisional performance, the Healthcare division had a strong 2008, with sales revenue up 13.6%. This was achieved against a backdrop of regulatory changes introduced during the year, market participant uncertainty, and relatively flat PBS growth. This growth represents a consolidation of previous years growth.

Margins were relatively stable, notwithstanding the impact of the CSO and growth in invested capital was less than revenue growth, and reflects the impact of various strategies implemented by management to address the weaker first half performance.

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The reforms to the PBS previously announced by the Federal Government will play a major role to the competitive landscape and profitability of our Healthcare distribution business over the next 12 months. In this context then, a key challenge for Sigma will be optimizing the balance between providing a superior service level mix to our customer base and driving down associated costs.

As a result of our significant market share gains over the past 2 years, a new purpose-built distribution centre in Seven Hills, Sydney was opened during 2007. This state-of-the-art facility provides additional cost-effective capacity to service our customers in the rapidly growing NSW market, and reflects our continued focus on optimizing customer service. Concurrently, Sigma has moved to once a day deliveries nationally, with minimal customer dissatisfaction or disruption, whilst resulting in meaningful savings.

With a planned expansion of our e-business platform to improve the ease of doing business with Sigma, the distribution business is well positioned to consolidate previous market share gains and continue to outperform the market.

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Sigma continues to invest substantial resources in supporting Australia's two largest banner groups in Amcal and Guardian. The work undertaken last year to restructure and refocus category and retail management is bearing fruit, with the second half of 2008 marking a turnaround in the decline in numbers of our Amcal and Guardian bannered pharmacies.

The Retail business continues to add to the membership benefits of our banners, with the launch of an on-line training program, the exclusive Xndo weight loss program, and the rollout of digital interactive healthcare kiosks in our banner stores during the year. A key focus for 2009 will be to grow the banner member base, build on the Xndo value proposition, and introduce other similar programs combining the pharmacist's role as a provider of advice with the sale of products and services.

During the year Sigma launched an alternative financing solution known as Gateway to meet our retail pharmacy customer's funding requirements. Exclusive to Sigma, and in turn only available to complying Embrace members, the Gateway program delivers significant interest rate, term and flexibility benefits to Embrace members wishing to take advantage of this offer. Whilst all pharmacist loans are originated and serviced by our specialist Pharmacy Finance team, the program importantly represents no contingent liability to Sigma. The level of interest generated thus far by the program has been extremely pleasing, and since its inception in December 2006, a number of

Embrace members have sourced lending via the program, further strengthening long-term customer relationships.

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Pharmaceutical Division

Turning to the Pharmaceuticals division, the division achieved sales revenues of $615.8 million, a 2.1% decrease on the prior year, reflecting a continued reduction in sales attributable to our low margin distributed products sales channel and heightened competition relating to Sigma's high profile licensed generics including Simvastatin, Sertraline and Pravastatin.

Earnings Before Interest and Tax also reflected the impact of increased competition, down 5.4% on the prior year to $120.5 million and EBIT margin was down slightly by 0.6% to 19.6%.

The division's result for the second half however, reflects the long term shareholder return from our focus on growing sales of our higher margin generics and manufactured products. EBIT was up 33.5% on the first half, with an EBIT margin of 22.4%.

In response to competition pressures, Sigma has renegotiated the supply agreement for these key licensed molecules, enabling us to make a more cost-efficient offer to our customers on these products. We expect to continue growing our share of the generics market. By partnering with and guiding our pharmacy customers, we will be able to capitalise on the specific opportunities the PBS reforms will provide. As the upgraded Dandenong facility reaches full capacity over the next year, additional efficiencies will be generated, resulting in further improvements to our EBIT margins.

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Sigma's substantial generics presence in Australia has continued to grow during the 2008 financial year. The launch of 8 new PBS listed molecules from the Arrow Group pipeline, including the generics Prilace (originator molecule Ramipril), Amlo (Amlodipine) and Xyvion (Tibolone) has seen Sigma's portfolio of generics continue to increase. The latter highlights the significant ongoing value creation opportunity of the generic molecules being delivered to Sigma out of the Arrow Group pipeline. As graphically demonstrated in figure 10 on page 14 of this year's Annual Report, Sigma will have a generic equivalent for all major patent expiries over the next five years.

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Sigma has had another strong year in relation to our OTC range of products which is the third largest OTC portfolio in Australia. Sales of the Chemists' Own brand was up 24% on the prior year. The endorsement agreement with the Pharmacy Guild of Australia was extended for another 3 years, and with our portfolio supplied to over 3,500 pharmacies, this sales channel is set to continue to exhibit strong growth.

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The Herron business maintained previous levels of revenue and profitability whilst a new, experienced FMCG team was recruited. A focus on reinvigorating the brand will result in a number of strategic developments in the coming year, including a number of new lines, introduction of more contemporary packaging and a strategic range review.

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The strategic acquisition of Orphan Australia, completed in February 2008, will also further diversify Sigma's earnings base. This acquisition builds on our long term value proposition and provides entry into the high value niche specialist medical products business. The Orphan product portfolio gives scale to our Medical business, and further diversifies our earning's base.

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The Dandenong facility redevelopment was completed during the year, and whilst taking longer than expected to complete, the plant is now fully operational. Sigma remains the largest contract manufacturer in Australia, and also has the largest manufacturing capability. Management has embarked on a number of initiatives to deliver to shareholders the benefits from this substantial investment, including the winning of two major liquids contracts and bringing back in house the manufacturing of certain products that during the redevelopment were outsourced.

Growth of the Pharmaceuticals division remains the key long term goal for Sigma. With a market leading presence in Australia's pharmaceutical manufacturing, generics and a comprehensive over-the-counter products portfolio, the division is uniquely positioned for capitalising on future growth opportunities.

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A key focus for the business, now and in the year ahead, will be responding to the impact of the global credit crisis. This has precipitated a concerted focus on the management of liquidity risk associated with debt facilities. In January 2008, Sigma refinanced $255 million of maturing corporate debt facilities and in March this year the $550 million Sigma Rewards trade receivables securitisation program over longer tenors. $130 million of new debt facilities to fully debt fund the purchase of Orphan Australia was also secured over a 3 year period during February. The weighted average maturity of our facilities is now over 2 years, giving considerable funding stability in an otherwise turbulent credit market.

The 2009 year will herald an increased focus on capital management discipline designed to reduce interest costs and deliver enhanced shareholder returns. Specialised internal taskforces have commenced reviewing the entire supply chain to optimise working capital investment within the business. Following the completion of the Dandenong facility upgrade, capital expenditure now moves in to a "maintenance" phase, with expenditure for next year expected to be less than depreciation.

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As the Chairman noted, we have also been pleased to welcome a number of new appointments to the executive management team during the 2008 year, including our new Chief Financial Officer, Mark Smith, our new General Manager Sales, Steve Waller, our new General Manager for Herron, Tom Siebel, and Alan Sutton in to the newly created position of General Manager Embrace. The new appointments, along with the remainder of the executive team, are focused and incentivised on driving improved performance across all divisions, with a clear set of key performance indicators for each position. The poor first half performance last year resulted in no short term incentive payments being made to the executive team in the 2007/08 financial year, and incentives will continue to only be paid upon satisfactory exceeding of the key performance indicators assigned.

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Outlook

In conclusion, I would like to summarise the Company as I see it.

It has been a challenging twelve months for Sigma. Sigma Management is committed to continue addressing the business issues that confronted the business during the 2008 year and to mitigate the difficult external environment which has negatively impacted the Company's profitability and share price during the year.

Notwithstanding these challenges, Sigma's comprehensive offer is compelling to our customers. Retail pharmacy owners are looking for strong business partners to support them both with their existing pharmacy business interests and to assist them continue to grow. Our company is uniquely positioned to fulfil this customer need.

Following the successful integration of the Sigma/Arrow business, we have a diversified earnings base and we have invested in our business to provide the framework to continue our growth into the future.

Our Embrace program continues to gain traction, and with almost one in every three pharmacies in Australia having signed up to this industry leading initiative, we have an Agreement with a core portion of the Retail Pharmacy industry to be long term Sigma customers. Attention continues to be focussed on further improvement to purchase compliance levels across the three categories of support, namely Wholesale distribution, Generics and OTC. Support from pharmacy continues to increase, and our sales staff will maintain their focus in gaining further improvements.

We are pleased to inform you of several major initiatives that Sigma is pursuing to generate cost efficiencies and profitable expansion of our product portfolio.

We have entered into an arrangement with the major Pharmaceutical company Cipla to source a large range of OTC products in analgesics, complimentary medicine and other categories that will significantly enhance our product offering under both the Herron and Sigma brands. By utilising intellectual property already developed by Cipla covering products already being marketed by that company, the cost and time to market these products has been significantly reduced. Sigma sees the development of the OTC category as a key initiative for growing the profitability of its retail pharmacy customers and creating a more comprehensive product offering for its Herron customers. Cipla is the largest pharmaceutical company in the Indian market.

We are also close to finalising arrangements with a large international generics company. These arrangements will result in a complimentary expansion to our generics portfolio, a more attractive offer to Australian pharmacy, and further secures the significant position held by Sigma in this market.

We are also pleased to announce the establishment of a logistics joint venture with Metcash Australasia Limited which will come into operation if Metcash is successful in its bid for the pharmacy business of Symbion. Under the joint venture agreement, the logistics and buying functions of the Sigma and Symbion pharmacy wholesaling businesses will be combined to deliver buying synergies as well as cost synergies to the two companies.

We believe that the above major 3 partnerships are closely aligned to Sigma's organic growth strategies and will serve the shareholders of Sigma well.

With the backing of a strong balance sheet, we are able to act decisively on making further investments in our people, processes and facilities, taking advantage of opportunistic acquisitions as they present, and to fund continued organic growth.

Whilst there will continue to be regulatory and other challenges that present themselves, by virtue of our comprehensive business model, as a company we believe we are far better placed than our competitors to proactively respond to such changes.

With the first quarter of the 2009 year completed, I would now like to touch on our performance thus far.

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There is unprecedented market uncertainty in the lead up to the introduction of the PBS reforms in August 2008, with pharmacy customers de-stocking to minimise the impact from the price reductions. Further uncertainty surrounds:

- competitor activity in the generics market before and after August;
- delays in realising the efficiency gains from the Dandenong manufacturing plant;
- the outcome of Metcash's bid for the Symbion Pharmacy assets;
- the extent of benefits available from the Cipla arrangements; and
- the final outcome of the arrangements being negotiated with an international generics company

As a result, we will be better placed to provide an update on performance in conjunction with our half year results presentation in September, at which time I expect to be in a position to confirm guidance.

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In concluding, I would like to thank the employees of the Company, for their diligent and hard working approach over the past year, and look forward to their continued efforts in delivering our long term value proposition to shareholders.

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

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

Thank you

Elmo de Alwis
Chief Executive Officer / Managing Director
22 May 2008

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