ADDRESS GIVEN BY THE CEO & MANAGING DIRECTOR OF SIGMA PHARMACEUTICALS LIMITED, ELMO DE ALWIS, AT THE ANNUAL GENERAL MEETING ON MONDAY 21 JUNE 2010 IN MELBOURNE, AUSTRALIA

Thank you Brian

May I congratulate you on your appointment as Chairman of Sigma.

Ladies and gentlemen, everyone at the company is disappointed with this year's result, no one, more so than me, and as a consequence, I tendered my resignation on the15th of April.

The Company's Board and management worked hard, to get through some very complex issues, to finalise our accounts and revise our banking arrangements. Every effort was made to resolve matters as best they could be, in as short a period of time as possible.

However, no matter which way you look at it, for you our shareholders, it was tremendously disappointing. In resigning, I have taken responsibility for this as the CEO and Managing Director of the Company.

I fully appreciate the disappointment and concerns that many of you would have, in relation to the recent performance of the business. As a shareholder, I share your concerns.

However, I took my full allocation in the capital raising last year. I have never sold any shares in Sigma. This highlights my continued confidence in the business.

While the recent result was disappointing, I believe the underlying business has been and remains sound, in an increasingly challenging market, and there is a good foundation for the company's future. For the company's new CEO, Mark Hooper, I believe there is much that he can work with.

On a personal note, I am delighted to see Mark appointed to this role. He brings a wealth of industry experience and knowledge, to the Company. I have no doubt that Sigma will be in very good hands, as Mark and the Management team set about the task of reviewing the challenges and opportunities that lie ahead. It will give me great pleasure to observe, from a distance, their progress and the successes I sincerely believe they will deliver, to the shareholders of Sigma.

During the past year, net external sales revenue for the group increased 4.5%, over the prior year to $3.2 billion. This sales growth comprised a 5.6% decline in sales for the pharmaceuticals business, and an increase of 7.5% in the healthcare business.

Underlying net profit after tax was $67.7 million, a 15.5% decrease, due principally to increases in generic market pressures in the last quarter, and a lack of uptake of our year-end promotions.

On an underlying basis, earnings before interest, tax, depreciation and amortisation reduced by 9% to $213 million. Earnings before interest and tax reduced by 12% to $167 million. Interest expense of $72 million was down by 6.0% on the prior year, reflecting lower market rates of interest and reduced debt levels. Earnings per share, calculated on an underlying basis, declined 2.3 cents per share to 7.1 cents per share.

Our individual business segments had mixed results.

The pharmaceuticals business, which includes generics, consumer, manufacturing, and medical, generated net sales of $670 million, a 5.6% reduction on the prior year. Underlying earnings before interest and tax in pharmaceuticals, declined 23.7% to $105 million. After impairment of goodwill and other adjustments, reported earnings before interest and tax, was a loss of $124 million.

Generics

In the final quarter of last year, our generics business faced a significant increase in the level of competition. Since the Arrow acquisition, Sigma's second half result has been underpinned by year-end promotions in the generics channel. In preparation for this forecast sales activity, we increased generic inventory holdings, to more than six months. Customer participation, in this end of year promotion, was significantly down on our estimates (with sales in January of $24 million against a budget of $54 million), resulting in a shortfall in our profit expectations, from this key sales program. It also resulted in increased inventory, held at the year-end balance date. The speed of change in the Generics market has been very rapid in recent months with significant pressure on profit margins and widespread heavy discounting. Despite these challenges, the generics market remains an important market for the company, in which we are an Australian market leader. We remain committed to sustaining and growing our position in this key market, particularly with the strong pipeline of products scheduled for launch over the next five years.

The generic market has been through a phase of significant change with unprecedented levels of competition over the past 6 months. Combined levels of discount and free stock have never been higher than at present as companies seek to gain market share in preparation for the large molecules that come off patent shortly. As suppliers of generics see the value of gaining access to more pharmacies, to ensure the widest possible distribution for their own brand, higher discounts are proving to be the most potent method by which to retain and grow market share. Sigma intends to fiercely retain its market share of approximately 25% and seek ways of growing this further.

If the rate of change in the market has been significant over the past months we believe that the rate of change is set to increase even more over ensuing months. Recently announced regulatory changes have added to the uncertainty of the market and the future changes in market behaviour will reflect these likely regulatory changes as well. Sigma appreciates that the speed of recognising these change is critical to the future success of our generic division and expects the current volatile trading environment to last at least until 2012.

Change brings with it both risks and opportunity and it is our view that the medium to long term opportunities in this market sector out weigh the short terms volatility and risk.

Consumer
Sigma owns the largest Australian-owned OTC portfolio, with major brands including Chemists' Own, Ural and Coloxyl. With the exception of Herron, these brands exhibited stable growth, in particular the Chemists' Own brand with sales growing by more than 10%. Herron remains a strong Australian consumer brand, and has performed well in the pharmacy channel, but continues to face challenges in the grocery channel.

Manufacturing
Sigma is the largest pharmaceutical manufacturer by volume, in Australia. With modern and efficient facilities, we have flexibility to manufacture our own brands or source these from overseas, as well as provide contract manufacturing services, to a range of multinational and domestic pharmaceutical companies. Utilisation of our fixed capital base in the manufacturing business, continues to improve, reflecting improved efficiencies and benefits, of the ongoing site rationalisation program.

In October 2009, Sigma completed the $70 million acquisition, of an established pharmaceutical brand portfolio and manufacturing facility, from Bristol Myers Squibb, Australia. The integration of the Bristol Myers Squibb Australia brand portfolio, and manufacturing facility, is progressing in line with expectations.

Medical
Our medical sales channel is the largest Australian owned prescription business. The Orphan business, which was acquired in February 2008, has delivered results in line with our expectations.

Our healthcare business, which includes wholesale distribution, generated net sales of $2.5 billion, an increase of 7.5%. Underlying EBIT declined 4% to $67.9 million, following the industry-wide impact of statutory price reductions, which reduced effective margins available to full-line wholesalers. After impairment of goodwill, relating to anticipated synergies between generics and wholesaling, that were not realized to the extent previously expected, and other adjustments, reported EBIT was a loss of $174.9 million.

Statutory price reductions, when a new generic is listed, PBS reforms, the CSO and other regulatory changes have contributed to a difficult trading environment for the industry. The company is meeting these challenges, through implementing initiatives to manage its cost base, such as the renegotiation of customer trading terms, and tighter control of days that stock is on hand. In addition, we continue to upgrade our infrastructure, which we expect to not only improve our efficiencies, but to also reduce our logistics costs. We are pleased that the Government has announced the continuation of CSO funding, as part of the Fifth Community Pharmacy Agreement, however the fixed nature of the quantum of the CSO pool, results in a reduced effective margin available to wholesalers, as the PBS grows.

Retail
Sigma operates the largest, and second largest, retail banners in retail pharmacy, through Amcal and Guardian respectively. Membership numbers in the banners remain stable.

We have refreshed our Embrace program, which is one of our key strategic initiatives. Embrace was originally launched in September 2005, essentially as a one-stop shop offer, across our wholesale, generics, OTC and retail banner channels, along with a number of exclusive additional benefits, of Embrace membership. The response from retail pharmacies since the launch of the refreshed Embrace program, just over two months ago, has been encouraging.

Debt facilities

I would now like to provide some further commentary on our debt facilities.

With the write-down in intangibles and other year-end adjustments, and the suspension of trading in our shares, Sigma breached certain banking facility covenants. We have successfully renegotiated our facilities to maturity dates from 2011 onwards.

We greatly appreciate the ongoing support of our lenders. We have provided a commitment to our lenders, to pay down 100 million dollars of debt by 31 March 2011. The cash for this debt reduction will come from the sale of certain non core assets.

Sigma is a working capital intensive business, and the majority of our debt facilities, are structured around these requirements.

How efficiently we manage those funds is a key measure of our efficiency as a company.

We are continuing our program of reducing trading terms with pharmacy customers. We have received commitments in excess of 90 million dollars of such reductions over the coming year. We are encouraged by the progress so far, and continue to target additional reductions, across our entire customer base.

We also continue to seek appropriate trading terms with suppliers, to better match underlying payment cycles to suppliers, with cash receipts from customers.

I have reflected my disappointment already about how the year played out, but I am pleased with how our staff responded, and with the breadth of activities that are being undertaken across the Group, to reduce costs, strengthen the balance sheet, and sharpen our strategic focus.

We are also further rationalizing our manufacturing and wholesale distribution facilities, and remain on track to achieve the required 100 million dollars of debt repayment, required by our lenders, under our renegotiated debt facilities.

We continue to review our business operations, to further refine our strategic direction, and the Company will provide updates to shareholders, as milestones in this strategy are realised.

Conclusion

In conclusion, I would like to thank, my fellow employees, for their dedication and focus through this most challenging year.

The past few months have been a period of significant change and challenge for our people. I am extremely proud of the way our employees have conducted themselves, during this difficult time. I would like to acknowledge all those members of staff, who have gone out of their way, especially over these past months, to extend a hand of friendship to me, and provide their support, in what ever way they could. I look forward to maintaining the many very special friendships, that I am so pleased to have developed at Sigma.

To John, Brian and the Board, thank you for the support and direction you provided me, in my 9 years as CEO and Managing Director.

I would also like to thank all stakeholders in Sigma, for their support of me and the business, over the past 33 years. The relationships enjoyed with customers, suppliers, shareholders, funders and employees, have provided me a treasure trove of memories that I will cherish, long after I have left Sigma.

There are many customers who I count as friends, and feel very privileged to have had the opportunity to serve, over the past years. They are friendships that will no doubt continue, into the future.

Sigma has been far more than a job to me. It has been a significant part of my life, for the vast majority of my professional career to date. Sigma played an enormous role in helping me settle in my adopted country, and has been one of the key reasons, as to why I have so enjoyed, the past 33 years. It has taught me a lot, and exposed me to many life experiences, both good and bad. I feel very fortunate; to have had the opportunities I have had at Sigma, and will always be grateful to the company, for deciding to employ that young cost accountant, so many years ago.

I passionately believe in the long term success of Sigma, and our unique business model, and I wish Brian, the rest of the Board and the Management team, every success, as they re-affirm Sigma as one of Australia's leading healthcare companies.

Thank you

Elmo de Alwis
Managing Director and Chief Executive Officer
21 June 2010