

MANAGING DIRECTOR AND CEO'S ADDRESS AT THE SIGMA EXTRAORDINARY GENERAL MEETING IN MELBOURNE ON 14 JANUARY 2011

I would like to take the time to discuss the proposed structure of the Sigma Pharmaceuticals business following the sale of the pharmaceuticals business to Aspen.

Sigma Healthcare comprises pharmacy wholesaling services and pharmacy retail services.

Sigma is one of three national full line pharmacy wholesalers. Sigma is a strong market competitor holding approximately 30% market share of the full line pharmacy market. It qualifies as a CSO (Community Service Obligation) wholesaler and as such shares with the other CSO wholesalers a funding pool from the Commonwealth Government of around \$175m million per year. The CSO funds are apportioned between the CSO participants based on the relative volume of products distributed by each.

Sigma delivers products daily to over 4,000 community pharmacies. Sigma operates 14 distribution centres around Australia from which each delivery is serviced. In total Sigma holds approximately 15,000 product lines including prescription drugs, OTC medicines and general retail merchandise.

Sigma owns Australia's largest retail pharmacy brand, AMCAL and third largest retail pharmacy brand, Guardian. Together, there are over 500 AMCAL and Guardian outlets. AMCAL Max, our latest generation banner group offering has over 20 retail outlets.

From an industry perspective, growth will be continued to be underpinned by the ageing demographic.

Since commencing in August I have had the opportunity to review the business and believe the underlying business is strong

Despite the group's challenges over recent times, the customer base has remained loyal and the staff are committed to rebuilding Sigma in its new format.

The agreements negotiated with Aspen provide for an on going relationship between the parties. Sigma retains the distribution rights to the products sold and will be exposed to the potential benefits of any growth in Aspen's acquired product range.

The Aspen transaction will place Sigma in a more stable financial position and result in a robust balance sheet.

Following the sale of the Pharmaceuticals Division to Aspen, we will be focusing on the Company's ROI (returns on investment), looking to increase and maximise these returns.

There are challenges posed by changes to the industry. The Government recently finalised reforms to the PBS which will see the prices of generic medicines reduced. Given Sigma revenues are based on a mark up of drug prices, this will have a negative impact on revenues in the absence of improved product volumes.

More recently, Pfizer Australia announced its decision to distribute its drugs directly to pharmacy, by-passing the wholesalers. Pfizer accounts for between 10%-15% of Sigma's annual wholesaling revenues. We are in the process of addressing these challenges with initiatives to recover the loss in earnings.

I believe that the inefficiencies identified within Sigma and the changing industry environment can be addressed, and management have already commenced implementing reforms to attend to these matters. I would add, however, that the benefit of these changes will not be seen immediately. It is essential that we continue to work with our pharmacy customers for solutions that ensure the long term success of Sigma and its stakeholders.

In summary, post the Transaction, I believe that Sigma Pharmaceuticals will offer a business with sound foundations and a strong balance sheet. Management will be focussed on improving the Return on Investment and Shareholder value

I would like to take a moment to update you on the situation in Queensland. Our first concern has been the safety of our staff and we have taken steps to ensure our employees in the affected areas are not subjected to risk from the adverse conditions. To date all the warehouses are continuing to operate, although there has been some minimal flooding of the warehouse in Toowoomba.

The major problem has been road closures, impacting deliveries to our customers. As an important partner to pharmacy, it is critical we do what we can to ensure ongoing supply. We have been working closely with our Logistics people to ensure we do what we can in this regard, including significant rerouting of road haulage.

Once the floods have subsided, we will be looking for ways we can sensibly assist with the recovery effort. Together with our staff, we will also be making a direct financial contribution to the relief fund.

Our staff have been extremely dedicated and determined to maintain the supply of medicines. We thank all the staff for their efforts.

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