SIGMA

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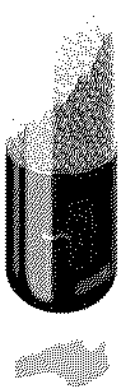
Merger Proposal

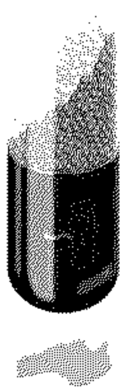


22 August 2005

Speakers

Mr Elmo de Alwis
Managing Director
Sigma Company Ltd

Mr Paul Duchen
Managing Director
Arrow Pharmaceuticals Ltd



Transaction Highlights

- Creation of one of Australia's largest pharmaceutical companies
- Combining 2 highly successful and complementary businesses
- Provides extensive suite of pharmaceutical products and services
- Arrow are proven leaders in generics – one of the 2 largest in Australia
- Sigma is largest Australian-owned prescription and OTC pharmaceutical company
- Enhanced scale and liquidity for investors

Merger Terms

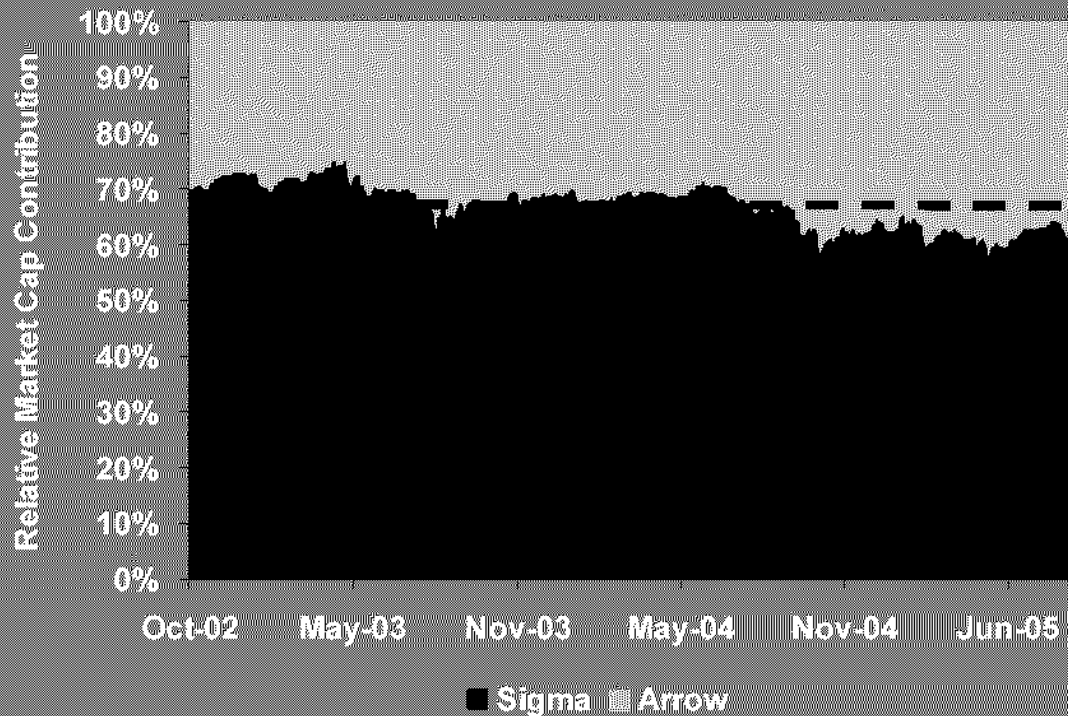
- Merged group to be owned:
  - 2/3rd by Sigma shareholders
  - 1/3rd by Arrow shareholders
- Merger ratio of 4.435 Arrow shares to one Sigma share
- Sigma shareholders to receive 28 cents per share fully franked special dividend
- Both companies will pay an interim dividend in line with existing policy

Merger Terms (cont.)

- Merged company to be named Sigma Pharmaceuticals Limited
- Board to comprise:
  - Dr John Stocker AO - Chairman
  - 4 Sigma (including Chair) and 2 Arrow (including David Duchen) non-executives
- Key management:
  - Elmo de Alwis - Managing Director
  - Paul Duchen - General Manager, Generics
  - No changes in senior management of either company
- Key Arrow shareholders maintaining substantial ongoing shareholding - alignment of interests

"Fair Value" Sharing

- Merger ratio consistent with relative market values since Arrow's ASX listing



- Merger ratio also reflects current relative net income
- Scrip based merger means Sigma and Arrow shareholders share merger benefits

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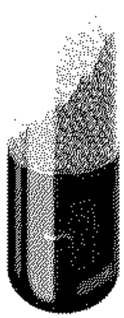
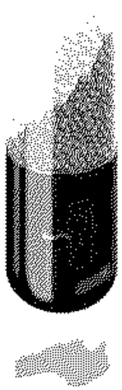
Benefits for Sigma

- Provides scale entry into the high growth generics market
- Arrow's team are proven leaders in generics and remain fully committed to the business:
  - On-going significant shareholding
  - Service agreements
  - Arrow Group IP licence
- Extends Sigma's pharmaceuticals offering i.e. OTC, ethical, wholesale, retail, manufacturing and now generics
- Raw materials sourcing
- Continues increased earnings contribution from Pharmaceuticals
- Strong position in generics market with estimated 36% market share
- Exclusive Australian access to a pipeline of generics



Benefits for Arrow

- Expanded market potential through Sigma's pharmacy relationships and banner groups
- Comprehensive service provider to Pharmacists
- Adds low cost pharmaceutical manufacturing capability
- Complementary businesses with minimal overlap
- Move to ASX100 company
- Leverage off Sigma's OTC business



Benefits of Merged Group

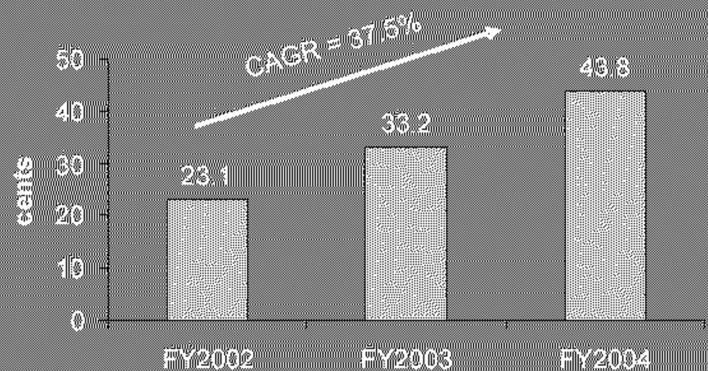
- Diversified business with sustainable growth
- Australia's only truly integrated pharmaceutical company
- Management teams with proven track record
- Ability to leverage relationships in pharmacy
- Increased utilisation of Sigma's manufacturing facilities
- Combined market cap. circa $2.2bn[1] - improved index position and liquidity

(1) Based on closing share prices on 19 August 2005

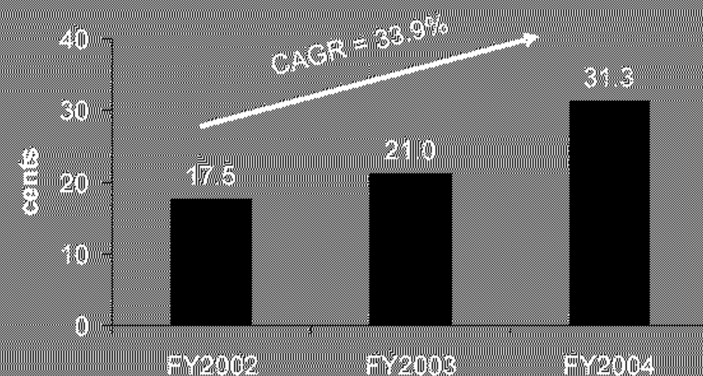
Combining Success

- Sigma and Arrow both have produced strong EPS growth

Sigma EPS(1)



Arrow EPS(1)



(1) Before amortisation of goodwill

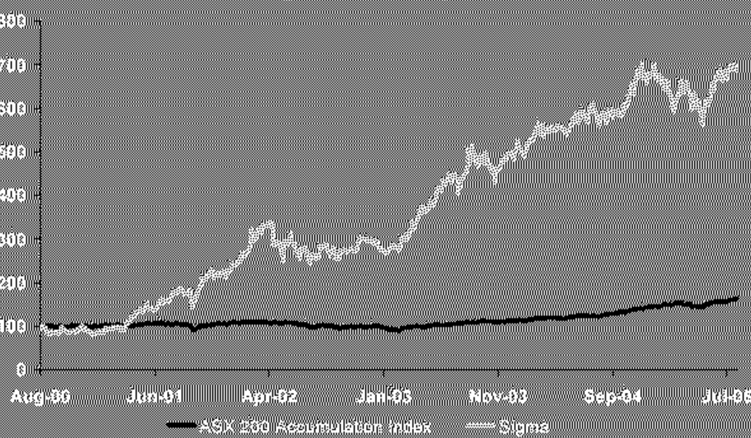
(2) CAGR represents compound annual growth rate

Combining Success

- Sigma and Arrow both have produced excellent total shareholder returns (TSR) relative to ASX200

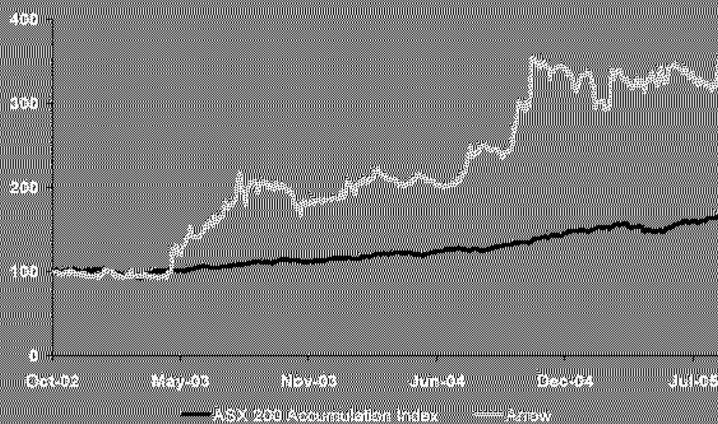
Sigma 5 year TSR(1)

Average TSR p.a. = 47%



Arrow TSR(1)(2) Since Listing

Average TSR p.a. = 58%

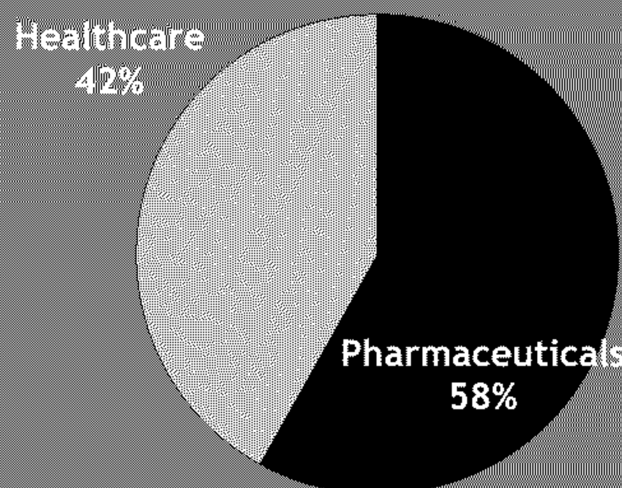


(1) Share price appreciation assuming reinvestment of dividends
(2) Excludes Arrow IPO premium

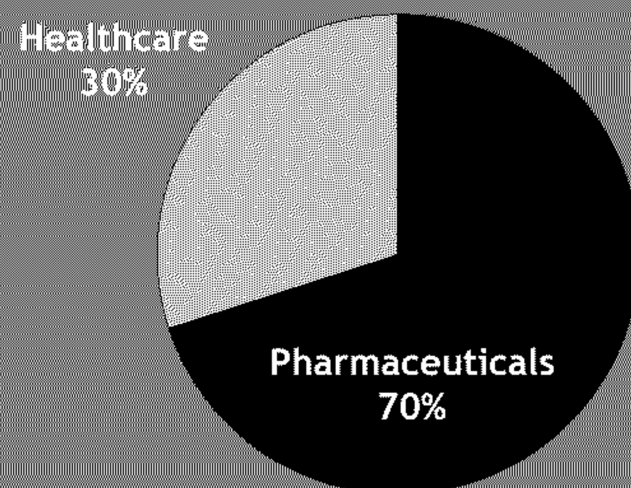
Complementary Pharma Businesses

- Similar pharmaceutical sales:
  - Sigma: $323m(1)
  - Arrow: $337m(1)
- Improved Pharmaceuticals EBIT contribution:

Sigma Currently(1)



Post Merger



(1) Year ended 31 January 2005 for Sigma and 31 December 2004 for Arrow

Complementary Pharma Businesses

- Existing business relationship for 5 years
  - Arrow markets Sigma's generics portfolio
  - Sigma manufactures Arrow branded generics
- Sales synergies
  - Broader and complete offering for pharmacies
- Distribution synergies
- Small cost synergies

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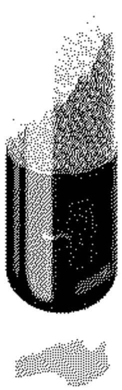
Complementary Businesses

	Development	Licencing Acquisitions	Manufacturing	Distribution	Sales & Marketing	Retail
PBS Ethicals		SIGMA arrow	SIGMA	SIGMA	SIGMA	SIGMA
PBS Generic	arrow	arrow	SIGMA	arrow	arrow	SIGMA
Non-PBS Ethicals		arrow	SIGMA	SIGMA arrow	arrow	SIGMA
OTC	SIGMA	SIGMA	SIGMA	SIGMA	SIGMA	SIGMA



Generics Market – The Attraction

- Currently \$700m + market
- Only 18% market share in Australia - compares to 50% + in other OECD countries
  - Australia likely to move towards international levels with forthcoming patent expiries
- 50 drugs coming off patent by 2010:
  - \$1.7bn p.a. market potential
  - Generics should attain 40 - 50% market share
- Government seeking generics growth
  - Spends approx. \$6.6bn p.a. on PBS
  - Generics achieving above average growth

Arrow Background

- David Duchen started in Generics in 1968 and founded Alphapharm in 1982
- Paul Duchen was General Manager at Alphapharm from 1993
- Management team left to start Arrow early 2000
    - 30 ex-Alphapharm employees (majority sales)
    - Vast medical, pharmacy and generics experience and contacts

Arrow's Business Model

- Many customers and employees are shareholders
- 3 inter-related parts of business:
  - Private prescription
  - Generics
  - Branded (promoted)
- Direct distribution network

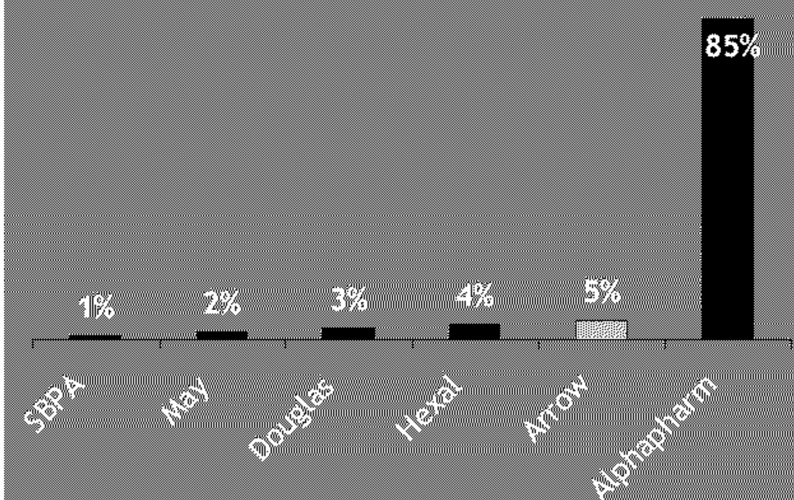
Arrow's Product Range

- Base - Sigma's generics portfolio:
  - 14 products, 23 SKUs
- Licence - Australian & international companies:
  - 31 products, 65 SKUs
  - Many first-to-market
  - Utilising established relationships
- R&D pipeline - Arrow Group:
  - 13 products, 28 SKUs
  - 11 products approved
  - 18 submissions under evaluation (TGA)
  - 38 products currently under development

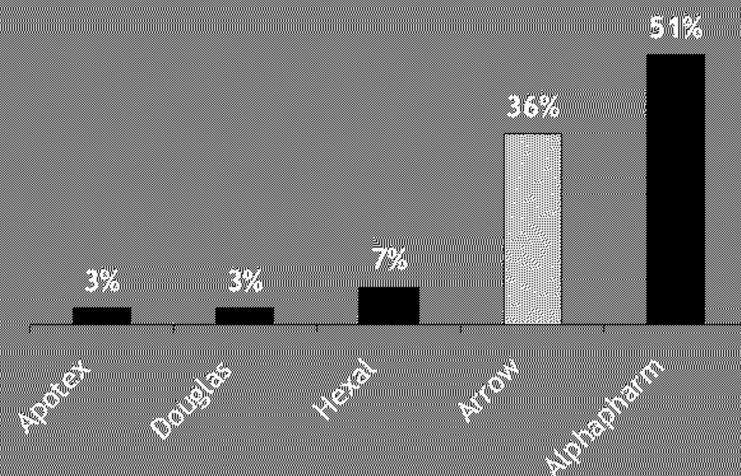
Arrow's Generics Market Position

- Arrow has achieved rapid growth in market share to be the clear #2 in Generics in just 4 years

April 2001(1)



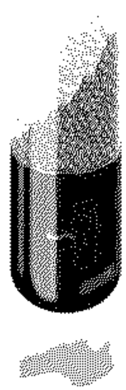
May 2005(1)



(1) Arrow internal estimates of market share

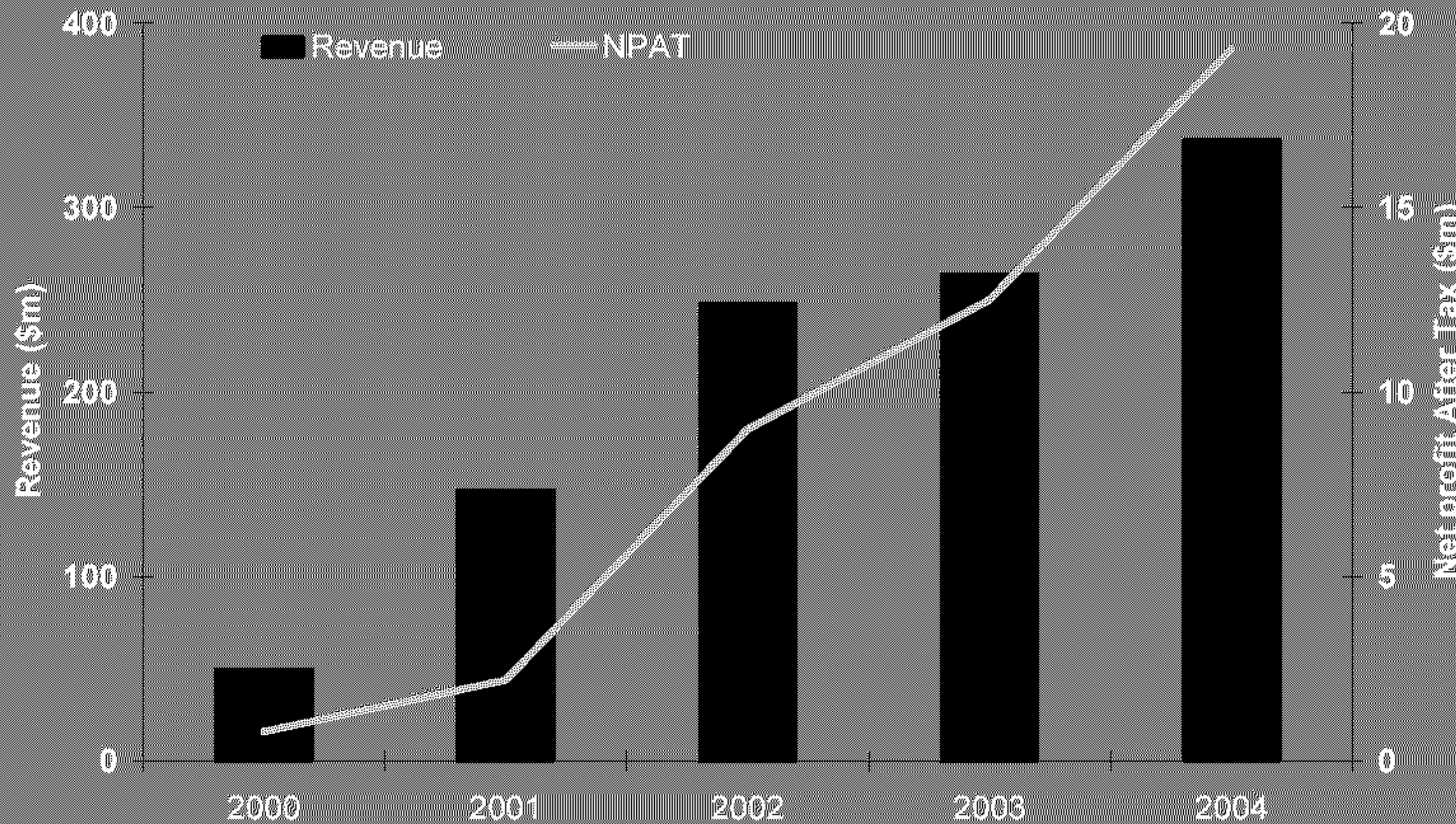
Arrow's Generics Pipeline

- Product development to be provided under exclusive Australian IP Licence with Arrow Group
  - International company and currently 38% shareholder in Arrow
- Access to research lab in Melbourne - 59 scientists and technicians
- Delivery of at least 60 new generic drugs over next 5 years
- Proven track record
- Arrow also has established relationships with major drug companies as further source of licensed generics



Arrow's Track Record

- History of strong revenue and profit growth



- Continued strong growth in 1st half of 2005

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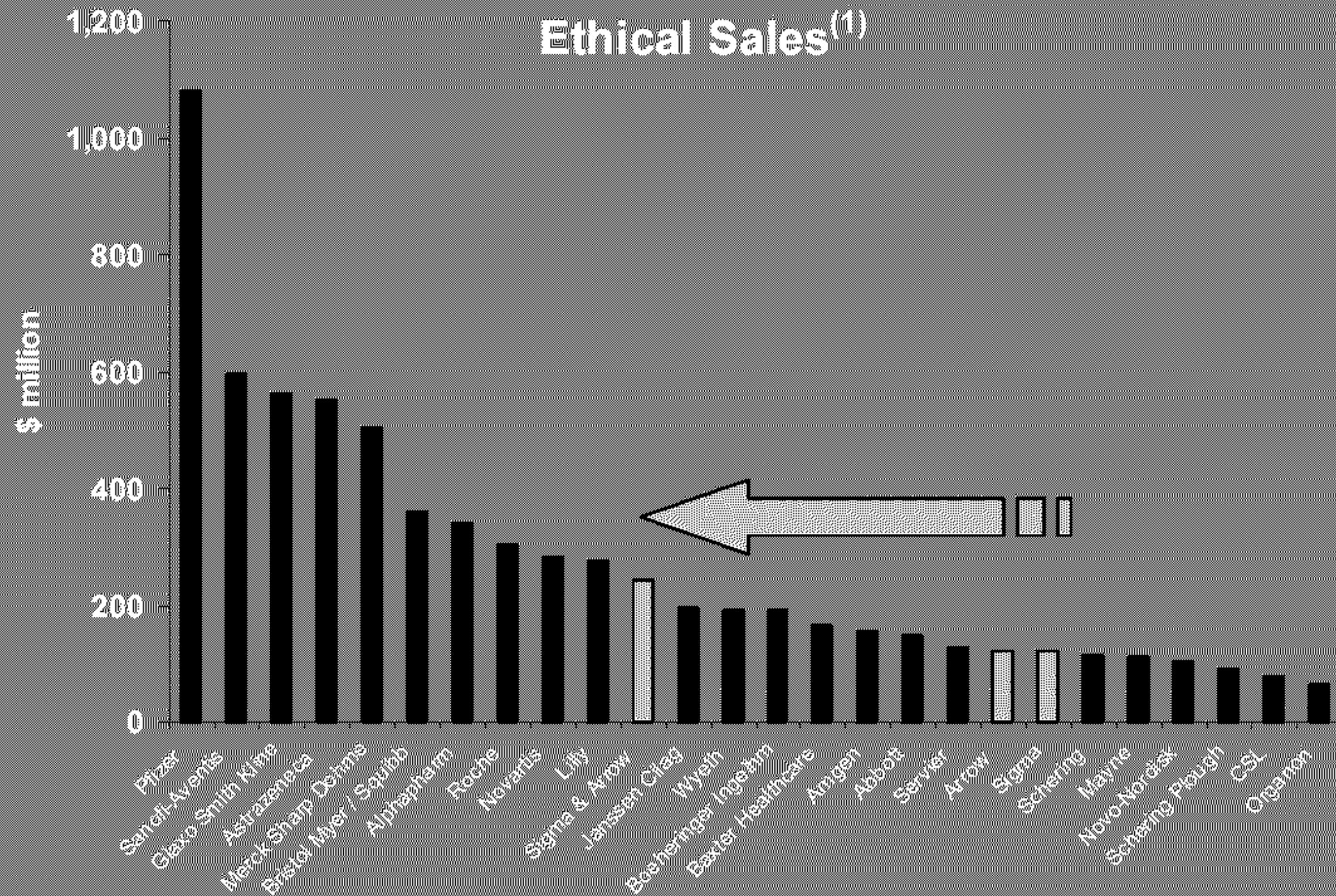
Merger Strategy

- Arrow to continue its current business strategy and operations within Sigma group
- Primary reason for merger is growth, not operational integration:
  - Estimated cost synergies approx. $2-3m pa
- Ability to draw on combined management strength and industry experience
- History of strong relationship with pharmacy

Leading Australian-Owned Pharmaceuticals Company



(1) Australian Ethical Sales moving annual turnover at June 2005 (source: IMS)

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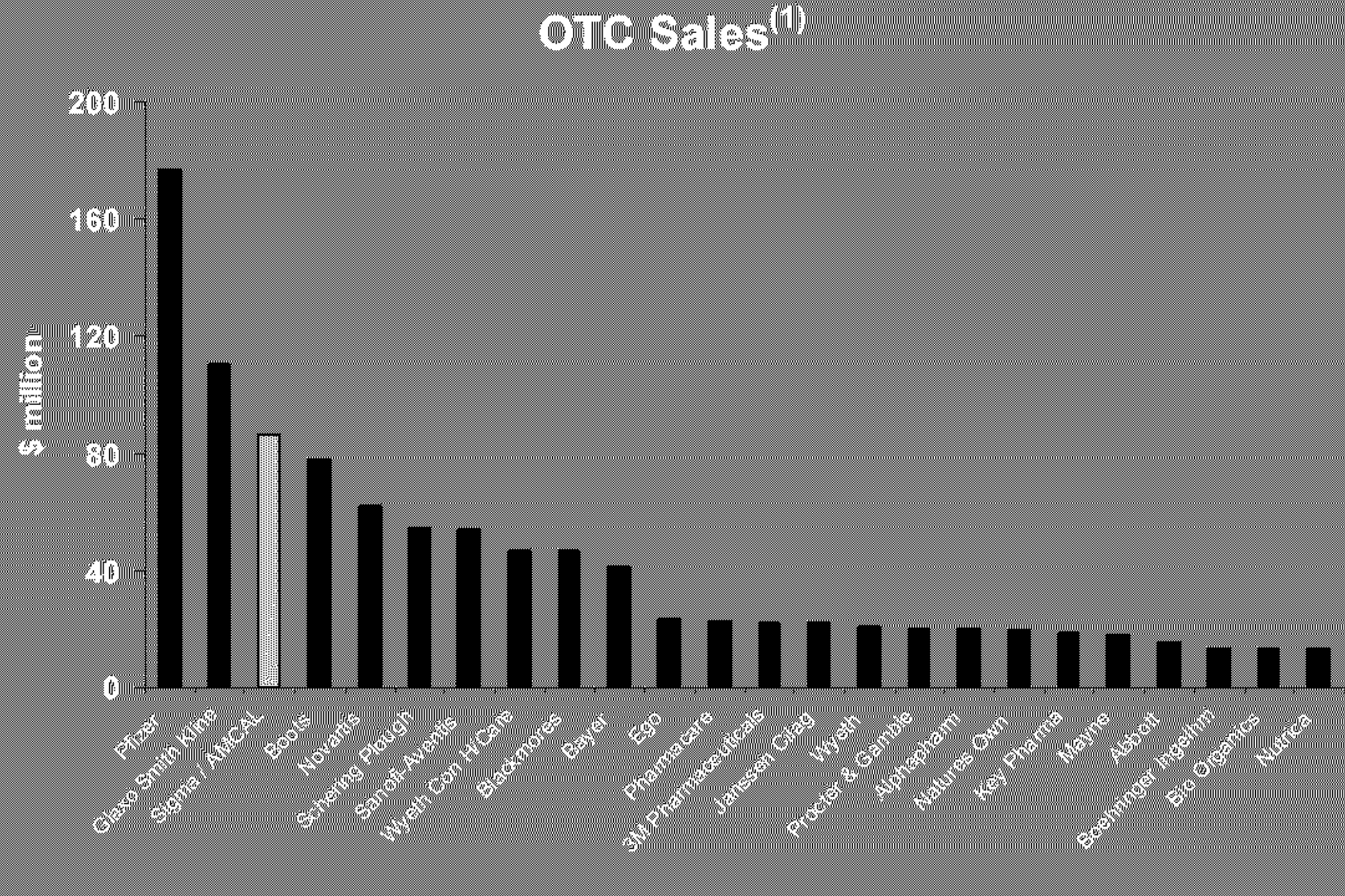
Leading Australian-Owned Pharmaceuticals Company



(1) Australian Popular Sales moving annual turnover at June 2005 (source: IMS)

Financial Outcomes

- Pro-forma FY06[1] Sales $2.4bn+
- Pro-forma FY06[1] EBITDA $180m+
- Broadly EPS neutral in first full year (pre amortisation and merger costs)
- Conservative capital structure
- Pro forma debt of c. $350m at end of 2005 calendar year, implies
    - 1.9x debt / EBITDA
    - 4.0-5.0x interest cover
    - 25% debt / book capitalisation
- $2.2b combined market cap[2] - circa. ASX #80

(1) Pro-forma year ending 31 January 2006, assuming merger had occurred on 1 February 2005

(2) Based on closing share prices on 19 August 2005

Merger Implementation

- Sigma scheme of arrangement
- Sigma Scheme meeting and Arrow shareholder meeting on merger related matters expected in November
- Implementation agreement executed
- Conditions detailed in ASX announcement
- Aim is to complete the merger by year end

Key Arrow Shareholder's Agreements

- Arrow Group, Duchens and associates agreed to share restrictions
- Provides for reduction in initial combined shareholding to 17.5%, subject to certain conditions
- Ongoing sale and voting limitations
- Long term non-compete arrangements

Summary

- Creation of one of Australia's largest pharmaceutical companies
- Combining 2 highly successful and complementary businesses
- Provides extensive suite of pharmaceutical products and services
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- Sigma is largest Australian-owned prescription and OTC pharmaceutical company
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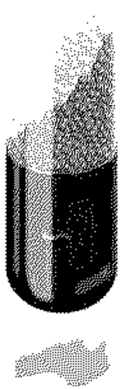

Questions

Important Notice

In making an investment decision, investors must rely on their own examination of the merged group, including the merits and risks involved in the transaction which will be set out in detail in the Explanatory Memorandum to be sent to Sigma security holders. Investors should consult with their own professional advisors in connection with any investment decision.

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Thankyou