SIGMA

ASX: SIP

29 September 2010

ASX and Media Release

SIGMA PHARMACEUTICALS – JULY 2010 HALF YEAR RESULT

Sigma Pharmaceuticals Limited ("Sigma") today announced its financial results for the half year ended 31 July 2010. Sales revenue increased 6.9% over the prior corresponding period ("pcp"). This included sales revenue growth of 8.0% for the Healthcare Division and 1.8% for the Pharmaceuticals Division.

However, due largely to the non-cash impairment of goodwill of $220 million, the Group reported a net loss after tax of $218.5 million. As foreshadowed on 16 September 2010, the carrying value of the Group's goodwill was reassessed in light of the proposed sale of the Pharmaceuticals Business to Aspen for $900 million. The result also includes several other one-off charges including inventory writedowns and restructuring costs.

The net loss after tax for the half year compared with a profit of $32.2 million for the pcp.

Sigma's Managing Director, Mr Mark Hooper, said: "Sigma's challenges over the past six months are well documented and of disappointment to the Board, management and shareholders.

"While there is much more to do to reconfigure the business for a stronger future, in the few weeks since I started as MD I have seen encouraging signs of stability returning to the business.

"It is pleasing that these results include a strong increase in sales within the Healthcare Division and, albeit smaller, in the Pharmaceutical Division. The growth in Pharmaceutical sales were achieved in an environment of highly competitive generic pricing and lower promotional sales in this half year. The challenge remains to ensure this sales growth converts to improved earnings in the future."

Healthcare Division

During the first half of the year, the Healthcare Division reported:

- Net External Sales Revenue of $1,346 million (+8.0% vs pcp)
- EBITDA of $30.0 million (-17.5% vs pcp)
- EBIT of $28.6 million (-17.0% vs pcp)
- EBIT to External Sales Margin of 2.1% (-0.7% vs pcp)

“Sales growth has been driven by PBS growth of around 6%-7% and continued strong support from our customers, with whom we have also been working to reduce the historically extended settlement terms to a more sustainable basis,” Mr Hooper said.

“We will review the overhead and logistical costs, which increased in the first half of the year and contributed to a decline at the EBIT level. Gross Profit for the Healthcare Division remained stable in the first half. Reduction in extended credit arrangements remains a key focus for the Healthcare Division.

“We will continue to examine further opportunities to improve margins and reduce our working capital base.”

Pharmaceuticals Division

During the first half of the year, the Pharmaceuticals Division reported:

- Net External Sales Revenue of $275.5 million (+1.8% vs pcp)
- EBITDA of ($175.4) million (vs $66.4 million pcp)
- EBIT of ($197.9) million (vs $45.9 million pcp)

The goodwill impairment recognised in relation to the Pharmaceuticals Division was $220.0 million. There were also other one-offs amounting to $18.1 million including inventory write-downs. Accordingly, the underlying EBIT for the Pharmaceuticals Division was $40.2 million.

Revenue in the Pharmaceuticals Division was also impacted by lower promotional sales activity. This particularly impacted the Generics and OTC Businesses.

“The Generics Business has also seen continued aggressive discounting which has resulted in lower gross profit contributions. We have taken the opportunity to reduce certain inventory valuations in our Generics Business in light of these developments,” Mr Hooper said.

The Medical channel had strong sales and margin growth complemented by the Bristol-Myers Squibb acquisition last year. The integration of Orphan with the existing Medical portfolio and sales team has been successful and is delivering in line with expectations.

Cashflow and Gearing

A key focus of the business in recent months has been renegotiating the terms of our banking facilities. Sigma's lenders have agreed to certain adjustments to its financial covenants. Based on the revised covenants, there was no breach of covenants at 31 July 2010.

Net on and off balance sheet debt as at 31 July 2010 was $819.0 million (31 July 2009: $883.7 million). Total gearing was 49.0% as at 31July 2010 compared to 42.1% as at 31 July 2009.

Net operating cash flow from operations was $40.5 million. On 30 August 2010, the Group repaid the $40 million of its syndicated bank loan liability which was due on 30 September 2010. The repayment was funded through improvements to working capital.

Proposed Sale of Pharmaceuticals Business

On 16 August 2010, the Board announced that it had agreed in principle to sell its Pharmaceuticals Business to Aspen for $900 million.

"The negotiations with Aspen are well advanced and we expect transaction documentation to be finalised shortly. This will include final agreement on the exact assets to be transferred as part of the sale," Mr Hooper said.

The sale is subject to shareholder and certain regulatory approvals. A Shareholders' meeting is currently expected to be held in mid November 2010. If the transaction proceeds, an independent expert's report and further material relating to the proposed sale will be circulated with the notice of meeting approximately one month before this.

Shareholder Class Action

As advised on 3 September 2010, Sigma received correspondence foreshadowing a proposed representative proceeding (shareholder class action) against Sigma relating to alleged non-disclosure by Sigma prior to its capital raising in September 2009. The amount claimed has not been quantified. If the legal proceedings are issued, Sigma intends to vigorously defend them.

Dividend

The Board has not declared or authorised a dividend in respect of the half year ended 31 July 2010. However, if the sale of the Pharmaceuticals Business to Aspen proceeds, the Board will consider using part of the proceeds to fund capital management initiatives.

Outlook

The Group maintains its previous guidance of underlying EBIT between $140 million and $150 million for the full year ending 31 January 2011, pre the impact of the Aspen sale. This assumes a continuation of normal operating conditions through to January 2011.

Reported earnings will be impacted by the asset impairments booked in respect of the July half year and the other one-off charges recorded in the first half result. There may also be an impact from any final profit or loss on the sale of the Pharmaceuticals Business.

For further information, please contact:

Mr Mark Hooper
CEO & Managing Director

Mr Jeff Sells
Group Chief Financial Officer

Sigma Pharmaceuticals Limited
Ph: +61 3 9839 2800
Fax: +61 3 9839 2801

Mr Ian Smith
Bespoke Approach
Ph: +61 418 814 611