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ASX RELEASE

Growth from enhanced business model

Financial Highlights

- **EBIT UP 34.5% to $33.5 MILLION**
- **SALES REVENUE UP 2.6% TO $1.5 BILLION**
- **RETURN ON INVESTED CAPITAL (ROIC) REACHES 14.9%[1]**
- **$34.7 MILLION NET CASH**
- **INTERIM DIVIDEND TEMPORARILY SUSPENDED DUE TO LACK OF FRANKING CREDITS. CASH APPLIED TO SUPPORT THE SHARE BUY-BACK.**

Business Highlights

- **CENTRAL HEALTHCARE ACQUISITION COMPLETED**
- **DISCOUNT DRUG STORE (DDS) ACQUISITION ANNOUNCED**
- **PHARMACY ALLIANCE 10 YEAR CONTRACT EXTENSION**
- **CONTINUED INVESTMENT IN BRANDS AND DISTRIBUTION CENTRE NETWORK**

Overview

Sigma Pharmaceuticals Limited (Sigma) today announced reported EBIT for the six months ended 31 July 2014 of $33.5 million, up 34.5% from $24.9m in the prior comparative period. These results benefitted from sales growth and one-off costs incurred in 2013 that did not repeat this year. Sales revenue for the six months to 31 July 2014 was up 2.6% to $1.5 billion.

Against a backdrop of a flat PBS, this is a strong performance that reflects an increase in volumes distributed and an overall improvement in market share.

Sigma Chief Executive Officer Mark Hooper said "It is a credit to our team at Sigma and our pharmacy customers that we have been able to continue to grow the business. We are continuing to focus on growing the business by making sure we drive the things that we can control."

"The continued focus for the past six months has been to further strengthen our pharmacy offer. We want our branded pharmacies to be the pharmacy of choice for health, beauty and wellbeing, and we are committed to actions that support that strategy. We continue to roll out structured professional services programs and are expanding our range of private and exclusive label products. We have cemented important business partnerships, and we continue to identify operational efficiencies."

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Volumes delivered during the period were up 6.7% (3.3% excluding CHS) on the same period last year. Equally as important, despite the higher volumes and wage inflation, productivity improvements have seen logistics costs increase by less than the percentage volume growth for the period. This also includes closure costs of $0.3m in relation to Sigma's Toowoomba distribution centre.

Business network development

The acquisition of Central Healthcare Services (CHS) was finalised on 26 May 2014.

"CHS continues to run as a standalone business, and has contributed just two months to these half year results, but is meeting our expectations leading into the acquisition, and the signs for future growth are encouraging."

The CHS business has been further strengthened by the recently announced acquisition of Discount Drug Stores (DDS). DDS has grown its market presence over the past decade to reach 121 DDS branded pharmacies across Australia, with strong representation down the eastern seaboard.

"DDS is a strong business model, and brings critical scale to Sigma's portfolio, which now exceeds 700 branded pharmacies. DDS joins our other brands, Amcal, Amcal Max, Guardian, Pharmasave and Chemist King. When you also consider our independent pharmacy support offer through our relationship with Pharmacy Alliance (PA) and other independent groups including Reform and Smarterpharm, we have a tailored pharmacy solution to support every pharmacist across nearly 1,200 pharmacies", said Mr Hooper.

Sigma recently announced a 10-year extension to its wholesale supply and service agreement with PA. PA provides aggregated buying and support services to over 460 pharmacies across Australia, and represents over $400 million in annual revenue for Sigma. This long term agreement provides a strong platform for Sigma and PA to pursue strategic initiatives in the supply chain.

"PA plays a tremendous role in supporting independent pharmacies in an ever challenging and consolidating industry. This long term supply agreement provides support for PA to continue with confidence, and provides Sigma with greater revenue security and growth potential", said Mr Hooper.

Financial Results

Sales for the six months reached $1.5 billion, up 2.6% on the same period last year. Adjusting for the effects of PBS Price disclosure during the period, sales would have grown by 6.5%.

Reported Earnings Before Interest and Tax (EBIT) reached $33.5 million, up from $24.9 million last year. ***Reported Net Profit After Tax (NPAT)*** for the six months of $22.4 million is up 37.5% from $16.3 million last year.

Return on Invested Capital (ROIC) has continued to achieve new heights, reaching 14.9%[1], compared to 11.8%[2] in the prior comparative period.

"It is critical we continue to find ways to not only grow sales and non-dispensary income, but also drive our asset base harder to improve returns. The continual improvement in our ROIC demonstrates we are getting this balance right", said Mr Hooper

Working capital has remained consistent with the same period last year, inclusive of CHS. The ***Cash Conversion Cycle*** continued to improve, down to 48 days from 53 the same time last year, and down from 72 days just three years ago. That equates to a reduction in working capital of $182m over the last three years.

Capital expenditure for the six months was $2.2 million, with a higher level expected to be incurred in the second half of the year and over the next two years in line with our investment in distribution centres.

Business initiatives

After comprehensive assessment, the investment in **distribution centres** is expected to commence in the 2015 calendar year, with the Sigma Board initially approving the business case for investment in Brisbane. The next phase of detailed design and planning has commenced.

"We have recently acquired land in Berrinba, just south of Brisbane. We will now work to finalise the scope and design process, with the intention to commence construction work in the first half of 2015. Additional expenditure is expected to be around $30-40 million, and is the next important and exciting investment in our future", Mr Hooper said.

Our range of ***private and exclusive label*** products, both branded and exclusive, has also been expanded, and will exceed 680 within the next 12-months, including a range for independent pharmacies. "We have made significant inroads in sourcing product from our global partners to bring quality product at affordable prices", Mr Hooper said.

Dividends and Capital Management

As flagged at the full year results and the Annual General Meeting, Sigma temporarily has insufficient franking credits to pay a fully franked interim dividend for this half. As a result, Sigma will temporarily not pay an interim dividend, but does expect to be in a position to pay fully franked dividends in May 2015. A number of alternatives have been considered, with the Board unanimously supporting to allocate the cash that would have been paid as a dividend to support the continuation of the on-market share buy-back.

Sigma Chairman Brian Jamieson commented "Continuing the share buy-back is an effective form of capital management that benefits all shareholders, either by selling into the program, or due to the reduced number of shares on issue. Since we began the buy-back program in October 2012, over 83 million shares, which is over 7% of our issued capital, has been bought back and cancelled, including almost 17 million shares bought back in the six months to 31 July", said Mr Jamieson.

Mr Jamieson concluded "We have the profits, the cash, and this strong balance sheet, but unfortunately we do not have sufficient franking credits to pay a fully franked interim dividend this half. Importantly we do not expect our recent acquisitions and upcoming business investments to compromise our ability to pay a high level of dividends into the future."

Outlook

Sigma remains confident the implementation of our strategic plans will continue to drive business improvement and growth through the next six months and beyond.

Continued sales growth along with a full six months contribution from CHS in the second half of the year will boost sales and profit. The addition of DDS to the business will add momentum to this, albeit weighted towards the 2016 financial year as distribution transitions to Sigma.

In addition, Sigma will see incremental benefits through the remainder of this financial year as our portfolio of private and exclusive label products gains further momentum.

Mr Hooper concluded "We are committed to our overarching vision of making Sigma the partner of choice in health, beauty and wellbeing. We have backed this with our investment in brands, products, people, and partnerships. We are also entering the next phase of reinvestment in our distribution centres that will help drive efficiency gains and underpin our future profitability. I look forward to reporting on our progress."

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General Counsel & Company Secretary

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[1] ROIC of 14.9% is based on rolling 12 months EBIT excluding acquisition expenses.
[2] ROIC of 11.8% is based on rolling 12 months EBIT excluding net litigation expenses.