Media Release

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SIGMA ANNOUNCES STRONG PROFIT AND CASH RESULTS CONFIRMING ITS DEFENSIVE QUALITIES

Sigma Pharmaceuticals Limited ("Sigma"), one of Australia's leading healthcare companies, today reported Net Profit After Tax ("NPAT") for the year ending 31 January 2009 of $80.1 million.

- **Reported EBITDA up 20.2% to $235.0 million**
- **Reported EBIT up 20.0% to $190.3 million**
- **Reported NPAT up 3.9% to $80.1 million**
- **Full year cash generation from operations of $245.9 million, an increase of $149.9 million on the prior year**
- **Credit approval obtained for financing requirements to 2011**
- **EBIT to Net Sales of 6.2%, up from 5.3%**
- **Basic EPS up 0.9 cents to 9.4 cents per share**
- **Dividend payout ratio maintained, with final dividend declared of 4.0 cents per share**

The achievement was underpinned by a consolidation of previous market share gains and a significant improvement in operating margins. Sigma's Managing Director, Mr Elmo de Alwis, said the result reflected a reinvigorated approach by Management across each of the Group's sales channels.

"We have delivered a Net Profit After Tax in line with consensus, despite reforms to the Pharmaceutical Benefits Scheme and the global economic downturn. With improvements in EBIT to External Sales margins across both operating divisions, our diversified business model was able to generate $49.5 million of NPAT in the second half. The 38%/62% split between first and second half NPAT contributions is consistent with our expectations and previous year's performance."

The first half impact caused by retail pharmacy customers destocking was largely recovered in the second half. “We have seen our customer’s inventory levels recover around 3 of the 4 weeks of the destocking that affected our first half result. This is evidenced by the second half result for both the Generics and Wholesale sales channels. Our market shares remain steady despite continued fierce competition, whilst EBIT margin improvements reflect the upside potential for future periods,” Mr de Alwis said.

The working capital improvements seen in the first half were consolidated in the second half, with cash flow generation from operations for the full year totalling $245.9 million. “Optimising our working capital investment across inventory, creditors and debtors whilst maintaining service levels remains a key focus. With specific targets across each sales channel, this ongoing project remains on track to deliver an additional $100 million optimisation over the coming year,” Mr de Alwis said.

Mr de Alwis went on to say, “As a result of the strong cash generation over the past year, Sigma approached our Lenders at the start of this year to refinance $100 million of the $200 million of syndicated debt facilities due September 2009. We are pleased to announce that our Lenders have provided us with Credit and Pricing approval for this refinance to a new maturity date of September 2011.”

“With the global financial crisis severely impacting on the availability of debt for corporate Australia, maintaining headroom on committed debt facilities is a prudent measure, notwithstanding the benefits accruing from our working capital project. The ongoing support of our Lenders is demonstrated by refinancing the $100 million at levels commensurate with their previous commitments to Sigma. We have also received Credit and Pricing approval to extend the maturity of the Westpac trade receivables program by twelve months to February 2011. Coupled with the continued benefits of our working capital optimisation project, Sigma has sufficient headroom to continue to fund ongoing operations,” Mr de Alwis said.

Pharmaceuticals

During the 2008/09 year, the Pharmaceuticals Division achieved:

- Net External Sales of $595.9 million, down 3.2% from the prior year
- Earnings Before Interest, Tax, Depreciation and Amortisation (“EBITDA”) of $172.5 million, up 22.6% from 2007/08.
- Earnings Before Interest and Tax (“EBIT”) of $133.5 million, up 21.9% on 2007/08
- EBIT to Sales margin of 22.4%, up from 17.8% in 2007/08

“The significant increase in EBIT margin reflects the importance of this division to Sigma. Whilst maintaining market share, the decrease in sales from our large licensed generic molecules has been largely offset by the addition of new molecules to our home-grown manufactured portfolio. Ten new generic molecules were launched during the year, including Dilasig (Carvedilol) and Felidol (Foledipine XR), with a further twelve with current PBS sales of $413 million due to be launched in 2009/10. The integration of Orphan Australia in to the business is complete, and the eleven months contribution to our result was slightly ahead of our expectations. The OTC business continues to grow, with EBIT contribution up

12% on 2007/08. The reinvigoration of the Herron brand is starting to pay dividends, with stabilised market shares in Grocery and growth in pharmacy," Mr de Alwis said.

Healthcare

During the 2008/09 year, the Healthcare Division achieved:

- Net External Sales revenue of $2,485.4 million, up 5.7% from the prior year
- Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") of $68.8 million, up 13.0% from 2007/08.
- EBIT of $63.5 million, up 14.3% on the 2007/08 full year result
- EBIT to External Sales margin of 2.6%, up from 2.4% in 2007/08.

"With sales growth slightly ahead of underlying PBS growth, our market share has been maintained. The ongoing focus on supply chain efficiencies whilst maintaining service levels to customers has seen EBIT margins continue to grow year on year. The Amcal Max, Amcal and Guardian retail banners have maintained stable numbers during the year and remain the largest pharmacy groups in Australia, with a combined market share of 13% at retail," Mr de Alwis said.

Dividend

The Directors of Sigma Pharmaceuticals Limited have today declared a final dividend of 4.0 cents per ordinary share, fully-franked and payable on 7 May 2009. After adding back restructure costs and amortisation of intangibles, the dividend represents a payout ratio of 58%, consistent with prior year payout ratios.

Outlook

Mr de Alwis said, "Due to the continuing uncertain environment, the Company is not providing detailed guidance at this time, however we expect to deliver modest growth for the 2009/10 financial year. We will update on our year to date performance at our AGM on 12 May 2009."

Media Inquiries:

Elmo de Alwis
Managing Director
+61 (0)418 377 306

Sigma media releases are available on the Sigma website at:
www.sigmaco.com.au