

Recent Developments

Merger Proposal

On 22 August 2005, Sigma announced a proposal to merge with Arrow Pharmaceuticals Limited (Arrow).

Since its establishment in 2000, Arrow has achieved significant growth to become the second largest generic pharmaceutical company in Australia. Sales in 2005 (including generics) are expected to exceed \$400m.

The proposed merger with Arrow combines two complementary businesses that will significantly enhance Sigma's growth strategy and enable us to continue to deliver strong returns to shareholders.

The merged company will be named Sigma Pharmaceuticals Limited and will be owned two-thirds by Sigma shareholders and one-third by Arrow shareholders.

Based on market values before the proposed merger was announced, the combined group would be valued at approximately \$2.2bn, ranking it close to the 80th largest company by market capitalisation listed on the ASX.

This is a very exciting opportunity for Sigma. It provides Sigma with access to an important and growing market segment in which Sigma had limited involvement.

Full details relating to the proposed merger are contained in the Scheme booklet to be mailed to shareholders by late October, and on our web site (www.sigmaco.com.au).

Proposed Dividends

As part of the merger proposal, Sigma has announced that, in addition to the interim dividend, it intends to pay a fully franked special dividend of 28 cents per share to shareholders, conditional on the merger with Arrow being approved. In addition, the Sigma Board has approved, subject to the proposed merger proceeding, the early payment of the 2006 final dividend of 21 cents per share fully franked, to be paid together with the special dividend.

The 2006 final dividend has been accelerated in order to release retained profits to current Sigma shareholders prior to the proposed merger becoming effective, and is not based on projected full year profits.

When combined with the interim dividend of 14.5 cents per share, a total of 63.5 cents per share in fully franked dividends will be paid to shareholders in the period since announcing the merger and the effective date of the merger, providing a significant return to shareholders.

Details regarding the record date and payment date for the dividends will be disclosed in the Scheme booklet.

Stakeholder Queries

Share Registry Enquires:

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The Half Year Report and other company information can be found on Sigma's website at www.sigmaco.com.au

SIGMA COMPANY LIMITED
ABN 44 004 132 923
Registered Office:
1408 Centre Road, Clayton VIC 3168



Sigma Company Limited Half Year Report
For period ended 31 July 2005



Group Financial Results – Half Year Summary

Group Results	2005 \$000	2004 \$000	Change %
Sales Revenue	1,036,951	1,021,813	Up 1.5%
Earnings before interest and tax (EBIT)	56,785	48,851	Up 16.2%
EBIT before impact of plant closure costs	59,728	48,851	Up 22.3%
Profit before tax (PBT)	45,178	38,988	Up 15.9%
Profit after tax (PAT)	31,653	26,424	Up 19.8%
Capital Employed	459,669	434,730	Up 5.7%
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Earnings per share	22.6c	19.0c	Up 18.9%
Interim dividend per share	14.5c	10.5c	
Net tangible assets per share	59.4c	42.8c	
EBIT/Sales	5.5%	4.8%	
Return on capital employed (ROCE)	24.7%	22.5%	

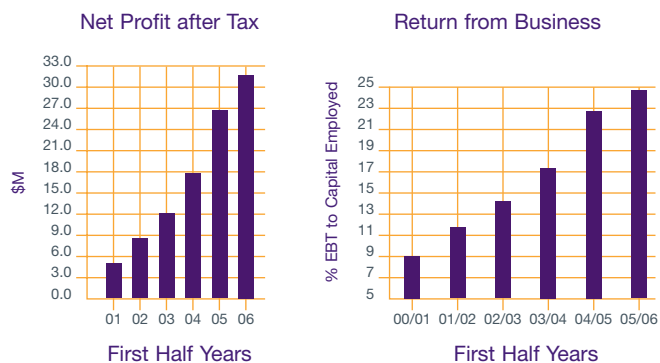
Key Measures

EBIT UP 16.2%	PAT UP 19.8%	ROCE OF 24.7%
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Outlook

Our focus on strategic business development initiatives places Sigma in a strong position to continue our successful growth.

The outlook remains strong and we confirm our full year PAT growth forecast of 15%.



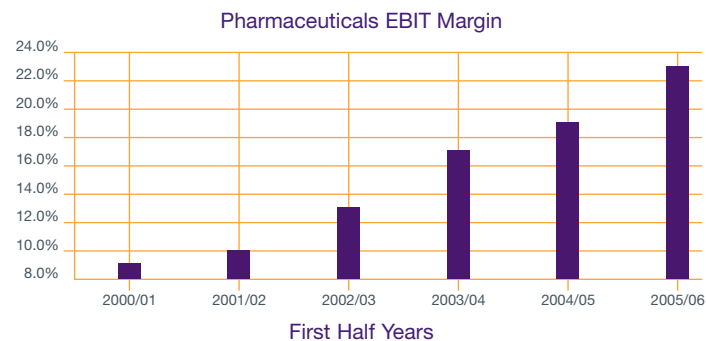
Divisional Earnings Performance Pharmaceutical Business

Group Results	2005 \$000	2004 \$000	Change %
Sales Revenue	166,632	159,291	Up 4.6%
Earnings before interest and tax (EBIT)	37,832	30,510	Up 24.0%
EBIT before impact of plant closure	40,775	30,510	Up 33.6%
Profit before tax	32,980	26,624	Up 23.9%
Capital Employed	343,614	314,942	Up 9.1%
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EBIT/Sales	22.7%	19.2%	
Return on capital employed (ROCE)	22.0%	19.4%	

The Pharmaceutical business has continued to produce solid results, with EBIT up 24% from an increase in sales of 4.6%. This result reflects the ability of the Pharmaceutical business to leverage its relatively fixed cost base and focus on profitable sales growth.

The facility at Mt Dandenong Road Croydon has ceased manufacturing activities, and will close by December 2005. The EBIT margin of \$37.8 million has been achieved after absorbing the one-off costs of \$2.9 million associated with the closure of this facility.

The future for the Pharmaceutical business is looking positive together with the proposed merger with Arrow Pharmaceuticals and the \$60 million redevelopment work at our Dandenong plant on target. The upgraded Dandenong facility will give Sigma a modern facility with increased capacity and greater opportunity to grow future sales of own branded product, contract manufacturing and exports.



Healthcare Business

Group Results	2005 \$000	2004 \$000	Change %
Sales Revenue	903,791	890,423	Up 1.5%
Earnings before interest and tax (EBIT)	22,413	21,118	Up 6.1%
Profit before tax	15,660	15,009	Up 4.3%
Capital Employed	147,335	148,862	Down 1.0%
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EBIT/Sales	2.5%	2.4%	
Return on capital employed (ROCE)	30.4%	28.4%	

The Healthcare business has continued to maintain above average market growth with sales up 1.5% from the corresponding period last year, compared to a total market decline of 0.41% (based on IMS data). The total wholesale market has been negatively affected as a result of the impact of the Cox2 Inhibitor market and the growth in directly distributed generic pharmaceuticals. Maintaining this growth in the Healthcare business during this difficult period is testament to the strength of the underlying business.

A significant initiative during the year was the launch of the new pharmacy banner, Amcal Max. The first pilot store was successfully opened in Queensland in August. The initial pilot has an improved retail offering that has contributed to considerable sales growth for both the pharmacy and Sigma. Further stores are to be launched in Melbourne in October and November, followed by further fine-tuning and an extensive roll out thereafter.

Sigma has also used the Amcal Max experience to refresh the Amcal and Guardian brands.

