



ASX Code: SIP

16 September 2010

ASX ANNOUNCEMENT

Market Update

On 16 August 2010, Sigma Pharmaceuticals Limited (Sigma) announced that it had agreed in principle to sell its Pharmaceuticals Division to the Aspen Pharmacare Holdings group of companies (Aspen) for A\$900m. The agreed terms are non-binding and subject to formal documentation, other than Sigma agreeing to deal with Aspen exclusively until 15 October 2010.

Negotiation of formal transaction documentation is currently progressing. Sigma has retained Deloitte Corporate Finance Pty Ltd to provide an independent expert's report to be included with the explanatory booklet and notice of meeting to be provided to Sigma shareholders, with the expectation of holding an Extraordinary General Meeting in early November (if the sale proceeds).

Sigma is also currently completing the preparation of its financial statements for the half year ending on 31 July 2010. Under the relevant accounting standards Sigma is required to review the carrying value of its relevant cash generating units, which includes the Pharmaceuticals Division. Despite final agreement with Aspen not yet being reached, as a consequence of accepting Aspen's proposal for the Pharmaceuticals Division (and after consultation with its auditors as to the timing of recognising the accounting implications of the sale) it is likely that Sigma will book an impairment of the carrying value of the Pharmaceutical Division in the range of \$220 to \$270 million in its forthcoming half year results.

This will have a material impact on Sigma's full year results. It is also likely to trigger the net asset covenant under Sigma's syndicated banking facility. Sigma has been in ongoing discussions with its lenders about the sale and the prospect of this adjustment, and continues to work constructively with them in relation to the provision of the relevant waivers required. Sigma intends to use part of the proceeds of the sale to significantly reduce Sigma's syndicated banking facility. Sigma's Board determined to accept the Aspen proposal to secure the Company's funding position into the future.

The assessment of carrying values is ongoing and subject to the final make up of assets sold to Aspen and review by the Company's Risk Management and Audit Committee, Board and auditors. More information will be provided in the half year financial statements, or as it becomes available. Sigma intends to release its half year financial statements on 29 September 2010.

Sue Morgan-Dethick
Company Secretary

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