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ACQUISITIONS EXCEED EXPECTATIONS

Sigma's acquisition of the Central Healthcare Services (CHS) and Discount Drug Store (DDS) businesses during 2014 has exceeded expectations announced at the time of the acquisition.

Sigma CEO and Managing Director Mark Hooper commented "When we announced the acquisition last year, we expected incremental \$400m in revenue and \$8m to \$10m in EBITDA. The first 12 months to June 2015 have proven more successful than anticipated due to the continued commitment of the CHS, Pharmasave and DDS teams. Pleasingly, we believe there is upside we can still achieve."

As previously announced, Sigma purchased CHS and DDS for an initial investment of \$49.9m, with the potential for a further payment at the completion of the earn-out period, being 30 June 2015. Sigma's 2015 accounts provided for this earn-out by including contingent consideration of \$37.4m based on the estimated earnings of the business. Earn-out calculations are currently being completed as part of the half-year ended 31 July 2015 preparation process. Given the sustainable success of these businesses, the actual final earn-out payable is likely to increase to between \$45.4m and \$47.4m. These figures are subject to audit review and Board sign-off. The additional earn-out consideration payable of \$8m to \$10m must be written-off as a one-off adjustment to the first half profit and loss accounts of Sigma.

Mr Hooper concluded "It is counter intuitive to write-off the additional consideration paid as a result of the investment being more successful than anticipated, but this is the quirk of the accounting standards we need to deal with. More importantly, the CHS, Pharmasave and DDS businesses continue to perform well and contribute to the growth of Sigma."

Sigma's 2016 half year results are scheduled to be announced on Thursday 10 September 2015.

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Background

CHS provides independent wholesale pharmacy services, is a supplier to hospitals, and owns the Pharmasave and Chemist King brands servicing 160 pharmacies. The DDS pharmacy brand originated out of Queensland, and now exceeds 140 branded pharmacies across Australia.